*This announcement is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities. This announcement does not constitute or form a part of any offer or solicitation to purchase or subscribe for securities in the United States. The securities have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), or the securities laws of any state of the United States or any other jurisdiction, and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Programme (as defined below) is being offered and sold only outside the United States in offshore transactions in compliance with Regulation S under the Securities Act. This announcement and the information contained herein are not for distribution, directly or indirectly, in or into the United States. No public offer of the securities referred to herein is being or will be made in the United States.*

This announcement and the listing document referred to herein have been published for information purposes only as required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and do not constitute an offer to sell nor a solicitation of an offer to buy any securities. Neither this announcement nor anything referred to herein (including the listing document) forms the basis for any contract or commitment whatsoever. *For the avoidance of doubt, the publication of this announcement and the listing document referred to herein shall not be deemed to be an offer of securities made pursuant to a prospectus issued by or on behalf of the Issuer (as defined below) for the purposes of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong nor shall it constitute an advertisement, invitation or document containing an invitation to the public to enter into or offer to enter into an agreement to acquire, dispose of, subscribe for or underwrite securities for the purposes of the Securities and Futures Ordinance (Cap. 571) of Hong Kong.*

Notice to Hong Kong investors: *The Issuer confirms that the Notes (as defined below) are intended for purchase by professional investors (as defined in Chapter 37 of the Listing Rules) only and the Programme has been, and the Notes (to the extent that they are to be listed on The Stock Exchange of Hong Kong Limited) will be, listed on The Stock Exchange of Hong Kong Limited on that basis. Accordingly, the Issuer confirms that the Notes is not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.*

PUBLICATION OF OFFERING CIRCULAR

兴业银行
INDUSTRIAL BANK CO.,LTD.

INDUSTRIAL BANK CO., LTD.

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

(THE "ISSUER")

U.S.$5,000,000,000 MEDIUM TERM NOTE PROGRAMME
(THE "PROGRAMME")

This announcement is issued pursuant to Rule 37.39A of the Listing Rules.

Reference is made to the notice of listing of the Programme on The Stock Exchange of Hong Kong Limited dated 5 August 2024 published by the Issuer.

The offering circular dated 5 August 2024 (the "**Offering Circular**") in relation to the Programme is appended to this announcement. As disclosed in the Offering Circular, any notes to be issued under the Programme (the "**Notes**") are intended for purchase by professional investors (as defined in Chapter 37 of the Listing Rules) only and the Programme has been, and the Notes (to the extent that they are to be listed on The Stock Exchange of Hong Kong Limited) will be, listed on The Stock Exchange of Hong Kong Limited on that basis.

Hong Kong, 6 August 2024

As at the date of this announcement, the directors of Industrial Bank Co., Ltd. are Mr. Lyu Jiajin, Mr. Chen Xinjian, Ms. Qiao Lijian, Mr. Zhu Kun, Mr. Chen Gongxian and Mr. Sun Xiongpeng; the independent directors are Mr. Ben Shenglin, Mr. Xu Lin, Ms. Wang Hongmei and Mr. Zhang Xuewen.

Appendix 1 — Offering Circular dated 5 August 2024

IMPORTANT NOTICE

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE ADDRESSEES PURCHASING THE SECURITIES OUTSIDE THE UNITED STATES IN ACCORDANCE WITH REGULATION S UNDER THE SECURITIES ACT (AS DEFINED BELOW) AND, IN CERTAIN CIRCUMSTANCES, ARE NON-U.S. PERSONS (AS DEFINED BELOW)

IMPORTANT: You must read the following before continuing. The following applies to the offering circular following this page (the "**Offering Circular**"), and you are therefore advised to read this carefully before reading, accessing or making any other use of the Offering Circular. In accessing the Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION, AND THE SECURITIES IN BEARER FORM ARE SUBJECT TO U.S. TAX LAW REQUIREMENTS. THE SECURITIES MAY NOT BE OFFERED, SOLD OR (IN THE CASE OF SECURITIES IN BEARER FORM) DELIVERED WITHIN THE UNITED STATES OR (IN THE CASE OF AN OFFERING OR SALE IN RELIANCE ON CATEGORY 2 OF REGULATION S UNDER THE SECURITIES ACT) TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND ALL APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES AND ANY OTHER JURISDICTION.

THIS OFFERING CIRCULAR MAY NOT BE DOWNLOADED, FORWARDED OR DISTRIBUTED, IN WHOLE OR IN PART, TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER, AND IN PARTICULAR, MAY NOT BE FORWARDED TO ANY U.S. ADDRESS OR TO ANY U.S. PERSON. ANY DOWNLOADING, FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORISED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES DESCRIBED THEREIN.

Confirmation of your Representation: In order to be eligible to view this Offering Circular or make an investment decision with respect to the securities, investors must be purchasing the securities outside the United States in an offshore transaction in reliance on Regulation S under the Securities Act. By accepting the e-mail and accessing the attached Offering Circular, you shall be deemed to have represented to Industrial Bank Co., Ltd. Hong Kong Branch, Bank of Communications Co., Ltd. Hong Kong Branch and Crédit Agricole Corporate and Investment Bank (the "**Arrangers**" or "**Dealers**") and Industrial Bank Co., Ltd. or such branch of Industrial Bank Co., Ltd. as specified in the applicable Pricing Supplement (each an "**Issuer**") (1) that you and any customers you represent are, and that the electronic mail address that you gave the Issuer and to which this e-mail has been delivered is not, located in the United States, its territories or possessions; (2) that you consent to delivery of the attached Offering Circular and any amendments or supplements thereto by electronic transmission; and (3) you are a person into whose possession this document may lawfully be delivered in accordance with the laws of the jurisdiction in which you are located.

You are reminded that this Offering Circular has been delivered to you on the basis that you are a person into whose possession this Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver or disclose the contents of this Offering Circular to any other person. You should not reply by e-mail to this notice, and you may not purchase any securities by doing so. Any reply by e-mail communications, including those you generate by using the "Reply" function on your e-mail software, will be ignored or rejected.

This Offering Circular does not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Dealers or any affiliate of the Dealers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Dealers or such affiliate on behalf of the Issuer in such jurisdiction.

This Offering Circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Issuer, the Arrangers, the Dealers and the Agents (as defined in the Offering Circular), nor any person who controls any of them, nor any director, officer, employee, nor agent of any of them, or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Offering Circular distributed to you in electronic format and the hard copy version available to you on request from the Arrangers or the Dealers.

You are responsible for protecting against viruses and other destructive items. Your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

Offering Circular dated 5 August 2024

兴业银行
INDUSTRIAL BANK CO.,LTD.

INDUSTRIAL BANK CO., LTD.

(a joint stock company incorporated in the People's Republic of China with limited liability)
(Shanghai Stock Exchange Stock Code: 601166)

US$5,000,000,000
Medium Term Note Programme

Under the US$5,000,000,000 Medium Term Note Programme described in this Offering Circular (the "**Programme**"), Industrial Bank Co., Ltd. (the "**Bank**") or such branch of the Bank as specified in the applicable Pricing Supplement (as defined in "*Summary of the Programme*") (each an "**Issuer**"), subject to compliance with all relevant laws, regulations and directives, may from time to time issue notes (the "**Notes**"). The aggregate nominal amount of Notes outstanding will not at any time exceed US$5,000,000,000 (or the equivalent in other currencies), subject to increases of the programme size made in accordance with the terms of an amended and restated dealer agreement dated 5 August 2024 (the "**Amended and Restated Dealer Agreement**").

The Notes may be issued on a continuing basis to or through one or more of the dealers specified under "*Summary of the Programme*" and any additional dealer appointed under the Programme from time to time by the Issuer (each a "**Dealer**" and together the "**Dealers**"), which appointment may be for a specific issue or on an ongoing basis. References in this Offering Circular to the "relevant Dealer" shall, in the case of an issue of Notes being (or intended to be) subscribed for or through by more than one Dealer, be to all Dealers agreeing to subscribe for or to procure subscribers for such Notes.

Investing in the Notes involves certain risks. See "*Risk Factors*" beginning on page 15.

Where applicable for a relevant Tranche (as defined in "**Summary of the Programme**") of Notes, registration will be completed by the Bank pursuant to the Administrative Measures for the Review and Registration of Medium- and Long-Term Foreign Debt of Enterprises (企業中長期外債審核登記管理辦法(國家發展和改革委員會令第56號)) issued by the National Development and Reform Commission of the People's Republic of China (the "**NDRC**", including its local counterparts) and effective from 10 February 2023 and/or any applicable implementation rules, reports, certificates or guidelines as may be issued by the NDRC from time to time ("**NDRC Administrative Measures**"), as set forth in the relevant Pricing Supplement. After the issuance of such relevant Tranche of Notes, the Bank intends to provide the requisite information and documents on the issuance of the Notes to the NDRC within the relevant prescribed timeframe after the issue date of such Tranche (each a "**NDRC Filing**" and together the "**NDRC Filings**") in accordance with the NDRC Administrative Measures, including but not limited to the NDRC Post-Issuance Filing.

Application has been made to The Stock Exchange of Hong Kong Limited (the "**SEHK**") for the listing of the Programme by way of debt issues to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) ("**Professional Investors**") only during the 12-month period after the date of this Offering Circular on the SEHK. This Offering Circular is for distribution to Professional Investors only.

Notice to Hong Kong investors: Each Issuer and the Bank confirm that the Notes are intended for purchase by Professional Investors only and the Programme and the Notes (to the extent such Notes are to be listed on the SEHK) will be listed on the SEHK on that basis. Accordingly, each Issuer and the Bank confirm that the Notes are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.

The SEHK has not reviewed the contents of this Offering Circular, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this document to Professional Investors only have been reproduced in this Offering Circular. Listing of the Programme or the Notes on the SEHK is not to be taken as an indication of the commercial merits or credit quality of the Programme, the Notes, the Bank (together with its subsidiaries, the "Group"), the Group or any Issuer or quality of disclosure in this Offering Circular. Hong Kong Exchanges and Clearing Limited and the SEHK take no responsibility for the contents of this Offering Circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Offering Circular.

The relevant Pricing Supplement in respect of the issue of any Notes will specify whether or not such Notes will be listed on the SEHK (or listed, traded or quoted on or by any other competent authority, other exchange or quotation system). Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of the Notes, the issue price of the Notes and any other terms and conditions not contained herein which are applicable to each Series (as defined in "Summary of the Programme") will be set out in the Pricing Supplement which, with respect to Notes to be listed on the SEHK, will be delivered to the SEHK, on or before the date of issue of such Series of Notes.

Each Tranche of Notes in bearer form ("**Bearer Notes**") will be represented on issue by a temporary global note in bearer form (each a "**Temporary Global Note**") or a permanent global note in bearer form (each a "**Permanent Global Note**" and, together with any Temporary Global Notes, the "**Global Notes**"). Notes in registered form ("**Registered Notes**") will be evidenced by certificates (each a "**Certificate**"), one Certificate being issued in respect of each Noteholder's entire holding of Registered Notes of one Series. The Global Notes and Certificates may be deposited on the relevant issue dates (a) in the case of a Series intended to be cleared through Euroclear Bank SA/NV ("**Euroclear**") and/or Clearstream Banking S.A. ("**Clearstream**"), with a common depositary on behalf of Euroclear and Clearstream or with a sub-custodian for the Central Moneymarkets Unit Service (the "**CMU**"), operated by the Hong Kong Monetary Authority, and (b) in the case of a Series intended to be cleared through a clearing system other than, or in addition to, Euroclear and/or Clearstream or the CMU, or delivered outside a clearing system, as agreed between the Issuer and the relevant Dealer(s).

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act") or the securities laws of any state of the United States or other jurisdiction of the United States, and the Notes may include Bearer Notes that are subject to U.S. tax law requirements. The Notes may not be offered, sold, or, in the case of Bearer Notes, delivered within the United States or, in the case of Notes being offered or sold in reliance on Category 2 of Regulation S under the Securities Act, to, or for the account or the benefit of, U.S. persons (as defined in Regulation S under the Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and all applicable securities laws of any state of the United States and any other jurisdiction. Registered Notes are subject to certain restrictions on transfer. See "Subscription and Sale".

The Issuer may agree with any Dealer that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes herein (the "**Conditions**"), in which event a supplementary Offering Circular, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Notes.

The Programme is expected to be rated "Baa2" by Moody's Investors Service, Inc. ("**Moody's**") and BBB by Fitch Ratings Ltd. ("**Fitch**"). Tranches of Notes to be issued under the Programme may be rated or unrated. Where a Tranche of Notes is to be rated, such rating will not necessarily be the same as the rating assigned to the Programme. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction, revision or withdrawal at any time by the assigning rating agency.

Arrangers and Dealers

Industrial Bank Co., Ltd.
Hong Kong Branch

Bank of Communications

Crédit Agricole CIB

The date of this Offering Circular is 5 August 2024

NOTICE TO INVESTORS

This Offering Circular includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Bank, each Issuer and the Group. The Bank and each Issuer accept full responsibility for the accuracy of the information contained in this Offering Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

No person has been authorised to give any information or to make any representation other than those contained in this Offering Circular in connection with the issue or sale of the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by any Issuer, the Bank or any of the Arrangers or the Dealers or the Agents (as defined in "*Terms and Conditions of the Notes*"). Neither this Offering Circular nor any other information supplied in connection with the Programme or any Notes should be considered as a recommendation by any Issuer, the Bank, any Arranger, any Dealer or the Agents that any recipient of this Offering Circular or any other information supplied in connection with the Programme or any Notes should purchase any Notes. This Offering Circular does not take into account the objectives, financial situation or needs of any potential investor. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the relevant Issuer and the Bank. Neither this Offering Circular nor any other information supplied in connection with the Programme or the issue of any Notes constitutes an offer or invitation by or on behalf of any Issuer, the Bank, any Arranger, any Dealer or the Agents to any person to subscribe for or to purchase any Notes.

Neither the delivery of this Offering Circular nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Bank and its subsidiaries since the date hereof or the date upon which this Offering Circular has been most recently amended or supplemented or that there has been no adverse change in the financial position of the Bank since the date hereof or the date upon which this Offering Circular has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

The distribution of this Offering Circular and the offering or sale of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by each Issuer, the Bank, the Arrangers, the Dealers or the Agents to inform themselves about and to observe any such restriction.

The Notes have not been and will not be registered under the Securities Act or the securities laws of any state of the United States or other jurisdiction of the United States, and the Notes may include Bearer Notes that are subject to U.S. tax law requirements. The Notes are being offered and sold outside the United States in reliance on Regulation S and may not be offered, sold or, in the case of Bearer Notes, delivered within the United States or, in the case of Notes being offered or sold in reliance on Category 2 of Regulation S under the Securities Act, to, or for the account or the benefit of, U.S. persons, except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the Securities Act. For a description of these and certain further restrictions on offers, sales and transfers of Notes and distribution of this Offering Circular, see "*Subscription and Sale*".

This Offering Circular does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. None of the Issuers, the Bank, any Arranger, any Dealer and the Agents makes any representation to any investor in the Notes regarding the legality of its investment under any applicable law. The distribution of this Offering Circular and the offer or sale of Notes may be restricted by law in certain jurisdictions.

None of the Issuers, the Bank, the Arrangers, the Dealers and the Agents represents that this Offering Circular may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assumes any responsibility for facilitating any such distribution or offering. In particular, unless specifically indicated to the contrary in the applicable Pricing Supplement, no action has been taken by any Issuer, the Bank, the Arrangers, the Dealers or the Agents which is intended to permit a public offering of any Notes or distribution of this Offering Circular in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Offering Circular nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Offering Circular or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Offering Circular and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Offering Circular and the offer or sale of Notes in the United States, the European Economic Area (the "**EEA**"), the United Kingdom (the "**UK**"), Hong Kong, Singapore, the People's Republic of China and Japan. See "*Subscription and Sale*".

To the fullest extent permitted by law, none of the Arrangers, the Dealers and the Agents accepts any responsibility for the contents of this Offering Circular or for any other statement, made or purported to be made by an Arranger or a Dealer or any Agent or on its behalf in connection with any Issuer, the Bank or the issue and offering of the Notes. Each Arranger, each Dealer and each Agent accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Offering Circular or any such statement. Neither this Offering Circular nor any financial statements of the Bank or the Group is intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Issuers, the Bank, the Arrangers, the Dealers or the Agents that any recipient of this Offering Circular or any financial statements of the Bank or the Group should purchase the Notes. Each potential investor of Notes should determine for itself the relevance of the information contained in this Offering Circular and its purchase of Notes should be based upon such investigation as it deems necessary. The Arrangers, the Dealers and the Agents do not make any representation, warranty or undertaking, express or implied, as to the accuracy or completeness of the information contained herein. None of the Arrangers, the Dealers and the Agents undertakes to review the financial condition or affairs of the Issuers, the Bank or the Group during the life of the arrangements contemplated by this Offering Circular nor to advise any investor or potential investor in the Notes of any information coming to the attention of any of the Arrangers, the Dealers and the Agents.

From time to time, in the ordinary course of business, certain of the Arrangers, the Dealers and the Agents and their respective affiliates have provided advisory and investment banking services, and entered into other commercial transactions with the Bank and its affiliates, including commercial banking services, for which customary compensation has been received. It is expected that the Arrangers, the Dealers and the Agents and their respective affiliates will continue to provide such services to, and enter into such transactions, with the Bank and the Bank's affiliates in the future.

The Arrangers, the Dealers or certain of their respective affiliates may purchase Notes and be allocated Notes for asset management and/or proprietary purposes and not with a view to distribution.

In making an investment decision, each potential investor must rely on its own examination of the relevant Issuer, the Bank and the terms of the Notes being offered, including the merits and risks involved. The Issuers, the Bank, the Arrangers, the Dealers and the Agents do not make any representation regarding the legality of investment under any applicable laws.

Potential investors should be able to bear the economic risk of an investment in the Notes for an indefinite period of time.

In connection with the issue of any Tranche of Notes, one or more of the Dealers (or any person acting on behalf of any Stabilisation Manager(s)) may act as the stabilisation manager(s) (the "Stabilisation Manager(s)"). The identity of the Stabilisation Manager(s) (if any) will be disclosed in the relevant Pricing Supplement. In connection with the issue of any Tranche of Notes, one or

more of the Dealers named as Stabilisation Manager(s) (or any person acting on behalf of any Stabilisation Manager(s)) in the applicable Pricing Supplement may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilisation Manager(s) (or any person acting on behalf of any Stabilisation Manager(s)) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilisation Manager(s) (or any person acting on behalf of any Stabilisation Manager(s)) in accordance with all applicable laws and rules.

In the Offering Circular, unless otherwise specified, references to "**Hong Kong**" or "**HK**" are to the Hong Kong Special Administrative Region of the People's Republic of China; references to the "**PRC**" or "**China**" are to the People's Republic of China and, for the purpose of this Offering Circular, excluding Taiwan, Hong Kong and the Macau Special Administration Region of the People's Republic of China; references to "**US$**" or "**U.S. dollars**" are to the lawful currency of the United States of America; references to "**Renminbi**" or "**RMB**" is to the lawful currency of the PRC; references to "**Hong Kong dollar**", "**HKD**" or "**HK$**" are to the lawful currency of Hong Kong.

For ease of reference, in this Offering Circular, unless otherwise indicated, the terms "gross loans and advances to customers", "loans" and "loans to customers" are used synonymously. For ease of reference, in this Offering Circular, unless otherwise indicated, the terms "due to customers" and "deposits" are used synonymously. In this Offering Circular, unless otherwise indicated, the discussions on loans are based on the Bank's gross loans and advances to customers, before taking into account the related allowance for impairment losses, rather than its net loans to customers.

Singapore SFA Product Classification: In connection with Section 309B of the Securities and Futures Act 2001 of Singapore (the "**SFA**") and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "**CMP Regulations 2018**"), unless otherwise specified before an offer of Notes, the Issuer has determined, and hereby notifies all persons (as defined in Section 309A(1) of the SFA), that the Notes are 'prescribed capital markets products' (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

MiFID II product governance/target market – The Pricing Supplement in respect of any Notes may include a legend entitled "MiFID II Product Governance" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the target market assessment; however, a distributor subject to Directive 2014/65/EU (as amended, "**MiFID II**") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance rules under EU Delegated Directive 2017/593 (the "**MiFID Product Governance Rules**"), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arrangers nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

UK MiFIR product governance/target market – The Pricing Supplement in respect of any Notes may include a legend entitled "UK MiFIR Product Governance" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration such target market assessment; however, a distributor subject to the FCA Handbook

Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the UK MiFIR Product Governance Rules, any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arrangers nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the UK MiFIR Product Governance Rules.

Important – EEA Retail Investors – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; (ii) a customer within the meaning of Directive (EU) 2016/97 (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (the "**Prospectus Regulation**"). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

Important – UK Retail Investors – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the UK. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**"); (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the "**FSMA**") and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of the Prospectus Regulation as it forms part of domestic law by virtue of the EUWA (the "**UK Prospectus Regulation**"). Consequently, no key information document required by the PRIIPs Regulation as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

Notice to capital market intermediaries and prospective investors pursuant to paragraph 21 of the Hong Kong SFC Code of Conduct – Important Notice to Prospective Investors: Prospective investors should be aware that certain intermediaries in the context of certain offerings of Notes pursuant to this Programme, each such offering, a "**CMI Offering**", including certain Dealers, may be "capital market intermediaries" (together, the "**CMIs**") subject to Paragraph 21 of the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission (the "**SFC Code**"). This notice to prospective investors is a summary of certain obligations the SFC Code imposes on such CMIs, which require the attention and cooperation of prospective investors.

Certain CMIs may also be acting as "overall coordinators" (together, the "**OCs**") for a CMI Offering and are subject to additional requirements under the SFC Code. The application of these obligations will depend on the role(s) undertaken by the relevant Dealer(s) in respect of each CMI Offering.

Prospective investors who are the directors, employees or major shareholders of the relevant Issuer, the Bank, a CMI or its group companies would be considered under the SFC Code as having an association (an "**Association**") with the relevant Issuer, the Bank, the CMI or the relevant group company. Prospective investors associated with the relevant Issuer, the Bank or any CMI (including its group companies) should specifically disclose this when placing an order for the relevant Notes and should disclose, at the same time, if such orders may negatively impact the price discovery process in relation to the relevant CMI Offering. Prospective investors who do not disclose their Associations are hereby deemed not to be so associated. Where prospective investors disclose their Associations but do not disclose that such order may negatively impact the price discovery process in relation to the relevant CMI Offering, such order is hereby deemed not to negatively impact the price discovery process in relation to the relevant CMI Offering.

Prospective investors should ensure, and by placing an order prospective investors are deemed to confirm, that orders placed are bona fide, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMIs). A rebate may be offered by the to all private banks for orders they place (other than in relation to Notes subscribed by such private banks as principal whereby it is deploying its own balance sheet for onward selling to investors), payable upon closing of the relevant CMI Offering based on the principal amount of the Notes distributed by such private banks to investors. Private banks are deemed to be placing an order on a principal basis unless they inform the CMIs otherwise. As a result, private banks placing an order on a principal basis (including those deemed as placing an order as principal) will not be entitled to, and will not be paid, the rebate. Details of any such rebate will be set out in the applicable Pricing Supplement or otherwise notified to prospective investors. If a prospective investor is an asset management arm affiliated with any relevant Dealer(s), such prospective investor should indicate when placing an order if it is for a fund or portfolio where the relevant Dealer(s) or its group company has more than 50 per cent. interest, in which case it will be classified as a "proprietary order" and subject to appropriate handling by CMIs in accordance with the SFC Code and should disclose, at the same time, if such "proprietary order" may negatively impact the price discovery process in relation to the relevant CMI Offering. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not a "proprietary order". If a prospective investor is otherwise affiliated with any relevant Dealer(s), such that its order may be considered to be a "proprietary order" (pursuant to the SFC Code), such prospective investor should indicate to the relevant Dealer(s) when placing such order. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not a "proprietary order". Where prospective investors disclose such information but do not disclose that such "proprietary order" may negatively impact the price discovery process in relation to the relevant CMI Offering, such "proprietary order" is hereby deemed not to negatively impact the price discovery process in relation to the relevant CMI Offering.

Prospective investors should be aware that certain information may be disclosed by CMIs (including private banks) which is personal and/or confidential in nature to the prospective investor. By placing an order, prospective investors are deemed to have understood and consented to the collection, disclosure, use and transfer of such information by the relevant Dealer(s) and/or any other third parties as may be required by the SFC Code, including to the relevant Issuer, the Bank, any OCs, relevant regulators and/or any other third parties as may be required by the SFC Code, it being understood and agreed that such information shall only be used for the purpose of complying with the SFC Code, during the bookbuilding process for the relevant CMI Offering. Failure to provide such information may result in that order being rejected.

Presentation of Financial Information

This Offering Circular contains the Bank's consolidated financial information as at and for the years ended 31 December 2021, 2022 and 2023.

The Bank's consolidated financial information as at and for the years ended 31 December 2021, 2022 and 2023 is derived from the Bank's audited consolidated financial statements as at and for the years ended 31 December 2022 and 2023 (the "**Audited Financial Statements**").

The Audited Financial Statements have been prepared and presented in accordance with the Accounting Standards for Business Enterprises in China ("**PRC GAAP**"). The Audited Financial Statements have been audited by KPMG Huazhen LLP, in accordance with China Standards on Auditing for Certified Public Accountants. PRC GAAP differs in certain respects from International Financial Reporting Standards ("**IFRS**"). See "*Summary of Certain Differences Between PRC GAAP and IFRS*".

The Audited Financial Statements have been prepared in Chinese. The English translation of the Audited Financial Statements (the "**Financial Statements Translation**") has been prepared and included in this Offering Circular for reference only. The Financial Statements Translation does not itself constitute audited or reviewed financial statements. Neither the Arrangers, the Dealers, the Agents nor any of their respective affiliates, directors and advisers has independently verified or checked the accuracy of the Financial Statements Translation and can give no assurance that the information contained in the Financial Statements Translation is accurate, truthful or complete. Potential investors must exercise caution when using such financial information to evaluate the Group's financial condition and results of operations.

Solely for convenience, this Offering Circular contains translations of certain Renminbi amounts into U.S. dollar amounts at specified rates. Unless indicated otherwise, the translation of Renminbi amounts into U.S. dollar amounts has been made at the rate of RMB7.0999 to US$1.00, the noon buying rate in New York City for cable transfers payable in Renminbi as certified for customs purposes by the Federal Reserve Bank of New York on 29 December 2023 as set forth in the H.10 statistical release of the Federal Reserve Board. Investors should not construe these translations as representations that the Renminbi amounts could actually be converted into any U.S. dollar at the rates indicated or at all.

In this Offering Circular, certain amounts have been rounded and totals of columns or rows of numbers in tables may not be equal to the apparent total of the individual items. Therefore, actual numbers may differ from those contained herein due to rounding.

Documents Incorporated by Reference

This Offering Circular should be read and construed in conjunction with each relevant Pricing Supplement and all amendments and supplements from time to time to this Offering Circular, which shall be deemed to be incorporated in, and to form part of, this Offering Circular and which shall be deemed to modify or supersede the contents of this Offering Circular to the extent that a statement contained in any such document is inconsistent with such contents.

The information incorporated by reference is considered to be a part of this Offering Circular. Each document incorporated by reference is current only as of the date of such document, and the incorporation by reference of such documents shall not create any implication that there has been no change in the Group's affairs since the date thereof or that the information contained therein is current as of any time subsequent to its date.

Any documents incorporated by reference in the documents incorporated by reference in this Offering Circular shall not form part of this Offering Circular.

Copies of all such documents which are so deemed to be incorporated in, and to form part of, this Offering Circular will be available free of charge during usual business hours on any weekday (except Saturday, Sunday and public holidays) from the specified offices of the Bank and of the Fiscal Agent (as defined below) set out at the end of this Offering Circular.

Supplemental Offering Circular

The Bank has given an undertaking to the Arrangers and the Dealers that if it has notified the Arrangers or the Dealers in writing that it intends to issue Notes under the Programme for the time being, and if a significant new factor, material mistake or inaccuracy arises or is noted relating to the information included in the Offering Circular which is capable of affecting an assessment by investors of the financial position, results of operation and prospects of the Bank, any relevant Issuer and/or of the rights attaching to the Notes, it shall (i) prepare and publish an amendment or supplement to the Offering Circular (the "**Supplemental Offering Circular**"), (ii) advise the Arrangers and the Dealers promptly of any proposal to amend or replace the Offering Circular, (iii) advise the Arrangers and the Dealers promptly of any proposal to supplement the Offering Circular and (iv) provide the Arrangers and the Dealers with a copy of any such proposed amendment, supplement or replacement immediately prior to its publication.

Forward-looking Statements

Certain statements in this Offering Circular constitute "forward-looking statements". All statements other than statements of historical facts included in this Offering Circular, including, but without limitation, those regarding the financial position, business strategy, prospects, capital expenditure and investment plans of the Group and the plans and objectives of the Group's management for its future operations (including development plans and objectives relating to the Group's operations), and any statement preceded by followed, by or including "believe", "expect", "plan", "anticipate", "schedule", "estimate", "may", "will", "would", "could", "aim", "intend", "project", "potential", "future", "seek", "should" and similar words or expressions, or the negative thereof, are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results or performance of the Group to differ materially from those expressed or implied by such forward-looking statements. Reliance should not be placed on these forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Group's present and future business strategies and the environment in which the Group will operate in the future.

Important factors that could cause the actual performance or achievements of the Group to differ materially from those in the forward-looking statements include, among others, the following:

- the Group's business plan, strategies, objectives and goals and its ability to successfully implement these strategies;
- future developments, trends and conditions in the industry and markets in which the Group operates;
- the competitive markets for the Group's products and the actions and development of its competitors;
- general political and economic conditions, including those related to the PRC;
- the regulatory environment of the PRC and the industry in which the Group operates;
- the Group's ability to reduce costs;
- fluctuations in the Group's commissions and fees;
- the Group's dividend policy;
- exchange rate fluctuations and developing legal systems, in each case pertaining to the PRC and the industry and markets in which the Group operates;
- changes to the Group's expansion plans and estimated capital expenditures; and
- macroeconomic measures taken by the PRC government to manage economic growth.

Each Issuer and the Bank expressly disclaims any obligation or undertaking to release any updates or revisions to any forward-looking statements contained herein to reflect any change in each Issuer's, the Bank's or the Group's expectations with regard thereto or any change of events, conditions or circumstances, on which any such statements were based. This Offering Circular discloses, under "*Risk Factors*" and elsewhere, important factors that could cause actual results to differ materially from the Bank's expectations. All subsequent written and forward-looking statements attributable to any Issuer or the Bank or persons acting on behalf of any Issuer or the Bank are expressly qualified in their entirety by such cautionary statements.

TABLE OF CONTENTS

DEFINITIONS AND CONVENTIONS

In this Offering Circular, unless the context otherwise requires, the following terms shall have the meanings set out below.

"Additional Tier 1 Capital"	has the meaning given to Additional Tier 1 Capital (其他一級資本) (or any equivalent or successor term) in the Capital Management Rules
"Basel III"	the latest Basel Capital Accord promulgated in December 2010 and January 2011
"Capital Adequacy Measures"	the Administrative Measures on the Capital Adequacy Ratio of Commercial Banks (商業銀行資本充足率管理辦法), which was promulgated by the CBIRC on 23 February 2004, became effective on 1 March 2004 and was repealed on 1 January 2013
"Capital Adequacy Ratio"	has the meaning given to it in the Capital Management Rules
"Capital Management Rules"	the Measures on Capital Management of Commercial Banks (商業銀行資本管理辦法) issued by the NFRAC on 16 October 2023, which became effective on 1 January 2024 (as amended from time to time)
"CBIRC"	China Banking and Insurance Regulatory Commission (中國銀行保險業監督管理委員會), a regulatory authority formed via the merger of the CBRC and CIRC according to the Notice of the State Council regarding the Establishment of Organisations (國務院關於機構設置的通知) (Guo Fa [2018] No. 6) issued by the State Council on 24 March 2018, and, if the context requires, includes its predecessors, namely the CBRC and CIRC
"CBRC"	China Banking Regulatory Commission (中國銀行業監督管理委員會), which was merged with the CIRC to form the CBIRC according to the Notice of the State Council regarding the Establishment of Organisations (國務院關於機構設置的通知) (Guo Fa [2018] No. 6) issued by the State Council on 24 March 2018
"China" or the "PRC"	the People's Republic of China but, for the purpose of this Offering Circular only and except where the context requires, references in this Offering Circular to "China" and the "PRC" do not include Hong Kong, the Macau Special Administrative Region and the region of Taiwan
"CIRC"	China Insurance Regulatory Commission (中國保險業監督管理委員會), which was merged with the CBRC to form the CBIRC according to the Notice of the State Council regarding the Establishment of Organisations (國務院關於機構設置的通知)(Guo Fa [2018] No. 6) issued by the State Council on 24 March 2018
"Clearstream"	Clearstream Banking S.A.
"Core Tier 1 Capital"	has the meaning given to Core Tier 1 Capital (核心一級資本) (or any equivalent or successor term) in the Capital Management Rules

"Core Tier 1 Capital Adequacy Ratio"	as at any date has the meaning given to Core Tier 1 Capital Adequacy Ratio (核心一級資本充足率) (or any equivalent or successor term) in the Capital Management Rules, being the ratio of Core Tier 1 Capital of the Bank as of such date to the Risk Weighted Assets of the Bank as of the same date, expressed as a percentage
"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會)
"Equator Principles"	a risk management framework, adopted by financial institutions, for determining, assessing and managing environmental and social risk in project finance
"Euroclear"	Euroclear Bank SA/NV
"FDI"	Foreign Direct Investment
"FSMA"	Financial Services and Markets Act 2000 of the United Kingdom
"GDP"	gross domestic product
"HIBOR"	the Hong Kong Interbank Offered Rate, a daily reference rate published by the Hong Kong Association of Banks
"HKMA"	Hong Kong Monetary Authority
"Major Commercial Banks"	Agricultural Bank of China Limited, Bank of China Limited, Bank of Communications Co., Ltd., China Construction Bank Corporation, and Industrial and Commercial Bank of China Limited, collectively
"MOF"	Ministry of Finance of the PRC (中華人民共和國財政部)
"MOFCOM"	Ministry of Commerce of the PRC (中華人民共和國商務部)
"Moody's"	Moody's Investors Service Limited
"Nationwide Joint-Stock Commercial Banks"	China CITIC Bank Corporation Limited, China Everbright Bank Co., Ltd., Huaxia Bank Co., Limited, China Guangfa Bank Co., Ltd., Ping An Bank Co., Ltd. (formerly named as Shenzhen Development Bank Co., Ltd.), China Merchants Bank Co., Ltd., Shanghai Pudong Development Bank Co., Ltd., Industrial Bank Co., Ltd., China Minsheng Bank Corp., Ltd., Evergrowing Bank Co., Ltd., Zheshang Bank Co. Ltd. and China Bohai Bank Co., Ltd., collectively
"NDRC"	the National Development and Reform Commission (中華人民共和國國家發展和改革委員會)
"NFRA"	National Financial Regulatory Administration (國家金融監督管理總局)
"PBOC"	People's Bank of China (中國人民銀行), the central bank of the PRC
"QDII(s)"	qualified domestic institutional investor(s) in the PRC, which are licensed by the CSRC to invest in foreign securities markets

"QFII(s)"	qualified foreign institutional investor(s) licensed by the CSRC to invest in Renminbi-denominated shares listed on China's domestic securities exchanges
"Regulation S"	Regulation S under the Securities Act
"SAFE"	State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (as amended from time to time)
"SHIBOR"	the Shanghai Interbank Offered Rate
"State Council"	the State Council of the PRC (中華人民共和國國務院)

SUMMARY OF THE BANK

The summary below is only intended to provide a limited overview of the information described in more detail elsewhere in this Offering Circular. As it is a summary, it does not contain all of the information that may be important to investors and terms defined elsewhere in this Offering Circular shall have the same meanings when used in this summary. Prospective investors should therefore read this Offering Circular in its entirety.

OVERVIEW

The Bank is an established, strongly competitive, nationwide joint-stock commercial bank incorporated on 22 August 1988 with its headquarters in Fujian Province, China. It was among the first batch of commercial banks approved by the State Council and PBOC at the state level. Through its nationwide and diversified distribution channels, the Bank provides a wide range of wholesale and personal banking and other financial products and services to its corporate and personal customers. The Bank ranked 16th in terms of tier 1 capital among the candidate banks in 2024 and ranked 26th in terms of brand value among the "Top 500 Global Bank Brands in 2023" by the British magazine "*The Banker*". The Bank was also awarded the "Bank of the Year in 2023" in China by "*The Banker*". The Bank was listed on the Shanghai Stock Exchange under stock code "601166" in February 2007.

Over the past few decades, the Bank has developed a comprehensive and universal banking platform licensed to provide traditional banking, trust, futures, financial leasing, fund management, financing research and consultation services to its customers. The Bank believes that its strong capability to offer a broad range of comprehensive services to customers nationwide has transformed it from a regional bank into a national commercial bank with significant asset scale. As at 31 December 2021, 2022 and 2023, the Bank had total assets of RMB8,603,024 million, RMB9,266,671 million and RMB10,158,326 million, respectively, and its loans and advances to customers totalled RMB4,310,306 million, RMB4,869,879 million and RMB5,333,483 million, respectively. According to the annual financial information as at and for the year ended 31 December 2022 published by China Banking Association, the Bank was ranked eighth in terms of core tier 1 capital.

The Bank serves its customers through its nationwide and diversified distribution channels, comprising physical branches and outlets and digital platforms. As at 31 December 2023, the Bank had 45 branches, including the Hong Kong Branch, and 2,089 outlets in the PRC. In addition to its domestic presence, the Bank had 1,174 correspondence banks across 92 countries and regions. Leveraging its advanced information technology, the Bank established an e-Banking network to provide all-time access to its services around the globe.

The Bank values innovation and is dedicated to developing innovative financial services and products to adapt to the evolving market environment and to meet the changing needs of its customers. The Bank has introduced a number of "first-of-its-kind" financial products that have received positive responses from its corporate and personal customers. In addition to traditional banking products and services, the Bank develops and provides green financing for its customers in renewable energy, carbon emission reduction, water resource utilisation and protection and wastewater treatment industries. In 2021, the Bank was awarded the "2020 China Outstanding Enterprise Award for Social Responsibility" (2020中國社會責任杰傑出企業獎) by the 2020 China Corporate Social Responsibility Cloud Summit. The Bank was awarded the "Best Green Finance Bank of the Year" (年度最佳綠色金融銀行獎) by *Asiamoney* in 2020. In 2019, the Bank was awarded the "Largest Green Bond Offering in Emerging Countries" by *The Climate Bonds Initiative*. Furthermore, the Bank places significant emphasis on social responsibility and was awarded the "Annual Best Financial Institution with Social Responsibility" (年度最具社會責任金融機構獎) for seven consecutive years from 2011 to 2017. According to the latest ESG rating published by MSCI in 2023, the Bank was upgraded from Level A to Level AA, maintaining its exclusive position as the top-rated bank in the PRC banking industry for five consecutive years.

The Bank is dedicated to establishing and improving its risk management capabilities to monitor, assess and manage credit, market, liquidity and operational risks. The Bank has set up a three-level risk management structure, comprising its business departments, functional and risk management department and internal audit office. In addition, the Bank has established procedures for independent credit assessment, approval and monitoring to identify and reduce its exposure to high credit risk areas and to improve the quality of its loan portfolio. As at 31 December 2023, the Bank's non-performing loan ratio was 1.07 per cent., which was lower than the average non-performing loan ratio of 1.59 per cent. of all PRC commercial banks reported by NFRA.

With its international expansion strategy, the Bank established its Hong Kong Branch in January 2014. The Hong Kong Branch is positioned as the Bank's primary offshore investment and financing platform offering comprehensive financial services to overseas and local Hong Kong customers. The Hong Kong Branch currently provides financial services including settlement of cross-border transactions, offshore merger and acquisition financing, syndicated loans and private banking services.

The Bank's financial performance and strengths have steadily developed over the past decades. For the years ended 31 December 2021, 2022 and 2023, the Bank's net profit was RMB83,816 million, RMB92,414 million, RMB77,654 million, respectively. The Bank's total assets and net profit attributable to equity holders have more than doubled from 2011 to 2023.

The tables below set forth certain key financial indicators of the Bank as at and for the periods ended as at the indicated dates:

	Year ended 31 December		
	2021	**2022**	**2023**
	(RMB in million, except for percentage)		
Net Profit	83,816	92,414	77,654
Return on average total assets (per cent.) [(1)]	1.02	1.03	0.80
Return on average equity (per cent.) [(2)]	13.94	13.85	10.64
Non-interest income to operating income (per cent.) [(3)]	34.15	34.67	30.51
Cost to income ratio (per cent.) [(4)]	25.68	29.37	29.97

Notes:

(1) Return on average total assets = net profit for the period/average total assets. Average total assets = (total assets at the beginning of the period + total assets at the end of the period)/2.
(2) Return on average equity = net profit attributable to ordinary shareholders of the Bank for the period/average equity attributable to ordinary shareholders of the Bank.
(3) Non-interest income to operating income = non-interest income/operating income.
(4) Cost to income ratio = (total operating expenses business tax and levies impairment loss)/operating income.

	As at 31 December		
	2021	**2022**	**2023**
	(RMB in million, except for percentage)		
Total assets	8,603,024	9,266,671	10,158,326
Total liabilities	7,908,726	8,509,373	9,350,607
Gross loans and advances to customers	4,428,183	4,982,887	5,460,935
Tier 1 Capital Adequacy Ratio (per cent.)	11.22	11.08	10.93
Core Tier 1 Capital Adequacy Ratio (per cent.)	9.81	9.81	9.76
Non-performing loan ratio (per cent.)	1.10	1.09	1.07
Provision coverage ratio (per cent.)	268.73	236.44	245.21

COMPETITIVE STRENGTHS

The Bank believes that the following are its key competitive strengths:

- An established and strongly competitive national commercial bank with innovation capabilities;

- A universal banking platform providing comprehensive modern financial services and synergy to grow its business and improve its profitability;

- A bank with strong cost control capability;
- A bank with prudent and comprehensive risk management and solid asset quality;
- Significant business growth and solid capital base with strong support from its largest shareholder;
- An experienced management team;
- A bank with a clear strategic objective; and
- A bank with deep cultural heritage.

BUSINESS STRATEGIES

The Bank aims to transform itself into a modern financial services institution with its comprehensive financial licenses. It aims to strengthen its risk management and focus on business innovation to attain sustainable development and realise increased profitability and solid asset quality. The Bank intends to achieve these goals through the following strategies:

- Enhancing intra-bank synergy to satisfy customers' increasingly diversified needs for integrated financial services;
- Adhering to the Bank's globalisation strategy;
- Continuing to improve business and operating model to achieve sustainable growth;
- Proactively addressing customers' needs by continuing its focus on product and business model innovation;
- Continuing to strengthen the risk management system to maintain solid asset quality;
- Continuing to invest in information technology infrastructure and to utilise advanced technology to support the Bank's growing business;
- Continuing to enhance employee management to promote sustainable development; and
- Focusing on five major tracks to foster steady and high-quality development.

RECENT DEVELOPMENTS

Unaudited Quarterly Results of the Group

The Bank published the unaudited consolidated interim results of the Group ("**Unaudited Quarterly Results**") as at and for the three months ended 31 March 2024 together with the comparative figures for the corresponding period in 2023 on the Shanghai Stock Exchange on 26 April 2024. The Unaudited Quarterly Results were based on the Group's internal records and management accounts. For the three months ended 31 March 2024, the Group's total operating income increased as compared to the corresponding period in 2023, while its net profit decreased primarily due to increases in impairment charges. As at 31 March 2024, the total assets and the total liabilities of the Group increase as compared to 31 December 2023. For the three months ended 31 March 2024, the Group's net cash flow from operating activities decreased, primarily due to the decrease in cash inflow from customer deposits and from transactions with the central bank and other financial institution.

The Unaudited Quarterly Results have not been reviewed or audited by independent auditors of the Group and should not be relied upon by investors to provide the same quality of information associated with information that has been subject to an audit or review. None of the Issuer, the Bank, the Arrangers, the Dealers and the Agents, nor any person who controls any of them, nor any director, officer, employee, nor agent of any of them, or affiliate of any such person makes any representation, warranty or undertaking, express or implied of, or accepts any responsibility or liability with respect to the Unaudited Quarterly Results. The Unaudited Quarterly Results are historical in nature and past performance is not a guarantee of future performance. The Unaudited Quarterly Results are not included in and do not form part of this Offering Circular.

Resignation of the Secretary of the Board and Appointment of the New Secretary of the Board

On 28 March 2024, the Bank published an announcement on the website of Shanghai Stock Exchange in relation to the resignation of Mr. Hua Bing (華冰) as the Secretary of the board of directors of the Bank (the "**Board of Directors**") with effect from 27 March 2024. Mr. Xia Weichun (夏維淳) was elected to be the Secretary to the Board of Directors in the meeting of the Board of Directors in March 2024, and will officially assume duties after receiving the requisite approval from the NFRA. On 28 June 2024, the Bank announced that the Board of Directors has designated Mr. Sun Xiongpeng (孫雄鵬), a director and vice president of the Bank to act as the Secretary to the Board of Directors before Mr. Xia officially assume duties. For details of Mr. Xia's biography, see "*Directors, Supervisors and Senior Management — Senior Management*".

SUMMARY OF THE PROGRAMME

The following summary is qualified in its entirety by the remainder of this Offering Circular. Words and expressions defined in "Terms and Conditions of the Notes" below shall have the same meaning in this summary.

The Bank	Industrial Bank Co., Ltd.
Issuer	The Bank, or such branch of the Bank as specified in the applicable pricing supplement (a "**Pricing Supplement**").
Description	Medium Term Note Programme.
Size	Up to US$5,000,000,000 (or the equivalent in other currencies at the date of issue) aggregate nominal amount of Notes outstanding at any one time. The Bank may increase the amount of the Programme in accordance with the terms of the Amended and Restated Dealer Agreement.
Risk Factors	Investing in Notes issued under the Programme involves certain risks. There are certain factors that may affect the Bank and any Issuer's ability to fulfil its obligations under Notes issued under the Programme, as well as certain factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme, which are set out under the "*Risk Factors*" section below. The Notes may not be a suitable investment for all investors, certain risks relating to the structure of particular Series of Notes, certain market risks and, among others, certain risks relating to the Bank and the markets where its businesses are conducted are also discussed under the "*Risk Factors*" section below.
Arrangers	Industrial Bank Co., Ltd. Hong Kong Branch, Bank of Communications Co., Ltd. Hong Kong Branch and Crédit Agricole Corporate and Investment Bank.
Dealers	Industrial Bank Co., Ltd. Hong Kong Branch, Bank of Communications Co., Ltd. Hong Kong Branch and Crédit Agricole Corporate and Investment Bank. The Bank may from time to time terminate the appointment of any dealer under the Programme or appoint one or more additional dealers either in respect of one or more Tranches or in respect of the whole Programme. The Issuer may from time to time appoint one or more additional dealers in respect of one or more Tranches. References in this Offering Circular to "Permanent Dealers" are to the persons listed above as Dealers and to such additional persons that are appointed as dealers in respect of the whole Programme (and whose appointment has not been terminated) and to "Dealers" are to all Permanent Dealers and all persons appointed as a dealer in respect of one or more Tranches.
Paying Agent	Citibank, N.A., London Branch.
Transfer Agent	Citibank, N.A., London Branch.

Calculation Agent	To be appointed on a per Series basis.
Registrar	Citibank, N.A., London Branch.
Fiscal Agent and CMU Lodging and Paying Agent	Citigroup International Limited.
Method of Issue	The Notes may be issued on a syndicated or non-syndicated basis. The Notes may be issued in series (each a "**Series**") having one or more issue dates (each tranche within such Series, a "**Tranche**"), the Notes of each Series being intended to be interchangeable with all other Notes of that Series. The specific terms of each Tranche (which will be supplemented, where necessary, with supplemental terms and conditions and, save in respect of the issue date, issue price, first payment of interest and nominal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be set out in the Pricing Supplement.
Issuer Price	Notes may be issued at their nominal amount or at a discount or premium to their nominal amount. Partly Paid Notes may be issued, the issue price of which will be payable in two or more instalments.
Form of Notes	Notes may be issued in bearer form ("**Bearer Notes**") or in registered form ("**Registered Notes**"). Registered Notes will not be exchangeable for Bearer Notes and vice versa. Each Tranche of Bearer Notes will initially be in the form of either a Temporary Global Note or a Permanent Global Note, in each case as specified in the relevant Pricing Supplement. Each Global Note will be deposited on or around the relevant issue date with a common depositary or sub-custodian for Euroclear, Clearstream and/or, as the case may be, the CMU and/or any other relevant clearing system. Each Temporary Global Note will be exchangeable for a Permanent Global Note or, if so specified in the relevant Pricing Supplement, for definitive Notes. If the TEFRA D Rules are specified in the relevant Pricing Supplement as applicable, certification as to non-U.S. beneficial ownership will be a condition precedent to any exchange of an interest in a Temporary Global Note or receipt of any payment of interest in respect of a Temporary Global Note. Each Permanent Global Note will be exchangeable for definitive Notes in accordance with its terms. Definitive Notes will, if interest-bearing, have Coupons attached and, if appropriate, a Talon for further Coupons. Each Tranche of Registered Notes will be evidenced by Certificates, one Certificate being issued in respect of each Noteholder's entire holding of Registered Notes of one Series. Certificates evidencing Registered Notes that are registered in the name of a nominee for one or more clearing systems are referred to as "Global Certificates". Registered Notes sold in an "offshore transaction" within the meaning of Regulation S will initially be evidenced by a Global Certificate.

Clearing Systems	Clearstream, Euroclear, the CMU and, in relation to any Tranche, such alternative clearing system as may be agreed between the Issuer, the Fiscal Agent and the relevant Dealers and, as applicable, the Registrar.
Initial Delivery of Notes	On or before the issue date for each Tranche, the Global Note representing Bearer Notes or the Global Certificate evidencing Registered Notes may be deposited with a common depositary for Euroclear and Clearstream or deposited with a sub-custodian for the HKMA as operator of the CMU or deposited with a depositary or sub-custodian for any other alternative clearing system or may be delivered outside any clearing system provided that the method of such delivery has been agreed in advance by the Issuer, the Fiscal Agent and the relevant Dealers and, as applicable, the Registrar. Registered Notes that are to be credited to one or more clearing systems on issue will be registered in the name of, or in the name of nominees or a common nominee for, such clearing systems.
Currencies	Subject to compliance with all relevant laws, regulations and directives, Notes may be issued in any currency agreed between the Issuer and the relevant Dealers.
Maturities	Subject to compliance with all relevant laws, regulations and directives, any maturity.
Specified Denomination	Notes will be in such denominations as may be specified in the relevant Pricing Supplement, subject to compliance with all relevant laws, regulations and directives.
Interest	Notes may be interest-bearing or non-interest bearing. Interest (if any) may accrue at a fixed rate or a floating rate or other variable rate or be index-linked and the method of calculating interest may vary between the issue date and the maturity date of the relevant Series. All such information will be set out in the relevant Pricing Supplement.
Redemption and Redemption Amounts	The relevant Pricing Supplement will specify the basis for calculating the redemption amounts payable. Unless permitted by then current laws and regulations, Notes (including Notes denominated in pound sterling) which must be redeemed before the first anniversary of their date of issue and in respect of which the issue proceeds are to be accepted by the Issuer in the UK or whose issue would otherwise constitute a contravention of Section 19 of the Financial Services and Markets Act 2000 must have a minimum redemption amount of £100,000 (or its equivalent in other currencies).
Optional Redemption	The Pricing Supplement issued in respect of each issue of Notes will state whether such Notes may be redeemed prior to their stated maturity at the option of the Issuer (either in whole or in part) and/or the holders and, if so, the terms applicable to such redemption.

Status of the Notes	The Notes constitute direct, unconditional, unsubordinated and unsecured obligations of the Bank and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Notes shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4(a), at all times rank at least equally with all other unsecured and unsubordinated indebtedness and monetary obligations of the Issuer, present and future.
Events of Default	See "*Terms and Conditions of the Notes — Events of Default*".
Cross Default	See the relevant sub-condition under "*Terms and Conditions of the Notes — Events of Default*".
Ratings	The Programme is expected to be rated "Baa2" by Moody's and BBB by Fitch. Series of Notes will be rated or unrated. Where a Series of Notes is to be rated, such rating will be specified in the relevant Pricing Supplement. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.
Early Redemption	Except as provided in "Optional Redemption" above, Notes will be redeemable at the option of the Issuer prior to maturity only for tax reasons. See "*Terms and Conditions of the Notes — Redemption, Purchase and Options*".
Withholding Tax	All payments of principal and interest in respect of the Notes will be made free and clear of withholding taxes of the PRC and, if a branch of the Bank is the Issuer, its jurisdiction, subject to customary exceptions, all as described in "*Terms and Conditions of the Notes — Taxation*".
Governing Law	English law.
Listing	Application has been made to the SEHK for the listing of the Programme, under which Notes may be issued by way of debt issues to Professional Investors only during the 12-month period after the date of this Offering Circular on the SEHK. Unlisted Notes may also be issued. The applicable Pricing Supplement will state whether or not the relevant Notes are to be listed and, if so, on which stock exchange(s). Notes to be listed on the SEHK will be traded on the SEHK in a board lot size of at least HK$500,000 (or its equivalent in other currencies).
Selling Restrictions	For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of offering material in the United States, the EEA, the UK, Hong Kong, Singapore, the PRC and Japan, see "*Subscription and Sale*" below.

SUMMARY HISTORICAL FINANCIAL INFORMATION OF THE BANK

The following tables set forth the summary consolidated financial information of the Bank as at and for the periods indicated.

The Bank's consolidated financial information as at and for the years ended 31 December 2021, 2022 and 2023 was derived from the Audited Financial Statements which have been prepared and presented in accordance with PRC GAAP. The Audited Financial Statements have been audited by KPMG Huazhen LLP, in accordance with China Standards on Auditing for Certified Public Accountants. The Bank's summary consolidated financial information as at and for the years ended 31 December 2021, 2022 and 2023 should be read in conjunction with the Financial Statements Translation and the notes thereto included elsewhere in this Offering Circular. PRC GAAP differs in certain respects from IFRS. See "Summary of Certain Differences Between PRC GAAP and IFRS".

Summary Consolidated Statements of Comprehensive Income

	Year ended 31 December		
	2021	**2022**	**2023**
	(RMB in million) *(audited)*	**(RMB in million)** *(audited)*	**(RMB in million)** *(audited)*
Interest income	315,158	328,746	349,079
Interest expense	(169,479)	(183,473)	(202,576)
Net Interest Income	**145,679**	**145,273**	**146,503**
Fee and commission income	47,567	49,462	33,119
Fee and commission expense	(4,887)	(4,421)	(5,364)
Net fee and commission Income	**42,680**	**45,041**	**27,755**
Investment income	28,478	30,222	30,699
Gains (losses) from changes in fair values	2,178	(631)	4,139
Foreign exchange gains	1,001	1,292	421
Income (losses) from asset disposal	(10)	9	20
Other Income	**613**	**483**	**652**
Other operating income	617	685	642
Operating Income	**221,236**	**222,374**	**210,831**
Operating expenses	(126,037)	(116,212)	(126,691)
Operating profit	**95,199**	**106,162**	**84,140**
Non-operating income	286	227	328
Non-operating expenses	(175)	(168)	(139)
Total profit	**95,310**	**106,221**	**84,329**
Income tax expense	(11,494)	(13,807)	(6,675)
Net profit	**83,816**	**92,414**	**77,654**
Attributable to:			
— Equity holders of the Bank	82,680	91,377	77,116
— Minority interest	1,136	1,037	538

Summary Consolidated Statements of Financial Position

	As at 31 December		
	2021	2022	2023
	(RMB in million) *(audited)*	(RMB in million) *(audited)*	(RMB in million) *(audited)*
Assets:			
Cash and balances with Central Bank	447,446	442,403	418,569
Deposits with banks and other financial institutions	66,251	94,114	185,906
Precious metals	156	113	5,669
Placements with banks and other financial institutions	351,822	352,043	363,172
Derivative financial assets	34,460	35,253	43,679
Financial assets held under resale agreements	141,131	56,537	200,065
Loans and advances to customers	4,310,306	4,869,879	5,333,483
Financial investment:			
Trading assets	909,794	999,855	957,708
Debt investments	1,601,030	1,607,026	1,801,346
Other debt investments	484,624	548,007	572,585
Other equity investments	3,148	3,453	3,836
Finance lease receivables	103,957	107,224	114,677
Long-term equity investments	3,732	4,046	3,872
Fixed assets	26,060	28,571	28,867
Construction in progress	2,775	2,571	1,970
Right-of-use assets	9,581	9,566	9,863
Intangible assets	883	986	1,087
Goodwill	532	532	532
Deferred tax assets	49,146	54,873	58,046
Other assets	56,190	49,619	53,394
Total assets	**8,603,024**	**9,266,671**	**10,158,326**
Liabilities:			
Borrowing from Central Bank	95,777	94,621	307,064
Deposits from banks and other financial institutions	1,710,879	1,628,254	1,852,978
Placements from banks and other financial institutions	173,778	277,268	349,494
Trading liabilities	47,830	49,578	12,946
Derivative financial liabilities	38,847	34,967	43,279
Financial assets sold under repurchase agreements	265,576	353,626	416,568
Deposits from customers	4,355,748	4,788,754	5,217,064
Employee benefits payable	24,783	30,395	33,300
Tax payable	12,767	13,122	6,423
Provisions	4,085	7,050	6,344
Debt securities issued	1,120,116	1,158,007	1,029,525
Lease liabilities	9,053	9,296	9,659
Deferred tax liabilities	163	348	179
Other liabilities	49,324	64,087	65,784
Total liabilities	**7,908,726**	**8,509,373**	**9,350,607**
Shareholders' equity:			
Share capital	20,774	20,774	20,774
Other equity instruments	88,960	88,960	88,960
Including: preferred shares	55,842	55,842	55,842
Perpetual bonds	29,960	29,960	29,960
Equity component of convertible corporate bonds	3,158	3,158	3,158
Capital reserve	74,914	74,909	74,759
Other comprehensive income	2,859	(724)	1,239
Surplus reserve	10,684	10,684	10,684
General reserve	97,944	108,957	120,118
Retained earnings	387,976	442,627	479,690
Equity attributable to equity holders of the Bank	684,111	746,187	796,224
Non-controlling interests	10,187	11,111	11,495
Total shareholders' equity	**694,298**	**757,298**	**807,719**
Total liabilities and shareholders' equity	**8,603,024**	**9,266,671**	**10,158,326**

Capital Ratio Data of the Bank

	As at 31 December		
	2021	2022	2023
Capital Adequacy Indicators			
Calculated in accordance with the Capital Regulations: [1]			
Capital Adequacy Ratio (per cent.)	14.39	14.44	14.13
Tier 1 Capital Adequacy Ratio (per cent.)	11.22	11.08	10.93
Core Tier 1 Capital Adequacy Ratio (per cent.)	9.81	9.81	9.76

Notes:

(1) Ratios as at 31 December 2021, 2022 and 2023 are calculated in accordance with the Capital Management Rules and other relevant regulations. See "*Banking Regulation and Supervision in the PRC*".

Other Financial Indicators[1]

	Year ended 31 December			
	Regulatory standard	2021	2022	2023
Loan-to-deposit ratio (converted to RMB) [2]	≤75	95.60	96.21	97.79
Liquidity ratio (total of RMB and foreign currency)	≥25	56.26	64.45	54.82
Percentage of loans to the largest single customer[3]	≤10	1.52	1.95	1.84
Percentage of loans to the top 10 customers[4]	≤50	9.53	10.65	12.25
Migration ratio of pass loans	—	1.49	1.61	1.66
Migration ratio of special mention loans	—	24.64	27.46	40.33
Migration ratio of substandard loans	—	57.98	73.76	76.39
Migration ratio of doubtful loans	—	56.29	77.96	84.69

Notes:

(1) Data in this table are those before consolidation, and data of Industrial Bank Financial Leasing Co., Ltd., China Industrial International Trust Limited, CIB Fund Management Co., Ltd., Industrial Bank Wealth Management Co., Ltd. and Industrial Consumer Finance Co., Ltd. are not included in this table. Data in this table are calculated based on data reported to regulatory authorities. Among which, the migration ratio of loans was calculated according to the Notice on Revising the Definition and Calculation Formula of Basic Indicators for Off-site Supervision of the Banking Industry issued by CBIRC in 2022 with corresponding adjustment to the data for previous period. As at 31 December 2023, migration ratios of normal loans, special mention loans, substandard loans and doubtful loans calculated on the basis of original standard were 2.45 per cent., 33.64 per cent., 66.97 per cent. and 73.17 per cent., respectively.

(2) Calculated by dividing total loans and advances to customers by due to customers.

(3) Calculated by dividing loans and advances to the 10 largest customers by net capital base.

(4) Calculated by dividing loans to top 10 customers by net capital base.

RISK FACTORS

Prior to making any investment decision, prospective investors should consider carefully all of the information contained in this Offering Circular, including the risks and uncertainties described below. The Bank's business, financial condition or results of operations could be materially adversely affected by any of these risks. The Bank believes that the following factors may affect its ability to fulfil its obligations under the Notes. Additional considerations and uncertainties not presently known to the Bank or which the Bank currently deem immaterial may also have an adverse effect on an investment in the Notes. All of these factors are contingencies which may or may not occur and the Bank is not in a position to express a view on the likelihood of any such contingency occurring.

Factors which the Bank believes may be material for the purpose of assessing the market risks associated with the Notes are described below. The Bank believes that the factors described below represent the principal risks inherent in investing in the Notes, but its inability to repay principal, pay interest (if any) or other amounts or fulfil other obligations on or in connection with the Notes may occur for other reasons and it does not represent that the statements below regarding the risks of holding the Notes are exhaustive.

RISKS RELATING TO THE BANK'S LOAN PORTFOLIO

The Bank has a concentration of loans to certain industries, regions and customers and, if the conditions of these regions or these industries, or the financial conditions of these customers deteriorate significantly, the Bank's asset quality, financial condition and results of operations may be materially and adversely affected.

As at 31 December 2023, the Bank's loans and advances to China's (i) manufacturing, (ii) leasing and commercial services, (iii) real estate and (iv) retail and wholesale industries represented approximately 13.3 per cent., 11.6 per cent., 8.0 per cent. and 5.2 per cent., respectively, of its total loans. Any significant downturn in these industries may lead to a significant increase in the non-performing loans of the Bank, and negatively affect the level of new lending or refinancing of existing loans to borrowers in those industries. This may in turn materially and adversely affect the Bank's asset quality, financial condition and results of operations.

As China has experienced a slowdown in its manufacturing industry and economic growth in recent years, the Bank's non-performing loan ratio to the manufacturing industry and the retail and wholesale industry have fluctuated. As at 31 December 2021, 2022 and 2023, the Bank's ratio of non-performing loans to the retail and wholesale industries was 4.51 per cent., 4.29 per cent. and 3.66 per cent., respectively. Continued deterioration in the performance of these two industries may further increase the Bank's non-performing loan ratio and adversely affect its overall asset quality.

In addition, the PRC central and local governments have introduced a large number of policies and measures to control the over-development of certain industries with excess capacity, such as wind power equipment, steel, cement, coal, chemical and flat glass. Many enterprises operating in these industries have experienced increasing financial stress or difficulty due to their deteriorating financial condition and cash flow and increasing industry competition. Although the Bank closely monitors its lending to companies in the relevant industries, there is no guarantee that the Bank's overall asset quality will not be affected. The Bank's overall asset quality is also affected by the performance of the PRC's real estate market due to its home mortgages and other loans secured by real property collateral granted to real estate developers and retail property purchasers. As at 31 December 2023, the Bank's loans and advances to the real estate industry, which were primarily granted to real estate developers represented 8.0 per cent., of its total loans and its non-performing ratio of these loans was 0.84 per cent. As at 31 December 2023, the Bank's home mortgage loans represented 54.44 per cent. of its outstanding balance of personal loans. A downturn in the PRC's real estate market may materially and adversely affect the quality of the Bank's existing loans and its ability to generate new loans, which in turn could have a material adverse effect on the Bank's asset quality, financial condition and results of operations.

As at 31 December 2023, 26.4 per cent. of the Bank's total outstanding loans originated in Western and Central China. Although the Bank believes that these regions currently benefit from favourable government policies, the economic conditions in these regions are poorer as compared to those in the coastal regions of Eastern China and Southern China, and their economic growth has been slower compared to other regions in China. These favourable economic policies may change or discontinue in the future and they may not be as effective as the Bank anticipates. Any significant economic downturn in any of these regions, or any inaccurate assessment or failure in the management of the credit risks relating to loans granted to borrowers located or operating in such regions, whether due to changes in government policies or otherwise, may materially and adversely affect the Bank's asset quality, particularly its non-performing loans, and thus its financial condition and results of operations.

Furthermore, the Bank also provides loans to small and medium-sized enterprises ("**SMEs**"). The loans to SMEs are, compared to its other loans, generally more vulnerable to the adverse impact of certain factors such as natural disasters and economic slowdown. The Bank adopted a number of measures to manage these risks, such as imposing stricter requirements on approving credit applications and charging higher interest rates, but there can be no assurance that these measures will effectively reduce or eliminate the risks relating to such customers. If the Bank's loans to SMEs deteriorate, its asset quality, financial condition and results of operations may be materially and adversely affected.

If the Bank is unable to effectively maintain the quality of its loan portfolio, its financial condition and results of operations may be materially and adversely affected.

As at 31 December 2021, 2022 and 2023, the Bank's non-performing loans amounted to RMB48.7 billion, RMB54.5 billion and RMB58.5 billion, respectively, and the Bank's non-performing loan ratio was 1.10 per cent., 1.09 per cent. and 1.07 per cent., respectively. From 2021 to 2023, the general increase in the Bank's non-performing loans was primarily due to an increase in its loans and advances to its customers and an adverse change in the macroeconomic economic conditions in the PRC which the Bank believes affected its customers' ability to repay its loans. However, during the same period, the Bank's non-performing loan ratio decreased due to the Bank's adoption of a number of measures to manage risks, including imposing heightened monitoring of asset quality and establishing asset control system for risky projects.

The quality of the Bank's loan portfolio may deteriorate in the future due to various reasons, including factors beyond the Bank's control, such as reform of the PRC economy, the PRC government's initiative to control overcapacity in certain industries, a slowdown in the PRC or global economies, a relapse of the global credit crisis, adverse macroeconomic trends in China and other parts of the world and the occurrence of natural disasters, all of which could impair the ability of the Bank's borrowers to service their outstanding debt. Inflation in China may cause rising costs and negatively impact the profitability of the Bank's corporate customers, which in turn may lead to significant increases in the Bank's allowance made for impaired loans. Any actual or perceived deterioration in creditworthiness of counterparties, declines in property prices in many third- and fourth-tier cities in China and resulting reduction in collateral values, higher unemployment rates or reduced profitability of corporate borrowers may also cause the Bank's asset quality to deteriorate and in turn lead to significant increases in allowance made for impaired loans. If the Bank's non-performing loans or the allowance made for impaired loans increase in the future, the results of its operations and financial condition may be materially and adversely affected. In addition, the Bank's ability to maintain its growth also depends largely on its ability to effectively manage its credit risk and maintain or improve the quality of its loan portfolio. There is no assurance that the Bank's credit risk management policies, procedures and systems are effective or free from deficiency. Failure of the Bank's credit risk management policies, procedures and systems may result in an increase in its non-performing loans and adversely affect the quality of its loan portfolio.

The Bank's allowance for impairment losses may not be sufficient to cover the actual losses on its loan portfolio in the future.

As at 31 December 2021, 2022 and 2023, the Bank's allowance for impairment losses on loans was RMB130.9 billion, RMB128.8 billion and RMB143.4 billion, respectively. For the same periods, the ratio of its allowance for impairment losses to total loans was 3.0 per cent., 2.6 per cent. and 2.6 per cent., respectively and the ratio of its allowance for impairment losses to non-performing loans was 268.73 per cent., 236.44 per cent. and 245.21 per cent., respectively. The allowance for impairment losses is based on the Bank's current assessment of, and expectations concerning, various factors affecting the quality of its loan portfolio. These factors include, among other things, borrowers' financial condition, repayment ability and repayment intention, the realisable value of any collateral, the ability of the guarantors of the borrowers to fulfil their obligations and the implementation of the Bank's credit policies, as well as China's economy, macroeconomic policies, interest rates, exchange rates, and legal and regulatory environments. Many of these factors are beyond the Bank's control, and therefore its assessment and expectations on these factors may differ from future developments. The adequacy of the Bank's allowance for impairment losses depends on the reliable application of its risk assessment system to estimate these potential losses, as well as its ability to accurately collect, process and analyse the relevant statistical data. If the Bank's assessment of, and expectations concerning, the factors that affect the quality of its loan portfolio differ from actual developments, the Bank's allowance for impairment losses may not be adequate to cover its actual losses and the Bank may need to make additional provisions for impairment losses, which may reduce its profit and therefore materially and adversely affect its asset quality, financial conditions and results of operations.

The collateral and guarantees securing the Bank's loans may not be sufficient, and the Bank may be unable to realise the full value of the collateral and guarantees in a timely manner or at all.

A significant portion of the Bank's loans is secured by collateral or guarantees. As at 31 December 2023, 35.35 per cent. and 7.33 per cent. of its total loans were secured by mortgages and pledges, respectively, and 24.56 per cent. of its total loans were guaranteed.

The pledged collateral securing the Bank's loans includes, among other things, bonds or equity securities. The mortgages securing the Bank's loans primarily comprise real properties and other assets located in China. The value of the collateral securing its loans may significantly fluctuate or decline due to factors beyond the Bank's control, including macroeconomic factors affecting the PRC economy. For example, a downturn in China's real estate market may result in a decline in the value of the real properties securing the Bank's loans to levels significantly below the outstanding principal and interest balances of such loans. Any decline in the value of such collateral may reduce the amounts the Bank can recover from such collateral and increase its impairment losses.

Some of the Bank's loans were guaranteed by the borrowers' affiliates. A significant deterioration in the financial condition of the guarantors could significantly decrease the amounts the Bank recovers under the relevant guarantees. Moreover, a court or other judicial or governmental authorities may declare a guarantee to be invalid or otherwise decline or fail to enforce such guarantees. The Bank is therefore exposed to the risk that it may not be able to recover all or any part of the amounts guaranteed in respect of its loans.

In China, the procedures for liquidating or otherwise realising the value of collateral in the form of non-monetary assets may be protracted and it may be difficult to enforce claims in respect of such collateral. For example, in accordance with Provisions of the Supreme People's Court on Several Issues Concerning the Handling of Enforcement Opposition and Reconsideration Cases by People's Courts (最高人民法院關於人民法院辦理執行異議和復議案件若干問題的規定), effective from 1 January 2021, the PRC courts cannot evict a borrower or his or her dependents from his or her residence during the three-month grace period after a court approves a bank's petition to foreclose. In addition, under certain circumstances, the Bank's rights to the collateral securing its loans may have lower priority than certain other rights.

As a result, it may be difficult and time-consuming for the Bank to take control of or liquidate the collateral securing non-performing loans. If the Bank is unable to liquidate the assets of borrowers and guarantors or if guarantors fail to fully perform their guarantee obligations on a timely basis, its business, financial condition and results of operations may be materially and adversely affected.

The Bank's loan classification and provisioning policies may be different in certain respects from those applicable to banks in certain other countries or regions.

The Bank classifies its loans using a five-category loan classification system in accordance with the guidelines set forth by the PRC regulators. The five categories are normal, special mention, substandard, doubtful and loss. The Bank assesses its loans for impairment, determines a level of allowance for impairment losses and recognises any related provisions made in a year using the five-category classification system. Although the Bank's loan classification criteria are in compliance with the guidelines set forth by the PRC regulatory authorities, certain aspects of its loan classification criteria may not be the same as those adopted by other PRC commercial banks. As a result, the Bank's loan classification and impairment provisioning policies may differ from those reported by international banks incorporated in those countries or regions.

If the Bank does not maintain the growth of its loan portfolio, its business, prospects, financial condition and results of operations may be materially and adversely affected.

The Bank's gross loans and advances to customers have grown significantly in the past few years, increasing to RMB5,460.9 billion as at 31 December 2023 from RMB4,982.8 billion as at 31 December 2022 and RMB4,428.2 billion as at 31 December 2021. The growth in the Bank's loan portfolio during the period was primarily attributable to its efforts to expand corporate and retail banking businesses. The growth of its loan portfolio may also be affected by various factors, such as China's macroeconomic policies and capital constraints. Therefore, there can be no assurance that the Bank will be able to maintain the growth rate of its loan portfolio in the future. In addition, in response to the constraints from the amount of its regulatory capital, the Bank may adopt strategies to reduce its reliance on its loan portfolio and expand its activities in other businesses that require relatively lower capital. Any of the foregoing factors could impact the growth of its loan portfolio and thereby materially and adversely affect its business, prospects, financial condition and results of operations.

Deterioration in the debt repayment abilities of local government financing vehicles to which the Bank extended loans may materially and adversely affect the Bank's asset quality, financial condition and results of operations.

Loans extended to the financing vehicles of local governments in China have been a part of the loan portfolio for China's commercial banks. According to the NFRA, local government financing vehicles consist primarily of government-led vehicles and vehicles whose shares are controlled by the government. These vehicles primarily engage in infrastructure and urban development projects, economic development zones, industrial parks and other government investment related projects, of which the risks are highly correlated with the financial strength of the local governments. The Bank extends loans primarily to local government financing vehicles for infrastructure and urban development projects as well as those vehicles relating to land reserve centres, economic development zones, industry parks or state asset management companies Within China's administrative division system, the recipients of these loans generally rank at or above the district city level. The Bank primarily issues loans to local government financing vehicles that have completed market-based restructuring in accordance with relevant PRC regulations. The loans are mainly invested in developed domestic economic regions or key development regions, such as the Yangtze River Delta, Fujian, Sichuan and Chongqing.

Recently, with the aim of reinforcing the risk management of loans to local government financing vehicles, the State Council, the NFRA and the PBOC, along with several other PRC regulatory authorities promulgated a series of notices, guidelines and other regulatory documents to direct PRC banks and other financial institutions to optimise and strengthen their risk management measures regarding their loans to local government financing vehicles. While the Bank has taken various measures to reduce the risks of default such as setting clear thresholds for its loans to local government financing vehicles and enhancing the mortgages and guarantees on such loans, unfavourable developments in macroeconomic conditions, adverse changes to the financial condition of local governments or other factors may adversely affect the debt repayments of these local government financing vehicles, which may in turn materially and adversely affect the Bank's asset quality, financial condition and results of operations.

RISKS RELATING TO THE BANK'S BUSINESS

The Bank faces certain risks relating to its operational reform initiatives.

The Bank continues to develop and implement a number of operational reform initiatives in an effort to become more competitive and customer-oriented, including those relating to re-engineering its business process and organisational structure. For example, (i) the Bank has revamped its corporate banking products and services, targeting growth in value-added products and services such as asset management, cash management and investment banking business; (ii) it has prioritised the development of retail banking business, through implementing operational reform of branch outlets, streamlining business procedures and increasing investments in the distribution channels and IT system; and (iii) it has focused on product innovations in order to achieve greater customer satisfaction. There can be no assurance that the Bank will be able to achieve the results it expects in the future due to a number of factors, including:

- it may not have sufficient experience or expertise to successfully manage and continue implementing these operational reform initiatives;
- it may not have sufficient and effective management systems and information technology systems to support the implementation of these operational reform initiatives according to its contemplated schedule or at all; and
- changes in government policies or banking regulations may adversely affect the schedule for implementing, or the Bank's ability to implement, these operational reform initiatives.

There is no assurance that the Bank is able to successfully implement these reform initiatives or, if implemented, these initiatives will achieve the benefits or within its schedule as expected, if at all. If the Bank is unable to control these risks associated with its reform initiatives, the Bank's business, prospects, financial condition and results of operations could be materially and adversely affected.

If the Bank is not effective in implementing enhanced risk management and internal control policies and procedures and introducing certain information technology systems to assist with its risk management and internal control, its business and prospects may be materially and adversely affected.

The Bank has in the past suffered from credit-quality problems, lapses in credit approval and control processes, internal control deficiencies and operational problems as a result of weaknesses in its risk management controls. The Bank has significantly enhanced its risk management and internal control policies and procedures in recent years in an effort to improve its risk management capabilities and enhance its internal control. However, there can be no assurance that the Bank's risk management and internal control policies and procedures will adequately control, or protect it against, all credit and other risks. Some of these risks are yet to be identified by the Bank, and may be unforeseeable or higher than what it originally expected or the historical level. In addition, given the short history of certain aspects of its risk management and internal control policies and procedures, the Bank will require additional time to implement these policies and procedures and fully measure the impact of, and evaluate the compliance with, these policies and procedures. Moreover, the Bank's staff will require time to adjust to these policies and procedures and there is no assurance that its employees will be able to consistently comply with or correctly apply these policies and procedures.

The Bank's risk management capabilities are limited by the information, tools or technologies available to it. For example, it may not be able to effectively monitor credit risk due to limited information resources or tools. In recent years, the Bank has introduced or refined certain risk management tools and systems to assist it in better managing risks, including the internal credit rating system, the assets and liabilities management system, the internal funds transfer pricing system, the treasury trading and risk management system and the Bank's credit management system. However, its ability to operate such systems and to monitor and analyse the effectiveness of such systems is still subject to continuous testing. The Bank is also still in the process of further developing information systems to manage certain aspects of risk management, such as automated systems for the collection of certain information relating to connected party transactions and group lending.

If the Bank is not effective in improving its risk management and internal control policies, procedures and systems, or if the intended results of such policies, procedures or systems are not achieved in a timely manner or to the full extent, its asset quality, business, financial condition and results of operations may be materially and adversely affected.

The Bank's expanding range of products, services and business activities exposes it to new risks.

The Bank has been increasing its product development efforts and expanding the range of its products and services to meet the needs of its customers and to enhance its competitiveness.

Expansion of its business activities exposes the Bank to a number of risks and challenges, including:

- insufficient experience or expertise in certain new products and services, which may prevent it from effectively competing in these areas;
- imitation or replication of its new products and services by its competitors;
- failure of its new products and services to be accepted by its customers or meet the expected targets;
- inability to hire additional qualified personnel or to hire personnel on commercially reasonable terms;
- insufficient financial, operational, management and other human resources to support its expanded range of products and services;
- inability to obtain regulatory approvals for its new products or services; and
- unsuccessful attempts to enhance its risk management and internal control capabilities and information technology systems to support a broader range of products and services.

If the Bank is not able to successfully expand into or grow new products, services and related business areas due to these risks or to achieve the intended results with respect to the new products and services, its business, financial condition and results of operations may be materially and adversely affected.

The Bank may face difficulties in meeting regulatory requirements relating to capital adequacy.

The Bank is required by the PRC Commercial Banking Law to maintain a minimum Capital Adequacy Ratio of eight per cent., and under the Measures on Capital Management Rules promulgated by the NFRA, the Bank's minimum common equity Core Tier 1 Capital Adequacy Ratio and Tier 1 Capital Adequacy Ratio are five per cent. and six per cent., respectively. In accordance with the Measures on Capital Management of Commercial Banks (商業銀行資本管理辦法), the Bank's Core Tier 1 Capital Adequacy Ratio, Tier 1 Capital Adequacy Ratio and Capital Adequacy Ratio were 9.76 per cent., 10.93 per cent. and 14.13 per cent., respectively, as at 31 December 2023.

In recent years, the CBIRC has issued several regulations and guidelines governing capital adequacy requirements applicable to commercial banks in the PRC. See "*Banking Regulation and Supervision in the PRC*". Although the Bank is currently in compliance with the requirement for capital adequacy, new requirements and regulations may adversely affect the Bank's compliance with capital adequacy ratios requirements, and it is possible that the Bank may face difficulties in meeting the requirement of the regulations regarding capital adequacy and that new requirements and regulations will also affect the Bank's funding needs.

In addition, some regulatory developments may affect the Bank's ability to continually comply with capital adequacy requirements, including the raising of minimum capital adequacy ratios by the NFRA and the changes in calculations of capital adequacy ratios by the NFRA. If any of these circumstances occurs, the Bank may be unable to comply with the regulatory requirements of the NFRA.

In order to support its steady growth and development, the Bank may need to raise more capital to ensure that its capital complies with or exceeds the minimum regulatory requirement. In its future plans to raise capital, the Bank may issue any share securities that can contribute towards core capital or any debt securities that can contribute towards supplementary capital. The Bank's capital-raising ability may be restricted by the Bank's future business, financial condition and results of operations, the Bank's credit rating, necessary regulatory approvals and overall market conditions, including Chinese and global economic, political and other conditions at the time of capital raising.

There is no assurance that the Bank will be able to detect money-laundering and other illegal or improper activities on a timely basis.

The Bank is required to comply with applicable anti-money laundering and anti-terrorism laws and regulations in the jurisdictions where it has operations, primarily the PRC and Hong Kong. These laws and regulations require the Bank to adopt and implement "know-your-customer" policies and procedures and to report suspicious and large transactions to the regulatory authorities under relevant regulatory regimes. The Bank has adopted and implemented certain policies and procedures with an aim to detect and prevent the use of its business platforms to facilitate money-laundering activities and terrorist acts. Given the complexity of money-laundering activities and other illegal or improper activities and evolution of applicable regulatory regimes, there is no assurance that those policies and procedures can effectively ensure the Bank's compliance under applicable anti-money laundering and anti-terrorism laws and regulations at all times or in a timely manner. As the Bank implements its international business expansion, it expects that it will need to comply with additional and more stringent regulations in the jurisdictions into which it expects to expand. To the extent that the Bank fails to fully comply with such laws and regulations or if the policies and measures the Bank puts in place fail to promptly detect illegal or improper activities in a timely manner, the relevant regulatory authorities may impose fines, other penalties and punishments on the Bank.

The Bank may not be able to detect and prevent fraud or other misconduct committed by its employees or third parties.

Fraud and other misconduct by employees or third parties may be difficult to detect and prevent and could subject the Bank to financial losses and sanctions imposed by governmental authorities and seriously harm its reputation. Types of possible misconduct by third parties against the Bank may include, among other things, fraud, theft and robbery. Types of misconduct by the Bank's employees in the past have included, among other things, improper extension of credit, unauthorised business transactions, business process in breach of the Bank's internal policies and procedures, inappropriate accounting treatment, theft, embezzlement or misappropriation of customer funds, fraud and bribery. In addition, the Bank's employees may commit errors or take improper actions that could subject the Bank to financial claims as well as regulatory actions. There can be no assurance that all of the employees of the Bank will comply with its risk management and internal control policies and procedures and it is not always possible to detect or prevent such activities. In addition, there can be no assurance that fraud or other misconduct, whether involving past acts that have gone undetected or future acts, will not have a material adverse effect on the reputation, results of operations and business prospects of the Bank, or that all of the employees of the Bank will comply with its risk management and internal control policies and procedures.

If the Bank fails to maintain the growth rate in its customer deposits or if there is a significant decrease in customer deposits, its business operations and liquidity may be materially and adversely affected.

Customer deposits are the Bank's primary source of funding. As at 31 December 2021, 2022 and 2023, the Bank's total customer deposits amounted to RMB4,355.7 billion, RMB4,788.8 billion and RMB5,217.1 billion, respectively. Although the Bank's customer deposits have been growing steadily since 2021, many factors affect the growth of deposits, some of which are beyond the Bank's control, such as economic and political conditions, availability of investment alternatives and retail customers' changing perceptions toward savings. For example, with the continuing development of China's capital markets, customers of the Bank may reduce their deposits and increase their investment in securities for a higher return. If the Bank fails to maintain the growth rate in its deposits or if a substantial portion of its depositors withdraw their deposits or do not roll over their time deposits upon maturity, the Bank's liquidity position, financial condition and results of operations may be materially and adversely affected. In such events, the Bank may need to seek more expensive sources of funding and there can be no assurance that it will be able to obtain additional funding on commercially reasonable terms as and when required.

The business of the Bank is highly dependent on the proper functioning and improvement of its information technology systems.

The Bank depends on its information technology systems to process transactions on an accurate and timely basis, and to store and process its business and operating data. The proper functioning of the Bank's financial control, risk management, credit analysis and reporting, accounting, customer service and other information technology systems, as well as the communication networks between its branches and main data processing centres, are critical to its business and ability to compete effectively. The Bank has built a dual disaster backup system with backup data recoverable from both the same and a different city. The Bank satisfies the internationally recognised standards and the requirements of the PBOC in relation to disaster recovery. The Bank's business activities would be materially disrupted if there is a partial or complete failure of any of the information technology systems or communication networks. Such failure can be caused by various reasons, including natural disasters, extended power outages, breakdown of key hardware systems and computer viruses. The proper functioning of the information technology systems of the Bank also depends on accurate and reliable data input and other sub-system installation, which are subject to human errors. Any failure or delay in recording or processing its transaction data could subject it to claims for losses and regulatory fines and penalties.

In addition, the secure transmission of confidential information is critical to the Bank's operations. Its networks and systems may be vulnerable to unauthorised access and other security problems. There can be no assurance that its existing security measures are able to prevent unforeseeable security breaches, including break-ins and viruses, or other disruptions such as those caused by defects in hardware or software and errors or misconduct of operators. Persons that circumvent the security measures could use the Bank's or its clients' confidential information wrongfully. Any material security breach or other disruptions could expose the Bank to risk of loss and regulatory actions and harm its reputation.

The competitiveness of the Bank would to some extent depend on its ability to upgrade its information technology systems on a timely and cost-effective basis. In addition, the information available to and received by it through the existing information technology systems may not be timely or sufficient for the Bank to manage risks and prepare for, and respond to, market changes and other developments in the current operating environment. Any substantial failure to improve or upgrade the information technology systems effectively or on a timely basis could materially and adversely affect the competitiveness, financial condition and results of operations of the Bank.

The Bank is subject to credit risk with respect to certain off-balance sheet commitments.

In the normal course of its business, the Bank makes commitments which, under applicable accounting principles, are not reflected as liabilities on the Bank's consolidated statement of financial position, including bank acceptances, loan commitments, guarantees and letters of credit to guarantee the performance of the customers. The Bank is subject to credit risks associated with these off-balance sheet commitments and is required to provide funds when its customers are unable to honour their obligations. If a customer of letters of guarantee fails to fulfil its obligations as stated in the letters of guarantee to the beneficiaries of such guarantees, the Bank will be obliged to make payments in respect of such letters of guarantee. If the Bank is unable to recover payment from its customers in respect of the commitments that it is called upon to fulfil, the financial condition and results of operations of the Bank could be materially and adversely affected.

The Bank's investment assets may suffer significant losses or experience sharp declines in their returns, which could have a material adverse effect on the Bank's business, financial condition and results of operations.

Apart from its businesses of taking deposits, providing loans, granting credit and providing financial services, the Bank also engages in a range of investment activities, such as investments in investment products under trust schemes, investment products managed by securities companies, wealth management products issued by other PRC commercial banks and other debt securities issued by financial institutions. The Bank's returns on investment securities and other financial assets, and its profitability, may be materially and adversely affected by interest rates, foreign exchange rates, credit and liquidity conditions, asset values and macroeconomic and geopolitical conditions. Any significant deterioration in one or more of these factors could reduce the value of, and the gains generated from, the Bank's investment securities and other financial assets portfolio and could have a material adverse effect on its business, financial condition and results of operations. As the derivatives market in China is not as mature as that in some developed countries, there are limited risk management tools available to the Bank to reduce market risks relating to its investment portfolio.

If any of the issuers of investment securities or other financial assets or guarantors goes bankrupt, has poor operating performance, or becomes unable to service their debts for any other reasons, or if such investment securities or other financial assets lacks liquidity, or if there are adverse changes in macroeconomic environment and other factors, the value of such investment securities and other financial assets may decrease substantially. As a result, the Bank's asset quality, financial condition and results of operations may be materially and adversely affected.

The Bank is subject to PRC and Hong Kong regulatory requirements, and its failure to fully comply with such requirements, if any, could materially and adversely affect its business, reputation, financial condition and results of operations.

The Bank is subject to the requirements and guidelines set forth by the PRC regulatory authorities. Its Hong Kong Branch is also subject to Hong Kong laws and regulations. The PRC regulatory authorities include the MOF, the PBOC, the NFRA, the CSRC, State Administration of Taxation of the PRC ("**SAT**"), National Audit Office of the PRC ("**NAO**"), State Administration for Market Regulation of the PRC ("**SAMR**"), the SAFE and Commission for Discipline Inspection of the Communist Party of China. These regulatory authorities carry out periodic supervision and spot checks of the Bank's compliance with laws, regulations and guidelines.

The Bank has in the past failed to meet certain requirements and guidelines set by the PRC regulatory authorities, and has been subjected to fines and other penalties in relation to its non-compliance. For example, a few branches of the Bank were subject to several administrative penalties and fines by PBOC, SAMR and CBIRC and NFRA in the past three years. Such administrative penalties received by the Bank mainly focused on the service fees charged by the Group, incompliance with regulatory rules, misappropriation of funds, incompliance with settlement management regulations and unfair competition. There can be no assurance that the Bank will be able to meet all the applicable regulatory requirements and guidelines, or comply with all the applicable regulations at all times, or that it will not be subject to sanctions, fines or other penalties in the future as a result of non-compliance. If sanctions, fines and other penalties are imposed on the Bank for failing to comply with applicable requirements, guidelines or regulations, the business, reputation, financial condition and results of operations of the Bank may be materially and adversely affected.

The uncertainties in the Chinese and global economies and the financial markets could materially and adversely affect the financial condition and results of operations of the Bank.

The global financial markets have been affected by a general slowdown of economic growth globally, resulting in substantial volatility in global financial markets and tightening of liquidity in global credit markets. Since 2011, the tightening monetary policies in the PRC, global economic uncertainties and the Eurozone sovereign debt crisis have resulted in adverse market conditions and increased volatility in the PRC and overseas financial markets.

In recent years, the outlook for the world economy and financial markets remains uncertain. Following UK's exit from the European Union (the "**EU**"), it is unclear how the fiscal, monetary and regulatory landscape within the UK, the EU and the rest of the world would be affected. Further, the ongoing Israeli-Hamas and Russo-Ukrainian conflict has led to significant volatility in global markets. The extent and duration of such conflict, resulting sanctions and future market disruptions are impossible to predict, but could be significant and may have a severe adverse effect, including a significant negative impact on the economy and the markets for certain securities and commodities, such as oil and natural gas, and on global economies. Moreover, there are ongoing concerns about European sovereign debt levels, negative interest rate and the consequences for economic growth and investor confidence in the Eurozone, political gridlock in the United States over government spending, debt levels and civil rights issues and the consequences for economic growth and investor confidence in the United States, and the uncertainty around the Federal Reserve's future monetary policies. Any volatility in the global markets and negative economic developments could, in turn, materially adversely affect the Bank's business, prospects, financial condition or results of operations. In addition, this could adversely affect the Bank's access to the international debt capital markets and may increase the Bank's funding costs, having a negative impact on the Bank's revenue and financial conditions. See "*Risks Relating to China — The slowdown of the PRC's economy caused in part by the recent challenging global economic conditions may adversely affect the Bank*" for further information. Any volatility or deterioration in the economic conditions in the United States, the UK, the EU, the PRC or elsewhere may have and may adversely affect the Group's business, financial condition and the results of its operations and its ability to access the capital markets.

The uncertainties in the global economy coupled with uncertainties in China's economy may adversely affect the Bank's financial condition and results of operations in many ways, including, among other things:

- during a period of economic slowdown, there is a greater likelihood that more of the Bank's customers or counterparties could become delinquent in respect of their loan repayments or other obligations to the Bank, which, in turn, could result in a higher level of non-performing loans, allowance for impairment losses and write-offs, all of which would adversely affect its financial condition and results of operations;

- the increased regulation and supervision of the financial services industry in response to the financial crisis in certain jurisdictions where the Bank operates may restrict its business flexibility and increase its compliance costs, which may adversely affect its business operations;

- the value of the Bank's investments in the debt securities issued by overseas governments and financial institutions may significantly decline, which may adversely affect its financial condition;

- the Bank's ability to raise additional capital on favourable terms, or at all, could be adversely affected; and

- trade and capital flows may further contract as a result of protectionist measures being introduced in certain markets, which could cause a further slowdown in economies and adversely affect the Bank's business prospects.

There can be no assurance that China's economy or the global economy will maintain sustainable growth. If further economic downturn occurs or continues, the business, financial condition and results of operations of the Bank could be materially and adversely affected.

Any force majeure events, including natural disasters or outbreaks of contagious diseases in China may have a material adverse effect on the Bank's business operations, financial condition and results of operations.

Any future force majeure events, such as natural disasters or outbreaks of health epidemics and contagious diseases, may materially and adversely affect the Bank's business and results of operations. An outbreak of a health epidemic or contagious disease could result in a widespread health crisis and restrict the level of business activity in affected areas, which may in turn adversely affect the Bank's business. An outbreak of a health epidemic or contagious disease could result in a widespread health crisis and restrict the level of business activity in affected areas, which may in turn adversely affect the Bank's business. For example, during the outbreak of COVID-19 pandemic, stringent measures, including mandatory quarantines and travel restrictions, were imposed in numerous regions across the PRC in an effort to contain the outbreak, causing a noticeable reduction in regional and national economic activities, especially in the manufacturing, wholesale and retail sector, which may have in turn heightened some of the Bank's customers' credit risks and affected the value of collateral securing the Bank's loans. The Bank's business operations, asset quality and financial condition may be materially and adversely affected due to deteriorating market outlook and sentiments, slowdown in regional and national economic growth, weakened liquidity and financial condition of the Bank's customers (especially micro and small enterprises), or other factors that are unforeseeable.

Moreover, China has experienced natural disasters such as earthquakes, floods and droughts in the past few years. For example, in 2020, there were severe floods in various parts of China, resulting in significant economic losses in these areas. Any future occurrence of severe natural disasters in China may adversely affect its economy and in turn the Bank's business, particularly in light of the substantial portion of the Bank's banking business in counties that are more vulnerable to natural disasters. There is no guarantee that any future natural disasters or outbreaks of contagious diseases, or the response measures taken by the PRC government or other countries, will not seriously interrupt the Bank's operations or those of its customers, which may have a material and adverse effect on the Bank's results of operations.

The Bank may be involved in legal and other disputes from time to time arising out of its operations and may face potential liabilities as a result.

The Bank is often involved in legal and other disputes for various reasons, which generally arise because it seeks to recover outstanding amounts from borrowers or because customers or other claimants bring actions against it. The majority of these cases arise in the ordinary course of the Bank's business. Where the Bank assesses that there is a probable risk of loss, it is the Bank's policy to make provisions for such loss. The Bank has made provisions with respect to pending legal proceedings and other disputes against it.

However, there can be no assurance that the judgements in any of the litigation in which the Bank is involved would be favourable to it or that it has made adequate provisions to cover the losses arising from legal proceedings or other disputes. In addition, if the Bank's assessment of the risk changes, its view on provisions will also change. It is expected that the Bank will continue to be involved in various legal and other disputes going forward in the ordinary course of its business, which may subject it to additional risks and losses. These disputes may relate to, among other things, the amount of the unpaid obligations of the relevant borrowers, the terms for such borrowers to perform their obligations and the application of statute of limitations. In addition, the Bank may have to advance legal costs associated with such disputes, including fees relating to appraisal, notarisation, auction, execution and counsel's legal services. These and other disputes may lead to legal, administrative or other proceedings and may result in damage to the reputation of the Bank, additional operational costs and a diversion of resources and management's attention from its core business operations. There can be no assurance that the outcome of future or current disputes or proceedings will not materially and adversely affect the business, reputation, financial condition and results of operations of the Bank.

The Bank is subject to counterparty risks in its derivative transactions.

The Bank acts primarily as an intermediary in domestic and international foreign exchange and derivative markets, and it currently has foreign currency forward and swap arrangements and interest rate swap arrangements with a number of domestic and international banks, other financial institutions and other entities. While the Bank believes that the overall credit quality of its counterparties is satisfactory, there can be no assurance that the Bank's counterparties with significant exposures will not face difficulty in paying the amounts on derivative contracts when due, which may result in financial losses to the Bank.

The Audited Financial Statements were audited in accordance with PRC GAAP which differs from IFRS.

The Audited Financial Statements have been prepared and presented in accordance with PRC GAAP which differs in certain respects from IFRS. See "*Summary of Certain Differences Between PRC GAAP and IFRS*". There is no guarantee that PRC GAAP will fully converge with IFRS or there will be no additional differences between the two accounting standards in the future. Potential investors should consult their own professional advisers for an understanding of any differences that may exist between PRC GAAP and IFRS, and how those differences might affect the financial information included in this Offering Circular.

The Bank's historical financial information may not be directly comparable with its future financial information.

The historical financial information of the Bank is sometimes adjusted or restated to address subsequent changes in the Bank's accounting policies, accounting standards, and/or applicable laws and regulations with retrospective impact on the Bank's financial reporting, correction of an error recorded in the previous period or to reflect the comments provided by the Bank's independent auditors during the course of their audit or review in subsequent financial periods. Such adjustment or restatement may cause discrepancies between the financial information with respect to a particular period or date contained in the Bank's historical financial statements and that contained in its future financial statements.

The Bank has expanded its business in Hong Kong and expects to expand its business in other jurisdictions, which has increased and will continue to further increase the complexity of the risks that it faces.

The Hong Kong Branch of the Bank was established in January 2014 and the Bank plans to establish more overseas branches in the future. The expansion into other jurisdictions outside of the PRC exposes the Bank to a new variety of regulatory and business challenges and risks and has increased the complexity of risks in a number of areas, including currency risk, interest rate risk, regulatory and compliance risk, reputational risk and operational risk. Adverse market conditions in other jurisdictions may result in mark-to-market and realised losses on the investment assets held by the overseas branches and increase their cost of funding. Furthermore, despite the Bank's best efforts to comply with all applicable regulations in all the jurisdictions in which it operates, there may be incidences of failure to comply with the regulations in certain jurisdictions. Overseas regulators may bring administrative or judicial proceedings against the Bank or its employees, representatives, agents and third-party service providers, which could result, among other things, in suspension or revocation of one or more of its licenses, cease and desist orders, fines, civil penalties, criminal penalties or other disciplinary actions. In addition, the regulatory changes in various jurisdictions, including those in which the Bank has or plans to have operations in, could have an adverse impact on its growth, capital adequacy and profitability. If the Bank is unable to manage the risks resulting from its expansion outside the PRC, its business, reputation, financial condition and results of operations may be materially and adversely affected.

The Bank may be affected by political and economic risks in Hong Kong.

The Bank operates a branch in Hong Kong. As a result, its results of operations and financial condition may be influenced by the political situation in Hong Kong and by the general state of the Hong Kong economy. For example, civil unrest and an uncertain political environment may impact the Hong Kong economy and result in an adverse effect on the stability of the political and economic conditions of Hong Kong. Future economic, political and social developments in the PRC could also have significant effects on Hong Kong, which could materially adversely affect the Bank's business, results of operations and financial condition.

The Bank may be subject to penalties if it conducts transactions in violation of OFAC sanctions.

The United States currently imposes various economic sanctions, which are administered by the U.S. Treasury Department's Office of Foreign Assets Control (the "**OFAC**") and which apply to U.S. persons and, in certain cases, to foreign subsidiaries of U.S. persons or to transactions involving certain items subject to U.S. jurisdiction. Similar sanctions are administered by the UK, the EU, United Nations Security Council and other applicable jurisdictions. These sanctions are intended to address a variety of policy concerns, including, among other things, denying certain countries, certain individuals and entities, the ability to support international terrorism and to pursue weapons of mass destruction and missile programmes. Countries which are currently subject to sanctions for varying reasons include but are not limited to the Crimea region of Ukraine, Cuba, Iran, Libya, North Korea, Syria and Sudan. The Bank does not believe that these sanctions are applicable to any of the Group's activities. However, if the Bank engages in any prohibited transactions by any means or it was otherwise determined that any of the Bank's transactions violated applicable sanctions regulations, the Bank could be subject to penalties and its reputation and ability to conduct future business in the U.S. or other relevant jurisdictions or with U.S. persons or other relevant persons could be adversely affected. As the Bank's business, financial condition and results of operations may be adversely affected, the Bank's ability to service the Notes and to satisfy its other obligations under the Notes may also be negatively affected.

RISKS RELATING TO THE BANKING INDUSTRY IN CHINA

The Bank faces intense competition in China's banking industry as well as competition from alternative corporate financing and investment channels.

The Bank faces competition from other commercial banks and financial institutions in all of its principal areas of business. It competes primarily with other Major Commercial Banks, Nationwide Joint-Stock Commercial Banks, city commercial banks and foreign banks in China.

Additionally, the Bank has experienced increased competition from foreign-invested commercial banks. Furthermore, the Mainland and Hong Kong Closer Economic Partnership Arrangement and the Mainland and Macau Closer Economic Partnership Arrangement and the Cross-Straits Economic Co-operation Framework Agreement which permit Hong Kong, Macau and Taiwan banks to operate in China, have also increased competition in China's banking industry.

Moreover, the PRC government has, in recent years, implemented a series of measures designed to further liberalise the banking industry, including, among others, with respect to interest rates and non-interest-based products and services, which are changing the basis on which the Bank competes with other banks for customers.

The Bank competes with many of its competitors for substantially the same loan, deposit and fee-based business customers. Such competition may adversely affect the Bank's business and future prospects by, for example:

- reducing its market share in its principal products and services;
- slowing down the growth of its loan or deposit portfolios and other products and services;
- decreasing its interest income or increasing its interest expenses, thereby reducing its net interest income;
- reducing its fee and commission income;
- increasing its non-interest expenses, such as marketing expenses;
- adversely affecting its asset quality; and
- increasing competition for senior management and qualified professional personnel.

The Bank may also face competition from direct corporate financing, such as the issuance of securities in the domestic and international capital markets. The domestic securities markets have experienced, and are expected to continue to experience, expansion and growth. If a substantial number of its customers choose alternative financing to fund their capital needs, the Bank's business, financial condition and results of operations may be adversely affected.

Moreover, the Bank may face competition from other forms of investment alternatives as the PRC capital markets continue to develop. As the PRC equity and bond markets continue to develop and become more viable and attractive investment alternatives, the Bank's deposit customers may elect to transfer their funds into equity and bond investments, which may reduce its deposit base and adversely affect its business, financial condition and results of operations.

The Bank's business and operations are highly regulated, and its business, financial condition, results of operations and future prospects may be materially and adversely affected by regulatory changes or other governmental policies, including their interpretation and application.

The Bank's business and operations are directly affected by changes in China's policies, laws and regulations relating to the banking industry, such as those affecting the extent to which it can engage in specific businesses, as well as changes in other governmental policies. Since its establishment as the primary banking industry regulator assuming the majority of the bank regulatory functions from the PBOC in 2003, the NFRA has promulgated a series of banking regulations and guidelines. The banking regulatory regime in China is currently undergoing significant changes, most of which are applicable to the Bank and may result in additional costs or restrictions on its activities. See "*Banking Regulation and Supervision in the PRC"*.

There can be no assurance that the policies, laws and regulations governing the banking industry will not change in the future or that any such changes will not materially and adversely affect the Bank's business, financial condition and results of operations nor can the Bank give any assurance that it will be able to adapt to all such changes on a timely basis. In addition, there may be uncertainties regarding the interpretation and application of new policies, laws and regulations. Failure to comply with the applicable policies, laws and regulations may result in fines and restrictions on the Bank's activities, which could also have a significant impact on its business, financial condition and results of operations.

The Bank is subject to changes in interest rate and other market risks, and the Bank's ability to hedge market risks is limited.

Similar to other commercial banks, a majority of the Bank's operating income is interest income derived from granting of loans and advances to its customers. For the years ended 31 December 2021, 2022 and 2023, the Bank's net interest income represented 65.8 per cent., 65.3 per cent. and 69.5 per cent., respectively, of its operating income. Interest rates of bank loans historically were highly regulated in China. In recent years, the PRC government has published a number of policies with an aim to increase the liberalisation of its monetary policies and the interest rates of bank loans of commercial banks. See "*Banking Regulation and Supervision in the PRC*".

As a result of the gradual liberation of interest rates, commercial banks will have to make forecasts and judgements of interest rate fluctuation with higher precision. There can be no assurance that the Bank will be able to promptly adjust the composition of its asset and liability portfolios and its pricing mechanism to effectively respond to further liberalisation of interest rates. In addition, interest rate liberalisation may intensify competition in the PRC banking industry, as PRC commercial banks may seek to make loans and take deposits with more attractive interest rates, which could narrow the net interest margin of PRC commercial banks, thereby materially and adversely affecting the Bank's results of operations.

Any adjustments by the PBOC in the benchmark interest rates on loans or deposits may adversely affect the Bank's financial condition and results of operations in different ways. For example, changes in the PBOC benchmark interest rates could affect the average yield on the Bank's interest-earning assets differently from the average cost on its interest-bearing liabilities and therefore may narrow its net interest margin and reduce its net interest income, which may materially and adversely affect its financial condition and results of operations. An increase in interest rates may result in increases in the finance costs of the Bank's customers and thus reduce overall demand for loans, and, accordingly, adversely affect the growth of the Bank's loan portfolio, as well as increase the risk of customer default. In a rising interest rate environment, the Bank's ability to adjust upwards the interest rates that it receives on its interest-bearing assets, mainly loans, may be limited, whether due to competition or other factors as the Bank's customers may repay existing loans prior to their maturity through other refinancing that may bear lower rates of interest. How the Bank manages interest rate volatility generally will determine, to a certain extent, the impact of such volatility on the Bank's net interest and dividend income, and there is no assurance that the Bank will be able to manage such volatility in a manner that does not adversely affect its business, financial conditions and results of operations.

The Bank also undertakes trading and investment activities involving certain financial instruments both in China and abroad. The Bank's income from these activities is subject to volatility caused by, among other things, changes in interest rates and foreign currency exchange rates. For example, increases in interest rates generally have an adverse effect on the value of the Bank's fixed rate securities portfolio, which may materially and adversely affect its financial condition and results of operations. Furthermore, as the derivatives market has yet to mature in China, there are limited risk management tools available to enable the Bank to reduce market risks.

The Bank is subject to PRC government controls on currency conversion and risks relating to fluctuations in exchange rates.

The Bank receives a substantial majority of its revenues in Renminbi, which is currently not a freely convertible currency. A portion of these revenues must be converted into other currencies in order to meet the Bank's foreign currency obligations.

The value of the Renminbi against the U.S. dollar and other currencies fluctuates and is affected by, among other things, changes in China's and international political and economic conditions and the PRC government's fiscal and currency policies. Any appreciation of the Renminbi against the U.S. dollar or any other foreign currencies may result in the decrease in the value of the Bank's foreign currency-denominated assets. As at 31 December 2023, 4.41 per cent. of the Bank's financial assets and 4.03 per cent. of its financial liabilities were denominated in foreign currencies. The Bank recorded a net foreign exchange gain of RMB421 million for the year ended 2023. Although the Bank seeks to reduce its exchange rate risk through currency derivatives, there can be no assurance that it will be able to reduce its foreign currency risk exposure relating to its foreign currency-dominated assets. In addition, there are limited instruments available to the Bank to reduce its foreign currency risk exposure at reasonable costs. Any appreciation of the Renminbi against the U.S. dollar or any other foreign currencies may materially and adversely affect the financial conditions of certain of the Bank's customers, particularly those deriving substantial income from exporting products or engaging in related businesses, and in turn affect their abilities to service their obligations to the Bank. Furthermore, the Bank is also currently required to obtain SAFE approval before converting significant sums of foreign currencies into Renminbi. All of these factors could materially and adversely affect the Bank's financial condition, results of operations and compliance with capital adequacy ratios and operational ratios.

The growth rate of China's banking industry may not be sustainable.

The Bank expects the banking industry in China to continue to grow as a result of anticipated growth in China's economy, increases in household income, further social welfare reforms, demographic changes and the opening of China's banking industry to foreign participants. However, it is not clear how certain trends and events, such as the pace of China's economic growth, the development of the domestic capital and insurance markets and the ongoing reform of the social welfare system will affect China's banking industry. In addition, there can be no assurance that the banking industry in China is free from systemic risks. Consequently, there can be no assurance that the growth and development of China's banking industry will be sustainable.

The effectiveness of the Bank's credit risk management is affected by the quality and scope of information available in China.

The information infrastructure in China is relatively undeveloped. PRC national individual and corporate credit information databases developed by the PBOC commenced operation in 2006. However, due to their relative short operating history, these databases can often only provide limited information. Therefore, the Bank's assessment of the credit risk associated with a particular customer may not be based on complete, accurate or reliable information. Until these nationwide credit information databases become more fully developed, the Bank has to rely on other publicly available resources and its internal resources, which are not as extensive nor as effective as a unified nationwide credit information system. As a result, the Bank's ability to effectively manage its credit risk and in turn, its asset quality, financial condition and results of operations may be materially and adversely affected.

There can be no assurance of the accuracy or comparability of facts, forecasts and statistics contained in this Offering Circular with respect to China, its national or local economies or its banking industry.

Facts, forecasts and statistics in this Offering Circular relating to China, its national or local economies and financial conditions and its banking industry, including the Bank's market share information, are derived from various sources which are generally believed to be reliable.

However, the Bank cannot guarantee the quality and reliability of such sources. In addition, these facts, forecasts and statistics have not been independently verified by the Bank and may not be consistent with the information available from other sources, and may not be complete or up to date. The Bank has taken reasonable caution in reproducing or extracting the information from such sources. However, because of potentially flawed methodologies, discrepancies in market practice and other problems, these facts, forecasts and other statistics may be inaccurate or may not be comparable from period to period or to facts, forecasts or statistics of other economies.

RISKS RELATING TO CHINA

The slowdown of the PRC's economy caused in part by the recent challenging global economic conditions may adversely affect the Bank.

A substantial part of the Bank's revenue is derived from the PRC. The Bank relies, to a significant degree, on its domestic operations to achieve revenue growth. Domestic demand for banking services is materially affected by growth of private consumption and overall economic growth in the PRC. The global crisis in financial services and credit markets in 2008 caused a slowdown in the economic growth in many countries, including the PRC. Although the PRC's economic growth has increased compared to its level immediately after the global financial crisis, it has displayed signs of slowdown as evidenced by a decrease in the growth rate of the PRC's GDP in recent years. This was caused by a combination of factors most of which are beyond the Bank's control, such as global economic conditions, governmental policies and changes in market dynamics globally and regionally. According to the National Statistics Bureau of the PRC, the annual growth rate of China's GDP decreased to 6.1 per cent. in 2019, representing the slowest growth in the past 20 years. While the PRC economy gained strength in 2021 with a GDP growth rate of 8.1 per cent., it slowed down to 3.0 per cent. in 2022 and 5.2 per cent. in 2023. Although the PRC government has recently taken several measures and actions with an aim to increase investors' confidence in the PRC economy, there can be no assurance that those measures will be effective.

Further, China's economic growth may also slow down due to weakened exports as a result of tariffs and trade tensions between the United Statements and China. Due to the trade conflict between the PRC and the United States since 2018 and the rise in diplomatic tensions between the two countries since the beginning of 2020, both countries have implemented or proposed to implement tariffs on certain imported products from the other. Sustained tension between the United States and China over trade policies and diplomatic relations could significantly undermine the stability of the global and China's economy. Any severe or prolonged slowdown or instability in the global or China's economy may materially and adversely affect the Bank's business, financial condition and results of operations.

There are uncertainties relating to the overall prospects for the global and the PRC economies this year and beyond, which may have a material adverse impact on the Bank's business, prospects, financial conditions and results of operations.

Turmoil in the financial markets could increase the Bank's cost of borrowing and impede access to or increase the cost of financing its operations and investments.

The Bank is significantly influenced by levels of investor confidence. Any factor that may affect market confidence could affect the costs or availability of funding for the Bank. Historically, challenging market conditions have resulted in reduced liquidity, widening of credit spreads, lack of price transparency in credit markets, a reduction in available financing and a tightening of credit terms. For example, on 3 February 2020, the Shanghai Composite Index experienced the biggest daily drop in the past four years, which came after global markets were rattled by the pandemic. In early 2023, the global financial markets have experienced further turmoil with the collapse of Silicon Valley Bank, followed by Signature Bank and First Republic Bank and the crisis of Credit Suisse, which has resulted in greater uncertainty in the global macroeconomic environment. Significant fluctuations in financial markets could cause substantial adverse effects on the Bank's business operations and investments as a whole.

China's economic, political and social conditions, as well as government policies, could affect the Bank's business, financial condition and results of operations.

A substantial majority of the Bank's businesses, assets and operations are located in China. Accordingly, the Bank's business, prospects, financial condition and results of operations are, to a significant degree, affected by economic, political and legal developments in China.

The PRC government exercises significant control over the PRC's economic growth by allocating resources, setting monetary policy and providing preferential treatment to particular industries or companies. The Bank may not benefit from certain such measures. The PRC government also has the power to implement macroeconomic control measures affecting the PRC's economy. These measures are aimed at benefitting the overall economy of the PRC, but some of them may have negative effects on certain industries, including the commercial banking industry. For example, the Group's operating results may be adversely affected by government control over capital investments or changes in the interpretation of and application of applicable tax regulations. In addition, in recent years, the PBOC has instituted broad reform of the PRC's monetary policy. If the Group is unable to adjust its operations in accordance with these reforms, its business, financial condition, and results of operations could be materially and adversely affected.

The PRC has been one of the world's fastest growing economies as measured by GDP growth in the past years. However, the PRC may not be able to sustain such a growth rate. If the PRC's economy experiences a decrease in growth rate or a significant downturn, the unfavourable business environment and economic condition for the Bank's customers could negatively impact their ability or willingness to repay the Bank's loans and reduce their demand for the Bank's banking services. The Bank's financial condition, results of operations and business prospects may be materially and adversely affected.

There exist uncertainties with respect to the interpretation and enforcement of PRC laws and regulations, and the PRC legal system could limit the legal protection available to investors.

The Bank is organised under the laws of the PRC. The PRC legal system is based on written statutes. The PRC government has promulgated laws and regulations dealing with economic matters as the issuance and trading of securities, shareholder rights, foreign investment, corporate organisation and governance, commerce, taxation and trade. However, many of these laws and regulations continue to evolve, may be subject to different interpretation and may be inconsistently enforced. In addition, there is only a limited volume of published court decisions which may be cited for reference, but such cases have limited precedential value as they are not binding on subsequent cases. These uncertainties relating to the interpretation of PRC laws and regulations can affect the legal remedies and protection that are available to investors and can adversely affect the value of an investment.

The interpretation of the NDRC Administrative Measures may involve significant uncertainty, which may adversely affect the enforceability and/or effective performance of the Notes. Any failure to complete the relevant examination and/or registration under the NDRC Administrative Measures within the prescribed time frames may have adverse consequences for the relevant Issuer and/or the investors of the Notes.

Pursuant to the NDRC Administrative Measures, the Bank shall procure the registration of any foreign debt securities with a term not less than one year issued outside the PRC with NDRC prior to the issue of such securities and (i) file or cause to be filed with the NDRC the requisite information and documents within ten PRC business days after each foreign debt issuance and the expiration of the relevant NDRC pre-issue registration certificate with respect to the relevant Notes (being those with a tenor of more than a year), (ii) file or cause to be filed with the NDRC the requisite information and documents within five PRC business days before the end of January and the end of July each year, and (iii) file or cause to be filed the requisite information and documents upon the occurrence of any material event that may affect the enterprise's due performance of its debt obligations. The NDRC Administrative Measures specify some legal consequences of non-compliance with the pre-issue registration requirement. For example, if the enterprise borrows a foreign debt in violation of the NDRC Administrative Measures, the examination and registration authority shall take disciplinary actions such as holding an interview and giving a public warning against the relevant enterprise and its principal person-in-charge depending on the seriousness of the circumstances, and if intermediary agency knows or should have known that an enterprise is borrowing a foreign debt in violation of the provisions of the NDRC Administrative Measures but still provides the relevant intermediary services to the enterprise, the examination and registration authority shall circulate a notification of violation of regulations, and consult the relevant department on punishing the relevant intermediary agency and relevant liable persons in accordance with the applicable laws and regulations. In the worst case scenario, if pre-issue registration is required but not complied with, it might become unlawful for the relevant Issuer to perform or comply with any of its obligations under the relevant Notes and the relevant Notes might be subject to the enforcement as provided in Condition 10 (*Events of Default)*. Potential investors of the Notes are advised to exercise due caution when making their investment decisions.

Similarly, the NDRC Administrative Measures mentions some legal consequences of non-compliance with the post-issue notification requirement. Failure to comply with the NDRC post-issue and continuing filing obligations (such as post-issue filing, pre-issuance approval expiration filing, periodical filing and major event filing, etc.) under Articles 24 and 26 of the NDRC Administrative Measures may result in the relevant entities being ordered to make corrections within a time limit, and in the case of aggravating circumstances or in the case that such corrections are not made within the prescribed time limit, relevant entities and their main person-in-charge will be warned. The aforesaid regulatory violations committed by enterprises shall be publicised on the "Credit China" website and the national enterprise credit information publicity system, among others.

The Bank undertakes to file or cause to be filed with the NDRC within the relevant prescribed timeframes after the relevant Issue Date the requisite information and documents in respect of the relevant Notes in accordance with the NDRC Administrative Measures and any implementation rules or policies as issued by the NDRC from time to time.

However, the NDRC Administrative Measures is new and its implementation may involve uncertainty. The administration and enforcement of the NDRC Administrative Measures may be subject to executive and policy discretion of the NDRC. While the NDRC Administrative Measures has set out the legal consequences for debtors and involved professional parties in cases of non-compliance of the NDRC Administrative Measures, the NDRC Administrative Measures is silent on whether any such noncompliance would affect the validity and enforceability of the Notes. There is no assurance that the failure to comply with the NDRC Administrative Measures would not result in adverse consequences on the relevant Issuer's or the Bank's ability to perform in accordance with the Terms and Conditions of the Notes or the enforceability of the Notes.

The Bank is subject to the approval or filing requirements in relation to issue of Notes from respective authorities within the PRC.

According to the Notice on Issues Relating to the Macro-prudential Management of Overall Cross-border Financing (the "**PBOC Notice**") (中國人民銀行關於全口徑跨境融資宏觀審慎管理有關事宜的通知), which came into effect on 11 January 2017, 27 mainland banks (including the Bank) are required to make filings with the PBOC in respect of their offshore bond offerings. The Implementation Measures of the China Banking Regulatory Commission for the Administrative Licensing Items concerning Chinese-Funded Commercial Banks (the "**CBIRC Measures**") (中國銀監會中資商業銀行行政許可事項實施辦法) promulgated by CBIRC on 5 June 2015 and amended on 5 July 2017, 17 August 2018 and 2 September 2022 also provides an approval from CBIRC is required for financial bonds issuance by the joint-stock Chinese funded commercial banks (including the Bank). Besides, in accordance with Commercial Banking Law of the People's Republic of China (中華人民共和國商業銀行法) and the Catalogue of the People's Bank of China on Publishing Administrative Examination and Approval Items (中國人民銀行行政審批事項公開目錄) (collectively, the "**PBOC Catalogue**"), the issuance of overseas financial bonds by commercial banks shall be approved by the PBOC.

In connection with the update of the Programme or any issuance by an overseas branch, the Bank has not made and does not intend to make any filing with the PBOC under the PBOC Notice or application for approval from NFRA and the PBOC under the CBIRC Measures and the PBOC Catalogue. As advised by the PRC legal advisors of the Bank, the update of the Programme (without any issuance hereunder) and the entering into of the contracts solely in connection with the update by the Bank does not amount to "cross-border financing activities" under the PBOC notice or "issuance of (overseas) financial bonds" under the CBIRC Measures and the PBOC Catalogue. Similarly, an issuance by an overseas branch where the proceeds will not be remitted into the mainland does not involve any "cross-border financing activities". Accordingly, none of the filing requirement under the PBOC Notice and the approval requirement under the CBIRC Measures and the PBOC Catalogue applies.

To the extent and if the Bank or any of its branches which are located within the PRC issues Notes under the Programme or any overseas bank intends to remit any proceeds from any Note issue under the Programme to the mainland, the Bank will make the requisite filing with the PBOC in compliance with the PBOC Notice and apply for NFRA and PBOC's approval according to the CBIRC Measures and the PBOC Catalogue.

The PBOC has yet to publish any detailed implementation rules and guidance on the PBOC Notice. The aforementioned views are based on the PRC legal advisors' understanding and interpretation of the PBOC Notice, THE CBIRC Measures, the PBOC Catalogue and informal verbal enquiries with them. There is no assurance that PBOC and/or NFRA would take the same view or the PBOC Notice, the PBOC Catalogue and/or the CBIRC Measures would not be interpreted in a different way. If the PBOC and/or NFRA takes a different view or any change will be made to such regulations, the Bank will comply with the requirements of such and any other regulatory authorities.

Investors may experience difficulties in effecting service of legal process and enforcing judgements against the Bank and the Bank's management.

The Bank is a company incorporated under the laws of the PRC, and a substantial majority of its business, assets and operations are located in China. In addition, a majority of its directors, supervisors and executive officers reside in China, and substantially all of the assets of such directors, supervisors and executive officers are located in China. Therefore, it may not be possible for investors to effect service of process upon the Bank or those persons outside China.

Furthermore, China does not have treaties or agreements providing for the reciprocal recognition and enforcement of judgements awarded by courts of many jurisdictions, including Japan, the United States and the UK. Hence, the recognition and enforcement in China of judgements of a court in any of these jurisdictions in relation to any matter not subject to a binding arbitration provision may be difficult or even impossible.

RISKS RELATING TO THE MARKET GENERALLY

Set out below is a brief description of certain market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

Notes issued under the Programme have no current active trading market and may trade at a discount to their initial offering price and/or with limited liquidity.

Notes issued under the Programme will be new securities which may not be widely distributed and for which there is currently no active trading market (unless in the case of any particular Tranche, such Tranche is to be consolidated with and form a single series with a Tranche of Notes which is already issued). There can be no assurance as to the liquidity of the Notes or that an active trading market will develop. The liquidity of the Notes could be affected by various factors, and in particular, if a limited number of investors subscribes for a significant portion of the Notes. Such investors may include the Issuer and entities affiliated with the Issuer. If the Notes are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Issuer. If the Notes are trading at a discount, investors may not be able to receive a favourable price for their Notes, and in some circumstances investors may not be able to sell their Notes at all or at their fair market value. Although an application will be made for the Notes issued under the Programme to be admitted to listing on the SEHK, there is no assurance that such application will be accepted, that any particular Tranche of Notes will be so admitted or that an active trading market will develop. In addition, the market for investment grade and crossover grade debt has been subject to disruptions that have caused volatility in prices of securities similar to the Notes that may be issued under the Programme. Accordingly, there is no assurance as to the development or liquidity of any trading market, or that disruptions will not occur, for any particular Tranche of Notes.

This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have an adverse effect on the market value of the Notes.

Exchange rate risks and exchange controls may result in investors receiving less interest or principal than expected.

The Issuer will pay principal and interest on the Notes in the currency specified in the relevant Pricing Supplement (the "**Specified Currency**"). This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Inventor's Currency relative to the Specified Currency would decrease (i) the Investor's Currency equivalent yield on the Notes, (ii) the Investor's Currency equivalent value of the principal payable on the Notes and the Investor's Currency equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Changes in market interest rates may adversely affect the value of fixed rate Notes.

Investment in fixed rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of fixed rate Notes.

Legal investment considerations may restrict certain investments.

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (i) the Notes are legal investments for it, (ii) the Notes can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of any Notes. Investors should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules.

RISKS RELATING TO THE NOTES ISSUED UNDER THE PROGRAMME

The Notes are unsecured obligations of the Bank.

As the Issuer may be a branch of the Bank, the repayment of the Notes may be adversely affected if:

- the Bank enters into bankruptcy, liquidation, reorganisation or other winding-up proceedings;
- there is a default in payment under the Bank's future secured indebtedness or other unsecured indebtedness; or
- there is an acceleration of any of the Bank's indebtedness.

If any of these events were to occur, the Bank's assets may not be sufficient to pay amounts due under the Notes.

The Notes may not be a suitable investment for all investors.

Each potential investor in any Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the relevant Notes, the merits and risks of investing in the relevant Notes and the information contained or incorporated by reference in this Offering Circular or any applicable supplement;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Notes and the impact such investment will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Notes, including where principal or interest is payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;
- understand thoroughly the terms of the relevant Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Notes may be complex financial instruments and such instruments may be purchased as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to the purchaser's overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of such Notes and the impact this investment will have on the potential investor's overall investment portfolio.

Additionally, the investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (i) Notes are legal investments for it, (ii) Notes can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

The Conditions contain provisions which may permit their modification without the consent of all investors.

The Conditions contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

A change in English law which governs the Notes may adversely affect Noteholders.

The Conditions are governed by English law in effect as at the date of issue of the relevant Notes. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of issue of the relevant Notes.

There is also no assurance that the PRC courts will recognise and enforce judgements of the Hong Kong courts in respect of English law matters.

The Notes and the Amended and Restated Deed of Covenant are governed by English law, whereas parties to these documents have submitted to the exclusive jurisdiction of the Hong Kong courts. Hong Kong and the PRC have entered into certain arrangements on the reciprocal recognition and enforcement of judgments in civil and commercial matters (the "**Reciprocal Arrangements**") which allow for a final court judgment (relating to the payment of money or other civil or commercial proceeding) rendered by a Hong Kong court or PRC court (as the case may be) to be recognised and enforced in the PRC or Hong Kong (as the case may be), provided certain conditions are met. However, certain matters may be excluded under the Reciprocal Arrangements and a judgment may be refused to be recognised and enforced by the requested place in certain circumstances such as for public policy reasons or where the judgment was obtained by fraud. As a general matter, a judgment of a court of another jurisdiction may be reciprocally recognised or enforced if the jurisdiction has a treaty with the PRC or if judgments of the PRC courts have been recognised before in that jurisdiction, subject to the satisfaction of other requirements. The PRC signed the Hague Convention on Choice of Court Agreements (the "**Hague Convention**") in September 2017 which is intended to promote the use of exclusive choice of court agreements in international contracts and facilitate the creation of a recognition and enforcement regime for court judgements between contracting States. However, the signing of the Hague Convention does not currently have any legal effect until it is ratified by the PRC government. The PRC has not entered into treaties or arrangements providing for the reciprocal recognition and enforcement of judgments of courts with numerous countries, including Japan, the United States and the UK. Therefore, it may be difficult for Noteholders to enforce any judgments obtained from such foreign courts against the Bank, the Issuer, the Group or any of their respective directors or senior management in the PRC.

The Notes may be represented by Global Notes or evidenced by Global Certificates and holders of a beneficial interest in a Global Note or Global Certificate must rely on the procedures of the relevant Clearing System(s).

Notes issued under the Programme may be represented by one or more Global Notes or evidenced by Global Certificates. Such Global Notes or Global Certificates will be deposited with a common depositary for Euroclear and Clearstream, or lodged with the CMU (each of Euroclear, Clearstream and the CMU, a "**Clearing System**"). Except in the circumstances described in the relevant Global Note or Global Certificates, investors will not be entitled to receive definitive Notes. The relevant Clearing System(s) will maintain records of the beneficial interests in the Global Notes. While the Notes are represented by one or more Global Notes or Global Certificates, investors will be able to trade their beneficial interests only through the Clearing Systems and the Issuer will discharge its payment obligations under the Notes by making payments to the common depositary for Euroclear and Clearstream, or, as the case may be, to the relevant paying agent, in the case of the CMU, for distribution to their account holders. A holder of a beneficial interest in a Global Note or Global Certificate must rely on the procedures of the relevant Clearing System(s) to receive payments under the relevant Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes or Global Certificates. Holders of beneficial interests in the Global Notes or Global Certificates will not have a direct right to vote in respect of the relevant Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant Clearing System(s) to appoint appropriate proxies.

Noteholders should be aware that definitive Notes which have a denomination that is not an integral multiple of the minimum denomination may be illiquid and difficult to trade.

Notes may be issued with a minimum denomination. The Pricing Supplement of a Tranche of Notes may provide that, for so long as the Notes are represented by a Global Note or evidenced by Global Certificate and the relevant Clearing System(s) so permit, the Notes will be tradable in nominal amounts (i) equal to, or integral multiples of, the minimum denomination, and (ii) the minimum denomination plus integral multiples of an amount lower than the minimum denomination. Definitive Notes will only be issued in certain circumstances such as if the relevant Clearing System(s) is/are closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announce(s) an intention to permanently cease business. The Pricing Supplement may provide that, if definitive Notes are issued, such Notes will be issued in respect of all holdings of Notes equal to or greater than the minimum denomination. However, Noteholders should be aware that definitive Notes that have a denomination that is not an integral multiple of the minimum denomination may be illiquid and difficult to trade. Definitive Notes will in no circumstances be issued to any person holding Notes in an amount lower than the minimum denomination and such Notes will be cancelled and holders will have no rights against the Issuer (including rights to receive principal or interest or to vote) in respect of such Notes.

FATCA withholding may affect payments on the Notes.

Whilst the Notes are in global form and held within Euroclear, Clearstream or the CMU, in all but the most remote circumstances, it is not expected that the U.S. Foreign Account Tax Compliance Act ("**FATCA**") will affect the amount of any payment received by the Clearing Systems. However, FATCA may affect payments made to custodians or intermediaries in the subsequent payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding. It also may affect payment to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Investors should choose their custodians and intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA), provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding. Investors should consult their own tax adviser to obtain a more detailed explanation of FATCA and how FATCA may affect them. The Issuer's obligations under the Notes are discharged once it has paid the common depositary for Euroclear and Clearstream or, as the case may be, the sub-custodian for the CMU (as registered holder of the Notes) and the Issuer has therefore no responsibility for any amount thereafter transmitted through hands of the Clearing Systems and custodians or intermediaries.

The Financial Institutions (Resolution) Ordinance may adversely affect the Notes

On 7 July 2017, the Financial Institutions (Resolution) Ordinance (Cap. 628) of Hong Kong (the "**FIRO**") came into operation. The FIRO provides for, among other things, the establishment of a resolution regime for authorised institutions and other within scope financial institutions in Hong Kong which may be designated by the relevant resolution authorities, which includes the Bank. The resolution regime seeks to provide the relevant resolution authorities with administrative powers to bring about timely and orderly resolution in order to stabilise and secure continuity for a failing authorised institution or within scope financial institution in Hong Kong. In particular, subject to certain safeguards, the relevant resolution authority is provided with powers to affect contractual and property rights as well as payments (including in respect of any priority of payment) that creditors would receive in resolution. These may include, but are not limited to, powers to cancel, write off, modify, convert or replace all or a part of the Notes or the principal amount of, or interest on, the Notes, and powers to amend or alter the contractual provisions of the Notes, all of which may adversely affect the value of the Notes, and the holders thereof may suffer a loss of some or all of their investment as a result. Holders of Notes (whether senior or subordinated) may become subject to and bound by the FIRO. The implementation of FIRO remains untested and certain detail relating to FIRO will be set out through secondary legislation and supporting rules. Therefore, the Bank is unable to assess the full impact of FIRO on the financial system generally, the Bank's counterparties, the Bank, any of its consolidated subsidiaries, its operations and/or its financial position.

The regulation and reform of "benchmark" rates of interest and indices may adversely affect the value of Notes linked to or referencing such "benchmarks".

Interest rates and indices which are deemed to be or used as "**benchmarks**" (including the euro interbank offered rate ("**EURIBOR**")), are the subject of recent international, national and other regulatory guidance and proposals for reform. Some of these reforms are already effective whilst others are still to be implemented. These reforms may cause such benchmarks to perform differently than in the past or to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any Note linked to or referencing such a benchmark.

Regulation (EU) 2016/1011 (the "**EU Benchmarks Regulation**") was published in the Official Journal of the EU on 29 June 2016 and applied from 1 January 2018. The EU Benchmarks Regulation applies to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark, within the European Union. It, amongst other things, (i) requires benchmark administrators to be authorised or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognised or endorsed) and (ii) prevents certain uses by EU supervised entities (such as the Issuers) of benchmarks of administrators that are not authorised or registered (or, if non-EU based, not deemed equivalent or recognised or endorsed). Regulation (EU) 2016/1011 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "**UK Benchmarks Regulation**") among other things, applies to the provision of benchmarks and the use of a benchmark in the UK. Similarly, it prohibits the use in the UK by UK supervised entities of benchmarks of administrators that are not authorised by the United Kingdom Financial Conduct Authority ("**FCA**") or registered on the FCA register (or, if non-UK based, not deemed equivalent or recognised or endorsed).

The EU Benchmarks Regulation and/or the UK Benchmarks Regulation, as applicable, could have a material impact on any Notes linked to a rate or index deemed to be a "benchmark", in particular, if the methodology or other terms of the "benchmark" are changed in order to comply with the requirements of the EU Benchmarks Regulation and/or the UK Benchmarks Regulation, as applicable. Such changes could, among other things, have the effect of reducing, increasing or otherwise affecting the volatility of the published rate or level of the "benchmark".

More broadly, any of the international, national or other proposals for reforms or the general increased regulatory scrutiny of benchmarks, could increase the costs and risks of administering or otherwise participating in the setting of a benchmark and complying with any such regulations or requirements. The euro risk free-rate working group for the euro area has published a set of guiding principles and high level recommendations for fallback provisions in, amongst other things, new euro denominated cash products (including bonds) referencing EURIBOR. The guiding principles indicate, amongst other things, that continuing to reference EURIBOR in relevant contracts (without robust fallback provisions) may increase the risk to the euro area financial system. On 11 May 2021, the euro risk-free rate working group published its recommendations on EURIBOR fallback trigger events and fallback rates. The potential elimination of any benchmark, or changes in the manner of administration of any benchmark, could require an adjustment to the Conditions, or result in other consequences, in respect of any Notes linked to such benchmark. Such factors may have the following effects on certain benchmarks: (i) discourage market participants from continuing to administer or contribute to the benchmark; (ii) trigger changes in the rules or methodologies used in the benchmark or (iii) lead to the disappearance of the "benchmark". Any of the above changes or any other consequential changes as a result of international or national reforms or other initiatives or investigations, could have a material adverse effect on the value of and return on any Notes linked to or referencing a benchmark.

Where Screen Rate Determination is specified as the manner in which the Rate of Interest in respect of floating rate Notes is to be determined (other than in respect of Notes for which the Reference Rate is SOFR Benchmark), the Conditions provide that the Rate of Interest shall be determined by reference to the Relevant Screen Page (or its successor or replacement). In circumstances where such Original Reference Rate is discontinued, neither the Relevant Screen Page, nor any successor or replacement may be available. The Conditions provide for certain fallback arrangements in the event that a Benchmark Event occurs. Benchmark Events (as defined in Condition 5(b)(v) *(Benchmark Discontinuation for Floating Rate Notes not referencing SOFR Benchmark)* include (amongst other things) permanent discontinuation of an Original Reference Rate and the making of a public statement by the supervisor of the administrator of the Original Reference Rate that the Original Reference Rate has been or will be (or is or will be deemed by such supervisor to be) no longer representative of its relevant underlying market. If a Benchmark Event occurs, the Issuer shall its reasonable endeavours to appoint an Independent Adviser. The Independent Adviser shall endeavour to determine a Successor Rate or Alternative Reference Rate to be used in place of the Original Reference Rate. The use of any such Successor Rate or Alternative Reference Rate to determine the Rate of Interest is likely to result in Notes initially linked to or referencing the Original Reference Rate performing differently (which may include payment of a lower Rate of Interest) than they would do if the Original Reference Rate were to continue to apply in its current form.

Furthermore, if a Successor Rate or Alternative Reference Rate for the Original Reference Rate is determined by the Independent Adviser, the Conditions provide that the Issuer may vary the Conditions, as necessary to ensure the proper operation of such Successor Rate or Alternative Reference Rate, without any requirement for consent or approval of the Noteholders.

If a Successor Rate or Alternative Reference Rate is determined by the Independent Adviser, the Conditions also provide that an Adjustment Spread will be determined by the Independent Adviser and applied to such Successor Rate or Alternative Reference Rate. The Adjustment Spread is (i) the spread, formula or methodology which is formally recommended in relation to the replacement of the Original Reference Rate with the Successor Rate by any Relevant Nominating Body (which may include a relevant central bank, supervisory authority or group of central banks/supervisory authorities), (ii) if no such recommendation has been made, or in the case of an Alternative Reference Rate, the spread, formula or methodology which the Independent Adviser determines is customarily applied to the relevant Successor Rate or the Alternative Reference Rate (as the case may be) in international debt capital markets transactions to produce an industry-accepted replacement rate for the Original Reference Rate, or (iii) if no such spread is customarily applied, the spread, formula or methodology which the Independent Adviser or the Issuer determines is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the Original Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Reference Rate, as the case may be. Accordingly, the application of an Adjustment Spread may result in the Notes performing differently (which may include payment of a lower Rate of Interest) than they would do if the Original Reference Rate were to continue to apply in its current form.

The Issuer may be unable to appoint an Independent Adviser or the Independent Adviser may not be able to determine a Successor Rate or Alternative Reference Rate in accordance with the Conditions, the Rate of Interest for the next succeeding Interest Period will be the Rate of Interest applicable as at the last preceding Interest Determination Date before the occurrence of the Benchmark Event, or, where the Benchmark Event occurs before the first Interest Determination Date, the Rate of Interest will be the initial Rate of Interest.

Where the Issuer has been unable to appoint an Independent Adviser or has failed to determine a Successor Rate or Alternative Reference Rate in respect of any given Interest Period, it will continue to attempt to appoint an Independent Adviser in a timely manner before the next succeeding Interest Determination Date and/or to determine a Successor Rate or Alternative Reference Rate to apply to the next succeeding and any subsequent Interest Periods, as necessary.

Applying the initial Rate of Interest, or the Rate of Interest applicable as at the last preceding Interest Determination Date before the occurrence of the Benchmark Event is likely to result in Notes linked to or referencing the relevant benchmark performing differently (which may include payment of a lower Rate of Interest) than they would do if the relevant benchmark were to continue to apply, or if a Successor Rate or Alternative Reference Rate could be determined.

If the Issuer is unable to appoint an Independent Adviser or fails to determine a Successor Rate or Alternative Reference Rate for the life of the relevant Notes, the initial Rate of Interest, or the Rate of Interest applicable as at the last preceding Interest Determination Date before the occurrence of the Benchmark Event, will continue to apply to maturity. This will result in the floating rate Notes, in effect, becoming fixed rate Notes.

Where ISDA Determination is specified as the manner in which the Rate of Interest in respect of floating rate Notes is to be determined, the Conditions provide that the Rate of Interest in respect of the Notes shall be determined by reference to the relevant Floating Rate Option in the relevant ISDA Definitions. If there is making of a public statement by the supervisor of the administrator of the Original Reference Rate that the Original Reference Rate is or will be (or is or will be deemed by such supervisor to be) no longer representative of its relevant underlying market, and a Successor Rate or Alternative Reference Rate is determined, ISDA Determination will not apply. Where the Floating Rate Option specified is an "IBOR" Floating Rate Option, the Rate of Interest may be determined by reference to the relevant screen rate or the rate determined on the basis of quotations from certain banks. If the relevant IBOR is permanently discontinued and the relevant screen rate or quotations from banks (as applicable) are not available, the operation of these provisions may lead to uncertainty as to the Rate of Interest that would be applicable, and may, adversely affect the value of, and return on, the floating rate Notes.

Due to the uncertainty concerning the availability of a Successor Rate, Alternative Reference Rate and Alternative Relevant Screen Page, any determinations that may need to be made by the Independent Adviser or Issuer involves a risk that the relevant fallback provisions may not operate as intended at the relevant time. Moreover, any of the above matters or any other significant change to the setting or existence of any relevant reference rate could affect the ability of the Issuer to meet its obligations under the floating rate Notes or could have a material adverse effect on the value or liquidity of, and the amount payable under, the floating rate Notes.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the EU Benchmarks Regulation, the UK Benchmarks Regulation or any other international or national reforms in making any investment decision with respect to any Notes linked to or referencing a benchmark.

The use of Secured Overnight Financing Rate ("SOFR") as a reference rate is subject to important limitations.

The rate of interest on the floating rate Notes may be calculated on the basis of SOFR (as further described under Condition 5(b)(iii)(c) *(Screen Rate Determination for Floating Rate Notes referencing SOFR Benchmark)* of the Conditions).

In June 2017, the New York Federal Reserve's Alternative Reference Rates Committee (the "**ARRC**") announced SOFR as its recommended alternative to U.S. dollar London interbank offered rate ("**LIBOR**"). However, the composition and characteristics of SOFR are not the same as those of LIBOR. SOFR is a broad U.S. Treasury repo-financing rate that represents overnight secured funding transactions. This means that SOFR is fundamentally different from LIBOR for two key reasons. First, SOFR is a secured rate, while LIBOR is an unsecured rate. Second, SOFR is an overnight rate, while LIBOR represents interbank funding over different maturities. As a result, there can be no assurance that SOFR will perform in the same way as LIBOR would have at any time, including, without limitation, as a result of changes in interest and yield rates in the market, market volatility or global or regional economic, financial, political, or regulatory events. For example, since publication of SOFR began in April 2018, daily changes in SOFR have, on occasion, been more volatile than daily changes in comparable benchmark or other market rates.

As SOFR is an overnight funding rate, interest on SOFR-based Notes with interest periods longer than overnight will be calculated on the basis of either the arithmetic mean of SOFR over the relevant interest period or compounding SOFR during the relevant interest period. As a consequence of this calculation method, the amount of interest payable on each interest payment date will only be known a short period of time prior to the relevant interest payment date. Noteholders therefore will not know in advance the interest amount which will be payable on such Notes.

Although the Federal Reserve Bank of New York has published historical indicative SOFR information going back to 2014, such prepublication of historical data inherently involves assumptions, estimates and approximations. Noteholders should not rely on any historical changes or trends in SOFR as an indicator of future changes in SOFR.

The Federal Reserve Bank of New York notes on its publication page for SOFR that use of SOFR is subject to important limitations and disclaimers, including that the Federal Reserve Bank of New York may alter the methods of calculation, publication schedule, rate revision practices or availability of SOFR at any time without notice. In addition, SOFR is published by the Federal Reserve Bank of New York based on data received from other sources, and the Issuer has no control over its determination, calculation or publication. There can be no guarantee that SOFR will not be discontinued or fundamentally altered in a manner that is materially adverse to the interests of the Noteholders. If the manner in which SOFR is calculated is changed or if SOFR is discontinued, that change or discontinuance may result in a reduction or elimination of the amount of interest payable on the Notes and a reduction in the trading prices of the Notes which would negatively impact the Noteholders who could lose part of their investment.

The Conditions provide for certain fallback arrangements in the event that a SOFR Benchmark Event occurs, which is based on the ARRC recommended language. There is however no guarantee that the fallback arrangements will operate as intended at the relevant time or operate on terms commercially acceptable to all Noteholders. Any of the fallbacks may result in interest payments that are lower than, or do not otherwise correlate over time with, the payments that would have been made on the Notes if SOFR had been provided by the Federal Reserve Bank of New York in its current form. Investors should consult their own independent advisers and make their own assessment about the potential risks in making any investment decision with respect to any Notes linked to SOFR.

The market continues to develop in relation to SOFR as a reference rate for Floating Rate Notes.

Investors should be aware that the market continues to develop in relation to SOFR as a reference rate in the capital markets and its adoption as an alternative to U.S. dollar LIBOR. Market participants and relevant working groups are exploring alternative reference rates based on SOFR (which seek to measure the market's forward expectation of a SOFR rate over a designated term). The market or a significant part thereof may adopt an application of SOFR that differs significantly from that set out in the Conditions. In addition, the manner of adoption or application of SOFR in the bond markets may differ materially compared with the application and adoption of SOFR in other markets, such as the derivatives and loan markets. Investors should carefully consider how any mismatch between the adoption of SOFR in the bond, loan and derivatives markets may impact any hedging or other financial arrangements which they may put in place in connection with any acquisition, holding or disposal of Notes referencing SOFR. In addition, the development of SOFR as an interest reference rate for the bond markets, as well as continued development of SOFR-based rates, indices and averages for such markets and the market infrastructure for adopting such rates, could result in reduced liquidity or increased volatility or could otherwise affect the market price of Notes referencing SOFR. Similarly, if SOFR does not prove widely used in securities such as the Notes referencing SOFR, investors may not be able to sell such Notes referencing SOFR at all or the trading price of the Notes referencing SOFR may be lower than those of bonds linked to indices that are more widely used.

The use of SOFR as a reference rate for bonds is nascent, and may be subject to change and development, both in terms of the substance of the calculation and in the development and adoption of market infrastructure for the issuance and trading of bonds referencing such rates. Notes referencing SOFR may have no established trading market when issued, and an established trading market may never develop or may not be very liquid which, in turn, may reduce the trading price of such Notes or mean that investors in such Notes may not be able to sell such Notes at all or may not be able to sell such Notes at prices that will provide them with a yield comparable to similar investments that have a developed secondary market, and may consequently suffer from increased pricing volatility and market risk. Investors should consider these matters when making their investment decision with respect to Notes referencing SOFR.

RISKS RELATING TO THE STRUCTURE OF A PARTICULAR ISSUE OF NOTES

Unless in the case of any particular Tranche of Notes the relevant Pricing Supplement specifies otherwise, in the event that the Issuer would be obliged to increase the amounts payable in respect of any Notes due to any withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of Hong Kong, PRC or any political subdivision thereof or any authority therein or thereof having power to tax, the Issuer may redeem all outstanding Notes in accordance with the Conditions. A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of certain such features:

Notes subject to optional redemption by the Issuer may have a lower market value than Notes that cannot be redeemed.

An optional redemption feature is likely to limit the market value of Notes. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This may also be true prior to any redemption period. The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At such times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Index linked Notes and dual currency Notes.

The Issuer may issue Notes with principal or interest determined by reference to an index or formula, to changes in the prices of securities or commodities, to movements in currency exchange rates or other factors (each, a "**Relevant Factor**"). In addition, the Issuer may issue Notes with principal or interest payable in one or more currencies which may be different from the currency in which the Notes are denominated. Potential investors should be aware that:

- the market price of such Notes may be volatile;
- they may receive no interest;
- payment of principal or interest may occur at a different time or in a different currency than expected;
- they may lose all or a substantial portion of their principal;
- a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;
- if a Relevant Factor is applied to Notes in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable will likely be magnified; and
- the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

The historical experience of an index should not be viewed as an indication of the future performance of such index during the term of any index linked Notes. Accordingly, each potential investor should consult its own financial and legal advisers about the risk entailed by an investment in any index linked Notes and the suitability of such Notes in light of its particular circumstances.

Failure by an investor to pay a subsequent instalment of partly-paid Notes may result in an investor losing all of its investment.

The Issuer may issue Notes where the issue price is payable in more than one instalment. Failure to pay any subsequent instalment could result in an investor losing all of its investment.

The market price of variable rate Notes with a multiplier or other leverage factor may be volatile.

Notes with variable interest rates can be volatile securities. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

Inverse floating rate Notes are typically more volatile than conventional floating rate debt.

Inverse floating rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as the EURIBOR. The market values of such Notes are typically more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse floating rate Notes are more volatile because an increase in the reference rate not only decreases the interest rate of the Notes, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Notes.

Notes carrying an interest rate which may be converted from fixed to floating interest rates and vice versa, may have lower market values than other Notes.

Fixed or floating rate Notes may bear interest at a rate that the Issuer may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. The Issuer's ability to convert the interest rate will affect the secondary market and the market value of such Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate, the spread on the fixed or floating rate Notes may be less favourable than the then prevailing spreads on comparable floating rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate, the fixed rate may be lower than the then prevailing rates on its Notes.

The market prices of Notes issued at a substantial discount or premium tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities.

The market values of securities issued at a substantial discount or premium to their nominal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

Investors may lose part or all of their investment in any Index-Linked Notes issued.

If, in the case of a particular Tranche of Notes, the relevant Pricing Supplement specifies that the Notes are Index Linked Notes or variable redemption amount Notes, there is a risk that the investor may lose the value of its entire investment or part of it.

Credit ratings may not reflect all risks.

One or more independent credit rating agencies may assign credit ratings to an issue of Notes. The ratings may not reflect the potential impact of all risks related to structure, market and additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

RISKS RELATING TO RENMINBI-DENOMINATED NOTES

There is only limited availability of Renminbi outside the PRC, which may affect the liquidity of the Notes and the Bank's ability to source Renminbi outside of the PRC to service the Notes.

As a result of the restrictions imposed by the PRC government on cross-border Renminbi fund flows, the availability of Renminbi outside the PRC is limited. While the PBOC has entered into agreements on the clearing of Renminbi business (the "**Settlement Arrangement**") with financial institutions (each, a "**Renminbi Clearing Bank**") in a number of financial centres and cities, including but not limited to Hong Kong, London, Frankfurt and Singapore, has established the Cross-Border Inter-Bank Payments System (CIPS) to facilitate cross-border Renminbi settlement and is in the process of establishing Renminbi clearing and settlement mechanisms in several other jurisdictions (the "**Settlement Arrangements**"), the current size of Renminbi denominated financial assets outside the PRC remains limited.

There are restrictions imposed by the PBOC on Renminbi business participating banks in respect of cross-border Renminbi settlement, such as those relating to direct transactions with PRC enterprises. Furthermore, Renminbi business participating banks do not have direct Renminbi liquidity support from the PBOC, although the PBOC has gradually allowed participating banks to access the PRC's onshore inter-bank market for the purchase and sale of Renminbi. The Renminbi Clearing Banks only have limited access to onshore liquidity support from the PBOC to square open positions of participating banks for limited types of transactions and are not obliged to square for participating banks any open positions resulting from other foreign exchange transactions or conversion services. In such cases, where the participating banks cannot source sufficient Renminbi through the above channels, the participating banks will need to source Renminbi from the offshore market to square such open positions.

Although it is expected that the offshore Renminbi market will continue to grow in depth and size, its growth is subject to many constraints as a result of PRC laws and regulations on foreign exchange. There is no assurance that new PRC regulations will not be promulgated or the Settlement Arrangements will not be terminated or amended in the future which will have the effect of restricting availability of Renminbi outside the PRC. The limited availability of Renminbi outside the PRC may affect the liquidity of the Renminbi-denominated Notes. To the extent the Issuer is required to source Renminbi in the offshore market to service its Renminbi denominated Notes, there is no assurance that the Issuer will be able to source such Renminbi on satisfactory terms, if at all.

Renminbi is not freely convertible and there are significant restrictions on the remittance of Renminbi into and out of the PRC which may adversely affect the liquidity of Renminbi Notes.

Renminbi is not freely convertible at present. The PRC government continues to regulate conversion between Renminbi and foreign currencies, including the Hong Kong dollar.

However, there has been a significant reduction in control by the PRC government in recent years, particularly over trade transactions involving import and export of goods and services as well as other frequent routine foreign exchange transactions. These transactions are known as current account items.

On the other hand, remittance of Renminbi into and out of the PRC for the settlement of capital account items, such as capital contributions, debt financing and securities investment is generally only permitted upon obtaining specific approvals from, or completing specific registrations or filings with, the relevant authorities on a case-by-case basis and is subject to a strict monitoring system. Regulations in the PRC on the remittance of Renminbi into and out of the PRC for settlement of capital account items are being adjusted from time to time to match the policies of the PRC government.

Although the Renminbi was added to the Special Drawing Rights basket created by the International Monetary Fund in 2016, and the People's Bank of China (the "**PBOC**") and the Ministry of Commerce of the PRC have implemented policies for further improving accessibility to Renminbi to settle cross-border transactions in foreign currencies, there is no assurance that the PRC government will continue to gradually liberalise control over cross-border remittance of Renminbi in the future, that any pilot schemes for Renminbi cross-border utilisation will not be discontinued or that new regulations in the PRC will not be promulgated in the future which have the effect of restricting or eliminating the remittance of Renminbi into or out of the PRC. In the event that any regulatory restrictions inhibit the ability of the Issuer to repatriate funds outside the PRC to meet its obligations under the Renminbi Notes, the Issuer will need to source Renminbi offshore to finance such obligations under the relevant Renminbi Notes, and its ability to do so will be subject to the overall availability of Renminbi outside the PRC.

In addition, holders of beneficial interests in Renminbi Notes may be required to provide certifications and other information (including Renminbi account information) in order to allow such holder to receive payments in Renminbi in accordance with the Renminbi clearing and settlement system for participating banks in Hong Kong.

Investment in the Renminbi Notes is subject to exchange rate risks.

The value of Renminbi against the U.S. dollar and other foreign currencies fluctuates from time to time and is affected by changes in the PRC and international political and economic conditions as well as other factors. In August 2015, the PBOC changed the way it calculates the mid-point price of Renminbi against the U.S. dollar, requiring the market-makers who submit for the PBOC's reference rates to consider the previous day's closing spot rate, foreign-exchange demand and supply as well as changes in major currency rates. This change, and other changes such as widening the trading band that may be implemented, may increase volatility in the value of the Renminbi against foreign currencies. In May 2017, the PBOC further decided to introduce counter-cyclical factors to offset the market pro-cyclicality, so that the midpoint quotes could adequately reflect China's actual economic performance. However, the volatility in the value of the Renminbi against other currencies still exists. The Issuer will make all payments of interest and principal with respect to the Renminbi Notes in Renminbi unless otherwise specified. As a result, the value of these Renminbi payments may vary with the changes in the prevailing exchange rates in the marketplace. If an investor measures its investment returns by reference to a currency other than Renminbi, an investment in the Renminbi Notes entails foreign exchange related risks, including possible significant changes in the value of Renminbi relative to the currency by reference to which an investor measures its investment returns. Depreciation of

Renminbi against such currency could cause a decrease in the effective yield of the Renminbi Notes below their stated coupon rates and could result in a loss when the return on the Renminbi Notes is translated into such currency. Accordingly, the value of the investment made by a holder of the Renminbi Notes in that foreign currency will decline.

Investment in the Renminbi Notes is subject to interest rate risks.

The value of Renminbi payments under Renminbi Notes may be susceptible to interest rate fluctuations occurring within and outside the PRC, including PRC Renminbi repo rates and/or the Shanghai inter-bank offered rate. The PRC government has gradually liberalised its regulation of interest rates in recent years. Further liberalisation may increase interest rate volatility. In addition, the interest rate for Renminbi in markets outside the PRC may significantly deviate from the interest rate for Renminbi in the PRC as a result of foreign exchange controls imposed by PRC law and regulations and prevailing market conditions.

The Renminbi Notes may carry a fixed interest rate. Consequently, the trading price of such Notes will vary with the fluctuations in the Renminbi interest rates. If holders of Renminbi Notes propose to sell their Notes before their maturity, they may receive an offer lower than the amount they have invested.

Payments for the Notes denominated in Renminbi will only be made to investors in the manner specified in the Notes.

All payments to investors in respect of Notes denominated in Renminbi will be made solely (i) for so long as such Notes are represented by Global Notes or Global Certificates, by transfer to a Renminbi bank account maintained in Hong Kong in accordance with prevailing rules and procedures of the relevant clearing system, or (ii) for so long as such Notes are in definitive form, by transfer to a Renminbi bank account maintained in Hong Kong in accordance with the prevailing rules and regulations. The Issuer cannot be required to make payment by any other means (including in any currency or by transfer to a bank account in the PRC).

Gains on the transfer of the Notes may become subject to income taxes under PRC tax laws.

Under the PRC Enterprise Income Tax Law, the PRC Individual Income Tax Law and the relevant implementing rules, as amended from time to time, any gain realised on the transfer of Notes by non-PRC resident enterprise or individual Holders may be subject to PRC enterprise income tax ("**EIT**") or PRC individual income tax ("**IIT**") if such gain is regarded as income derived from sources within the PRC. The PRC Enterprise Income Tax Law levies EIT at the rate of 20 per cent. of the gains derived by such non-PRC resident enterprise Holder from the transfer of Notes but its implementation rules have reduced the enterprise income tax rate to 10 per cent. The PRC Individual Income Tax Law levies IIT at a rate of 20 per cent. of the gains derived by such non-PRC resident or individual Holder from the transfer of Notes.

However, uncertainty remains as to whether the gain realised from the transfer of Notes by non-PRC resident enterprise or individual Holders would be treated as income derived from sources within the PRC and become subject to the EIT or IIT. This will depend on how the PRC tax authorities interpret, apply or enforce the PRC Enterprise Income Tax Law, the PRC Individual Income Tax Law and the relevant implementing rules. According to the arrangement between the PRC and Hong Kong, for the avoidance of double taxation, Holders who are residents of Hong Kong, including enterprise Holders and individual Holders, will not be subject to EIT or IIT on capital gains derived from a sale or exchange of the Notes.

Therefore, if non-PRC enterprise or individual resident Holders are required to pay PRC income tax on gains derived from the transfer of Notes, unless there is an applicable tax treaty between PRC and the jurisdiction in which such non-PRC enterprise or individual resident holders of Notes reside that reduces or exempts the relevant EIT or IIT, the value of their investment in Notes may be materially and adversely affected.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions that, save for the words in italics and subject to completion and amendment and as supplemented or varied in accordance with the provisions of the relevant Pricing Supplement, shall be applicable to the Notes in definitive form (if any) issued in exchange for the Global Note(s) representing or the Global Certificate evidencing each Series. Either (i) the full text of these terms and conditions together with the relevant provisions of the Pricing Supplement or (ii) these terms and conditions as so completed, amended, supplemented or varied (and subject to simplification by the deletion of non-applicable provisions), shall be endorsed on such Bearer Notes or on the Certificates relating to such Registered Notes. All capitalised terms that are not defined in these Conditions will have the meanings given to them in the relevant Pricing Supplement. Those definitions will be endorsed on the definitive Notes or Certificates, as the case may be. References in the Conditions to "Notes" are to the Notes of one Series only, not to all Notes that may be issued under the Programme.

The Notes are part of a Series (as defined below) of Notes issued by Industrial Bank Co., Ltd. (the "**Bank**") or the relevant branch of the Bank as specified in the applicable Pricing Supplement (the "**Issuer**") and are issued pursuant to an amended and restated agency agreement (as amended or supplemented as at the date of issue of the Notes (the "**Issue Date**"), the "**Amended and Restated Agency Agreement**") dated 5 August 2024 between the Bank and Citicorp International Limited as fiscal agent and the other agents named in it and with the benefit of an amended and restated deed of covenant (as amended or supplemented as at the Issue Date, the "**Amended and Restated Deed of Covenant**") dated 5 August 2024 executed by the Bank in relation to the Notes. The fiscal agent, the CMU lodging and paying agent, the other paying agents, the registrar, the transfer agents and the calculation agent(s) appointed under the Amended and Restated Agency Agreement for the time being (if any) are referred to below respectively as the "**Fiscal Agent**", the "**CMU Lodging and Paying Agent**", the "**Paying Agents**", the "**Registrar**", the "**Transfer Agents**" and the "**Calculation Agent(s)**". For the purposes of these terms and conditions (these "**Conditions**"), all references to the Fiscal Agent shall, with respect to a Series of Notes to be held in the Central Moneymarkets Unit Service, operated by The Hong Kong Monetary Authority ("**CMU**"), be deemed to be a reference to the CMU Lodging and Paying Agent and all such references shall be construed accordingly.

The Noteholders (as defined below), the holders of the interest coupons (the "**Coupons**") relating to interest bearing Notes in bearer form and, where applicable in the case of such Notes, talons for further Coupons (the "**Talons**") (the "**Couponholders**") and the holders of the receipts for the payment of instalments of principal (the "**Receipts**") relating to Notes in bearer form of which the principal is payable in instalments (the "**Receiptholders**") are deemed to have notice of all the provisions of the Amended and Restated Agency Agreement applicable to them.

As used in these Conditions, "**Tranche**" means Notes which are identical in all respects.

Copies of the Amended and Restated Agency Agreement and the Amended and Restated Deed of Covenant are available for inspection upon prior written request and proof of holdings and identity during normal business hours (being 9:00 a.m. to 3:00 p.m. local time on weekdays (excluding public holidays)) at the specified offices of each of the Paying Agents, the Registrar and the Transfer Agents.

1 Form, Denomination and Title

The Notes are issued in bearer form ("**Bearer Notes**") or in registered form ("**Registered Notes**") in each case in the Specified Denomination(s) shown in the applicable Pricing Supplement.

This Note is a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index Linked Interest Note, an Index Linked Redemption Note (together with an Index Linked Interest Note, an "**Index Linked Note**"), an Instalment Note, a Dual Currency Note or a Partly Paid Note, a combination of any of the foregoing or any other kind of Note, depending upon the Interest and Redemption/Payment Basis shown in the applicable Pricing Supplement.

Bearer Notes are serially numbered and are issued with Coupons (and, where appropriate, a Talon) attached, save in the case of Zero Coupon Notes in which case references to interest (other than in relation to interest due after the Maturity Date), Coupons and Talons in these Conditions are not applicable. Instalment Notes are issued with one or more Receipts attached.

Registered Notes will be evidenced by registered certificates ("**Certificates**") and, save as provided in Condition 2(c), each Certificate shall evidence the entire holding of Registered Notes by the same holder.

Title to the Bearer Notes and the Receipts, Coupons and Talons shall pass by delivery. Title to the Registered Notes shall pass by registration in the relevant register that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Amended and Restated Agency Agreement (the "**Register**"). Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Note, Receipt, Coupon or Talon shall be deemed to be and may be treated as its absolute owner for all purposes, whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on it (or on the Certificate evidencing it) or its theft or loss (or that of the related Certificate) and no person shall be liable for so treating the holder.

In these Conditions, "**Noteholder**" means the bearer of any Bearer Note and the Receipts relating to it or the person in whose name a Registered Note is registered (as the case may be), "**holder**" (in relation to a Note, Receipt, Coupon or Talon) means the bearer of any Bearer Note, Receipt, Coupon or Talon or the person in whose name a Registered Note is registered (as the case may be) and capitalised terms have the meanings given to them in the applicable Pricing Supplement, the absence of any such meaning indicating that such term is not applicable to the Notes.

2 No Exchange of Notes and Transfers of Registered Notes

(a) No Exchange of Notes

Registered Notes may not be exchanged for Bearer Notes. Bearer Notes of one Specified Denomination may not be exchanged for Bearer Notes of another Specified Denomination. Bearer Notes may not be exchanged for Registered Notes.

(b) Transfer of Registered Notes

Subject to Condition 2(f), one or more Registered Notes may be transferred upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate evidencing such Registered Notes to be transferred, together with the form of transfer endorsed on such Certificate, (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Bank), duly completed and executed and any other evidence as the Registrar or Transfer Agent may reasonably require. In the case of a transfer of part only of a holding of Registered Notes evidenced by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. All transfers of Notes and entries on the relevant Register will be made subject to the detailed regulations concerning transfers of Notes scheduled to the Amended and Restated Agency Agreement. The regulations may be changed by the Bank, with the prior written approval of the Registrar and the Noteholders. A copy of the current regulations will be made available by the Registrar to any Noteholder upon request.

(c) Exercise of Options or Partial Redemption in Respect of Registered Notes

In the case of an exercise of an Issuer's or Noteholders' option in respect of, or a partial redemption of, a holding of Registered Notes evidenced by a single Certificate, a new Certificate shall be issued to the holder to reflect the exercise of such option or in respect of the balance of the holding not redeemed. In the case of a partial exercise of an option resulting in Registered Notes of the same holding having different terms, separate Certificates shall be issued in respect of those Notes of that holding that have the same terms. New Certificates shall only be issued against surrender of the existing Certificates to the Registrar or any Transfer Agent. In the case of a transfer of Registered Notes to a person who is already a holder of Registered Notes, a new Certificate evidencing the enlarged holding shall only be issued against surrender of the Certificate evidencing the existing holding.

(d) Delivery of New Certificates

Each new Certificate to be issued pursuant to Conditions 2(b) or 2(c) shall be available for delivery within five business days of receipt of a duly completed form of transfer or Exercise Notice (as defined in Condition 6(e)) and surrender of the Certificate for exchange. Delivery of the new Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such form of transfer, Exercise Notice or Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the form of transfer, Exercise Notice or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Agent (as defined in the Amended and Restated Agency Agreement) the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(d), "**business day**" means a day, other than a Saturday, Sunday or public holiday, on which banks are generally open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).

(e) Transfer Free of Charge

Transfers of Notes and Certificates on registration, transfer, partial redemption or exercise of an option shall be effected without charge by or on behalf of the Issuer, the Registrar or the Transfer Agents, but upon payment of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity as the Registrar or the relevant Transfer Agent may require).

(f) Closed Periods

No Noteholder may require the transfer of a Registered Note to be registered (i) during the period of 15 days ending on the due date for redemption of, or payment of any Instalment Amount in respect of, that Note, (ii) during the period of 15 days before any date on which Notes may be called for redemption by the Issuer at its option pursuant to Condition 6(d), (iii) after any such Note has been put for redemption or (iv) during the period of 15 days ending on (and including) any Record Date.

3 Status

The Notes and the Receipts and the Coupons relating to them constitute direct, unconditional, unsubordinated and unsecured obligations of the Bank and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Notes and the Receipts and the Coupons relating to them shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4(a), at all times rank at least equally with all other unsecured and unsubordinated indebtedness and monetary obligations of the Issuer, present and future.

4 Certain Covenants

(a) Negative Pledge

So long as any Note remains outstanding (as defined in the Amended and Restated Agency Agreement), the Bank will not, and will ensure that none of its Subsidiaries will create, or have outstanding, any mortgage, charge, lien, pledge or other security interest (other than a Permitted Security Interest), upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness, or to secure any guarantee or indemnity in respect of any Relevant Indebtedness, without at the same time or prior thereto according to the Notes the same security as is created or subsisting to secure any such Relevant Indebtedness, guarantee or indemnity or such other security as shall be approved by an Extraordinary Resolution (as defined in the Amended and Restated Agency Agreement) of the Noteholders.

(b) Rating Maintenance

If specified in the applicable Pricing Supplement, for so long as any Note remains outstanding, save with the approval of an Extraordinary Resolution of the Noteholders, the Bank and the Issuer shall maintain a rating on the Notes by a Rating Agency.

(c) Financial Statements

So long as any Note remains outstanding, the Bank shall make publicly available and send to the Fiscal Agent and, upon request, to any Noteholder and Couponholder:

(i) as soon as practicable after their date of publication and in any event not more than 150 days after the end of each Relevant Period, a copy of the Audited Financial Reports prepared in accordance with the Accounting Standards for Business Enterprises in the PRC ("**PRC GAAP**") (audited by an internationally recognised firm of independent accountants);

(ii) as soon as practicable after their date of publication and in any event not more than 90 days after the end of each Relevant Period, a copy of the Semi-Annual Reviewed Financial Reports prepared in accordance with PRC GAAP (reviewed by an internationally recognised firm of independent accountants); and

if such statements referred to in Condition 4(c)(i) or 4(c)(ii) above shall be in the Chinese language, together with an English translation of the same translated by (aa) an internationally recognised firm of accountants or (bb) a professional translation service provider, and checked by an internationally recognised firm of independent accountants.

(d) Notification to PRC Authorities

Where the NDRC Administrative Measures and/or the PBOC Circular apply to any Note to be issued in accordance with these Conditions and the Amended and Restated Agency Agreement, the Bank and the Issuer undertake to provide or cause to be provided a notification to the NDRC and/or PBOC of the requisite information and documents within the prescribed timeframe in accordance with the NDRC Administrative Measures and/or the PBOC Circular.

In this Condition 4:

"**Asset-Backed Securities**" means any Relevant Indebtedness that:

(i) by the terms of such indebtedness it is expressly provided that recourse by the holders of such indebtedness is limited to the properties or assets of the issuer of such indebtedness or the revenue to be generated by the operation of, or loss of or damage to, such properties or assets, for repayment of the moneys advanced and payment of interest thereon; and

(ii) such indebtedness is not guaranteed by the Bank or any of its Subsidiaries.

"**Audited Financial Reports**" means annual audited consolidated financial statements of the Bank, which comprise the consolidated balance sheet, the consolidated income statement, the consolidated cashflow statement and the consolidated statement of changes in owners' equity of the Bank together with the auditors' audit report and notes to the financial statements;

"**NDRC**" means the National Development and Reform Commission of the PRC or its local counterparts;

"**NDRC Administrative Measures**" means the Administrative Measures for the Examination and Registration of Medium- and Long-term Foreign Debts of Enterprises (企業中長期外債審核登記管理辦法(國家發展和改革委員會令第56號)) issued by the NDRC and which came into effect on 10 February 2023 (as supplemented, amended or replaced from time to time) and any implementation rules, reports, certificates, approvals or guidelines as issued by the NDRC from time to time;

"**PBOC**" means the People's Bank of China;

"**PBOC Circular**" means the Circular on Matters relating to the Macro-prudential Management Policy of Overall Cross-border Financing (中國人民銀行關於全口徑跨境融資宏觀審慎管理有關事宜的通知 (銀發[2017]9號) issued by the PBOC and which came into effect on 12 January 2017, and any implementation rules or applicable policies as issued by the PBOC from time to time;

"**Permitted Security Interest**" means any mortgage, charge, lien, pledge or other security interest over any undertaking, assets or revenues (including any uncalled capital) of the Bank and/or any of its Subsidiary of the Bank to secure credit-linked debt securities, equity-linked debt securities or Asset-Backed Securities issued by the Bank and/or any of its Subsidiary, or any guarantee or indemnity in respect of such securities;

"**Rating Agency**" means (a) S&P Global Ratings and its successors ("**S&P**"), (b) Moody's Investors Service, Inc., a subsidiary of Moody's Corporation, and its successors ("**Moody's**"), or (c) Fitch Ratings Ltd. and its successors ("**Fitch**"); and (d) if one or more of S&P, Moody's or Fitch shall not make a rating of the Notes publicly available, any internationally recognised securities rating agency or agencies, as the case may be, selected by the Bank, which shall be substituted for S&P, Moody's or Fitch or any combination thereof, as the case may be;

"**Relevant Indebtedness**" means any indebtedness which is in the form of, or represented or evidenced by, bonds, notes, debentures, loan stock or other securities with a maturity of more than one year which for the time being are, or are intended to be or capable of being, quoted, listed or dealt in or traded on any stock exchange or over-the-counter or other securities market outside mainland China (for the avoidance of doubt, "**mainland China**" shall not include the Hong Kong and Macau Special Administrative Regions or Taiwan);

"**Relevant Period**" means, (i) in relation to each of the Audited Financial Reports, each period of twelve months ending on the last day of their respective financial year (being December 31 of that financial year) and (ii) in relation to each of the Semi-Annual Reviewed Financial Reports, each period of six months ending on the last day of their respective first half financial year (being June 30 of that financial year);

"**Semi-Annual Reviewed Financial Reports**" means semi-annual unaudited and reviewed consolidated financial statements of the Bank, which comprise the consolidated balance sheet, the consolidated income statement, the consolidated cashflow statement and the consolidated statement of changes in owners' equity of the Bank together with the auditors' review report and notes to the financial statements; and

"**Subsidiary**" means any entity whose financial statements at any time are required by law or in accordance with generally accepted accounting principles to be fully consolidated with those of the Bank.

5 Interest and other Calculations

(a) Interest on Fixed Rate Notes

Each Fixed Rate Note bears interest on its outstanding nominal amount from (and including) the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 5(h).

(b) Interest on Floating Rate Notes and Index Linked Interest Notes

(i) Interest Payment Dates

Each Floating Rate Note and Index Linked Interest Note bears interest on its outstanding nominal amount from (and including) the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 5(h). Such Interest Payment Date(s) is/are either shown in the applicable Pricing Supplement as Specified Interest Payment Dates or, if no Specified Interest Payment Date(s) is/are shown in the applicable Pricing Supplement, Interest Payment Date shall mean each date which falls the number of months or other period shown in the applicable Pricing Supplement as the Interest Period after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

(ii) Business Day Convention

If any date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified is (A) the Floating Rate Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event (x) such date shall be brought forward to the immediately preceding Business Day and (y) each subsequent such date shall be the last Business Day of the month in which such date would have fallen had it not been subject to adjustment, (B) the Following Business Day Convention, such date shall be postponed to the next day that is a Business Day, (C) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day or (D) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day.

(iii) Rate of Interest for Floating Rate Notes

The Rate of Interest in respect of Floating Rate Notes for each Interest Accrual Period shall be determined in the manner specified in the applicable Pricing Supplement and the provisions below relating to either ISDA Determination or Screen Rate Determination shall apply, depending upon which is specified in the applicable Pricing Supplement.

(A) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified in the applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent as a rate equal to the relevant ISDA Rate, provided that in any circumstances where under the ISDA Definitions the Calculation Agent would be required to exercise any discretion, including the selection of any reference banks and seeking quotations from reference banks, when calculating the relevant ISDA Rate, the relevant determination(s) which require the Calculation Agent to exercise its discretion shall instead be made by the Issuer or its designee. For the purposes of this sub-paragraph (A), "**ISDA Rate**" for an Interest Accrual Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under a Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

(x) if the Pricing Supplement specifies either "**2006 ISDA Definitions**" or "**2021 ISDA Definitions**" as the applicable ISDA Definitions:

(1) the Floating Rate Option (as defined in the relevant ISDA Definitions) is as specified in the applicable Pricing Supplement;

(2) the Designated Maturity (as defined in the relevant ISDA Definitions), if applicable, is a period specified in the applicable Pricing Supplement; and

(3) the relevant Reset Date (as defined in the relevant ISDA Definitions) is as specified in the applicable Pricing Supplement;

(4) if the specified Floating Rate Option is an Overnight Floating Rate Option (as defined in the relevant ISDA Definitions), Compounding is specified to be applicable in the applicable Pricing Supplement and:

(I) Compounding with Lookback is specified as the Compounding Method in the applicable Pricing Supplement, then (a) Compounding with Lookback is the Overnight Rate Compounding Method and (b) Lookback is the number of Applicable Business Days (as defined in the relevant ISDA Definitions) specified in the applicable Pricing Supplement;

(II) Compounding with Observation Period Shift is specified as the Compounding Method in the applicable Pricing Supplement, then (a) Compounding with Observation Period Shift is the Overnight Rate Compounding Method, (b) Observation Period Shift is the number of Observation Period Shift Business Days (as defined in the relevant ISDA Definitions) specified in the applicable Pricing Supplement and (c) Observation Period Shift Additional Business Days (as defined in the relevant ISDA Definitions), if applicable, are the days specified in the applicable Pricing Supplement; or

(III) Compounding with Lockout is specified as the Compounding Method in the applicable Pricing Supplement, then (a) Compounding with Lockout is the Overnight Rate Compounding Method, (b) Lockout is the number of Lockout Period Business Days (as defined in the relevant ISDA Definitions) specified in the applicable Pricing Supplement and (c) Lockout Period Business Days, if applicable, are the days specified in the applicable Pricing Supplement; and

(5) if the specified Floating Rate Option is an Index Floating Rate Option (as defined in the relevant ISDA Definitions) and Index Provisions are specified to be applicable in the applicable Pricing Supplement);, the Compounded Index Method with Observation Period Shift shall be applicable and, (a) Observation Period Shift is the number of Observation Period Shift Business Days (as defined in the relevant ISDA Definitions) specified in the applicable Pricing Supplement); and (b) Observation Period Shift Additional Business Days (as defined in the relevant ISDA Definitions) are the days, if applicable, specified in the applicable Pricing Supplement);

(6) references in the relevant ISDA Definitions to:

(I) "**Confirmation**" shall be deemed to be references to the applicable Pricing Supplement;

(II) "**Calculation Period**" shall be deemed to be references to the relevant Interest Accrual Period;

(III) "**Termination Date**" shall be deemed to be references to the Maturity Date; and

(IV) "**Effective Date**" shall be deemed to be references to the Interest Commencement Date; and

(y) if the Pricing Supplement specifies "**2021 ISDA Definitions**" as the applicable ISDA Definitions:

(1) Administrator/Benchmark Event shall be disapplied; and

(2) if the Temporary Non-Publication Fallback for any specified Floating Rate Option is specified to be "Temporary Non-Publication Fallback — Alternative Rate" in the Floating Rate Matrix of the 2021 ISDA Definitions, the reference to "Calculation Agent Alternative Rate Determination" in the definition of "Temporary Non-Publication Fallback — Alternative Rate" shall be replaced by "Temporary Non-Publication Fallback — Previous Day's Rate".

(B) Screen Rate Determination for Floating Rate Notes not referencing SOFR Benchmark

(x) Subject to Condition 5(b)(v), where Screen Rate Determination is specified in the applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined (other than in respect of Notes for which the Reference Rate is SOFR Benchmark), the Rate of Interest for each Interest Accrual Period will, subject as provided below, be either:

(1) the offered quotation; or

(2) the arithmetic mean of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at either 11.00 a.m. (Brussels time in the case of EURIBOR or Hong Kong time in the case of HIBOR) or in the case of CNH HIBOR, 11.15 a.m. (Hong Kong time) or if, at or around that time it is notified that the fixing will be published at 2.30 p.m. (Hong Kong time), then 2.30 p.m. (Hong Kong time) on the Interest Determination Date in question, in each case as determined by the Calculation Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean of such offered quotations.

(y) If the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be (i) that determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Accrual Period, in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Accrual Period) or (ii) if there is no such preceding Interest Determination Date, the initial Rate of Interest applicable to such Notes on the Interest Commencement Date (though substituting, where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Accrual Period, in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Accrual Period), provided that if the Reference Rate from time to time in respect of Floating Rate Notes is specified in the applicable Pricing Supplement as being other than EURIBOR, HIBOR or CNH HIBOR, the Rate of Interest in respect of such Notes will be determined as provided in the applicable Pricing Supplement.

(C) Screen Rate Determination for Floating Rate Notes referencing SOFR Benchmark

Subject to Condition 5(b)(vi), where Screen Rate Determination is specified in the applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined where the Reference Rate is SOFR Benchmark, the Rate of Interest for each Interest Accrual Period will, subject as provided below, be equal to the relevant SOFR Benchmark plus or minus the Margin (if any) in accordance with Condition 5(g), all as determined by the Calculation Agent on the relevant Interest Determination Date.

The "**SOFR Benchmark**" will be determined based on Simple SOFR Average, Compounded Daily SOFR or Compounded SOFR Index, as follows (subject in each case to Condition 5(b)(vi) as further specified in the applicable Pricing Supplement):

(x) If Simple SOFR Average ("**Simple SOFR Average**") is specified in the applicable Pricing Supplement as the manner in which the SOFR Benchmark will be determined, the SOFR Benchmark for each Interest Accrual Period shall be the arithmetic mean of the SOFR reference rates for each U.S. Government Securities Business Day during the period, as calculated by the Calculation Agent, and where, if applicable and as specified in the applicable Pricing Supplement, the SOFR reference rate on the SOFR Rate Cut-Off Date shall be used for the U.S. Government Securities Business Days in the period from (and including) the SOFR Rate Cut-Off Date to (but excluding) the Interest Period Date;

(y) If Compounded Daily SOFR ("**Compounded Daily SOFR**") is specified in the applicable Pricing Supplement as the manner in which the SOFR Benchmark will be determined, the SOFR Benchmark for each Interest Accrual Period shall be equal to the compounded average of daily SOFR reference rates for each day during the relevant Interest Accrual Period (where SOFR Lag, SOFR Payment Delay or SOFR Lockout is specified as applicable in the applicable Pricing Supplement to determine Compounded Daily SOFR) or the SOFR Observation Period (where SOFR Observation Shift is specified as applicable in the applicable Pricing Supplement to determine Compounded Daily SOFR).

Compounded Daily SOFR shall be calculated by the Calculation Agent in accordance with one of the formulas referenced below depending upon which is specified as applicable in the applicable Pricing Supplement:

(1) SOFR Lag:

$$\left(\prod_{i=1}^{d_o}\left(1+\frac{SOFR_{i-\times USBD}\times n_i}{360}\right)-1\right)\times\frac{360}{d}$$

with the resulting percentage being rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, with 0.000005 per cent. being rounded upwards and where:

"**SOFR**$_{i-\times USBD}$" for any U.S. Government Securities Business Day(i) in the relevant Interest Accrual Period, is equal to the SOFR reference rate for the U.S. Government Securities Business Day falling the number of Lookback Days prior to that U.S. Government Securities Business Day(i);

"**Lookback Days**" means such number of U.S. Government Securities Business Days as specified in the applicable Pricing Supplement;

"d" means the number of calendar days in the relevant Interest Accrual Period;

"d_o" means the number of U.S. Government Securities Business Days in the relevant Interest Accrual Period;

"i" means a series of whole numbers ascending from one to do, representing each relevant U.S. Government Securities Business Day from (and including) the first U.S. Government Securities Business Day in the relevant Interest Accrual Period (each a "**U.S. Government Securities Business Day(i)**"); and

"n_i", for any U.S. Government Securities Business Day(i), means the number of calendar days from (and including) such U.S. Government Securities Business Day(i) up to (but excluding) the following U.S. Government Securities Business Day.

(2) SOFR Observation Shift:

$$\left(\prod_{i=1}^{d_o}\left(1+\frac{SOFR_i \times n_i}{360}\right)-1\right)\times\frac{360}{d}$$

with the resulting percentage being rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, with 0.000005 per cent. being rounded upwards and where:

"**SOFR**$_i$" for any U.S. Government Securities Business Day(i) in the relevant SOFR Observation Period, is equal to the SOFR reference rate for that U.S. Government Securities Business Day(i);

"**SOFR Observation Period**" means, in respect of an Interest Accrual Period, the period from (and including) the date falling the number of SOFR Observation Shift Days prior to the first day of such Interest Accrual Period to (but excluding) the date falling the number of SOFR Observation Shift Days prior to the Interest Period Date for such Interest Accrual Period;

"**SOFR Observation Shift Days**" means the number of U.S. Government Securities Business Days as specified in the applicable Pricing Supplement;

"d" means the number of calendar days in the relevant SOFR Observation Period;

"d_o" means the number of U.S. Government Securities Business Days in the relevant SOFR Observation Period;

"i" means a series of whole numbers ascending from one to do, representing each U.S. Government Securities Business Day from (and including) the first U.S. Government Securities Business Day in the relevant SOFR Observation Period (each a "**U.S. Government Securities Business Day(i)**"); and

"n_i", for any U.S. Government Securities Business Day(i), means the number of calendar days from (and including) such U.S. Government Securities Business Day(i) up to (but excluding) the following U.S. Government Securities Business Day.

(3) SOFR Payment Delay:

$$\left(\prod_{i=1}^{d_o}\left(1+\frac{SOFR_i \times n_i}{360}\right)-1\right)\times\frac{360}{d}$$

with the resulting percentage being rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, with 0.000005 per cent. being rounded upwards and where:

"**SOFR**$_i$" for any U.S. Government Securities Business Day(i) in the relevant Interest Accrual Period, is equal to the SOFR reference rate for that U.S. Government Securities Business Day(i);

"**Interest Payment Date**" shall be the number of Interest Payment Delay Days following each Interest Period Date; provided that the Interest Payment Date with respect to the final Interest Accrual Period will be the Maturity Date or, if the Issuer elects to redeem the Notes prior to the Maturity Date, the relevant Optional Redemption Date;

"**Interest Payment Delay Days**" means the number of Business Days as specified in the applicable Pricing Supplement;

"d" means the number of calendar days in the relevant Interest Accrual Period;

"d_o" means the number of U.S. Government Securities Business Days in the relevant Interest Accrual Period;

"i" means a series of whole numbers ascending from one to do, representing each relevant U.S. Government Securities Business Day from (and including) the first U.S. Government Securities Business Day in the relevant Interest Accrual Period (each a "**U.S. Government Securities Business Day(i)**"); and

"n_i", for any U.S. Government Securities Business Day(i), means the number of calendar days from (and including) such U.S. Government Securities Business Day(i) up to (but excluding) the following U.S. Government Securities Business Day.

For the purposes of calculating Compounded Daily SOFR with respect to the final Interest Accrual Period where SOFR Payment Delay is specified in the applicable Pricing Supplement, the SOFR reference rate for each U.S. Government Securities Business Day in the period from (and including) the SOFR Rate Cut-Off Date to (but excluding) the Maturity Date or the relevant Optional Redemption Date, as applicable, shall be the SOFR reference rate in respect of such SOFR Rate Cut-Off Date.

(4) SOFR Lockout:

$$\left(\prod_{i=1}^{d_o}\left(1+\frac{SOFR_{i-\times USBD}\times n_i}{360}\right)-1\right)\times\frac{360}{d}$$

with the resulting percentage being rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, with 0.000005 per cent. being rounded upwards and where:

"**SOFR**$_i$" for any U.S. Government Securities Business Day(i) in the relevant Interest Accrual Period, is equal to the SOFR reference rate for that U.S. Government Securities Business Day(i), except that the SOFR for any U.S. Government Securities Business Day(i) in respect of the period from (and including) the SOFR Rate Cut-Off Date to (but excluding) the Interest Period Date for such Interest Accrual Period shall be the SOFR reference rate in respect of such SOFR Rate Cut-Off Date;

"d" means the number of calendar days in the relevant Interest Accrual Period;

"d_o" means the number of U.S. Government Securities Business Days in the relevant Interest Accrual Period;

"i" means a series of whole numbers ascending from one to do, representing each relevant U.S. Government Securities Business Day from (and including) the first U.S. Government Securities Business Day in the relevant Interest Accrual Period (each a "**U.S. Government Securities Business Day(i)**"); and

"n_i", for any U.S. Government Securities Business Day(i), means the number of calendar days from (and including) such U.S. Government Securities Business Day(i) up to (but excluding) the following U.S. Government Securities Business Day.

The following defined terms shall have the meanings set out below for purpose of Conditions 5(b)(iii)(C)(x) and 5(b)(iii)(C)(y):

"**Bloomberg Screen SOFRRATE Page**" means the Bloomberg screen designated "SOFRRATE" or any successor page or service;

"**Reuters Page USDSOFR=**" means the Reuters page designated "**USDSOFR=**" or any successor page or service;

"**SOFR**" means, in respect of a U.S. Government Securities Business Day, the reference rate determined by the Calculation Agent in accordance with the following provision:

(i) the Secured Overnight Financing Rate published at the SOFR Determination Time as such reference rate is reported on the Bloomberg Screen SOFRRATE Page; the Secured Overnight Financing Rate published at the SOFR Determination Time as such reference rate is reported on the Reuters Page USDSOFR=; or the Secured Overnight Financing Rate published at the SOFR Determination Time on the SOFR Administrator's Website;

(ii) if the reference rate specified in (i) above does not appear and a SOFR Benchmark Transition Event and its related SOFR Benchmark Replacement Date have not occurred, the SOFR reference rate shall be the reference rate published on the SOFR Administrator's Website for the first preceding U.S. Government Securities Business Day for which SOFR was published on the SOFR Administrator's Website; or

(iii) if the reference rate specified in (i) above does not appear and a SOFR Benchmark Transition Event and its related SOFR Benchmark Replacement Date have occurred, the provisions set forth in Condition 5(b)(vi);

"**SOFR Rate Cut-Off Date**" means the date that is a number of U.S. Government Securities Business Days prior to the Interest Payment Date relating to the relevant Interest Accrual Period, the Maturity Date or the relevant Optional Redemption Date, as applicable, as specified in the applicable Pricing Supplement; and

"**SOFR Determination Time**" means approximately 3:00 p.m. (New York City time) on the immediately following U.S. Government Securities Business Day.

(z) If Compounded SOFR Index ("**Compounded SOFR Index**") is specified as applicable in the applicable Pricing Supplement, the SOFR Benchmark for each Interest Accrual Period shall be equal to the compounded average of daily SOFR reference rates for each day during the relevant SOFR Observation Period as calculated by the Calculation Agent as follows:

$$\left(\frac{SOFR\ Index_{End}}{SOFR\ Index_{Start}} - 1\right) \times \left(\frac{360}{d_c}\right)$$

with the resulting percentage being rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, with 0.000005 per cent. being rounded upwards and where:

"**SOFR Index**" means, in respect of a U.S. Government Securities Business Day, the SOFR Index value as published on the SOFR Administrator's Website at the SOFR Index Determination Time on such U.S. Government Securities Business Day, *provided that*:

(a) if the value specified above does not appear and a SOFR Benchmark Transition Event and its related SOFR Benchmark Replacement Date have not occurred, the "**SOFR Index**" shall be calculated on any Interest Determination Date with respect to an Interest Accrual Period, in accordance with the Compounded Daily SOFR formula described above in Condition 5(b)(iii)(C)(y)(2) "**SOFR Observation Shift**", and the term "**SOFR Observation Shift Days**" shall mean five U.S. Government Securities Business Days; or

(b) if the value specified above does not appear and a SOFR Benchmark Transition Event and its related SOFR Benchmark Replacement Date have occurred, the provisions set forth in Condition 5(b)(vi);

"**SOFR Index$_{\mathbf{End}}$**" means, in respect of an Interest Accrual Period, the SOFR Index value on the date that is the number of U.S. Government Securities Business Days specified in the applicable Pricing Supplement prior to the Interest Period Date on which such Interest Accrual Period ends (or in the final Interest Accrual Period, the Maturity Date);

"**SOFR Index$_{\mathbf{Start}}$**" means, in respect of an Interest Accrual Period, the SOFR Index value on the date that is the number of U.S. Government Securities Business Days specified in the applicable Pricing Supplement prior to the first day of such Interest Accrual Period;

"**SOFR Index Determination Time**" means, in respect of a U.S. Government Securities Business Day, approximately 3:00 p.m. (New York City time) on such U.S. Government Securities Business Day;

"**SOFR Observation Period**" means, in respect of an Interest Accrual Period, the period from (and including) the date falling the number of SOFR Observation Shift Days prior to the first day of such Interest Accrual Period (and in respect of the first Interest Accrual Period, the number of SOFR Observation Shift Days preceding the Issue Date) to (but excluding) the date falling the number of SOFR Observation Shift Days prior to the Interest Period Date on which such Interest Accrual Period ends (or in the final Interest Accrual Period, the Maturity Date);

"**SOFR Observation Shift Days**" means the number of U.S. Government Securities Business Days as specified in the applicable Pricing Supplement; and

"d_c" means the number of calendar days in the applicable SOFR Observation Period.

The following defined terms shall have the meanings set out below for purpose of this Condition 5(b)(iii)(C):

"**SOFR Administrator's Website**" means the website of the Federal Reserve Bank of New York (currently, being https://www.newyorkfed.org/markets/reference-rates/sofr-averages-and-index), or any successor source;

"**SOFR Benchmark Replacement Date**" means the Benchmark Replacement Date with respect to the then-current Benchmark;

"**SOFR Benchmark Transition Event**" means the occurrence of a Benchmark Event with respect to the then-current Benchmark; and

"**U.S. Government Securities Business Day**" means any day except for a Saturday, a Sunday or a day on which the Securities Industry and Financial Markets Association recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in U.S. government securities.

(iv) Rate of Interest for Index Linked Interest Notes

The Rate of Interest in respect of Index Linked Interest Notes for each Interest Accrual Period shall be determined in the manner specified in the applicable Pricing Supplement and interest will accrue by reference to an Index or Formula as specified in the applicable Pricing Supplement.

(v) Benchmark Discontinuation for Floating Rate Notes not referencing SOFR Benchmark

(A) Independent Adviser

If a Benchmark Event occurs in relation to an Original Reference Rate when any Rate of Interest (or any component part thereof) remains to be determined by reference to such Original Reference Rate the Issuer shall use its reasonable endeavours to appoint an Independent Adviser, as soon as reasonably practicable, to determine a Successor Rate, failing which an Alternative Rate (in accordance with Condition 5(b)(v)(B)) and, in either case, an Adjustment Spread and any Benchmark Amendments (in accordance with Condition 5(b)(v)(D)). In making such determination, Independent Adviser appointed pursuant to this Condition 5(b)(v) shall act in good faith and in a commercially reasonable manner as an expert. In the absence of bad faith or fraud, the Independent Adviser shall have no liability whatsoever to the Issuer, the Fiscal Agent, the Paying Agents, the Noteholders, the Receiptholders or the Couponholders for any determination made by it, pursuant to this Condition 5(b)(v).

If (i) the Issuer is unable to appoint an Independent Adviser; or (ii) the Independent Adviser appointed by it fails to determine a Successor Rate or, failing which, an Alternative Rate in accordance with this Condition 5(b)(v)(A) prior to the date which is 10 business days prior to the relevant Interest Determination Date, the Rate of Interest applicable to the next succeeding Interest Accrual Period shall be determined using the Original Reference Rate last displayed on the relevant Screen Page prior to the relevant Interest Determination Date. Where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Accrual Period shall be substituted in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Accrual Period. For the avoidance of doubt, this paragraph shall apply to the relevant next succeeding Interest Accrual Period only and any subsequent Interest Accrual Periods are subject to the subsequent operation of, and to adjustment as provided in, the first paragraph of this Condition 5(b)(v)(A).

(B) Successor Rate or Alternative Rate

If the Independent Adviser, determines that:

(x) there is a Successor Rate, then such Successor Rate and the applicable Adjustment Spread shall subsequently be used in place of the Original Reference Rate to determine the Rate of Interest (or the relevant component part thereof) for all future payments of interest on the Notes (subject to the operation of this Condition 5(b)(v)); or

(y) there is no Successor Rate but that there is an Alternative Rate, then such Alternative Rate and the applicable Adjustment Spread shall subsequently be used in place of the Original Reference Rate to determine the Rate of Interest (or the relevant component part thereof) for all future payments of interest on the Notes (subject to the operation of this Condition 5(b)(v)).

(C) Adjustment Spread

The Adjustment Spread (or the formula or methodology for determining the Adjustment Spread) shall be applied to the Successor Rate or the Alternative Rate (as the case may be). If the Independent Adviser is unable to determine the quantum of, or a formula or methodology for determining, such Adjustment Spread, then the Successor Rate or Alternative Rate (as applicable) will apply without an Adjustment Spread.

(D) Benchmark Amendments

If any Successor Rate or Alternative Rate and, in either case, the applicable Adjustment Spread is determined in accordance with this Condition 5(b)(v) and the Independent Adviser, determines (i) that amendments to these Conditions and/or the Amended and Restated Agency Agreement are necessary to ensure the proper operation of such Successor Rate or Alternative Rate and/or (in either case) the applicable Adjustment Spread (such amendments, the "**Benchmark Amendments**") and (ii) the terms of the Benchmark Amendments, then the Issuer shall, subject to giving notice thereof in accordance with Condition 5(b)(v)(E), without any requirement for the consent or approval of Noteholders, vary these Conditions and/or the Amended and Restated Agency Agreement to give effect to such Benchmark Amendments with effect from the date specified in such notice.

Notwithstanding any other provision of this Condition 5(b)(v), the Calculation Agent or any Paying Agent is not obliged to concur with the Issuer or the Independent Adviser in respect of any changes or amendments as contemplated under this Condition 5(b)(v) to which, in the sole opinion of the Calculation Agent or the relevant Paying Agent, as the case may be, would impose more onerous obligations upon it or expose it to any additional duties, responsibilities or liabilities or reduce or amend the protective provisions afforded to the Calculation Agent or the relevant Paying Agent (as applicable) in the Amended and Restated Agency Agreement and/or these Conditions.

In connection with any such variation in accordance with this Condition 5(b)(v)(D), the Issuer shall comply with the rules of any stock exchange on which the Notes are for the time being listed or admitted to trading.

Notwithstanding any other provision of this Condition 5(b)(v), no Successor Rate or Alternative Rate will be adopted, nor will the applicable Adjustment Spread be applied, nor will any Benchmark Amendments be made, if and to the extent that, in the determination of the Issuer, the same could reasonably be expected to prejudice the qualification of the Notes as Tier 2 Capital and/or eligible liabilities or loss absorbing capacity instruments for the purposes of the Loss Absorption Regulations.

(E) Notices, etc.

Any Successor Rate, Alternative Rate, Adjustment Spread and the specific terms of any Benchmark Amendments determined under this Condition 5(b)(v) will be notified at least 10 business days prior to the relevant Interest Determination Date by the Issuer to the Fiscal Agent, the Calculation Agent and the Paying Agents. In accordance with Condition 14, notice shall be provided to the Noteholders promptly thereafter. Such notice shall be irrevocable and shall specify the effective date of the Benchmark Amendments, if any.

No later than notifying the Noteholders of the same, the Issuer shall deliver to the Fiscal Agent, the Calculation Agent and the Paying Agents a certificate signed by two authorised signatories of the Issuer:

(x) confirming (i) that a Benchmark Event has occurred, (ii) the Successor Rate or, as the case may be, the Alternative Rate, (iii) the applicable Adjustment Spread and (iv) the specific terms of the Benchmark Amendments (if any), in each case as determined in accordance with the provisions of this Condition 5(b)(v); and

(y) certifying that the Benchmark Amendments (if any) are necessary to ensure the proper operation of such Successor Rate or Alternative Rate and (in either case) the applicable Adjustment Spread.

The Fiscal Agent shall display such certificate at its offices, for inspection by the Noteholders at all reasonable times during normal business hours.

Each of the Fiscal Agent, the Calculation Agent and the Paying Agents shall be entitled to rely on such certificate (without liability to any person) as sufficient evidence thereof. The Successor Rate or Alternative Rate and the Adjustment Spread and the Benchmark Amendments (if any) specified in such certificate will (in the absence of manifest error or bad faith in the determination of the Successor Rate or Alternative Rate and the Adjustment Spread and the Benchmark Amendments (if any) and without prejudice to the Fiscal Agent's or the Calculation Agent's or the Paying Agents' ability to rely on such certificate as aforesaid) be binding on the Issuer, the Fiscal Agent, the Calculation Agent, the Paying Agents and the Noteholders.

Notwithstanding any other provision of this Condition 5(b)(v), if following the determination of any Successor Rate, Alternative Rate, Adjustment Spread or Benchmark Amendments (if any), in the Calculation Agent's opinion there is any uncertainty between two or more alternative courses of action in making any determination or calculation under this Condition 5(b)(v), the Calculation Agent shall promptly notify the Issuer thereof and the Issuer shall direct the Calculation Agent in writing as to which alternative course of action to adopt. If the Calculation Agent is not promptly provided with such direction, or is otherwise unable (other than due to its own gross negligence, willful default or fraud) to make such calculation or determination for any reason, it shall notify the Issuer thereof and the Calculation Agent shall be under no obligation to make such calculation or determination and (in the absence of such gross negligence, willful default or fraud) shall not incur any liability for not doing so.

(F) Survival of Original Reference Rate

Without prejudice to the obligations of the Issuer under Condition 5(b)(v)(A), (B), (C) and (D), the Original Reference Rate and the fallback provisions provided for in Condition 5(b)(iii) will continue to apply unless and until a Benchmark Event has occurred.

(G) Definitions:

As used in this Condition 5(b)(v):

"**Adjustment Spread**" means either (a) a spread (which may be positive, negative or zero) or (b) a formula or methodology for calculating a spread, in each case to be applied to the Successor Rate or the Alternative Rate (as the case may be) and is the spread, formula or methodology which:

(x) in the case of a Successor Rate, is formally recommended in relation to the replacement of the Original Reference Rate with the Successor Rate by any Relevant Nominating Body; or (if no such recommendation has been made, or in the case of an Alternative Rate);

(y) the Independent Adviser determines, is customarily applied to the relevant Successor Rate or the Alternative Rate (as the case may be) in international debt capital markets transactions to produce an industry-accepted replacement rate for the Original Reference Rate; or (if Independent Adviser determines that no such spread is customarily applied);

(z) the Independent Adviser determines is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the Original Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Rate (as the case may be).

"**Alternative Rate**" means an alternative benchmark or screen rate which the Independent Adviser determines in accordance with Condition 5(b)(v)(B) is customarily applied in international debt capital markets transactions for the purposes of determining rates of interest (or the relevant component part thereof) in the same Specified Currency as the Notes.

"**Benchmark Amendments**" has the meaning given to it in Condition 5(b)(v)(D).

"**Benchmark Event**" means:

(1) a public statement by the administrator of the Original Reference Rate that it has ceased or that it will cease publishing the Original Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the Original Reference Rate); or

(2) a public statement by the supervisor of the administrator of the Original Reference Rate, that the Original Reference Rate has been or will be permanently or indefinitely discontinued; or

(3) a public statement by the supervisor of the administrator of the Original Reference Rate as a consequence of which the Original Reference Rate will be prohibited from being used either generally, or in respect of the Notes; or

(4) the making of a public statement by the supervisor of the administrator of the Original Reference Rate that the Original Reference Rate will be (or will be deemed by such supervisor to be) no longer representative of its relevant underlying market; or

(5) it has become unlawful for any Paying Agent, the Calculation Agent, the Issuer or other party to calculate any payments due to be made to any Noteholder using the Original Reference Rate;

provided that the Benchmark Event shall be deemed to occur (a) in the case of sub-paragraphs (2) and (3) above, on the date of the cessation of publication of the Original Reference Rate or the discontinuation of the Original Reference Rate, as the case may be, (b) in the case of sub-paragraph (4) above, on the date of the prohibition of use of the Original Reference Rate and (c) in the case of sub-paragraph (5) above, on the date with effect from which the Original Reference Rate will no longer be (or will be deemed by the relevant supervisor to no longer be) representative of its relevant underlying market and which is specified in the relevant public statement, and, in each case, not the date of the relevant public statement.

The occurrence of a Benchmark Event shall be determined by the Issuer and promptly notified to the Fiscal Agent, the Calculation Agent and the Paying Agents. For the avoidance of doubt, neither the Fiscal Agent, the Calculation Agent nor the Paying Agents shall have any responsibility for making such determination.

"**business day**" means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the Calculation Agent.

"**Independent Adviser**" means an independent financial institution of international repute or an independent financial adviser with appropriate expertise appointed by the Issuer under Condition 5(b)(v)(A).

"**Original Reference Rate**" means the originally-specified benchmark or screen rate (as applicable) used to determine the Rate of Interest (or any component part thereof) on the Notes.

"**Relevant Nominating Body**" means, in respect of a benchmark or screen rate (as applicable):

(i) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable); or

(ii) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (a) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, (b) any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable), (c) a group of the aforementioned central banks or other supervisory authorities or (d) the Financial Stability Board or any part thereof.

"**Successor Rate**" means a successor to or replacement of the Original Reference Rate which is formally recommended by any Relevant Nominating Body.

(vi) Benchmark Discontinuation for Floating Rate Notes referencing SOFR Benchmark

This Condition 5(b)(vi) shall only apply to U.S. dollar-denominated Notes where so specified in the applicable Pricing Supplement.

The following provisions shall apply if "Benchmark Discontinuation for Floating Rate Notes referencing SOFR Benchmark" is specified as applicable in the applicable Pricing Supplement:

(A) Benchmark Replacement

If the Issuer or its designee determines on or prior to the relevant Reference Time that a Benchmark Event and its related Benchmark Replacement Date have occurred with respect to the-then current Benchmark, the Benchmark Replacement will replace the then-current Benchmark for all purposes relating to the Notes in respect of all determinations on such date and for all determinations on all subsequent dates.

(B) Benchmark Replacement Conforming Changes

In connection with the implementation of a Benchmark Replacement, the Issuer or its designee will have the right to make Benchmark Replacement Conforming Changes from time to time. For the avoidance of doubt, any of the Agents shall, at the direction and expense of the Issuer, effect such consequential amendments to the Amended and Restated Agency Agreement and these Conditions as may be required to give effect to this Condition 5(b)(vi). Noteholders' or Couponholders' consent shall not be required in connection with effecting any such changes, including the execution of any documents or any steps to be taken by any of the Agents (if required). Further, none of the Calculation Agent, the Paying Agents, the Registrars or the Transfer Agents shall be responsible or liable for any determinations, decisions or elections made by the Issuer or its designee with respect to any Benchmark Replacement or any other changes and shall be entitled to rely conclusively on any certifications provided to each of them in this regard.

(C) Decisions and Determinations

Any determination, decision or election that may be made by the Issuer or its designee pursuant to this Condition 5(b)(vi), including any determination with respect to a tenor, rate or adjustment or of the occurrence or non-occurrence of an event, circumstance or date and any decision to take or refrain from taking any action or any selection (i) will be conclusive and binding absent manifest error, (ii) will be made in the sole discretion of the Issuer or its designee, as applicable, and (iii) notwithstanding anything to the contrary in the documentation relating to the Notes, shall become effective without consent from the holders of the Notes or any other party.

(D) The following defined terms shall have the meanings set out below for purpose of this Condition 5(b)(vi):

"**Benchmark**" means, initially, the relevant SOFR Benchmark specified in the applicable Pricing Supplement; provided that if the Issuer or its designee determines on or prior to the Reference Time that a Benchmark Event and its related Benchmark Replacement Date have occurred with respect to the relevant Benchmark (including any daily published component used in the calculation thereof) or the then-current Benchmark, then "**Benchmark**" means the applicable Benchmark Replacement;

"**Benchmark Event**" means the occurrence of one or more of the following events with respect to the then-current Benchmark (including any daily published component used in the calculation thereof):

(i) a public statement or publication of information by or on behalf of the administrator of the Benchmark (or such component) announcing that such administrator has ceased or will cease to provide the Benchmark (or such component), permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide the Benchmark (or such component); or

(ii) a public statement or publication of information by the regulatory supervisor for the administrator of the Benchmark (or such component), the central bank for the currency of the Benchmark (or such component), an insolvency official with jurisdiction over the administrator for the Benchmark (or such component), a resolution authority with jurisdiction over the administrator for the Benchmark (or such component) or a court or an entity with similar insolvency or resolution authority over the administrator for the Benchmark, which states that the administrator of the Benchmark (or such component) has ceased or will cease to provide the Benchmark (or such component) permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide the Benchmark (or such component); or

(iii) a public statement or publication of information by the regulatory supervisor for the administrator of the Benchmark announcing that the Benchmark is no longer representative;

"**Benchmark Replacement**" means the first alternative set forth in the order below that can be determined by the Issuer or its designee as of the Benchmark Replacement Date:

(i) the sum of:

(a) the alternate reference rate that has been selected or recommended by the Relevant Governmental Body as the replacement for the then-current Benchmark (including any daily published component used in the calculation thereof); and

(b) the Benchmark Replacement Adjustment;

(ii) the sum of:

(a) the ISDA Fallback Rate; and

(b) the Benchmark Replacement Adjustment; or

(iii) the sum of:

(a) the alternate reference rate that has been selected by the Issuer or its designee as the replacement for the then-current Benchmark (including any daily published component used in the calculation thereof) giving due consideration to any industry-accepted reference rate as a replacement for the then-current Benchmark (including any daily published component used in the calculation thereof) for U.S. dollar-denominated Floating Rate Notes at such time; and

(b) the Benchmark Replacement Adjustment;

"**Benchmark Replacement Adjustment**" means the first alternative set forth in the order below that can be determined by the Issuer or its designee as of the Benchmark Replacement Date:

(i) the spread adjustment, or method for calculating or determining such spread adjustment, (which may be a positive or negative value or zero) that has been selected or recommended by the Relevant Governmental Body for the applicable Unadjusted Benchmark Replacement;

(ii) if the applicable Unadjusted Benchmark Replacement is equivalent to the ISDA Fallback Rate, the ISDA Fallback Adjustment; or

(iii) the spread adjustment (which may be a positive or negative value or zero) that has been selected by the Issuer or its designee giving due consideration to any industry-accepted spread adjustment, or method for calculating or determining such spread adjustment, for the replacement of the then-current Benchmark (including any daily published component used in the calculation thereof) with the applicable Unadjusted Benchmark Replacement for U.S. dollar-denominated Floating Rate Notes at such time;

"**Benchmark Replacement Conforming Changes**" means, with respect to any Benchmark Replacement, any technical, administrative or operational changes (including changes to the timing and frequency of determining rates and making payments of interest, rounding of amounts or tenors, and other administrative matters) the Issuer or its designee decides may be appropriate to reflect the adoption of such Benchmark Replacement in a manner substantially consistent with market practice (or, if the Issuer or its designee decides that adoption of any portion of such market practice is not administratively feasible or if the Issuer or its designee determine that no market practice for use of the Benchmark Replacement exists, in such other manner as the Issuer or its designee determines is reasonably necessary);

"**Benchmark Replacement Date**" means the earliest to occur of the following events with respect to the then-current Benchmark (including any daily published component used in the calculation thereof):

(i) in the case of sub-paragraph (i) or (ii) of the definition of "**Benchmark Event**", the later of:

(x) the date of the public statement or publication of information referenced therein; and

(y) the date on which the administrator of the Benchmark permanently or indefinitely ceases to provide the Benchmark (or such component); or

(ii) in the case of sub-paragraph (iii) of the definition of "**Benchmark Event**", the date of the public statement or publication of information referenced therein.

For the avoidance of doubt, if the event giving rise to the Benchmark Replacement Date occurs on the same day as, but earlier than, the Reference Time in respect of any determination, the Benchmark Replacement Date will be deemed to have occurred prior to the Reference Time for such determination;

"**designee**" means a designee as selected and separately appointed by the Issuer in writing;

"**ISDA Definitions**" means the 2006 ISDA Definitions published by the International Swaps and Derivatives Association, Inc. or any successor thereto, as amended or supplemented from time to time, or any successor definitional booklet for interest rate derivatives published from time to time, including the 2021 ISDA Interest Rate Derivatives Definitions (as amended or supplemented from time to time);

"**ISDA Fallback Adjustment**" means the spread adjustment (which may be a positive or negative value or zero) that would apply for derivatives transactions referencing the ISDA Definitions to be determined upon the occurrence of an index cessation event with respect to the Benchmark;

"**ISDA Fallback Rate**" means the rate that would apply for derivatives transactions referencing the ISDA Definitions to be effective upon the occurrence of an index cessation date with respect to the Benchmark (including any daily published component used in the calculation thereof) for the applicable tenor excluding the applicable ISDA Fallback Adjustment;

"**Reference Time**" with respect to any determination of the Benchmark means (1) if the Benchmark is the SOFR Benchmark, the SOFR Determination Time (where Compounded Daily SOFR is specified as applicable in the applicable Pricing Supplement) or SOFR Index Determination Time (where Simple SOFR Average or Compounded SOFR Index is specified as applicable in the applicable Pricing Supplement), or (2) if the Benchmark is not the SOFR Benchmark, the time determined by the Issuer or its designee after giving effect to the Benchmark Replacement Conforming Changes;

"**Relevant Governmental Body**" means the Federal Reserve Board and/or the Federal Reserve Bank of New York, or a committee officially endorsed or convened by the Federal Reserve Board and/or the Federal Reserve Bank of New York or any successor thereto; and

"**Unadjusted Benchmark Replacement**" means the Benchmark Replacement excluding the Benchmark Replacement Adjustment.

(c) Zero Coupon Notes

Where a Note the Interest Basis of which is specified to be Zero Coupon is repayable prior to the Maturity Date and is not paid when due, the amount due and payable prior to the Maturity Date shall be the Early Redemption Amount of such Note. As from the Maturity Date, the Rate of Interest for any overdue principal of such a Note shall be a rate per annum (expressed as a percentage) equal to the Amortisation Yield (as described in Condition 6(b)(i)).

(d) Dual Currency Notes

In the case of Dual Currency Notes, if the rate or amount of interest falls to be determined by reference to a Rate of Exchange or a method of calculating Rate of Exchange, the rate or amount of interest payable shall be determined in the manner specified in the applicable Pricing Supplement.

(e) Partly Paid Notes

In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified in the applicable Pricing Supplement.

(f) Accrual of Interest

Interest shall cease to accrue on each Note on the due date for redemption unless, upon due presentation, payment is improperly withheld or refused, in which event interest shall continue to accrue (both before and after judgment) at the Rate of Interest in the manner provided in this Condition 5 to the Relevant Date (as defined in Condition 8).

(g) Margin, Maximum/Minimum Rates of Interest, Instalment Amounts and Redemption Amounts and Rounding

(i) If any Margin is specified in the applicable Pricing Supplement (either (x) generally, or (y) in relation to one or more Interest Accrual Periods), an adjustment shall be made to all Rates of Interest, in the case of (x), or the Rates of Interest for the specified Interest Accrual Periods, in the case of (y), calculated in accordance with Condition 5(b) above by adding (if a positive number) or subtracting the absolute value (if a negative number) of such Margin subject always to the next paragraph.

(ii) If any Maximum Rate of Interest, Minimum Rate of Interest, Instalment Amount or Redemption Amount is specified in the applicable Pricing Supplement, then any Rate of Interest, Instalment Amount or Redemption Amount shall be subject to such maximum or minimum, as the case may be.

(iii) For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 of a percentage point being rounded up), (y) all figures shall be rounded to seven significant figures (provided that if the eighth significant figure is a 5 or greater, the seventh significant figure shall be rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with half a unit being rounded up), save in the case of yen, which shall be rounded down to the nearest yen. For these purposes "**unit**" means the lowest amount of such currency that is available as legal tender in the country of such currency.

(h) Calculations

The amount of interest payable per Calculation Amount in respect of any Note for any Interest Accrual Period shall be equal to the product of the Rate of Interest, the Calculation Amount specified in the applicable Pricing Supplement, and the Day Count Fraction for such Interest Accrual Period, unless an Interest Amount (or a formula for its calculation) is applicable to such Interest Accrual Period, in which case the amount of interest payable per Calculation Amount in respect of such Note for such Interest Accrual Period shall equal such Interest Amount (or be calculated in accordance with such formula). Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable per Calculation Amount in respect of such Interest Period shall be the sum of the Interest Amounts payable in respect of each of those Interest Accrual Periods. In respect of any other period for which interest is required to be calculated, the provisions above shall apply save that the Day Count Fraction shall be for the period for which interest is required to be calculated.

(i) Determination and Publication of Rates of Interest, Interest Amounts, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts and Instalment Amounts

The Calculation Agent shall, as soon as practicable on each Interest Determination Date, or such other time on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation or make any determination or calculation, determine such rate and calculate the Interest Amounts for the relevant Interest Accrual Period, calculate the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or Instalment Amount, obtain such quotation or make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest Amounts for each Interest Accrual Period and the relevant Interest Payment Date and, if required to be calculated, the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or any Instalment Amount to be notified to the Fiscal Agent, the Issuer, the Bank, each of the Paying Agents, the Noteholders, any other Calculation Agent appointed in respect of the Notes that is to make a further calculation upon receipt of such information and, if the Notes are listed on a stock exchange and the rules of such exchange or other relevant authority so require, such exchange or other relevant authority as soon as possible after their determination but in no event later than the earlier of (i) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such exchange of a Rate of Interest and Interest Amount, or (ii) the fourth Business Day after such determination. Where any Interest Payment Date or Interest Period Date is subject to adjustment pursuant to Condition 5(b)(ii), the Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. If the Notes become due and payable under Condition 10, the accrued interest and the Rate of Interest payable in respect of the Notes shall nevertheless continue to be calculated as previously in accordance with this Condition but no publication of the Rate of Interest or the Interest Amount so calculated need be made unless the rules of any stock exchange on which the Notes are listed or any other relevant authority otherwise requires. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties.

(j) Definitions

In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

"**Business Day**" means:

(i) in the case of Notes denominated in a currency other than euro and Renminbi, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for such currency; and/or

(ii) in the case of Notes denominated or payable in euro, any day on which the T2 is open for the settlement of payments in euro (a "**TARGET Business Day**"); and/or

(iii) in the case of Notes denominated or payable in Renminbi, a day (other than a Saturday, Sunday or public holiday) on which commercial banks in Hong Kong are generally open for business and settlement of Renminbi payments in Hong Kong; and/or

(iv) in the case of Notes denominated in a currency and/or one or more Business Centres, a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in such currency in the Business Centre(s) or, if no currency is indicated, generally in each of the Business Centres.

"**Day Count Fraction**" means, in respect of the calculation of an amount of interest on any Note for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting an Interest Period or an Interest Accrual Period, the "**Calculation Period**"):

(i) if "**Actual/Actual**" or "**Actual/Actual-ISDA**" is specified in the applicable Pricing Supplement, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);

(ii) if "**Actual/365 (Fixed)**" is specified in the applicable Pricing Supplement, the actual number of days in the Calculation Period divided by 365;

(iii) if "**Actual/365 (Sterling)**" is specified in the applicable Pricing Supplement, the actual number of days in the Calculation Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;

(iv) if "**Actual/360**" is specified in the applicable Pricing Supplement, the actual number of days in the Calculation Period divided by 360; and

(v) if "**30/360**", "**360/360**" or "**Bond Basis**" is specified in the applicable Pricing Supplement, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$Day\ Count\ Fraction = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"**Y_1**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**Y_2**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**M_1**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**M_2**" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**D_1**" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D1 will be 30; and

"**D_2**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D1 is greater than 29, in which case D2 will be 30.

(vi) if "**30E/360**" or "**Eurobond Basis**" is specified in the applicable Pricing Supplement, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$Day\ Count\ Fraction = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"$\mathbf{Y_1}$" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{Y_2}$" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{M_1}$" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{M_2}$" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{D_1}$" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D1 will be 30; and

"$\mathbf{D_2}$" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D2 will be 30.

(vii) if "**30E/360 (ISDA)**" is specified in the applicable Pricing Supplement, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$Day\ Count\ Fraction = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"$\mathbf{Y_1}$" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{Y_2}$" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{M_1}$" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{M_2}$" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{D_1}$" is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D1 will be 30; and

"$\mathbf{D_2}$" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D2 will be 30.

(viii) if "**Actual/Actual-ICMA**" is specified in the applicable Pricing Supplement,

(a) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and

(b) if the Calculation Period is longer than one Determination Period, the sum of:

(x) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and

(y) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year,

where:

"**Determination Period**" means the period from and including a Determination Date in any year to but excluding the next Determination Date.

"**Determination Date**" means the date(s) specified as such in the applicable Pricing Supplement or, if none is so specified, the Interest Payment Date(s).

"**Euro-zone**" means the region comprised of member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community, as amended.

"**Interest Accrual Period**" means the period beginning on and including the Interest Commencement Date and ending on but excluding the first Interest Period Date and each successive period beginning on and including an Interest Period Date and ending on but excluding the next succeeding Interest Period Date.

"**Interest Amount**" means:

(i) in respect of an Interest Accrual Period, the amount of interest payable per Calculation Amount for that Interest Accrual Period and which, in the case of Fixed Rate Notes, and unless otherwise specified in the applicable Pricing Supplement, shall mean the Fixed Coupon Amount or Broken Amount specified in the applicable Pricing Supplement as being payable on the Interest Payment Date ending the Interest Period of which such Interest Accrual Period forms part; and

(ii) in respect of any other period, the amount of interest payable per Calculation Amount for that period.

"**Interest Commencement Date**" means the Issue Date or such other date as may be specified in the applicable Pricing Supplement.

"**Interest Determination Date**" means, with respect to a Rate of Interest and Interest Accrual Period, the date specified as such in the applicable Pricing Supplement or, if none is so specified, (i) the first day of such Interest Accrual Period if the Specified Currency is Sterling or Hong Kong dollars or Renminbi other than where the Specified Currency is Renminbi and the Reference Rate is CNH HIBOR or (ii) the day falling two Business Days in London for the Specified Currency prior to the first day of such

Interest Accrual Period if the Specified Currency is neither Sterling nor euro nor Hong Kong dollars nor Renminbi or (iii) the day falling two TARGET Business Days prior to the first day of such Interest Accrual Period if the Specified Currency is euro or (iv) the day falling two Business Days in Hong Kong prior to the first day of such Interest Accrual Period if the Specified Currency is Renminbi and the Reference Rate is CNH HIBOR or (v) (where SOFR Benchmark is specified in the applicable Pricing Supplement as the Reference Rate and where Simple SOFR Average is specified as applicable in the applicable Pricing Supplement or where SOFR Lag, SOFR Observation Shift or SOFR Lockout is specified as applicable in the applicable Pricing Supplement to determine Compounded Daily SOFR or where Compounded SOFR Index is specified as applicable in the applicable Pricing Supplement) the third U.S. Government Securities Business Day prior to the last day of each Interest Accrual Period or (vi) (where SOFR Benchmark is specified in the applicable Pricing Supplement as the Reference Rate and where SOFR Payment Delay is specified as applicable in the applicable Pricing Supplement to determine Compounded Daily SOFR) the Interest Period Date at the end of each Interest Period, *provided that* the Interest Determination Date with respect to the final Interest Accrual Period will be the U.S. Government Securities Business Day immediately following the relevant SOFR Rate Cut-Off Date;

"**Interest Period**" means the period beginning on and including the Interest Commencement Date and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date unless otherwise specified in the applicable Pricing Supplement.

"**Interest Period Date**" means each Interest Payment Date unless otherwise specified in the applicable Pricing Supplement.

"**ISDA Definitions**" means (i) if "**2006 ISDA Definitions**" is specified in the applicable Pricing Supplement, the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. ("**ISDA**"), as amended and updated as at the Issue Date of the first Tranche of the Notes; or (ii) if "**2021 ISDA Definitions**" is specified in the applicable Pricing Supplement, the latest version of the 2021 ISDA Interest Rate Derivatives Definitions, including any Matrices referred to therein, as published by ISDA as at the Issue Date of the first Tranche of the Notes.

"**Rate of Interest**" means the rate of interest payable from time to time in respect of this Note and that is either specified or calculated in accordance with the provisions in the applicable Pricing Supplement.

"**Reference Rate**" means the rate specified as such in the applicable Pricing Supplement.

"**Relevant Screen Page**" means such page, section, caption, column or other part of a particular information service as may be specified in the applicable Pricing Supplement (or any successor or replacement page, section, caption, column or other part of a particular information service).

"**Specified Currency**" means the currency specified as such in the applicable Pricing Supplement or, if none is specified, the currency in which the Notes are denominated.

"**T2**" means the real time gross settlement system operated by the Eurosystem, or any successor system.

(k) Calculation Agent

The Issuer shall procure that there shall at all times be one or more Calculation Agents if provision is made for them in the applicable Pricing Supplement and for so long as any Note is outstanding. Where more than one Calculation Agent is appointed in respect of the Notes, references in these Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under these Conditions. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for an Interest Accrual Period or to calculate any Interest Amount, Instalment Amount, Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, or to comply with any other requirement, the Issuer shall appoint a leading bank or financial institution engaged in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal London office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

6 Redemption, Purchase and Options

(a) Redemption by Instalments and Final Redemption

(i) Unless previously redeemed, purchased and cancelled as provided in this Condition 6, each Note that provides for Instalment Dates and Instalment Amounts shall be partially redeemed on each Instalment Date at the related Instalment Amount specified in the applicable Pricing Supplement. The outstanding nominal amount of each such Note shall be reduced by the Instalment Amount (or, if such Instalment Amount is calculated by reference to a proportion of the nominal amount of such Note, such proportion) for all purposes with effect from the related Instalment Date, unless payment of the Instalment Amount is improperly withheld or refused, in which case, such amount shall remain outstanding until the Relevant Date relating to such Instalment Amount.

(ii) Unless previously redeemed, purchased and cancelled as provided below, each Note shall be finally redeemed on the Maturity Date specified in the applicable Pricing Supplement at its Final Redemption Amount (which, unless otherwise provided in the applicable Pricing Supplement, is its nominal amount) or, in the case of a Note falling within paragraph (i) above, its final Instalment Amount.

(b) Early Redemption

(i) Zero Coupon Notes

(A) The Early Redemption Amount payable in respect of any Zero Coupon Note, the Early Redemption Amount of which is not linked to an index and/or a formula, upon redemption of such Note pursuant to Condition (6)(c), Condition 6(d) or Condition 6(e) or upon it becoming due and payable as provided in Condition 10 shall be the Amortised Face Amount (calculated as provided below) of such Note unless otherwise specified in the applicable Pricing Supplement.

(B) Subject to the provisions of sub-paragraph (C) below, the Amortised Face Amount of any such Note shall be the scheduled Final Redemption Amount of such Note on the Maturity Date discounted at a rate per annum (expressed as a percentage) equal to the Amortisation Yield (which, if none is shown in the applicable Pricing Supplement, shall be such rate as would produce an Amortised Face Amount equal to the issue price of the Notes if they were discounted back to their issue price on the Issue Date) compounded annually.

(C) If the Early Redemption Amount payable in respect of any such Note upon its redemption pursuant to Condition (6)(c), Condition 6(d) or Condition 6(e) or upon it becoming due and payable as provided in Condition 10 is not paid when due, the Early Redemption Amount due and payable in respect of such Note shall be the Amortised Face Amount of such Note as defined in sub-paragraph (B) above, except that such sub-paragraph shall have effect as though the date on which the Note becomes due and payable were the Relevant Date. The calculation of the Amortised Face Amount in accordance with this sub-paragraph shall continue to be made (both before and after judgment) until the Relevant Date, unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the scheduled Final Redemption Amount of such Note on the Maturity Date together with any interest that may accrue in accordance with Condition 5(c).

Where such calculation is to be made for a period of less than one year, it shall be made on the basis of the Day Count Fraction shown in the applicable Pricing Supplement.

(ii) Other Notes

The Early Redemption Amount payable in respect of any Note (other than Notes described in (i) above), upon redemption of such Note pursuant to Condition (6)(c), Condition 6(d) or Condition 6(e) or upon it becoming due and payable as provided in Condition 10, shall be the Final Redemption Amount unless otherwise specified in the applicable Pricing Supplement.

(c) Redemption for Taxation Reasons

The Notes may be redeemed at the option of the Issuer in whole, but not in part, on any Interest Payment Date (if this Note is either a Floating Rate Note or an Index Linked Interest Note) or, at any time, (if this Note is neither a Floating Rate Note nor an Index Linked Interest Note), on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable) and the Fiscal Agent, at their Early Redemption Amount (as described in Condition 6(b) above) (together with interest accrued up to but excluding the date fixed for redemption), if (i) the Issuer has or will become obliged to pay Additional Tax Amounts as provided or referred to in Condition 8 as a result of any change in, or amendment to, the laws or regulations of the Relevant Jurisdictions (as defined in Condition 8), or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes, and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such Additional Tax Amounts were a payment in respect of the Notes then due. Prior to the publication of any notice of redemption pursuant to this Condition 6(c), the Issuer shall deliver to the Fiscal Agent (A) a certificate signed by two duly authorised signatories of the Issuer stating that the obligation referred to in (i) above cannot be avoided by the Issuer taking reasonable measures available to it and (B) an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such Additional Tax Amounts as a result of such change or amendment.

(d) Redemption at the Option of the Issuer

If Call Option is specified in the applicable Pricing Supplement, the Issuer may, on giving not less than 30 nor more than 60 days' irrevocable notice to the Noteholders (which notice shall be irrevocable) and the Fiscal Agent (or such other notice period as may be specified in the applicable Pricing Supplement) redeem, all or, if so provided, some, of the Notes on any Optional Redemption Date. Any such redemption of Notes shall be at their Optional

Redemption Amount specified in the applicable Pricing Supplement (which may be the Early Redemption Amount (as described in Condition 6(b) above)), together with interest accrued up to but excluding the date fixed for redemption. Any such redemption or exercise must relate to Notes of a nominal amount at least equal to the Minimum Redemption Amount to be redeemed specified in the applicable Pricing Supplement and no greater than the Maximum Redemption Amount to be redeemed specified in the applicable Pricing Supplement.

All Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition 6(d).

In the case of a partial redemption the notice to Noteholders shall also contain the certificate numbers of the Bearer Notes, or in the case of Registered Notes shall specify the nominal amount of Registered Notes drawn and the holder(s) of such Registered Notes, to be redeemed, which shall have been drawn in such place and in such manner as may be fair and reasonable in the circumstances, taking account of prevailing market practices, subject to compliance with any applicable laws and stock exchange or other relevant authority requirements.

(e) Redemption at the Option of Noteholders

If Put Option is specified in the applicable Pricing Supplement, the Issuer shall, at the option of the holder of any such Note, upon the holder of such Note giving not less than 30 nor more than 60 days' notice to the Issuer and the Fiscal Agent (or such other notice period as may be specified in the applicable Pricing Supplement) redeem such Note on the Optional Redemption Date(s) at its Optional Redemption Amount specified in the applicable Pricing Supplement (which may be the Early Redemption Amount (as described in Condition 6(b) above)), together with interest accrued up to but excluding the date fixed for redemption.

To exercise such option the holder must deposit (in the case of Bearer Notes) such Note (together with all unmatured Receipts and Coupons and unexchanged Talons) with any Paying Agent or (in the case of Registered Notes) the Certificate evidencing such Note(s) with the Registrar or any Transfer Agent at its specified office, together with a duly completed option exercise notice ("**Exercise Notice**") in the form obtainable from any Paying Agent, the Registrar or any Transfer Agent (as applicable) within the notice period. No Note or Certificate so deposited and option exercised may be withdrawn (except as provided in the Amended and Restated Agency Agreement) without the prior consent of the Issuer.

(f) Partly Paid Notes

Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition and the provisions specified in the applicable Pricing Supplement.

(g) Purchases

The Issuer, the Bank and the Bank's Subsidiaries (as defined in Condition 4) may at any time purchase Notes (provided that all unmatured Receipts and Coupons and unexchanged Talons relating thereto are attached thereto or surrendered therewith) in the open market or otherwise at any price.

(h) Cancellation

All Notes purchased by or on behalf of the Issuer, the Bank or any of the Bank's Subsidiaries may be surrendered for cancellation, in the case of Bearer Notes, by surrendering each such Note together with all unmatured Receipts and Coupons and all unexchanged Talons to the Fiscal Agent and, in the case of Registered Notes, by surrendering the Certificate evidencing such Notes to the Registrar and, in each case, if so surrendered, shall, together with all Notes redeemed by the Issuer, be cancelled forthwith (together with all unmatured Receipts and Coupons and unexchanged Talons attached thereto or surrendered therewith). Any Notes so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Notes shall be discharged.

7 Payments and Talons

(a) **Bearer Notes**: Payments of principal and interest in respect of Bearer Notes shall, subject as mentioned below, be made against presentation and surrender of the relevant Receipts (in the case of payments of Instalment Amounts other than on the due date for redemption and provided that the Receipt is presented for payment together with its relevant Note), Notes (in the case of all other payments of principal and, in the case of interest, as specified in Condition 7(f)(vi)) or Coupons (in the case of interest, save as specified in Condition 7(f)(vi)), as the case may be:

(i) in the case of Notes denominated in a currency other than Renminbi, by transfer to an account denominated in such currency with, a bank; and

(ii) in the case of Notes denominated in Renminbi, by transfer to a Renminbi account maintained by or on behalf of the Noteholder with a bank in Hong Kong.

In this Condition 7(a) and in Condition 7(b), "**bank**" means a bank in the principal financial centre for such currency or, in the case of euro, in a city in which banks have access to the T2.

Payments of principal and interest in respect of Bearer Notes held in the CMU will be made to the CMU for their distribution, on the order of the holder of the Bearer Notes, to the person(s) for whose account(s) interests in the relevant Bearer Note are credited as being held with the CMU in accordance with the CMU Rules (as defined in the Amended and Restated Agency Agreement) at the relevant time and payment made in accordance thereof shall discharge the obligations of the Issuer in respect of that payment.

(b) Registered Notes

(i) Payments of principal (which for the purposes of this Condition 7(b) shall include final Instalment Amounts but not other Instalment Amounts) in respect of Registered Notes shall be made against presentation and surrender of the relevant Certificates at the specified office of any of the Transfer Agents or of the Registrar and in the manner provided in paragraph (ii) below.

(ii) Interest (which for the purpose of this Condition 7(b) shall include all Instalment Amounts other than final Instalment Amounts) on Registered Notes shall be paid to the person shown on the relevant Register at the close of business on the fifth (in the case of Notes denominated in Renminbi) and fifteenth (in the case of Notes denominated in a currency other than Renminbi) day before the due date for payment thereof (the "**Record Date**"). Payments of interest on each Registered Note shall be made by transfer to the registered account of the Noteholder.

In this Condition 7(b), "**registered account**" means (i) in the case of Notes denominated in a currency other than Renminbi, an account in the relevant currency maintained by or on behalf of the Noteholder with a bank, and (ii) in the case of Notes denominated in Renminbi, the Renminbi account maintained by or on behalf of the Noteholder with a bank in Hong Kong, in each case, details of which appear on the relevant Register at the close of business on the Record Date.

Payments of principal and interest in respect of Registered Notes held in the CMU will be made to CMU for their distribution, on the order of the holder of the Registered Notes, to the the person(s) for whose account(s) interests in the relevant Registered Note are credited as being held with the CMU in accordance with the CMU Rules at the relevant time and payment made in accordance thereof shall discharge the obligations of the Issuer in respect of that payment.

(c) Payments in the United States

Notwithstanding the foregoing, if any Bearer Notes are denominated in U.S. dollars, payments in respect thereof may be made at the specified office of any Paying Agent in New York City in the same manner as aforesaid if (i) the Issuer shall have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment of the amounts on the Notes in the manner provided above when due, (ii) payment in full of such amounts at all such offices is illegal or effectively precluded by exchange controls or other similar restrictions on payment or receipt of such amounts and (iii) such payment is then permitted by United States law, without involving, in the opinion of the Issuer, any adverse tax consequence to the Issuer.

(d) Payments subject to Fiscal Laws

All payments are subject in all cases to (i) any applicable fiscal or other laws, regulations and directives in the place of payment, but without prejudice to the provisions of Condition 8, and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 8) any law implementing an intergovernmental approach thereto. No commission or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

(e) Appointment of Agents

The Fiscal Agent, the CMU Lodging and Paying Agent, the Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent initially appointed by the Bank and their respective specified offices are listed below. The Fiscal Agent, the CMU Lodging and Paying Agent, the Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent(s) act solely as agents of the Issuer and the Bank and do not assume any obligation or relationship of agency or trust for or with any Noteholder or Couponholder. The Issuer and the Bank reserve the right at any time to vary or terminate the appointment of the Fiscal Agent, the CMU Lodging and Paying Agent, any other Paying Agent, any Registrar, any Transfer Agent or any Calculation Agent and to appoint additional or other Paying Agents or Transfer Agents, provided that the Issuer shall at all times maintain (i) a Fiscal Agent, (ii) the Registrar in relation to Registered Notes, (iii) a Transfer Agent in relation to Registered Notes, (iv) a CMU Lodging and Paying Agent in relation to Notes accepted for clearance through the CMU, (v) one or more Calculation Agent(s) where these Conditions so require, (vi) Paying Agents having specified offices in at least two major European cities and (vii) such other agents as may be required by any other stock exchange on which the Notes may be listed.

In addition, the Issuer shall forthwith appoint a Paying Agent in New York City in respect of any Bearer Notes denominated in U.S. dollars in the circumstances described in Condition 7(c) above.

Notice of any such change or any change of any specified office shall promptly be given to the Noteholders.

(f) Unmatured Coupons and Receipts and unexchanged Talons

(i) Upon the due date for redemption of Bearer Notes which comprise Fixed Rate Notes (other than Dual Currency Notes or Index Linked Notes), those Notes should be surrendered for payment together with all unmatured Coupons (if any) relating thereto, failing which an amount equal to the face value of each missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unmatured Coupon that the sum of principal so paid bears to the total principal due) shall be deducted from the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, due for payment. Any amount so deducted shall be paid in the manner mentioned above against surrender of such missing Coupon within a period of 10 years from the Relevant Date for the payment of such principal (whether or not such Coupon has become void pursuant to Condition 9).

(ii) Upon the due date for redemption of any Bearer Note comprising a Floating Rate Note, Dual Currency Note or Index Linked Note, unmatured Coupons relating to such Note (whether or not attached) shall become void and no payment shall be made in respect of them.

(iii) Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Note (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.

(iv) Upon the due date for redemption of any Bearer Note that is redeemable in instalments, all Receipts relating to such Note having an Instalment Date falling on or after such due date (whether or not attached) shall become void and no payment shall be made in respect of them.

(v) Where any Bearer Note that provides that the relative unmatured Coupons are to become void upon the due date for redemption of those Notes is presented for redemption without all unmatured Coupons, and where any Bearer Note is presented for redemption without any unexchanged Talon relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.

(vi) If the due date for redemption of any Note is not a due date for payment of interest, interest accrued from the preceding due date for payment of interest or the Interest Commencement Date, as the case may be, shall only be payable against presentation (and surrender if appropriate) of the relevant Bearer Note representing or Certificate evidencing it, as the case may be. Interest accrued on a Note that only bears interest after its Maturity Date shall be payable on redemption of such Note against presentation of the relevant Note representing or Certificate evidencing it, as the case may be.

(g) Talons

On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Bearer Note, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Fiscal Agent in exchange for a further Coupon sheet (and if necessary another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Condition 9).

(h) Non-Business Days

If any date for payment in respect of any Note, Receipt or Coupon is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this Condition 7, "**business day**" means a day (other than a Saturday, Sunday or public holiday) on which banks and foreign exchange markets are open for business in the relevant place of presentation, in such jurisdictions as shall be specified as "**Financial Centres**" in the applicable Pricing Supplement and:

(i) (in the case of a payment in a currency other than euro and Renminbi) where payment is to be made by transfer to an account maintained with a bank in the relevant currency, on which foreign exchange transactions may be carried on in the relevant currency in the principal financial centre of the country of such currency; or

(ii) (in the case of a payment in euro) which is a TARGET Business Day; or

(iii) (in the case of a payment in Renminbi) on which banks and foreign exchange markets are open for business and settlement of Renminbi payments in Hong Kong.

8 Taxation

All payments of principal and interest by or on behalf of the Issuer in respect of the Notes, the Receipts and the Coupons shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within any of the Relevant Jurisdictions, unless such withholding or deduction is required by law of any of the Relevant Jurisdictions.

Where such withholding or deduction is made by the Issuer by or within the PRC up to and including the rate applicable as at the date on which agreement is reached to issue the first Tranche of Notes (the "**Applicable Rate**"), the Issuer will increase the amounts paid by it to the extent required, so that the net amount received by Noteholders and Couponholders equals the amounts which would otherwise have been received by them had no such withholding or deduction been required.

If the Issuer is required to make a deduction or withholding in respect of (i) PRC tax in excess of the Applicable Rate and/or (ii) any tax in a Relevant Jurisdiction other than the PRC, it shall pay such additional amounts ("**Additional Tax Amounts**") as shall result in receipt by the Noteholders and the Couponholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such Additional Tax Amounts shall be payable with respect to any Note, Receipt or Coupon:

(a) to, or to a third party on behalf of, a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Note, Receipt or Coupon by reason of his having some connection with the jurisdiction by which such taxes, duties, assessments or charges have been imposed levied, collected, withheld or assessed other than the mere holding of the Note, Receipt or Coupon; or

(b) presented (or in respect of which the Certificate evidencing it is presented) for payment more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such additional amounts on presenting it for payment on the thirtieth day.

As used in these Conditions:

(a) "**PRC**" means the People's Republic of China excluding the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan;

(b) "**Relevant Date**" in respect of any Note, Receipt or Coupon means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the

Noteholders that, upon further presentation of the Note (or relative Certificate), Receipt or Coupon being made in accordance with these Conditions, such payment will be made, provided that payment is in fact made upon such presentation; and

(c) "**Relevant Jurisdiction**" means the PRC, and if the Issuer is a branch of the Bank, the jurisdiction where that branch is located, or any political subdivision or any authority thereof or therein having power to tax or any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which the Issuer becomes subject in respect of payments made by it of principal and interest on the Notes.

References in these Conditions to (i) "**principal**" shall be deemed to include any premium payable in respect of the Notes, all Instalment Amounts, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts, Amortised Face Amounts and all other amounts in the nature of principal payable pursuant to Condition 6 or any amendment or supplement to it, (ii) "**interest**" shall be deemed to include all Interest Amounts and all other amounts payable pursuant to Condition 5 or any amendment or supplement to it and (iii) "**principal**" and/or "**interest**" shall be deemed to include any additional amounts that may be payable under this Condition 8.

9 Prescription

Claims against the Issuer for payment in respect of the Notes, Receipts and Coupons (which, for this purpose, shall not include Talons) shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

10 Events of Default

If any of the following events ("**Events of Default**") occurs, the holder of any Note may give written notice to the Fiscal Agent at its specified office that such Note is immediately repayable, whereupon the Early Redemption Amount of such Note together (if applicable) with accrued interest to the date of payment shall become immediately due and payable unless such event of default shall have been remedied prior to the receipt of such notice by the Fiscal Agent:

(a) **Non-Payment**: the Issuer fails to pay (i) the principal of the Notes when due; or (ii) any interest on any of the Notes within 14 days after the due date for such payment; or

(b) **Breach of Other Obligations**: the Bank or the Issuer does not perform or comply with any one or more of its other obligations under the Notes or the Amended and Restated Deed of Covenant which default is incapable of remedy or, is not remedied within 45 days; or

(c) **Cross-Acceleration**: (i) any other present or future indebtedness for monies borrowed or raised by the Bank, or any of the its Subsidiaries for or in respect of moneys borrowed or raised becomes due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described), or (ii) any such indebtedness is not paid when due or, as the case may be, within any originally applicable grace period, or (iii) the Bank or any of its Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this Condition 10(c) have occurred equals or exceeds U.S.$25,000,000 or its equivalent; or

(d) **Enforcement Proceedings**: a distress, attachment, execution or other legal process is levied, enforced or sued out on or against a material part of the property, assets or revenues of the Bank, the Issuer or any of the Bank's Material Subsidiaries and is not discharged or stayed within 60 days; or

(e) **Security Enforced**: any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Bank, the Issuer or any of the Bank's Material Subsidiaries in respect of all or a material part of its assets becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, manager, administrator or other similar person) and is not discharged for 60 days; or

(f) **Insolvency**: the Bank or any of its Material Subsidiaries is (or is, or could be, deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts as and when such debts fall due, stops, suspends or threatens to stop or suspend payment of all or a material part of its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or any material part of the debts of the Bank or any of its Material Subsidiaries; or

(g) **Winding-up**: an order of any court of competent jurisdiction is made or an effective resolution passed for the winding-up or dissolution of the Bank or any of its Material Subsidiaries (except for a voluntary solvent winding-up of any Material Subsidiary), or the Bank or any of its Material Subsidiaries ceases or threatens to cease to carry on all or a substantial part of its business or operations, except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation (i) on terms approved by an Extraordinary Resolution (as defined in the Amended and Restated Agency Agreement) of the Noteholders or (ii) in the case of a Material Subsidiary, whereby the undertaking and assets of such Material Subsidiary are transferred to or otherwise vested in the Bank or another of its Subsidiaries or (iii) in the case of a disposal of a Material Subsidiary of the Bank on an arm's length basis where the proceeds (whether in cash or otherwise) resulting from such disposal is vested in the Bank or any of its Subsidiaries in any combination; or

(h) **Illegality**: it is or will become unlawful for the Bank or the Issuer to perform or comply with any one or more of its obligations under any of the Notes or the Amended and Restated Deed of Covenant; or

(i) **Analogous Events**: any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of the foregoing paragraphs of this Condition 10.

In these Conditions:

"**Material Subsidiary**" means a Subsidiary of the Bank:

(a) whose gross revenue (consolidated in the case of a Subsidiary which itself has consolidated Subsidiaries) or whose gross assets (consolidated in the case of a Subsidiary which itself has consolidated Subsidiaries) or whose gross profit (consolidated in the case of Subsidiary which itself has consolidated Subsidiaries) represents not less than five per cent. of the consolidated gross revenue, the consolidated gross assets, or, as the case may be, the consolidated gross profit of the Bank and its Subsidiaries taken as a whole, all as calculated respectively by reference to the latest audited or reviewed financial statements (consolidated or, as the case may be, unconsolidated) of the Subsidiary and the then latest audited or reviewed consolidated financial statements of the Bank, provided that:

   (i) in the case of a Subsidiary acquired after the end of the financial period to which the then latest audited or reviewed consolidated financial statements of the Bank relate for the purpose of applying each of the foregoing tests, the reference to the Bank's latest audited or reviewed consolidated financial statements shall be deemed to be a reference to such audited or reviewed financial statements as if such Subsidiary had been shown therein by reference to its then latest relevant audited or reviewed financial statements, adjusted as deemed appropriate by the auditor for the time being, after consultation with the Bank;

(ii) if at any relevant time in relation to the Bank or any Subsidiary no financial statements are prepared and audited, its gross revenue, gross assets and gross profit (consolidated, if applicable) shall be determined on the basis of pro forma consolidated financial statements (consolidated, if applicable) prepared for this purpose; and

(iii) if the financial statements of any Subsidiary (not being a Subsidiary referred to in proviso (i) above) are not consolidated with those of the Bank, then the determination of whether or not such Subsidiary is a Material Subsidiary shall be based on a pro forma consolidation of its financial statements (consolidated, if appropriate) with the consolidated financial statements (determined on the basis of the foregoing) of the Bank; or

(b) to which is transferred all or substantially all of the business, undertaking and assets of another Subsidiary which immediately prior to such transfer is a Material Subsidiary, whereupon (i) in the case of a transfer by a Material Subsidiary, the transferor Material Subsidiary shall immediately cease to be a Material Subsidiary and (ii) the transferee Subsidiary shall immediately become a Material Subsidiary, provided that on or after the date on which the relevant financial statements for the financial period current at the date of such transfer are published, whether such transferor Subsidiary or such transferee Subsidiary is or is not a Material Subsidiary shall be determined pursuant to the provisions of sub-paragraph (a) above.

"**Person**" means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality; and

"**Subsidiary**" shall have the meaning set out in Condition 4 above.

11 Meeting of Noteholders and Modifications

(a) Meetings of Noteholders

The Amended and Restated Agency Agreement contains provisions for convening meetings of Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Amended and Restated Agency Agreement) of a modification of any of these Conditions. Such a meeting may be convened by Noteholders holding not less than 10 per cent. in nominal amount of the Notes for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution shall be two or more persons holding or representing a clear majority in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting two or more persons being or representing Noteholders whatever the nominal amount of the Notes held or represented, unless the business of such meeting includes consideration of proposals, inter alia, (i) to amend the dates of maturity or redemption of the Notes, any Instalment Date or any date for payment of interest or Interest Amounts on the Notes, (ii) to reduce or cancel the nominal amount of, or any Instalment Amount of, or any premium payable on redemption of, the Notes, (iii) to reduce the rate or rates of interest in respect of the Notes or to vary the method or basis of calculating the rate or rates or amount of interest or the basis for calculating any Interest Amount in respect of the Notes, (iv) if a Minimum Rate of Interest and/or a Maximum Rate of Interest, Instalment Amount or Redemption Amount is shown in the applicable Pricing Supplement, to reduce any such Minimum Rate of Interest and/or Maximum Rate of Interest, (v) to vary any method of, or basis for, calculating the Final Redemption Amount, the Early Redemption Amount or the Optional Redemption Amount, including the method of calculating the Amortised Face Amount, (vi) to vary the currency or currencies of payment or denomination of the Notes, or (vii) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass the Extraordinary Resolution, in which case the necessary quorum shall be two or more persons holding or representing not less than 75 per cent., or at any adjourned meeting not less than 25 per cent., in nominal amount of the Notes for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Noteholders (whether or not they were present at the meeting at which such resolution was passed) and on all Couponholders.

The Amended and Restated Agency Agreement provides that a resolution (x) in writing signed by or on behalf of the Noteholders of not less than 75 per cent. in nominal amount of the Notes outstanding or (y) passed by Electronic Consent (as defined in the Amended and Restated Agency Agreement) shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

These Conditions may be amended, modified or varied in relation to any Series of Notes by the terms of the relevant Pricing Supplement in relation to such Series.

(b) Modification of the Amended and Restated Agency Agreement

The parties to the Amended and Restated Agency Agreement may agree to modify any provision thereof, but the Bank or the Issuer shall not agree, without the consent of the Noteholders, to any such modification unless it is of a formal, minor or technical nature, it is made to correct a manifest error or it is, in the opinion of such parties, not materially prejudicial to the interest of the Noteholders.

12 Replacement of Notes, Certificates, Receipts, Coupons and Talons

If a Note, Certificate, Receipt, Coupon or Talon is mutilated, defaced or is alleged to have been lost stolen, or destroyed, it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant authority regulations, at the specified office of the Fiscal Agent (in the case of Bearer Notes, Receipts, Coupons or Talons) and of the Registrar (in the case of Certificates) or such other Paying Agent or Transfer Agent, as the case may be, as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given to Noteholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, inter alia, that if the allegedly lost, stolen or destroyed Note, Certificate, Receipt, Coupon or Talon is subsequently presented for payment or, as the case may be, for exchange for further Coupons, there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such Notes, Certificates, Receipts, Coupons or further Coupons) and otherwise as the Issuer may require. Mutilated or defaced Notes, Certificates, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

13 Further Issues

The Issuer may from time to time without the consent of the Noteholders, Receiptholders or Couponholders create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the issue date, the issue price, the first payment of interest on them and if applicable, the timing for notification to the NDRC) and so that such further issue shall be consolidated and form a single series with an outstanding Notes. References in these Conditions to the Notes include (unless the context requires otherwise) any other securities issued pursuant to this Condition and forming a single series with the Notes.

14 Notices

Notices to the holders of Registered Notes shall be mailed to them at their respective addresses in the relevant Register and deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing. Notices to the holders of Bearer Notes shall be valid if published in a daily newspaper of general circulation in Hong Kong (which is expected to be the South China Morning Post in Hong Kong). If any such publication is not practicable, notice shall be validly given if published in another leading daily English language newspaper with general circulation in Asia. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the date of the first publication as provided above. Receiptholders or Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the holders of Bearer Notes in accordance with this Condition 14.

15 Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

16 Governing Law and Jurisdiction

(a) Governing Law

The Notes, the Receipts, the Coupons and the Talons and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.

(b) Jurisdiction

The courts of Hong Kong are to have exclusive jurisdiction to settle any disputes that may arise out of or in connection with any Notes, Receipts, Coupons or Talons and accordingly any legal action or proceedings arising out of or in connection with any Notes, Receipts, Coupons or Talons any non-contractual obligations arising out of or in connection with them ("**Proceedings**") may be brought in such courts. The Bank and the Issuer irrevocably submit to the exclusive jurisdiction of the courts of Hong Kong and waive any objection to Proceedings in such courts on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum.

(c) Service of Process

Each of the Bank and the Issuer irrevocably agrees to receive service of process at the place of business of the Bank in Hong Kong registered in accordance with the Companies Ordinance (Cap. 622) of Hong Kong at 12/F, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong in any Proceedings in Hong Kong. Such service shall be deemed completed on delivery to such process agent (whether or not it is forwarded to and received by the Bank or the Issuer). If due to any reason the Bank shall cease to have a place of business in Hong Kong, each of the Bank and the Issuer irrevocably agrees to appoint a substitute process agent acceptable to the Dealers and shall immediately notify the Arrangers on behalf of the Dealers of such appointment. Nothing shall affect the right to serve process in any manner permitted by law.

(d) Waiver of immunity

To the extent that the Bank or the Issuer may in any jurisdiction claim for itself or its assets or revenues immunity from suit, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal process and to the extent that such immunity (whether or not claimed) may be attributed in any such jurisdiction to the Bank or the relevant Issuer, or its assets or revenues, each of the Bank and the relevant Issuer agrees not to claim and irrevocably waives such immunity to the full extent permitted by the laws of such jurisdiction.

SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE REPRESENTED BY GLOBAL NOTES EVIDENCED BY GLOBAL CERTIFICATES

Initial Issue of Notes

Global Notes and Global Certificates may be delivered on or prior to the original issue date of the Tranche to a common depositary for Euroclear and Clearstream (the "**Common Depositary**") or a sub-custodian for the HKMA as operator of the CMU.

Upon the initial deposit of a Global Note with the Common Depositary or with a sub-custodian for the HKMA as operator of the CMU or registration of Registered Notes in the name of (i) any nominee for Euroclear and Clearstream or (ii) the HKMA and delivery of the relevant Global Certificate to the Common Depositary or the sub-custodian for the HKMA as operator of the CMU (as the case may be), Euroclear or Clearstream or the CMU (as the case may be) will credit each subscriber with a nominal amount of Notes equal to the nominal amount thereof for which it has subscribed and paid.

Notes that are initially deposited with the Common Depositary may also be credited to the accounts of subscribers with (if indicated in the relevant Pricing Supplement) other clearing systems through direct or indirect accounts with Euroclear and Clearstream held by such other clearing systems. Conversely, Notes that are initially deposited with any other clearing system may similarly be credited to the accounts of subscribers with Euroclear, Clearstream or other clearing systems.

Relationship of Accountholders with Clearing Systems

Save as provided in the following paragraph, each of the persons shown in the records of Euroclear, Clearstream or any other clearing system as the holder of a Note represented by a Global Note or evidenced by a Global Certificate must look solely to Euroclear, Clearstream or such clearing system (as the case may be) for his share of each payment made by the Issuer to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, and in relation to all other rights arising under the Global Notes or Global Certificates, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream or such clearing system (as the case may be). Such persons shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as the Notes are represented by such Global Note or evidenced by such Global Certificate and such obligations of the Issuer will be discharged by payment to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, in respect of each amount so paid.

If a Global Note or a Global Certificate is lodged with the CMU, the person(s) for whose account(s) interests in such Global Note or Global Certificate are credited as being held in the CMU in accordance with the CMU Rules shall be the only person(s) entitled (in the case of Registered Notes, directed or deemed by the CMU as entitled) to receive payments in respect of Notes represented by such Global Note or evidenced by such Global Certificate and the Issuer will be discharged by payment to, or to the order of, such person(s) for whose account(s) interests in such Global Note or Global Certificate are credited as being held in the CMU in respect of each amount so paid. Each of the persons shown in the records of the CMU, as the beneficial holder of a particular nominal amount of Notes represented by such Global Note or evidenced by such Global Certificate must look solely to the Fiscal Agent for his share of each payment so made by the Issuer in respect of such Global Note or Global Certificate.

Exchange

Temporary Global Notes

Each Temporary Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date:

(i) if the relevant Pricing Supplement indicates that such Global Note is issued in compliance with the TEFRA C Rules or in a transaction to which TEFRA is not applicable (as to which, see "Summary of the Programme — Selling Restrictions"), in whole, but not in part, for the definitive Notes defined and described below; and

(ii) otherwise, in whole or in part upon certification as to non-U.S. beneficial ownership in the form set out in the Amended and Restated Agency Agreement for interests in a Permanent Global Note or, if so provided in the relevant Pricing Supplement, for definitive Notes.

The CMU may require that any such exchange for a Permanent Global Note is made in whole and not in part and in such event, no such exchange will be effected until all relevant account holders (as set out in a CMU Issue Position Report (as defined in the rules of the CMU) or any other relevant notification supplied to the CMU Lodging and Paying Agent by the CMU) have so certified.

Permanent Global Notes

Each Permanent Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date in whole but not, except as provided under "Partial Exchange of Permanent Global Notes" below, in part for definitive Notes or, in the case of (i) below, Registered Notes:

(i) if the Permanent Global Note is held on behalf of Euroclear or Clearstream or the CMU or any other clearing system (an "**Alternative Clearing System**") and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or in fact does so; or

(ii) if principal in respect of any Notes is not paid when due, by the holder giving notice to the Fiscal Agent (or, in the case of Notes lodged with the CMU, the CMU Lodging and Paying Agent) of its election for such exchange.

In the event that a Global Note is exchanged for definitive Notes, such definitive Notes shall be issued in Specified Denomination(s) only. A Noteholder who holds a principal amount of less than the minimum Specified Denomination will not receive a Definitive Note in respect of such holding and would need to purchase a principal amount of Notes such that it holds an amount equal to one or more Specified Denominations.

Partial Exchange of Permanent Global Notes

For so long as a Permanent Global Note is held on behalf of a clearing system and the rules of that clearing system permit, such Permanent Global Note will be exchangeable in part on one or more occasions for definitive Notes (i) if principal in respect of any Notes is not paid when due or (ii) if so provided in, and in accordance with, the Conditions (which will be set out in the relevant Pricing Supplement) relating to Partly Paid Notes.

Delivery of Notes

On or after any due date for exchange the holder of a Global Note may surrender such Global Note or, in the case of a partial exchange, present it for endorsement to or to the order of the Fiscal Agent (or, in the case of Notes lodged with the CMU, the CMU Lodging and Paying Agent). In exchange for any Global Note, or the part thereof to be exchanged, the Issuer will (i) in the case of a Temporary Global Note exchangeable for a Permanent Global Note, deliver, or procure the delivery of, a Permanent Global Note in an aggregate nominal amount equal to that of the whole or that part of a Temporary

Global Note that is being exchanged or, in the case of a subsequent exchange, endorse, or procure the endorsement of, a Permanent Global Note to reflect such exchange or (ii) in the case of a Global Note exchangeable for definitive Notes, deliver, or procure the delivery of, an equal aggregate nominal amount of duly executed and authenticated definitive Notes and/or Certificates, as the case may be. Global Notes and definitive Notes will be delivered outside the United States and its possessions. In this Offering Circular, "definitive Notes" means, in relation to any Global Note, the definitive Bearer Notes for which such Global Note may be exchanged (if appropriate, having attached to them all Coupons and Receipts in respect of interest or Instalment Amounts that have not already been paid on the Global Note and a Talon). Definitive Notes will be security printed and Certificates will be printed in accordance with any applicable legal and stock exchange requirements in or substantially in the form set out in the Schedules to the Amended and Restated Agency Agreement. On exchange in full of each Permanent Global Note, the Issuer will, if the holder so requests, procure that it is cancelled and returned to the holder together with the relevant definitive Notes.

Exchange Date

"Exchange Date" means (i) in relation to an exchange of a Temporary Global Note to a Permanent Global Note, the day falling after the expiry of 40 days after its issue date; or (ii) in relation to an exchange of a Permanent Global Note for a Definitive Note, a day falling not less than 60 days or in the case of exchange following failure to pay principal in respect of any Notes when due 30 days, after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Fiscal Agent is located and in the cities in which the relevant clearing systems are located.

Global Certificates

If the relevant Pricing Supplement states that the Notes are to be evidenced by a Global Certificate on issue, the following will apply in respect of transfers of Notes held in Euroclear or Clearstream or the CMU or an Alternative Clearing System. These provisions will not prevent the trading of interests in the Notes within a clearing system whilst they are held on behalf of such clearing system, but will limit the circumstances in which the Notes may be withdrawn from the relevant clearing system.

Transfers of the holding of Notes represented by any Global Certificate pursuant to Condition 2 may only be made in part:

(i) if the relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so; or

(ii) if principal in respect of any Notes is not paid when due;

provided that, in the case of the first transfer of part of a holding pursuant to (i) or (ii) above, the Registered Holder has given the Registrar not less than 30 days' notice at its specified office of the Registered Holder's intention to effect such transfer.

Amendment to Conditions

The Temporary Global Notes, Permanent Global Notes and Global Certificates contain provisions that apply to the Notes that they represent or evidence, some of which modify the effect of the Conditions set out in this Offering Circular. The following is a summary of certain of those provisions:

Payments

No payment falling due after the Exchange Date will be made on any Global Note unless exchange for an interest in a Permanent Global Note or for definitive Notes is improperly withheld or refused. Payments on any Temporary Global Note issued in compliance with the D Rules before the Exchange Date will only be made against presentation of certification as to non-U.S. beneficial ownership in the form set out in the Amended and Restated Agency Agreement. All payments in respect of Notes represented by a Global Note (except with respect to a Global Note held through the CMU) will be made against presentation for endorsement and, if no further payment falls to be made in respect of the Notes, surrender of that Global Note to or to the order of the Fiscal Agent as shall have been notified to the Noteholders for such purpose. A record of each payment so made will be endorsed on each Global Note, which endorsement will be prima facie evidence that such payment has been made in respect of the Notes. Condition 7(e)(vii) and Condition 8(c) will apply to definitive Notes only.

All payments in respect of Notes evidenced by a Global Certificate (other than a Global Certificate held through the CMU) will be made to, or to the order of, the person whose name is entered on the relevant Register at the close of business on the record date which shall be on the Clearing System Business Day immediately prior to the date for payment, where "Clearing System Business Day" means Monday to Friday inclusive except 25 December and 1 January.

In respect of a Global Note or Global Certificate representing Notes held through the CMU, any payments of principal, interest (if any) or any other amounts shall be made to the person(s) for whose account(s) interests in the relevant Global Note or Global Certificate are credited (as set out in the records of the CMU) and, save in the case of final payment, no presentation of the relevant bearer Global Note or Global Certificate shall be required for such purpose.

Prescription

Claims against the Issuer in respect of Notes that are represented by a Permanent Global Note will become void unless it is presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) from the appropriate Relevant Date (as defined in Condition 8).

Meetings

The holder of a Permanent Global Note or of the Notes evidenced by a Global Certificate shall be treated as being two persons for the purposes of any quorum requirements of a meeting of Noteholders and, at any such meeting, the holder of a Permanent Global Note or a Global Certificate shall be treated as having one vote in respect of each integral currency unit of the Specified Currency of the Notes.

Cancellation

Cancellation of any Note represented by a Permanent Global Note or Global Certificate that is required by the Conditions to be cancelled (other than upon its redemption) will be effected by reduction in the nominal amount of the relevant Permanent Global Note or Global Certificate.

Purchase

Notes represented by a Permanent Global Note or evidenced by a Global Certificate may only be purchased by the Issuer, the Bank or any of the Bank's respective subsidiaries if they are purchased together with the rights to receive all future payments of interest and Instalment Amounts (if any) thereon.

The Option of the Issuer

Any option of the Issuer provided for in the Conditions of any Notes while such Notes are represented by a Permanent Global Note or evidenced by a Global Certificate shall be exercised by the Issuer giving notice to the Noteholders within the time limits set out in and containing the information required by the Conditions, except that the notice shall not be required to contain the certificate numbers of Notes drawn in respect of a partial exercise of an option and accordingly no drawing of Notes shall be required. In the event that any option of the Issuer is exercised in respect of some but not all of the Notes of any Series, the rights of accountholders with a clearing system in respect of the Notes will be governed by the standard procedures of Euroclear, Clearstream, the CMU or any other clearing system (as the case may be).

Noteholders' Options

Any option of the Noteholders provided for in the Conditions of any Notes while such Notes are represented by a Permanent Global Note or are evidenced by a Global Certificate may be exercised by the holder of the Permanent Global Note (in accordance with the standard procedures of the relevant clearing system) giving notice to the Fiscal Agent or (in respect of Notes evidenced by a Global Certificate) the Registrar or Transfer Agent or (in respect of Notes lodged with the CMU) the CMU Lodging and Paying Agent within the time limits relating to the deposit of Notes or Certificates with an Agent set out in the Conditions substantially in the form of the notice available from any such Agent, except that the notice shall not be required to contain the serial numbers of the Notes in respect of which the option has been exercised, and stating the nominal amount of Notes in respect of which the option is exercised and at the same time presenting the Permanent Global Note or Global Certificate to the Fiscal Agent, the relevant Registrar, a Transfer Agent or the CMU Lodging and Paying Agent (or, in each case, to a Paying Agent acting on their behalf), as the case may be, for notation.

Notices

So long as any Notes are represented by a Global Note or are evidenced by a Global Certificate and such Global Note or Global Certificate is held on behalf of (i) Euroclear and/or Clearstream or any other clearing system (except as provided in (ii) below), notices to the holders of Notes of that Series may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the Conditions or by delivery of the relevant notice to the holder of the Global Note or Global Certificate or (ii) the CMU, notices to the holders of Notes of that Series may be given by delivery of the relevant notice to the CMU in substitution for publication as required by the Conditions or by delivery of the relevant notice to the holder of the Global Note or Global Certificate, and any such notice shall be deemed to have been given to the Noteholders on the day on which such notice is deliverable to the CMU.

Partly Paid Notes

The provisions relating to Partly Paid Notes are not set out in this Offering Circular, but will be contained in the relevant Pricing Supplement and thereby in the Global Notes or Global Certificates. While any instalments of the subscription moneys due from the holder of Partly Paid Notes are overdue, no interest in a Global Note representing or Global Certificate evidencing such Notes may be exchanged for an interest in a Permanent Global Note or for definitive Notes (as the case may be). If any Noteholder fails to pay any instalment due on any Partly Paid Notes within the time specified, the Issuer may forfeit such Notes and shall have no further obligation to their holder in respect of them.

FORM OF PRICING SUPPLEMENT

The form of Pricing Supplement that will be issued in respect of each Tranche, subject only to the deletion of non-applicable provisions, is set out below:

This document is for distribution to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) ("**Professional Investors**") only.

Notice to Hong Kong investors: Industrial Bank Co., Ltd. (the "**Bank**") and Industrial Bank Co., Ltd. [[•] Branch] (the "**Issuer**") confirm that the Notes are intended for purchase by Professional Investors only and will be listed on The Stock Exchange of Hong Kong Limited (the "**SEHK**") on that basis. Accordingly, the Bank and the Issuer confirm that the Notes are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.

The SEHK has not reviewed the contents of this document, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this document to Professional Investors only have been reproduced in this document. Listing of the Programme or the Notes on the SEHK is not to be taken as an indication of the commercial merits or credit quality of the Programme, the Notes, the Issuer, the Bank (together with each of its branches and its subsidiaries taken as a whole (the "Group")) or the Group, or the quality of disclosure in this document. Hong Kong Exchanges and Clearing Limited and the SEHK take no responsibility for the contents of this document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document.

This document together with the Offering Circular (as defined below) includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Bank, the Issuer and the Group . The Bank and the Issuer accept full responsibility for the accuracy of the information contained in this document and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

[**PRIIPs REGULATION — PROHIBITION OF SALES TO EEA RETAIL INVESTORS** — The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the "**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of [Directive 2014/65/EU (as amended, "**MiFID II**")] [MiFID II]; (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II[•]/[; or] [(iii) not a qualified investor as defined in Regulation (EU) 2017/1129 ([the "**Prospectus Regulation**"]).][(1)] Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.]

[**UK PRIIPs REGULATION — PROHIBITION OF SALES TO UK RETAIL INVESTORS** — The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (the "**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "**EUWA**"); or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the "**FSMA**") and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA[•]/[; or] [(iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the

EUWA.][(1)] Consequently no key information document required by the PRIIPs Regulation as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.]

[**MiFID II product governance / Professional investors and ECPs only target market** — Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in [Directive 2014/65/EU (as amended, "**MiFID II**")] [MiFID II]; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. [*Consider any negative target market*] Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]

[**UK MiFIR product governance / Professional investors and ECPs only target market** — Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook ("**COBS**"), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the [European Union (Withdrawal) Act 2018]/[EUWA] ("**UK MiFIR**"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. [*Consider any negative target market*] Any [person subsequently offering, selling or recommending the Notes (a "**distributor**")] [distributor] should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]

[In connection with Section 309B of the Securities and Futures Act 2001 of Singapore (the "**SFA**") and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "**CMP Regulations 2018**"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are [prescribed capital markets products] / [capital markets products other than prescribed capital markets products] (as defined in the CMP Regulations 2018) and [are] [Excluded] / [Specified] Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendation on Investment Products).][(2)]

[**Paragraph 21 of the Hong Kong SFC Code of Conduct** — As paragraph 21 of the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission applies to this offering of Notes, prospective investors should refer to the section on "*Notice to capital market intermediaries and prospective investors pursuant to paragraph 21 of the Hong Kong SFC Code of Conduct — Important Notice to Prospective Investors*" appearing on pages [•] to [•] of the Offering Circular, and CMIs (as defined in the Offering Circular) should refer to the section on "*Notice to capital market intermediaries and prospective investors pursuant to paragraph 21 of the Hong Kong SFC Code of Conduct — Important Notice to CMIs (including private banks)*" appearing on pages [•] to [•] of the Offering Circular.]

Pricing Supplement dated [•]

Industrial Bank Co., Ltd. [[•] Branch]

Issue of [*Aggregate Nominal Amount of Tranche*] **[***Title of Notes*] (the "**Notes**")
under the US$5,000,000,000 Medium Term Note Programme of Industrial Bank Co., Ltd.
(the "**Programme**")

This document constitutes the Pricing Supplement relating to the issue of Notes described herein.

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the Offering Circular dated 5 August 2024 (the "**Offering Circular**"). This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with such Offering Circular [and the supplemental Offering Circular dated [date]]. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of this Pricing Supplement and the Offering Circular.

[The following alternative language applies if the first tranche of an issue which is being increased was issued under an Offering Circular with an earlier date.

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the Offering Circular dated [original date]. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with the Offering Circular dated [current date], save in respect of the Conditions which are extracted from the Offering Circular dated [original date] and are attached hereto.]

[Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or sub-paragraphs. Italics denote directions for completing the Pricing Supplement.]

[If the Notes have a maturity of less than one year from the date of their issue, the minimum denomination may need to be £100,000 or its equivalent in any other currency.]

1	Issuer:		[Industrial Bank Co., Ltd.] *[Insert relevant Issuer]* (The Issuer's legal entity identifier number is [•].)
2	[(i)]	Series Number:	[•]
	[(ii)	Tranche Number (If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible.)]	[•]
3	Specified Currency or Currencies:		[•]
4	Aggregate Nominal Amount:		
	[(i)]	Series:	[•]
	[(ii)	Tranche:	[•]]

5	[(i)]	Issue Price:	[•] per cent. of the Aggregate Nominal Amount [plus accrued interest from [*insert date*] *(in the case of fungible issues only, if applicable)*]
	[(ii)	Net proceeds:	[•] *(Required only for listed issues)*]
	[(iii)	Use of proceeds:	[•]]
6	(i)	Specified Denominations:	[•](3)
	(ii)	Calculation Amount(6):	[•]
7	(iii)	Issue Date:	[•]
	(iv)	Interest Commencement Date:	[*Specify*/Issue Date/Not Applicable]
	(v)	Trade Date:	[•]
8		Maturity Date:	[*specify date (for Fixed Rate Notes) or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year*](4)
9		Interest Basis:	[[•] per cent. Fixed Rate] [[*specify reference rate*] +/– [•] per cent. Floating Rate] [Zero Coupon] [Index Linked Interest] [Other (*specify*)] (further particulars specified below)
10		Redemption/Payment Basis:	[Redemption at par] [Index Linked Redemption] [Dual Currency] [Partly Paid] [Instalment] [Other (*specify*)]
11		Change of Interest or Redemption/ Payment Basis:	*[Specify details of any provision for convertibility of Notes into another interest or redemption/payment basis]*
12		Put/Call Options:	[Put] [Call] [(further particulars specified below)] [Not Applicable]
13		Status of the Notes:	Senior Notes
14		Listing:	[[•]/Other (*specify*)/None]
15		Method of distribution:	[Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

16	Fixed Rate Note Provisions	[Applicable/Not Applicable] *(If not applicable, delete the remaining subparagraphs of this paragraph)*
	(i) Rate[(s)] of Interest:	[•] per cent. per annum [payable [annually/semi-annually/quarterly/monthly/other (*specify*)] in arrear]
	(ii) Interest Payment Date(s):	[•] in each year(5) [adjusted in accordance with *[specify Business Day Convention and any applicable Business Centre(s) for the definition of "Business Day"]*/not adjusted]
	(iii) Fixed Coupon Amount[(s)]:	[•] per Calculation Amount(6)
	(iv) Broken Amount:	[•] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [•] *[Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount[(s)] and the Interest Payment Date(s) to which they relate]*
	(v) Day Count Fraction (Condition 5(j)):	[30/360/Actual/Actual (ICMA/ISDA)/Other] *(Day count fraction should be Actual/Actual-ICMA for all fixed rate issues other than those denominated in US dollars, Renminbi or Hong Kong dollars, unless the client requests otherwise)*
	(vi) Determination Date(s) (Condition 5(j)):	[[•] in each year./Not Applicable] *[Insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon]*(7)
	(vii) Other terms relating to the method of calculating interest for Fixed Rate Notes:	[Not Applicable/*give details*]
17	Floating Rate Note Provisions	[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i) Rate[s] of Interest:	
	• Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination for Floating Rate Notes referencing SOFR Benchmark/Screen Rate Determination for Floating Rate Notes not referencing SOFR Benchmark /ISDA Determination/other (give details)]
	• Margin(s):	[+/–] [•] per cent. per annum
	(ii) Interest Period(s):	[•]
	(iii) Specified Interest Payment Dates:	[•]

(iv) Interest Period Date(s):	[Not Applicable/as defined in the Conditions/*specify dates*] *(Not applicable unless different from Interest Payment Date; in the case of SOFR Payment Delay, the Interest Period Date will be different from the Interest Payment Date)*
(v) Business Day Convention:	[Floating Rate Business Day Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/*other (give details)*]
(vi) Business Centre(s) (Condition 5(j)):	[•]
(vii) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Calculation Agent):	[•]
(viii) ISDA Determination (Condition 5(b)(iii)(A)):	[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
— ISDA Definition:	[2006 ISDA Definitions]/[2021 ISDA Definitions]
— Floating Rate Option:	[•]
— Designated Maturity:	[•]
— Reset Date:	[•]
— Compounding:	[Applicable/Not Applicable] (*If not applicable delete the remaining items of this sub-paragraph*)
— Compounding Method:	[Compounding with Lookback • Lookback: [•] Applicable Business Days] [Compounding with Observation Period Shift • Observation Period Shift: [•] Observation Period Shift Business Days • Observation Period Shift Additional Business Days: [[•] / Not Applicable]] [Compounding with Lockout • Lockout: [•] Lockout Period Business Days • Lockout Period Business Days: [[•]/Applicable Business Days]]
— Index Provisions:	[Applicable/Not Applicable] *(If not applicable delete the remaining items of this sub-paragraph)*

— Index Method:	Compounded Index Method with Observation Period Shift • Observation Period Shift: [•] Observation Period Shift Business Days • Observation Period Shift Additional Business Days: [[•] / Not Applicable]
(ix) Screen Rate Determination for Floating Rate Notes not referencing SOFR Benchmark (Condition 5(b)(iii)(B)):	[Applicable / Not Applicable] *(Not applicable in the case where the Reference Rate is SOFR Benchmark)*
— Reference Rate:	[•]
— Interest Determination Date(s):	[[•] [TARGET] Business Days in *[specify city]* for *[specify currency]* prior to [the first day in each Interest Accrual Period/each Interest Payment Date]]
— Specified Time:	[•]
— Relevant Screen Page:	[•] *(In the case of EURIBOR, if not Reuters Page EURIBOR 01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately)*
(x) Screen Rate Determination for Floating Rate Notes referencing SOFR Benchmark (Condition 5(b)(iii)(C)):	[Applicable / Not Applicable]
— SOFR Benchmark:	[Simple SOFR Average/Compounded Daily SOFR/Compounded SOFR Index]
— Compounded Daily SOFR:	[Not Applicable/SOFR Lag/SOFR Observation Shift/SOFR Payment Delay/SOFR Lockout] *(Only applicable in the case of Compounded Daily SOFR only)*
— Lookback Days:	[Not Applicable/[•] U.S. Government Securities Business Day(s)] *(Only applicable in the case of SOFR Lag)*
— SOFR Observation Shift Days:	[Not Applicable/[•] U.S. Government Securities Business Day(s)] (*Only applicable in the case of SOFR Observation Shift or Compounded SOFR Index*)
— Interest Payment Delay Days:	[Not Applicable/[•] U.S. Government Securities Business Day(s)] (*Only applicable in the case of SOFR Payment Delay*)

	—	SOFR Rate Cut-Off Date:	[Not Applicable/The day that is the [•] U.S. Government Securities Business Day(s) prior to the end of each Interest Accrual Period] (*Only applicable in the case of Simple SOFR Average, Compounded Daily SOFR: SOFR Payment Delay or Compounded Daily SOFR: SOFR Lockout*)
	—	SOFR IndexStart:	[Not Applicable/[•] U.S. Government Securities Business Day(s)] (*Only applicable in the case of Compounded SOFR Index*)
	—	SOFR IndexEnd:	[Not Applicable/[•] U.S. Government Securities Business Day(s)] (*Only applicable in the case of Compounded SOFR Index*)
	(xi)	Minimum Rate of Interest:	[•] per cent. per annum
	(xii)	Maximum Rate of Interest:	[•] per cent. per annum
	(xiii)	Day Count Fraction (Condition 5(j)):	[Actual/Actual or Actual/Actual (ISDA) Actual/365(Fixed) Actual/365(Sterling) Actual/360 30/360, 360/360 or Bond Basis 30E/360 or Eurobond Basis 30E/360 (ISDA) Other]
	(xiv)	Fallback provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions:	[Benchmark Discontinuation for Floating Rate Notes not referencing SOFR Benchmark/Benchmark Discontinuation for Floating Rate Notes referencing SOFR Benchmark/*specify if fallback provisions different from those set out in the Conditions*]
18	Zero Coupon Note Provisions		[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i)	Amortisation Yield (Condition 6(b)):	[•] per cent. per annum
	(ii)	Day Count Fraction (Condition 5(j)):	[•]
	(iii)	Any other formula/basis of determining amount payable:	[•]

19	Index Linked Interest Note Provisions	[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i) Index/Formula:	*[Give or annex details]*
	(ii) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the [Agent]):	[•]
	(iii) Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable:	[•]
	(iv) Interest Period(s):	[•]
	(v) Specified Interest Payment Dates:	[•]
	(vi) Business Day Convention:	[Floating Rate Business Day Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other *(give details)*]
	(vii) Business Centre(s) (Condition 5(j)):	[•]
	(viii) Minimum Rate of Interest:	[•] per cent. per annum
	(ix) Maximum Rate of Interest:	[•] per cent. per annum
	(x) Day Count Fraction (Condition 5(j)):	[•]
20	Dual Currency Note Provisions	[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i) Rate of Exchange/Method of calculating Rate of Exchange:	[*Give details*]
	(ii) Party, if any, responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the [Agent]):	[•]
	(iii) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable:	[•]
	(iv) Person at whose option Specified Currency(ies) is/are payable:	[•]
	(v) Day Count Fraction (Condition 5(j)):	[•]

PROVISIONS RELATING TO REDEMPTION

21	Call Option		[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i)	Optional Redemption Date(s):	[•]
	(ii)	Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s):	[•] per Calculation Amount
	(iii)	If redeemable in part:	
		(a) Minimum Redemption Amount:	[•] per Calculation Amount
		(b) Maximum Redemption Amount:	[•] per Calculation Amount
	(iv)	Notice period:	[•]
22	Put Option		[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i)	Optional Redemption Date(s):	[•]
	(ii)	Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s):	[•] per Calculation Amount
	(iii)	Notice period:	[•]
23	Final Redemption Amount of each Note		[•] per Calculation Amount
24	Early Redemption Amount		
	(i)	Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons (Condition 6(c)) or Event of Default (Condition 10(a) or 10(b)) and/or the method of calculating the same (if required or if different from that set out in the Conditions):	[•]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

25	Form of Notes:	[Bearer Notes/Registered Notes] *[Delete as appropriate]* [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note] [Temporary Global Note exchangeable for Definitive Notes on [•] days' notice]

		[Permanent Global Note exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note]
		[Permanent Global Note exchangeable for Definitive Notes on [•] days' notice/at any time]
		[Permanent Global Certificate exchangeable for Definitive Certificates in the limited circumstances specified in the Permanent Global Certificate]
		[Permanent Global Certificate exchangeable for Definitive Certificates on [•] days' notice/at any time] (8) (9)
26	Financial Centre(s) (Condition 7(h)) or other special provisions relating to payment dates:	[Not Applicable/*give details. Note that this item relates to the date and place of payment, and not interest period end dates, to which item 16(ii), 17(vi) and 19(vii) relate*]
27	Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature):	[Yes/No. *If yes, give details*]
28	Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment:	[Not Applicable/*give details*]
29	Details relating to Instalment Notes:	[Not Applicable/*give details*]
	(i) Instalment Amount(s):	[•]
	(ii) Instalment Date(s):	[•]
	(iii) Minimum Instalment Amount:	[•]
	(iv) Maximum Instalment Amount:	[•]
30	Redenomination, renominalisation and reconventioning provisions:	[Not Applicable/The provisions annexed to this Pricing Supplement apply]
31	Consolidation provisions:	[Not Applicable/The provisions annexed to this Pricing Supplement apply]
32	Other terms or special conditions:	[Not Applicable/*give details*](10)

DISTRIBUTION

33	(i) If syndicated, names of Managers:	[Not Applicable/*give names*]
	(ii) Stabilisation Manager (if any):	[Not Applicable/*give name*]
34	If non-syndicated, name of Dealer:	[Not Applicable/*give name*]
35	U.S. Selling Restrictions	[Reg. S Category 1/2; TEFRA D/TEFRA C/ TEFRA Not Applicable]
36	Additional selling restrictions:	[Not Applicable/*give details*]

OPERATIONAL INFORMATION

37	ISIN Code:	[•]
38	Common Code:	[•]
39	CMU Instrument Number:	[•]
40	Any clearing system(s) other than Euroclear, Clearstream, the CMU Service and the relevant identification number(s):	[Not Applicable/*give name(s) and number(s)*]
41	Delivery:	Delivery [against/free of] payment
42	Additional Paying Agents (if any):	[•]

GENERAL

43	The aggregate principal amount of Notes issued has been translated into US dollars [at the rate of [•]], producing a sum of (for Notes not denominated in US dollars):	[Not Applicable/US$[•]]
44	In the case of Registered Notes, specify the location of the office of the Registrar if other than Hong Kong:	[Not Applicable/Luxembourg]
45	In the case of Bearer Notes, specify the location of the office of the Fiscal Agent if other than London:	[Not Applicable/Hong Kong]
46	Date of corporate approval(s) for the issuance of the Notes:	[•] [and [•], [respectively]]/[None required]
47	Regulatory Approval/Registration:	
	[(i) NDRC pre-issue registration obtained	[•]]
	[(ii) PBOC pre-issue approval obtained	[•]]
	[(iii) NFRA pre-issue approval obtained	[•]]
	[(iv) *Specify any other regulatory approval/registration required*	[•]]

HONG KONG SFC CODE OF CONDUCT

48	Rebates:	[A rebate of [•] bps is being offered by the [Issuer] to all private banks for orders they place (other than in relation to Notes subscribed by such private banks as principal whereby it is deploying its own balance sheet for onward selling to investors), payable upon closing of this offering based on the principal amount of the Notes distributed by such private banks to investors. Private banks are deemed to be placing an order on a principal basis unless they inform the CMIs otherwise. As a result, private banks placing an order on a principal basis (including those deemed as placing an order as principal) will not be entitled to, and will not be paid, the rebate.]/[Not Applicable]
49	Contact email addresses [of the Overall Coordinators] where underlying investor information in relation to omnibus orders should be sent:	[*Include relevant contact email addresses of the Overall Coordinators where the underlying investor information should be sent – Overall Coordinators to provide*]/[Not Applicable]
50	[Marketing and Investor Targeting Strategy:	[*As indicated in the Offering Circular*] OR [*Describe if different from the programme Offering Circular*]]

[LISTING APPLICATION

This Pricing Supplement comprises the final terms required to list the issue of Notes described herein pursuant to the US$5,000,000,000 Medium Term Note Programme of Industrial Bank Co., Ltd.]

[STABILISATION

In connection with the issue of any Tranche of Notes, one or more of the Dealers named as Stabilisation Manager (or persons acting on behalf of any Stabilisation Manager(s)) in this Pricing Supplement may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no obligation on the Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager) to do this. Such stabilisation if commenced may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, and must be brought to an end after a limited period. Such stabilisation shall be in compliance with all applicable laws, regulations and rules.]

[MATERIAL ADVERSE CHANGE STATEMENT

[Except as disclosed in this document, there/There][(10)] has been no significant change in the financial or trading position of the Issuer, the Bank or of the Group since *[insert date of last audited accounts or interim accounts (if later)]* and no material adverse change in the financial position or prospects of the Issuer, the Bank or of the Group since *[insert date of last published annual accounts]*.]

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in this Pricing Supplement.

Signed on behalf of the Issuer:

By: ______________________________________
Duly authorised

Notes:

(1) Paragraph (iii) is not required where the Notes have a denomination of at least €100,000 or equivalent.

(2) For any Notes to be offered to Singapore investors, the Issuer to consider whether it needs to re-classify the Notes pursuant to Section 309B of the SFA prior to the launch of the offer.

(3) Notes (including Notes denominated in sterling) in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the FSMA and which have a maturity of less than one year must have a minimum redemption value of £100,000 (or its equivalent in other currencies).

If the specified denomination is expressed to be €100,000 or its equivalent and multiples of a lower principal amount (for example €1,000), insert the additional wording set out in the Guidance Note published by ICMA in November 2006 (or its replacement from time to time) as follows: "€100,000 and integral multiples of €1,000 in excess thereof up to and including €199,000. No notes in definitive form will be issued with a denomination above €199,000".

(4) Note that for Renminbi or Hong Kong dollar denominated Fixed Rate Notes where the Interest Payment Dates are subject to modification it will be necessary to use the second option here.

(5) Note that for certain Renminbi or Hong Kong dollar denominated Fixed Rate Notes the Interest Payment Dates are subject to modification and the following words should be added: "provided that if any Interest Payment Date falls on a day which is not a Business Day, the Interest Payment Date will be the next succeeding Business Day unless it would thereby fall in the next calendar month in which event the Interest Payment Date shall be brought forward to the immediately preceding Business Day."

(6) For Renminbi or Hong Kong dollar denominated Fixed Rate Notes where the Interest Payment Dates are subject to modification the following alternative wording is appropriate: "Each Fixed Coupon Amount shall be calculated by multiplying the product of the Rate of Interest and the Calculation Amount by the Day Count Fraction and rounding the resultant figure to the nearest CNY0.01, CNY0.05 in the case of Renminbi denominated Fixed Rate Notes or to the nearest HK$0.01, HK$0.005 in the case of Hong Kong dollar denominated Fixed Rate Notes, being rounded upwards."

(7) Only to be completed for an issue where the Day Count Fraction is Actual/Actual-ICMA.

(8) If the Global Note/Certificate is exchangeable for Definitive Notes/Certificates at the option of the holder, the Notes shall be tradeable only in amounts of at least the Specified Denomination (or if more than one Specified Denomination, the lowest Specified Denomination) provided in paragraph 6 and multiples thereof.

(9) Only applicable if permitted by the rules of the relevant clearing system. The limited circumstances in which exchange is permitted are set out under the section "Summary of Provisions Relating to Notes while Represented or Evidenced by Global Notes or Global Certificates — Exchange" in the Offering Circular.

(10) If full terms and conditions are to be used, please add the following here:

"The full text of the Conditions which apply to the Notes [and which will be endorsed on the Notes in definitive form] are set out in [the Annex hereto], which Conditions replace in their entirety those appearing in the Offering Circular for the purposes of these Notes and such Conditions will prevail over any other provision to the contrary."

The first set of bracketed words is to be deleted where there is a Permanent global Note instead of Notes in definitive form. The full Conditions should be attached to and form part of the Pricing Supplement.

(11) If any change is disclosed in the Pricing Supplement, it may require approval by the Stock Exchange(s). Consideration should be given as to whether or not such disclosure should be made by means of a supplemental Offering Circular rather than in a Pricing Supplement.

CAPITALISATION AND INDEBTEDNESS

The following table sets forth the consolidated indebtedness and capitalisation of the Bank as at 31 December 2023. Investors should read this table in conjunction with the Financial Statements Translation and the notes thereto as at and for the year ended 31 December 2023 included elsewhere in this Offering Circular.

	As at 31 December 2023	
	(RMB in million)	**(US$ in million)** [(1)]
Debt		
Debt securities issued	1,029,525	145,006
Other borrowings[(2)]	8,321,082	1,172,000
Total liabilities	**9,350,607**	**1,317,006**
Equity		
Share capital	20,774	2,926
Preferred shares	55,842	7,865
Perpetual bonds	29,960	4,220
Equity component of convertible corporate bonds	3,158	445
Capital reserve	74,759	10,529
Other comprehensive income	1,239	175
Surplus reserves	10,684	1,505
General reserve	120,118	16,918
Retained earnings	479,690	67,563
Equity attributable to shareholders of the Bank	796,224	112,146
Non-controlling interests	11,495	1,619
Total equity	**807,719**	**113,765**
Total capitalisation[(3)]	**10,158,326**	**1,430,771**

Notes:

(1) For convenience only, all translations from Renminbi into U.S. dollars are made at the rate of RMB7.0999 to U.S.$1.00, based on the noon buying rate as set forth in the H.10 statistical release of the Board of Governors of the Federal Reserve Bank System on 29 December 2023.

(2) Calculated as the difference between total liabilities and debt securities issued.

(3) Total capitalisation equals the sum of total liabilities and total equity.

Except as disclosed in the Offering Circular, there has not been any material change in the consolidated indebtedness and capitalisation of the Bank since 31 December 2023.

USE OF PROCEEDS

The net proceeds of any Notes issued under the Programme (after deduction of underwriting fees, discounts and commission and other expenses incurred by the Bank and the relevant Issuer in connection with the Programme and Notes to be issued under the Programme) will be used for the purpose of replenishing working capital and funding for implementing the Bank's strategies for overseas business expansion or such purposes as may be specified in the applicable Pricing Supplement.

DESCRIPTION OF THE HONG KONG BRANCH

The Hong Kong Branch was established as the Bank's first overseas branch on 10 January 2014 with CBIRC's approval obtained in September 2012. The establishment of the Hong Kong Branch was an important step to implementing the Bank's overseas business expansion strategy. The Hong Kong Branch currently possesses the banking license issued by HKMA and is fully qualified to engage in the banking business under the laws of Hong Kong. The Hong Kong Branch has obtained licenses to carry out Type 1 regulated activities (Dealing in Securities), Type 4 regulated activities (Advising on Securities) and Type 9 regulated activities (Asset Management) as set out in Schedule 5 to the Securities and Futures Ordinance of Hong Kong.

Business Activities

The Bank positions the Hong Kong Branch as its primary offshore investment and financing platform with a strategic vision to develop it into an offshore platform to offer comprehensive financial services to the Bank's overseas customers. To date, the Hong Kong Branch primarily provides the following financial services to overseas and Hong Kong local customers:

- settlement of cross-border transactions;
- corporate financing relating to offshore merger and acquisition financing and syndicated loans;
- comprehensive financing solutions; and
- private banking services.

Since its establishment, the Hong Kong Branch has achieved stable growth. As at the date of this Offering Circular, the Hong Kong Branch has established cooperative relationships with more than 400 financial institutions in China, Hong Kong, the United States, Europe, Japan and Australia to conduct treasury operations, such as inter-bank money market activities, foreign exchange transactions, forwards, futures transactions and interest rate swaps. Among the corporate customers of the Hong Kong Branch are many large "blue chip" enterprises in China, Hong Kong and overseas.

As at 31 December 2021, 2022 and 2023, the Hong Kong Branch's total assets were HKD219,469 million, HKD233,099 million and HKD236,806 million, respectively. For the years ended 31 December 2021, 2022 and 2023, the profit after tax of the Hong Kong Branch was HKD2.66 billion, HKD1.50 billion and HKD1.42 billion, respectively.

Senior Management of the Hong Kong Branch

Mr. Chen Caidong (陳才東) has been the chief executive of the Hong Kong Branch since July 2022. Mr. Chen previously worked at the headquarter of the Bank in areas of credit approval, corporate finance and high-profile clients management and also served as a vice president of the Guangzhou Branch and the Hong Kong Branch of the Bank. Mr. Chen holds a post-doctoral degree from Chinese Academy of Social Sciences and a doctoral degree from Renmin University of China.

Hong Kong Regulatory Guidelines

The banking industry in Hong Kong is regulated by and subject to the provisions of the Banking Ordinance and to the powers and functions ascribed by the Banking Ordinance to HKMA. The Banking Ordinance provides that only banks which have been granted a banking license ("**license**") by HKMA, may carry on the banking business (as defined in the Banking Ordinance) in Hong Kong and contains controls and restrictions on such banks ("**licensed banks**").

The provisions of the Banking Ordinance are implemented by HKMA, the principal function of which is to promote the general stability and effectiveness of the banking system, especially in the area of supervising compliance with the provisions of the Banking Ordinance. HKMA supervises licensed banks through, among others, a regular information gathering process, the main features of which are as follows:

- each licensed bank must submit a monthly return to HKMA setting out the assets and liabilities of its principal place of business in Hong Kong and all local branches and a further comprehensive quarterly return relating to its principal place of business in Hong Kong and all local branches. HKMA has the right to allow returns to be made at less frequent intervals;

- HKMA may order a licensed bank, any of its subsidiaries, its holding company or any subsidiaries of its holding company to provide such further information (either specifically or periodically) as it may reasonably require for the exercise of its functions under the Banking Ordinance or as it may consider necessary to be submitted in the interests of the depositors or potential depositors of the licensed bank concerned. Such information shall be submitted within such period and in such manner as HKMA may require. HKMA may also require a report by the licensed bank's auditors (approved by HKMA for the purpose of preparing the report) confirming whether or not such information or return is correctly compiled in all material respects;

- licensed banks may be required to provide information to HKMA regarding companies in which they have an aggregate of 20 per cent. or more direct or indirect shareholding or with which they have common directors or managers (as defined in the Banking Ordinance), the same controller (as defined in the Banking Ordinance), with common features in their names or a concert party arrangement to promote the licensed bank's business;

- licensed banks are obliged to report to HKMA immediately when they are likely to become unable to meet their obligations;

- HKMA may direct a licensed bank to appoint an auditor to report to HKMA on the state of affairs and/or profit and loss of the licensed bank or the adequacy of the systems of control of the licensed bank or other matters as HKMA may reasonably require; and

- HKMA may, at any time, with or without prior notice, examine the books, accounts and transactions of any licensed bank, and in the case of a licensed bank incorporated in Hong Kong, any local branch, overseas branch, overseas representative office or subsidiary, whether local or overseas, of such licensed bank. Such inspections are carried out by HKMA on a regular basis.

DESCRIPTION OF THE BANK

OVERVIEW

The Bank is an established, strongly competitive, nationwide joint-stock commercial bank incorporated on 22 August 1988 with its headquarters in Fujian Province, China. It was among the first batch of commercial banks approved by the State Council and PBOC at the state level. Through its nationwide and diversified distribution channels, the Bank provides a wide range of wholesale and personal banking and other financial products and services to its corporate and personal customers. The Bank ranked 16th in terms of tier 1 capital among the candidate banks in 2024 and ranked 26th in terms of brand value among the "Top 500 Global Bank Brands in 2023" by the British magazine "*The Banker*". The Bank was also awarded the "Bank of the Year in 2023" in China by "*The Banker*". The Bank was listed on the Shanghai Stock Exchange under stock code "601166" in February 2007.

Over the past few decades, the Bank has developed a comprehensive and universal banking platform licensed to provide traditional banking, trust, futures, financial leasing, fund management, financing research and consultation services to its customers. The Bank believes that its strong capability to offer a broad range of comprehensive services to customers nationwide has transformed it from a regional bank into a national commercial bank with significant asset scale. As at 31 December 2021, 2022 and 2023, the Bank had total assets of RMB8,603,024 million, RMB9,266,671 million and RMB10,158,326 million, respectively, and its loans and advances to customers totalled RMB4,310,306 million, RMB4,869,879 million and RMB5,333,483 million, respectively. According to the annual financial information as at and for the year ended 31 December 2022 published by China Banking Association, the Bank was ranked eighth in terms of core tier 1 capital.

The Bank serves its customers through its nationwide and diversified distribution channels, comprising physical branches and outlets and digital platforms. As at 31 December 2023, the Bank had 45 branches, including the Hong Kong Branch, and 2,089 outlets in the PRC. In addition to its domestic presence, the Bank had 1,174 correspondence banks across 92 countries and regions. Leveraging its advanced information technology, the Bank established an e-Banking network to provide all-time access to its services around the globe.

The Bank values innovation and is dedicated to developing innovative financial services and products to adapt to the evolving market environment and to meet the changing needs of its customers. The Bank has introduced a number of "first-of-its-kind" financial products that have received positive responses from its corporate and personal customers. In addition to traditional banking products and services, the Bank develops and provides green financing for its customers in renewable energy, carbon emission reduction, water resource utilisation and protection and wastewater treatment industries. In 2021, the Bank was awarded the "2020 China Outstanding Enterprise Award for Social Responsibility" (2020中國社會責任杰傑出企業獎) by the 2020 China Corporate Social Responsibility Cloud Summit. The Bank was awarded the "Best Green Finance Bank of the Year" (年度最佳綠色金融銀行獎) by *Asiamoney* in 2020. In 2019, the Bank was awarded the "Largest Green Bond Offering in Emerging Countries" by *The Climate Bonds Initiative*. Furthermore, the Bank places significant emphasis on social responsibility and was awarded the "Annual Best Financial Institution with Social Responsibility" (年度最具社會責任金融機構獎) for seven consecutive years from 2011 to 2017. According to the latest ESG rating published by MSCI in 2023, the Bank was upgraded from Level A to Level AA, maintaining its exclusive position as the top-rated bank in the PRC banking industry for five consecutive years.

The Bank is dedicated to establishing and improving its risk management capabilities to monitor, assess and manage credit, market, liquidity and operational risks. The Bank has set up a three-level risk management structure, comprising its business departments, functional and risk management department and internal audit office. In addition, the Bank has established procedures for independent credit assessment, approval and monitoring to identify and reduce its exposure to high credit risk areas and to improve the quality of its loan portfolio. As at 31 December 2023, the Bank's non-performing loan ratio was 1.07 per cent., which was lower than the average non-performing loan ratio of 1.59 per cent. of all PRC commercial banks reported by NFRA.

With its international expansion strategy, the Bank established its Hong Kong Branch in January 2014. The Hong Kong Branch is positioned as the Bank's primary offshore investment and financing platform offering comprehensive financial services to overseas and local Hong Kong customers. The Hong Kong Branch currently provides financial services including settlement of cross-border transactions, offshore merger and acquisition financing, syndicated loans and private banking services.

The Bank's financial performance and strengths have steadily developed over the past decades. For the years ended 31 December 2021, 2022 and 2023, the Bank's net profit was RMB83,816 million, RMB92,414 million, RMB77,654 million, respectively. The Bank's total assets and net profit attributable to equity holders have more than doubled from 2011 to 2023.

The tables below set forth certain key financial indicators of the Bank as at and for the periods ended as at the indicated dates:

	Year ended 31 December		
	2021	2022	2023
	(RMB in million, except for percentage)		
Net Profit	83,816	92,414	77,654
Return on average total assets (per cent.) (1)	1.02	1.03	0.80
Return on average equity (per cent.) (2)	13.94	13.85	10.64
Non-interest income to operating income (per cent.) (3)	34.15	34.67	30.51
Cost to income ratio (per cent.) (4)	25.68	29.37	29.97

Notes:

(1) Return on average total assets = net profit for the period/average total assets. Average total assets = (total assets at the beginning of the period + total assets at the end of the period)/2.

(2) Return on average equity = net profit attributable to ordinary shareholders of the Bank for the period/average equity attributable to ordinary shareholders of the Bank.

(3) Non-interest income to operating income = non-interest income/operating income.

(4) Cost to income ratio = (total operating expenses — business tax and levies — impairment loss)/operating income.

	As at 31 December		
	2021	2022	2023
	(RMB in million, except for percentage)		
Total assets	8,603,024	9,266,671	10,158,326
Total liabilities	7,908,726	8,509,373	9,350,607
Gross loans and advances to customers	4,428,183	4,982,887	5,460,935
Tier 1 Capital Adequacy Ratio (per cent.)	11.22	11.08	10.93
Core Tier 1 Capital Adequacy Ratio (per cent.)	9.81	9.81	9.76
Non-performing loan ratio (per cent.)	1.10	1.09	1.07
Provision coverage ratio (per cent.)	268.73	236.44	245.21

AWARDS

Over the years, the Bank and its financial services have received numerous honours and awards, including, among others:

2023

- "Bank of the Year 2023 in China" awarded by *The Banker*;
- Ranked 17th in terms of Core Tier-1 capital and 26th in terms of total assets by *The Banker*;
- Rated Level AA according to the latest ESG rating published by MSCI in 2023, maintaining its exclusive position as the top-rated bank in the PRC banking industry for five consecutive years;

- Ranked 223rd on the "Fortune Global 500" by *Fortune*;
- "Financial Science and Technology Development Award" awarded by the People's Bank of China;
- "Best Fund Management Project" awarded by *The Asian Banker*;
- "Best Customer Relationship Management Private Bank Award in China" awarded by *Professional Wealth Management (PWM) under the Financial Times Group*; and
- "Excellent Clearing Member" and "Excellent Settlement Member" awarded by Shanghai Clearing House.

2022

- "Best National Joint-stock Bank" awarded by *Asianmoney* in "China Private Banking Awards" in 2022;
- "Market Innovation Prize of the Year" and "Market Influence Prize of the Year" awarded by China Foreign Exchange Trade System in the 2021 Inter-bank Local Currency Market Evaluation;
- "Outstanding Bank of Wealth Management in 2022" awarded by *21st Century Business Herald* in 2022 China Assets Management Annual Meeting; and
- "Third Prize of Fintech Development" awarded by the People's Bank of China for the Bank's "Satellite Remote Sensing Application Empowering Financial Services" Project.

2021

- "Bank of the Year 2021 in China" awarded by *The Banker*;
- Ranked 50th among "Forbes Global 2000" by *Forbes*;
- "Sustainable Development and Inclusion Award" awarded by *CAIJING,* an influential magazine in China;
- "2020 China Outstanding Enterprise Award for Social Responsibility" awarded by 2020 China Corporate Social Responsibility Cloud Summit;
- Ranked 24th in terms of brand value among "Top 500 Global Bank Brands in 2021" by *The Banker*;
- "Best Service Custodian Bank of the Year 2020" by *The China Times*; and
- "Outstanding Digital Bank" awarded by FinTech Index Forum.

2020

- Ranked fourth in terms of a combination of various indicators including growth rate, profitability, cost-to-income ratio and asset quality among "Top Performance PRC Banks" by *The Banker*;
- Ranked seventh in terms of Core Tier-1 Capital among "Top 100 PRC Banks" by China Banking Association;
- "Best Supply Chain Finance Bank" and "Best Green Finance Bank" awarded by *Asiamoney*;
- "Best Sustainable Bank in China" among the Finance Asia's Country Awards by *FinanceAsia*;

- Ranked first among 2020 Green Debt Financing Instrument Investors by the China Interbank Dealers Association;
- "Best Innovative Poverty Alleviation Organisation in 2020" awarded by *Tencent News*; and
- "Enterprise of the Year" awarded by People's Daily.

2019

- Ranked 55th among "Forbes Global 2000" by *Forbes*;
- Ranked seventh among "China Top 100 Banks" by China Banking Association;
- "Best Performance Private Bank" by The Banker and Professional Wealth Management;
- "Best Green Finance Commercial Bank" and "Best Green Bond Bank" by *Asiamoney*;
- "Best Joint-Stock Commercial Bank" by *Financial Times*;
- Ranked 28th in terms of total assets by *The Banker*;
- Ranked 23rd in terms of capital by *The Banker*; and
- "Best Green Bank in China" and "Best Retail Bank in China" by *Global Banking & Finance Review*.

2018

- Ranked 26th in terms of Tier 1 Capital and 28th in terms of total assets by *The Banker*;
- Ranked 62nd among "China Top 500" and 237th among "Global Top 500" by *Fortune*;
- Ranked 62nd among "Forbes Global 2000" by *Forbes*;
- Ranked 20th among "2018 Global Brand Finance 500" by *The Banker*;
- "Model Enterprise of Sustainable Development" awarded by *China Business*;
- "Green Finance Prize" and "Outstanding Transactional Bank" awarded by *National Business Daily*;
- "2018 Best Asset Management Bank", "2018 Outstanding Fin-Tech Bank" and "2018 Annual Payment Technology Innovation Prize" awarded by *21st Century Business Herald*;
- "Annual Best Green Financial Bank" awarded by *Asiamoney*;
- "Annual People's Enterprise Social Responsibility" awarded by *People's Daily*;
- "Best Social Responsibility Management Prize", "Best Green Finance Prize" and "Best Social Responsibility Special Contribution Branch" awarded by the China Banking Association;
- "2018 China Excellent Trust Company" and "2018 China Excellent Financial Leasing Company Jun Ding Award" awarded by *Securities Times*; and
- "Top 10 Fin-Tech Product Innovation Prize" and "Top 10 Banking Intelligence Network Innovation Prize" awarded by *The Banker*.

2017

- "Outstanding Social Responsibility Financial Brand for the Year" awarded by *The Financial Times*;
- The then chairman of the Bank, Gao Jianping, was selected as one of "China's Outstanding Financial Brand Figures" by *The Financial Times*; and
- "Universal Bank Investment Bank Jun Ding Award", "Financial Adviser Bank Jun Ding Award" and "Cross-border Financing Bank Jun Ding Award" awarded by *Securities Times*.

HISTORY AND MILESTONES

The following are the milestone events in the history of the Bank:

Year	Milestone
1988	The Bank was established with the approval of the State Council and PBOC at the state level under the name "Fujian Industrial Bank".
1996	The Bank set up branches in Shanghai, Shenzhen, Changsha, Beijing and Hangzhou under stock code "601166"
2003	The Bank was officially renamed as "Industrial Bank".
2004	Three international strategic investors, namely Hang Seng Bank Limited, International Finance Corporation and Tetrad Ventures Pte Ltd., invested in the Bank.
2007	The Bank was listed on the Shanghai Stock Exchange under stock code "601166".
2010	The Bank completed RMB17.86 billion A-share placing, the largest placing in the PRC at that time. The Bank obtained the approval to establish Industrial Bank Financial Leasing Co., Ltd.
2011	The Bank acquired Union Trust Limited and renamed it "China Industrial International Trust Limited".
2013	The Bank set up CIB Fund Management Co., Ltd., China Industrial Guoxin Asset Management Co., Ltd. and Industrial Wealth Asset Management Co., Ltd.
2014	The Bank set up the Hong Kong Branch to implement its international business expansion. The Bank issued its first tranche of preference shares in a total amount of RMB13 billion in the PRC. The Bank issued Tier 2 Capital bonds in a total principal amount of RMB20 billion in the PRC.
2015	Industrial Digital Financial Service Co., Ltd. and Industrial Economy Research Consultation Co., Ltd. were established. The Bank issued its second tranche of preference shares in a total principal amount of RMB13 billion in the PRC.
2016	The Bank issued Tier 2 Capital bonds in a total principal amount of RMB30 billion in the PRC. The Bank established a US$5,000,000,000 Medium Term Note Programme in September 2016. The Bank issued a US$700 million 2.000 per cent. notes due 2019 and a US$300 million 2.375 per cent. notes due 2021 under this MTN Programme.

Year	Milestone
2017	The Bank issued 1.72 billion in A-shares totalling a principal amount of RMB26.0 billion in April 2017.
2018	The Bank renewed the Programme in February 2018.
2019	Industrial Bank Wealth Management Co., Ltd. was established.
	The Bank was one of the first bank signing the Principles for Responsible Banking issued by the United Nations Environment Programme.
	The Bank entered into a green development cooperation agreement with Yunnan Provincial Government to provide green financing services to enterprises in Yunnan Province.
2020	The Bank entered into a green finance strategic cooperation agreement with Fujian Provincial Governmental Ecology and Environmental Bureau to provide indicative financing credits to the environmental protection industry of Fujian Province.
	The Bank received approval from relevant authorities to set up its London branch to implement its international business expansion.
	The Bank issued Tier 1 Capital bonds in a total principal amount of RMB30 billion in the PRC.
2021	The Bank renewed the Programme in June 2021.
	The Bank was awarded the 2021 Global Green Finance Award by the International Finance Forum in December 2021.
2022	The Bank issued US$650,000,000 3.25 per cent. notes due 2025 under the Programme in May 2022.
	The Bank led the underwriting of the first social responsibility bond in the PRC in December 2022.
	The Bank became the tenth designated operator of digital RMB in the PRC.
2023	In April 2023, the Bank's London representative office was inaugurated, laying the groundwork for establishing its London branch and marking a significant step in the Bank's international expansion.

COMPETITIVE STRENGTHS

The Bank believes that the following are its key competitive strengths:

An established and strongly competitive national commercial bank with innovation capabilities

The Bank is an established, strongly competitive, nationwide joint-stock commercial bank founded in August 1988 with its headquarters in Fujian Province, China. It was among the first batch of commercial banks approved by the State Council and PBOC at the state level. After decades of development, the Bank has established its strong competitiveness in the PRC banking industry. The Bank ranked 16th in terms of tier 1 capital among the candidate banks in 2024 and ranked 26th in terms of brand value among the "Top 500 Global Bank Brands in 2023" by the British magazine "*The Banker*". In 2023, the Bank ranked 60th among the "Forbes Global 2000" by *Forbes* and 223rd among the "Global 500" by *Fortune*. The Bank was also awarded the "Bank of the Year in 2023" in China by "*The Banker*".

The Bank believes that its strong competitiveness and market position have been largely attributable to its strong innovation capabilities, with which the Bank has been able to improve its business model, products, distribution channels and information technologies.

- *Corporate culture emphasising innovation*. The Bank values innovation. It adopts a market-oriented principle and has been committed to research in the cutting-edge sectors of the banking industry, such as innovative financial services in response to China's urbanising and aging society. The Bank rolled out new products and explores the "internet + bank + platform" financing model to expand its customer base. See "*— The Bank's Principal Business Activities — Corporate Banking Business — Small and Micro Enterprises Business*". The Bank is the first bank to adopt the Equator Principles in China, which is a risk management framework for determining, assessing and managing environmental and social risk in project finance adopted by various financial institutions around the world. The adoption and implementation of the Equator Principles demonstrates the Bank's commitment to corporate social responsibility, including robust standards for indigenous peoples and labour standards.

- *Innovative products*. The Bank has introduced a number of "first-of-its-kind" financial products that are popular among customers, such as "Natural Life" (自然人生), "Contented Life" (安愉人生) and "Cosmopolitan Life" (寰宇人生), which are personal loan products targeting different groups of customers. In 2019, the Bank was awarded the "Top 10 Private Enterprise Innovative Financial Services Prize" and "Top 10 Innovative Wealth Management Prize" among PRC financial institutions by *The Banker*. It has leveraged its in-depth understanding of the market and needs of its customers, and has diversified its product portfolio to provide easily accessible financial services for small and micro enterprises. In recent years, the Bank further expanded into "green financing" to respond to the financing needs of enterprises operating in the renewable energy, carbon emission reduction, water resource utilisation and protection and wastewater treatment industries. The Bank actively promotes the branding of "Green Bank" and continues to expand its influences by providing financing to energy conservation and environmental protection projects. In 2020, the Bank underwrote the first "Green Anti-Epidemic Bond" in the market and the first corporate blue bond in the PRC. The Bank ranked first among 2020 Green Debt Financing Instrument Investors (2020年綠色債務融資工具投資人) organised by the China Interbank Dealers Association (中國銀行間交易商協會). In 2023, at the Third Forum on Green Development and Global Cooperation of the Belt and Road ("一帶一路"國際合作高峰論壇綠色發展高級別論壇), the case submitted by the Bank titled "Issuance of Green Bonds under the China-Europe Common Classification Catalogue to Promote Convergence of Sustainable Financial Standards (中歐《共同分類目錄》綠色債券發行 促進可持續金融標準趨同)" was recognised as a successful case and published at the forum. The Bank was awarded the "Best Green Finance Bank of the Year" (年度最佳綠色金融銀行獎) by *Asiamoney* in 2020, "IFF Global Green Finance Award" (IFF全球綠色金融獎) by Global Finance Forum in 2021 and "Best Implementation award 2023" (2023年度最佳實踐獎) by Green Investment Principles in 2023.

- *Innovative distribution* channels. With an aim to improving customer loyalty, the Bank has made significant investment in promoting its mobile banking, direct banking and online commerce platform and improved the quality and synchronisation of its "online-to-offline" banking services. The Bank believes that its diversified and innovative distribution channels facilitated by its advanced information technologies have provided an all-time remote access to its services to its customers around the globe. The Bank believes that its efforts have further improved customer experience and enabled it to expand its customer base and grow its business.

- *Advanced information technology*. The Bank's advanced information technology has enabled it to maintain a competitive position in product innovation. Since its establishment, the Bank has focused on implementing its "technology driven" development strategy. The Bank believes that it is one of the few PRC banks that possesses proprietary technologies and intellectual property rights for its core operating system, especially its back office operating systems.

A universal banking platform providing comprehensive modern financial services and synergy to grow its business and improve its profitability

The Bank believes that its established market position and strong brand awareness are to a large extent attributable to its record of providing customers with diversified modern financial services. As at the date of this Offering Circular, the Bank engages in banking, trust, financial leasing, funds, consumer finance, futures, asset management, research and consultation and digital finance, and establishes differentiated competitive advantages in various areas including green finance, investment banking, wealth management, asset management, financial markets and interbank cooperation. It has proactively developed licensed non-banking financial businesses, such as fund management, trust management, asset management, consumer finance, internet finance, financial leasing and financial search and consultation with a view to satisfying its customers' increasingly diversified needs for integrated financial services. The Bank believes that its suite of financial licenses has created a universal banking platform that provides it with the capabilities to offer a broad range of financial services to customers. The Bank has been exploring innovations in financing instruments including bonds and asset securitisation, and has been focusing on business developments in fixed income currencies and commodities, investment banking, asset management and asset custody. The Bank's subsidiaries have developed complementary functions and distinct growth areas, creating a cross-border, modern, and comprehensive financial services system. Further, the Bank positions green finance as a core business, prioritising sustainable development in both its strategic planning and corporate governance. See "*Green Financial Service*" below for further details.

By operating as an integrated financial group, the Bank believes that resource sharing among its different business segments and cross selling efforts have given and will continue to give the Bank opportunities to grow its business and improve its profitability.

A leader in providing services to financial institutions

The Bank believes that it has established a leading position in the provision of financial services to financial institutions. The Bank has established long-standing co-operative relationships with more than 1,000 domestic and overseas commercial banks, securities firms, funds, insurance companies, trust investment companies, finance companies affiliated to business corporations, financial leasing companies and other financial institutions. For the year ended 31 December 2023, the Bank's cooperation coverage with domestic interbank corporate clients remained above 95 per cent. For the year ended 31 December 2023, the Bank established a global banking service network in collaboration with 1,174 banks in 92 countries and regions around the world. In addition, the Bank is one of the pioneering banks providing agency settlement services in the PRC and is an associate member of the Insurance Asset Management Association of China as well as a member of the Shanghai Clearing House.

The Bank has introduced the "Bank-to-Bank Platform" (銀銀平台), an integrated service system providing comprehensive "online-and-offline" financial services to various collaborating banks covering wealth management, payment and settlement, technological management output, training services, financing services and capital restructuring. As at 31 December 2023, the transaction volume of various financial products on the "Bank-to-Bank Platform" exceeded RMB2 trillion, with more than 10,000 fund products were introduced. The "Bank-to-Bank Platform" has won awards from many authoritative media, such as sina.com, *Shanghai Securities News* and 21st *Century Business*.

A bank with strong cost control capability

For the year ended 31 December 2023, the Bank achieved net profit of RMB77,654 million, making the Bank one of the most profitable nationwide joint-stock commercial banks in China. The Bank believes that its strong cost control capability has enabled it to achieve increasing income and profitability, and has been key to the Bank's success in competing with other commercial banks in the PRC. As at 31 December 2021, 2022 and 2023, the cost-to-income ratio of the Bank was 25.68 per cent., 29.37 per cent. and 29.97 per cent., respectively. The Bank increased its income by optimising its capital structure, strengthening its business structure and capital base, innovating its business model and financial products, enhancing the synergies within the Group and expanding its distribution channels. In addition, the Bank strives to control its costs by developing an internal fund transfer pricing system, internal accounting management system and key performance indicator system to better control its cost and restrict its investment in low efficiency resources.

A bank with prudent and comprehensive risk management and solid asset quality

The Bank is committed to establishing and improving its risk management structure, procedures, tools and technology to monitor, assess and manage credit, market, liquidity and operational risks. The Bank has formulated an annual credit policy, implemented a differential credit policy of "assuring supply, control and stock compression", actively supported the development of the economy and optimised the allocation of credit resources. The Bank also actively implements green credit policies and prioritises supporting green industries. The Bank has established exposure limits on certain restricted industries with high energy consumption, high pollution or overcapacity (兩高一剩). The Bank has enhanced its corporate governance framework, which includes decision making of the board of directors, implementation by senior management, and legal oversight by the board of supervisors. It has also improved its risk management practices to effectively balance risk control with operational needs. Furthermore, the Bank emphasizes on standardising branch management, systematising marketing efforts and standardising daily operations. It also undertakes management improvement activities centred on employee development and core internal management systems. The Bank has implemented independent credit assessment, approval and monitoring procedures, and rationalised its loan asset portfolio by establishing procedures to identify and limit its exposure to high credit risk areas. The Bank uses advanced market risk and liquidity risk monitoring and analysis tools in order to identify, measure and manage liquidity risk and market risk. The Bank seeks to cultivate a culture of prudent and comprehensive risk management across its business.

The Bank has set up "three lines of defence" for its risk management structure, consisting of its business departments, functional and risk management department, and internal audit office. The Bank's business departments, as the first line of defence of its management system, are directly responsible for risk management. The functional and risk management department at the Bank's head office, as the second line of defence, is responsible for establishing risk management policies and procedures, and co-ordinating, supporting, supervising and reporting risk management. The internal audit office, as the third line of defence, is responsible for evaluating the adequacy and effectiveness of its risk management policies and procedures.

The Bank believes that its advanced technologies provide strong support for implementing its risk management system and measures. The Bank is one of the first PRC commercial banks to establish an integrated emergency back-up system, comprising main data centres, local emergency back-up centres and cross-regional emergency back-up centres. In addition, the Bank is one of the first PRC commercial banks that have been accredited to meeting the international five-level emergency back-up standards as well as the emergency back-up standards published by the PBOC. Prudent risk management enables the Bank to maintain solid asset quality. As at 31 December 2023, the Bank's non-performing loan ratio was 1.07 per cent., which was lower than the average non-performing loan ratio of 1.59 per cent. of all PRC commercial banks reported by NFRA.

Significant business growth and solid capital base with strong support from its largest shareholder

The Bank enjoys strong support from its largest shareholder, Fujian Provincial Department of Finance (福建省財政廳). As a publicly listed and national bank headquartered in Fujian Province, the Bank believes that it benefits and will continue to benefit substantially from the support of the Fujian Provincial Government. The Fujian Provincial Department of Finance provides strong, stable and continuous support to the Bank by participating in the Bank's capital replenishment. The Fujian Provincial Department of Finance increased its capital investment in the Bank by an amount of RMB3,744 million in 2010 and subscribed for preference shares of RMB2.5 billion when the Bank issued its RMB13 billion preference shares in 2014. The Fujian Provincial Department of Finance further increased its shareholding in the Bank in the secondary capital market in 2022 and 2023.

The Bank strives to maintain a strong capital base to strengthen its risk management capabilities. The Bank has issued various financing instruments over the years, for example, it issued the first tranche of RMB13 billion preference shares and the second tranche of RMB13 billion preference shares in the PRC in 2014 and 2015, respectively, and issued Tier 2 Capital securities in the amount of RMB20 billion and RMB30 billion in 2014 and 2016, respectively. In April 2019, the Bank further issued RMB30 billion preference shares in the PRC to supplement its Core Tier 1 Capital as approved by CSRC. As at 31 December 2023, the Bank's Core Tier 1 Capital Adequacy Ratio, Tier 1 Capital Adequacy Ratio and Capital Adequacy Ratio was 9.76 per cent., 10.93 per cent. and 14.13 per cent. as at 31 December 2023, respectively.

With the support from its largest shareholder, the Bank's financial performance and strengths have significantly developed over the past few decades. As at 31 December 2021, 2022 and 2023, the Bank had total assets of RMB8,603,024 million, RMB9,266,671 million and RMB10,158,326 million, respectively, and its gross loans and advances to customers totalled RMB4,428,183 million, RMB4,982,887 million and RMB5,460,935 million, respectively. For the years ended 31 December 2021, 2022 and 2023, the Bank's net profit for the period was RMB83,816 million, RMB92,414 million and RMB77,654 million, respectively.

An experienced management team

The Bank's senior management team, including the president of the Bank, Mr. Lyu Jiajin, has extensive experience in the PRC commercial banking industry. The Bank's senior management possesses long-term strategic vision and keen insights in the PRC banking industry. Under their leadership, the Bank has actively responded to changes in the external environment, continued its product development and business innovation and established powerful information technology systems. The Bank's senior management team has led its transformation from one of the leading traditional banks to a large provider of diverse, comprehensive financial services. By leveraging the initiative and creativity of its employees, the senior management team has ensured that the strategies, decisions, and measures implemented by the Bank are effective, thereby laying a solid foundation for its high-quality development.

Although the Bank faces adverse external conditions caused by the liberalisation of interest rates as well as increasing competition in the banking industry, the Bank has continued its prudent operations, accelerated its business transformation and maintained smooth and steady development under the leadership of its management team. The Bank believes that its experienced management team will be able to lead it in maintaining its competitive advantages in the future, laying a solid foundation for its long-term sustainable growth.

A bank with a clear strategic objective

The Bank has developed a clear strategic objective to service its customers while mitigating financial risks. The clear strategic objective enables the Bank to implement its business strategies and serve the customers with efficiency and achieve outstanding operational results over the years while minimising risks for customers and investors. The Bank adheres to the transformation strategy of "light assets, light capital and high efficiency", starting with an integration of its commercial bank and investment bank functions. It has been improving its banking structure across various transaction types, while boosting contributions from key branches, sectors, clients and products. In 2021, the Bank strategically advanced green banking, wealth banking and investment banking, with the aim of expediting its digital transformation. In 2022, the Bank further developed science and technology innovation finance, inclusive finance, energy finance, auto finance, and park finance, in order to accelerate the construction of "Digital Industrial Bank (數字興業)". Adhering to the strategic objective, the Bank has been able to capture the developmental trends in the financial markets, realise market integration and diversification, and allocate its abundant resources to formulate its business plan and maximising profit. The Bank has continuously energised organisational vitality, enhanced professional capabilities, improved response efficiency in catering customer's needs, and upgraded the business model. The Bank is determined to be a "customer-oriented, business-oriented and investment-oriented" institution that enjoys global recognition. For example, the Bank ranked 26th in terms of brand value among "Top 500 Global Bank Brands in 2023" by *The Banker* and was awarded the "Bank of the Year in 2023" in China by "*The Banker*, which are testaments to its outstanding operational results and its dedication to customer service.

A bank with deep cultural heritage

Adhering to sincere service and pursuing core values of rationality, innovation, humanity and sharing, the Bank has formed a unique cultural heritage through its long-term development. The Bank embraces a professional culture that prioritises duties and responsibilities, a competitive culture that strives for success, a collaborative culture rooted in pragmatism and accountability, and a familial culture that emphasises collective growth. It also remains committed to a customer-centred culture. Leveraging its profound cultural heritage, the Bank at all levels makes efforts to seize opportunities, face challenges, and achieve balanced development.

BUSINESS STRATEGIES

The Bank aims to transform itself into a modern financial services institution with its comprehensive financial licenses. It aims to strengthen its risk management and focus on business innovation to attain sustainable development and realise increased profitability and solid asset quality. The Bank intends to achieve these goals through the following strategies:

Enhancing intra-bank synergy to satisfy customers' increasingly diversified needs for integrated financial services

The Bank is one of the few PRC commercial banks that has obtained a majority of the principal financial licenses that allow it to engage in banking, trust, futures, financial leasing, fund management, financing research and consultation, and third-party payment operations. This business combination has created a universal banking platform that provides the Bank with the ability to offer a broad range of financial products and services and enables it to establish stronger relationships with strategically targeted customers and strengthen customer loyalty. By operating as an integrated financial group, the Bank believes that its resources sharing among the Bank's different business segments and cross selling efforts have given and will continue to enhance its external synergy.

Intra-bank synergy promotes cost effectiveness and helps the Bank to generate a higher profit margin. The Bank has built up uniform key performance indicator review system and realised uniform management of risk management policies and risk preferences. The Bank continues to promote synergies among members of the Group by cooperating with its subsidiaries to conduct financial leasing, fund management and consumer financial businesses. The Bank will continue to improve its efficiency in internal operations management by connecting office systems, centralising the management of office building leasing, standardising financial management and sharing IT systems and infrastructure within the Group. The Bank is committed to improving execution capabilities, strengthens capital-efficient management, optimising risk allocation and risk measurement, and adheres to the development strategies of "light assets, light capital and high efficiency".

While the Bank promotes synergies within the Group, the Bank centralises strategic planning and development at the group level and enhances brand management to enable the Bank to benefit from economies of scale and brand recognition, as well as to improve efficiency of resource utilisation. The Bank focuses on improving the retail business and promoting the coordinated and balanced development of its retail, corporate finance, interbank and financial market businesses.

Adhering to the Bank's globalisation strategy

The Hong Kong Branch was established as the Bank's first overseas branch in January 2014. The establishment of the Hong Kong Branch is an important step to implementing the Bank's strategy of international expansion. The Bank positions the Hong Kong Branch as its primary offshore investment and financing platform with a strategic vision to develop it into an offshore platform which is able to offer comprehensive financial services to the Bank's overseas customers. See "*Description of the Hong Kong Branch*".

With the globalisation of its "Bank-to-Bank Platform" (銀銀平台), cross-border Renminbi transactions, and increasing demand for overseas financial services from its private banking customers and the preparation for the incorporation of an international financial holding company, the Bank aims to provide comprehensive financial services to its customers all over the world.

Continuing to improve business and operating model to achieve sustainable growth

The Bank believes that its sustainable business growth in the future to a large extent relies on, and will continue to benefit from, a business and operating model that is able to respond to the changing market dynamics and competition landscape in an effective and timely manner. The Bank will continue to strategically transform its business and operations from the traditional model primarily driven by lending and deposit to one that focuses on provision of quality intermediary services, such as settlement, investments and treasury operations. In the meantime, it plans to make significant investments in wholesale banking, business solutions, retail banking and asset management as well as international business expansion, thereby improving its capital structure and further enhance its competitive strengths. The Bank will continue to enhance its capabilities of investment and trading, leverage the advantages of its financial market business, actively participate in the construction of a multi-level financial market, optimise the allocation of assets and investment portfolios, effectively seize market opportunities, and enhance pricing efficiency and trading performance in the market. Furthermore, the Bank will focus on exploring potential cross selling opportunities and synergies across different business segments, offices, PRC domestic and overseas markets, and online and offline markets.

Proactively addressing customers' needs by continuing its focus on product and business model innovation

The Bank aims to optimise its business operations by focusing on new businesses with large-growth potential, including individual loans, trade finance and loans to SMEs, as well as high-growth industries, such as service sectors and environmental industries of renewable energy, to further develop its customer base and targeted markets. In addition, the Bank continues to focus on innovation of off-balance sheet businesses to diversify its revenue sources. The Bank is devoted to enhancing its customer service capabilities and refining its customer management system. It aims to adapt to the significant changes in customer interactions in the digital age, improve the performance of online platforms, boost customer satisfaction, and accelerate the shift from a product-focused to a customer-centric business development model.

The development of mobile and electronic banking through innovation is a key strategy of the Bank to be at the forefront of a rapidly changing market. The advanced technological strengths have provided the Bank with a solid advantage in the Bank's internet banking business. The Bank was able to realise its advantage through accurately and promptly identifying customers' increasing needs for a digital and borderless banking service platform and utilise its technological strength to build a digital infrastructure that improves user experience and enhances the value of the Bank's service. For example, the Bank launched the "Bank-to-Bank Platform" providing online and offline financial services to other collaborative banks by offering comprehensive financial solutions relating to wealth management, payment and settlement, training services, financing services and capital restructure. In addition, the Bank introduced "Qianda Money Manager" (錢大掌櫃), which is an online financial platform providing comprehensive asset management products issued by commercial banks, trusts, funds and insurance companies. In the future, the Bank plans to connect and integrate its three major applications, namely Mobile Banking for retail clients, Industrial Bank Life (興業生活) and Qianda Money Manager, and establishing a "Digital Industrial Bank System" covering "1 (Mobile Banking) + 5 (Industrial Bank Inclusive, Industrial Bank Butler, Industrial Bank Life, Qianda Money Manager and Bank-to-Bank Platform) + N (Various Scenario Ecosystems)".

Focusing on increasing the synergy between the Bank's domestic operations and overseas operations to create additional business opportunity, the Bank seeks to diversify its product portfolio and increase overall profitability. As at 31 December 2023, the Bank's cross-border settlement volume in both domestic and foreign currency was U.S.$379.987 billion, representing an increase of 22.03 per cent. from 31 December 2022.

Continuing to strengthen the risk management system to maintain solid asset quality

The Bank believes effective risk management and solid asset quality are essential components of its overall business strategy. The Bank plans to continue to align its risk management and internal control capabilities. The Bank intends to continue to implement enhanced risk management procedures for credit exposures, such as improving its risk warning and early identification and prevention capabilities. The Bank is also instituting changes to further strengthen the independence of its internal control functions and to improve its bank-wide internal control systems. The Bank also seeks to continue to improve its risk management capabilities by enhancing its asset and liability management capabilities and by further centralising its risk management.

Continuing to invest in information technology infrastructure and to utilise advanced technology to support the Bank's growing business

The Bank aims to further invest in information technology infrastructure and to apply data analytics, cloud computing and mobile internet technologies in areas such as marketing and sales, customer services, product innovation and risk control in order to support its business. The Bank intends to use the technology at its disposal to gain more insight into its customers' demands, to increase its risk management capabilities and effectiveness, to strengthen dynamic risk assessment and real time alert controls and to develop an integrated platform combining online and offline services for its customers. Meanwhile, the Bank is dedicated to developing intelligent systems in response to China's "AI+" initiative, thereby enhancing its digital business capabilities. Effectively allocating strategic resources and advance key components of the Bank's business

The Bank aims to improves its quality of service and development by allocating strategic resources to its key products, key regions, key industries and key customers. The Bank intends to prioritise and upgrade the shortcomings of its existing key products and consolidate its competitiveness in the market and support the growth of cross-regional development in the most vibrant regions in China, such as the Greater Bay Area which includes Guangzhou, Hong Kong, Macau, and other cities along the Pearl River Delta. Furthermore, the Bank intends to invest in advanced manufacturing and strategic emerging industries and facilitate the connection between real economy and virtual economy. Lastly, the Bank aims to prioritise the user experience of its key customers by providing customised services and targeted marketing.

Continuing to enhance employee management to promote sustainable development

The Bank will continue to enhance its internal employee management capabilities. It will focus on thorough staff onboarding and training, refine leader selection and management systems, and continually upgrade its training approaches. The Bank also intends to improve staff structure, promote data governance, and enhance digital operations, risk management, and decision-making. Efforts will include management improvements aimed at employees, fundamental systems, and core management strategies to ensure sustainable development.

Focusing on five major tracks to foster steady and high-quality development

Since 2022, the Bank has and will continue to develop its business in five major sectors, including science and technology innovation finance, inclusive finance, energy finance, automobile finance and industrial zone finance, in order to accelerate the construction of "Digital Industrial Bank (數字興業)" and foster steady and high-quality development of the Bank.

Regarding science and technology innovation finance, as at 31 December 2023, the Bank had cooperation with approximately 69,400 science and technology financial customers, representing an increase of 34.33 per cent. from 31 December 2022. In 2023, the Bank had facilitated the growth of 4,492 small and medium-sized science and technology financial enterprises and served 11,331 science and technology financial companies. As at 31 December 2023, the balance of science and technology finance loans of the Group was approximately RMB453.212 billion, representing an increase of 31.88 per cent. from 31 December 2022, and the non-performing loan ratio was 0.81 per cent. Regarding inclusive finance, the Bank aims to provide various services to inclusive small and micro enterprises. As at 31 December 2021, 2022 and 2023, the balance of inclusive loans provided by the Bank for small and micro enterprises was approximately RMB299 billion, RMB404 billion and RMB501 billion, respectively, and the Bank had approximately 153,300, 198,400 and 231,900 customers for such loans, respectively. Regarding energy finance, the Bank supports the development of new energy sections such as hydropower, photovoltaic and wind power. As at 31 December 2023, the Bank had approximately 45,000 energy finance customers, representing an increase of 18.62 per cent. from 31 December 2022. In addition, as at 31 December 2023, the financing balance in the new energy equipment manufacturing and new energy power generation sectors of the Bank was approximately RMB169.1 billion, and the proportion of energy financial assets in its assets increased from 20 per cent. as at 31 December 2022 to 23 per cent. as at 31 December 2023. Regarding automobile finance, as at 31 December 2023, the balance of new energy vehicle-related assets of the Bank was RMB170.207 billion and accounted for 46.64 per cent. of the Bank's automobile finance, representing an increase of 6.61 per cent. from 31 December 2022. Regarding industrial zone finance, the Bank actively assists local governments in industrial empowerment and industrial integration. As at 31 December 2023, the Bank had approximately 393,460 customers for its industrial zone finance related business, representing an increase of 3.64 per cent. from 31 December 2022, and the financing scale of the industrial zone finance was RMB2,059.913 billion, representing an increase of 16.58 per cent. from 31 December 2022.

RECENT DEVELOPMENTS

Unaudited Quarterly Results of the Group

The Bank published the Unaudited Quarterly Results as at and for the three months ended 31 March 2024 together with the comparative figures for the corresponding period in 2023 on the Shanghai Stock Exchange on 26 April 2024. The Unaudited Quarterly Results were based on the Group's internal records and management accounts. For the three months ended 31 March 2024, the Group's total operating income increased as compared to the corresponding period in 2023, while its net profit decreased primarily due to increases in impairment charges. As at 31 March 2024, the total assets and the total liabilities of the Group increase as compared to 31 December 2023. For the three months ended 31 March 2024, the Group's net cash flow from operating activities decreased, primarily due to the decrease in cash inflow from customer deposits and from transactions with the central bank and other financial institution.

The Unaudited Quarterly Results have not been reviewed or audited by independent auditors of the Group and should not be relied upon by investors to provide the same quality of information associated with information that has been subject to an audit or review. None of the Issuer, the Bank, the Arrangers, the Dealers and the Agents, nor any person who controls any of them, nor any director, officer, employee, nor agent of any of them, or affiliate of any such person makes any representation, warranty or undertaking, express or implied of, or accepts any responsibility or liability with respect to the Unaudited Quarterly Results. The Unaudited Quarterly Results are historical in nature and past performance is not a guarantee of future performance. The Unaudited Quarterly Results are not included in and do not form part of this Offering Circular.

Resignation of the Secretary of the Board and Appointment of the New Secretary of the Board

On 28 March 2024, the Bank published an announcement on the website of Shanghai Stock Exchange in relation to the resignation of Mr. Hua Bing (華冰) as the Secretary of the Board of Directors with effect from 27 March 2024. Mr. Xia Weichun (夏維淳) was elected to be the Secretary to the Board of Directors in the meeting of the Board of Directors in March 2024, and will officially assume duties after receiving the requisite approval from the NFRA. On 28 June 2024, the Bank announced that the Board of Directors has designated Mr. Sun Xiongpeng (孫雄鵬), a director and vice president of the Bank to act as the Secretary to the Board of Directors before Mr. Xia officially assume duties. For details of Mr. Xia's biography, see "*Directors, Supervisors and Senior Management — Senior Management*".

THE BANK'S PRINCIPAL BUSINESS ACTIVITIES

The Bank's principal lines of business consist of corporate banking, personal banking and treasury operations. The Bank has historically conducted its business activities in China and Hong Kong. In January 2014, the Bank established its first overseas branch in Hong Kong, which was positioned as its major operating and investment platform outside China. The following table sets forth a geographical analysis of the operating profit of the Bank in China for the periods indicated:

	Year ended 31 December		
	2021	2022	2023
	(RMB in million)		
Head office	25,115	41,321	38,164
Fujian	13,574	12,694	9,910
Beijing	4,297	1,534	1,311
Shanghai	3,694	3,724	3,097
Guangdong	6,388	2,809	3,227
Zhejiang	5,122	5,980	5,447
Jiangsu	7,171	7,517	6,447
Northeast and other regions of China	10,993	11,799	10,312
Western China	7,040	7,224	(134)
Central China	11,805	11,560	6,359
Total	**95,199**	**106,162**	**84,140**

The Bank's operating income comprises net interest income and non-interest income. The following table sets forth the details of the operating income for the periods indicated:

	Year ended 31 December		
	2021	2022	2023
	(RMB in million)		
Interest income	315,158	328,746	349,079
Interest expense	(169,479)	(183,473)	(202,576)
Net interest income	**145,679**	**145,273**	**146,503**
Fee and commission income	47,567	49,462	33,119
Fee and commission expense	(4,887)	(4,421)	(5,364)
Net fee and commission income	**42,680**	**45,041**	**27,755**
Investment income	28,478	30,222	30,699
Gains (losses) from changes in fair values	2,178	(631)	4,139
Foreign exchange gains	1,001	1,292	421
Income (losses) from asset disposal	(10)	9	20
Other income	**613**	**483**	**652**
Other operating income	617	685	642
Operating income	**221,236**	**222,374**	**210,831**

For the year ended 31 December 2023, the Bank recorded net interest income of RMB146,503 million, representing 69.5 per cent. of its total operating income. The following tables set forth the details of interest income and interest expenses for the periods indicated:

	Year ended 31 December		
	2021	2022	2023
	(RMB in million)		
Interest income:			
Balances with central bank	5,641	5,656	5,795
Deposits with banks and other financial institutions	1,762	1,426	3,023
Placements with banks and other financial institutions	8,722	10,761	13,592
Financial assets purchased under resale agreements	2,475	3,971	3,781
Loans and advances to customers	211,807	225,468	236,281
Bonds and other investment	79,370	76,258	81,450
Finance lease receivables	5,274	5,034	4,976
Others	107	172	181
Subtotal	**315,158**	**328,746**	**349,079**

	Year ended 31 December		
	2021	2022	2023
	(RMB in million)		
Interest expenses:			
Borrowing from central bank	(7,133)	(2,495)	(5,043)
Deposits from banks and other financial institutions	(33,873)	(36,916)	(40,222)
Placements from banks and other financial institutions	(4,230)	(5,366)	(9,460)
Financial assets sold under repurchase agreements	(2,278)	(2,459)	(3,875)
Deposits from customers	(90,866)	(103,703)	(112,909)
Debt securities issued	(30,783)	(32,033)	(30,210)
Others	(316)	(501)	(857)
Subtotal	**(169,479)**	**(183,473)**	**(202,576)**
Net interest income	**145,679**	**145,273**	**146,503**

Corporate Banking Business

Overview

The Bank provides its corporate banking customers with diversified financial products and services, including corporate loans, corporate deposits, bill discounting, clearing and settlement, industrial finance, green financial service, trade finance, cash management, investment banking, small and micro enterprises business and institutional banking business. The Bank's major corporate banking customers include state-owned enterprises, private enterprises, governmental departments and other institutional customers in China. The corporate banking business is a major source of the Bank's operating income. As at 31 December 2023, the Bank had approximately 1,401,400 corporate financial customers, representing an increase of 13.27 per cent. from the previous year. The Bank delivers its corporate finance products and services through a combination of its branch network, service centres and online banking platform.

Corporate Loans

Corporate loans have historically constituted a large component of the Bank's loan portfolio. The Bank's corporate loans consist of short-term loans and medium and long-term loans. As at 31 December 2021, 2022 and 2023, the Bank had RMB2,223.9 billion, RMB2,631.4 billion and RMB3,164.8 billion of corporate loans, respectively.

Short-term Loans

Short-term loans have maturities of no more than one year. The Bank's short-term loans primarily include working capital loans and trade finance. The Bank provides revolving loans to its larger corporate customers to meet their special working capital or cash flow needs.

Medium and Long-term Loans

Medium-term loans have maturities of longer than one year but no more than five years, and long-term loans have maturities of more than five years. The Bank provides medium and long-term loans to its corporate customers for a wide range of business purposes, including infrastructure development and construction, technological innovation and working capital.

Consistent with its focus on credit quality and diversification, the Bank lends to corporate borrowers in a wide range of industry sectors and across all geographic regions of the PRC. The Bank's corporate loans as at 31 December 2023 were mainly concentrated in industries including manufacturing, leasing and commercial services, real estate and wholesale and retail, and the corporate loans from the aforementioned industries collectively accounted for 38.1 per cent. of total loans.

Corporate Deposits

The Bank offers interest-bearing demand deposits and time deposits in Renminbi and major foreign currencies to its corporate customers. Demand deposits accrue interest that is paid out on a quarterly basis, and account holders may withdraw their funds at any time. Time deposits require that the customer maintain a deposit for a fixed term, during which interest accrues at a fixed rate. Account holders may withdraw funds prior to maturity with interest payments calculated based on the demand deposit interest rate. The Bank provides other deposit products, including deposit agreements, negotiated deposits and call deposits. As at 31 December 2021, 2022 and 2023, the Bank's corporate deposits amounted to RMB3,188.9 billion, RMB3,302.0 billion and RMB3,299.7 billion, respectively. Under existing PRC regulations, interest rates on the Renminbi-denominated demand and regular time deposits granted by PRC commercial banks, such as the Bank, cannot be higher than 150 per cent. of the relevant PBOC benchmark rate.

Bill Discounting

The Bank offers bill discounting by providing its customers with cash for their unmatured bills of exchange, as a source of short-term financing. The Bank charges varying interest rates for bill discounting based on the creditworthiness of the customers and the prevailing market conditions of bill discounting. The Bank may have these instruments re-discounted with the PBOC or other financial institutions authorised to conduct bill discounting business, providing it with liquidity and income. In addition to bank acceptance bills, the Bank also purchases commercial acceptance bills issued by certain major entities with high credit ratings. As at 31 December 2023, the Bank had RMB319,749 million in outstanding discounted bills, representing 5.86 per cent. of its gross loans and advances to customers.

Clearing and Settlement

The Bank provides domestic and international settlement services to its corporate customers. The Bank's domestic settlement products primarily include drafts, promissory notes, cheques, Renminbi remittance, domestic letters of credit and traveller's cheques. The Bank's international settlement products mainly include international letters of credit, export collection, import collection, E-customs clearance and outward remittance. As at 31 December 2023, the Bank's cross-border settlement volume in both domestic and foreign currency was U.S.$379.987 billion, representing an increase of 22.03 per cent. from 31 December 2022.

The Bank also provides salary payment, collection and payment, as well as domestic and foreign currency exchange services. The Bank is among the first group of domestic banks in the PRC authorised to provide cross border Renminbi services. The Bank also provides various services relating to financial and non-financial guarantees for the benefit of third parties. As at 31 December 2023, the amount of the Bank's domestic guarantee business was RMB57.4 billion, representing an increase of 38.48 per cent. from 31 December 2022.

Green Financial Service

The Bank caters to the financial needs of enterprises in environmental industries involving renewable energy, carbon emission reduction, water resource utilisation and protection and wastewater treatment. The Bank has actively promoted the branding of the "Green Bank" and continued to expand its influence by providing financing to energy conservation and environmental protection projects. As at 31 December 2023, the Bank had granted RMB1,892.9 billion of green financing to approximately 58,300 customers. The Bank was awarded the "Best Green Finance Bank of the Year" (年度最佳綠色金融銀行獎) by *Asiamoney* in 2020. In 2019, the self-developed green finance platform of the Bank was awarded with the second prize of "Science and Technology Development Award" by PBOC and ranked first among the "Top 10 Financial Innovation Projects in Fujian Province" by the 17th China — Strait Project Fair (中國•海峽項目成果交易會). The balance of green financing of the Bank amounted to approximately RMB1.89 trillion as at 31 December 2023, representing an increase of 16.14 per cent. from 31 December 2022. As at 31 December 2023, the dark green customers (being the customers whose business scope conforms to the Green Industry Guidance Catalogue issued by the relevant PRC authorities) of the Bank amounted to approximately 539,000, with a deposit scale of more than RMB200 billion. As at 31 December 2021, 2022 and 2023, the financing balance of the Bank in the "carbon reductions" sectors amounted to approximately RMB653.7 billion, RMB789.9 billion and RMB1,064.9 billion, respectively, and the portion of the green financing balance in the "carbon reductions" sectors amounted to approximately 47.03 per cent., 48.47 per cent. and 56.26 per cent., respectively. The Group also emphasizes the risk management and personnel selection in relation to green financing. As at 31 December 2023, the Group had 7,151 talents specialised in green financing, representing an increase of 197.22 per cent. comparing to the end of last year.

In January 2016, the Bank successfully issued the first domestic green bonds in China. In addition, the Bank registered and issued the first-ever green Chinese medium term notes on the National Association of Financial Market Institutional Investors. In November 2018, the Bank issued its US$600 million green bonds and €300 million green bonds under the MTN Programme. In October 2020, the Bank further issued its US$450 million blue bonds and HK$3 billion COVID-19 bonds under the MTN Programme.

In 2020, the Bank underwrote the first "Green Anti-Epidemic Bond" in the market and the first corporate blue bond in the PRC. The Bank was the first financial institution in China to sign the Statement by Financial Institutions on Energy Efficiency and was ranked first among 2020 Green Debt Financing Instrument Investors (2020年綠色債務融資工具投資人) organised by the China Interbank Dealers Association (中國銀行間交易商協會).

Trade Finance

The Bank provides domestic and international trade finance services to its customers and adheres to the national "One Belt, One Road" strategy and the construction of free trade zones.

The Bank's trade finance primarily involves financing services for companies engaging in the procurement of commodities or sale of goods, or operating import and export businesses. The Bank's domestic and international trade finance products and services include packaged loans, import and export bill purchase, domestic and international forfaiting, import financing collection, import and export remittance financing, export invoice financing, import and export factoring, export factoring financing, bill purchase by the buyer or seller, letter of credit negotiation, payment on behalf of others under letter of credit, risk participation under letter of credit, domestic factoring and chattel mortgage. The Bank actively utilised international factoring to help small and medium-sized foreign trade enterprises to avoid the risks from exported exchange collections and provide financing facilities.

Cash Management

In order to meet the growing demand of the Bank's corporate customers for centralised cash management services, the Bank provides customers with collection, payment, account management and working capital position management services.

Investment Banking

The Bank's investment banking business consists primarily of debt financing, underwriting of corporate debt financing instruments such as commercial paper, medium-term notes and financial bonds, merger and acquisition financing and consultancy, syndicated loan arrangement and management services, financial consulting and advisory services and asset securitisation. Over the past few years, due to the continuous innovation of its investment banking business, the Bank has successfully completed a number of significant deals in the PRC.

In recent years, the Bank has adopted the following measures to promote the stable growth and structural optimisation of its investment banking business:

- the Bank accelerated the exploration of capital-based financing services by focusing on merger and acquisition financing and consultancy;

- the Bank promoted innovative services and products such as perpetual bonds;

- the Bank actively led and participated in syndicated loan projects; and

- the Bank optimised the investment banking business system and broadened its sales channel.

In 2021, 2022 and 2023, the Bank underwrote the issuance of debt financing instruments by non-financial institutions with an aggregate principal amount of RMB712.7 billion, RMB686.1 billion and RMB730.6 billion, respectively, and underwrote the issuance of offshore bonds with an aggregate principal amount of U.S.$7.4 billion, US$7.8 billion and US$5.5 billion, respectively. In 2021, 2022 and 2023, the scale of merger and acquisition financing of the Group was approximately RMB91.6 billion, RMB162.1 billion and RMB151.1 billion, respectively, and the scale of the capital market business of the Group was approximately RMB15.2 billion, RMB27.8 billion and RMB 37.5 billion, respectively. In 2023, the amount of bond bidding and market making transaction of the Group exceeded RMB500 billion. As at 31 December 2023, the outstanding amount of the asset-backed securities issued by the Bank was RMB3,338 million. The Bank was ranked first among the Nationwide Joint-Stock Commercial Banks in terms of total debt financing instruments underwritten for consecutive six years from 2012 to 2017. The Bank was ranked first among PRC commercial banks in terms of total amount of debt financing instruments underwritten in 2021 and 2023.

The Bank continues to innovate financial products for its customers to satisfy their diversified demands. The Bank acted as the market maker for the first credit asset securitisation product in inter-bank bond market and invested in the first domestic green asset-backed securities issued by a non-listed company. In addition, the Bank created the first super short-term securitisation product in the market and invested in the PRC collateralised loan obligation through QFII in China, the first time, successfully.

Small and Micro Enterprises Business

The Bank's corporate finance business for small and micro enterprises effectively satisfies the needs for financing, settlement, cash management and wealth management for these enterprises.

In line with the PRC government's policies to support the development of SMEs, the Bank is dedicated to diversifying its financial services to cater to small and micro enterprises and seeks to provide professional, efficient and convenient financial services to SMEs. In recent years, the Bank has implemented the following measures to promote its SME business:

- the Bank promoted its specialised operations to target SMEs and increased the number of employees qualified for SME credit business;

- the Bank accelerated the introduction of new products and promoted financing products for SMEs such as the "Three Micro Loan Services (小微三劍客)" consisting of the "Easy and Fast Loan (易速貸)", the "Consecutive Loan (連連貸)" and the "Transaction Loan (交易貸)";

- the Bank launched online financing products for SMEs consisting of "Fast and Easy Loan (快易貸)" and "Fast and Pledge Loan (快押貸)" and online risk control system for loan approval;

- the Bank provided a one-stop financial solutions to small and micro enterprises with equity financing service, debt financing service, settlement management and consultancy service; and

- the Bank explored the "internet + bank + platform" financing model to expand its customer base.

As at 31 December 2021, 2022 and 2023, the Bank had RMB298.7 billion, RMB404.2 billion and RMB501.0 billion, respectively, of outstanding loans to SME corporate customers.

Institutional Banking Business

In recent years, the Bank has carried out various strategic initiatives to enhance the sustainable development of its institutional banking business. The Bank offers diversified financial services to institutional customers covering assets, liabilities and intermediary services. The Bank has improved financial services relating to the livelihood of its customers, such as social insurance, housing allowance, finance, education and medical care. Furthermore, the Bank improved its diversified financial services package, initiated inter-bank co-operation and effectively consolidated partnership with customers. As at 31 December 2021, 2022 and 2023, the Bank had 37,906, 51,593 and 48,674 institutional customers, respectively, with daily average deposits of RMB1,000.6 billion, RMB1,013.2 billion and RMB906.6 billion, respectively.

Personal Banking Business

Overview

The Bank offers a wide range of products and services to personal customers, including personal loans, personal deposits, debit cards, credit cards, private banking, personal wealth management business and other agency services. As at 31 December 2021, 2022 and 2023, the Bank had approximately 79.2 million, 91.8 million and 101.3 million personal customers, respectively.

Personal Loans

The Bank's personal loans primarily include personal residential and business mortgage loans, personal business loans, and credit cards. The Bank also provides other personal loan products, including automobile loans and personal consumption loans.

The table below sets forth a breakdown of the Bank's personal loans by product type as at the dates indicated:

	Year ended 31 December					
	2021		2022		2023	
	Amount	Per cent. of total	Amount	Per cent. of total	Amount	Per cent. of total
	(RMB in million, except percentages)					
Personal residential and business mortgage loans	1,121,169	59.6	1,097,324	55.6	1,075,915	54.4
Personal business loans	203,102	10.8	280,000	14.2	325,428	16.5
Credit Cards	436,482	23.2	452,772	22.9	401,633	20.3
Others[(1)]	119,179	6.4	143,811	7.3	173,396	8.8
Total	**1,879,932**	**100.00**	**1,973,907**	**100.00**	**1,976,372**	**100.00**

Note:

(1) Others primarily include personal consumption loans and automobile loans.

Although personal loans represent a smaller portion of the Bank's overall loan business as compared to corporate loans, personal loans (including credit cards) increased by RMB96.5 billion, or 5.1 per cent., from RMB1,879.9 billion as at 31 December 2021 to RMB1,976.4 billion as at 31 December 2023. The Bank strives to build its branding in personal loans, with "Contented Life" (安愉人生) for older customers to manage their wealth and "Cosmopolitan Life" (寰宇人生) for the provision of overseas financing services. The Bank actively develops online financing and electronic channels for personal loans in order to enhance customer service quality.

Personal Deposits

The Bank offers two principal deposit products to its personal customers, namely, interest-bearing demand deposits and time deposits. The Bank offers these deposit products in Renminbi and other major foreign currencies. As at 31 December 2021, 2022 and 2023, the Bank had RMB793.2 billion, RMB1,085.5 billion and RMB1,356.1 billion in personal deposits, respectively, representing 18.4 per cent., 22.9 per cent. and 26.4 per cent., respectively, of its total customer deposits. In recent years, the Bank has continued its efforts to develop innovative products in its deposit business in order to meet the diverse needs of its customers. In addition, the Bank has promoted its distribution channels by establishing community outlets to facilitate its customers.

Bank Card Business

Debit Card Business

The Bank offers debit card services under the brand name "Natural Life" (自然人生). The "Natural Life" debit card is the first family-oriented debit card in China which aims to facilitate family money management service by providing various benefits to the family members of cardholders. The Bank's debit card services include the "Qing Chun" (青春) card series and standard card series. The "Qing Chun" card series target young users to diversify its product coverage. The Bank issues different categories of standard cards, including silver, gold, platinum and black card based on the Bank's customers' financial assets under management.

Debit cardholders are allowed to have deposits in different currencies such as Renminbi, Hong Kong Dollar, U.S. Dollar, Japanese Yen and Euro. The Bank also allows debit cardholders to handle multiple accounts under one single card such as wealth management product, fund, and collective asset management plan. Furthermore, the Bank provides several value-added services to its cardholders such as in-advance booking on hotel and air tickets, access to golf courses, and airport VIP lounge services.

Credit Card Business

In recent years, as a result of the development of internet technology, internet financing and online payment, the Bank has further improved its credit card products structure and enhanced the functions and services of its credit card products, providing unique, innovative and comprehensive services to its customers. As at 31 December 2021, 2022 and 2023, the Bank had issued a total of approximately 59,701,300, 66,304,200 and 71,395,500 credit cards, respectively.

The revenue of the Bank's credit card business mainly derives from the transactional service fees that the Bank charges the merchants and the interest, annual fees, instalment payments and other fees that the Bank charges the cardholders. For the years ended 31 December 2021, 2022 and 2023, the total transaction volume of credit cards issued by the Bank was RMB2,637.9 billion, RMB2,774.7 billion, RMB2,324.5 billion, respectively.

Private Banking

The Bank provides a wide range of products and services to its private banking customers, including asset management, product selection, alternate investments, family trust, legal consultancy, taxation planning, financial management, cross-border financial services, wealth succession and other value-added services. The Bank has in recent years increased its investments by expanding its network of private banking business and diversifying its product portfolios, forming a nationwide coverage network for high net-worth customers. The Bank expanded its wealth management product lines to meet the diverse needs of its clients, introducing a variety of financial products in recent years, including the family trust management. The Bank established and further improved the offering of its advisory service and information platform so as to broaden its range of value-added services and improved its expertise and service capabilities for middle and high-end customers.

As at 31 December 2021, 2022 and 2023, the Bank had average daily private banking customers in the amount of 58,255, 63,008 and 69,158, respectively. As at 31 December 2021, 2022 and 2023, the average monthly balance of asset under management ("**AUM**") of the Bank's private banking customers amounted to RMB742.5 billion, RMB803.3 billion and RMB855.0 billion, respectively.

Personal Wealth Management Business

The Bank provides diversified wealth management products and services to retail banking customers primarily under the "Wanlibao" (萬利寶), "Fenglibao" (豐利寶) and "Zhiyingbao" (智盈寶) series. The Bank's personal wealth management products provide customers with various choices of investments that have good returns.

Furthermore, the maintenance of its existing customers and the development of its competitive wealth management products helps it explore external customer groups to enhance its competitiveness.

Agency services

The Bank's agency services mainly include fund distribution, agency sales of insurance products, agency sales of precious metal and agency sales of wealth management products.

Treasury Operations

Overview

The Bank's treasury operations consist primarily of (i) money market activities, (ii) investment and trading activities, (iii) institutional financial service, (iv) inter-bank co-operation business, (v) asset management, (vi) asset custody and (vii) fintech. In conducting its treasury operations, the Bank seeks to ensure its liquidity and achieves a balance between returns and risks on its investment portfolio, taking into consideration various factors including the market and macroeconomic conditions.

Money Market Activities

The Bank's money market activities primarily consist of (i) inter-bank money market activities, repurchase and reverse repurchase transactions and (ii) public market bidding, including bidding for repurchase and reverse repurchase transactions by the PBOC, PBOC bills and national treasury cash administration. The securities underlying the Bank's inter-bank repurchase and reverse repurchase transactions are predominantly Renminbi denominated PRC government and policy bank bonds, bank acceptance bills and PBOC bills, with a portion of foreign currency-denominated bonds primarily issued by foreign governments and agencies.

The Bank was one of the first banks to be approved by the PBOC to provide SHIBOR quotes. As one of the SHIBOR-quoting banks, the Bank provides daily quotes based on its own liquidity and capital supply and demand. The Bank is one of the most active market makers in the Renminbi foreign exchange market, spot transactions, forward, swap and forward transactions of the standard bond market. In June 2016, the Bank started its business in inter-bank money market activities and conducted foreign exchange transaction as foreign exchange dealers in the Shanghai Free-Trade Zone.

Over the recent years, the Bank has enhanced its overall operational capabilities in underwriting and distributing, investment, trading, market-making, derivatives and risk management. The Bank focuses on becoming a "comprehensive financial market service provider" and "comprehensive financial market operator". The Bank maintains its leading position in market-making transactions for bonds, interest rates, exchange rates and precious metals, and continued to enhance its efforts in market-making transactions and sales, promote transaction empowerment, and build a trading ecosystem. The Bank also increases its investment and support for green bonds, rural revitalisation bonds, small and micro bonds, innovation and entrepreneurship corporate bonds and other bonds which aligned with national strategic initiatives.

Investment and Trading Activities

As at 31 December 2023, the Bank's net investment in securities and other financial assets amounted to RMB3,339.3 billion.

The following table sets forth, at the dates indicated, the distribution of the Bank's investment securities and other financial assets by its investment intention.

	Year ended 31 December					
	2021		**2022**		**2023**	
	Amount	**Per cent. of total**	**Amount**	**Per cent. of total**	**Amount**	**Per cent. of total**
	(RMB in million, except percentages)					
Trading assets	909,794	30.3	999,855	31.7	957,708	28.7
Debt investments	1,601,030	53.4	1,607,026	50.8	1,801,346	53.9
Other debt investments	484,624	16.1	548,007	17.3	572,585	17.2
Other equity investments	3,148	0.1	3,453	0.1	3,836	0.1
Long-term equity investment	3,732	0.1	4,046	0.1	3,872	0.1
Total	**3,002,328**	**100.0**	**3,162,387**	**100.0**	**3,339,347**	**100.0**

Investment Activities

The Bank sets the target returns on available-for-sale financial assets, held-to-maturity investments and debt securities classified as receivables, debt investments and other debt and equity investments principally based on its assessment of the interest rate, exchange rate, credit, liquidity, macroeconomic trends and other risks associated with the investment. In the domestic market, the Bank primarily invests in debt securities issued by the PRC government, PBOC bills, debt securities issued by the policy banks and, to a lesser extent, debt securities issued by other financial institutions and non-financial institutions. In light of the volatile global macroeconomic environment, a substantial portion of the Bank's debt securities denominated in foreign currencies are short-term.

Trading Activities

The Bank purchases and sells various highly-liquid debt securities and bills for trading purposes, from which the Bank seeks to obtain short-term profits. The Bank primarily invests in debt securities issued by the PRC government, PBOC bills and debt securities issued by foreign governments. The Bank classifies such trading securities as financial assets at fair value through profit or loss, and the Bank employs strict stop-loss and other limits for such trading transactions.

The Bank has obtained the futures margin depository qualification of the four major futures exchanges in China, namely, the Shanghai Futures Exchange, China Financial Futures Exchange, Dalian Commodity Exchange and Zhengzhou Commodity Exchange. In addition, the Bank actively participates in precious metal trading on the Shanghai Future Exchange and Shanghai Gold Exchange.

The Bank hedges its investment risks through the purchase of derivative financial instruments, such as interest rate swap contracts.

Institutional Financial Service

The Bank places great effort in developing the financial factor market. The Bank is determined to be the leading player in domestic institutional banking and the professional provider of banking service in capital markets. With its professional banking service and innovative financial products, the Bank has been consistently expanding its institutional customer base, widening its service scope, extending its means of co-operation and increasing its profit.

The Bank has established long-standing co-operation relationships with more than 1,000 domestic and overseas financial institutions, including commercial banks, securities firms, fund firms, insurance companies, trust investment companies, finance companies affiliated to business corporations, financial leasing companies and other financial institutions.

The Bank is one of the first batch of banks to provide agency settlement service in the PRC and is an associate member of the Insurance Asset Management Association of China and a member of the Shanghai Clearing House.

Inter-bank Co-operation Business

The Bank provides services in various financial industries and establishes business cooperation with 23 financial market institutions. As at 31 December 2023, the Bank had more than 3,300 interbank customers.

The Bank-to-Bank Platform (銀銀平台) is an integrated service system established by the Bank which provides comprehensive online-and offline financial services to other collaborative banks covering wealth management, payment and settlement, technological management output, training services, financing services and capital restructure. As at 31 December 2023, the transaction volume of various financial products on in the Bank-to-Bank Platform exceeded RMB2 trillion, with more than 10,000 fund products were introduced. "Qianda Money Manager (錢大掌櫃)" is an online financial platform providing comprehensive asset management products issued by commercial banks, trusts, funds and insurance companies. As at 31 December 2023, "Qianda Money Manager" had a total of 18.5 million customers and approximately 642,100 monthly active users, representing an increase of 26 per cent. from the previous year. The Bank's inter-bank co-operative services and products have won many awards. "QianDa Money Manager" and the Bank-to-Bank Platform have won awards from various authoritative media platforms, such as sina.com, Shanghai Securities News and 21st Century Business. One of the Bank's projects, entitled "the construction and promotion of application of financial cloud service platform designed for banking and financial firms (面向銀行業金融機構的金融雲服務平台建設及應用推廣項目)", was listed as a national strategic emerging industrial project and was granted a subsidy from the MOF in 2014. In addition, for the year ended 31 December 2023, the settlement volume of corporate securities fund of the Group was approximately RMB31.6 trillion and the non-policy financial bonds underwritten by the Group was approximately RMB27.05 billion.

Asset Management Business

The Bank offers comprehensive asset management services to different types of clients, including individuals, corporate clients, private banking clients and institutions. In recent years, the Bank optimised its procedures for wealth management product development, investment management and risk management and promoted the standardised, sustainable and orderly development of the business. In addition, the Bank adapted its products in order to meet the demands of various types of customers with different risk-reward features and investments in different types of markets.

The Bank's wealth management business emphasises innovative products, low risk, high efficiency and sustainability. The Bank launched total return swap products and QDII asset management products in the market. The wealth management business of the Bank complies strictly with regulatory requirements. In order to promote the steady growth of its wealth management business, the Bank conducted a comprehensive study of the market, divided customers into more specific categories, and strengthened the innovation of wealth management products and the expansion of sales channels.

As at 31 December 2021, 2022 and 2023, the product management scale under the Bank's wealth management business was approximately RMB1.79 trillion, RMB2.09 trillion and RMB2.26 trillion, respectively. The retail assets under management of the Group as at 31 December 2021, 2022 and 2023 amounted to approximately RMB3.58 trillion, RMB4.15 trillion and RMB 4.79 trillion, respectively.

Asset Custody Services

The Bank provides a range of custody services to securities investment funds, enterprise annuity, the National Council for Social Security Fund of the PRC, insurance companies, commercial banks, QFII, QDII and other bank customers, including assets custody, investment clearing, accounting, asset valuation, transaction monitoring, collective payment and information disclosure services.

The Bank actively markets to quality customers and continuously promotes product innovation, delivering growth in the Bank's custody and fund distribution business. In recent years, the Bank further reinforced co-operation with key customers including fund management companies, securities companies and other commercial banks. The Bank also boosted custody service levels and information technology capabilities and enhanced its overall customer relationship management performance.

As at 31 December 2021, 2022 and 2023, the Bank had 31,634, 36,806 and 43,185 online asset custody products. For the years ended 31 December 2021, 2022 and 2023, a total income of RMB14,116.6 billion, RMB15,260.0 billion and RMB16,040.0 billion, respectively.

Fintech

The Bank's fintech business is primarily operated by Industrial Bank Digital Financial Services (Shanghai) Co., Ltd. (興業數字金融服務（上海）股份有限公司) ("**Industrial Digital Finance**"), the first fintech subsidiary set up by a domestic bank in the PRC. The fintech business operated by Industrial Digital Finance includes financial data processing, economic information consulting services, development and operation services of applications and software and system integration services. Industrial Digital Finance is actively developing its capabilities such as cloud computing, privacy computing, open API, robotic process automation (RPA) and blockchain. This effort aims to enhance operational efficiency, elevate customer interaction experiences, and provide strategic support to the Bank for executing strategies and fostering business growth.

For the year ended 31 December 2023, the Bank's investment in information technology was RMB8.398 billion, representing a year-on-year increase of 1.78 per cent. and accounting for 3.98 per cent. of the Bank's operating income for the same period. As at 31 December 2023, the Bank had 7,828 technology personnel, representing an increase of 16.85 per cent. from the previous year.

PRICING

Under the regulatory regime of the PRC banking industry, the Bank has established a competitive product pricing mechanism based on risk-adjusted returns. The Bank takes various factors into consideration to determine or adjust its prices, such as the capital cost, management cost, risk, expected return and prices guided by government and regulatory bodies. The Bank also considers the overall market conditions as well as prices of similar products and services offered by its competitors.

The Bank's Renminbi lending interest rate is subject to regulations of the PBOC. There has been no upper limit on interest rates for Renminbi-denominated loans since October 2004. The lower limit of 70 per cent. of the PBOC's benchmark rate was removed in July 2013. With respect to interest rates of home mortgage loans, the lowest interest rate the Bank may charge is 70 per cent. of the relevant PBOC benchmark rate. Pursuant to the current PBOC rules, the Bank may set loan interest rate other than individual housing mortgage loans through commercial negotiations.

The Bank prices its products and service based on various criteria such as the borrower's financial position and credit rating, nature and value of collateral, loan maturity, current market conditions, as well as capital cost, expected rate of return, risks and its internal capital pricing standard. Based on these considerations, the Bank seeks to have a pricing mechanism that can match risks with return and can generally charge higher interest rates for customers with relatively high-risk profile.

The Bank also sets differentiated prices for corporate loans based on the borrower's business scale and contribution, guarantees and industry. For example, the Bank has greater pricing power for small and micro enterprises than large corporate customers. The Bank adopts risk adjustment principle to price personal loans, and usually applies higher interest rates to personal business loans and unsecured personal loans than compared to other types of personal loans.

DISTRIBUTION CHANNELS

The Bank provides services through a variety of distribution channels, consisting of physical outlets, self-service banking centres and its E-banking network. The Bank has built an integrated distribution system that enables online and offline integration, making the system available to its customers through any single point of access. The Bank continues to improve the layout of physical outlets, self-service banking centres and its E-banking network.

Physical Outlets

The Bank provides comprehensive financial products and services to its customers via its distribution channel consisting of 45 branches and 2,089 outlets as at 31 December 2023.

The Bank improved the layout of physical outlets and moderately expanded its channel network in key regions and areas identified as having significant potential and emerging markets. As at 31 December 2021, 2022 and 2023, the Bank had a total of 2,024, 2,062 and 2,089 outlets, respectively. Moreover, the Bank reinforced co-ordination and resource allocation as well as service collaboration between self-service banking and physical outlets. The Bank plans to continue to open new branches and sub-branches in other cities and counties in China, and further expand the distribution network, business territory and customer base.

Self-service Banking

The Bank intensified its efforts in improving its self-service banking and providing better and more efficient service to its customers. The Bank optimised the transaction process of self-service terminals and increased the amount of transactions through ATMs.

Internet Banking

The Bank provides internet banking services through its official website "http://www.cib.com.cn" to its corporate and personal customers. The Bank attaches special importance to the security of internet banking services by using multilayer security mechanisms and measures from system technology, security regulations, functional design, business management and other perspectives.

The Bank has further enriched its internet banking services, such as cost management, group client fund management, corporate finance, virtual sub-account, bulk payment, corporate community and other featured services for corporate internet banking customers and real-time interbank transfer, Unicom fund, CIB e-Card and other featured services for retail internet banking customers.

Telephone Banking

The Bank provides telephone banking service 24 hours a day and 365 days a year through "95561", accessible in all areas of the PRC, and "4008895561", a special line for VIPs. Customers can choose automated voice services or staff services. The Bank's services primarily include account inquiries, loss report, password service and credit card business.

Mobile Banking

The Bank enriched business features of its mobile banking services, launching Apple Pay application service, HCE (host-card emulation) cloud flash payment and other cutting-edge services. The Bank also carried forward the establishment of various near-field payment methods, such as UnionPay POS payment and bracelet payment. The Bank also upgraded the safety of mobile banking products, optimised user interactive interface and improved customer experience. As at 31 December 2023, the Bank had approximately 56.1 million mobile banking customers and approximately 22.5 million mobile banking monthly active users, representing an increase of 13.97 per cent. and 44.11 per cent. from 31 December 2022, respectively.

WeChat Banking

The Bank launched WeChat banking, which features a function that enables users to remotely open a banking account, among other features. New clients can submit account opening applications through the WeChat banking platform and then the client's identity will be verified by customer service staff through WeChat video call.

E-commerce Financial Services Platform

The Bank launched a direct banking platform through "http://directbank.cib.com.cn", which focuses on four core functions which include electronic accounts, sales of wealth management products, investments and agency sales of funds. In addition, the Bank launched an online commerce platform through "http://shop.cib.com.cn", enabling users to purchase gold, wine and procure other agency services such as car rental.

Online and Offline Integration

The Bank explored online-to-offline business modes and online and offline channels to provide integrated services for customers whenever and wherever possible. The Bank has since strengthened collaboration of its online and offline services.

The Bank established the interactive "Service Booking Platform" customer service platform, which provides appointments through mobile banking and advance filing of forms via web browser, tablet, mobile and WeChat services. The Bank launched Virtual Teller Machines, connecting its customer service centre to physical branches, achieving integrated services through one platform.

The Bank continues to promote the application of pioneering technologies and innovative service models in the field of e-finance. The Bank's customer service centre provides seamless integrated services to its customers. It continues to improve its core operations, specialised management and standardised services. Across channels including mobile, e-mail, online service, video service and WeChat banking, the Bank seeks to provide its customers with constantly accessible and interactive services with voice-to-voice, text-to-text and face-to face interactive features, in its continuous pursuit to improving customer experience.

CONTROLLED SUBSIDIARIES OF THE GROUP

Industrial Bank Financial Leasing Co., Ltd. (興業金融租賃有限責任公司)

Industrial Bank Financial Leasing Co., Ltd. ("**Industrial Leasing**") is a wholly-owned subsidiary of the Bank with a registered capital of RMB9.0 billion as at 31 December 2023. As at 31 December 2023, Industrial Leasing's total assets reached RMB137.1 billion and the balance of financing leasing assets was RMB130.0 billion. It generated a net profit of RMB2,550 million for the year ended 31 December 2023.

Industrial Leasing focused on building the green leasing brand and expanding the green leasing business. Industrial Leasing has established a comprehensive financial leasing product system with eight product series: industrial emission, green travel, energy intensification, clean energy, water treatment, soil remediation, solid waste treatment and biomass energy. Industrial Leasing also focused on the synergy of "carbon reduction" and "pollution reduction", with green investment accounting for 44 per cent. of the total investment, and carried out the first "sustainable development linkage" business in the industry.

China Industrial International Trust Limited (興業國際信託有限公司)

China Industrial International Trust Limited ("**Industrial Trust**") is a subsidiary of the Bank with a registered capital of RMB10.0 billion and 73.0 per cent. of its equity interest held by the Group as at 31 December 2023. The business scope of Industrial Trust is the management of fund investment trust, personal property investment trust, real estate investment trust, marketable securities investment trust, other property or property right investment trust and other businesses stipulated by laws and regulations or approved by the China banking regulatory agencies. As at 31 December 2023, the total assets of Industrial Trust was RMB62.7 billion. As at 31 December 2023, the total asset under management and the outstanding balance of the trusts of Industrial Trust was RMB185.2 billion and RMB182.9 billion, respectively. For the year ended 31 December 2023, Industrial Trust recorded operating revenue of RMB4.6 billion.

Industrial Trust has obtained the qualification of conducting foreign exchange trust business and is registered as a private equity fund manager by the China Asset Management Association. The integrated operations of Industrial Trust includes asset management, futures business, securities service, financial research and corporate financial management. In addition, Industrial Trust cooperated with Bank of China to launch non-performing loan asset backed securities in China.

Industrial Guoxin Asset Management Co., Ltd. ("**Industrial Guoxin Asset Management**") (興業國信資產管理有限公司) is a wholly-owned subsidiary of Industrial Trust. The businesses operated by Industrial Guoxin Asset Management include assets management, equity investment, industrial investment, investment management and investment consulting, which enhance the Bank's comprehensive financial service capabilities.

Industrial Futures Co., Ltd. (the "**Industrial Futures**") (興業期貨有限公司) is a subsidiary of Industrial Trust. As at 31 December 2023, Industrial Futures had total assets of RMB9.5 billion and assets under management of RMB11.5 billion.

CIB Fund Management Co., Ltd. (興業基金管理有限公司)

CIB Fund Management Co., Ltd. ("**CIB Fund Management**") is a subsidiary of the Bank with a registered capital of RMB1.2 billion and 90.0 per cent. of its equity interest is held by the Bank as at 31 December 2023. For the year ended 31 December 2023, CIB Fund Management provided services relating to publicly offered fund to nearly 300,000 personal customers. In November 2015, CIB Fund Management obtained the QDII qualification by the CSRC. As at 31 December 2023, CIB Fund Management had total assets of RMB5.1 billion. For the year ended 31 December 2023, CIB Fund Management recorded operating revenue of RMB1,168 million and net profits of RMB401 million.

CIB Fund Management has established four branches in China and a wholly-owned subsidiary, CIB Wealth Management Co., Ltd. (興業財富資產管理有限公司).

Industrial Bank Wealth Management Co., Ltd. (興銀理財有限責任公司)

Industrial Bank Wealth Management Co., Ltd. ("**Industrial Wealth Management**") is a wholly-owned subsidiary of the Bank with a registered capital of RMB5 billion as at 31 December 2023. It provides wealth management products and services to eligible investors. As at 31 December 2023, the product management scale of Industrial Wealth Management was RMB2.26 trillion, representing an increase of more than RMB170 billion from 31 December 2022. For the year ended 31 December 2023, Industrial Wealth Management recorded operating income of RMB3,848 million and net profits of RMB2,582 million.

Industrial Consumer Finance Co., Ltd. (興業消費金融股份公司)

Industrial Consumer Finance Co., Ltd. ("**Industrial Consumer Finance**") is a subsidiary of the Bank with a registered capital of RMB5.3 billion and 66.0 per cent. of its equity interest was held by the Bank as at 31 December 2023. As at 31 December 2023, Industrial Consumer Finance had total assets of RMB86.9 billion. As at 31 December 2023, the outstanding balance of the loans granted by Industrial Consumer Finance was RMB86.4 billion, representing an increase of 15.3 per cent. from 31 December 2022. As at 31 December 2023, the total consumer finance credit loans granted by Industrial Consumer Finance exceeded RMB330 billion.

Industrial Economy Research Consultation Co., Ltd. (興業經濟研究諮詢股份有限公司)

Industrial Economy Research Consultation Co., Ltd. ("**Industrial Consultation**") is a subsidiary of the Bank with a registered capital of RMB60 million and 66.67 per cent. of its equity interest was held by Industrial Guoxin Asset Management as at 31 December 2023. Industrial Consultation was established in June 2015 and was the first professional research institution operated by a bank in the form of a corporation. Industrial Consultation had preliminarily established a research system, including macroscopic (including interest rate, exchange rate and commodity), industrial, credit, financial engineering product and data mining. Industrial Consultation provides services to the head office, branches, and subsidiaries of the Group, as well as other financial institutions and regulatory authorities. Industrial Consultation's research results follow the market trend and business requirements of the Group and has made a significant contribution to the business development of the Group.

Industrial Futures Co., Ltd. (興業期貨有限公司)

Industrial Futures Co., Ltd. ("**Industrial Futures**") is a subsidiary of the Bank. Industrial Futures has obtained the financial licences for providing futures and derivatives related services. For the year ended 31 December 2023, Industrial Futures provided services for approximately 2,700 customers, 66 of which were listed companies.

INFORMATION TECHNOLOGY

The Bank's information technology systems are integral to many aspects of its business operations, including customer services, transaction processing, risk management and financial management. The Bank believes that the establishment of advanced information technology systems that complement its overall business strategies will greatly improve its efficiency, the quality of its customer service, as well as risk and financial management.

The Bank has invested heavily in its information technology systems, primarily covering business processing, channel services, management decision-making and modern office system. Highlights of its products and achievements include, among others: its independently researched and developed Pre-Authorised Debits Online Banking System, which enables the Bank to approve credit to its customers' loan application without the need to submit any paperwork; its recognised excellence in bank industry in terms of its key indicators including the transaction success rate relating to premium card holders; and its centralised electronic payment systems in Fujian, Hebei and Liaoning connecting the Bank and the provincial treasuries.

In addition, the Bank greatly values the continuing improvement of its risk management and information security. As a matter of strategy, the Bank requires full implementation of its internal control measures and enhanced information security control. The Bank was among the first batch of domestic banks which have reengineered a modern management system in accordance with the theory of Process Banking (流程銀行). The Bank is also one of the first banks to have built a dual disaster backup system with backup data recoverable from different cities. The Bank believes that it is one of the first banks to have satisfied the internationally recognised standards and the requirements of the PBOC in relation to disaster recovery.

The Bank's information technology department, with administrative centres and research and development centres in different levels, was established under the supervision of the business management committee and internal control committee. The Bank has strong research and development capabilities and is one of the few domestic banks that are able to independently develop its core banking systems and own the intellectual property rights. For example, the Bank has developed the Virtual Teller Machines, which are able to provide comprehensive teller services around the clock. The Bank has also independently researched and developed automatic loan machines, and owns the intellectual property rights to this product. Leveraging its professional customer service centre, the Bank has introduced its centralised hotline platform which features cross-selling and outsourced marketing services. The hotline platform is supported by the Watson system, a question-answering computer system utilising natural language processing, information retrieval, knowledge representation and machine learning, originally developed by IBM. The Bank expects to increasingly leverage on information technology to drive its business in the future. In addition to the upgrades and improvements the Bank has made in recent years to its information technology systems, the Bank will continue to upgrade and integrate its information technology systems to facilitate operational efficiency, risk management and business development.

INTELLECTUAL PROPERTIES RIGHTS

The Bank conducts business under the brand names and logos of Industrial Bank. The Bank owns various PRC and overseas registered trademarks and patents. The Bank's patent "a data processing method and system to achieve uninterrupted services" was granted invention patent in 2005, making the Bank the first commercial bank in the PRC which patented its business system and method.

COMPETITION

The Bank faces significant competition in its principal areas of business from other commercial banks and other financial institutions in China. The Bank currently competes primarily with the Major Commercial Banks and Nationwide Joint-Stock Commercial Banks. The Bank also faces increasing competition from other financial institutions, including city commercial banks and foreign banks operating in China. The Bank's competition with other commercial banks and financial institutions in China primarily focuses on the variety, pricing and quality of products and services, convenience of banking facilities, reach of distribution network and brand recognition as well as information technology capabilities. In addition, the Bank faces competition from internet finance companies, as well as non-banking institutions such as securities firms and insurance companies in providing financing services to the Bank's customers.

In response to such a competitive environment, the Bank intends to continue to implement its strategies to differentiate itself from its competitors and compete effectively in the PRC commercial banking industry.

EMPLOYEES

The Bank had 60,739 full time employees as at 31 December 2023.

The Bank contributes to its employees' social insurance, provident housing fund and certain other employee benefits in accordance with PRC laws and regulations. The Bank provides training programmes to its employees to improve their professional competence and skills. The Bank has not experienced any strikes or other material labour activities that have interfered with its operations, and the Bank believes that it has maintained a good relationship with its employees.

LEGAL AND REGULATORY PROCEEDINGS

The Bank is involved in legal proceedings in the ordinary course of business. Most of the legal proceedings were initiated by the Bank for recovering non-performing loans, while some legal proceedings arose from customer disputes or others. The Bank does not anticipate any material adverse effect from these pending legal proceedings, individually or in aggregate, on its business, financial position and results of operations.

RISK MANAGEMENT

The Bank's core philosophy of risk management is to "create value through risk management", where the Bank is committed to enhancing its risk management, insists on a balanced development of quality, efficiency and business scale by placing emphasis on both business development and risk control and insists on maintaining moderate risk preferences in order to create value for its shareholders, customers and employees.

The Bank seeks to foster a good risk management culture and has established a sound risk management system, covering risk management policies and procedures, organisational structure and information system, providing appropriate processes and methodologies for the overall objectives of risk management. The Bank's business departments, functional and risk management department, and internal audit office constitute the "three lines of defence" for its risk management. The Bank has maintained close co-ordination and communications among its "three lines of defence", each also focusing on their own designated responsibilities. The Bank's business departments, as the first line of defence, are directly responsible for risk management. The functional and risk management department at the Bank's head office, being the second line of defence, are responsible for establishing risk management policies and procedures, and co-ordinating, supporting, supervising and reporting risk management. The internal audit office, as the third line of defence, is responsible for evaluating the adequacy and effectiveness of its risk management policies and procedures.

The Bank determines its overall risk management objectives based on its overall strategic goals. The Bank's overall risk management objectives are to build up comprehensive risk management system which covers all of its businesses and operational procedures and its departments and positions, to ensure that its risk management system is up-to-date, and to foster a good risk management culture.

- Aiming to establish comprehensive risk management system, addressing all primary types of risks the Bank is exposed to, including credit risk, market risk, operational risk, liquidity risk and compliance risk. The risk management system is overseen by its risk management department, and covers all of its products, businesses and operations. All of the Bank's identifiable risks are managed by staff assigned to clearly defined positions, thus making risk management part of the responsibilities for all staff and ensuring consistent implementation of risk management policies in different departments, business lines and products.

- The Bank continuously adjusts its risk management practices and methodologies based on changes in the macroeconomic conditions and business development requirements.

- The Bank has actively promoted and created a risk management culture to strengthen the staff's awareness of risk management and implemented various incentives to strengthen risk management.

CREDIT RISK MANAGEMENT

Credit risk refers to the risk of loss from the failure by an obligor or counterparty to meet its obligations in accordance with agreed upon terms. The Bank is exposed to credit risk primarily through its loan portfolio, investment portfolio, guarantees and other on and off-balance sheet credit risk exposures. The Bank's credit risk management objectives are to establish and continuously improve the credit risk management system, to enhance the specialisation and sophistication of credit risk management, to optimise credit flow and customer structure, to constantly reinforce risk management and control on the overall credit business process, to maintain the balance between risks and returns and to effectively control risks.

The board of directors and its risk management committee are responsible for approving the Bank's credit risk management strategies and significant credit risk management policies, and assessing the adequacy and effectiveness of the bank's credit management procedures, systems and internal control mechanisms. The Bank's senior management and its head office's risk management committee are responsible for implementing the credit risk management resolutions and requirements of the board of directors and its risk management committee, and making decisions on the Bank's credit risk management policies and major risk issues. The Bank's head office's internal control committee is responsible for implementing the resolutions and requirements of the board of directors and the committees thereunder for internal controls over credit risks, and overseeing the execution of the Bank's internal controls over risk management. The credit approval committee is responsible for approving credit business operations within the scope of its approval authority, while the credit accountability committee is responsible for identifying and pursuing obligations concerning relevant credit business operations. The Bank has established a risk management department, which is responsible for organising the implementation of risk management strategies and policies, setting up a basic credit risk management system for the specialised management, evaluation and guidance, inspection and supervision of the overall implementation of the Bank's risk management policies, for managing, taking the lead in organising and setting uniform standards for credit extension and for exercising overall control over credit risk management. The Bank has set up a risk management department and a specialised risk management counter in its three business lines, namely corporate banking, personal banking and treasury operation, which are responsible for the credit risk management of their own business lines or specialised business departments, formulating specific credit risk management policies and operational rules, and approving projects within the scope of their approval authority.

Identification and Assessment of Risk Management

Internal Credit Rating

The Bank has established an internal credit rating system for its clients, which conducts a comprehensive examination on the various factors and the existence of any trends which may affect the client's future solvency and evaluates the client's credit risk and credit standing with reference to qualitative and quantitative indicators. The result of the internal credit rating analysis is taken into account in formulating credit business operations policies, adjusting and optimising the customer structure on credit business operations, and in determining the credit policies applicable to each individual client.

Risks Classification and Sub-Classification

Pursuant to the Guidance for the Risk-based Classification of Loans (《貸款風險分類指引》) promulgated by the CBIRC, the Bank has formulated various guidelines, including the Implementation Rules for Credit Assets Risk Classification (《信貸資產風險分類實施辦法》) and Implementation Standards for Credit Assets Risk Classification (《信貸資產風險分類實施標準》), to guide branches to adjust the credit assets risk classification based on the actual risk profile of projects. Based on the five-category classification system established by the CBIRC, the Bank further classifies its credit assets into nine categories, namely normal 1, 2 and 3; special mention 1, 2 and 3; substandard, doubtful and loss, and implements different management policies for different categories of credit assets.

Credit Policy

The Bank formulates an annual credit policy setting forth credit extension guidelines for various regions, customer types and industries.

Industries Policies

The Bank has formulated an annual credit policy, implemented a differential credit policy of "assuring supply, control and stock compression", actively supported the development of the economy and optimised the allocation of credit resources. The Bank seeks to prioritise supporting the industries which are in line with national policies and with good market prospects (including emerging strategic industries and industries concerning infrastructure, people's livelihood and modern agriculture). The Bank also actively implements green credit policies and prioritises supporting green industries with social benefits, high technology and commercialised operations, and domestic livelihood consumption industries, such as those in the healthcare, education and telecommunications sectors. The Bank will maintain credit lines for traditional retail industries, such as department stores, electronic appliance stores and supermarkets with operating difficulties due to high costs, only after careful consideration. The Bank uses exposure limits on certain restricted industries with high energy consumption, high pollution or overcapacity (兩高一剩), such as the coal and chemical industries and the steel, cement, aluminium, plate glass, papermaking, and photovoltaic materials manufacturing industry.

Regional Policies

In selecting geographical regions, the Bank seeks to prioritise investing resources in reputable and robust economic regions with great potential for development. The Bank seeks to prioritise supporting rapidly growing regions with special support from national policies, such as free trade zones, industrial parks, pilot zones, by offering integrated financial services and instruments, such as investment products, trust funds and leases.

Client Policies

Based on the selection of industries, the Bank adheres to a policy of differential treatment and formulates clearly defined onboarding criteria for clients within the industry, which is subdivided into the categories of prioritised co-operation and prohibited credit extension. The onboarding criteria are the basic threshold for the business relationship between the bank and its clients. Encouraged clients are high-quality enterprises which are industry leaders and are highly resilient to risks, with high internal credit ratings and potential for sustainable development. Restricted clients do not satisfy the onboarding criteria, lack the requisite technology and competitiveness, have high policy and compliance risks and do not enjoy promising prospects. The Bank will no longer extend credit to restricted clients and will gradually reduce credit exposure to them until the termination of the business relationship.

Credit Risk Management

Uniform Management Policies on Credit Extension

The Bank has formulated the Measures on the Uniform Management of Credit Extension (《統一授信管理辦法》) and adheres to the principles of "uniform credit extension policies, differential treatment, process control and timely adjustment". The Bank implements uniform credit extension policies across the Bank and determines a uniform credit limit to clients. The Bank monitors its exposure limits and gives a total credit line to the companies in the same group. The Bank determines the credit extension limit to its clients based on the clients' business management levels, balance sheet position, repayment ability, credit profile, the market environment and their respective risk tolerance levels.

Credit Extension Management System

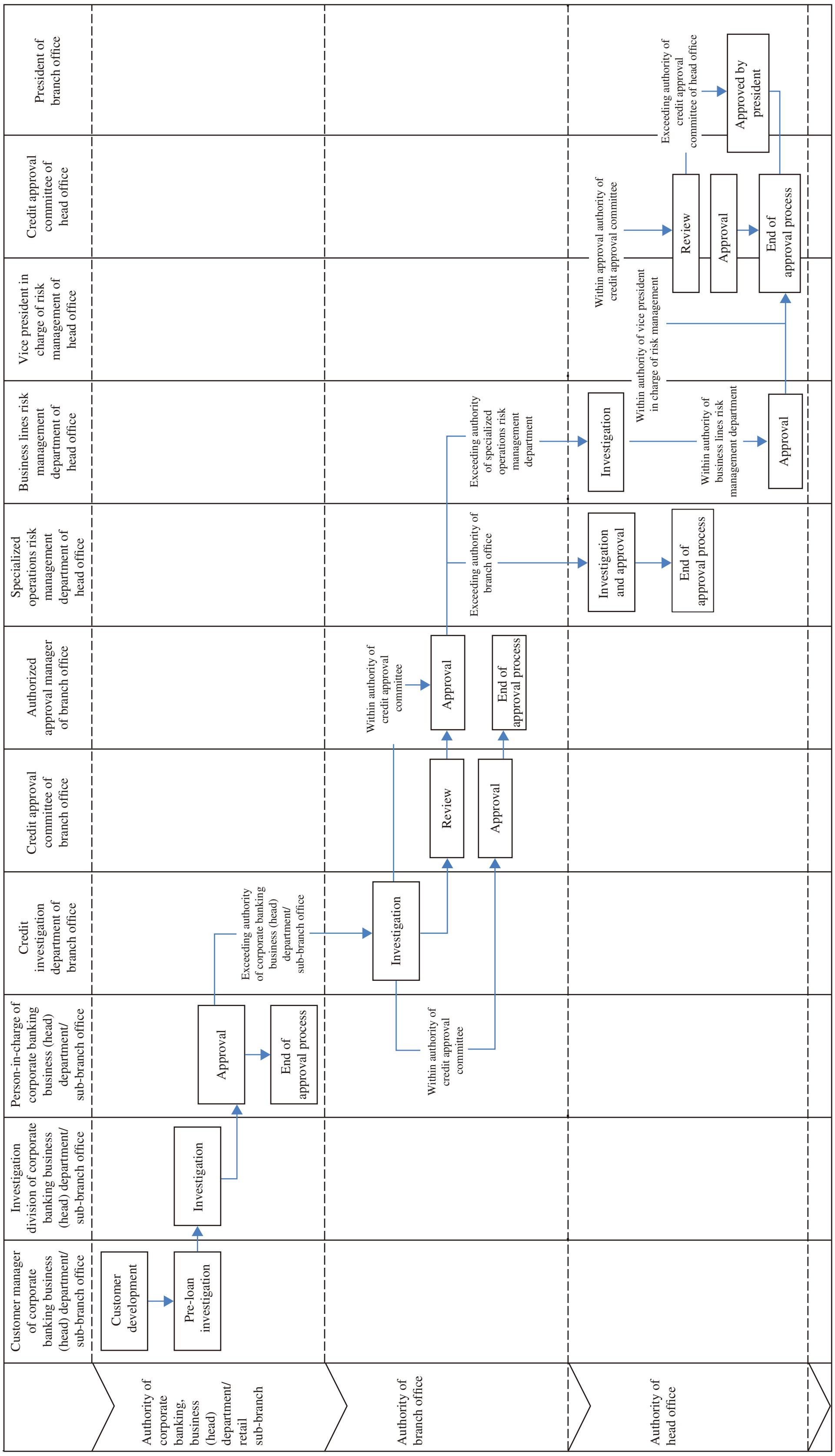
The risk management departments from each level of the Bank are responsible for formulating its credit policies and risk management systems, for managing and monitoring the risks in credit extension transactions. The credit assessment departments are responsible for the specialised assessment of credit extension transactions. The business departments of the headquarters and branches (including sub-branches) are responsible for developing credit extension businesses, for conducting due diligence on credit extension transactions and post-loan follow-up inspections and loan recovery, forming a credit extension management system with clearly defined responsibilities and effective checks and balances among different departments.

Authorisation of Credit Extension and Approval Mechanism

The Bank has formulated the Implementation Rules for the Authorisation and Delegation of Authority of Credit Extension (《信用業務授權及轉授權管理實施細則》) according to the principles of "limited authorisation, differential treatment, timely adjustment and parity of authority and responsibility". The scope of authority for each branch is determined and adjusted according to their business development progress, operational management levels, risk control capabilities and the region's economic development. Authorised persons may approve credit extension transactions within the scope of their authority, while matters exceeding the scope of such authority shall be reported to and approved by personnel with higher authority. The head offices and branches have set up credit approval committees, which are responsible for deliberating and approving credit transactions within certain limits. The committees review and vote on projects and the projects can only be approved with majority voting. The chairman of the credit approval committee has the power to veto and projects which have been previously rejected by the committee can only be reconsidered after the president's approval has been obtained.

Management of the Credit Extension Process

The Bank has prepared a Risk Management Booklet (《風險管理手冊》), which has formulated the due diligence systems for credit extension matters, ranging from the necessary regulatory compliance work for front desks and middle and back offices and the requirements for the different stages, including pre-loan reviews, credit review, credit approval, loan disbursements review, post-disbursement inspections, recovery and collection of non-performing loans, offsetting debts with assets and writing off loans to ensure a comprehensive risk management system with clear regulations, practice rules and risk prevention measures required at each stage. In particular, the Bank has centralised its management on loan disbursements review and has set up loan disbursement centres for conducting relevant reviews under the risk management departments of the branch offices, in ensuring that the approval opinion on credit business is executed effectively, lawful and compliant with relevant laws and regulations. For post-disbursement inspections, the Bank adheres to the principle of "centralised inspections with classified management", where the risk management department set up specialised post-disbursement inspection management divisions to conduct post-disbursement inspection and management based on the results of the post-disbursement inspection management divisions to conduct post-disbursement inspection and management based on the results of the post-disbursement inspection conducted by the credit business staff. Below is a flowchart illustrating the Bank's current entire credit extension process which consists of pre-loan due diligence, loan review and approval and loan disbursements review.



Credit Risk Monitoring and Alerts

The Bank has formulated the Measures on the Administration of Risk Alerts of Corporate Clients (《公司客戶信用風險預警處置管理辦法》) and the Measures on the Administration of Risk Alerts Concerning Credit Extension to Individuals (《個人授信業務風險預警管理辦法》) and established a risk alert mechanism for credit risk management to collect all kinds of risk credit information from both external and internal sources, notify credit risks and take corresponding preventive measures to defuse those risks. The Bank has developed an information system for credit management, which allows ongoing monitoring and real-time warnings, provides information and advice on management of the Bank and identifies credit risks in time for the Bank to take the necessary precautions.

Credit extension Risk Accountability System

To strengthen internal supervision, the Bank has formulated the Measures on the Administration of Credit Risk Accountability (《信用責任追究管理辦法》) which has clearly outlined and defined the staff members' responsibility in managing credit risk. The Bank penalises responsible personnel for any non-compliance or misconduct in managing credit businesses to instil a strong sense of responsibility in personnel responsible for credit extension and boost the staff's incentive in complying with the Bank's regulatory requirements in relation to credit extension.

Management of Non-performing Assets

The Bank has formulated documents, such as the Measures of Administration of Non-Performing Assets (《不良信貸資產管理辦法》) and has established an ongoing monitoring and analysis system for non-performing assets. The Bank seeks to maximise the value of non-performing assets by using innovative and effective disposal methods depending on the circumstances and risk profiles of the non-performing assets, including the distribution areas, industries, business types and risk mitigation measures.

The Bank has set up a special assets operation department independent of the business operations department in the Bank's head office, which would gradually specialise in the operation and management of non-performing assets to realise assets recovery and to increase the efficiency of non-performing assets disposal.

The Bank's annual budget for write-offs is proposed by the president and is approved by the board of directors after being reviewed by the Risk Management Committee. The write-off amount of bad debts would be approved by the president, the Strategic Planning Committee and the board of directors, respectively, according to the amount of the bad loans within the annual budget approved by board of directors.

All loan write-offs have to be reported to the head office for its approval and any related write-offs procedures would have to comply with the head office's approval opinion.

The Bank has formulated the Measures on Administration of Loan Write-offs (《呆賬核銷管理辦法》) which clearly sets out the standards required to be qualified as non-performing capital assets to be written off. Apart from projects where the creditor-debtor or the investor-investee relationship has terminated by operation of law, the Bank requires the records of written-off accounts for bad loans to be preserved and individual separate accounts to be set up for management and verification and has strengthened the file management system on written-off projects in accordance with national regulations. In addition, the Bank has formulated recovery strategies and plans for non-performing loans, aiming to recover non-performing loans through cash collection, foreclosure on collateral, legal proceedings and other actions to minimise loss.

LIQUIDITY RISK MANAGEMENT

Liquidity risk refers to the risk of failure to acquire sufficient funds in time or failure to acquire sufficient funds at a reasonable cost to fulfil payment obligations. Factors affecting the Bank's liquidity include the maturity mix of its assets and liabilities and changes to banking regulations, such as changes in the requirements relating to loan-to-deposit ratio and statutory deposit reserve ratio. The Bank is exposed to liquidity risk primarily in the funding of its lending, trading and investment activities, as well as in the management of its cash flow positions. The Bank's liquidity risk management objectives are to ensure the demand of payment, to improve the efficiency of utilisation of funds and to guarantee the rapid, healthy development of all businesses, and to realise the unification of security, liquidity and profitability and ensure liquidity risk indicators meet regulatory requirements through asset and liability management tools.

The Bank continues to place more emphasis on security and liquidity and based on its own circumstances and periodic changes in market liquidity. It continues to improve the liquidity risk management and organisational system and optimises its management techniques and strategies.

Firstly, a comprehensive organisational structure for liquidity risk management was set up, comprising of the board of directors, senior management and Asset-Liability Management Committee, monitoring liquidity risks on behalf of the head office and ensuring that liquidity risks are managed effectively, and the financial planning department of the head office is responsible for the implementations of policies.

Secondly, three lines of defences were built for liquidity risk management: the first line of defence is to strictly carry out all business lines in accordance with the indicators of asset-liability ratio determined by the head office to ensure a balanced development of assets and liabilities in the business departments. The second line of defence is to control the sources of funds for the current period and the amount of funds available for use and the term structure of funds through the use of funds transfer pricing. The third line of defence is for the treasurer and capital operations centre of the head office to carry out financing activities based on the amount of insufficiency and the market conditions through inter-bank market standardised borrowing and bonds repurchase to ensure liquidity security across the Bank.

Thirdly, during the course of business operations, the Bank has vigorously adjusted the insufficiency of cash flow by various means such as the making of a forward-looking analysis of market liquidity, the prompt adjustment of its business strategies and asset-liability policies, the increase of the intensity of stress test, the strengthening of the management of liquidity indicators and the use of price for funds to ensure that all the liquidity regulatory indicators meet the requisite standard.

MARKET RISK MANAGEMENT

Market risk is the risk of loss in on and off-balance-sheet positions arising from movements in market prices. Market risks arise from movements in market variables such as interest rates, exchange rates, stock prices, commodity prices and other market changes that affect market risk sensitive instruments. The Bank is exposed to market risks through its on-balance sheet assets and liabilities as well as its off-balance sheet commitments and guarantees. The principal types of market risks affecting the Bank's business are interest rate and exchange rate risk.

The Bank's market risk management objectives are to establish and continuously improve the market risk management system to be in alignment with risk management strategies and in satisfaction of the requirements of the new capital accord and regulatory requirements of market risk, to improve the market risk management structure, policies, processes and methods, and to promote the specialisation level of market risk management, realise centralised and unified management of market risks, and facilitate the sustainable and healthy development of relevant businesses with their risks under control.

Interest Rate Risk Management

According to changes in the market conditions, the Bank flexibly adjusts the interest rate risk management measures and ensures that the interest rate risks are kept under control. To adapt to the complicated and changing economic situation internationally and nationally as well as the intensified market interest rate fluctuations due to tight liquidity, the Bank has flexibly adjusted its assessment policy based on the state macroeconomic policies to guide branches in obtaining long-term fund sources, enhanced management on the interest rate spread between the cost of capital source and gains from use of funds, reinforced management on the matching of treasury business and adjusted the structure, duration and basis point value of bond portfolios for better control of maturity mismatch. In addition, the Bank has made use of the hedging activities in the financial derivatives market to effectively control interest rate risk, improved the pricing and valuation models and introduced guidelines on pricing and valuation management.

The Bank has managed interest rate risk of trading book mainly though constant improvements on the market risk indicator limit system and set exposure limits for different products under trading book. The Bank has also introduced a financial transaction and analysis system to implement dynamic revaluation of market value and manage trading process on interest rate products under trading book, so as to achieve real-time monitoring of interest rate risk exposures and stop-loss limits and ensure interest rate risk of trading book under control.

Exchange Rate Risk Management

The Bank has a centralised management on exchange rate risks. The exchange rate risk exposures arising from various businesses of all the branches were compiled and sent to the Financial Market Department of the head office in a timely manner for unified management. The Bank seeks to keep the adverse impact of exchange rate fluctuations within an acceptable range by setting exposure limits and adjusting the currency profile of its assets and liabilities. The Bank has enhanced its internal auditing functions in relation to the settlement, sale and payment of foreign exchange business and foreign exchange trading to ensure the implementation of its risk prevention measures and policies. The Financial Market Department has introduced financial transaction and analysis system to manage foreign exchange risks. The total exposure limit is relatively small compared to the size of the Bank's absolute assets and risk is controllable.

OPERATIONAL RISK MANAGEMENT

Operational risk refers to losses that may be incurred due to inadequate or failed internal procedures, personnel or information technology systems, or external events. The primary operational risk the Bank faces include internal and external fraud, worksite safety failures, business interruptions, damage of tangible assets and failure in its information technology system. The Bank's operational risk management objectives are to improve and perfect the operational risk management system that matches the degree of complexity of the Bank's business to reduce the frequency of operational risk events and control operational risk loss within the acceptable range to ensure that the business operations of offices at all levels are lawful and compliant so as to create a healthy operating environment for the business development of the Bank.

The Bank continues to strengthen the building of the "three lines of defences" for operational risk management. The Bank's organisational structure for operational risk management consists of its board of directors, the board of supervisors, senior management, the head office's audit office, legal and compliance department and various departments and sub-branches. The board of directors, the board of supervisors and senior management lead and supervise the Bank's operational risk management.

The Bank's key measures of managing operational risks are as follows: (i) the Bank has formulated a series of regulations on operational risk management to implement the new Basel Capital Accord (《巴塞爾新資本協議》) and regulatory requirements and the establishment of a complete operational risk management system which covers governance structure, organisational structure, management responsibilities, policies, regulations, procedures, tools, methods and systems; and has gradually increased its capital management capability as well as internal control and risk management standards to promote the sustainable, healthy development of the Bank's various businesses; (ii) the Bank has implemented a specialised operating system which would gradually become a specialised processing centre for loan disbursements, payment and settlement and other uses, so as to centralise and specialise its operations and the Bank has also set up a working capital centre, which is a specialised institution for capital operations directly subordinate to the head office, so as to specialise its capital operations; (iii) the Bank has introduced and updated its information management systems and systems for each type of business to identify and monitor operating risks through electronic means and minimise non-compliance activities.

COMPLIANCE RISK MANAGEMENT

Compliance risk refers to the risk of being subject to legal sanctions, regulatory penalties, significant financial loss and reputational loss as a result of failure to comply with laws, regulations and rules. The Bank continues to foster the development of a compliance culture and promote the effective implementation of compliance management for promoting the healthy and sustainable development of the Bank's business. The Bank's key measures on compliance risk management are as follows: firstly, the Bank makes full use of the evaluation management tools to enhance the culture of compliance operations where the Bank further optimises and improves compliance operations and internal control evaluation programme by setting up a multi-level evaluation system covering the business lines of domestic branches, Hong Kong Branch, subsidiaries and the head office, effectively carries out various compliance operations and internal control evaluation tasks, continues to facilitate the mutual promotion and integration of internal control and compliance operations with business development, and cultivates a good compliance operation culture to ensure the healthy and continued development of the Bank.

Secondly, the Bank establishes a sound internal supervision mechanism to strengthen the awareness of compliance operations. The Bank has further regulated the internal control inspection process, strengthened the mechanism for internal control inspection and management, continuously carried out in-depth self-assessment of internal control, strengthened the internal control supervisory system, established a daily management system for the inspection of data, compiled entries of non-compliance irregularities, improved the mechanism and structure of branches for compliance operations, and improved the mechanism for regulating the extraordinary transaction activities of employees and strengthened the accountability system for non-compliant employees.

Thirdly, the Bank made innovative management tools to enhance the overall quality and efficiency of anti-money laundering policies based on the regulatory focus. The Bank has established a bank-wide organisational structure for anti-money laundering and developed internal control systems and standard operation procedures in accordance with the PRC Anti-money Laundering Law (中華人民共和國反洗錢法) and other applicable rules and regulations promulgated by the PBOC. In accordance with the PRC Anti-money Laundering Law and other applicable rules and regulations promulgated by the PBOC, the Bank has formulated and implemented internal control systems and standard operation procedures concerning customer due diligence and identification, sanctions screening and transaction record retention, suspected terrorist financing monitoring, and large and suspicious transaction reporting. The Bank seeks to continue to improve its anti-money laundering capabilities through reinforcing the "know-your-customer" and customer risk assessment procedures, stepping up risk monitoring and early alert activities, and enhancing the functionality of anti-money laundering information system.

Fourthly, the Bank has continuously improved the contract management system to enhance the effectiveness and sensitivity to managing compliance risks. The Bank has enhanced the effectiveness of the relevant systems, continuously initiated review of contract templates and conducted post-evaluation work.

Fifthly, the Bank has continuously optimised lawful and compliant management methods to promote the healthy and sustainable development of all businesses. The Bank has promoted the standardisation and professionalisation of legal compliance services, engaged constructively in business innovation and product development and provided legal advice and constructive guidance for different business operations and management activities. The Bank has enhanced its knowhow database on external laws and regulations and case law precedents of the same industry and improved the supervision of compliance risks.

INFORMATION TECHNOLOGY RISK MANAGEMENT

Information technology risk refers to the operational, legal, reputational and other risks caused by natural factors, human factors, technical loopholes and flawed management in the course of its use of information technology. The Bank's objectives for information technology risk management are to identify, assess, monitor and control information technology risks by establishing an effective mechanism to operate its business in a safe, continuous and stable environment. The Bank seeks to operate its business in a safe and robust information technology environment and use advanced information technologies to drive business innovation. The Bank's organisational structure for information technology risk management consists of the information technology department, legal and compliance department, auditing department and other relevant departments of the head office.

The Bank's key measures in managing information technology include: (i) developing a system platform for information technology risk management; (ii) optimising the information technology risk management system; and (iii) placing emphasis on management and supervision of outsourcing risks by centralising management on outsourcing projects and evaluating risks on outsourcing projects and risks of suppliers.

REPUTATION AND COUNTRY RISK MANAGEMENT

Reputation Risk Management

Reputational risk refers to the risk of negative publicity and comments on its operations, management and other activities or external events. The Bank's objectives for reputational risk management are to identify, monitor, control and eliminate reputational risk by establishing a positive, reasonable and effective mechanism of reputational risk management to build and maintain its good corporate image and support its sustainable development. The board of directors and its risk management committee are responsible for approving strategic plans and basic policies for the Bank's reputation risk management as well as the responsibilities, authority limits and reporting lines of the senior management relating to reputation risk management; overseeing the implementation of various regulations by the management for reputation risk management; and periodically reviewing reputation risk management reports, the senior management and the head office's risk management committee are responsible for implementing the reputation risk management strategic plans and policies approved by the board of directors, assessing the bank's reputation risk management situation on a regular basis as well as monitoring and evaluating whether the reputation risk management of various departments is effective or not. The head office's risk management department is responsible for leading the drafting of the basic policies for reputation risk management, improving the risk management systems, incorporating the status of reputation risk management into the overall risk management reporting system and regularly reporting to the senior management, the head office's risk management committee and the board's risk management committee.

The Bank developed reputational risk plans and mechanisms regarding daily monitoring of public opinion, customer complaints and information disclosure, and initiated immediate corresponding contingency plans for incidents which may harm the Bank's reputation. The Bank has also incorporated reputation risk management into the comprehensive appraisal of branches, effectively facilitating and reinforcing the reputation risk management at basic operating units.

Country Risk Management

Country risk refers to the risk of borrower or debtor in a certain country or region failing or unwilling to repay debts to financial institutions in the banking industry, or the financial institutions in the banking industry in a country or region which has suffered losses or incurred other losses due to economic, political and social changes and incidents in such country or region. The Bank's country risk management objectives are to establish and continuously improve the Bank's country risk management system, to adopt proper measures, assessment and rating system for such risks to accurately identify and assess country risks relating to business activities and promote sustainable and healthy development of its business.

The board of directors and its risk management committee are responsible for approving the Bank's strategic plans and basic policies for country risk management, approving the responsibilities, authority limits and reporting lines of the senior management relating to country risk management, and supervising the senior management to implement various policies for country risk management. The senior management and the head office's risk management committee are responsible for implementing strategic plans and policies for country risk management approved by the board of directors, clearly outlining the division of responsibilities among all departments at each level across the head and branch offices and ensuring that the departments fulfil their corresponding responsibilities in relation to country risk management. Each operational department at each level is responsible for managing country risks within their authority by identifying, assessing, monitoring, controlling and reporting on country risks.

Country risks exist in business activities, such as credit extension, international capital markets business, establishing overseas organisations, communications with agency banks and outsourcing services offered by overseas service providers. The Bank has classified country risks into five grades: low, relatively low, moderate, relatively high and high based on the degree of risks, and has implemented corresponding management policies for different grades. With its development in internationalisation progress and the business size, the Bank will continue to improve country risk management and promote the sustainable and healthy development of its business.

SUBSTANTIAL SHAREHOLDERS

The table below sets forth the shareholding information on the 10 largest shareholders of the Bank as at 31 December 2023:

Name of shareholders	Approximate percentage of share capital	Number of shares held
Fujian Financial Investment Co., Ltd. (福建省金融投資有限責任公司)	16.91	3,511,918,625
China National Tobacco Corporation (中國煙草總公司)	5.34	1,110,226,200
PICC Property and Casualty Company Limited — Traditional — Common Insurance Product — 008C — CT001 Hu (中國人民財產保險股份有限公司 — 傳統 — 普通保險產品)	4.56	948,000,000
PICC Life Insurance Company Limited — Dividends — Dividends for Personal Insurance (中國人民人壽保險股份有限公司 — 分紅 — 個險分紅)	3.86	801,639,977
China Securities Finance Corporation Limited (中國證券金融股份有限公司)	3.00	622,235,652
Hong Kong Securities Clearing Corporation Limited (香港中央結算有限公司)	2.98	619,554,714
Fujian Investment & Development Group Co., Ltd. (福建省投資開發集團有限責任公司)	2.87	595,242,545
Huaxia Life Insurance Co., Ltd. — Self-owned funds (華夏人壽保險股份有限公司 — 自有基金)	2.74	569,179,245
PICC Life Insurance Company Limited — Universal — Personal Insurance (Universal) (中國人民人壽保險股份有限公司 — 萬能 — 個險萬能)	2.28	474,000,000
Fujian Provincial Port Group Co., Ltd. (福建省港口集團有限責任公司)	2.21	458,813,939

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

DIRECTORS

The Board of Directors consists of 10 members, including six directors and four independent directors. The Board of Directors determines major matters of the Bank (such as operating plans and development proposals) and is responsible for hearing and deciding on matters reported by the various committees.

The following table sets forth the Bank's directors as at the date of this Offering Circular:

Name	Age	Position
Lyu Jiajin (呂家進)	56	Chairman of the Board of Directors
Chen Xinjian (陳信健) . .	57	Vice Chairman of the Board of Directors and President
Qiao Lijian (喬利劍)	51	Director
Zhu Kun (朱坤)	46	Director
Chen Gongxian (陳躬仙) .	56	Director
Sun Xiongpeng (孫雄鵬) .	57	Director and Vice President
Ben Shenglin (賁聖林) . .	58	Independent Director
Xu Lin (徐林).	62	Independent Director
Wang Hongmei (王紅梅) .	63	Independent Director
Zhang Xuewen (張學文) .	62	Independent Director

Mr. Lyu Jiajin (呂家進) has been the chairman of the Board of Directors since July 2021. Mr. Lyu previously served as the director of the Postal Savings and Remittance Bureau of Henan Province (河南省郵政儲匯局), a director of the Xinxiang Post Bureau (新鄉市郵政局), a deputy director of the Henan Postal Bureau (河南省郵政局), a deputy director of the Liaoning Postal Bureau (遼寧省郵政局), a deputy director of the Postal Savings and Remittance Bureau of the State Post Bureau (國家郵政局郵政儲匯局), a executive director and president of the Postal Savings Bank of China (中國郵政儲蓄銀行), a deputy general manager of China Post Group Corporation (中國郵政集團公司), a vice president of Bank of Communications (交通銀行) and an executive director and a vice president of China Construction Bank (中國建設銀行). Mr. Lyu currently also serves as the party secretary of the Party Committee of the Bank. Mr. Lyu holds a doctoral degree and is a senior economist.

Mr. Chen Xinjian (陳信健) has been the vice chairman of the board of directors of the Bank since October 2023. He joined the Bank as a director of the Bank in June 2016. Mr. Chen previously served as the chief of the finance division and external debt division of the Finance Bureau of Fujian Province (福建省財政廳), a vice president of the Shanghai Branch of the Bank, a vice president (in charge of overall management) and the president of the Xiamen Branch of the Bank and the president of the Nanjing and Beijing branches of the Bank. Mr. Chen is currently serving as a party committee member and the president of the Bank. Mr. Chen holds a master's degree.

Ms. Qiao Lijian (喬利劍) has been a director of the Bank since August 2023. Ms. Qiao previously worked for China People's Health Insurance Co., Ltd. (中國人民健康保險股份有限公司) and China People's Insurance Group Co. Ltd. (中國人民保險集團股份有限公司). Ms. Qiao currently is the vice president and chief financial operator of China People's Life Insurance Co., Ltd.(中國人民人壽保險股份有限公司), an executive director of the Council of China Association of Actuaries (中國精算師協會理事會), a member of Country Revival Committee of China Insurance Association (中國保險業行業協會鄉村振興委員會), a member of Finance and Audit Specialised Committee of China Insurance Association (中國保險業行業協會財務會計專委會) and a director of Charitable Foundation of PICC (中國人保慈善基金會). Ms. Qiao holds a master's degree and is a senior economist.

Mr. Zhu Kun (朱坤) has been a director of the Bank since June 2024. Mr. Zhu previously worked for China Life Asset Management Co., Ltd. (中國人壽資產管理有限公司) as a senior manager in the risk management & compliance department, a senior researcher in the project assessment department, and a senior deputy executive in the investment management department. Mr. Zhu currently is an assistant to general manager, a compliance officer, a chief risk management executive and a secretary to the board of directors in China Everwin Asset Management Co., Ltd. (華夏久盈資產管理有限責任公司). Mr. Zhu holds a master's degree.

Mr. Chen Gongxian (陳躬仙) has been a director of the Bank since January 2024. Mr. Chen previously worked for Fujian Economy and Commerce Commission (福建省經貿委), Fujian Economy and Information Technology Commission (福建省經信委), Fujian State-owned Assets Supervision and Administration Commission (福建省國有資產監督管理委員會) and Fujian Audit Department (福建省審計廳). Mr. Chen currently also serves as the deputy chairman of board of directors of Fujian Investment & Development Group Co., Ltd. (福建省投資開發集團有限責任公司) and a director of Xiamen International Bank Co., Ltd. (廈門國際銀行股份有限公司). Mr. Chen holds a bachelor's degree.

Mr. Sun Xiongpeng (孫雄鵬) has been a director of the Bank since July 2021 and has been a vice president of the Bank since August 2016. Mr. Sun previously served as a deputy general manager of the international operation department of the Quanzhou Branch of the Bank, a manager of the national business department and the operation department of the Quanzhou Branch of the Bank, an assistant to the president and a vice president of the Quanzhou Branch of the Bank and a president of each of the Zhangzhou, Quanzhou and Xiamen branches of the Bank. Mr. Sun is currently a party secretary of the Bank. Mr. Sun holds a master's degree and is a senior economist.

Mr. Ben Shenglin (賁聖林) has been an independent director of the Bank since July 2021. Mr. Ben previously served as a senior vice president and general manager of Working Capital Business (China) of ABN AMRO Bank N.V. (荷蘭銀行), a director and the general manager of Industrial and Commercial Finance Business (China) of the Hongkong and Shanghai Banking Corporation Limited, the president of JP Morgan Chase Bank (China) Co., Ltd. and a member of the Global Leader Team of JP Morgan Chase Global Enterprise Bank. Mr. Ben is currently a professor of Zhejiang University (浙江大學), the founding president of the Internet Academy of Finance, Zhejiang University (浙江大學互聯網金融研究院), an assistant to the dean of the School of Management and a director of the EMBA Centre of Zhejiang University, an executive head of the International Monetary Institute at Renmin University of China (中國人民大學國際貨幣研究所), a member of International committee of the All-China Federation of Industry and Commerce (中華全國工商業聯合會國際委員會), a member of Expert Group of Non-Party Intellectuals Consultations of the United Front Work Department (中共中央統一戰線工作部黨外知識份子建言獻策專家組), a standing committee member of Zhejiang Provincial Political Consultative Conference (浙江省政協), a counsellor of Zhejiang Provincial People's Government (浙江省人民政府), the chairman of Zhejiang Digital Finance Technology Federation (浙江數字金融科技聯合會), an advisory member of Guangdong Financial Expert Advisory Committee (廣東金融專家顧問委員會), the executive chief editor of China Finance (《中國金融學》), an independent director of Zhejiang Orient Financial Holdings Group Co., Ltd. (浙江東方金融控股集團有限公司) , an independent director of Caitong Securities Co., Ltd. (財通證券股份有限公司) and a supervisor of China Construction Bank (中國建設銀行). Mr. Ben holds a doctoral degree and is a professor.

Mr. Xu Lin (徐林) has been an independent director of the Bank since July 2021. Mr. Xu previously worked as a deputy director of the development and planning department of National Planning Commission (國家計劃委員會), a director of the fiscal and finance department, the development and planning department and the urban and township reform centre of the NDRC and the chairman of the board of directors of China-U.S. Green Investment Management Co., Ltd. (中美綠色投資管理有限公司). Mr. Xu currently serves as the chairman of the board of directors of China-U.S. Green Fund Management Co., Ltd. (中美綠色基金管理有限公司) and China-U.S. Green Yangtze River Delta (Shanghai) Private Equity Management Co., Ltd. (中美綠色長三角（上海）私募基金管理有限公司), a director of Nanjing Longying Green Management Services Co., Ltd. (南京龍鷹綠色管理服務有限公司), Beijing Duomulin Green Technologh Development Co., Ltd. (北京多木林綠色技術發展有限公司) and Hunan Huashu Hi-tech Co., Ltd. (湖南華曙高科技股份有限公司), an executive of Beijing Tonghuilyuzhi Enterprise Management Centre (北京通慧綠智企業管理中心), an independent director of Guomin Pension Co., Ltd. (國民養老保險股份有限公司), an external supervisor of Beijing Bank, a supervisor of Lianrun Credit Services Co., Ltd. (聯潤信用服務有限公司), the secretary of the Party Commission and executive deputy chairman of China Mergers and Acquisitions Association (全連並購公會), a deputy chairman of Chinese Association of Productivity Science (中國生產力學會), a supervisor of Chinese Association of Urban Science (中國城市學會) and a director member of the Academic Commission of Pangoal Institution (盤古智庫). Mr Xu. Holds a master's degree.

Ms. Wang Hongmei (王紅梅) has been an independent director of the Bank since January 2022. Ms. Wang previously served as a deputy director of Economy and Technology Development Research Centre of Ministry of Posts and Telecommunications (郵電部經濟技術發展研究中心), a general manager of the development strategy department of China Mobile Communications Corporation (中國移動通信集團有限公司). Ms. Wang currently is the secretary general of the executive organisation of China Mobile Charity Foundation (中國移動慈善基金會), the director of the reform department of China Mobile and the Xiong'an Office of China Mobile, a director in Pufa Bank (浦發銀行) and a director of China Mobile Equity Fund Management Co., Ltd. (中移股權基金管理有限公司). Ms. Wang holds a doctor's degree and is a senior engineer.

Mr. Zhang Xuewen (張學文) has been an independent director of the Bank since September 2022. Mr. Zhang previously served as the deputy director of the second division of internal trade of the commerce and finance department, the deputy director of the food division of the economic and trade department, the deputy director and director of the food division of the economic and construction department, the deputy director of the economic and construction department in Ministry of Finance (財政部), an assistant for general manager in China Post Group Corporation (中國郵政集團公司) and an executive director in the Postal Savings Bank of China (中國郵政儲蓄銀行). Mr. Zhang currently also serves as a deputy chairman of China Financial Accounting Society (中國金融會計學理事會) and a deputy director member of the Rural Social Insurance Committee of China Social Insurance Society (中國社會保險學會農村社會保險委員會). Mr. Zhang holds a doctor's degree and is a senior economist.

SUPERVISORS

The Bank's board of supervisors consists of five members, including three supervisors and two external supervisors.

The board of supervisors is responsible for (1) monitoring the Bank's financial matters; (2) overseeing the actions of the board of directors and the senior management of the Bank; and (3) managing risks and carrying out internal control measures.

The following table sets forth the Bank's board of supervisors as at the date of this Offering Circular:

Name	Age	Position
Zhang Guoming (張國明)	58	Supervisor
Yu Zusheng (余祖盛) . . .	53	Supervisor
Lin Shu (林舒)	52	Supervisor
Zhu Qing (朱青)	67	External supervisor
Sun Zheng (孫錚)	67	External supervisor

Mr. Zhang Guoming (張國明) has been a supervisor of the Bank since August 2018. Mr. Zhang previously served as a deputy director of the Cadre Management Office of the Fujian Provincial Disciplinary Inspection Commission (福建省紀委幹部管理室), a deputy secretary of the Party Committee of Fujian Provincial Disciplinary Inspection Commission (福建省紀委機關黨委), and a deputy director of the Inspection Office of the Fujian Provincial Party Committee (福建省委巡視辦). Mr. Zhang currently also serves as a member of party committee and a secretary of the Disciplinary Inspection Commission of the Bank. Mr. Zhang holds a bachelor's degree.

Mr. Yu Zusheng (余祖盛) has been a supervisor of the Bank since May 2023. Mr. Yu previously served as the manager of the financial department of Fujian Communications Group Co., Ltd. (福建省交通集團), the deputy general manager and chief auditor of Fujian Province Overseas Chinese Industrial Group Co., Ltd. (福建省華僑實業集團) and a supervisor and the secretary of Party Committee in Fujian Medical Company (Group) Co., Ltd. (福建省醫藥集團). Mr. Yu currently also serves as the manager of the financial department of Fujian Port Group Co., Led. (福建省港口集團) and the deputy chairman and legal representative of Fujian Communications Accounting Association (福建省交通會計學會). Mr. Yu holds a bachelor's degree and is a senior accountant.

Mr. Lin Shu (林舒) has been a supervisor of the Bank since June 2024. Mr. Lin previously served as a deputy director and the director of the fund clearing section of the finance and accounting department of the Bank, the general manager of the planning and finance department, an assistant to the president and a vice president of Jinan Branch of the Bank, a vice president of Urumqi Branch of the Bank, a vice president of the corporate finance department, the general manager of the institutional business department, the finance and marketing management department, the high-profile client department and the investment banking department of the Bank. Mr. Lin holds a bachelor's degree and is also a senior economist.

Mr. Zhu Qing (朱青) has been an external supervisor of the Bank since June 2021. Mr. Zhu previously was a senior visiting scholar in State University of New York and University of California, Berkeley. Mr. Zhu currently is a professor in the School of Finance of Renmin University of China (中國人民大學), an independent director of Zhongtai Trustee Co., Ltd. (中泰信託有限責任公司), China Great-wall Assets Management Co., Ltd. (中國長城資產管理股份有限公司), Dongxing Securities Co., Ltd. (東興證券股份有限公司), Jianghe Chuangjian Co., Ltd. (江河創建集團股份有限公司) and Dajia Insurance Co., Ltd. (大家保險集團有限責任公司), an external supervisor of China Trust Protection Co., Ltd. (中國信託業保障基金有限責任公司), a deputy chairman of China Tax Institute (中國稅務學會), an executive director of China Finance Institute (中國財政學會), an honorary professor of the Chinese Academy of Social Sciences University (中國社科院大學) and a part-time professor in National Accounting Institute (北京國家會計學院) and Xiamen Accounting Institute (廈門國家會計學院).

Mr. Sun Zheng (孫錚) has been an external supervisor of the Bank since May 2023. Mr. Sun previously served as a professor and deputy principal of Shanghai University of Finance and Economics (上海財經大學). Mr. Sun currently is a professor in the Business School of Shanghai University of Finance and Economics and an independent director of China Eastern Airlines Co., Ltd. (中國東方航空股份有限公司), SAIC Motor Co., Ltd. (上海汽車集團股份有限公司) and Bank of Shanghai Co., Ltd. (上海銀行股份有限公司).

SENIOR MANAGEMENT

The Bank currently has one president, four vice presidents and one secretary to the board of directors. The president is appointed by and reports to the board of directors. The president is primarily responsible for (1) making annual budgets; (2) making the Bank's annual business and investment plans; and (3) setting up the corporate governance structure and developing the detailed corporate regulations. The following table sets forth the Bank's senior management as at the date of this Offering Circular:

Name	Age	Position
Chen Xinjian (陳信健) . .	57	Vice Chairman of the Board of Directors and President
Sun Xiongpeng (孫雄鵬) .	57	Director and Vice President
Zhang Min (張旻)	52	Vice President
Zhang Ting (張霆)	55	Vice President
Zeng Xiaoyang (曾曉陽) .	54	Vice President
Xia Weichun (夏維淳) . . .	51	Secretary to the Board of Directors (pending eligibility approval) [1]

Mr. Chen Xinjian (陳信健) has been the president of the Bank since October 2023. For Mr. Chen's biography, see "*Directors*" above.

Mr. Sun Xiongpeng (孫雄鵬) has been a vice president of the Bank since August 2016. For Mr. Sun's biography, see "*Directors*" above.

1 Mr. Xia was elected to be a secretary to the Board of Directors in the shareholder's meeting in March 2024, and will officially assume duties after receiving the requisite approval from the National Financial Regulatory Administration of the PRC. Prior to that, the Board of Directors has designated Mr. Sun Xiongpeng, a director and vice president of the Bank to act as the Secretary to the Board of Directors.

Mr. Zhang Min (張旻) has been a vice president of the Bank since February 2023. Mr. Zhang previously served as a vice bank president in Yiwu Outlet of the Bank, a general manager in the interbank business department of the Bank, an assistant to the bank president in Hangzhou Branch of the Bank, a vice bank president in Ningbo Branch of the Bank and the bank president of Ningde, Chongqing and Hangzhou Branch of the Bank, Mr. Zhang currently is a member of the Party Committee of the Bank. Mr. Zhang holds a master's degree.

Mr. Zhang Ting (張霆) has been a vice president of the Bank since February 2023. Mr. Zhang previously served as the president of Gulou Outlet of the Bank, the director of Yangqiao Sub-Division of the Bank and the president and Secretary of Party Committee of Longyan, Quanzhou, Jinan and Beijing Branch of the Bank. Mr. Zhang is currently a member of the Party Committee of the Bank. Mr. Zhang holds a master's degree and is a senior economist.

Mr. Zeng Xiaoyang (曾曉陽) has been a vice president of the Bank since October 2023. Mr. Zeng previously served as a vice president of Quanzhou Branch of the Bank, the president of Longyan and Wuhan Branch of the Bank, the general manager of the corporate financial management department of the Bank and the chief director of corporate financial credit business of the Bank. Mr. Zeng currently is a member of the Party Committee of the Bank. Mr. Zhang holds a master's degree and is a senior economist.

Mr. Xia Weichun (夏維淳) was elected to be a secretary to the Board of Directors in the meeting of the board of directors in March 2024, and will officially assume duties after receiving the requisite approval from the National Financial Regulatory Administration of the PRC. Mr. Xia previously served as a business manager in Fujian Cereals, Oils & Foodstuffs Import & Export Group Cp., Ltd. (福建省糧油食品進出口（集團）公司), a secretary in the General Affairs Office of Fujian Government (福建省政府辦公廳), an assistant to the general manager in the Office of the Bank, the president of Ningde Branch, Shijiazhuang Branch, Hong Kong and Shanghai Branch of the Bank. Mr. Xia holds a master's degree.

The business address of the above directors, supervisors and senior management is Industrial Bank Building, No. 398 Jiangbin Middle Avenue, Taijiang District, Fuzhou City, Fujian Province, PRC.

CORPORATE GOVERNANCE

The Bank has established and implemented an effective corporate governance structure. It has set up five committees: the Strategic Planning and ESG Committee, the Risk Management and Consumer Rights Protection Committee, the Auditing and Related Party Transaction Supervision Committee, the Nomination Committee and the Remuneration and Evaluation Committee. The primary duties of these five committees are set forth as follows:

- The Strategic Planning and ESG Committee actively assists the board of directors in developing strategic plans, adjusting business plans and enhancing the management of capital of the Bank. The Committee is also responsible for conducting internal investigations and ensuring the Bank's compliance with the relevant rules and regulatory guidelines. In addition, the Committee aims to enhance the quality and efficiency of ESG management, promote ESG rating, explore ESG product innovation, and enhance ESG capacity to serve the Bank's strategic objectives and sustainable business development.

- The Risk Management and Consumer Rights Protection Committee is responsible for analysing the risks of the Bank in its daily business operation, evaluating the Bank's practices of risk management and consumer rights protection and minimising any recognised risks involved.

- The Auditing and Related Party Transaction Supervision Committee is responsible for checking audit documents and reports and evaluating the external financial environment.

- The Nomination Committee is responsible for nominating qualified and appropriate persons as directors to ensure the quality of the directors, supervisors and senior management of the Bank; and

- The Remuneration and Evaluation Committee is responsible for evaluating the performance of the board of directors and the senior management for the Bank's development.

BANKING REGULATION AND SUPERVISION IN THE PRC

OVERVIEW

The banking industry in the PRC is highly regulated. The principal regulatory authorities in the PRC banking industry include the NFRA and the PBOC. The NFRA is responsible for supervising and regulating banking institutions, and the PBOC, as the central bank of the PRC, is responsible for formulating and implementing monetary policies. The principal laws and regulations relating to the PRC banking industry are *the People's Bank of China Law of the People's Republic of China* (中華人民共和國中國人民銀行法), *the Commercial Banking Law of the People's Republic of China* (中華人民共和國商業銀行法) and *the Banking Supervision and Regulatory Law of the People's Republic of China* (中華人民共和國銀行業監督管理法), and the rules and regulations established thereunder.

NFRA

Pursuant to the Plan for the Institution Reform of the State Council issued by the Central Committee of the Communist Party of China (the "**CPC Central Committee**") on 10 March 2023, NFRA was established on 18 May 2023, building on the foundation of the CBIRC. With the formation of the NFRA, CBIRC is no longer retained. NFRA undertakes daily regulatory responsibilities of the PBOC for financial holding companies and other financial groups, as well as the responsibilities for consumer protection in the financial sector, and the investor protection responsibilities of the CSRC will also be transferred to the NFRA. The proposed reform is expected to be completed before the end of 2023 at the central government level. On 18 May 2023, NFRA was officially established.

Functions and Powers

The NFRA is the principal regulatory authority in the PRC responsible for the supervision and regulation of banking institutions operating within the PRC, including commercial banks, urban credit co-operatives, rural credit co-operatives, other deposit-taking financial institutions and policy banks, as well as certain non-bank financial institutions, such as asset management companies, trust and investment companies, finance companies, financial leasing companies and other financial institutions. The CBIRC is also responsible for the supervision and regulation of the entities established by domestic financial institutions outside the PRC and the overseas operations of such institutions. According to the *Banking Supervision and Regulatory Law of the People's Republic of China* (中華人民共和國銀行業監督管理法) and relevant regulations, the CBIRC's primary regulatory responsibilities include:

The NFRA is responsible for implementing the policies and decisions of the CPC Central Committee on financial work. The main responsibilities are:

- To conduct unified supervision and regulation of the financial industry except the securities sector in accordance with laws and regulations, strengthen institutional supervision, conduct supervision, functional supervision, look-through supervision and on-going supervision, and ensure the lawful and stable operation of the financial industry.

- To carry out systematic research on issues concerning the reform and opening up as well as effective supervision of the financial industry. To participate in the formulation of strategic plans for reform and development of the financial industry. To draft relevant laws and regulations on banking, insurance and financial holding companies, and put forward recommendations for their formulation and revision. To formulate relevant rules and regulations for banking institutions, insurance institutions, and financial holding companies, etc.

- To conduct and coordinate work concerning the protection of financial consumers' rights and interests. To formulate development planning, establish a sound system and study major issues concerning the protection of financial consumers' rights and interests, to carry out financial consumer education, and build complaint handling mechanisms as well as diversified dispute resolution mechanisms for financial consumers.

- To conduct authorization of banking institutions, insurance institutions, financial holding companies and others in accordance with law, and carry out supervision and regulation of these institutions in respect of their corporate governance, risk management, internal controls, capital adequacy, solvency, business operations, information disclosure, etc.

- To conduct on-site examination and off-site surveillance of banking institutions, insurance institutions, financial holding companies and others, in accordance with law. To carry out risk and compliance assessment of these institutions, investigate and impose administrative penalties over violations.

- To prepare regulatory data statements of banking institutions, insurance institutions, financial holding companies and others on a consolidated basis, and release these information in accordance with relevant provisions. To fulfill the responsibilities concerning comprehensive statistics of the financial industry.

- To carry out technology supervision of banking institutions, insurance institutions, financial holding companies, etc. To establish technology supervisory systems and formulate relevant policies. To build a regulatory big data platform, carry out risk monitoring, analysis, assessment and early warning, and make full use of technological means to strengthen supervision and prevent risks.

- To conduct look-through supervision of the banking institutions, insurance institutions, financial holding companies, etc. To formulate rules on equity supervision, and review and approve shareholders, actual controllers as well as equity changes in accordance with law. To carry out investigation on shareholders, actual controllers, persons acting in concert and ultimate beneficiaries according to law, and take relevant measures or impose penalties on violations of laws and regulations.

- To set up financial inspection and oversight systems outside of the fields of currency, payment, credit reporting, anti-money laundering, foreign exchange, securities and futures. To set up mechanisms connecting the administrative law enforcement with criminal justice, and investigate, collect evidence on and deal with related subjects of violations or illegal financial activities, and transfer those suspected of committing a crime to judicial organs.

- To establish recovery and resolution mechanisms of banking institutions, insurance institutions, financial holding companies, etc. To study and put forward recommendations on the recovery and resolution of financial institutions in collaboration with relevant departments and organise their implementation.

- To take the lead in cracking down on illegal financial activities, organise the establishment of monitoring and early warning system on illegal financial activities, coordinate, guide and urge relevant departments and local governments to carry out work to prevent and deal with illegal financial activities according to law. To study and put forward relevant suggestions on cross-sector and cross-region illegal financial activities and those involving new products and new types of business, and organise their implementation as required.

- To establish a local financial supervision system as required which is mainly based on local offices directly under the central financial authorities. To guide and oversee the local financial supervisory work, and guide and coordinate local governments to fulfill their respective jurisdictional responsibility in resolving related financial risks.

- To supervise the outsourcing of information technology, as well as other cooperating activities of banking institutions, insurance institutions, financial holding companies and other supervised entities with information technology service agencies and other intermediaries. To conduct investigation over violations of laws and regulations in accordance with law, and take relevant measures against financial institutions.

- To participate in the regulatory and rule-making work of international financial organizations and international regulatory standard-setting bodies. To carry out overseas exchanges and international cooperation work.

To implement other tasks assigned by the CPC Central Committee and the State Council.

Supervision over Capital Adequacy

In February 2004, the CBIRC (the predecessor of the NFRA) issued the Capital Adequacy Measures applicable to all commercial banks in the PRC. The Capital Adequacy Measures provided for a phase-in period whereby all domestic banks must have met the minimum ratios of capital adequacy by 1 January 2007.

On 3 July 2007, the CBIRC issued an amendment to the Capital Adequacy Measures to set forth new and more stringent capital adequacy guidelines that must be complied with from 3 July 2007 onwards.

On 7 June 2012, the CBIRC announced the Capital Management Rules to replace the Capital Adequacy Measures, setting up a new capital adequacy regulatory system by reference to Basel III to replace the Capital Adequacy Measures. The Capital Management Rules have been in effect since 1 January 2013. In particular, the Capital Management Rules establish a unified and comprehensive capital adequacy regulatory system, redefine the meaning of capital, enlarge the scope of risks to be covered by capital, require the scientific classification and differentiated supervision of the capital adequacy levels of commercial banks and give commercial banks a transitional period for meeting the new capital adequacy requirements.

Under the Capital Management Rules, capital adequacy ratios are calculated according to the following formulae in accordance with CBIRC requirements:

$$\text{Capital Adequacy Ratio} = \frac{\text{Total capital} - \text{corresponding capital deductions}}{\text{Risk-weighted assets}} \times 100\%$$

$$\text{Tier 1 Capital Adequacy Ratio} = \frac{\text{Tier 1 Capital} - \text{corresponding capital deductions}}{\text{Risk-weighted assets}} \times 100\%$$

$$\text{Core Tier 1 Capital Adequacy Ratio} = \frac{\text{Core Tier 1 Capital} - \text{corresponding capital deductions}}{\text{Risk-weighted assets}} \times 100\%$$

Total Capital includes Core Tier 1 Capital, Additional Tier 1 Capital and Tier 2 capital. Tier 1 Capital includes both Core Tier 1 Capital and Additional Tier 1 Capital. Core Tier 1 Capital includes paid-in capital or common shares, capital reserve, surplus reserve, general reserve, retained earnings and applicable portions of minority shareholders' capital that may be included.

Further details regarding the basis of such calculations pursuant to the Capital Management Rules can be obtained from the official website of the CBIRC. The contents of the official website of CBIRC do not form a part of this Offering Circular.

On 29 November 2012, the CBIRC released *The Guiding Opinions on Capital Instrument Innovation of Commercial Banks* (中國銀監會關於商業銀行資本工具創新的指導意見) (the "**Guiding Opinions**"), allowing and encouraging commercial banks to develop capital instruments (including Tier 2 capital instruments) that comply with the Capital Management Rules. Pursuant to the Guiding Opinions, Additional Tier 1 Capital instruments and Tier 2 capital instruments issued by a commercial bank after 1 January 2013 must contain a provision that requires such instruments to be either written off or converted into common stock upon the occurrence of a triggering event. A triggering event for Additional Tier 1 Capital instruments occurs when the Core Tier 1 Capital Adequacy Ratio of the commercial bank falls to 5.125 per cent. or below. A triggering event for Tier 2 capital instruments occurs upon the earlier of: (i) a decision of write-down or share conversion, without which the commercial bank would become non-viable, as determined by the CBIRC; or (ii) a decision to make a public sector injection of capital or equivalent support, without which the commercial bank would have become nonviable, as determined by relevant authorities.

On 22 November 2019, the CBIRC issued *The Circular of the CBIRC on Issuing the Guiding Opinions on the Innovation of Capital Instruments of Commercial Banks (Revised)* (中國銀保監會關於印發〈關於商業銀行資本工具創新的指導意見(修訂)〉的通知), which provides that additional tier 1 capital instruments and tier 2 capital instruments issued by commercial banks shall conform to the relevant provisions of the Capital Management Rules and meet the relevant standards set forth in the Guiding Opinions in the ways agreed in specific contracts. Moreover, commercial banks shall submit their schemes for capital instrument issuance to the CBIRC or its local offices, which will confirm the nature of the capital instruments to be issued and perform the examination and approval procedures in accordance with pertinent laws and regulations.

Currently, the CBIRC is actively pushing forward the implementation of Basel III, the revised Based Capital Accord promulgated in December 2010. In April 2011, the CBIRC promulgated the Guideline Concerning the Implementation of New Regulatory Standards for the PRC Banking Industry (關於中國銀行業實施新監管標準的指導意見) to clarify the direction for future regulations and the requirement for prudent regulatory requirements. On 7 June 2012, the CBIRC promulgated the Capital Management Rules, which came into effect on 1 January 2013. The Capital Management Rules clarified and refined the categorisations and methods of measurement in respect of the capital instruments of commercial banks. According to the Capital Management Rules, the regulatory requirements on the capital adequacy ratio of commercial banks shall cover the requirements on the minimum capital, reserve capital and counter-cyclical capital, additional capital for systematically important banks, as well as second pillar capital, which shall be reached by commercial banks by the end of 2018. In order to smoothly implement the Capital Management Rules, on 30 November 2012, the CBIRC promulgated the *Notice of Transitional Arrangement for the Implementation the Measures on Capital Management of Commercial Banks (Trial)* (中國銀監會關於實施《商業銀行資本管理辦法(試行)》過渡期安排相關事項的通知) (the "**Notice of Transitional Arrangement**"), pursuant to which commercial banks shall reach the minimum capital requirement by 1 January 2013. Within the transitional period for reaching required targets, the Capital Management Rules and the Notice of Transitional Arrangement require commercial banks to formulate and implement feasible plans for reaching capital adequacy ratio targets step by step, and submit the same to the CBIRC for approval.

On 26 October 2023, NFRA promulgated the Rules Governing Capital Management of Commercial Banks (商業銀行資本管理辦法) (the "**New Capital Management Rules**"), which became effective on 1 January 2024. According to the New Capital Management Rules, the minimum capital adequacy ratio, tier-1 capital adequacy ratio and core tier-1 capital adequacy ratio for commercial banks are eight per cent., six per cent. and five per cent., respectively. A commercial bank is also subject to the capital conservation buffer over and above the minimum capital requirement at 2.5 per cent. of total risk weighted assets of the bank comprised of core tier-1 capital, and under certain circumstances, a countercyclical buffer is required and the specific requirement of the countercyclical buffer shall be separately stipulated by the PBOC in conjunction with the NFRA. In addition, if a commercial bank is designated as a domestic systematically important commercial bank by the CBIRC (now the NFRA), such domestic systematically important bank is required to maintain a further capital surcharge above prevailing core tier-1 capital requirements as separately stipulated by the PBOC in conjunction with the NFRA.

Examination and Supervision

The NFRA monitors the operations of banks and their branches through on-site examinations and off-site surveillance. On-site examinations generally include inspecting a bank's business premises, interviewing its employees, senior management and directors for an explanation of significant issues relating to its operations and risk management and reviewing relevant documents and materials kept by the bank. The NFRA also conducts off-site surveillance by reviewing financial and other reports regularly submitted by banks and monitoring banks' business activities and risk exposure status to evaluate and analyse the operational risk of the banks.

If a banking institution is not in compliance with an applicable banking regulation, the NFRA is authorised to impose corrective and punitive measures, including imposing fines, ordering the suspension of certain business activities, imposing restrictions on dividends and other forms of distributions and asset transfers and suspending the opening of new branches. In extreme cases or when a commercial bank fails to take corrective action within the time period specified by the NFRA, the NFRA may order the banking institution to suspend operations and may revoke its operating-business licence. In the event of a crisis or failure within a banking institution, the NFRA may assume control over, or facilitate the restructuring of, such banking institution.

Since its establishment as the primary banking industry regulator assuming the majority of the bank regulatory functions from the PBOC in 2003, the CBIRC has promulgated a series of banking regulations and guidelines. For instance, in March 2011, the CBIRC, the PBOC and the NDRC jointly issued a notice stipulating the cancellation of 34 service fees classified under 11 categories of domestic commercial banks effective from 1 July 2011. In February 2014, the NDRC and the CBIRC jointly issued the *Measures for the Administration of the Service Prices of Commercial Banks* (the "**Measure**"). According to the Measure, the prices of basic banking services that are widely used by clients and have significant influence on China's economic development shall be subject to the guidance or determination of the government. The NDRC and the CBIRC also jointly issued the *Circular on Printing and Distributing the Catalogue of Government-guided and Government-determined Prices for Services Provided by Commercial Banks* (the "**Catalogue**"). According to the Catalogue, the prices of the basic financial services provided by commercial banks for bank clients shall be subject to the government guided-prices and government pricing. Such basic financial services include parts of commercial banks' service items, such as wire transfer, remittance by cash, encashment and bills, and specific charge items and charging standards. On 27 September 2016, the CBIRC issued the *Banking Institutions Overall Risk Management Guidelines* (the "**Guidelines**"), which aimed to enhance overall risk management of PRC commercial banks. On 8 February 2021, the CBIRC issued the *Measures for the Administration of Reputational Risk of Banking and Insurance Institutions (Trial)* (銀行保險機構聲譽風險管理辦法(試行)), in order to improve the reputational risk management of banking and insurance institutions, effectively prevent and resolve reputational risk, and maintain financial stability and market confidence. On 23 March 2021, the *Measures for the Liabilities Quality Management of Commercial Banks* (商業銀行負債質量管理辦法) formulated by the CBIRC aimed to prompt commercial banks to improve the management of liabilities and safeguard the safe and sound operation of the banking system.

PBOC

As the central bank of the PRC, the PBOC is responsible for formulating and implementing monetary policies and maintaining the stability of the PRC financial markets. According to the *People's Bank of China Law of the People's Republic of China* (中華人民共和國中國人民銀行法) and relevant regulations, the PBOC is empowered to:

- issue and implement orders and regulations in relation to its duties;
- formulate and implement monetary policy in accordance with laws;
- issue Renminbi and administer its circulation;
- regulate the inter-bank money market and the inter-bank bond market;
- implement foreign exchange controls and regulate the inter-bank foreign exchange market;
- regulate the gold market;
- hold, administer and manage state reserves of foreign exchange and gold;
- manage the national treasury;
- safeguard the normal operation of payment and clearing systems;

- guide and co-ordinate the financial industry in its anti-money laundering activities and take responsibility for monitoring capital in respect of anti-money laundering;
- take responsibility for financial industry statistics, surveys, analyses and forecasts;
- participate in international financial activities in its capacity as the central bank of the PRC; and
- undertake other duties as prescribed by the State Council.

On 15 August 2013, the State Council issued the *Reply of the State Council on the Establishment of the Interdepartmental Co-ordination Joint Meeting System for Financial Supervision* (國務院關於同意建立金融監管協調部際聯席會議制度的批覆), which aims to build up such system. The PBOC shall take the lead at the joint meetings, with the CBIRC, the CSRC, the CIRC and the SAFE being the major members. The NDRC and the MOF may be invited to attend the joint meetings, if necessary.

Interest Rates

Under existing PBOC regulations, commercial banks in China cannot set interest rates above 150 per cent. of the relevant PBOC benchmark rate for Renminbi-denominated deposits. There used to be restrictions with respect to the lower limit of the interest rates for Renminbi-denominated deposits. However, the PBOC promulgated the Notice on Further Promoting the Market-oriented Reform of Interest Rates on 19 July 2013, eliminating such restriction on Renminbi-denominated loans, other than home mortgage loans. On 24 October 2015, the PBOC announced that it would no longer set a floating ceiling deposit interest rate for commercial banks, signifying the further liberalisation of controls on interest rates. In August 2019, the PBOC announced the reform of the mechanism used to establish the loan prime rate ("**LPR**"). The new LPR quotations will be published on a monthly basis based on rates of open market operations, primarily the PBOC's medium term lending facility. According to the PBOC, commercial banks must set interest rates on new loans by mainly referring to the LPR and use LPR as the benchmark for setting floating loan interest rates.

Furthermore, as a crucial step for liberalising interest rates in China, the Deposit Insurance Regulation was published on 17 February 2015 and came into effect on 1 May 2015. Under the Deposit Insurance Regulation, deposit insurance is subject to a certain reimbursement limit, with the maximum reimbursement limit set at RMB500,000. Where a depositor's total principal and interest in all insured deposit accounts at the same insured institution, calculated on a consolidated basis, is within the maximum reimbursement limit, such total amount will be reimbursed in full. Banks are required to pay premiums for the deposit insurance program, which may increase its operating costs and adversely affect its financial condition and results of operations.

NDRC

On 14 September 2015, the NDRC published the *Notice on Promoting the Reform of the Filing and Registration System for Issuance of Foreign Debt by Corporates* (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知) (the "**Circular 2044**"), which came into effect on the same date. The Circular 2044 applies to the offshore bonds/loans with a maturity of more than one year, regardless of whether they are denominated in RMB or a foreign currency, that are issued by an onshore entity or its controlled offshore branches and subsidiaries, including international bond issuances and medium and long-term international commercial loans.

On 5 January 2023, the NDRC published the Administrative Measures for the Examination and Registration of Medium- and Long-Term Foreign Debts of Enterprises (企業中長期外債審核登記管理辦法), which came into effect on 10 February 2023 and repealed the Circular 2044 on the same date.

The NDRC Administrative Measures abolished the approval requirement for offshore bond/loan issues, and replaced it with a pre-issuance/incurrence registration and post-issuance/incurrence registration system for "foreign debt", i.e. the issuer shall file with NDRC and obtain the Certificate of Examination and Registration of Foreign Debts Borrowed by Enterprises (企業發行外債審核登記證明) prior to the issuance of the offshore bond/loan, and report the issuance information to NDRC within 10 business days after the closing of the issuance.

As new regulations, the NDRC Administrative Measures will be subject to interpretation and application by the relevant PRC authorities, and it remains unclear what impact non-compliance will have on the legality, enforceability and validity of the relevant Tranche of the Notes.

As the Issuer is an offshore controlled branch of Industrial Bank Co., Ltd., the Issuer has undertaken in the Amended and Restated Dealer Agreement to file with NDRC and obtain the Certificate of Examination and Registration of Foreign Debts Borrowed by Enterprise prior to the issuance of each Tranche of the Notes, and report the issuance information to NDRC within 10 business days after the closing of the issuance of each Tranche of the Notes.

TAXATION

The following summary of certain PRC, Hong Kong, the United States and European Union tax consequences of the purchase, ownership and disposal of the Notes is based upon applicable laws, regulations, rulings and decisions in effect as at the date of this Offering Circular, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Neither these statements nor any other statements in this Offering Circular are to be regarded as advice on the tax position of any holder of the Notes or any persons acquiring, selling or otherwise dealing in the Notes or on any tax implications arising from the acquisition, sale or other dealings in respect of the Notes. Persons considering the purchase of the Notes should consult their own tax advisers concerning the possible tax consequences of buying, holding or selling any Notes under the laws of their country of citizenship, residence or domicile.

PRC Taxation

The following summary describes the principal PRC tax consequences of ownership of the Notes by beneficial owners who, or which, are not residents of mainland China for PRC tax purposes. These beneficial owners are referred to as non-PRC Noteholders in this section. In considering whether to invest in the Notes, potential purchasers should consult their individual tax advisers with regard to the application of PRC tax laws to their particular situations as well as any tax consequences arising under the laws of any other tax jurisdiction. Reference is made to PRC taxes from the taxable year beginning on or after 1 January 2008.

Pursuant to the New Enterprise Income Tax Law and its implementation regulations, enterprises established within the PRC and enterprises that are established under laws of foreign countries and regions (including Hong Kong, Macau and Taiwan) but whose "de facto management bodies" are within the territory of the PRC shall be PRC tax resident enterprises for the purpose of the New Enterprise Income Tax Law and they shall pay enterprise income tax at the rate of 25 per cent. in respect of their income sourced from both within and outside the PRC. If relevant PRC tax authorities decide, in accordance with applicable tax rules and regulations, that the "de facto management body" of the Issuer is within the territory of the PRC, the Issuer may be held to be a PRC tax resident enterprise for the purpose of the New Enterprise Income Tax Law and be subject to enterprise income tax at the rate of 25 per cent. for its income sourced from both within and outside PRC.

However, there is no assurance that the Issuer established under the laws of foreign countries and regions will not be treated as a PRC tax resident enterprise under the New Enterprise Income Tax Law and related implementation regulations in the future. If such Issuer is treated as a PRC tax resident enterprise, the interest payable by such Issuer may be considered as income sourced inside the PRC. Pursuant to the New Enterprise Income Tax Law and its implementation regulations, any non-resident enterprise without establishment within the PRC or its income has no actual connection to its establishment inside the PRC may be subject to enterprise income tax at the rate of 10 per cent. on the passive incomes including interest payable sourced inside the PRC unless a lower tax treaty rate applies. Similarly, pursuant to the PRC Individual Income Tax Law, any non-resident individual Noteholders may be subject to individual income tax at the rate of 20 per cent. on the interest payable, which may be further decreased by an applicable tax treaty. Such income tax shall be withheld at source by the PRC entity making payment, who shall be obliged to withhold the tax amount from each payment or payment due. Accordingly, in the event the Issuer is or is deemed to be a PRC tax resident enterprise by the PRC tax authorities in the future, such Issuer shall withhold income tax from the payments of interest in respect of the Notes for any non-PRC enterprise and individual Noteholders. However, notwithstanding the potential withholding of PRC tax by the Issuer, the Issuer has agreed to pay additional amounts to holders of the Notes so that holders of the Notes would receive the full amount of the scheduled payment, as further set out in the Terms and Conditions of the Notes.

Non-PRC Noteholders will not be subject to the PRC tax on any capital gains derived from a sale or exchange of Notes consummated outside mainland China between non-PRC Noteholders, except however, if the Issuer is treated as a PRC tax resident enterprise under the New Enterprise Income Tax Law and related implementation regulations in the future, any gain realised by the non-PRC enterprise Noteholders from the transfer of the Notes may be regarded as being derived from sources within the PRC and accordingly would be subject to up to 10 per cent. of PRC withholding tax unless decreased or exempted by an applicable tax treaty. Further, non-PRC individual Noteholders may be subject to individual income tax at the rate of 20 per cent. on the capital gains, which may be decreased or exempted by an applicable tax treaty.

On 23 March 2016, the Ministry of Finance and the State Administration of Taxation issued the "*Notice of Taxation on Full Launch of the Pilot Scheme on Levying Value-added Tax in Place of Business Tax*" (財政部、國家稅務總局關於全面推開營業稅改徵增值稅試點的通知) (the "**Circular 36**"), which introduced a new VAT from 1 May 2016. Under Circular 36, VAT is applicable where the entities or individuals provide services within the PRC. The operating income generated from the provision of taxable sale of services by entities and individuals, such as financial services, shall be subject to PRC VAT if the seller or buyer of the services is within PRC. In the event that foreign entities or individuals do not have a business establishment in the PRC, the purchaser of services shall act as the withholding agent. According to the Explanatory Notes to Sale of Services, Intangible Assets and Real Property attached to Circular 36, financial services refer to the business activities of financial and insurance operation, including loan processing services, financial services of direct charges, insurance services and the transfer of financial instruments, and the VAT rate is 6 per cent. Accordingly, if the issuer is established within the PRC, the interest and other interest like earnings received by a non-PRC resident Noteholder from the Issuer will be subject to PRC VAT at the rate of 6 per cent. Such Issuer will be obligated to withhold VAT of 6 per cent and certain surcharges on VAT for payments of interest and certain other amounts on the Notes paid by the Issuer to Noteholders that are non-resident enterprises or individuals. And as the withholding agent, such Issuer shall calculate the withholding tax according to the following formula: withholding tax = price paid by the purchaser ÷ (1 + tax rate) × tax rate. However, there is uncertainty as to whether gains derived from a sale or exchange of Notes consummated outside of the PRC between non-PRC resident Noteholders will be subject to PRC VAT. VAT is unlikely to be applicable to any transfer of Notes between entities or individuals located outside of the PRC and therefore unlikely to be applicable to gains realised upon such transfers of Notes, Circular 36 together with other laws and regulations pertaining to VAT are relatively new, the interpretation and enforcement of such laws and regulations involve uncertainties.

No PRC stamp duty will be chargeable upon the issue or transfer (for so long as the register of Noteholders is maintained outside the PRC) of a Note.

Hong Kong

Withholding Tax

No withholding tax is payable in Hong Kong in respect of payments of principal or interest on the Notes or in respect of any capital gains arising from the sale of the Notes.

Profits Tax

Hong Kong profits tax is chargeable on every person carrying on a trade, profession or business in Hong Kong in respect of profits arising in or derived from Hong Kong from such trade, profession or business (excluding profits arising from the sale of capital assets).

Interest on the Notes may be deemed to be profits arising in or derived from Hong Kong from a trade, profession or business carried on in Hong Kong in the following circumstances:

(a) interest on the Notes is derived from Hong Kong and is received by or accrues to a corporation carrying on a trade, profession or business in Hong Kong;

(b) interest on the Notes is derived from Hong Kong and is received by or accrues to a person, other than a corporation carrying on a trade, profession or business in Hong Kong and is in respect of the funds of that trade, profession or business;

(c) interest on the Notes is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance (Cap. 112) of Hong Kong (the "**IRO**")) and arises through or from the carrying on by the financial institution of its business in Hong Kong; or

(d) interest on the Notes is received by or accrues to a corporation, other than a financial institution, and arises through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO).

Pursuant to the Exemption from Profits Tax (Interest Income) Order, interest income accruing to a person other than a financial institution, on deposits (denominated in any currency and whether or not the deposit is evidenced by a certificate of deposit) placed with, inter alia, an authorised institution in Hong Kong (within the meaning of section 2 of the Banking Ordinance (Cap. 155) of Hong Kong) is exempt from the payment of Hong Kong profits tax. This exemption does not apply, however, to deposits that are used to secure or guarantee money borrowed in certain circumstances. Based on the definition of "deposit" in the Banking Ordinance (Cap. 155) of Hong Kong and provided no prospectus involving the issue of the Notes is registered under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong, the issue of the Notes by the Bank is likely to constitute a deposit to which the above exemption from payment will apply.

Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the financial institution of its business in Hong Kong from the sale, disposal or redemption of Notes will be subject to Hong Kong profits tax. Sums received by or accrued to a corporation, other than a financial institution, by way of gains or profits arising through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO) from the sale, disposal or other redemption of Notes will be subject to Hong Kong profits tax.

Sums derived from the sale, disposal or redemption of Notes will be subject to Hong Kong profits tax where received by or accrued to a person other than a financial institution, who carries on a trade, profession or business in Hong Kong and the sum has a Hong Kong source unless otherwise exempted. The source of such sums will generally be determined by having regard to the manner in which the Notes are acquired and disposed of.

In addition, the Inland Revenue (Amendment) (Taxation on Specified Foreign-sourced Income) Ordinance 2022 of Hong Kong (the "**Amendment Ordinance**") came into effect on 1 January 2023. Under the Amendment Ordinance, certain foreign-sourced interest on the Notes accrued to an MNE entity (as defined in the Amendment Ordinance) carrying on a trade, profession or business in Hong Kong is regarded as arising in or derived from Hong Kong and subject to Hong Kong profits tax when it is received in Hong Kong. The Amendment Ordinance also provides for relief against double taxation in respect of certain foreign-sourced income and transitional matters.

In certain circumstances, Hong Kong profits tax exemptions (such as concessionary tax rates) may be available. Investors are advised to consult their own tax advisors to ascertain the applicability of any exemptions to their individual position.

Stamp duty

Stamp duty will not be payable on the issue of Bearer Notes, provided that either:

(a) such Bearer Notes are denominated in a currency other than the currency of Hong Kong and are not repayable in any circumstances in the currency of Hong Kong; or

(b) such Bearer Notes constitute loan capital (as defined in the Stamp Duty Ordinance (Cap. 117) of Hong Kong (the "**SDO**")).

If stamp duty is payable it is payable by the Bank on the issue of Bearer Notes at a rate of 3.0 per cent. of the market value of the Bearer Notes at the time of issue.

No stamp duty will be payable on any subsequent transfer of Bearer Notes. No stamp duty is payable on the issue of Registered Notes.

Stamp duty may be payable on any transfer of Registered Notes if the relevant transfer is required to be registered in Hong Kong. Stamp duty will, however, not be payable on any transfer of Registered Notes provided that either:

(a) such Registered Notes are denominated in a currency other than the currency of Hong Kong and are not repayable in any circumstances in the currency of Hong Kong; or

(b) such Registered Notes constitute loan capital (as defined in the SDO).

With effect from 17 November 2023, ff stamp duty applies to the transfer of Registered Notes required to be registered in Hong Kong and which are not otherwise exempt it will be payable at the rate of 0.2 per cent. (of which 0.1 per cent. is payable by the seller and 0.1 per cent. is payable by the purchaser) normally by reference to the consideration or its value, whichever is higher. In addition, stamp duty is payable at the fixed rate of HK$5.00 on each instrument of transfer executed in relation to any transfer of the Registered Notes if the relevant transfer is required to be registered in Hong Kong.

FATCA WITHHOLDING

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting or related requirements. The Issuer may be a foreign financial institution for these purposes. A number of jurisdictions (including Hong Kong and the PRC) have entered into, or have agreed in substance to, intergovernmental agreements with the U.S. to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would not apply prior to the date that is two years after the date on which final regulations defining foreign passthru payments are published in the U.S. Federal Register, and Notes characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining "foreign passthru payments" are filed with the U.S. Federal Register generally would be grandfathered for purposes of FATCA withholding unless materially modified after such date (including by reason of a substitution of the Issuer). However, if additional notes (as described under "*Terms and Conditions of the Notes — Further Issues*") that are not distinguishable from previously issued Notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Notes, including the Notes offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Holders should consult their own tax advisers regarding how these rules may apply to their investment in the Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding.

PRC CURRENCY CONTROLS

Remittance of Renminbi into and outside the PRC

The Renminbi is not a freely convertible currency. The remittance of Renminbi into and outside the PRC is subject to controls imposed under PRC law.

Current Account Items

Under PRC foreign exchange control regulations, current account item payments include payments for imports and exports of goods and services, payments of income and current transfers into and outside the PRC.

Prior to July 2009, all current account items were required to be settled in foreign currencies. On July 2009, the PRC government promulgated *Measures for the Administration of the Pilot Program of Renminbi Settlement of Cross-Border Trades* (跨境貿易人民幣結算試點管理辦法) (the "**Measures**") and its implementation rules, pursuant to which designated and eligible enterprises are allowed to settle their cross-border trade transactions in Renminbi. Since July 2009, subject to the Measures and its implementation rules, the PRC has commenced a scheme pursuant to which Renminbi may be used for settlement of cross-border trade between approved pilot enterprises in five designated cities in the PRC including Shanghai, Guangzhou, Dongguan, Shenzhen and Zhuhai and enterprises in designated offshore jurisdictions including Hong Kong and Macau. On 17 June 2010, the PRC government promulgated the *Circular on Issues concerning the Expansion of the Scope of the Pilot Program of Renminbi Settlement of Cross-Border Trades* (關於擴大跨境貿易人民幣結算試點有關問題的通知), pursuant to which (i) the list of designated pilot districts was expanded to cover 20 provinces including Beijing, Shanghai, Tianjin, Chongqing, Guangdong, Jiangsu, Zhejiang, Liaoning, Shandong and Sichuan, and (ii) the restriction on designated offshore districts was lifted. Accordingly, any enterprises in the designated pilot districts and offshore enterprises are entitled to use Renminbi to settle any current account items between them (except in the case of payments for exports of goods from the PRC, such Renminbi remittance may only be effected by approved pilot enterprises in 16 provinces within the designated pilot districts in the PRC). On 27 July 2011, the PRC government promulgated the *Circular on the Expansion of the Regions of Renminbi Settlement of Cross-Border Trades* (關於擴大跨境貿易人民幣結算地區的通知), pursuant to which the list of designated pilot districts was expanded to the whole country. On 3 February 2012, the PRC government promulgated the *Circular on the Relevant Issues Pertaining to Administration over Enterprises Engaging in RMB Settlement of Export of Goods* (關於出口貨物貿易人民幣結算企業管理有關問題的通知), pursuant to which any enterprises in China which are qualified to engage in import and export trade are allowed to settle their goods export trade in Renminbi.

The Measures and the subsequent circulars will be subject to interpretation and application by the relevant PRC authorities. Local authorities may adopt different practices in applying the Measures and impose conditions for settlement of current account items.

Capital Account Items

Under PRC foreign exchange control regulations, capital account items include cross-border transfers of capital, direct investments, securities investments, derivative products and loans. Capital account payments are generally subject to approval of the relevant PRC authorities.

Capital account items are generally required to be made in foreign currencies. For instance, foreign investors (including any Hong Kong investors) are generally required to make any capital contribution to foreign invested enterprises in a foreign currency in accordance with the terms set out in the relevant joint venture contracts and/or articles of association as approved by the relevant authorities. Foreign invested enterprises or any other relevant PRC parties are also generally required to make capital account item payments including proceeds from liquidation, transfer of shares, reduction of capital and principal repayment under foreign debt to foreign investors in a foreign currency. That said, the relevant PRC authorities may approve a foreign entity to make a capital contribution or shareholder's loan to a foreign invested enterprise with Renminbi lawfully obtained by it outside the PRC and for the foreign invested enterprise to service interest and principal repayment to its foreign investor outside the PRC in Renminbi on a trial basis. The foreign invested enterprise may also be required to complete registration and verification process with the relevant PRC authorities before such Renminbi remittances.

On 3 June 2011, the PBOC promulgated the *Circular on Clarifying Issues Concerning Cross-border Renminbi Settlement* (中國人民銀行關於明確跨境人民幣業務相關問題的通知) (the "**PBOC Circular**"). The PBOC Circular provides instructions to local PBOC authorities on procedures for the approval of settlement activities for non-financial Renminbi FDI into the PRC. The PBOC Circular applies to all non-financial Renminbi FDI into the PRC, and includes investment by way of establishing a new enterprise, acquiring an onshore enterprise, transferring the shares, increasing the registered capital of an existing enterprise, or providing loan facilities in Renminbi. The domestic settlement banks of foreign investors or foreign invested enterprises in the PRC are required to submit written applications to the relevant local PBOC authorities which include, inter alia, requisite approval letters issued by the relevant MOFCOM authorities. The PBOC Circular only applies to cases where the receiving onshore enterprise is not a financial institution. On 13 October 2011, the PBOC issued the *Measures on Administration of the RMB Settlement in relation to Foreign Direct Investment* (外商直接投資人民幣結算業務管理辦法) (the "**PBOC RMB FDI Measures**"), to commence the PBOC's detailed RMB FDI administration system, which covers almost all aspects of RMB FDI, including capital injection, payment of purchase price in the acquisition of PRC domestic enterprises, repatriation of dividends and distribution, as well as RMB denominated cross-border loans. Under the PBOC RMB FDI Measures, special approval for RMB FDI and shareholder loans from the PBOC which was previously required by the PBOC Circular is no longer necessary. On 14 June 2012, the PBOC issued the *Notice on Clarifying the implementation of Settlement of Cross-Border Renminbi Direct Investment* (中國人民銀行關於明確外商直接投資人民幣結算業務操作細則的通知), which provides more detailed rules for cross-border Renminbi direct investments and settlements.

On 3 December 2013, MOFCOM promulgated the *Circular on Issues in relation to Cross-border Renminbi Foreign Direct Investment* (關於跨境人民幣直接投資有關問題的公告) (the "**MOFCOM RMB FDI Circular**"), which has become effective on 1 January 2014, to further facilitate FDI by simplifying and streamlining the applicable regulatory framework. Pursuant to the MOFCOM RMB FDI Circular, the competent counterpart of MOFCOM will grant written approval for each FDI and specify "Renminbi Foreign Direct Investment" and the amount of capital contribution in the approval. Unlike previous MOFCOM regulations on FDI, the MOFCOM RMB FDI Circular removes the approval requirement for changes in the relevant joint venture contract or the articles of association of the joint venture company where foreign investors change the currency of its existing capital contribution from a foreign currency to Renminbi. In addition, the MOFCOM RMB FDI Circular also clearly prohibits the FDI funds from being used for any direct or indirect investment in securities and financial derivatives (except for strategic investment in the PRC listed companies) or for entrustment loans in the PRC.

On 13 February 2015, the SAFE promulgated the *Circular of the State Administration of Foreign Exchange on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies* (國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知) (the "**2015 SAFE Circular**"), which became effective on 1 June 2015. The 2015 SAFE Circular aims to deepen the reform of foreign exchange administration of capital accounts, promote and facilitate the capital operation of enterprises in making cross-border investments, regulate the direct investment-related foreign exchange administration business, improve the administration efficiency. The 2015 SAFE Circular set forth the following reformation: (i) cancel the Administrative Examination and Approval Procedures relating to the Foreign Exchange Registration Approval under Domestic Direct Investment and the Foreign Exchange Registration Approval under Overseas Direct Investment; (ii) cancel the requirements to provide the confirmation, and apply for the registration, of foreign investors' non-monetary contribution and provide the confirmation, and apply for the registration, of foreign investors' contribution to purchasing the equity held by the party incorporated in the PRC under domestic direct investment; (iii) the requirements to provide the confirmation, and apply for the registration, of foreign investors' monetary contribution has been replaced by the requirement to apply for a book-entry registration of domestic direct investment monetary contribution.

On 9 June 2016, the SAFE issued the *Notice on Reforming and Regulating the Policies for the Administration of Settlement of Foreign Exchange under Capital Accounts* (國家外匯管理局關於改革和規範資本專案結匯管理政策的通知), which provided, among others, that the settlement of foreign exchange funds under capital accounts (including the including foreign capital, debt financing and overseas listing repatriation of funds, etc.) that are subject to willingness settlement as already specified by relevant policies may be handled at banks based on the domestic institutions' actual requirements for business operation, and where there are restrictive provisions in any current regulations on the settlement of foreign exchange funds under capital accounts of domestic institutions, these provisions shall prevail.

On 31 December 2020, *Notice of Further Optimising the Cross-border RMB Policies to Support the Stability of Foreign Trade and Foreign Investment* (關於進一步優化跨境人民幣政策支持穩外貿穩外資的通知) was issued by the PBOC, NDRC, SAFE and other departments. The notice aims to further simplify the cross-border RMB settlement process and optimise the management of cross-border RMB investment and financing, facilitate cross-border RMB receipt and payment under individual current accounts and overseas institutions' use of RMB bank current accounts, which became effective on 4 February 2021.

As the MOFCOM RMB FDI Circular, the PBOC RMB FDI Measures and other normative documents mentioned above are relatively new rules, they will be subject to interpretation and application by the relevant PRC authorities.

Further, if any new PRC regulations are promulgated in the future which have the effect of permitting or restricting (as the case may be) the remittance of Renminbi for payment of transactions categorised as capital account items, then such remittances will need to be made subject to the specific requirements or restrictions set out in such rules.

CLEARANCE AND SETTLEMENT

*The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of Euroclear, Clearstream or the CMU (together, the "**Clearing Systems**") currently in effect. The information in this section concerning the Clearing Systems has been obtained from sources that the Bank believes to be reliable, but neither the Bank nor any the Issuer nor any Dealer nor the Arrangers takes any responsibility for the accuracy thereof. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. Neither the Bank nor any other party to the Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Notes held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to, or payments made on account of, such beneficial ownership interests.*

The relevant Pricing Supplement will specify the Clearing System(s) applicable for each Series.

The Clearing Systems

Euroclear and Clearstream

Euroclear and Clearstream each holds securities for participating organisations and facilitates the clearance and settlement of securities transactions between their respective participants through electronic book- entry changes in accounts of such participants. Euroclear and Clearstream provide to their respective participants, among other things, services for safekeeping, administration, clearance and settlement of internationally-traded securities and securities lending and borrowing. Euroclear and Clearstream participants are financial institutions throughout the world, including underwriters, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. Indirect access to Euroclear or Clearstream is also available to others, such as banks, brokers, dealers and trust companies which clear through or maintain a custodial relationship with a Euroclear or Clearstream participant, either directly or indirectly.

Distributions of principal with respect to book-entry interests in the Notes held through Euroclear or Clearstream will be credited, to the extent received by the Paying Agent, to the cash accounts of Euroclear or Clearstream participants in accordance with the relevant system's rules and procedures.

CMU

The CMU is a central depositary service provided by the Central Moneymarkets Unit of the HKMA for the safe custody and electronic trading between the members of this service ("**CMU Members**") of Exchange Fund Bills and Notes Clearing and Settlement Service securities and capital markets instruments (together, "**CMU Instruments**") which are specified in the CMU Reference Manual as capable of being held within the CMU.

The CMU is only available to CMU Instruments issued by a CMU Member or by a person for whom a CMU Member acts as agent for the purposes of lodging instruments issued by such persons. Membership of the CMU is open to all financial institutions regulated by the HKMA, Securities and Futures Commission, Insurance Authority or Mandatory Provident Fund Schemes Authority. For further details on the full range of the CMU's custodial services, please refer to the CMU Reference Manual.

The CMU has an income distribution service which is a service offered by the CMU to facilitate the distribution of interest, coupon or redemption proceeds (collectively, the "**income proceeds**") by CMU Members who are paying agents to the legal title holders of CMU Instruments via the CMU system. Furthermore, the CMU has a corporate action platform which allows an issuer (or its agent) to make an announcement/notification of a corporate action and noteholders to submit the relevant certification. For further details, please refer to the CMU Reference Manual.

An investor holding an interest through an account with either Euroclear or Clearstream, in any Notes held in the CMU will hold that interest through the respective accounts which Euroclear and Clearstream each have with the CMU.

Book-Entry Ownership

Bearer Notes

The Issuer may make applications to Euroclear and/or Clearstream for acceptance in their respective book-entry systems in respect of any Series of Bearer Notes. The Issuer may also apply to have Bearer Notes accepted for clearance through the CMU. In respect of Bearer Notes, a Temporary Global Note and/or a Permanent Global Note will be deposited with a common depositary for Euroclear and Clearstream or a sub-custodian for the CMU. Transfers of interests in a Temporary Global Note or a Permanent Global Note will be made in accordance with the normal market debt securities operating procedures of the CMU, Euroclear and Clearstream.

Registered Notes

The Issuer may make applications to Euroclear and/or Clearstream for acceptance in their respective book-entry systems in respect of the Notes to be represented by a Global Certificate. The Issuer may also apply to have Registered Notes to be represented by a Global Certificate accepted for clearance through the CMU. Each Global Certificate will have an International Securities Identification Number ("**ISIN**") and a Common Code. Investors in Notes of such Series may hold their interests in a Global Certificate through Euroclear, Clearstream or the CMU (if applicable).

Each Global Certificate will be subject to restrictions on transfer contained in a legend appearing on the front of such Global Certificate, as set out under "*Subscription and Sale*".

All Registered Notes will initially be in the form of a Global Certificate. Individual Certificates will be available, in the case of Notes initially represented by a Global Certificate, in amounts specified in the applicable Pricing Supplement.

SUMMARY OF CERTAIN DIFFERENCES BETWEEN PRC GAAP AND IFRS

The Audited Financial Statements of the Bank have been prepared in accordance with the Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC on 15 February 2006, and the Application Guidance for Accounting Standards for Business Enterprises, Interpretations of Accounting Standards for Business Enterprises and other relevant regulations issued thereafter. Other than on the accounting for reversal of impairment provisions taken on accounts of long-term equity investment, investment properties, fixed assets and intangible assets, PRC GAAP has substantively converged with IFRS. Accordingly, there are no other significant differences between the principal accounting policies adopted by the Bank and IFRS.

SUBSCRIPTION AND SALE

Amended and Restated Dealer Agreement

Subject to the terms and on the conditions contained in an amended and restated dealer agreement dated 5 August 2024 (the "**Amended and Restated Dealer Agreement**") between the Bank, the Arrangers and the Permanent Dealers, the Notes will be offered on a continuous basis by the Issuer to the Permanent Dealers. However, the Issuer may sell Notes to additional Dealers appointed by the Bank from time to time that are not Permanent Dealers as at the date of the Amended and Restated Dealer Agreement. The Notes may be resold at prevailing market prices, or at prices related thereto, at the time of such resale, as determined by the relevant Dealer. The Notes may also be sold by an Issuer through the Dealers, acting as agents of the Issuer. The Amended and Restated Dealer Agreement also provides for Notes to be issued in syndicated Tranches that are severally underwritten by two or more Dealers.

The Issuer will pay each relevant Dealer a commission as agreed between them in respect of Notes subscribed by it. The Issuer has agreed to reimburse each Arranger for certain of its expenses incurred in connection with the establishment of the Programme and the Dealers for certain of their activities in connection with the Programme.

The Issuer has agreed to indemnify the Dealers against certain liabilities in connection with the offer and sale of the Notes. The Amended and Restated Dealer Agreement entitles the Dealers to terminate any agreement that they make to subscribe Notes in certain circumstances prior to payment for such Notes being made to the Issuer.

The Arrangers, the Dealers or any of their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities ("**Banking Services or Transactions**") and may have performed certain Banking Services or Transactions for the Bank and/or its affiliates from time to time for which they have received customary fees and expenses and may, from time to time perform various Banking Services and/or Transactions for the Bank and/or its affiliates in the ordinary course of the Issuer's or their business for which they have received and will receive, fees and expenses. The Dealers or certain of their respective affiliates may purchase the Notes and be allocated the Notes for asset management and/or proprietary purposes but not with a view to distribution.

In connection with the offer and sale of the Notes, the Issuer, the Arrangers, the Dealers and/or their respective affiliates may place orders, receive allocations and purchase Notes for their own account (without a view to distributing such Notes) and such orders and/or allocations of the Notes may be material. Such entities may hold or sell such Notes or purchase further Notes for their own account in the secondary market or deal in any other securities of the Issuer, and therefore, they may offer or sell the Notes or other securities otherwise than in connection with the offering. Accordingly, references herein to the Notes being 'offered' should be read as including any offering of the Notes to the Issuer, the Arrangers, the Dealers and/or their respective affiliates for their own account. Such entities are not expected to disclose such transactions or the extent of any such investment, otherwise than in accordance with any legal or regulatory obligation to do so. Furthermore, it is possible that only a limited number of investors may subscribe for a significant proportion of the Notes. If this is the case, liquidity of trading in the Notes may be constrained (see "*Risk Factors — Risks Relating to the Market Generally — Notes issued under the Programme have no current active trading market and may trade at a discount to their initial offering price and/or with limited liquidity*"). The Issuer, the Arrangers and the Dealers are under no obligation to disclose the extent of the distribution of the Notes amongst individual investors.

In the ordinary course of their various business activities, the Arrangers, the Dealers and their respective affiliates make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Issuer, including the Notes, and could adversely affect the trading prices of the

Notes. The Arrangers, the Dealers and their affiliates may make investment recommendations and/or publish or express independent research views (positive or negative) in respect of the Notes or other financial instruments of the Issuer, and may recommend to their clients that they acquire long and/or short positions in the Notes or other financial instruments.

Notice to capital market intermediaries and prospective investors pursuant to paragraph 21 of the Hong Kong SFC Code of Conduct — Important Notice to CMIs (including private banks)

This notice to CMIs (including private banks) is a summary of certain obligations the SFC Code imposes on CMIs, which require the attention and cooperation of other CMIs (including private banks). Certain CMIs may also be acting as OCs for the relevant CMI Offering and are subject to additional requirements under the SFC Code. The application of these obligations will depend on the role(s) undertaken by the relevant Dealer(s) in respect of each CMI Offering.

Prospective investors who are the directors, employees or major shareholders of the relevant Issuer, a CMI or its group companies would be considered under the SFC Code as having an Association with the relevant Issuer, the CMI or the relevant group company. CMIs should specifically disclose whether their investor clients have any Association when submitting orders for the relevant Notes. In addition, private banks should take all reasonable steps to identify whether their investor clients may have any Associations with the relevant Issuer or any CMI (including its group companies) and inform the relevant Dealer(s) accordingly.

CMIs are informed that, unless otherwise notified, the marketing and investor targeting strategy for the relevant CMI Offering includes institutional investors, sovereign wealth funds, pension funds, hedge funds, family offices and high net worth individuals, in each case, subject to the selling restrictions and any MiFID II product governance language or any UK MiFIR product governance language set out elsewhere in this Offering Circular and/or the applicable Pricing Supplement.

CMIs should ensure that orders placed are bona fide, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMIs). CMIs should enquire with their investor clients regarding any orders which appear unusual or irregular. CMIs should disclose the identities of all investors when submitting orders for the relevant Notes (except for omnibus orders where underlying investor information may need to be provided to any OCs when submitting orders). Failure to provide underlying investor information for omnibus orders, where required to do so, may result in that order being rejected. CMIs should not place "X-orders" into the order book.

CMIs should segregate and clearly identify their own proprietary orders (and those of their group companies, including private banks as the case may be) in the order book and book messages.

CMIs (including private banks) should not offer any rebates to prospective investors or pass on any rebates provided by the relevant Issuer. In addition, CMIs (including private banks) should not enter into arrangements which may result in prospective investors paying different prices for the relevant Notes. CMIs are informed that a private bank rebate may be payable as stated above and in the applicable Pricing Supplement, or otherwise notified to prospective investors.

The SFC Code requires that a CMI disclose complete and accurate information in a timely manner on the status of the order book and other relevant information it receives to targeted investors for them to make an informed decision. In order to do this, those Dealer(s) in control of the order book should consider disclosing order book updates to all CMIs.

When placing an order for the relevant Notes, private banks should disclose, at the same time, if such order is placed other than on a "principal" basis (whereby it is deploying its own balance sheet for onward selling to investors). Private banks who do not provide such disclosure are hereby deemed to be placing their order on such a "principal" basis. Otherwise, such order may be considered to be an omnibus order pursuant to the SFC Code. Private banks should be aware that placing an order on a "principal" basis may require the relevant affiliated Manager(s) (if any) to categorise it as a proprietary order and apply the "proprietary orders" requirements of the SFC Code to such order and will result in that private bank not being entitled to, and not being paid, any rebate.

In relation to omnibus orders, when submitting such orders, CMIs (including private banks) that are subject to the SFC Code should disclose underlying investor information in respect of each order constituting the relevant omnibus order (failure to provide such information may result in that order being rejected). Underlying investor information in relation to omnibus orders should consist of:

- The name of each underlying investor;
- A unique identification number for each investor;
- Whether an underlying investor has any "Associations" (as used in the SFC Code);
- Whether any underlying investor order is a "Proprietary Order" (as used in the SFC Code);
- Whether any underlying investor order is a duplicate order.

Underlying investor information in relation to omnibus order should be sent to the Managers named in the relevant Pricing Supplement.

To the extent information being disclosed by CMIs and investors is personal and/or confidential in nature, CMIs (including private banks) agree and warrant: (A) to take appropriate steps to safeguard the transmission of such information to any OCs; and (B) that they have obtained the necessary consents from the underlying investors to disclose such information to any OCs. By submitting an order and providing such information to any OCs, each CMI (including private banks) further warrants that they and the underlying investors have understood and consented to the collection, disclosure, use and transfer of such information by any OCs and/or any other third parties as may be required by the SFC Code, including to the relevant Issuer, relevant regulators and/or any other third parties as may be required by the SFC Code, for the purpose of complying with the SFC Code, during the bookbuilding process for the relevant CMI Offering. CMIs that receive such underlying investor information are reminded that such information should be used only for submitting orders in the relevant CMI Offering. The relevant Dealer(s) may be asked to demonstrate compliance with their obligations under the SFC Code, and may request other CMIs (including private banks) to provide evidence showing compliance with the obligations above (in particular, that the necessary consents have been obtained). In such event, other CMIs (including private banks) are required to provide the relevant Dealer(s) with such evidence within the timeline requested.

Selling Restrictions

General

The distribution of this Offering Circular or any offering material and the offering, sale or delivery of the Notes is restricted by law in certain jurisdictions. Therefore, persons who may come into possession of this Offering Circular or any offering material are advised to consult with their own legal advisers as to what restrictions may be applicable to them and to observe such restrictions. This Offering Circular may not be used for the purpose of an offer or invitation in any circumstances in which such offer or invitation is not authorised.

United States

This paragraph shall apply in respect of any Notes the Pricing Supplement for which specifies that "Regulation S Category 1" applies. The Notes have not been and will not be registered under the Securities Act and the Notes may not be offered or sold within the United States except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the Securities Act. Each Dealer has represented that it has not offered or sold the Notes, and agreed that it will not offer or sell, any Notes constituting part of its allotment in the United States except in accordance with Rule

903 of Regulation S under the Securities Act. Accordingly, neither it, its affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to the Notes. Terms used in this paragraph have the meaning given to them by Regulation S.

This paragraph shall apply in respect of any Notes the Pricing Supplement for which specifies that "Regulation S Category 2" applies. The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S under the Securities Act or pursuant to an exemption from the registration requirements of the Securities Act. Each Dealer has represented and agreed that it has offered and sold, and shall offer and sell, any Series (1) as part of their distribution at any time and (2) otherwise until 40 days after the completion of the distribution of an identifiable tranche of which such Notes are a part, as determined and certified to the Issuer and each relevant Dealer, by the Fiscal Agent or, the Lead Manager, only in accordance with Rule 903 of Regulation S under the Securities Act. Accordingly, neither it, its affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to the Notes, and it and they have complied and shall comply with the offering restrictions requirement of Regulation S. Each Dealer agrees to notify the Fiscal Agent or, in the case of a Syndicated Issue, the Lead Manager when it has completed the distribution of its portion of the Notes of any identifiable tranche so that the Fiscal Agent or, in the case of a Syndicated Issue, the Lead Manager may determine the completion of the distribution of all Notes of that tranche and notify the other relevant Dealers of the end of the distribution compliance period. Each Dealer agrees that, at or prior to confirmation of sale of Notes, it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Notes from it during the distribution compliance period a confirmation or notice to substantially the following effect:

"The Securities covered hereby have not been registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**") and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of an identifiable tranche of Notes of which such Notes are a part, as determined and certified to the Issuer and the relevant Dealers, by the Lead Manager except in either case in accordance with Regulation S under the Securities Act. Terms used above have the meaning given to them by Regulation S under the Securities Act."

Unless the Pricing Supplement or the Subscription Agreement relating to one or more Tranches specifies that the applicable TEFRA exemption is either "C Rules" or "not applicable", each Dealer has represented and agreed in relation to each Tranche of Notes in bearer form:

(i) except to the extent permitted under U.S. Treas. Reg. § 1.163-5(c)(2)(i)(D) (or any successor rules in substantially the same form that are applicable for purposes of Section 4701 of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**")) (the "**D Rules**"):

 (a) it has not offered or sold, and during a 40 day restricted period shall not offer or sell, Notes in bearer form to a person who is within the United States or its possessions or to a United States person; and

 (b) it has not delivered and shall not deliver within the United States or its possessions definitive Notes in bearer form that are sold during the restricted period;

(ii) it has and throughout the restricted period shall have in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling Notes in bearer form are aware that such Notes may not be offered or sold during the restricted period to a person who is within the United States or its possessions or to a United States person, except as permitted by the D Rules;

(iii) if it is a United States person, it is acquiring the Notes in bearer form for purposes of resale in connection with their original issuance and if it retains Notes in bearer form for its own account, it shall only do so in accordance with the requirements of U.S. Treas. Reg. § 1.163-5(c)(2)(i)(D)(6) (or any successor rules in substantially the same form that are applicable for purposes of Section 4701 of the Code); and

(iv) with respect to each affiliate that acquires from it Notes in bearer form for the purpose of offering or selling such Notes during the restricted period, it either (a) repeats and confirms the representations contained in sub-paragraphs (i), (ii) and (iii) on behalf of such affiliate or (b) agrees that it shall obtain from such affiliate for the benefit of the Issuer the representations contained in sub-paragraphs (i), (ii) and (iii).

Terms used in this paragraph have the meanings given to them by the Code and regulations thereunder, including the D Rules.

To the extent that the Pricing Supplement or the Subscription Agreement relating to one or more Tranches of Bearer Notes specifies that the applicable TEFRA exemption is "C Rules", under U.S. Treas. Reg. § 1.163-5(c)(2)(i)(C) (or any successor rules in substantially the same form that are applicable for purposes of Section 4701 of the Code) (the "**C Rules**"), Notes in bearer form must be issued and delivered outside the United States and its possessions in connection with their original issuance. In relation to each such Tranche, each Dealer has represented and agreed that it has not offered, sold or delivered, and shall not offer, sell or deliver, directly or indirectly, Notes in bearer form within the United States or its possessions in connection with their original issuance. Further, in connection with their original issuance of Notes in bearer form, each Dealer has represented and agreed that it has not communicated, and shall not communicate, directly or indirectly, with a prospective purchaser if either such purchaser or it is within the United States or its possessions, and shall not otherwise involve its U.S. office in the offer or sale of Notes in bearer form. Terms used in this paragraph have the meanings given to them by the Code and regulations thereunder, including the C Rules.

Each issuance of index-, commodity- or currency-linked Notes shall be subject to such additional U.S. selling restrictions as the relevant Dealer(s) shall agree with the Issuer as a term of the issuance and purchase or, as the case may be, subscription of such Notes. Each relevant Dealer has agreed that it shall offer, sell and deliver such Notes only in compliance with such additional U.S. selling restrictions.

Prospectus Regulation Public Offer Selling Restriction

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to the public in that Relevant State except that it may make an offer of such Notes to the public in that Relevant State:

(a) if the Pricing Supplement in relation to the Notes specifies that an offer of those Notes may be made other than pursuant to Article 1(4) of the Prospectus Regulation in that Relevant State (a "**Non-exempt Offer**"), following the date of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Relevant State or, where appropriate, approved in another Relevant State and notified to the competent authority in that Relevant State, provided that any such prospectus has subsequently been completed by the Pricing Supplement contemplating such Non-exempt Offer, in accordance with the Prospectus Regulation, in the period beginning and ending on the dates specified in such prospectus or Pricing Supplement, as applicable and the relevant Issuer has consented in writing to its use for the purpose of that Non-exempt Offer;

(b) at any time to any legal entity which is a qualified investor as defined in the Prospectus Regulation;

(c) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation), subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the relevant Issuer for any such offer; or

(d) at any time in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of Notes referred to in (b) to (d) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Regulation, or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision, the expression "an offer of Notes to the public" in relation to any Notes in any Relevant State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes and the expression "Prospectus Regulation" means Regulation (EU) 2017/1129, as amended.

Prohibition of Sales to EEA Retail Investors

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to any retail investor in the EEA. For these purposes:

(a) the expression "retail investor" means a person who is one (or more) of the following:

  (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or

  (ii) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or

  (iii) not a qualified investor as defined in the Prospectus Regulation; and

(b) the expression "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

Prohibition of Sales to UK Retail Investors

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to any retail investor in the UK. For these purposes:

(a) the expression "retail investor" means a person who is one (or more) of the following:

  (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; or

  (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or

  (iii) not a qualified investor as defined in Article 2 of the UK Prospectus Regulation; and

(b) the expression an "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

Other regulatory restrictions in the UK

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(i) in relation to any Notes which have a maturity of less than one year, (a) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of its business and (b) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the Financial Services and Markets Act 2000 (the "**FSMA**") by the Issuer;

(ii) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

(iii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the UK.

Hong Kong

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes except for Notes which are a "structured product" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "**SFO**") other than (a) to "professional investors" as defined in the SFO and any rules made under the SFO; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the "**C(WUMP)O**") or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and

(ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

Singapore

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act 2001 of Singapore, as modified or amended from time to time (the "**SFA**")) pursuant to Section 274 of the SFA, (ii) to an accredited investor (as defined in Section 4(A) of the SFA) pursuant to and in accordance with the conditions specified in Section 275 of the SFA.

Singapore SFA Product Classification: In connection with Section 309B of the SFA and the CMP Regulations 2018, unless otherwise specified before an offer of Notes, the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are 'prescribed capital markets products' (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

PRC

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Notes are not being offered or sold and may not be offered or sold, directly and indirectly, in the PRC (for such purposes, not including the Hong Kong and Macau SAR or Taiwan), except as permitted by the securities law of the PRC.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended) (the "**Financial Instruments and Exchange Act**"). Accordingly, each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for reoffering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

GENERAL INFORMATION

1. **Clearing Systems**: The Notes may be accepted for clearance through the Euroclear and/or Clearstream systems (which are the entities in charge of keeping the records). The Issuer may also apply to have Notes accepted for clearance through the CMU. The relevant CMU instrument number will be set out in the relevant Pricing Supplement. The relevant ISIN, the Common Code and (where applicable) the identification number for any other relevant clearing system for each series of Notes will be specified in the applicable Pricing Supplement. If clearance of a Note is to be made through an additional or alternative clearing system the appropriate information will be set out in the relevant Pricing Supplement.

   The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream is 42 Avenue JF Kennedy, L-1855 Luxembourg. The address of any alternative clearing system will be specified in the relevant Pricing Supplement.

2. **Listing**: Application has been made to the SEHK for the listing of the Programme for 12 months after the date of this Offering Circular by way of debt issues to Professional Investors only, as described in this Offering Circular. Unlisted Notes may also be issued. The applicable Pricing Supplement will state whether or not the relevant Notes are to be listed and if so, on which stock exchange(s). Notes to be listed on the SEHK will be traded on the SEHK in a board lot size of at least HK$500,000 (or its equivalent in other currencies).

3. **Litigation**: Save as disclosed in this Offering Circular, neither the Bank, any Issuer, or any of the Bank's subsidiaries is involved in any governmental, legal or arbitration proceedings, nor is the Bank or any of its subsidiaries aware that any such proceedings are pending or threatened, which are or might be material in the context of the issue of the Notes.

4. **Authorisations**: The Bank has obtained all necessary consents, approvals and authorisations as may be required in connection with the establishment of the Programme and the issue of this Offering Circular. The establishment of the Programme and the issue of Notes thereunder have been duly authorised by a resolution of the board of directors of the Bank dated 25 August 2016 and the update for the Programme was authorised by a resolution of the shareholders' meeting of the Bank dated 11 June 2021. Each Issuer shall obtain approvals from the NDRC, the PBOC, the SAFE and the NFRA (where applicable) in connection with its issuance of the Notes as the Issuer and the repayment of the principal and/or interest of the Notes by the Issuer may be adversely affected in the event any required registration is not obtained.

5. **No Material Adverse Change**: Except as disclosed in this Offering Circular, there has been no significant change in the financial or trading position of the Bank or of the Group since 31 December 2023 and no material adverse change in the financial position or prospects of the Bank or of the Group since 31 December 2023.

6. **Available Documents**: For so long as Notes may be issued pursuant to this Offering Circular, the following documents will be available, during usual business hours on any weekday (Saturdays and public holidays excepted), for inspection at the registered office of the Bank and at the specified office of the Fiscal Agent:

   (a) the articles of association of the Bank;

   (b) copies of the Audited Financial Statements;

   (c) copies of the most recent annual and interim reports (including the financial statements) published by the Bank;

   (d) the Amended and Restated Agency Agreement (which includes the form of the Global Notes, the Global Certificates, the definitive Bearer Notes, the Certificates, the Coupons, the Receipts and the Talons), as amended, supplemented or restated from time to time;

(e) the Amended and Restated Deed of Covenant, as amended, supplemented or restated from time to time;

(f) the Amended and Restated Dealer Agreement;

(g) a copy of this Offering Circular together with any supplement to this Offering Circular or further Offering Circular;

(h) a copy of the subscription agreement for Notes issued on a syndicated basis that are listed on any stock exchange, where the rules of such stock exchange so require; and

(i) each Pricing Supplement (save that any Pricing Supplement relating to a Note which is neither admitted to trading on a regulated market within the EEA or in the UK nor offered in the EEA or in the UK in circumstances where a prospectus is required to be published under the Prospectus Directive will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the Issuer and the Fiscal Agent as to its holding of Notes and identity).

7. **Auditors**: The Bank's consolidated financial statements as at and for the years ended 31 December 2022 and 2023, have been audited by KPMG Huazhen LLP, the Bank's independent auditors, in accordance with China Standards on Auditing for Certified Public Accountants. The English translation of the Bank's audited consolidated financial statements as at and for the years ended 31 December 2022 and 2023 are included elsewhere in this Offering Circular.

8. **Legend**: Each Bearer Note having a maturity of more than one year, and each Receipt, Coupon and Talon will bear the following legend: "Any United States person who holds this obligation will be subject to limitations under United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code".

9. **Pricing Supplement**: The issue price and the amount of the relevant Notes will be determined, before filing of the relevant Pricing Supplement of each Tranche, based on the prevailing market conditions. The Issuer does not intend to provide any post-issuance information in relation to any issues of Notes.

INDEX TO FINANCIAL STATEMENTS TRANSLATION

AUDITOR'S REPORT

KPMG Huazhen Shen Zi No.2403668

To the shareholders of Industrial Bank Co., Ltd.:

Opinion

We have audited the accompanying financial statements of Industrial Bank Co., Ltd. (the "Bank"), which comprise the consolidated and Bank's balance sheets as at 31 December 2023, the consolidated and Bank's income statements, the consolidated and Bank's cash flow statements, the consolidated and Bank's statements of changes in shareholders' equity for the year then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and Bank's financial position as at 31 December 2023, and the consolidated and Bank's financial performance and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises (CAS) issued by the Ministry of Finance (MOF) of the People's Republic of China.

Basis for Opinion

We conducted our audit in accordance with China Standards on Auditing for Certified Public Accountants ("CSAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the China Code of Ethics for Certified Public Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

AUDITOR'S REPORT (continued)

The determination of allowance for impairment losses on loans and advances to customers and debt investments

Refer to the accounting policies set out in the notes to the financial statements "IV. Significant accounting policies and accounting estimates" 7.6 and "VII. Notes to the consolidated financial statements" 6 and 7.2.

The Key Audit Matter	How the matter was addressed in our audit
The determination of allowance for impairment losses on loans and advances to customers and debt investments using the expected credit loss model is subject to a number of key parameters and assumptions, including the identification of loss stages, estimates of probability of default, loss given default, exposures at default and discount rate, adjustments for forward-looking information and other adjustment factors. Management judgment is involved in the selection of those parameters and the application of the assumptions. In particular, the determination of expected credit loss model is heavily dependent on the external macro environment and the Bank's internal credit risk management strategy. The expected credit losses for corporate loans and debt investments are derived from estimates including the historical losses, internal and external credit grading and other adjustment factors. The expected credit losses for personal loans and advances are derived from estimates whereby management takes into consideration historical overdue data, the historical loss experience for personal loans and other adjustment factors. Management also exercises judgement in determining the quantum of loss given default based on a range of factors. These include available remedies for recovery, the financial situation of the borrower, the recoverable amount of collateral, the seniority of the claim and the existence and cooperativeness of other creditors. Management refers to valuation reports issued by qualified third-party valuers and considers the influence of various factors including the market price, location and usage when assessing the value of property held as collateral. The enforceability, timing and means of realisation of collateral can also have an impact on the recoverable amount of collateral. We identified the impairment of loans and advances to customers and debt investments 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 Bank.	Our audit procedures to assess allowance for impairment losses on loans and advances to customers and debt investments included the following: • understanding and assessing the design, implementation and operating effectiveness of key internal controls of financial reporting over the approval, recording and monitoring of loans and advances to customers or debt investments, the credit grading process and the measurement of allowances for impairment; • involving our IT specialists to assess the design and operating effectiveness of information system controls, including general information technology controls, completeness of automatically extracted key internal historical data, data transmission between systems, mapping of parameters of expected credit loss model, and logic settings for system calculation of allowance for impairment losses for expected credit loss; • with the assistance of our internal specialists in financial risk management, assessing the reliability of the expected credit loss model used by management in determining allowance for impairment losses, and assessing the appropriateness of the key parameters and assumptions in the expected credit loss model, including the identification of loss stages, probability of default, loss given default, exposure at default, discount rate, adjustments for forward-looking information and other management adjustments; • assessing the completeness and accuracy of data used for the key parameters in the expected credit loss model. For key parameters derived from internal data relating to original loan agreements, we compared the total balance of the loan and financial assets list used by management to assess the allowances for impairment with the general ledger, selecting samples and comparing individual loan and financial assets information with the underlying agreements and other related documentation to assess the accuracy of the compilation of the loan and financial assets list. For key parameters derived from external data, we selected samples to inspect the accuracy of such data by comparing them with public resources; • for key parameters involving judgement, critically assessing input parameters by seeking evidence from external sources and comparing to the Bank's internal records including historical loss experience and type of collateral. As part of these procedures, we inquired about reasons for management's revisions to estimates and input parameters compared with prior periods and considered the consistency of judgement. We compared the economic factors used in the models with market information to assess whether they were aligned with market and economic development; • for key internal data generated by the system, we selected samples and checked the system input data against source documents to assess the accuracy of the system input data, and tested the logic for preparing information about overdue loans and advances based on the samples and with the help of our IT specialists;

The determination of allowance for impairment losses on loans and advances to customers and debt investments (continued)	
Refer to the accounting policies set out in the notes to the financial statements "IV. Significant accounting policies and accounting estimates" 7.6 and "VII. Notes to the consolidated financial statements" 6 and 7.2.	
The Key Audit Matter	**How the matter was addressed in our audit**
	• evaluating the reasonableness of the management's judgment as to whether the credit risk of loans and advances to customers or debt investments has increased significantly since the initial recognition and whether the credit impairment has occurred by selecting a risk-based sample for credit review. We analysed the loan portfolio by industry sector to select samples for credit review in industries more vulnerable to the current economic situation. We also selected samples based on other risk criteria, including but not limited to borrowers with adverse press coverage and from the Bank's overdue report; Based on the selected samples, we checked information about overdue loans, learned about the borrowers' credit risk profile, made enquiries to the credit managers about the borrowers' business operations, checked the borrowers' financial information, and researched market information related to the borrowers' business. • performing credit review procedures on the samples of corporate loans and advances and debt investments selected in accordance with the aforesaid criteria, to assess the appropriateness of the loss given default (LGD) of the credit-impaired corporate loans and advances and debt investments; assessing the rationality of estimated recoverable cash flow through inquiries, professional judgements, independent queries, etc.; evaluating the management's assessment of the value of any collateral held, comparing the management's valuation of the collaterals to their market prices, evaluating the timing and means of realisation of the collaterals, and considering other sources of repayment asserted by the management; assessing the consistency in the application of key assumptions by the management and comparing them with our data sources. • selecting samples to check the expected credit loss calculation, so as to comment on the Bank's application of the expected credit loss model; and • evaluating whether the disclosure related to allowance for impairment losses on loans and advances to customers and debt investments meets the disclosure requirements of the revised CAS 37 - Presentation of Financial Instruments.

Recognition of interests in and consolidation of structured entities

Refer to the accounting policies set out in the notes to the financial statements "IV. Significant accounting policies and accounting estimates" 4, "VI. Consolidation scope" 2 and "VII. Notes to the consolidated financial statements" 45. Structured entities

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 Bank may acquire or retain an ownership interest in, or act as a sponsor to, a structured entity by issuing a wealth management product, an investment fund, an asset management plan, a trust plan or an asset-backed security. In determining whether a structured entity is required to be consolidated by the Bank, the management is required to consider the power the Bank is able to exercise over the activities of the entity, the variable returns to which the Bank has rights from its involvement with the structured entity, and its ability to influence its own variable returns from the entity. These factors are not purely quantitative and the substance of the transaction needs to be considered collectively. We identified the recognition of interests in and consolidation of structured entities as a key audit matter because some of these structured entities were complex in nature and judgement was required when the Bank performed a qualitative assessment of terms and transaction substance for each structured entity.	Our audit procedures to assess the consolidation of structured entities and recognition of their entitlement rights included the following: •making enquiries of management and inspecting documents relating to the judgement process over whether a structured entity is consolidated or not to assess the design, implementation and operating effectiveness of internal controls; •performing the following procedures for structured entities on a sample basis: -inspecting selected contracts, internal establishment documents and information disclosed to the investors to understand the purpose of the establishment of the structured entities and the involvement the Bank has with the structured entities and to assess management's judgement over whether the Bank has the ability to exercise power over the structured entities; -inspecting the risk and reward structure of the structured entities, including any capital or return guarantee, provision of liquidity support, commission paid and distribution of the returns, to assess management's judgement as to exposure, or rights, to variable returns from the Bank's involvement in such entities; -evaluating management's analyses of the structured entities including qualitative analyses and calculations of the magnitude and variability associated with the Bank's economic interests in the structured entities to assess management's judgement over the Bank's ability to influence its returns from the structured entities; -assessing management's judgement over whether the structured entities should be consolidated or not; and •assessing the disclosures in the consolidated financial statements in relation to structured entities with reference to the requirements of the prevailing accounting standards.

Fair value of financial instruments	
Refer to "IV. Significant accounting policies and accounting estimates" 7 and "XI. Financial risk management" 7. Fair value of financial instruments set out in the notes to the financial statements.	
The Key Audit Matter	**How the matter was addressed in our audit**
Financial instruments carried at fair value account for a significant part of the Bank's assets and liabilities. The effect of fair value adjustments of financial instruments may impact either the profit or loss or other comprehensive income. The valuation of the Bank's financial instruments, held at fair value, is based on a combination of market data and valuation models which often require a considerable number of inputs. Many of these inputs are obtained from readily available data, in particular for level 1 and level 2 financial instruments in the fair value hierarchy, the valuation techniques for which use quoted market prices and observable inputs, respectively. Where such observable data is not readily available for valuation techniques, as in the case of level 3 financial instruments, estimates need to be developed which can involve significant management judgement. The Bank has developed its own models to value certain level 2 and level 3 financial instruments, which also involves significant management judgement. We identified assessing the fair value of financial instruments as a key audit matter because of the degree of complexity involved in valuing certain financial instruments and the degree of judgement exercised by management in determining the inputs used in the valuation models.	Our audit procedures to assess the fair value of financial instruments included the following: • assessing the design, implementation and operating effectiveness of key internal controls over the valuation, independent price verification, front office and back office reconciliations and model approval for financial instruments; • assessing the level 1 fair values, on a sample basis, by comparing the fair values applied by the Bank with publicly available market data; • engaging our internal valuation specialists to assist us in performing independent valuations, on a sample basis, of level 2 and level 3 financial instruments and comparing our valuations with the Bank's valuations. Our procedures included developing parallel models, obtaining inputs independently and verifying the inputs; • assessing the appropriate application of fair value adjustments that form an integral part of fair values, inquiring of management about any changes in the fair value adjustments methodology and assessing the appropriateness of the inputs applied; and • assessing whether the financial statement disclosures appropriately reflected the Bank's exposure to financial instrument valuation risk with reference to the requirements of the related financial reporting standards.

Other Information

The Bank's management is responsible for the other information. The other information comprises all the information included in 2023 annual report of the Bank, other than the financial statements and our auditor's report thereon.

Our opinion on the 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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 Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Accounting Standards for Business Enterprises, and for the design, implementation and maintenance of such internal control necessary to enable that the financial statements are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank'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 management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CSAs 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 financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's 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 Bank'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 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 Bank to cease to continue as a going concern.

- Evaluate the overall presentation (including disclosure), structure and content of the financial statements, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Bank to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the 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.

KPMG Huazhen LLP

Certified Public Accountants
Registered in the People's Republic of China
Chen Sijie (Engagement Partner)

Beijing, China

Wu Zhongming

28 March 2024

The Consolidated and Bank's Balance Sheets

As at 31 December 2023 *(Expressed in millions of Renminbi, unless otherwise stated)*

		The Group		The Bank	
	Note VII	2023	2022	2023	2022
Assets					
Cash and balances with Central Bank	1	**418,569**	442,403	**418,523**	442,392
Deposits with banks and other financial institutions	2	**185,906**	94,114	**179,512**	87,068
Precious metals		**5,669**	113	**5,669**	113
Placements with banks and other financial institutions	3	**363,172**	352,043	**381,663**	372,137
Derivative financial assets	4	**43,679**	35,253	**43,675**	35,252
Financial assets purchased under resale agreements	5	**200,065**	56,537	**199,148**	56,006
Loans and advances to customers	6	**5,333,483**	4,869,879	**5,256,003**	4,804,006
Financial investments:	7				
Trading assets	7.1	**957,708**	999,855	**894,921**	933,931
Debt investments	7.2	**1,801,346**	1,607,026	**1,791,706**	1,595,755
Other debt investments	7.3	**572,585**	548,007	**568,979**	548,000
Other equity investments	7.4	**3,836**	3,453	**3,255**	2,873
Finance lease receivables	8	**114,677**	107,224	**-**	-
Long-term equity investments	9	**3,872**	4,046	**23,946**	24,117
Fixed assets	10	**28,867**	28,571	**22,816**	22,528
Construction in progress	11	**1,970**	2,571	**1,964**	2,558
Right-of-use assets	12	**9,863**	9,566	**8,678**	8,674
Intangible assets		**1,087**	986	**976**	900
Goodwill	13	**532**	532	**-**	-
Deferred tax assets	14	**58,046**	54,873	**52,943**	50,480
Other assets	15	**53,394**	49,619	**40,061**	40,301
Total assets		**10,158,326**	9,266,671	**9,894,438**	9,027,091

The accompanying notes form an integral part of these financial statements.

The Consolidated and Bank's Balance Sheets (continued)

As at 31 December 2023 *(Expressed in millions of Renminbi, unless otherwise stated)*

		The Group		The Bank	
	Note VII	2023	2022	2023	2022
Liabilities and Shareholders' equity					
Liabilities					
Borrowing from Central Bank		**307,064**	94,621	**307,064**	94,621
Deposits from banks and other financial institutions	16	**1,852,978**	1,628,254	**1,862,857**	1,639,966
Placements from banks and other financial institutions	17	**349,494**	277,268	**202,010**	146,133
Trading liabilities	18	**12,946**	49,578	**12,665**	49,218
Derivative financial liabilities	4	**43,279**	34,967	**43,277**	34,956
Financial assets sold under repurchase agreements	19	**416,568**	353,626	**399,635**	335,015
Deposits from customers	20	**5,217,064**	4,788,754	**5,218,520**	4,789,661
Employee benefits payable	21	**33,300**	30,395	**31,032**	27,676
Tax payable	22	**6,423**	13,122	**5,491**	11,778
Provisions	23	**6,344**	7,050	**6,239**	7,048
Debt securities issued	24	**1,029,525**	1,158,007	**1,002,493**	1,135,534
Lease liabilities	25	**9,659**	9,296	**8,662**	8,622
Deferred tax liabilities	14	**179**	348	**-**	-
Other liabilities	26	**65,784**	64,087	**40,722**	37,535
Total liabilities		**9,350,607**	8,509,373	**9,140,667**	8,317,763
Shareholders' equity					
Share capital	27	**20,774**	20,774	**20,774**	20,774
Other equity instruments	28	**88,960**	88,960	**88,960**	88,960
Including: Preference shares		**55,842**	55,842	**55,842**	55,842
Perpetual bonds		**29,960**	29,960	**29,960**	29,960
Equity component of convertible corporate bonds		**3,158**	3,158	**3,158**	3,158
Capital reserve	29	**74,759**	74,909	**75,111**	75,261
Other comprehensive income	41	**1,239**	(724)	**1,204**	(736)
Surplus reserve	30	**10,684**	10,684	**10,684**	10,684
General reserve	31	**120,118**	108,957	**110,523**	99,952
Retained earnings	32	**479,690**	442,627	**446,515**	414,433
Equity attributable to shareholders of the Bank		**796,224**	746,187	**753,771**	709,328
Non-controlling interests		**11,495**	11,111	**-**	-
Total shareholders' equity		**807,719**	757,298	**753,771**	709,328
Total liabilities and shareholders' equity		**10,158,326**	9,266,671	**9,894,438**	9,027,091

The accompanying notes form an integral part of these financial statements.

The Consolidated and Bank's Income Statements

For the year ended 31 December 2023 *(Expressed in millions of Renminbi, unless otherwise stated)*

		The Group		The Bank	
	Note VII	2023	2022	2023	2022
I. Operating income		**210,831**	222,374	**191,123**	201,277
Net interest income	33	**146,503**	145,273	**131,801**	132,477
Interest income	33	**349,079**	328,746	**329,271**	310,881
Interest expense	33	**(202,576)**	(183,473)	**(197,470)**	(178,404)
Net fee and commission income	34	**27,755**	45,041	**23,208**	38,658
Fee and commission income	34	**33,119**	49,462	**28,242**	44,663
Fee and commission expense	34	**(5,364)**	(4,421)	**(5,034)**	(6,005)
Investment income	35	**30,699**	30,222	**29,771**	29,395
Including: Income from joint ventures and associates		**18**	190	**9**	190
Income from derecognition of financial assets at amortised cost		**4,216**	4,584	**4,213**	4,527
Gains (Losses) from changes in fair values	36	**4,139**	(631)	**5,585**	(823)
Foreign exchange gains		**421**	1,292	**412**	1,249
Income (Losses) from asset disposal		**20**	9	**16**	10
Other income		**652**	483	**105**	110
Other operating income		**642**	685	**225**	201
II. Operating expenses		**(126,691)**	(116,212)	**(115,082)**	(104,255)
Taxes and surcharges	37	**(2,319)**	(2,278)	**(2,060)**	(2,071)
General and administrative expenses	38	**(62,608)**	(64,843)	**(58,711)**	(60,347)
Credit impairment losses	39	**(60,974)**	(48,592)	**(53,871)**	(41,350)
Impairment losses on other assets		**(204)**	(28)	**(12)**	(28)
Other operating expenses		**(586)**	(471)	**(428)**	(459)
III. Operating profit		**84,140**	106,162	**76,041**	97,022
Add: Non-operating income		**328**	227	**253**	176
Less: Non-operating expenses		**(139)**	(168)	**(106)**	(156)
IV. Total profit		**84,329**	106,221	**76,188**	97,042
Less: Income tax expenses	40	**(6,675)**	(13,807)	**(4,643)**	(10,985)
V. Net profit		**77,654**	92,414	**71,545**	86,057

The accompanying notes form an integral part of these financial statements.

The Consolidated and Bank's Income Statements (continued)

For the year ended 31 December 2023 *(Expressed in millions of Renminbi, unless otherwise stated)*

		The Group		The Bank	
	Note VII	2023	2022	2023	2022
V. Net profit (continued)		**77,654**	92,414	**71,545**	86,057
1. Categorised by continuity of operation					
(1) Net profit from continuing operations		**77,654**	92,414	**71,545**	86,057
(2) Net profit from discontinued operations		**-**	-	**-**	-
2. Categorised by ownership					
(1) Attributable to shareholders of the Bank		**77,116**	91,377	**71,545**	86,057
(2) Non-controlling interests		**538**	1,037	**-**	-
VI. Other comprehensive income, net of tax	41	**1,964**	(3,587)	**1,940**	(3,588)
Other comprehensive income attributable to shareholders of the Bank		**1,963**	(3,583)	**1,940**	(3,588)
1. Items that may be reclassified subsequently to profit or loss					
(1) Changes in fair value of other debt investments		**3,426**	(4,519)	**3,349**	(4,514)
(2) Credit losses on other debt investments		**(1,369)**	1,212	**(1,311)**	1,217
(3) Translation differences of financial statements denominated in foreign currencies		**4**	15	**-**	-
(4) Other comprehensive income recognised under equity method		**-**	-	**-**	-
2. Items that will not be reclassified subsequently to profit or loss:					
(1) Actuarial profits on defined benefit plans		**(67)**	(145)	**(67)**	(145)
(2) Changes in fair value of other equity investments		**(31)**	(146)	**(31)**	(146)
Other comprehensive income attributable to non-controlling interests		**1**	(4)	**-**	-
VII. Total comprehensive income		**79,618**	88,827	**73,485**	82,469
Total comprehensive income attributable to shareholders of the Bank		**79,079**	87,794	**73,485**	82,469
Non-controlling interests		**539**	1,033	**-**	-
VIII. Earnings per share (expressed in RMB)					
Basic earnings per share	42	**3.51**	4.20		
Diluted earnings per share	42	**3.24**	3.87		

The financial statements were approved by the Board of Directors of the Bank on 28 March 2024.

Lyu Jiajin	Chen Xinjian	Lin Shu
Chairman of the Board	President	Person in-charge of the Accounting Body
Legal Representative	Financial Director	

The accompanying notes form an integral part of these financial statements.

The Consolidated and Bank's Cash Flow Statements

For the year ended 31 December 2023

(Expressed in millions of Renminbi, unless otherwise stated)

		The Group		The Bank	
	Note VII	2023	2022	2023	2022
I. Cash flows from operating activities:					
Net decrease in financial assets held for trading		**29,330**	-	**27,615**	-
Net increase in borrowing from central bank		**209,486**	-	**209,486**	-
Net increase in deposits from customers and deposits from banks and other financial institutions		**621,844**	343,310	**623,024**	345,957
Net increase in placements from banks and other financial institutions and financial assets sold under repurchase agreements		**79,460**	191,044	**64,625**	173,768
Cash receipts from interest, fee and commission		**316,330**	316,089	**293,292**	293,839
Other cash receipts relating to operating activities		**20,171**	10,879	**20,084**	8,122
Subtotal of cash inflows from operating activities		**1,276,621**	861,322	**1,238,126**	821,686
Net increase in balances with Central Bank and deposits with banks and other financial institutions		**(5,318)**	(5,047)	**(4,306)**	(5,844)
Net increase in placements with banks and other financial institutions and financial assets purchased under resale agreements		**(46,175)**	(41,487)	**(41,139)**	(48,527)
Net increase in loans and advances to customers		**(527,710)**	(596,645)	**(510,006)**	(574,241)
Net increase in financial assets held for trading		**-**	(326,717)	**-**	(322,129)
Net increase in finance lease receivables		**(8,964)**	(4,445)	**-**	-
Net decrease in borrowing from Central Bank		**-**	(705)	**-**	(705)
Cash payments to interest, fee and commission		**(145,482)**	(148,689)	**(140,697)**	(146,370)
Cash payments to and on behalf of employees		**(35,160)**	(32,584)	**(31,379)**	(28,778)
Cash payments of various types of taxes		**(34,260)**	(35,151)	**(30,677)**	(31,592)
Other cash payments relating to operating activities		**(39,935)**	(14,439)	**(39,630)**	(17,634)
Subtotal of cash outflows from operating activities		**(843,004)**	(1,205,909)	**(797,834)**	(1,175,820)
Net cash flows generated from (used in) operating activities	43.1	**433,617**	(344,587)	**440,292**	(354,134)
II. Cash flows from investing activities:					
Cash receipts from recovery of investments		**2,781,613**	2,647,595	**2,741,670**	2,621,774
Cash receipts from investment income		**113,152**	105,951	**110,734**	103,943
Cash receipts from disposals of fixed assets, intangible assets and other long-term assets		**680**	68	**71**	67
Subtotal of cash inflows from investing activities		**2,895,445**	2,753,614	**2,852,475**	2,725,784
Cash payments to acquire investments		**(3,007,439)**	(2,749,757)	**(2,964,441)**	(2,720,858)
Cash payments to acquire fixed assets, intangible assets and other long-term assets		**(4,907)**	(5,916)	**(3,381)**	(4,770)
Subtotal of cash outflows from investing activities		**(3,012,346)**	(2,755,673)	**(2,967,822)**	(2,725,628)
Net cash flows (used in) generated from investing activities		**(116,901)**	(2,059)	**(115,347)**	156

		The Group		The Bank	
	Note VII	2023	2022	2023	2022
III. Cash flows from financing activities:					
Proceeds from issuance of bonds		**1,241,328**	1,142,354	**1,228,171**	1,140,254
Subtotal of cash inflows from financing activities		**1,241,328**	1,142,354	**1,228,171**	1,140,254
Cash repayments of borrowings		**(1,369,920)**	(1,111,663)	**(1,362,371)**	(1,101,498)
Cash payments for distribution of dividends or profits or settlement of interest expenses		**(59,146)**	(50,658)	**(57,082)**	(49,364)
Including: Dividends paid to non-controlling shareholders of subsidiaries		**(81)**	(5)	**-**	-
Other cash payments relating to financing activities		**(3,217)**	(2,281)	**(3,029)**	(2,251)
Subtotal of cash outflows from financing activities		**(1,432,283)**	(1,164,602)	**(1,422,482)**	(1,153,113)
Net cash flows used in financing activities		**(190,955)**	(22,248)	**(194,311)**	(12,859)
IV. Effect of foreign exchange rate changes on cash and cash equivalents		**660**	4,842	**654**	4,838
V. Net increase/(decrease) in cash and cash equivalents	43.1	**126,421**	(364,052)	**131,288**	(361,999)
Add: Opening balance of cash and cash equivalents		**404,856**	768,908	**398,084**	760,083
VI. Closing balance of cash and cash equivalents	43.2	**531,277**	404,856	**529,372**	398,084

The financial statements were approved by the Board of Directors of the Bank on 28 March 2024.

Lyu Jiajin	Chen Xinjian	Lin Shu
Chairman of the Board Legal Representative	President Financial Director	Person in-charge of the Accounting Body

The accompanying notes form an integral part of these financial statements.

The Consolidated Statement of Changes In Shareholders' Equity

For the year ended 31 December 2023

(Expressed in millions of Renminbi, unless otherwise stated)

		Attributable to shareholders of the Bank								
	Note VII	Share capital	Other equity instruments	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Non-controlling interests	Total
I. Balance at 1 January 2023		**20,774**	**88,960**	**74,909**	**(724)**	**10,684**	**108,957**	**442,627**	**11,111**	**757,298**
II. Changes for the year										
(I) Net profit		-	-	-	-	-	-	**77,116**	**538**	**77,654**
(II) Other comprehensive income	41	-	-	-	**1,963**	-	-	-	**1**	**1,964**
Subtotal of (I) and (II)		-	-	-	**1,963**	-	-	**77,116**	**539**	**79,618**
(III) Capital contribution from shareholders		-	-	**1**	-	-	-	-	-	**1**
Conversion of equity from convertible corporate bonds	29	-	-	**1**	-	-	-	-	-	**1**
(IV) Profit distribution		-	-	-	-	-	**11,161**	**(40,053)**	**(155)**	**(29,047)**
1. Appropriation to general reserve	31	-	-	-	-	-	**11,161**	**(11,161)**	-	-
2. Dividends paid to ordinary shareholders	32	-	-	-	-	-	-	**(24,680)**	**(81)**	**(24,761)**
3. Dividends paid to preference shareholders	32	-	-	-	-	-	-	**(2,793)**	-	**(2,793)**
4. Distribution to perpetual debt holders	32	-	-	-	-	-	-	**(1,419)**	**(74)**	**(1,493)**
(V) Other		-	-	**(151)**	-	-	-	-	-	**(151)**
Passive dilution under equity method	29	-	-	**(151)**	-	-	-	-	-	**(151)**
III. Balance at 31 December 2023		**20,774**	**88,960**	**74,759**	**1,239**	**10,684**	**120,118**	**479,690**	**11,495**	**807,719**

The accompanying notes form an integral part of these financial statements.

The Consolidated Statement of Changes In Shareholders' Equity (continued)

For the year ended 31 December 2022

(Expressed in millions of Renminbi, unless otherwise stated)

		Attributable to shareholders of the Bank								
	Note VII	Share capital	Other equity instruments	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Non-controlling interests	Total
I. Balance at 1 January 2022		20,774	88,960	74,914	2,859	10,684	97,944	387,976	10,187	694,298
II. Changes for the year										
(I) Net profit		-	-	-	-	-	-	91,377	1,037	92,414
(II) Other comprehensive income	41	-	-	-	(3,583)	-	-	-	(4)	(3,587)
Subtotal of (I) and (II)		-	-	-	(3,583)	-	-	91,377	1,033	88,827
(III) Capital contribution from shareholders		-	-	(5)	-	-	-	-	-	(5)
1. Conversion of equity from convertible corporate bonds	29	-	-	1	-	-	-	-	-	1
2. Capital injection by other equity instruments shareholders		-	-	-	-	-	-	-	1,994	1,994
3. Repayment of capital of holders of other equity instruments		-	-	(6)	-	-	-	-	(1,994)	(2,000)
(IV) Profit distribution		-	-	-	-	-	11,013	(36,726)	(109)	(25,822)
1. Appropriation to general reserve	31	-	-	-	-	-	11,013	(11,013)	-	-
2. Dividends paid to ordinary shareholders	32	-	-	-	-	-	-	(21,501)	(5)	(21,506)
3. Dividends paid to preference shareholders	32	-	-	-	-	-	-	(2,793)	-	(2,793)
4. Distribution to perpetual debt holders	32	-	-	-	-	-	-	(1,419)	(104)	(1,523)
III. Balance at 31 December 2022		20,774	88,960	74,909	(724)	10,684	108,957	442,627	11,111	757,298

The financial statements were approved by the Board of Directors of the Bank on 28 March 2024.

Lyu Jiajin	Chen Xinjian	Lin Shu
Chairman of the Board Legal Representative	President Financial Director	Person in-charge of the Accounting Body

The accompanying notes form an integral part of these financial statements.

The Bank's Statement of Changes In Shareholders' Equity

For the year ended 31 December 2023

(Expressed in millions of Renminbi, unless otherwise stated)

	Note VII	Share capital	Other equity instruments	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Total
I. Balance at 1 January 2023		**20,774**	**88,960**	**75,261**	**(736)**	**10,684**	**99,952**	**414,433**	**709,328**
II. Changes for the year									
(I) Net profit		-	-	-	-	-	-	**71,545**	**71,545**
(II) Other comprehensive income	41	-	-	-	**1,940**	-	-	-	**1,940**
Subtotal of (I) and (II)		-	-	-	**1,940**	-	-	**71,545**	**73,485**
(III) Capital contribution from shareholders		-	-	**1**	-	-	-	-	**1**
Conversion of equity from convertible corporate bonds	29	-	-	**1**	-	-	-	-	**1**
(IV) Profit distribution		-	-	-	-	-	**10,571**	**(39,463)**	**(28,892)**
1. Appropriation to general reserve	31	-	-	-	-	-	**10,571**	**(10,571)**	-
2. Dividends paid to ordinary shareholders	32	-	-	-	-	-	-	**(24,680)**	**(24,680)**
3. Dividends paid to preference shareholders	32	-	-	-	-	-	-	**(2,793)**	**(2,793)**
4. Distribution to perpetual debt holders	32	-	-	-	-	-	-	**(1,419)**	**(1,419)**
(V) Other		-	-	**(151)**	-	-	-	-	**(151)**
Passive dilution under equity method	29	-	-	**(151)**	-	-	-	-	**(151)**
III. Balance at 31 December 2023		**20,774**	**88,960**	**75,111**	**1,204**	**10,684**	**110,523**	**446,515**	**753,771**

The financial statements were approved by the Board of Directors of the Bank on 28 March 2024.

The Bank's Statement of Changes In Shareholders' Equity (continued)

For the year ended 31 December 2022

(Expressed in millions of Renminbi, unless otherwise stated)

	Note VII	Share capital	Other equity instruments	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Total
I. Balance at 1 January 2022		20,774	88,960	75,260	2,852	10,684	91,176	362,865	652,571
II. Changes for the year									
(I) Net profit		-	-	-	-	-	-	86,057	86,057
(II) Other comprehensive income	41	-	-	-	(3,588)	-	-	-	(3,588)
Subtotal of (I) and (II)		-	-	-	(3,588)	-	-	86,057	82,469
(III) Capital contribution from shareholders		-	-	1	-	-	-	-	1
Conversion of equity from convertible corporate bonds	29	-	-	1	-	-	-	-	1
(IV) Profit distribution		-	-	-	-	-	8,776	(34,489)	(25,713)
1. Appropriation to general reserve	31	-	-	-	-	-	8,776	(8,776)	-
2. Dividends paid to ordinary shareholders	32	-	-	-	-	-	-	(21,501)	(21,501)
3. Dividends paid to preference shareholders	32	-	-	-	-	-	-	(2,793)	(2,793)
4. Distribution to perpetual debt holders	32	-	-	-	-	-	-	(1,419)	(1,419)
III. Balance at 31 December 2022		20,774	88,960	75,261	(736)	10,684	99,952	414,433	709,328

The financial statements were approved by the Board of Directors of the Bank on 28 March 2024.

Lyu Jiajin	Chen Xinjian	Lin Shu
Chairman of the Board	President	Person in-charge of the Accounting Body
Legal Representative	Financial Director	

The accompanying notes form an integral part of these financial statements.

Notes to the Consolidated Financial Statements

I. General information

Industrial Bank Co., Ltd. (hereinafter referred to as "the Bank") which was referred to as Fujian Industrial Bank Co., Ltd. previously, is a stock commercial bank approved by the People's Bank of China (the "PBOC"), with the document YF [1988] No.347 issued on 20 July 1988, in accordance with the Application by Fujian Province for Deepening Reform and Opening and Accelerating the Development of Export-oriented Economy (GH [1988] No.58) approved by the State Council. The Bank started trading on Shanghai Stock Exchange on 5 February 2007 with the stock code 601166.

The Bank holds the license for carrying out financial activities issued by The National Financial Regulatory Administration (the "NFRA"), formerly known as China Banking Regulatory Commission (the "CBIRC"), with the license number No.B0013H135010001; and the Business License of Enterprise Legal Person issued by Fujian Provincial Administration for Industry and Commerce with uniform social credit code of 91350000158142711F. The Bank's registered address is Industrial Bank Tower, 398 Middle Jiangbin Blvd., Taijiang District, Fuzhou, Fujian Province, the PRC. Lv Jiajin was delegated the duties of legal representative.

The principal activities of the Bank comprise the provision of banking service, which includes accepting deposits from the public; granting short-term, medium-term and long-term loans; domestic and overseas settlement services; issuance of discount and acceptance bills and notes; issuing financial bonds; agency issuance and encashment, underwriting of government bonds and debentures; trading of government and financial bonds and debentures; agency trading and trading of marketable securities except stock; asset custody business; inter-bank lending and borrowings; agency trading, trading, settlement and sale of foreign exchanges; bank card business; letters of credit and letters of guarantee; remittance and insurance agent services; safety deposit box services; financial advisory services; credit investigation, advisory and attestation services; other activities approved by the CBIRC; insurance and agency business; import and export of gold and its products; sales of public offering of fund; custody of securities investment funds.

The principal activities of the Bank's subsidiaries comprise finance leasing; trust services; fund raising and marketing; asset management for specific clients; asset management; consumer finance; equity investment; industrial investment; investment management and advisory; investment consulting (excluding brokerage); financial consulting; business consulting; enterprise management consulting; financial data processing; commodity futures brokerage; financial futures brokerage; futures investment consulting; asset management; economic information consulting service; application software development and operational services; system integration services; investment and asset management; acquisition, transfer and disposal of bad debts in batches of financial institutions in the province; acquisition, transfer and disposal of bad debts of non-financial institutions; issuance of wealth management products to non-specific public customers and investment and management of the investors' assets as entrusted; issuance of wealth management products to qualified investors and investment and management of the investors' assets as entrusted; wealth management consulting and advisory services; database services; data processing and storage services; cloud platform services; cloud software services and other banking activities approved by the CBIRC as well as other businesses permitted by China Securities Regulatory Commission (the "CSRC").

II. Basis of preparation of financial statements

The report is prepared on a going concern basis.

III. Statement of compliance with the CAS

The financial statements of the Bank have been prepared in accordance with CAS issued by the Ministry of Finance of the People's Republic of China, and present truly and completely, the consolidated and the Bank's financial position as of 31 December 2023, and the consolidated and Bank's results of operations and cash flows for the year then ended.

In addition, the Bank's financial statements also comply with relevant disclosure requirements on financial statements and notes of the revised Rules on the Preparation and Submission of Information Disclosed by Companies Offering Securities to the Public (No.15) – General Rules on Financial Reports issued by China Securities Regulatory Commission (CSRC) in 2023.

IV. Significant accounting policies and accounting estimates

The Group assesses the materiality of financial information from the perspectives of nature and amount of an item, depending on specific environment where it operates. When determining the materiality of nature of the item, the Group mainly considers whether the item is a daily activity in nature and whether it significantly affects the Group's financial position, financial performance and cash flows. When determining the materiality of amount of the item, the Group considers the proportion of the amount in that of a directly related item such as total assets, total liabilities, total owners' equity, total operating income, total operating costs, net profit and total comprehensive income, or the proportion of such amount in that of a separate item in the financial statements.

1. Accounting period

The Bank's accounting year starts on 1 January and ends on 31 December.

2. Functional currency

The Group and its domestic subsidiaries choose Renminbi ("RMB") as their functional currency and these financial statements are presented in RMB, while its subsidiaries overseas choose their functional currency depending on the primary economic environment in which the subsidiaries operate and were translated into RMB according to the principles stated in Note IV, 6.

3. Accounting treatments for business combinations involving entities under common control and not under common control

A transaction constitutes a business combination when the Group obtains control of one or more entities (or a group of assets or net assets). Business combination is classified as either business combinations involving enterprises under common control or business combinations not involving enterprises under common control.

For a transaction not involving enterprises under common control, the acquirer determines whether the acquired set of assets constitutes a business. The Group may elect to apply the simplified assessment method, the concentration test, to determine whether an acquired set of assets is not a business. If the concentration test is met and the set of assets is determined not to be a business, no further assessment is needed. If the concentration test is not met, the Group shall perform the assessment according to the guidance on the determination of a business.

When the set of assets the Group acquired does not constitute a business, acquisition costs should be allocated to each identifiable asset and liability at their acquisition date fair values. It is not required to apply the accounting of business combination described as below.

3.1 Business combinations involving enterprises under common control

A business combination involving enterprises under common control is a business combination in which all of the combining enterprises are ultimately controlled by the same party or parties both before and after the combination, and that control is not transitory.

The assets acquired and liabilities assumed are measured based on their carrying amounts (or the total par value of the issued shares) in the consolidated financial statements of the ultimate controlling party at the combination date. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the combination is adjusted to the share premium in capital reserve. If the share premium is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings.

Costs that are directly attributable to the combination are charged to profit or loss in the period in which they are incurred. Combination date is the date on which the absorbing party effectively obtains control of the party being absorbed.

3.2 Business combinations not involving enterprises under common control and goodwill

A business combination not involving enterprises under common control is a business combination in which all of the combining enterprises are not ultimately controlled by the same party or parties before and after the combination.

The cost of combination is the aggregation of the fair values, at the acquisition date, of the assets given, liabilities incurred or assumed, and the equity securities issued by the acquirer in exchange for control of the acquiree. Where a business combination not involving enterprises under common control is achieved in stages that involve multiple transactions, the cost of combination is the sum of the consideration paid at the acquisition date and the fair value at the acquisition date of the acquirer's previously held interest in the acquiree. The intermediary expenses incurred by the acquirer in respect of auditing, legal services, valuation and consultancy services, etc. and other associated administrative expenses attributable to the business combination are recognised in profit or loss when they are incurred.

For a business combination involving entities not under common control and achieved in stages, the Group remeasured its previously-held equity interest in the acquiree to its acquisition-date fair value and recognised any resulting difference between the fair value and the carrying amount as investment income or other comprehensive income for the current period. In addition, any amount recognised in other comprehensive income and other changes in the owners' equity under equity accounting in prior reporting periods relating to the previously-held equity interest that may be reclassified to profit or loss was transferred to investment income at the date of acquisition (see Note IV, 9.3. (2)); Any previously-held equity interest that was designated as equity investment at fair value through other comprehensive income, the other comprehensive income recognised in prior reporting periods was transferred to retained earnings at the date of acquisition.

The acquiree's identifiable assets, liabilities and contingent liabilities acquired by the acquirer in a business combination that meet the recognition criteria shall be measured at fair value at the acquisition date. Acquisition date is the date on which the acquirer effectively obtains control of the acquiree.

Where the cost of combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is treated as an asset and recognised as goodwill, which is measured at cost on initial recognition. Where the cost of combination is less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the acquirer firstly reassesses the measurement of the fair values of the acquiree's identifiable assets, liabilities and contingent liabilities and measurement of the cost of combination. If after that reassessment, the cost of combination is still less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the acquirer recognises the remaining difference immediately in profit or loss for the current period.

Goodwill arising from a business combination is measured at cost less accumulated impairment losses, and is presented separately in the consolidated financial statements. It is tested for impairment at least at the end of each year. On disposal of an asset group or a set of asset groups, any attributable goodwill is written off and included in the calculation of the profit or loss on disposal.

4. Criteria of control and preparation of consolidated financial statements

4.1 General principals

The scope of consolidated financial statements is determined on the basis of control and the consolidated financial statements comprise the Bank and its subsidiaries (including structured entities controlled). Control refers to the power an investor has over an investee, by virtue of which the investor enjoys variable returns by participating in related activities of the investee, and has the ability to use its power over the investee to influence the amount of its returns. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered. Once the change in relevant facts and circumstances leads to a change in relevant elements involved in the definition of control, the Group will conduct a reassessment.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

Structured entities refer to the entities that voting rights or similar rights do not constitute decisive factors when recognising the controlling party, such as when voting rights are associated with the administration, or related activities are led by the contractual arrangements. Wealth management products, funds, trust fund plans and fund management plans could be used as examples of structured entities.

Non-controlling interests are presented separately in the consolidated balance sheet within shareholders' equity. Net profit or loss attributable to non-controlling shareholders is presented separately in the consolidated income statement below the net profit line item. Total comprehensive income attributable to non-controlling shareholders is presented separately in the consolidated income statement below the total comprehensive income line item.

When the amount of loss for the current period attributable to the non-controlling shareholders of a subsidiary exceeds the non-controlling shareholders' share of the opening owners' equity of the subsidiary, the excess is still allocated against the non-controlling interests.

When the accounting period or accounting policies of a subsidiary are different from those of the Bank, the Bank makes necessary adjustments to the financial statements of the subsidiary based on the Bank's own accounting period or accounting policies.

Intra-group balances and transactions, and any unrealised profit or loss arising from intra-group transactions, are eliminated when preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, unless they represent impairment losses that are recognised in the financial statements.

4.2 Subsidiaries acquired through a business combination

No matter when the business combination occurs in the reporting period, subsidiaries acquired through a business combination involving enterprises under common control are included in the Group's scope of consolidation as if they had been included in the scope of consolidation from the date when they first came under the common control of the ultimate controlling party. Their operating results and cash flows from the beginning of the earliest reporting period are included in the consolidated income statement and consolidated statement of cash flows, as appropriate.

For subsidiaries acquired through a business combination not involving enterprises under common control, their results of operation and cash flows from the acquisition date(the date when control is obtained) are included in the consolidated statements of comprehensive income and consolidated statement of cash flows, as appropriate.

For the stepwise acquisition of equity interest till acquiring control after a few transactions and leading to business combination not involving enterprises under common control, this should be dealt with based on whether this belongs to 'package deal': if it belongs to 'package deal', transactions will be dealt as transactions to acquire control. If it does not belong to 'package deal', transactions will be dealt as transactions of a business combination involving entities not under common control and achieved in stages (see Note IV, 3.2).

4.3 Disposal of subsidiaries

When the Group loses control over a subsidiary, any resulting disposal gains or losses are recognised as investment income for the current period. The remaining equity interest is re-measured at its fair value at the date when control is lost, any resulting gains or losses are also recognised as investment income for the current period.

When the Group loses control of a subsidiary in multiple transactions in which it disposes of its long-term equity investment in the subsidiary in stages, If each of the multiple transactions does not form part of a bundled transaction, the transactions conducted before the loss of control of the subsidiary are accounted for in accordance with the accounting policy for partial disposal of equity investment in subsidiaries where control is retained (see Note IV, 4.4). If each of the multiple transactions forms part of a bundled transaction which eventually results in the loss of control in the subsidiary, these multiple transactions are accounted for as a single transaction. In the consolidated financial statements, the difference between the consideration received and the corresponding proportion of the subsidiary's net assets (calculated continuously from the acquisition date) in each transaction prior to the loss of control shall be recognised in other comprehensive income and transferred to profit or loss when the parent eventually loses control of the subsidiary.

Acquisition of non-controlling interests or disposal of interest in a subsidiary that does not result in the loss of control over the subsidiary is accounted for as equity transactions. The carrying amounts of the equity attributable to equity holders of the Bank and non-controlling interests in equity are adjusted to reflect the changes in their relative interests in the subsidiary. The difference between the amount by which the non-controlling interests in equity are adjusted and the fair value of the consideration paid or received is adjusted to capital reserve. If the capital reserve is not sufficient to absorb the difference, the excess is adjusted against retained earnings.

When the Group loses control over a subsidiary due to disposal of certain equity interest or other reasons, any retained interest is re-measured at its fair value at the date when control is lost. The difference between (i) the aggregate of the consideration received on disposal and the fair value of any retained interest and (ii) the share of the former subsidiary's net assets cumulatively calculated from the acquisition date according to the original proportion of ownership interest is recognised as investment income in the period in which control is lost. Other comprehensive income associated with investment in the former subsidiary is reclassified to investment income in the period in which control is lost.

4.4 Changes in non-controlling interests

Where the Bank acquires a non-controlling interest from a subsidiary's non-controlling shareholders or disposes of a portion of an interest in a subsidiary without a change in control, the difference between the proportion interests of the subsidiary's net assets being acquired or disposed of and the amount of the consideration paid or received is adjusted to the capital reserve (share premium) in the consolidated balance sheet, with any excess adjusted to retained earnings.

5. Recognition criteria of cash and cash equivalents

Cash comprises cash on hand and deposits of the Group that can be readily withdrawn on demand. Cash equivalents are the Group's short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

6. Transactions denominated in foreign currencies and translation of foreign currency financial statements

Transactions in foreign currencies are translated into the respective functional currencies of account on initial recognition at the spot exchange rate on the date of the transaction. Monetary items denominated in foreign currencies are translated to RMB at the spot exchange rate at the balance sheet date. Monetary items that are denominated in foreign currencies and classified as financial assets at fair value while their changes are recognised in other comprehensive income, their foreign currency translation differences are broken down into translation differences arising from changes in amortised cost and translation differences arising from changes in the other carrying amounts of these items. Translation differences arising from changes in amortised cost are recognised in profit or loss for the current period, and those arising from changes in other carrying amounts are recognised in other comprehensive income. Exchange differences on other foreign currency monetary items are recognised in profit or loss for the current period.

Non-monetary items denominated in foreign currencies that are measured at historical cost are translated into functional currency using the spot exchange rates at the dates of the transactions. Non-monetary items denominated in foreign currencies that are measured at fair value are translated using the spot exchange rates at the dates the fair values are determined; Translation differences on equity investments at fair value through other comprehensive income are recognised in other comprehensive income. Other Translation differences are recognised in the profit or loss.

When preparing consolidated financial statements, financial statements of overseas operations in foreign currency are translated into financial statements in RMB in the following methods: All assets and liabilities in the statements of financial position are translated by applying the spot exchange rates at the balance sheet date; shareholders' equities except retained earnings and other comprehensive income are translated by applying the spot exchange rate on the date of the transaction; statements of comprehensive income and items reflecting profit distribution occurred are translated by exchange rates similar with the spot exchange rate on the date of the transaction; retained earnings at the beginning of this year equal to the retained earnings after translation at the end of previous year; retained earnings at the end of period are presented as profit distributions after translation; differences between assets after translation and liabilities & shareholders' equity after translation are presented as "other comprehensive income" in shareholders' equity.

7. Financial instruments

A financial instrument is a contract that forms the financial assets of one party and forms the financial liabilities or equity instruments of the others.

The Group's financial instruments mainly include Cash and balances with Central Bank, Deposits with banks and other financial institutions, Placements with banks and other financial institutions, Derivative financial assets, Financial assets purchased under resale agreements, Loans and advances to customers, Trading assets, Debt investments, Other debt investments, Other equity investments, Other receivables, Borrowing from Central Bank, Deposits from banks and other financial institutions, Placements from banks and other financial institutions, Trading liabilities, Derivative financial liabilities, Financial assets sold under repurchase agreements, Deposits from customers, Debt securities issued, Other payables, Share capital, Preference Shares, Perpetual bonds and Convertible instruments etc.

7.1 Recognition and initial measurement of financial assets and financial liabilities

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

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

7.2 Classification and subsequent measurement of financial assets

(1) Classification of financial assets

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

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

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

- It is held within a business model whose objective is to hold assets to collect contractual cash flows;

- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The financial assets measured at amortised cost held by the Group mainly include Cash and balances with Central Bank, Deposits with banks and other financial institutions, Placements with banks and other financial institutions, Financial assets purchased under resale agreements, Loans and advances to customers measured at amortised cost, Debt investments, Other receivables, etc.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets;

- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The financial assets measured at FVOCI held by the Group mainly include Loans and advances to customers measured at FVOCI and Other debt investments.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. The equity investments elected to fair value in other comprehensive income held by the Group mainly include Other equity investments.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. The financial assets measured at FVTPL held by the Group mainly include Loans and advances to customers measured at FVTPL and Trading assets.

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

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. For the purposes of this assessment, 'Principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. The Group also assesses whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

(2) Subsequent measurement of financial assets

(i) Financial assets at FVTPL

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

(ii) Financial assets at amortised cost

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

(iii) Debt investments at FVOCI

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

(iv) Equity investments at FVOCI

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

7.3 Classification and subsequent measurement of financial liabilities

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

(1) Financial liabilities at FVTPL

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

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

(2) Other financial liabilities

Financial liabilities measured at amortised cost are subsequently measured at amortised cost using the effective interest method, However, the transfer of financial assets does not meet the conditions for termination of recognition or continues to involve in the transfer of financial liabilities, financial guarantee contracts and loan commitments (see Note IV, 7.4) formed by the financial assets shall be excluded.

7.4 Financial guarantee contracts and loan commitments

(1) Financial guarantee contracts

Financial guarantees contracts are contracts that require the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are initially recognised at fair value on the date of the guarantee is provided. Subsequent to initial recognition, deferred income related to financial guarantee is amortised in profit or loss in accordance with the accounting policies set out in Note IV, 18. A financial guarantee liability is measured at the higher of the amount of the allowance for loss determined in accordance with impairment policies of financial instruments (see Note IV, 7.6); and the amount initially recognised less the cumulative amount of income.

(2) Loan commitments

Loan commitments are the commitments to extend credit under pre-defined terms and conditions.

The Group provides loan commitments that are assessed for impairment based on expected credit losses. The Group does not commit to extend loans at any below-market interest rates, make cash payments, or issue other financial instruments as a net settlement of loan commitments.

The provision for losses on loan commitments and financial guarantee contracts are stated in Provinsion by the Group.

7.5 Derecognition of financial assets and financial liabilities

The Group derecognises a financial asset if the part being considered for derecognition meets one of the following conditions:

- the contractual rights to receive the cash flows from the financial asset expire; or
- the financial asset has been transferred and the Group transfers substantially all of the risks and rewards of ownership of the financial asset; or
- the financial asset has been transferred, although the Group neither transfers nor retains substantially all of the risks and rewards of ownership of the financial asset, it does not retain control over the transferred asset.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset which has been transferred, but retains control, the Group continues to recognise the financial asset to the extent of its continuing involvement in the financial asset, and corresponding financial liability.

Where a transfer of a financial asset in its entirety meets the criteria for derecognition, the difference between the two amounts below is recognised in profit or loss:

- The carrying amount of the financial asset transferred measured at the date of derecognition;
- The sum of the consideration received from the transfer and, when the transferred financial asset is a debt investment at FVOCI, any cumulative gain or loss that has been recognised directly in other comprehensive income for the part derecognised.

The Group derecognises a financial liability (or part of it) only when its contractual obligation (or part of it) is extinguished.

As part of its business activities, the Bank securitised some of its assets, generally by selling the assets to structured entities, which then issue securities to investors. For the conditions for financial assets derecognition. When applying the financial assets derecognition conditions, the Group considers the risk and reward transfer degree of the assets transferred to structured entities, as well as the extent to which the Group exercises control over the entities. The financial assets related to the asset-backed securities failing to meet the derecognition conditions are not derecognised, and funds from third-party investors are treated as financial liabilities. Where the Group neither transfers nor retains substantially all of the risks and rewards of ownership of the financial assets, the Group will consider whether it retains control over the transferred assets. If the Group does not retain control, it shall derecognise the financial assets and recognise the rights and obligations arising from or reserved during the transfer as assets or liabilities. If the Group retains control, the financial assets are recognised based on the extent of its involvement in the financial assets.

7.6 Impairment of financial assets

The Group recognises an allowance for impairment losses for expected credit loss (ECL) on:

- Financial assets measured at amortised cost;
- Debt investments measured at FVOCI;
- Financial lease receivables
- Loan commitments and financial guarantee contracts issued, which are not measured at FVTPL.

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

(1) Measurement of ECLs

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

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

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

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 balance sheet date (or a shorter period if the expected life of the instrument is less than 12 months).

The Group applies a "three-stage model" for measuring ECL. For the measurement and segmentation of ECL of financial instruments of the Group, see Note XI, 3 Credit risk.

(2) Presentation of allowance for ECL

ECLs are remeasured at each balance sheet date to reflect changes in the financial instrument's 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 an allowance for loss account, except for debt investments that are measured at FVOCI, for which the allowance for impairment loss is recognised in other comprehensive income. For the loan commitments and financial guarantee contracts issued, which are not measured at FVTPL, the Group recognises the allowance for impairment losses in provisions (credit loss of off-balance sheet assets).

(3) Write-off

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

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

7.7 Offsetting

Financial assets and financial liabilities are generally presented separately in the balance sheet, and are not offset. However, a financial asset and a financial liability are offset and the net amount is presented in the balance sheet when both of the following conditions are satisfied:

- The Group currently has a legally enforceable right to set off the recognised amounts;
- The Group intends either to settle on a net basis, or to realise the financial asset and settle the financial liability simultaneously.

7.8 Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

If the main contract included in the hybrid contract is an asset within the scope of the new financial instrument standard, the embedded derivative is no longer split from the main contract of the financial asset, but the hybrid financial instrument as a whole is related to the classification of the financial asset provision. Derivatives embedded in the hybrid contract in which the main contract included is not an asset within the scope of the new financial instructment standard should be split from the hybrid contract and treated as separate derivatives when their economic characteristics and risks are not closely related to those of the hybrid contract, they meet the definition of derivatives, and the hybrid instrument is not carried at FVTPL. These embedded derivatives are measured at fair value with the changes in fair value recognised in profit or loss.

Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to profit or loss.

7.9 Hedge accounting

Hedge accounting is a method which recognises in profit or loss (or other comprehensive income) the gain or loss on the hedging instrument and the hedged item in the same accounting period(s) to represent the effect of risk management.

Hedged items are items that expose the Group to risks of changes in fair value or cash flows and that are designated as being hedged and can be reliably measured. A hedging instrument is a designated financial instrument whose changes in fair value or cash flows are expected to offset changes in the fair value or cash flows of the hedged item.

The Group assesses at the inception of a hedging relationship, and on an ongoing basis, whether the hedging relationship meets the hedge effectiveness requirements. A hedging relationship is regarded as having met the hedge effectiveness requirements if all of the following conditions are satisfied:

- There is an economic relationship between the hedged item and the hedging instrument.
- The effect of credit risk does not dominate the value changes that result from the economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of the hedged item.

The hedging relationship does not conform to the requirements of the hedging effectiveness due to hedging ratio, however, the risk management goal of existing hedging relationship has not changed. The Group performs the hedging relationship rebalancing and makes the adjustments to hedged items in the existing hedging relationship or the number of the hedging instruments, in order to make the hedging ratio conform to the requirements of the hedging effectiveness.

The Group discontinues applying hedge accounting in any of the following circumstances:

- The hedging relationship no longer meets the risk management objective on the basis of which it qualified for hedge accounting.
- The hedging instrument expires or is sold, terminated or exercised.
- There is no longer an economic relationship between the hedged item and the hedging instrument or the effect of credit risk starts to dominate the value changes that result from that economic relationship.
- The hedging relationship no longer meets other criteria for applying hedge accounting.

Fair value hedges

Fair value hedges are hedges of the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment, or a portion of such an asset, liability or firm commitment.

Gains or losses arising from hedging instruments are recognised in current profit or loss. The gain or loss on the hedged item attributable to the hedged risk adjusts the carrying amount of the recognised hedged item not measured at fair value and is recognised in profit or loss.

Any adjustment to the carrying amount of a hedged item is amortised to profit or loss if the hedged item is a financial instrument (or a component thereof) measured at amortised cost. The amortisation is based on a recalculated effective interest rate at the date that amortisation begins and is recognised in profit or loss.

7.10 Equity instrument

An equity instrument is a contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. A financial instrument issued by the Group shall be classified as an equity instrument when both of the following conditions are satisfied: (1) the 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 unfavourable to the issuer; (2) if the instrument will or may be settled in the Group's own equity instrument, it is a non-derivative that includes no contractual obligation for the issuer 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. The Group's issuance (including refinancing), repurchase, sales or cancellation of an equity instrument shall be accounted for as a change to equity. The Group does not recognise changes in the fair value of an equity instrument. Transaction costs of an equity transaction are accounted for as a deduction from equity.

The Group's distribution to the holders of equity instruments is treated as profit distribution, and the issued stock dividends do not affect the total amount of shareholders' equity.

7.11 Preference share and perpetual bond

Such preference shares or their components are initially recognised as financial assets, financial liabilities or equity instruments according to the terms and the economic substance combined with the definition of financial assets, financial liabilities and equity instruments.

The issued preference shares that should be classified as equity instruments, will be recognised as equity in actual amount received. Dividend payables are recognised as distribution of profits. Redemption before maturity will write down equity at redemption price.

7.12 Convertible instruments

Convertible instruments issued by the Group that can be converted to equity shares, where the number of shares to be issued and the value of consideration to be received at that time do not vary, are accounted for as compound financial instruments containing both liability and equity components.

The initial carrying amount of a compound financial instrument is allocated to its equity and liability components. The amount recognised in the equity is the difference between the fair value of the instrument as a whole and the separately determined fair value of the liability component (including the fair value of any embedded derivatives other than the equity component). Transaction costs that relate to the issuance of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

Subsequent to initial recognition, the liability component is measured at amortised cost using the effective interest method, unless it is designated upon recognition at fair value through profit or loss. The equity component is not re-measured.

If the convertible instrument is converted, the liability component, together with the equity component, is transferred to equity. If the convertible instrument is redeemed, the consideration paid for the redemption, together with the transaction costs that relate to the redemption, are allocated to the liability and equity components. The method used to allocate the consideration and transaction costs is the same as that used for issuance. After allocating the consideration and transaction costs, the difference between the allocated and carrying amounts is charged to profit and loss if it relates to the liability component or is directly recognised in equity if it relates to the equity component.

8. Precious metal

Precious metals comprise gold, silver and other precious metals. Precious metals that are not related to the Group's precious metals trading activities are initially measured at acquisition cost and subsequently measured at the lower of cost and net realisable value. Precious metals acquired by the Group for trading purposes are initially measured at fair value and subsequent changes in fair value are recorded in the statement of profit or loss.

9. Long-term equity investments

9.1 Determination of joint control or significant influence over investee

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. 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. When determining whether an investing enterprise is able to exercise control or significant influence over an investee, the effect of potential voting rights of the investee (for example, warrants and convertible debts) held by the investing enterprises or other parties that are currently exercisable or convertible shall be considered.

9.2 Determination of initial investment cost

For the acquisition of long-term equity investments involving enterprises under the common control, the Group measures the initial cost of the long-term equity investment as the share of the carrying amount of the owner's equity of the acquired enterprise at that date. The difference between the initial costs of the long-term equity investment and cash paid or non-cash assets transferred as well as the carrying amount of the debts borne by the Group shall offset against the capital reserve. If the capital reserve is insufficient to observe the difference, the retained earnings shall be adjusted. The investment cost which adopts the equity securities issued as the consideration should be adopted as the initial investment cost of the long-term equity investment according to the proportion carrying amount of combined party's shareholder equity in the consolidated financial statement of the final controlling part, and adjust the capital reserves by the difference between the initial investment cost of long-term equity investment and the amount of issued stock's face value, which is regarded as capital stock. If the capital reserves are insufficient to absorb the difference, retained income should be adjusted. For the acquisition of enterprises under the common control through several steps of trading, it should be confirmed whether it's a package deal. If it is, these deals should be measured as one acquiring-control deal. If not, the Group measures the initial cost of the long-term equity investment as the share of the carrying amount of the owner's equity of the acquired enterprise at that date. The difference between the initial costs of the long-term equity investment and the carrying amount of long-term equity investment before acquiring control as well as the carrying amount of the debts for more shares on the acquisition date shall offset against the capital reserve. If the capital reserve is insufficient to absorb the difference, the retained earnings shall be adjusted.

For a long-term equity investment acquired through business combination not involving enterprises under common control, the initial investment cost of the long-term equity investment is the cost of acquisition on the acquisition date. For the acquisition of enterprises under the common control through several steps of trading, it should be confirmed whether it's a package deal. If it is, these deals should be measured as one acquiring-control deal. If not, the carrying amount of long-term equity investment before acquiring control and the cost of new investment is the cost of acquisition measured under cost method.

Acquisition-related costs including auditing fees, legal services fees, valuation advice fees and other relevant management fees are generally recognised in profit or loss as incurred.

A long-term equity investment acquired other than through a business combination is initially recognised at the amount of cash paid if the Group acquires the investment by cash, or at the fair value of the equity securities issued if an investment is acquired by issuing equity securities.

9.3 Subsequent measurement and recognition of profit or loss

(1) Long-term equity investment accounted for using the cost method

The Bank uses the cost method for the long-term equity investment in subsidiaries in the financial statements. The subsidiary refers to the investee controlled by the group.

Under the cost method, a long-term equity investment is measured at initial investment cost. Increasing or reducing investment will adjust the cost of long-term equity investment accordingly. Investment income is recognised in the period in accordance with the attributable share of cash dividends or profit distributions declared by the investee.

The investments in subsidiaries are stated in the balance sheet at cost less accumulated impairment losses.

(2) Long-term equity investment accounted for using the equity method

The Group accounts for investment in associates using the equity method. Associates are investees that the group is able to exercise significant influence over.

Under the equity method, where the initial investment cost of a long-term equity investment exceeds the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, no adjustment is made to the initial investment cost. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the initial cost of the investment, after reassessment of the long-term equity investment, is recognised immediately in profit or loss in the period in which the investment is acquired.

Under the equity method, the Group recognises investment income and other comprehensive income based on the Group's share of net profit or loss and other comprehensive income of the investee and adjust the carrying amount of long-term equity investment accordingly. The carrying amount of the investment decreases regarding the attributable share of cash dividends or profit distributions declared by the investee. Changes in shareholders' equity of the investee other than net profits or losses, other comprehensive income or profit distribution are correspondingly adjusted to the carrying amount of the long-term equity investment, and recognised as capital reserve. The Group recognises its share of the investee's net profit or loss based on the fair value of the investee's identifiable assets after the adjustment of investee's net profit. When the accounting policy and accounting period adopted by the investee are inconsistent with the Group's, the investment income and other comprehensive income are recognised based on the adjusted financial statements of the investee in accordance with the Group's accounting policies and accounting period. Unrealised profits or losses resulting from the Group's transactions with its associates and joint ventures are recognised as investment income or loss to the extent that those attributable to the Group's equity interest are eliminated. However, unrealised losses resulting from the Group's transactions with its investees in respect of impairment losses on the transferred assets shouldn't be eliminated.

The Group discontinues recognising its share of net losses of the investee after the carrying amount of the long-term equity investment together with any long-term interests that in substance form part of its net investment in the investee is reduced to zero. If the Group has incurred obligations to assume additional losses of the investee, a provision is recognised according to the expected obligation, and recorded as investment loss for the period. Where net profits are subsequently made by the investee, the Group resumes recognising its share of those profits only after its share of the profits exceeds the share of losses previously not recognised.

9.4 Disposal of long-term equity investments

On disposal of a long-term equity investment, the difference between the proceeds actually received and the carrying amount is recognised in profit or loss for the period. When the Group reduces its ownership interest in investee but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the investee's disposal of the related assets or liabilities. Then the equity recognised by the Group other than the change of the net profits and loss, other comprehensive income and profit distribution of the invested entity is reclassified to profit and losses on proportion. When the Group reduces its ownership interest but the Group continues to use the cost method, for the other comprehensive income recognised by the Group using equity method prior to the control over the investee or under financial instrument recognition and measurement standard, the Group reclassifies to profit or loss the proportion of the gain or loss relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the investee's disposal of the related assets or liabilities. Then the other changes in owners' equity recognised by the Group using equity method, not arising from the change of the net profits and loss, other comprehensive income or profit distribution of the invested entity is reclassified to profit and loss on proportion.

10. Fixed assets

10.1 Recognition criteria for fixed assets

Fixed assets are tangible assets that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and have useful lives of more than one accounting year. A fixed asset is recognised only when it is probable that economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. Fixed assets are initially measured at cost.

The cost of a purchased fixed asset comprises the purchase price, related taxes, and any directly attributable expenditure for bringing the asset to working condition for its intended use. The cost of self-constructed assets is measured in accordance with Construction in progress.

Subsequent expenditures incurred for the fixed asset are included in the cost of the fixed asset if it is probable that economic benefits associated with the asset will flow to the Group and the cost 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.

Fixed assets are stated in the balance sheet at cost less accumulated depreciation and impairment losses.

10.2 Depreciation of each category of fixed assets

A fixed asset is depreciated over its useful life using the straight-line method from the month subsequent to the one in which it is ready for intended use. The depreciation period, estimated net residual value rate and annual depreciation rate of each category of fixed assets are as follows:

Category	Depreciation period	Estimated residual value rate	Annual depreciation rate
Buildings	20 - 30 years	0% - 3%	3.23% - 5.00%
Fixed assets improvement	The lower of improvement period and remaining useful life	0%	Linear depreciation according to depreciation life
Office and machinery equipment	3 - 20 years	0% - 5%	4.75% - 33.33%
Transportation vehicles	5 - 8 years	0% - 3%	12.13% - 20.00%
Flight equipment	25 years or 20 years	5% or 15%	3.80% or 4.25%

Estimated net residual value of a fixed asset is the estimated amount that the Group would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

10.3 Other explanations

If a fixed asset is upon disposal or no future economic benefits are expected to be generated from its use or disposal, the fixed asset is derecognised. When a fixed asset is sold, transferred, retired or damaged, the amount of any proceeds on disposal of the asset net of the carrying amount and related taxes is recognised in profit or loss for the period.

The Group reviews the useful life and estimated net residual value rate of a fixed asset and the depreciation method applied at least once at each financial year-end, and accounts for any change as a change in an accounting estimate.

The carrying amount of a fixed asset is derecognised:

- on disposal; or
- when no future economic benefits are expected to be generated from its use or disposal.

Gains or losses arising from the retirement or disposal of an item of fixed assets are determined as the difference between the net disposal proceeds and the carrying amount of the item, and are recognised in profit or loss on the date of retirement or disposal.

11. Construction in progress

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 fixed asset or other asset when it is ready for intended use.

12. Intangible assets

Intangible assets include land use rights, franchising, etc.

An intangible asset is measured initially at cost. Expenses related to the intangible assets are recognised in the cost of intangible assets when (i) it is probable that the associated economic benefits will flow to the Group; and (ii) the associated costs can be measured reliably. Other expenses related to the intangible assets are recognised in profit or loss for the period in which it is incurred.

Intangible assets are stated in the balance sheet at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses.

The acquired land use right is recognised as an intangible asset. Expenses related to land use rights and construction costs from buildings such as self-built factories, etc. are recognised as intangible assets and fixed assets, respectively. In the case of purchased buildings, it allocates related costs between land use rights and buildings. If the related cost cannot be allocated reasonably, it is recognised as an fixed asset.

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.

The estimated useful lives, basis for determination and amortisation methods of intangible assets are as follows:

Item	Estimated useful life (years)	Basis for determination	Amortisation method
Land use rights	30 - 70 years	Statutory useful life	Straight-line method
System and software	5 years	Beneficial life	Straight-line method
Other intangible assets	2 - 50 years	Beneficial life	Straight-line method

For an intangible asset with a finite useful life, the Group reviews the useful life and amortisation method at the end of the period, and accounts for any change as a change in an accounting estimate. For an intangible asset with infinite useful life, the Group reviews the useful life. If it is evident that the duration of associated economic benefits is predictable, then estimate the useful life pursuant to amortisation policies for intangible assets with finite useful life.

13. Impairment of non-financial assets

The Group checks whether long-term equity investment, fixed assets, construction in progress, right-of-use assets, intangible assets with a finite useful life, goodwill, long-term prepaid expenses, and non-financial foreclosed assets will impair in every balance sheet date. If the indication of impairment of these assets exists, the Group estimates their recoverable amount. Intangible assets with indefinite useful life and intangible assets not yet available for use are tested for impairment annually, irrespective of whether there is any indication that the assets may be impaired.

Estimation of recoverable amount of assets is based on an individual asset. If the recoverable amount is difficult to estimate, the amount should be estimated by the asset group which the asset belongs to. Recoverable amount is the higher of the two: net fair value of the assets or asset group after disposal expenses, or present value of the expected cash flow from the assets.

If an asset's recoverable amount is lower than its carrying amount, the allowance for impairment losses should be recognised by their balances in profit or loss for the period.

The goodwill should be tested for impairment at least at the end of each year with its related asset group or combination of asset groups. On the purchase date, the carrying amount of goodwill should be allocated reasonably to asset groups or combinations which can benefit from the synergy of the enterprise merger. If the recoverable amount of asset group or combinations of allocated goodwill is lower than its carrying amount, impairment loss should be recognised. The amount of impairment loss should offset the carrying value of the goodwill which is allocated to certain asset groups or combinations at first, then it should offset the carrying amount of other assets proportionally according to the proportion of other assets' carrying amount of asset group or combination after goodwill. However, such allocation would not reduce the carrying amount of an asset below the highest of its fair value less costs to sell (if measurable), its present value of expected future cash flows (if determinable) and zero.

The impairment losses cannot be reversed once they are recognised.

14. Long-term prepaid expenses

Long-term prepaid expenses represent expenses incurred that should be borne and amortised over the current and subsequent periods (together of more than one year). Long-term prepaid expenses are amortised using the straight-line method over the expected periods in which benefits are derived.

15. Employee benefits

15.1 Accounting method of short-term employee benefits

In an accounting period in which an employee has rendered service to the Group, the Group recognises the short-term employee benefits for that service as a liability, and the expenditure incurred for the period is recorded in profit or loss. The employee's welfare incurred is recognised in the profit or loss for the period as well. Non-monetary benefits included in employee's welfare expenses are recorded at fair value.

Payment made by the Group regarding social security contributions for employees such as contributions on medical insurance, work injury insurance and maternity insurance, etc. and payments of housing funds, as well as trade union fund and employee education fund provided in accordance with relevant requirements, are calculated according to prescribed bases and percentages in determining the amount of employee benefits and recognised as relevant liabilities, with a corresponding charge to the profit or loss for the period in the accounting period in which employees provide services.

15.2 Accounting method of post-employment benefits

Termination benefits are classified as defined contribution pension plans and defined benefit plans.

In an accounting period in which an employee has rendered service to the Group, the Group recognises the employee benefits arising from defined contribution pension plans as a liability as well as in profit or loss for the period.

For the defined benefit plan, the Group recognises obligations arising from such plan based on a formula under estimated cumulated welfare method in the period in which employees render service and in profit or loss for the period. The classifications of the costs are as follows:

- Service costs (including service costs of the period, service costs in the past, and profit and loss).

- Net value of interests from net liabilities or net assets of defined benefit plans (including interest income of planned assets, obligated interest cost of defined benefit plans and interest of influence of assets upper limit).

- The changes of recalculating the net liabilities and net assets of defined benefit plans.

Net interests of service costs and net liabilities and net assets of defined benefit plans are recorded in the profit and loss. The changes of recalculating the net liabilities and net assets of defined benefit plans, including actuarial gains or loss, planned assets yield deducting net value of interests from net liabilities or net assets of defined benefit plans, change rising from upper limit of assets deducting net value of interests from net liabilities or net assets of defined, are recorded in other comprehensive income.

The difference between the present value of defined benefit obligation and the fair value of defined benefit asset is recognised as a net asset or liability of defined benefit plans. If there is a surplus, the net assets of defined benefit plans should be measured by the lower of the two: 1. the surplus of defined benefit plans; 2. upper limit of assets.

15.3 Accounting method of termination benefits

In an accounting period in which an employee has rendered service to the Group, a liability for a termination benefit and an expense accordingly are recognised at the earlier of when the Group entity can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.

16. Assets transferred under repurchase agreements

16.1 Financial assets purchased under resale agreements

The financial assets are not recognised in the statements of financial position if they are committed to being resold at a specific price at a specific date in the future. The cost of purchasing such assets is presented under "financial assets purchased under resale agreements" in the statements 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.

16.2 Financial assets sold under repurchase agreements

Financial assets sold subject to agreements with a commitment to repurchase at a specific future date and price are not derecognised in the statements of financial position. The proceeds from selling such assets are presented under "financial assets sold under repurchase agreements" in the statements 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.

17. 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 balance sheet 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.

The Group reviews the carrying amount of a provision at the balance sheet date and adjusts the carrying amount to the current best estimate.

18. Income

18.1 Interest income

For all financial instruments measured at amortised cost and interest-generating financial instruments classified as financial assets measured at FVOCI, interest income is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument, where appropriate, to the book value of the financial asset, or the amortised cost of financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not expected credit losses.

Interest income is calculated by applying the effective interest rate to the book value of financial assets and is included in interest income, except for:

- For purchased or originated credit-impaired financial assets, whose interest income is calculated, since initial recognition, by applying the credit-adjusted effective interest rate to their amortised cost;

- Financial assets that are not purchased or originated credit-impaired but have subsequently become credit-impaired, whose interest income is calculated by applying the effective interest rate to their amortised cost (i.e. net of the expected credit loss provision). If, in a subsequent period, the financial assets improve their qualities so that they are no longer credit-impaired and the improvement in credit quality is related objectively to a certain event occurring after the application of the above-mentioned rules, then the interest income is calculated by applying the effective interest rate to their book value.

18.2 Fee and commission income

Fees and commissions are recognised by providing various services to customers, which reflects the consideration amount expected to be entitled to receive for the service provided to customers, and the income is recognised when the performance obligations in the contract are fulfilled.

The Group will confirm the income according to the performance schedule within the time period when one of the following conditions is met:

- The customer obtains and consumes the economic benefits brought by the Group's performance while performing the contract;

- The customer can control the services performed during the performance of the Group;

- The services performed by the Group in the performance process are irreplaceable and the Group has the right to collect money for the cumulative performance part which has been completed so far throughout the contract period;

In other cases, the Group recognises revenue when customers obtain the relevant service control right.

19. Expenses

19.1 Interest expense

The interest expense of the financial liability is calculated according to the amortised cost of the financial liability and the time occupied by the capital according to the effective interest rate method, and is recognised in the corresponding period.

19.2 Other expenses

Other expenses are recognised on an accrual basis.

20. Government grants

Government grants are transfer of monetary assets and non-monetary assets from the government to the Group at no consideration, excluding capital investment by the government as an investor. A government grant is recognised only when the Group can comply with the conditions attached to the grant and the Group will receive the grant.

If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount received or receivable. If a government grant is in the form of a non-monetary asset, it is measured at fair value. If the fair value cannot be reliably determined, it is measured at a nominal amount. A government grant measured at a nominal amount is recognised immediately in profit or loss for the period. Government grants are classified into government grants related to assets and government grants related to income according to the subjects required by the Government documents.

Government grants related to assets are grants whose primary condition is that the Group qualifying for them should purchase, construct or otherwise acquire long-term assets. Government grants related to income are grants other than those related to assets.

A government grant related to an asset is offset against the carrying amount of related asset. For a government grant related to income, if the grant is compensation for related costs or losses to be incurred in subsequent periods, the grant is recognised as deferred income, and recognised in profit or loss over the periods in which the related costs or losses are recognised. If the grant is compensation for related expenses or losses already incurred, the grant is recognised immediately in profit or loss for the period.

A government grant related to the Group's daily activities is included in other income according to the economic business substance. A government not related to the

Group's daily activities is included in non-operating income and expense.

For the repayment of a government grant already recognised, if the carrying value of related assets is written off upon initial recognition, the carrying value of the assets is adjusted; if there is any related deferred income, the repayment is offset against the carrying amount of the deferred income, and any excess is recognised in profit or loss for the period; if there is no related deferred income, it is recognised immediately in profit or loss for the period.

21. Deferred tax assets/deferred tax liabilities

The income tax expenses include current income tax and deferred income tax.

21.1 Current income tax

At the balance sheet date, current income tax liabilities (or assets) for the current and prior periods are measured at the amount expected to be paid (or recovered) according to the requirements of tax laws.

21.2 Deferred tax assets and deferred tax liabilities

For temporary differences between the carrying amounts of certain assets or liabilities and their tax base, or between the nil carrying amount of those items that are not recognised as assets or liabilities and their tax base that can be determined according to tax laws, deferred tax assets and liabilities are recognised using the balance sheet liability method.

Deferred tax assets and deferred tax liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases, which include the deductible losses and tax credits carried forward to subsequent periods. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which 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 alsonot recognised for taxable temporary differences arising from the initial recognition of goodwill.

For deductible losses and tax credits that can be carried forward, deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible losses and tax credits can be utilised.

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 timing of 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 taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

At the balance sheet date, deferred tax assets and liabilities are measured at the tax rates, according to tax laws, that are expected to apply in the period in which the asset is realised or the liability is settled.

When they arise from transactions or events that are directly recognised in other comprehensive income or in shareholders' equity, in which case they are recognised in other comprehensive income or in shareholders' equity; and when they arise from business combinations, in which case they adjust the carrying amount of goodwill.

At the balance sheet date, the carrying amount of deferred tax assets is reviewed and reduced if it is no longer probable that sufficient taxable profits will be available in the future to allow the benefit of deferred tax assets to be utilised. Such reduction in amount is reversed when it becomes probable that sufficient taxable profits will be available.

When the Group has a legal right to settle on a net basis and intends either to settle on a net basis or to realise the assets and settle the liabilities simultaneously, current tax assets and current tax liabilities are offset and presented on a net basis.

When the Group has a legal right to settle current tax assets and liabilities on a net basis, and deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax assets and liabilities on a net basis or to realise the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be reversed, deferred tax assets and deferred tax liabilities are offset and presented on a net basis.

22. Fiduciary activities and agent business

The Group acts in fiduciary activities and agent business as a trustee or an agent for customers. Customers should bear the risk and return generated by such activities. The Group only charges fees and commissions. The fiduciary activities and agent business are excluded from the financial statements.

23. Lease

A contract is a lease if the lessor conveys the right to control the use of an identified asset to lessee for a period of time in exchange for consideration.

At inception of a contract, the Group assesses whether a 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, the Group assesses whether:

- the contract involves the use of an identified asset. An identified asset may be specified explicitly or implicitly specified in a contract and should be physically distinct, or capacity portion or other portion of an asset that is not physically distinct but it represents substantially all of the capacity of the asset and thereby provides the customer with the right to obtain substantially all of the economic benefits from the use of the asset. If the supplier has a substantive substitution right throughout the period of use, then the asset is not identified;

- the lessee has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use;

- the lessee has the right to direct the use of the asset.

For a contract that contains more separate lease components, the lessee and the lessor separate lease components and account for each lease component as a lease separately. For a contract that contains lease and non-lease components, the lessee and the lessor separate lease components from non-lease components. For a contract that contains lease and non-lease components, the lessee allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. On the contract inception date, the Lessor determines the stand-alone selling price of the lease and non-lease components underlying each performance obligation and allocates the transaction price in proportion to those stand-alone selling prices to recognise income.

(1) The Group as lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability, any lease payments made at or before the commencement date (less any lease incentives received), any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease.

The right-of-use asset is depreciated using the straight-line method. If the lessee is reasonably certain to exercise a purchase option by the end of the lease term, the right-of-use asset is depreciated over the remaining useful lives of the underlying asset. Otherwise, the right-of-use asset is depreciated from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. Impairment losses of right-of-use assets are accounted for in accordance with the accounting policy described in Note IV, 13.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

A constant periodic rate is used to calculate the interest on the lease liability in each period during the lease term with a corresponding charge to profit or loss or included in the cost of assets where appropriate. Variable lease payments not included in the measurement of the lease liability are charged to profit or loss or included in the cost of assets where appropriate as incurred.

Under the following circumstances after the commencement date, the Group remeasures lease liabilities based on the present value of revised lease payments:

- there is a change in the amounts expected to be payable under a residual value guarantee;

- there is a change in future lease payments resulting from a change in an index or a rate used to determine those payments;

- there is a change in the assessment of whether the Group will exercise a purchase, extension or termination option, or there is a change in the exercise of the extension or termination option.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets (A leased asset is valued at RMB40,000 or less individually when it is new). The Group recognises the lease payments associated with these leases in profit or loss or as the cost of the assets where appropriate using the straight-line method over the lease term.

(2) The Group as lessor

The Group determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset irrespective of whether the legal title to the asset is eventually transferred. An operating lease is a lease other than a finance lease.

When the Group is a sub-lessor, it assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies practical expedient described above, then it classifies the sub-lease as an operating lease.

Under a finance lease, at the commencement date, the Group recognises the finance lease receivable and derecognises the finance lease asset. The finance lease receivable is initially measured at an amount equal to the net investment in the lease. The net investment in the lease is measured at the aggregate of the unguaranteed residual value and the present value of the lease receivable that are not received at the commencement date, discounted using the interest rate implicit in the lease.

The Group recognises finance income over the lease term, based on a pattern reflecting a constant periodic rate of return. The derecognition and impairment of the finance lease receivable are recognised in accordance with the accounting policy in Note IV, 7. Variable lease payments not included in the measurement of net investment in the lease are recognised as income as they are earned.

Lease receipts from operating leases are recognised as income using the straight-line method over the lease term. The initial direct costs incurred in respect of the operating lease are initially capitalised and subsequently amortised in profit or loss over the lease term on the same basis as the lease income. Variable lease payments not included in lease receipts are recognised as income as they are earned.

24. Foreclosed asset

Foreclosed asset is initially measured at its fair value. At the balance sheet date, foreclosed asset is measured at the lower of carrying amount and net realisable value. The difference by which the net realisable value is lower than the carrying amount of the assets shall be provided for the current period. The foreclosed assets other than equity instruments are charged to other assets.

On disposal of a foreclosed asset, the difference between (i) income from disposal and (ii) the carrying amount of the foreclosed asset is charged to income from disposal of assets.

If the foreclosed asset is transferred for self-use, it should be measured at the carrying amount at the transfer date. Provision is to be taken into account if applicable (see Note IV, 13).

25. Profit distribution

Proposed dividends which are declared and approved after the end of each balance sheet date are not recognised as a liability in the statement of financial position and are instead disclosed as a subsequent event after the end of each balance sheet date in the notes to the financial statements. Dividends payable are recognised as liabilities in the period in which they are approved.

26. Contingent liabilities

A potential obligation arising from a past transaction or event whose existence can only be confirmed by the occurrence or non-occurrence of future uncertain events; or a present obligation that arises from past transactions or events where it is not probable that an outflow of economic benefits is required to settle the obligation or the amount of the obligation cannot be measured reliably, is disclosed as a contingent liability unless the probability of outflow of economic benefit is remote.

Contingent liabilities which are not recognised as liabilities are expected to be disclosed in the notes only. If the situation changes, the contingent liabilities are recognised as provisions when it is probable that an outflow of economic resources will be required and the amount of obligation can be measured reliably.

27. Related parties

If the Group has the power to control, jointly control or exercise significant influence over another party, or vice versa, or the two parties are subject to common control or joint control from another party, they are considered to be related parties. Related parties may be individuals or enterprises. Enterprises with which the Group is under common control only from the State and that have no other related party relationships are not regarded as related parties.

In addition to the related parties stated above, the Bank determines related parties based on the disclosure requirements of Administrative Procedures on the Information Disclosures of Listed Companies issued by the CSRC.

28. Operating segment

The Group determines its operating segments on the basis of its internal organisational structure, management requirements and internal reporting practices.

An operating segment is a component of the Group that meets all the following requirements: (i) it engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses relating to transactions with other components of the Group; (ii) its operating results are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and (iii) separate financial information is available. The operating segments that meet the specified criteria have been aggregated, and the operating segment that meets quantitative thresholds have been reported separately.

For segment reporting, inter segment revenues are measured on the basis of the actual transaction prices for such transactions, and segment accounting policies are consistent with those used to prepare the consolidated financial statements.

29. Significant accounting estimates and judgements

The preparation of the financial statements requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates as well as underlying assumptions and uncertainties involved are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

29.1 Significant accounting estimates

In addition to the accounting estimates related to the depreciation and amortisation of fixed assets and intangible assets (see Note IV, 10 and 12) and the impairment of various assets (see Note VII, 2, 3, 5, 6, 7, 8, 9, 10, 11, 12, 13 and 15), other major accounting estimates are as follows:

(1) Note VII, 14 - Recognition of deferred tax assets;

(2) Note VII, 44 - Post-employment benefits - defined benefit plans; and

(3) Note XI, 7 - Fair value of financial instruments.

29.2 Significant accounting judgements

The significant accounting judgements made by the Group in the application of accounting policies are as follows:

(1) Note IV, 7 - Classification of financial investment;

(2) Note IV, 4 and 9 - Significant judgments and assumptions on control, joint control or significant impact on other entities;

(3) Note VII, 24 and 28 - Other financial instruments are classified as financial liabilities or equity instruments; and

(4) Note VII, 45 - Judgement of consolidated structured entities.

30. Changes in significant accounting policies

The Group has adopted these standards released by the MOF recently from the accounting year beginning on 1 January 2023.

"The accounting treatment of deferred tax related to assets and liabilities arising from a single transaction excluded from the scope of the initial recognition exemption" in CAS Bulletin No.16 (Caikuai [2022] No.31)("CAS Bulletin No.16")

The application of the above provisions does not have a significant impact on the Group's financial position and operating results.

V. Taxation

1. Corporate income tax

According to the Corporate Income Tax Law of the People's Republic of China, the income tax of the Bank is 25% (2022: 25%). The Bank's subsidiaries are calculated and settled at the tax rate in accordance with the tax rate applicable in the relevant territory.

The income tax of overseas branches of the Bank is calculated in accordance with the local tax rate, and the difference between the overseas tax rate and domestic tax rate is settled by the head office.

The deductible items of Corporate income tax are calculated in accordance with the relevant regulations. Corporate income tax is prepaid by domestic branches of the Bank and conducted annual filing by the head office.

2. Value-added tax

The value-added tax ("VAT") on sales is calculated using applicable tax rate on the basis of the revenue from sales determined as per tax regulations, and is paid after deducting the VAT on purchases. According to the Announcement of the Ministry of Finance, the State Taxation Administration and the General Administration of Customs on Policies for Deepening the VAT Reform (MOF/STA/GACC Announcement [2019] No.39), the Group's applicable VAT rate range was changed from 3% - 16% to 3% - 13% from 1 April 2019.

According to the Supplementary Notice on Issues relating to VAT Policies on Assets Management Products (Cai Shui [2017] No.2) and Notice on Issues relating to VAT Policies on Assets Management Products (Cai Shui [2017] No.56) issued by MOF and State Administration of Taxation, since 1 January 2018, the manager of asset management products will be the VAT taxpayer for VAT taxable behaviours occurred in the operation of asset management products. And the VAT is levied at the rate of 3% with a provisional application of simple taxation method.

3. City maintenance and construction tax

The Group's city maintenance and construction tax is calculated according to 1% ~ 7% of VAT.

4. Education surcharge

The Group's education surcharge and local education surcharge are calculated according to 3% ~ 5% of VAT.

VI. Consolidation scope

1. Details of the Bank's principal subsidiaries included in the scope of consolidation are set out as follows:

Key subsidiaries	Main business place/ Place of registration	Business nature	Registered capital In millions of RMB	Total shareholding(%) (or similar equity interest) 31 December 2023	31 December 2022
Industrial Bank Financial Leasing Co., Ltd.	Tianjin	Financial leasing	9,000	**100**	100
China Industrial International Trust Limited	Fuzhou	Trust	10,000	**73**	73
CIB Fund Management Co., Ltd.	Fuzhou	Fund management	1,200	**90**	90
Industrial Consumer Finance Co., Ltd.	Quanzhou	Consumer finance	5,320	**66**	66
CIB Wealth Management Co., Ltd.	Fuzhou	Wealth management	5,000	**100**	100
CIIT Asset Management Co., Ltd. (1)	Shanghai	Assets management	3,400	**Note (1)**	Note (1)
China Industrial Asset Management Co., Ltd. (2)	Fuzhou	Assets management	1,950	**Note (2)**	Note (2)
Industrial Future Co., Ltd. (3)	Ningbo	Futures brokerage	500	**Note (3)**	Note (3)

(1) CIIT Asset Management Co., Ltd. is a wholly-owned subsidiary of China Industrial International Trust Limited, a holding subsidiary of the Bank.

(2) China Industrial Asset Management Co., Ltd. is a wholly-owned subsidiary of CIIT Asset Management Co., Ltd..

(3) Industrial Future Co., Ltd. is a wholly-owned subsidiary of China Industrial International Trust Limited, a holding subsidiary of the Bank.

2. Refer to Note VII, 45 for the information of consolidated structure entities included in the consolidation scope.

VII. Notes to items in the financial statements

1. Cash and balances with Central Bank

Unit: RMB million

		The Group		The Bank	
	Note	2023	2022	2023	2022
Cash on hand		**5,722**	5,181	**5,679**	5,181
Mandatory reserves with central bank	(1)	**357,075**	355,956	**357,073**	355,954
Excess reserves with central bank	(2)	**54,137**	79,172	**54,136**	79,163
Other deposits with central bank	(3)	**1,456**	1,918	**1,456**	1,918
Interest accrued		**179**	176	**179**	176
Total		**418,569**	442,403	**418,523**	442,392

(1) The domestic institution of the Bank places general deposit reserves mainly with the PBOC as required, including RMB deposit reserves and foreign deposit reserves. These deposit reserves are not available for the Group's daily operations and can't be transferred or used without the PBOC's approval. General deposit generates from organisations deposit, non-financial-budget deposit, individual deposit, enterprise deposit, net trust funds and other deposits. As at 31 December 2023, the ratio of the Bank's RMB deposit reserves is 7% (31 December 2022: 7.5%), and the ratio of foreign deposit reserves is 4% (31 December 2022: 6%). According to related regulations from the PBOC, foreign deposit reserves are non-interest bearing. The Group's subsidiaries' RMB reserve deposit ratio is in accordance with regulations of PBOC. Deposit ratio of statutory reserve in Hong Kong branch is in accordance with regulations from local regulators.

(2) Excess reserves with central bank are maintained with the PBOC mainly for the purpose of clearing, transferring, etc.

(3) The majority of other deposits with central bank are the fiscal deposits placed at Central Bank. Fiscal deposit at Central Bank refers to the fiscal deposit at PBOC by the Bank according to regulations, including the Bank's agent central budgetary revenues, local treasury deposits, etc. The fiscal deposits placed with the PBOC of institutions in mainland China are non-interest bearing.

2. Deposits with banks and other financial institutions

Unit: RMB million

	The Group		The Bank	
	2023	2022	2023	2022
Banks operating in Mainland China	**154,361**	68,262	**148,247**	61,393
Other financial institutions operating in Mainland China	**11,898**	8,501	**11,640**	8,358
Banks operating outside Mainland China	**19,504**	17,178	**19,504**	17,178
Other financial institutions operating outside Mainland China	**56**	197	**56**	197
Interest accrued	**156**	110	**133**	71
Subtotal	**185,975**	94,248	**179,580**	87,197
Less: allowance for impairment losses	**(69)**	(134)	**(68)**	(129)
Net value	**185,906**	94,114	**179,512**	87,068

3. Placements with banks and other financial institutions

Unit: RMB million

	The Group		The Bank	
	2023	2022	2023	2022
Banks operating in Mainland China	**8,568**	11,202	**8,568**	11,202
Other financial institutions operating in Mainland China	**295,125**	259,880	**313,475**	279,880
Banks operating outside Mainland China	**57,987**	80,618	**57,987**	80,618
Subtotal	**361,680**	351,700	**380,030**	371,700
Less: allowance for impairment losses	**(383)**	(585)	**(383)**	(585)
Net value	**361,297**	351,115	**379,647**	371,115
Designated at fair value through profit or loss (related to gold leasing business):				
Banks operating in Chinese Mainland	**241**	-	**241**	-
Subtotal	**241**	-	**241**	-
Interest accrued	**1,634**	928	**1,775**	1,022
Total	**363,172**	352,043	**381,663**	372,137

Effective from 9 January 2023, the lease-out side of gold leasing business was adjusted to "placements with banks and other financial institutions".

4. Derivative financial instruments

The Group enters into derivative financial instruments related to foreign currency exchange rate, interest rate, precious metals and credit rating or index for purposes of trading, asset and liability management and customer-driven business.

The notional amounts of derivative instruments represent the value of the underlying asset or the reference rate as a basis to measure changes in derivative financial instruments, which provide an indication of the volume of business transacted by the Group, but don't stand for the relevant future cash flow or current fair value, thus, do not indicate the Group's exposure to credit or market risks. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates, foreign exchange rates or precious metal prices relative to their terms. The aggregate fair values of derivative financial assets and financial liabilities can fluctuate significantly from time to time.

The notional amount and fair value of the Group's derivative financial instruments are as follows:

Unit: RMB million

	The Group		
	2023		
	Notional amount	Fair value	
		Assets	Liabilities
Exchange rate derivatives	**2,764,005**	**23,854**	**(24,586)**
Interest rate derivatives	**5,534,689**	**16,092**	**(17,746)**
Precious metal derivatives	**125,459**	**3,704**	**(927)**
Credit derivatives and others	**4,922**	**29**	**(20)**
Total	**8,429,075**	**43,679**	**(43,279)**
	2022		
	Notional amount	Fair value	
		Assets	Liabilities
Exchange rate derivatives	2,096,757	22,057	(21,666)
Interest rate derivatives	4,688,389	11,950	(11,903)
Precious metal derivatives	51,688	1,221	(1,366)
Credit derivatives and others	5,747	25	(32)
Total	6,842,581	35,253	(34,967)

	The Bank		
	2023		
	Notional amount	Fair value	
		Assets	Liabilities
Exchange rate derivatives	**2,764,005**	**23,854**	**(24,586)**
Interest rate derivatives	**5,534,689**	**16,092**	**(17,746)**
Precious metal derivatives	**125,459**	**3,704**	**(927)**
Credit derivatives and others	**4,760**	**25**	**(18)**
Total	**8,428,913**	**43,675**	**(43,277)**
	2022		
	Notional amount	Fair value	
		Assets	Liabilities
Exchange rate derivatives	2,096,757	22,057	(21,666)
Interest rate derivatives	4,688,389	11,950	(11,903)
Precious metal derivatives	51,688	1,221	(1,366)
Credit derivatives and others	5,500	24	(21)
Total	6,842,334	35,252	(34,956)

Fair value hedge

The Group uses fair value hedges to hedge the influences of changes in fair value of financial assets and trading spots caused by the changes of market interest rate and market value. For interest rate risk of financial assets, the Group adopts interest rate swaps as hedging instruments. For pricing risk of trading spots, the Group adopts future contracts as hedging instruments. Included in the aforesaid derivative financial instruments, the hedging instruments designated by the Group and the Bank are as follows:

Unit: RMB million

		The Group		
		2023		
		Notional amount	Fair value	
			Assets	Liabilities
Derivatives designated as fair value hedging instruments:		**26,188**	**523**	**(122)**
Interest rate derivatives - Interest rate swaps	(i)	**161**	**-**	**-**
Commodity derivatives - Future contracts		**26,349**	**523**	**(122)**
		2022		
		Notional amount	Fair value	
			Assets	Liabilities
Derivatives designated as fair value hedging instruments:				
Interest rate derivatives - Interest rate swaps		18,004	784	(26)
Commodity derivatives - Future contracts	(i)	40	-	-
		18,044	784	(26)

(i) Industrial Future Co., Ltd., a subsidiary of the Group, uses commodity derivatives to hedge the fair value changes caused by market price changes of trading spots held. The commodity derivatives are settled daily without liability and have a fair value of 0 on the balance sheet date.

Unit: RMB million

	The Bank		
	2023		
	Notional amount	Fair value	
		Assets	Liabilities
Derivatives designated as fair value hedging instruments:			
Interest rate derivatives - Interest rate swaps	**26,188**	**523**	**(122)**
	2022		
	Notional amount	Fair value	
		Assets	Liabilities
Derivatives designated as fair value hedging instruments:			
Interest rate derivatives - Interest rate swaps	18,004	784	(26)

The effectiveness of the hedging activities in the year which is reflected by the changes in fair value of hedging instruments and the net profit or loss from the hedged item attributable to the hedged risks is as follows:

Unit: RMB million

	The Group	
	2023	2022
Net gain (loss) from fair value hedge:		
Hedging instruments	**(351)**	818
Hedged item attributable to the hedged risk	**432**	(795)
	81	23

	The Bank	
	2023	2022
Net gain (loss) from fair value hedge:		
Hedging instruments	**(357)**	822
Hedged item attributable to the hedged risk	**419**	(797)
	62	25

Details of hedged exposure in fair value hedging strategy of the Group and the Bank as below:

Unit: RMB million

	The Group				
	2023				
	Carrying amount of hedged items		Total amount of fair value adjustment of hedged items		Balance sheet items
	Assets	Liabilities	Assets	Liabilities	
Bonds	**25,452**	**-**	**(298)**	**-**	Other Debt Investments
Others	**164**	**-**	**(6)**	**-**	Other Assets
Total	**25,616**	**-**	**(304)**	**-**	

	2022				
	Carrying amount of hedged items		Total amount of fair value adjustment of hedged items		Balance sheet items
	Assets	Liabilities	Assets	Liabilities	
Bonds	17,483	-	(717)	-	Other Debt Investments
Others	37	-	(19)	-	Other Assets
Total	17,520	-	(736)	-	

Unit: RMB million

	The Bank				
	2023				
	Carrying amount of hedged items		Total amount of fair value adjustment of hedged items		Balance sheet items
	Assets	Liabilities	Assets	Liabilities	
Bonds	**25,452**	**-**	**(298)**	**-**	Other Debt Investments
	2022				
	Carrying amount of hedged items		Total amount of fair value adjustment of hedged items		Balance sheet items
	Assets	Liabilities	Assets	Liabilities	
Bonds	17,483	-	(717)	-	Other Debt Investments

5. Financial assets purchased under resale agreements

Unit: RMB million

	The Group		The Bank	
	2023	2022	2023	2022
Bonds	**199,953**	56,589	**199,036**	56,058
Interest accrued	**195**	59	**195**	59
Subtotal	**200,148**	56,648	**199,231**	56,117
Less: allowance for impairment losses	**(83)**	(111)	**(83)**	(111)
Total	**200,065**	56,537	**199,148**	56,006

6. Loans and advances to customers

6.1 Analysis of loans and advances to customers by person and corporate

Unit: RMB million

	The Group		The Bank	
	2023	2022	2023	2022
Measured at amortised cost:				
Personal loans and advances				
Residential and business mortgage loans	**1,075,915**	1,097,324	**1,075,915**	1,097,324
Credit cards	**401,633**	452,772	**401,633**	452,772
Others	**498,824**	423,811	**412,413**	348,889
Subtotal	**1,976,372**	1,973,907	**1,889,961**	1,898,985
Corporate loans and advances				
Loans and advances	**3,154,340**	2,620,620	**3,157,547**	2,625,254
Subtotal	**3,154,340**	2,620,620	**3,157,547**	2,625,254
Less: allowance for impairment losses on loans and advances to customers measured at amortised cost	**(142,564)**	(126,083)	**(136,031)**	(120,981)
Carrying amount of loans and advances to customers measured at amortised cost	**4,988,148**	4,468,444	**4,911,477**	4,403,258
Fair value through other comprehensive income:				
Corporate loans and advances				
Discounted Bills	**319,749**	377,567	**319,749**	377,567
Subtotal	**319,749**	377,567	**319,749**	377,567
Fair value through profit or loss:				
Corporate loans and advances				
Loans and advances	**10,474**	10,793	**10,474**	10,793
Subtotal	**10,474**	10,793	**10,474**	10,793
Interest accrued	**15,112**	13,075	**14,303**	12,388
Net balance	**5,333,483**	4,869,879	**5,256,003**	4,804,006

As at 31 December 2023, the Group and Bank's allowance for impairment losses on loans and advances to customers measured at fair value through other comprehensive income was RMB862 million (As at 31 December 2022: RMB2,751 million).

6.2 Analysis of loans and advances to customers (interest accrued excluded) by industry distribution

Unit: RMB million

	The Group				The Bank			
	2023		2022		2023		2022	
	Amount	(%)	Amount	(%)	Amount	(%)	Amount	(%)
Manufacturing	**728,257**	**13.34**	585,275	11.74	**728,257**	**13.54**	585,275	11.91
Leasing and commercial services	**633,435**	**11.60**	458,017	9.19	**633,435**	**11.78**	458,017	9.32
Real estate	**437,450**	**8.01**	356,027	7.14	**437,450**	**8.13**	356,027	7.25
Retail and wholesale	**283,379**	**5.18**	263,437	5.29	**281,595**	**5.23**	261,652	5.33
Water, environment and public facilities administration	**278,973**	**5.11**	246,453	4.95	**278,973**	**5.19**	246,453	5.02
Production and supply of power, gas and water	**185,630**	**3.40**	166,203	3.34	**185,630**	**3.45**	166,203	3.38
Transport, logistics and postal service	**175,265**	**3.21**	165,154	3.31	**175,265**	**3.26**	165,154	3.36
Construction	**167,254**	**3.06**	163,364	3.28	**167,254**	**3.11**	163,364	3.33
Extractive industry	**76,574**	**1.40**	74,380	1.49	**76,574**	**1.42**	74,380	1.51
Financial industry	**43,269**	**0.79**	34,943	0.70	**48,260**	**0.90**	41,362	0.84
Other corporate industries	**155,328**	**2.85**	118,160	2.38	**155,328**	**2.90**	118,160	2.40
Subtotal	**3,164,814**	**57.95**	2,631,413	52.81	**3,168,021**	**58.91**	2,636,047	53.65
Personal loans	**1,976,372**	**36.19**	1,973,907	39.61	**1,889,961**	**35.14**	1,898,985	38.66
Discounted bills	**319,749**	**5.86**	377,567	7.58	**319,749**	**5.95**	377,567	7.69
Gross loans and advances	**5,460,935**	**100.00**	4,982,887	100.00	**5,377,731**	**100.00**	4,912,599	100.00
Less: allowance for impairment losses	**(142,564)**		(126,083)		**(136,031)**		(120,981)	
Loans and advances to customers (interest accrued excluded)	**5,318,371**		4,856,804		**5,241,700**		4,791,618	

6.3 Analysis of loans and advances to customers (interest accrued excluded) by geographical distribution

Unit: RMB million

	The Group				The Bank			
	2023		2022		2023		2022	
	Amount	(%)	Amount	(%)	Amount	(%)	Amount	(%)
Head office (Note 1)	**600,504**	**11.00**	602,207	12.09	**600,504**	**11.17**	602,207	12.26
Guangdong	**655,841**	**12.01**	577,166	11.58	**650,990**	**12.11**	572,586	11.66
Fujian	**572,595**	**10.50**	545,812	10.95	**568,738**	**10.58**	542,278	11.04
Jiangsu	**531,193**	**9.73**	478,612	9.61	**522,500**	**9.72**	470,024	9.57
Zhejiang	**501,544**	**9.18**	448,161	8.99	**497,451**	**9.25**	444,391	9.05
Shanghai	**274,363**	**5.02**	240,738	4.83	**239,742**	**4.46**	217,828	4.43
Beijing	**242,149**	**4.43**	215,527	4.33	**240,291**	**4.47**	213,556	4.35
Others (Note 2)	**2,082,746**	**38.13**	1,874,664	37.62	**2,057,515**	**38.24**	1,849,729	37.64
Gross loans and advances	**5,460,935**	**100.00**	4,982,887	100.00	**5,377,731**	**100.00**	4,912,599	100.00
Less: allowance for impairment losses	**(142,564)**		(126,083)		**(136,031)**		(120,981)	
Loans and advances to customers (interest accrued excluded)	**5,318,371**		4,856,804		**5,241,700**		4,791,618	

Note 1: Head office contains the head office and the operating divisions of the head office.

Note 2: As at 31 December 2023, the Bank has 45 tier 1 branches, apart from the tier-1 branches mentioned in the above areas, the rest is categorised into "Others". Loans and advances originated by the Bank and the subsidiaries are presented by geographical distribution.

6.4 Analysis of loans and advances (interest accrued excluded) to customers by security type

Unit: RMB million

	The Group		The Bank	
	2023	2022	2023	2022
Unsecured loans	**1,469,326**	1,392,814	**1,387,907**	1,324,311
Guaranteed loans	**1,341,021**	1,068,126	**1,340,993**	1,068,098
Collateralised loans	**2,330,839**	2,144,380	**2,329,082**	2,142,623
- Secured by mortgage	**1,930,799**	1,795,822	**1,929,042**	1,794,065
- Secured by collaterals	**400,040**	348,558	**400,040**	348,558
Discounted bills	**319,749**	377,567	**319,749**	377,567
Gross loans and advances	**5,460,935**	4,982,887	**5,377,731**	4,912,599
Less: allowance for impairment losses	**(142,564)**	(126,083)	**(136,031)**	(120,981)
Loans and advances to customers (interest accrued excluded)	**5,318,371**	4,856,804	**5,241,700**	4,791,618

6.5 Overdue loans (interest accrued excluded)

Unit: RMB million

	The Group									
	2023					2022				
	1-90 days (including 90 days)	91-360 days (including 360 days)	361 days to 3 years (including 3 years)	Over 3 years	Total	1-90 days (including 90 days)	91-360 days (including 360 days)	361 days to 3 years (including 3 years)	Over 3 years	Total
Unsecured loans	**14,688**	**15,716**	**4,042**	**425**	**34,871**	19,208	18,370	3,086	297	40,961
Guaranteed loans	**5,825**	**1,863**	**3,159**	**500**	**11,347**	3,623	4,002	3,467	516	11,608
Collateralised loans	**13,822**	**7,590**	**5,713**	**940**	**28,065**	14,170	10,409	4,854	1,235	30,668
- Secured by mortgage	**12,495**	**6,964**	**5,340**	**871**	**25,670**	12,868	8,336	4,668	1,235	27,107
- Secured by collaterals	**1,327**	**626**	**373**	**69**	**2,395**	1,302	2,073	186	-	3,561
Total	**34,335**	**25,169**	**12,914**	**1,865**	**74,283**	37,001	32,781	11,407	2,048	83,237

Unit: RMB million

	The Bank									
	2023					2022				
	1-90 days (including 90 days)	91-360 days (including 360 days)	361 days to 3 years (including 3 years)	Over 3 years	Total	1-90 days (including 90 days)	91-360 days (including 360 days)	361 days to 3 years (including 3 years)	Over 3 years	Total
Unsecured loans	**13,132**	**13,863**	**4,039**	**425**	**31,459**	17,734	17,382	3,078	297	38,491
Guaranteed loans	**5,825**	**1,863**	**3,159**	**500**	**11,347**	3,623	4,002	3,467	516	11,608
Collateralised loans	**13,822**	**7,590**	**5,713**	**940**	**28,065**	14,170	10,409	4,854	1,235	30,668
- Secured by mortgage	**12,495**	**6,964**	**5,340**	**871**	**25,670**	12,868	8,336	4,668	1,235	27,107
- Secured by collaterals	**1,327**	**626**	**373**	**69**	**2,395**	1,302	2,073	186	-	3,561
Total	**32,779**	**23,316**	**12,911**	**1,865**	**70,871**	35,527	31,793	11,399	2,048	80,767

The loan will be categorised into overdue when principal or interest is overdue for one day.

6.6 Allowance for loan impairment

As at 31 December 2023, changes in allowance for impairment losses on loans and advances to customers are as follows:

(1) Loans and advances to customers measured at amortised cost

Unit: RMB million

	The Group			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	
1 January 2023	**56,872**	**16,918**	**52,293**	**126,083**
Transfer:				
- to stage 1	**3,080**	**(1,957)**	**(1,123)**	**-**
- to stage 2	**(5,524)**	**10,215**	**(4,691)**	**-**
- to stage 3	**(1,549)**	**(7,277)**	**8,826**	**-**
Charge for the year	**11,692**	**9,342**	**47,958**	**68,992**
Write-offs and transfer out	**-**	**-**	**(63,383)**	**(63,383)**
Recoveries of amounts previously written off	**-**	**-**	**11,795**	**11,795**
Exchange difference and other movements	**-**	**-**	**(923)**	**(923)**
31 December 2023	**64,571**	**27,241**	**50,752**	**142,564**

Unit: RMB million

	The Group			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	
1 January 2022	81,935	14,080	33,862	129,877
Transfer:				
- to stage 1	3,501	(1,489)	(2,012)	-
- to stage 2	(3,490)	3,900	(410)	-
- to stage 3	(7,208)	(7,049)	14,257	-
(Reversal) charge for the year	(17,866)	7,476	46,490	36,100
Write-offs and transfer out	-	-	(46,745)	(46,745)
Recoveries of amounts previously written off	-	-	8,214	8,214
Exchange difference and other movements	-	-	(1,363)	(1,363)
31 December 2022	56,872	16,918	52,293	126,083

Unit: RMB million

	The Bank			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	
1 January 2023	**54,647**	**16,368**	**49,966**	**120,981**
Transfer:				
- to stage 1	**3,001**	**(1,933)**	**(1,068)**	**-**
- to stage 2	**(5,460)**	**10,140**	**(4,680)**	**-**
- to stage 3	**(1,473)**	**(7,249)**	**8,722**	**-**
Charge for the year	**11,218**	**8,790**	**42,520**	**62,528**
Write-offs and transfer out	**-**	**-**	**(57,655)**	**(57,655)**
Recoveries of amounts previously written off	**-**	**-**	**11,048**	**11,048**
Exchange difference and other movements	**-**	**-**	**(871)**	**(871)**
31 December 2023	**61,933**	**26,116**	**47,982**	**136,031**

Unit: RMB million

	The Bank			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	
1 January 2022	80,236	13,768	32,421	126,425
Transfer:				
- to stage 1	3,431	(1,478)	(1,953)	-
- to stage 2	(3,459)	3,863	(404)	-
- to stage 3	(7,154)	(7,036)	14,190	-
(Reversal) charge for the year	(18,407)	7,251	42,382	31,226
Write-offs and transfer out	-	-	(43,237)	(43,237)
Recoveries of amounts previously written off	-	-	7,910	7,910
Exchange difference and other movements	-	-	(1,343)	(1,343)
31 December 2022	54,647	16,368	49,966	120,981

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

Unit: RMB million

	The Group and the Bank			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	
1 January 2023	**2,682**	**-**	**69**	**2,751**
Transfer:				
- to stage 1	**-**	**-**	**-**	**-**
- to stage 2	**-**	**-**	**-**	**-**
- to stage 3	**-**	**-**	**-**	**-**
Reversal for the year	**(1,830)**	**-**	**(59)**	**(1,889)**
Write-offs and transfer out	**-**	**-**	**-**	**-**
Recoveries of amounts previously written off	**-**	**-**	**-**	**-**
Exchange difference and other movements	**-**	**-**	**-**	**-**
31 December 2023	**852**	**-**	**10**	**862**

Unit: RMB million

	The Group and the Bank			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	
1 January 2022	1,008	3	21	1,032
Transfer:				
- to stage 1	-	-	-	-
- to stage 2	-	-	-	-
- to stage 3	-	-	-	-
Charge (reversal) for the year	1,674	(3)	48	1,719
Write-offs and transfer out	-	-	-	-
Recoveries of amounts previously written off	-	-	-	-
Exchange difference and other movements	-	-	-	-
31 December 2022	2,682	-	69	2,751

7. Financial investments

Unit: RMB million

		The Group		The Bank	
	Note	2023	2022	2023	2022
Trading assets	7.1	**957,708**	999,855	**894,921**	933,931
Debt investments	7.2	**1,801,346**	1,607,026	**1,791,706**	1,595,755
Other debt investments	7.3	**572,585**	548,007	**568,979**	548,000
Other equity investments	7.4	**3,836**	3,453	**3,255**	2,873
Total		**3,335,475**	3,158,341	**3,258,861**	3,080,559

7.1 Trading assets

Unit: RMB million

	The Group		The Bank	
	2023	2022	2023	2022
Held for trading purpose:				
Investment in debt instruments				
Government bonds	**48,253**	114,961	**45,224**	112,654
The Central Bank bills and policy bank financial bonds	**28,491**	13,725	**19,128**	9,268
Bonds issued by banks and other financial institutions	**24,526**	7,549	**1,823**	2,097
Interbank certificates of deposit	**25,579**	4,980	**24,257**	3,191
Corporate bonds and asset-backed securities	**71,585**	94,511	**36,276**	44,223
Funds	**593,346**	628,551	**639,021**	664,900
Other investments	**5,603**	5,624	**-**	-
Subtotal	**797,383**	869,901	**765,729**	836,333
Financial assets measured at fair value through profit or loss (mandatory):				
The Central Bank bills and policy bank financial bonds	**1,340**	-	**1,340**	-
Bonds issued by banks and other financial institutions	**7,216**	7,219	**7,216**	7,219
Corporate bonds and asset-backed securities	**850**	1,966	**551**	1,916
Trust beneficiary rights and asset management plans	**128,013**	95,546	**116,100**	86,629
- Debt securities	**117,643**	86,231	**114,587**	83,933
- Credit assets	**3,918**	3,211	**1,080**	1,705
- Others	**6,452**	6,104	**433**	991
Wealth management products	**5,126**	2,727	**2,469**	674
Equity investments	**14,944**	20,069	**1,516**	1,160
Funds	**2,836**	2,427	**-**	-
Subtotal	**160,325**	129,954	**129,192**	97,598
Total	**957,708**	999,855	**894,921**	933,931

7.2 Debt investments

Unit: RMB million

		The Group		The Bank	
	Note	2023	2022	2023	2022
Government bonds		**1,011,961**	845,933	**1,005,298**	839,518
The Central Bank bills and policy bank financial bonds		**5,656**	8,575	**5,656**	8,575
Bonds issued by banks and other financial institutions		**59,416**	75,740	**59,686**	75,740
Interbank certificates of deposit		**32,771**	16,072	**32,771**	16,072
Corporate bonds and asset-backed securities		**212,548**	153,007	**213,378**	152,892
Trust beneficiary rights and asset management plans		**501,896**	537,513	**494,169**	530,259
- Credit assets		**350,492**	308,810	**349,473**	308,083
- Debt securities		**119,611**	187,277	**119,475**	187,275
- Others		**31,793**	41,426	**25,221**	34,901
Interest accrued		**17,686**	15,632	**17,606**	15,588
Subtotal		**1,841,934**	1,652,472	**1,828,564**	1,638,644
Less: allowance for impairment losses	(1)	**(40,588)**	(45,446)	**(36,858)**	(42,889)
Net value		**1,801,346**	1,607,026	**1,791,706**	1,595,755

(1) Changes in allowance for impairment losses on debt investments are as follows:

Unit: RMB million

	The Group			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	
1 January 2023	**5,342**	**7,988**	**32,116**	**45,446**
Transfer:				
- to stage 1	**240**	**(240)**	**-**	**-**
- to stage 2	**(82)**	**4,029**	**(3,947)**	**-**
- to stage 3	**(60)**	**(1,108)**	**1,168**	**-**
(Reversal) charge for the year	**(2,207)**	**(5,069)**	**1,692**	**(5,584)**
Write-offs and transfer out	**-**	**-**	**(1,255)**	**(1,255)**
Exchange difference and other movements	**566**	**-**	**1,415**	**1,981**
31 December 2023	**3,799**	**5,600**	**31,189**	**40,588**

Unit: RMB million

	The Group			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	
1 January 2022	8,390	6,671	27,256	42,317
Transfer:				
- to stage 1	-	-	-	-
- to stage 2	(154)	3,257	(3,103)	-
- to stage 3	(141)	(3,712)	3,853	-
(Reversal) charge for the year	(1,959)	1,772	9,759	9,572
Write-offs and transfer out	-	-	(7,842)	(7,842)
Exchange difference and other movements	(794)	-	2,193	1,399
31 December 2022	5,342	7,988	32,116	45,446

Unit: RMB million

	The Bank			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	
1 January 2023	**5,333**	**7,988**	**29,568**	**42,889**
Transfer:				
- to stage 1	**240**	**(240)**	**-**	**-**
- to stage 2	**(82)**	**4,029**	**(3,947)**	**-**
- to stage 3	**(60)**	**(1,108)**	**1,168**	**-**
(Reversal) charge for the year	**(2,217)**	**(5,093)**	**932**	**(6,378)**
Write-offs and transfer out	**-**	**-**	**(1,250)**	**(1,250)**
Exchange difference and other movements	**566**	**-**	**1,031**	**1,597**
31 December 2023	**3,780**	**5,576**	**27,502**	**36,858**

Unit: RMB million

	The Bank			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	
1 January 2022	8,386	6,356	25,862	40,604
Transfer:				
- to stage 1	-	-	-	-
- to stage 2	(154)	3,257	(3,103)	-
- to stage 3	(141)	(2,150)	2,291	-
(Reversal) charge for the year	(1,964)	525	8,485	7,046
Write-offs and transfer out	-	-	(6,160)	(6,160)
Exchange difference and other movements	(794)	-	2,193	1,399
31 December 2022	5,333	7,988	29,568	42,889

7.3 Other debt investments

Unit: RMB million

	The Group		The Bank	
	2023	2022	2023	2022
Debt investments:				
Government bonds	**213,998**	170,626	**210,276**	170,122
The Central Bank bills and policy bank financial bonds	**14,220**	13,437	**14,220**	13,437
Bonds issued by banks and other financial institutions	**110,450**	70,276	**110,450**	70,378
Interbank certificates of deposit	**52,533**	79,529	**52,533**	79,529
Corporate bonds and asset-backed securities	**175,628**	207,936	**176,138**	208,435
Trust beneficiary rights and asset management plans	**506**	1,436	**173**	1,332
Interest accrued	**5,250**	4,767	**5,189**	4,767
Total	**572,585**	548,007	**568,979**	548,000

(1) Changes in fair value

Unit: RMB million

	Note	The Group		The Bank	
		2023	2022	2023	2022
Initial recognition cost		**574,970**	555,284	**571,329**	555,131
Fair value		**572,585**	548,007	**568,979**	548,000
Accumulated amount recognised in other comprehensive income		**(2,087)**	(6,560)	**(2,052)**	(6,414)
Accumulated amount recognised in profit or loss	(i)	**(298)**	(717)	**(298)**	(717)

(i) The Bank uses interest rate swaps to hedge the changes in fair value caused by changes in bond interest rates of other debt investments held. Fair value changes of the part of hedged bonds are included in profit or loss.

(2) Changes in allowance for impairment losses on other debt investments are as follows:

Unit: RMB million

	The Group			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	
1 January 2023	1,296	348	509	2,153
Transfer:				
- to stage 1	-	-	-	-
- to stage 2	(347)	347	-	-
- to stage 3	-	(174)	174	-
(Reversal) charge for the year	(493)	396	884	787
Write-offs and transfer out	-	-	(777)	(777)
Exchange difference and other movements	44	-	-	44
31 December 2023	500	917	790	2,207

Unit: RMB million

	The Group			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	
1 January 2022	752	233	1,313	2,298
Transfer:				
- to stage 1	20	(20)	-	-
- to stage 2	-	-	-	-
- to stage 3	(1)	-	1	-
Charge for the year	493	135	73	701
Write-offs and transfer out	-	-	(878)	(878)
Exchange difference and other movements	32	-	-	32
31 December 2022	1,296	348	509	2,153

Unit: RMB million

	The Bank			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	
1 January 2023	**1,296**	**348**	**399**	**2,043**
Transfer:				
- to stage 1	**-**	**-**	**-**	**-**
- to stage 2	**(347)**	**347**	**-**	**-**
- to stage 3	**-**	**(174)**	**174**	**-**
(Reversal) charge for the year	**(497)**	**396**	**884**	**783**
Write-offs and transfer out	**-**	**-**	**(687)**	**(687)**
Exchange difference and other movements	**44**	**-**	**-**	**44**
31 December 2023	**496**	**917**	**770**	**2,183**

Unit: RMB million

	The Bank			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	
1 January 2022	714	222	1,204	2,140
Transfer:				
- to stage 1	20	(20)	-	-
- to stage 2	-	-	-	-
- to stage 3	(1)	-	1	-
Charge for the year	531	146	34	711
Write-offs and transfer out	-	-	(840)	(840)
Exchange difference and other movements	32	-	-	32
31 December 2022	1,296	348	399	2,043

7.4 Other equity investments

Unit: RMB million

	The Group		The Bank	
	2023	2022	2023	2022
Designated at fair value through other comprehensive income	**3,836**	3,453	**3,255**	2,873

The Group designates non-trading equity investments as financial assets at fair value through other comprehensive income. As at 31 December 2023, the fair value of the equity investments is RMB3,836 million (31 December 2022: RMB3,453 million). During the reporting period, dividend income of RMB37.49 million (2022: RMB50.00 million) recognised for such equity investments was included in the profit or loss.

Related analyses of other equity investments are as follows:

Unit: RMB million

	The Group		The Bank	
	2023	2022	2023	2022
Initial recognition cost	**4,098**	3,676	**3,517**	3,096
Fair value	**3,836**	3,453	**3,255**	2,873
Accumulated amount recognised in other comprehensive income	**(262)**	(223)	**(262)**	(223)

8. Finance lease receivables

Presented by nature:

Unit: RMB million

	The Group		
	Note	2023	2022
Finance lease receivables		**133,132**	123,843
Less:unrealised financing income		**(14,091)**	(11,970)
Present value of minimum finance lease receivables		**119,041**	111,873
Less:allowance for impairment losses	(1)	**(4,364)**	(4,649)
Net value		**114,677**	107,224

Finance lease receivables Listed as follows:

Unit: RMB million

	Note	2023	2022
Within 1 year		**49,299**	50,184
1 to 2 years		**37,270**	32,800
2 to 3 years		**19,159**	17,331
3 to 5 years		**17,087**	13,742
Over 5 years		**8,879**	7,529
Undated*		**1,438**	2,257
Minimum lease receipts in total		**133,132**	123,843
Unrealised financing income		**(14,091)**	(11,970)
Present value of minimum finance lease receivables		**119,041**	111,873
Less:allowance for impairment losses	(1)	**(4,364)**	(4,649)
Net value		**114,677**	107,224

* Undated refers to finance lease receivables which are overdue

(1) Changes in allowance for impairment losses on finance lease receivables :

Unit: RMB million

	The Group			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	
1 January 2023	**1,269**	**225**	**3,155**	**4,649**
Transfer:				
- to stage 1	**-**	**-**	**-**	**-**
- to stage 2	**-**	**215**	**(215)**	**-**
- to stage 3	**(241)**	**(204)**	**445**	**-**
Charge (reversal) for the year	**69**	**2**	**(383)**	**(312)**
Write-offs and transfer out	**-**	**-**	**(60)**	**(60)**
Exchange difference and other movements	**-**	**-**	**87**	**87**
31 December 2023	**1,097**	**238**	**3,029**	**4,364**

Unit: RMB million

	The Group			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	
1 January 2022	1,461	201	3,243	4,905
Transfer:				
- to stage 1	9	(9)	-	-
- to stage 2	(153)	169	(16)	-
- to stage 3	(841)	-	841	-
Charge (reversal) for the year	793	(136)	(861)	(204)
Write-offs and transfer out	-	-	(222)	(222)
Exchange difference and other movements	-	-	170	170
31 December 2022	1,269	225	3,155	4,649

9. Long-term equity investments

Unit: RMB million

		The Group								
Investee	Accounting method	1 January 2023	Investment income recognised under the equity method	Cash dividends for this year	Changes for the preiod	Provisions	31 December 2023	Proportion of equity interest (%)	Proportion of voting power in the investee (%)	Explanation of inconsistency between the proportion of equity interest and the proportion of voting power in the investee
Bank of Jiujiang (1)	Equity method	3,568	9	(29)	(151)	-	3,397	10.34	10.34	N/A
Others	Equity method	478	9	(10)	(2)	-	475			N/A
Total		4,046	18	(39)	(153)	-	3,872			

Unit: RMB million

		The Bank								
Long-term equity investments by equity method: Investee	Accounting method	1 January 2023	Investment income recognised under the equity method	Cash dividends for this year	Changes for the period	Provisions	31 December 2023	Proportion of equity interest (%)	Proportion of voting power in the investee (%)	Explanation of inconsistency between the proportion of equity interest and the proportion of voting power in the investee
Bank of Jiujiang (1)	Equity method	3,568	9	(29)	(151)	-	3,397	10.34	10.34	N/A
Subtotal		3,568	9	(29)	(151)	-	3,397	10.34	10.34	N/A

Unit: RMB million

Long-term equity investments accounted by cost method: Investee	Accounting method	1 January 2023	Changes	31 December 2023	Proportion of equity interest (%)	Proportion of voting power in the investee (%)	Explanation of inconsistency between the proportion of equity interest and the proportion of voting power in the investee	Provision for impairment	Cash dividends for this year
Industrial Bank Financial Leasing Co., Ltd. (Note. VI)	Cost method	**7,000**	-	**7,000**	**100.00**	**100.00**	**N/A**	-	**450**
China Industrial International Trust Limited (Note. VI)	Cost method	**6,395**	-	**6,395**	**73.00**	**73.00**	**N/A**	-	-
CIB Fund Management Co., Ltd. (Note. VI)	Cost method	**900**	-	**900**	**90.00**	**90.00**	**N/A**	-	**45**
Industrial Consumer Finance Co., Ltd. (Note. VI)	Cost method	**1,254**	-	**1,254**	**66.00**	**66.00**	**N/A**	-	**151**
CIB Wealth Management Co., Ltd. (Note. VI)	Cost method	**5,000**	-	**5,000**	**100.00**	**100.00**	**N/A**	-	**250**
Subtotal		**20,549**	-	**20,549**				-	**896**

(1) Bank of Jiujiang issued a total of 75,000,000 H Shares to no less than six subscribers of H Shares, the registration of changes was completed on 26 July 2023. Bank of Jiujiang then issued a total of 365,000,000 Domestic Shares to no less than six subscribers of Domestic Shares, completion of issuance was announced on 22 September 2023. The shareholding of the Bank was diluted to 10.34% as at 31 December 2023 (as at 31 December 2022: 12.23%) after such private placements. As the Bank sent a director to the Bank of Jiujiang, the Bank has significant influence over the Bank of Jiujiang and the equity investment is accounted for using the equity method.

(2) There are no restrictions on the investees' capacities of capital transferring to the Group and the Bank on 31 December 2023.

10. Fixed assets

Unit: RMB million

	The Group					
	Buildings	Fixed assets improvement	Office and machinery equipment	Transportation vehicles	Flight equipment	Total
Cost						
At 1 January 2023	**23,817**	**1,251**	**11,717**	**451**	**6,874**	**44,110**
Purchase	**2**	**1**	**2,393**	**57**	**693**	**3,146**
Transfers from constructions in progress	**1,016**	**17**	**-**	**-**	**-**	**1,033**
Sales/disposals	**(166)**	**(1)**	**(692)**	**(94)**	**(708)**	**(1,661)**
At 31 December 2023	**24,669**	**1,268**	**13,418**	**414**	**6,859**	**46,628**
Accumulated depreciation						
At 1 January 2023	**(5,705)**	**(646)**	**(7,029)**	**(339)**	**(1,617)**	**(15,336)**
Depreciation for the year	**(892)**	**(39)**	**(1,701)**	**(34)**	**(322)**	**(2,988)**
Eliminated on sales/disposals	**162**	**-**	**577**	**76**	**151**	**966**
At 31 December 2023	**(6,435)**	**(685)**	**(8,153)**	**(297)**	**(1,788)**	**(17,358)**
Allowance for impairment losses						
At 1 January 2023	**(3)**	**-**	**-**	**-**	**(200)**	**(203)**
Charge for the year	**-**	**-**	**-**	**-**	**(200)**	**(200)**
At 31 December 2023	**(3)**	**-**	**-**	**-**	**(400)**	**(403)**
Net carrying amount						
At 1 January 2023	**18,109**	**605**	**4,688**	**112**	**5,057**	**28,571**
At 31 December 2023	**18,231**	**583**	**5,265**	**117**	**4,671**	**28,867**

As at 31 December 2023, the cost of flight equipment leased out under operating lease business by the Group's subsidiary Industrial Bank Financial Leasing Co., Ltd. was RMB6,859 million (31 December 2022: RMB6,874 million).

As at 31 December 2023, buildings with cost RMB758 million were in use but the legal ownership registrations were still in process (31 December 2022: RMB513 million).

Unit: RMB million

	The Bank				
	Buildings	Fixed assets improvement	Office and machinery equipment	Transportation vehicles	Total
Cost					
At 1 January 2023	23,353	1,202	10,880	416	35,851
Purchase	1	-	1,662	46	1,709
Transfers from constructions in progress	1,016	17	-	-	1,033
Sales/disposals	(166)	(1)	(589)	(82)	(838)
At 31 December 2023	24,204	1,218	11,953	380	37,755
Accumulated depreciation					
At 1 January 2023	(5,668)	(646)	(6,692)	(314)	(13,320)
Depreciation for the year	(874)	(39)	(1,454)	(27)	(2,394)
Eliminated on sales/disposals	162	-	547	69	778
At 31 December 2023	(6,380)	(685)	(7,599)	(272)	(14,936)
Allowance for impairment losses					
At 1 January 2023	(3)	-	-	-	(3)
At 31 December 2023	(3)	-	-	-	(3)
Net carrying amount					
At 1 January 2023	17,682	556	4,188	102	22,528
At 31 December 2023	17,821	533	4,354	108	22,816

As at 31 December 2023, buildings which cost RMB758 million were in use but the legal ownership registrations were still in process (31 December 2022: RMB513 million).

11. Construction in progress

Unit: RMB million

	The Group						
	2023						
	1 January 2023	Additions	Transfer to fixed assets	Transfer to long-term prepaid expenses	31 December 2023	Provisions	Net book value
Operating building, Ningbo	**385**	**39**	-	-	**424**	-	**424**
Operating building, Kunming	**353**	-	-	-	**353**	-	**353**
Operating building, Huizhou	**273**	-	-	-	**273**	-	**273**
Operating building, Wuyi Branch in Nanping	**160**	**7**	-	-	**167**	-	**167**
Operating building, Xuzhou	-	**162**	-	-	**162**	-	**162**
Operating building, Yibin	-	**48**	-	-	**48**	-	**48**
Partial improvement of Industrial Bank Tower, Fuzhou	**26**	-	-	-	**26**	-	**26**
Others	**1,374**	**726**	**(1,033)**	**(550)**	**517**	-	**517**
Total	**2,571**	**982**	**(1,033)**	**(550)**	**1,970**	-	**1,970**

Unit: RMB million

	The Bank						
	2023						
	1 January 2023	Additions	Transfer to fixed assets	Transfer to long-term prepaid expenses	31 December 2023	Provisions	Net book value
Operating building, Ningbo	**385**	**39**	-	-	**424**	-	**424**
Operating building, Kunming	**353**	-	-	-	**353**	-	**353**
Operating building, Huizhou	**273**	-	-	-	**273**	-	**273**
Operating building, Wuyi Branch in Nanping	**160**	**7**	-	-	**167**	-	**167**
Operating building, Xuzhou	-	**162**	-	-	**162**	-	**162**
Operating building, Yibin	-	**48**	-	-	**48**	-	**48**
Partial improvement of Industrial Bank Tower, Fuzhou	**26**	-	-	-	**26**	-	**26**
Others	**1,361**	**733**	**(1,033)**	**(550)**	**511**	-	**511**
Total	**2,558**	**989**	**(1,033)**	**(550)**	**1,964**	-	**1,964**

12. Right-of-use assets

Unit: RMB million

	The Group			
	Buildings	Flight equipment	Others	Total
Cost				
At 1 January 2023	13,854	717	76	14,647
Additions for the year	3,281	-	16	3,297
Less for the year	(1,593)	(8)	(9)	(1,610)
At 31 December 2023	15,542	709	83	16,334
Accumulated depreciation				
At 1 January 2023	(4,900)	(139)	(37)	(5,076)
Depreciation for the year	(2,940)	(12)	(16)	(2,968)
Eliminated for the year	1,573	-	5	1,578
At 31 December 2023	(6,267)	(151)	(48)	(6,466)
Allowance for impairment losses				
At 1 January 2023	-	(5)	-	(5)
Charge for the year	-	-	-	-
Reversal for the year	-	-	-	-
At 31 December 2023	-	(5)	-	(5)
Net value				
At 1 January 2023	8,954	573	39	9,566
At 31 December 2023	9,275	553	35	9,863

Unit: RMB million

	The bank		
	Buildings	Others	Total
Cost			
At 1 January 2023	13,303	55	13,358
Additions for the year	2,794	17	2,811
Less for the year	(1,520)	(6)	(1,526)
At 31 December 2023	14,577	66	14,643
Accumulated depreciation			
At 1 January 2023	(4,667)	(17)	(4,684)
Depreciation for the year	(2,750)	(16)	(2,766)
Eliminated for the year	1,482	3	1,485
At 31 December 2023	(5,935)	(30)	(5,965)
Allowance for impairment losses			
At 1 January 2023	-	-	-
Charge for the year	-	-	-
Reversal for the year	-	-	-
At 31 December 2023	-	-	-
Net value			
At 1 January 2023	8,636	38	8,674
At 31 December 2023	8,642	36	8,678

13. Goodwill

Unit: RMB million

China Industrial International Trust Limited	The Group			
	1 January 2023	Additions	Deductions	31 December 2023
Cost	**532**	-	-	**532**
Allowance for impairment losses	-	-	-	-
Carrying amount	**532**	-	-	**532**

Goodwill arose from acquisition of China Industrial International Trust Limited in February 2011, and the overweight of China Industrial Future Limited by China Industrial International Trust Limited in March 2015.

At the end of the period, the Group performed impairment tests on goodwill based on expected future cash flow of the investee, meanwhile, calculated the expected present value of future cash flow of the investee by applying an appropriate discount rate to determine recoverable amount. No evidence shows that the recoverable amount of goodwill is less than the carrying amount and therefore no impairment is recognised.

14. Deferred tax asset and deferred tax liability

14.1 Recognised deferred tax assets and liabilities

Unit: RMB million

	The Group			
	2023		2022	
	Deductible (taxable) temporary differences	Deferred tax assets (liabilities)	Deductible (taxable) temporary differences	Deferred tax assets (liabilities)
Deferred tax assets				
Impairment losses on assets	**198,092**	**49,523**	181,562	45,387
Fair value changes of trading assets	**366**	**83**	6,735	1,681
Fair value changes of trading liabilities	**3,507**	**877**	272	68
Changes in fair value in other debt investments	**3,320**	**830**	7,801	1,954
Changes in fair value in other equity investments	**264**	**66**	223	56
Accrued but not paid employee benefits	**28,896**	**7,224**	26,144	6,522
Accounting and tax basis differences related to lease liabilities	**8,704**	**2,176**	8,706	2,176
Others	**6,207**	**1,552**	3,910	977
Subtotal	**249,356**	**62,331**	235,353	58,821
Offset	**(17,134)**	**(4,285)**	(15,795)	(3,948)
Deferred tax assets after offset	**232,222**	**58,046**	219,558	54,873
Deferred tax liabilities				
Accounting and tax basis differences related to right-of-use assets	**(8,709)**	**(2,177)**	(8,747)	(2,187)
Differences of fixed assets depreciation	**(4,983)**	**(1,246)**	(4,615)	(1,154)
Fair value changes of trading assets	**(2,211)**	**(553)**	(1,861)	(465)
Fair value changes of other debt investments	**(24)**	**(6)**	-	-
Fair value changes of derivative financial instruments	**(965)**	**(241)**	(1,006)	(251)
Others	**(958)**	**(241)**	(958)	(239)
Subtotal	**(17,850)**	**(4,464)**	(17,187)	(4,296)
Offset	**17,134**	**4,285**	15,795	3,948
Deferred tax liabilities after offset	**(716)**	**(179)**	(1,392)	(348)

Unit: RMB million

	The Bank			
	2023		2022	
	Deductible (taxable) temporary differences	Deferred tax assets (liabilities)	Deductible (taxable) temporary differences	Deferred tax assets (liabilities)
Deferred tax assets				
Impairment losses on assets	**186,277**	**46,569**	170,795	42,700
Fair value changes of trading assets	**-**	**-**	6,396	1,599
Fair value changes of trading liabilities	**3,507**	**877**	272	68
Fair value changes of other debt investments	**3,291**	**823**	7,762	1,939
Fair value changes of other equity investments	**264**	**66**	223	56
Accrued but not paid employee benefits	**26,560**	**6,640**	23,092	5,773
Accounting and tax basis differences related to lease liabilities	**8,704**	**2,176**	8,706	2,176
Subtotal	**228,603**	**57,151**	217,246	54,311
Offset	**(16,827)**	**(4,208)**	(15,326)	(3,831)
Deferred tax assets after offset	**211,776**	**52,943**	201,920	50,480
Deferred tax liabilities				
Accounting and tax basis differences related to right-of-use assets	**(8,709)**	**(2,177)**	(8,747)	(2,187)
Differences of fixed assets depreciation	**(4,983)**	**(1,246)**	(4,615)	(1,154)
Fair value changes of trading assets	**(1,212)**	**(304)**	-	-
Fair value changes of derivative financial instruments	**(965)**	**(241)**	(1,006)	(251)
Others	**(958)**	**(240)**	(958)	(239)
Subtotal	**(16,827)**	**(4,208)**	(15,326)	(3,831)
Offset	**16,827**	**4,208**	15,326	3,831
Deferred tax liabilities after offset	**-**	**-**	-	-

The tax payment of domestic branches of the Bank can be aggregated in the way that the deferred tax assets and deferred tax liabilities are presented at the net amount after offset; overseas branches are individual taxable entities, and the deferred tax assets and deferred tax liabilities of the same entity can be presented at the net amount after offset. When there are net deferred tax assets/liabilities in overseas branches, they are not offset against those in domestic branches. The subsidiaries of the Bank are individual taxable entities, and the deferred tax assets and deferred tax liabilities of the same entity can be presented at the net amount after offset.

14.2 Movements in deferred tax assets and liabilities

Unit: RMB million

	The Group	The Bank
31 December 2022	54,525	50,480
- Deferred tax assets	58,821	54,311
- Deferred tax liabilities	(4,296)	(3,831)
Net changes of deferred tax recognised in income tax expenses	4,462	3,569
Net changes of deferred tax recognised in other comprehensive income	(1,120)	(1,106)
31 December 2023	57,867	52,943
- Deferred tax assets	62,331	57,151
- Deferred tax liabilities	(4,464)	(4,208)

15. Other assets

Unit: RMB million

	Note	The Group		The Bank	
		2023	2022	2023	2022
Items in the process of clearance and settlement		**13,046**	7,098	**10,185**	3,971
Other receivables	15.1	**19,051**	21,985	**13,946**	18,381
Continuing involvement assets (Note XII, 3.1)		**10,396**	11,427	**10,396**	11,314
Prepaid purchase cost of lease assets		**4,874**	2,042	**-**	-
Interest receivable	15.2	**2,315**	3,270	**1,884**	2,898
Net assets of defined benefit plan (Note VII, 44.2)		**1,835**	2,003	**1,835**	2,003
Long-term prepaid expenses	15.3	**1,402**	1,399	**1,340**	1,339
Foreclosed assets	15.4	**475**	395	**475**	395
Total		**53,394**	49,619	**40,061**	40,301

15.1 Other receivables

Unit: RMB million

Listed by aging: Account age	The Group				The Bank			
	2023	Proportion %	2022	Proportion %	2023	Proportion %	2022	Proportion %
Within 1 year	**10,810**	**51.72**	17,331	72.44	**5,725**	**37.03**	14,267	71.07
1 - 2 years	**4,447**	**21.28**	949	3.97	**4,298**	**27.79**	525	2.61
2 - 3 years	**347**	**1.66**	568	2.37	**325**	**2.10**	288	1.43
Over 3 years	**5,296**	**25.34**	5,078	21.22	**5,116**	**33.08**	4,998	24.89
Subtotal	**20,900**	**100.00**	23,926	100.00	**15,464**	**100.00**	20,078	100.00
Less: Allowance for impairment losses	**(1,849)**		(1,941)		**(1,518)**		(1,697)	
Net value	**19,051**		21,985		**13,946**		18,381	

15.2 Interest receivable

Unit: RMB million

	The Group		The Bank	
	2023	2022	2023	2022
Loans and advances to customers	**1,825**	2,799	**1,806**	2,799
Bonds and other investments	**490**	471	**78**	99
Total	**2,315**	3,270	**1,884**	2,898

15.3 Long-term prepaid expenses

Unit: RMB million

	The Group				
	1 January 2023	Changes	Transferred from construction in progress	Amortisation	31 December 2023
Leasehold improvements	**1,310**	2	550	(540)	**1,322**
Others	**89**	24	-	(33)	**80**
Total	**1,399**	26	550	(573)	**1,402**

Unit: RMB million

	The Bank				
	1 January 2023	Changes	Transferred from construction in progress	Amortisation	31 December 2023
Leasehold improvements	**1,275**	(5)	550	(525)	**1,295**
Others	**64**	(11)	-	(8)	**45**
Total	**1,339**	(16)	550	(533)	**1,340**

15.4 Foreclosed assets

Analysed by category of the foreclosed assets:

Unit: RMB million

	The Group and the Bank	
	2023	2022
Buildings and land use rights	**634**	546
Others	**1**	1
Subtotal	**635**	547
Less: Allowance for impairment losses	**(160)**	(152)
Net value	**475**	395

16. Deposits from banks and other financial institutions

Unit: RMB million

	The Group		The Bank	
	2023	2022	2023	2022
Banks operating in Mainland China	**293,954**	331,921	**293,954**	331,921
Other financial institutions operating in Mainland China	**1,529,056**	1,252,930	**1,538,888**	1,264,614
Banks operating outside Mainland China	**21,982**	36,319	**21,982**	36,319
Other financial institutions operating outside Mainland China	**3**	2	**3**	2
Interest accrued	**7,983**	7,082	**8,030**	7,110
Total	**1,852,978**	1,628,254	**1,862,857**	1,639,966

17. Placements from banks and other financial institutions

Unit: RMB million

	The Group		The Bank	
	2023	2022	2023	2022
Banks operating in Mainland China	**218,861**	190,990	**82,024**	77,837
Other financial institutions operating in Mainland China	**11,667**	17,466	**1,814**	441
Banks operating outside Mainland China	**65,239**	67,352	**65,239**	67,352
Subtotal	**295,767**	275,808	**149,077**	145,630
Designated at fair value through profit or loss (related to gold leasing business):				
Banks operating in Mainland China	**51,972**	-	**51,972**	-
Subtotal	**51,972**	-	**51,972**	-
Interest accrued	**1,755**	1,460	**961**	503
Total	**349,494**	277,268	**202,010**	146,133

Effective from 9 January 2023, the lease-in side of gold leasing business was adjusted to "Placements from banks and other financial institutions".

18. Trading liabilities

Unit: RMB million

	Note	The Group		The Bank	
		2023	2022	2023	2022
Trading liabilities:					
Financial liabilities related to precious metals	(1)	-	20,492	-	20,492
Sold financing bonds		**11,507**	28,212	**11,507**	28,212
Others		**1,158**	514	**1,158**	514
Subtotal		**12,665**	49,218	**12,665**	49,218
Financial liabilities designated as at fair value through profit or loss	(2)	**281**	360	-	-
Total		**12,946**	49,578	**12,665**	49,218

(1) Effective from 9 January 2023, the lease-in side of gold leasing business was adjusted to "Placements from banks and other financial institutions", and the selling of the lease-in gold is no longer recognised in trading liabilities.

(2) The Group's other shareholders' equities that are included in the consolidated financial statements are designated as financial liabilities at fair value through profit or loss. No significant changes in fair value from changes in credit risk occurred on 31 December 2023 (31 December 2022: Nil).

19. Financial assets sold under repurchase agreements

Unit: RMB million

	The Group		The Bank	
	2023	2022	2023	2022
Bonds	**403,187**	333,662	**386,254**	315,051
Bills	**13,202**	19,767	**13,202**	19,767
Interest accrued	**179**	197	**179**	197
Total	**416,568**	353,626	**399,635**	335,015

20. Deposits from customers

Unit: RMB million

	The Group		The Bank	
	2023	2022	2023	2022
Demand deposits				
- Corporate	**1,470,318**	1,389,479	**1,471,713**	1,390,335
- Personal	**376,888**	389,794	**376,888**	389,794
Subtotal	**1,847,206**	1,779,273	**1,848,601**	1,780,129
Term deposits (including call deposits)				
- Corporate	**1,829,352**	1,912,484	**1,829,412**	1,912,534
- Personal	**979,169**	695,739	**979,169**	695,739
Subtotal	**2,808,521**	2,608,223	**2,808,581**	2,608,273
Pledged deposits	**478,354**	346,921	**478,354**	346,921
Others	**2,992**	2,565	**2,992**	2,565
Interest accrued	**79,991**	51,772	**79,992**	51,773
Total	**5,217,064**	4,788,754	**5,218,520**	4,789,661

The pledged deposits included in deposits from customers are analysed as follows:

Unit: RMB million

	The Group and the Bank	
	2023	2022
Bank acceptances	**292,674**	213,756
Letters of credit	**56,303**	33,020
Guarantee	**9,218**	12,105
Others	**120,159**	88,040
Total	**478,354**	346,921

21. Employee benefits payable

Unit: RMB million

	The Group				The Bank			
	1 January 2023	Increase	Decrease	31 December 2023	1 January 2023	Increase	Decrease	31 December 2023
Salaries and bonus	**26,481**	**27,946**	**(25,284)**	**29,143**	**23,925**	**25,654**	**(22,541)**	**27,038**
Labor union expenditure and staff educational funds	**3,482**	**1,131**	**(701)**	**3,912**	**3,379**	**1,066**	**(602)**	**3,843**
Social insurance	**58**	**3,422**	**(3,401)**	**79**	**26**	**3,019**	**(3,020)**	**25**
Housing funds	**50**	**1,785**	**(1,777)**	**58**	**42**	**1,606**	**(1,606)**	**42**
Defined contribution plans	**324**	**3,781**	**(3,997)**	**108**	**304**	**3,390**	**(3,610)**	**84**
Total	**30,395**	**38,065**	**(35,160)**	**33,300**	**27,676**	**34,735**	**(31,379)**	**31,032**

The salaries, bonuses, retirement benefits and other social insurance of employee benefits payable are granted or paid according to time limit set by relevant laws, regulations and the Group's policies. See defined contribution pension plans in Note VII, 44.1.

22. Tax payable

Unit: RMB million

	The Group		The Bank	
	2023	2022	2023	2022
Corporate income tax	**2,575**	8,680	**1,874**	7,590
Value added tax	**3,147**	3,688	**3,001**	3,504
City maintenance and construction tax	**244**	289	**226**	265
Others	**457**	465	**390**	419
Total	**6,423**	13,122	**5,491**	11,778

23. Provisions

Unit: RMB million

	The Group		The Bank	
	2023	2022	2023	2022
Impairment allowance for off-balance-sheet assets	**6,224**	7,030	**6,224**	7,030
Litigation provisions	**120**	20	**15**	18
Total	**6,344**	7,050	**6,239**	7,048

As at 31 December 2023, movements of impairment allowance for off-balance-sheet assets are as follows:

Unit: RMB million

	The Group and the Bank			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	
1 January 2023	**6,263**	**396**	**371**	**7,030**
Transfer:				
- to stage 1	**57**	**(56)**	**(1)**	**-**
- to stage 2	**(29)**	**29**	**-**	**-**
- to stage 3	**(29)**	**(20)**	**49**	**-**
Reversal for the year	**(189)**	**(210)**	**(411)**	**(810)**
Exchange difference and other movements	**4**	**-**	**-**	**4**
31 December 2023	**6,077**	**139**	**8**	**6,224**

Unit: RMB million

	The Group and the Bank			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	
1 January 2022	3,947	126	10	4,083
Transfer:				
- to stage 1	7	(6)	(1)	-
- to stage 2	(246)	246	-	-
- to stage 3	(8)	(1)	9	-
Charge for the year	2,554	29	353	2,936
Exchange difference and other movements	9	2	-	11
31 December 2022	6,263	396	371	7,030

24. Debt securities issued

Unit: RMB million

	The Group		The Bank	
	2023	2022	2023	2022
Financial bonds	**181,611**	183,460	**172,257**	173,391
Tier two capital bonds	**151,784**	151,780	**151,784**	151,780
Interbank certificates of deposit	**616,303**	753,276	**616,303**	753,276
Certificates of deposit	**12,366**	8,780	**12,366**	8,780
Convertible corporate bonds	**49,783**	48,307	**49,783**	48,307
Long-term subordinated bonds	**224**	-	**-**	-
Private placement note	**-**	1,026	**-**	-
Corporate bonds	**11,682**	10,461	**-**	-
Super short-term commercial paper	**1,003**	-	**-**	-
Mid-term note	**1,431**	917	**-**	-
Asset-backed securities	**3,338**	-	**-**	-
Total	**1,029,525**	1,158,007	**1,002,493**	1,135,534

Note: Debt securities issued by the Group include financial bonds, tier two capital bonds, interbank certificates of deposit, certificates of deposit and convertible corporate bonds. Tier two capital bonds are issued by commercial banks and their subsidiaries to supplement the secondary capital. Tier two capital bonds and long-term subordinated bonds are in the same liquidation sequence.

Details of debt securities issued are as follows:

Unit: RMB million

Category of bonds	Note	Issuing date	Frequency of interest payment	The Group 2023	The Bank 2023
Financial bonds					
20 CIB small and micro enterprise bond 02	(1)	2020-04-28	Yearly	**7,000**	**7,000**
20 CIB small and micro enterprise bond 04	(1)	2020-05-25	Yearly	**5,000**	**5,000**
23 CIB small and micro enterprise bond 01	(1)	2023-08-17	Yearly	**20,000**	**20,000**
23 CIB small and micro enterprise bond 02	(1)	2023-10-24	Yearly	**5,000**	**5,000**
CIB BOND 2022 01	(2)	2022-03-10	Yearly	**10,000**	**10,000**
CIB BOND 2022 02	(2)	2022-03-10	Yearly	**30,000**	**30,000**
CIB BOND 2022 03	(2)	2022-04-01	Yearly	**11,500**	**11,500**
CIB BOND 2022 04	(2)	2022-08-01	Yearly	**20,000**	**20,000**
23 CIB green financial bond 01	(3)	2023-04-24	Yearly	**27,000**	**27,000**
23 CIB green financial bond 02	(3)	2023-06-06	Yearly	**23,000**	**23,000**
USD green financial bond 01	(4)	2021-06-10	Semi-annually	**4,250**	**4,250**
HKD green financial bond 01	(4)	2021-06-10	Semi-annually	**2,265**	**2,265**
USD green financial bond 02	(4)	2022-05-18	Semi-annually	**4,604**	**4,603**
21 CIB consumer financial debt 01	(5)	2021-03-02	Yearly	**1,500**	**-**
21 CIB consumer financial debt 02	(5)	2021-10-12	Yearly	**1,500**	**-**
23 CIB consumer financial debt 01	(5)	2023-11-24	Yearly	**1,200**	**-**
21 CIB leasing green debt 01	(6)	2021-06-02	Yearly	**3,500**	**-**
21 CIB leasing green debt 02	(6)	2021-06-16	Yearly	**1,500**	**-**
Interest accrued				**2,864**	**2,706**
Less: unamortised issuance cost				**(72)**	**(67)**
Subtotal				**181,611**	**172,257**
Tier two capital bonds					
19 CIB secondary 01	(7)	2019-08-23	Yearly	**30,000**	**30,000**
19 CIB secondary 02	(7)	2019-09-17	Yearly	**20,000**	**20,000**
21 CIB secondary 01	(7)	2021-10-21	Yearly	**30,000**	**30,000**
21 CIB secondary 02	(7)	2021-11-23	Yearly	**40,000**	**40,000**
21 CIB secondary 03	(7)	2021-11-23	Yearly	**5,000**	**5,000**
22 CIB secondary 01	(7)	2022-01-12	Yearly	**25,000**	**25,000**
Interest accrued				**1,877**	**1,877**
Less: unamortised issuance cost				**(93)**	**(93)**
Subtotal				**151,784**	**151,784**

Unit: RMB million

Category of bonds	Note	Issuing date	Frequency of interest payment	The Group 2023	The Bank 2023
Interbank certificates of deposit					
Par value of interbank certificates of deposit	(8)	/	/	**622,543**	**622,543**
Interest accrued				**1**	**1**
Less: unamortised issuance cost				**(6,241)**	**(6,241)**
Subtotal				**616,303**	**616,303**
Certificates of deposit					
Par value of certificates of deposit	(9)	/	/	**12,551**	**12,551**
Interest accrued				**15**	**15**
Less: unamortised issuance cost				**(200)**	**(200)**
Subtotal				**12,366**	**12,366**
Convertible corporate bonds					
CIB convertible corporate bonds	(10)	2021-12-27	Yearly	**49,776**	**49,776**
Interest accrued				**7**	**7**
Subtotal				**49,783**	**49,783**
Long-term subordinated bonds					
23 CIFutures C	(11)	2023-06-21	Yearly	**225**	**-**
Less: unamortised issuance cost				**(1)**	**-**
Subtotal				**224**	**-**
Corporate bonds					
21 CIAMC 01	(12)	2021-08-11	Yearly	**600**	**-**
21 CIAMC 02	(12)	2021-11-01	Yearly	**500**	**-**
22 CIAMC 01	(12)	2022-03-07	Yearly	**900**	**-**
23 CIAMC 01	(12)	2023-12-14	Yearly	**1,000**	**-**
21 CIIT 01	(13)	2021-03-26	Yearly	**1,400**	**-**
22 CIIT 01	(13)	2022-12-22	Yearly	**1,200**	**-**
23 CIIT 01	(13)	2023-02-27	Yearly	**500**	**-**
23 CIIT 02	(13)	2023-04-26	Yearly	**2,000**	**-**
23 CIIT 03	(13)	2023-06-19	Yearly	**1,200**	**-**
23 CIIT 04	(13)	2023-09-06	Yearly	**1,200**	**-**
23 CIIT 05	(13)	2023-11-01	Yearly	**1,000**	**-**
Interest accrued				**198**	**-**
Less: unamortised issuance cost				**(16)**	**-**
Subtotal				**11,682**	**-**
Super short-term commercial paper					
23 CIAMC SCP003	(14)	2023-11-23	Yearly	**1,000**	**-**
Interest accrued				**3**	**-**

Less: unamortised issuance cost				-	-
Subtotal				**1,003**	-
Mid-term note					
21 CIAMC MTN001	(15)	2021-07-07	Yearly	**900**	-
23 CIAMC MTN001	(16)	2023-03-07	Yearly	**500**	-
Interest accrued				**31**	-
Subtotal				**1,431**	-
Assdt-backed securities					
23 Xingqing-1	(17)	2023-07-17	Monthly	**1,640**	-
23 Xingqing-2	(18)	2023-08-21	Monthly	**1,692**	-
Interest accrued				**6**	-
Subtotal				**3,338**	-
Total				**1,029,525**	**1,002,493**

(1) In April 2020, the Group issued RMB7 billion 5-year fixed-rate small and micro enterprise bonds, with annual interest rates of 2.67%. In May 2020, the Group issued RMB5 billion 5-year fixed-rate small and micro enterprise bonds, with annual interest rates of 2.95%. In August 2023, the Group issued RMB20 billion 3-year fixed-rate small and micro enterprise bond, with annual interest rates of 2.54%. In October 2023, the Group issued RMB5 billion 3-year fixed-rate small and micro enterprise bond, with annual interest rates of 2.78%.

(2) In March 2022, the Group issued RMB10 billion 3-year fixed-rate and RMB30 billion 3-year fixed-rate financial bonds, with annual interest rates of 3.00% and 2.96%, respectively. In April 2022, the Group issued RMB11.5 billion 3-year fixed-rate financial bond, with annual interest rate of 2.94%. In August 2022, the Group issued RMB20 billion 3-year fixed-rate financial bond, with annual interest rate of 2.54%.

(3) In April 2023 and June 2023, the Group issued RMB27 billion 3-year fixed-rate and RMB23 billion 3-year fixed-rate small-and-micro enterprise bonds, with annual interest rates of 2.77% and 2.66%, respectively.

(4) In June 2021, the Hong Kong branch of the Bank issued USD600 million 3-year fixed-rate USD green financial bond and HKD2.5 billion 3-year fixed-rate HKD green financial bond, with annual interest rates of 0.875% and 0.75%, respectively. In May 2022, the Hong Kong branch of the Bank issued USD650 million 3-year fixed-rate USD green financial bond, with annual interest rate of 3.25%.

(5) In March 2021, October 2021 and November 2023, the Group's subsidiary Industrial Consumer Finance Co., Ltd. respectively issued 3-year fixed-rate RMB financial bonds each amounting to RMB1.5 billion with fixed rates of 3.85%, 3.45% and 3.03%. As at 31 December 2023, the bond "23 CIB consumer financial debt 01", issued by Industrial Consumer Finance Co., Ltd., held by the Bank amounted to RMB270 million, and the Group's subsidiary, Industrial Future Co., Ltd., holds RMB30 million.

(6) In June 2021, the Group's subsidiary Industrial Financial Leasing Co., Ltd. issued RMB3.5 billion and RMB1.5 billion 3-year fixed-rate green financial bonds with annual interest rates of 3.42% and 3.49%.

(7) In August 2019 and September 2019, the Group respectively issued RMB30 billion and RMB20 billion tier 2 capital bonds with a 10-year maturity, a fixed interest rate and issuer's redemption right at the end of the fifth year. During the tenure of the bonds, the annual interest rates remain at 4.15% and 4.12%. In October 2021 and November 2021, the Group respectively issued RMB30 billion and RMB40 billion tier 2 capital bonds with a 10-year maturity, a fixed rate and issuer's redemption right at the end of the fifth year. During the tenure of the bonds, the annual interest rates remain at 3.83% and 3.62%. In November 2021, the Group issued RMB5 billion tier 2 capital bond with a 15-year maturity, a fixed rate and issuer's redemption right at the end of the tenth year. During the tenure of the bond, the annual interest rate remains at 3.85%. In January 2022, the Group issued RMB25 billion tier 2 capital bond with a 10-year maturity, a fixed rate and issuer's redemption right at the end of the fifth year. During the tenure of the bond, the annual interest rate remains at 3.45%.

(8) As at 31 December 2023, the Group had 271 unpaid interbank certificates of deposit with a total amount of RMB622,543 million, including 5 USD interbank certificates of deposit, of which the issued par value is USD400 million(RMB2,833 million) and the terms are within 1 year, and 266 RMB interbank certificates of deposit, of which the issued par value is RMB619,710 million and the terms are within 1 year. The annual interest rates are from 0.00% to 5.79%. The interest of the rest is paid upon maturity.

(9) As at 31 December 2023, the Hong Kong Branch had 24 unpaid certificates of deposit, with a total amount of RMB12,551 million and the terms are within 1 year. The total amount of 11 USD certificates is USD785 million (RMB5,560 million). The total amount of 13 RMB certificates is RMB6,991 million. The annual interest rates are from 0% to 3%. The interest of the rest is paid upon maturity.

(10) Approved by relevant regulatory agencies, the Bank issued RMB50 billion of 500 million A-shares convertible corporate bonds publicly with face value of RMB100 per share (hereinafter referred to as "convertible bonds") on 27 December 2021. The duration of the convertible bonds is 6 years, which is from 27 December 2021 to 26 December 2027. The coupon rate of the convertible bonds is 0.2% in the first year, 0.4% in the second year, 1.0% in the third year, 1.5% in the fourth year, 2.3% in the

fifth year and 3.0% in the sixth year. Within five trading days after the expiration of the convertible bonds issued, the Bank will redeem all unconverted bonds at the price of 109% of the face value of the convertible bonds issued (including the last annual interest). Convertible bonds holders may, within the period from the first trading day subsequent to six months after the end of the issuance to the maturity date of the convertible bonds (hereinafter referred to as the "conversion period"), which is 30 June 2022 to 26 December 2027 (in case of statutory holidays or weekends, the conversion period is extended to the next first weekday; interest paid during the deferred period will not be calculated separately), convert the convertible bonds held into ordinary shares of the Bank according to the agreed clauses.

The initial conversion price is RMB25.51 per share. After the issuance, if the Bank changes its shares due to the issuance of share dividends, conversion of share capital, additional issuance of new shares or allotment of shares (excluding the increase of share capital resulting from the conversion of convertible bonds issued) and distributes cash dividends, the Bank will adjust the conversion price according to the offering terms in accordance with the principles of equity, justice and fairness and the principle of fully protecting the rights and interests of the convertible bond holders. On 16 June 2022, the Bank adjusted the conversion price to RMB24.48 per share due to the 2021 A-shares ordinary share profit distribution. On 19 June 2023, the Bank adjusted the conversion price to RMB23.29 per share due to the 2022 A-shares ordinary share profit distribution.

The convertible bonds include conditional redemption clauses: during the conversion period, if the closing price of the Bank's A-share stocks for at least 15 trading days in any 30 consecutive trading days is not less than 130% (including 130%) of the current conversion price, the Bank has the right to redeem all or part of the unconverted convertible bonds at the price of the bond's face value plus accrued interest. If a conversion price adjustment occurs due to ex-rights or ex-dividends within the aforementioned 30 trading days, on trading days before adjustment, it is calculated according to the conversion price and the closing price before adjustment. On subsequent trading days, it is calculated based on the conversion price and the closing price after adjustment. In addition, when the total par value of the unconverted convertible bonds issued is less than RMB30 million, the Bank has the right to redeem all the unconverted convertible bonds at the face value plus the interest accrued in the current period.

As of 31 December 2023, a total of RMB2.476 million of convertible bonds have been converted into A-share ordinary shares of the Bank, with a cumulative number of 101,127 shares.

Equity and liability components of the convertible bonds issued by the Group and the Bank are allocated as follows:

Unit: RMB million

	Liability components	Equity compoents (Note VII, 28)	Total
Issuing amounts of convertible corporate bonds	**46,837**	**3,163**	**50,000**
Direct trading fees	**(75)**	**(5)**	**(80)**
Balance at the issue date	**46,762**	**3,158**	**49,920**
Accumulated amortisation	**1,543**	**-**	**1,543**
Accumulated conversion of shares	**(1)**	**-**	**(1)**
As of January 1 2023	**48,304**	**3,158**	**51,462**
Amortisation	**1,473**	**-**	**1,473**
Conversion of shares	**(1)**	**-**	**(1)**
As of December 31 2023	**49,776**	**3,158**	**52,934**

(11) In June 2023, China Industrial Futures Limited, a subsidiary of China Industrial International Trust Limited, the Group's subsidiary, issued RMB225 million 6-year fixed-rate long-term subordinated bonds with annual interest rate of 4.80%.

(12) In August 2021, China Industrial Asset Management Co., Ltd., a subsidiary of China Industrial International Trust Limited, the Group's subsidiary, issued RMB600 million 3-year fixed-rate corporate bond with annual interest rate of 3.40%. In November 2021, it issued RMB500 million 3-year fixed-rate corporate bond with annual interest rate of 3.60%. In March 2022, it issued RMB900 million 3-year fixed rate corporate bond with annual interest rate of 3.30%. In December 2023, it issued RMB1 billion 3-year fixed rate corporate bond with annual interest rate of 3.24%.

(13) In March 2021, CIIT Asset Management Co., Ltd., a subsidiary of China Industrial International Trust Limited, the Group's subsidiary, issued RMB1,500 million 3+2-year fixed-rate corporate bond with annual interest rate of 4.60%. As at 31 December 2023, the Bank holds "21 CIIT 01", issued by CIIT Asset Management Co., Ltd., of RMB100 million. In December 2022, it issued RMB1,500 million 3-year fixed-rate corporate bond with annual interest rate of 4.90%. As at 31 December 2023, the Bank holds "22 CIIT 01", issued by CIIT Asset Management Co., Ltd., of RMB300 million. In February 2023, it issued RMB500 million 3-year fixed-rate corporate bond with annual interest rate of 4.50%. In April 2023, it issued RMB2,000 million 3-year fixed-rate corporate bond with annual interest rate of 3.57%. In June 2023, it issued RMB1,500 million 3-year fixed-rate corporate bond with annual interest rate of 3.41%. As at 31 December 2023, the Bank holds "23 CIIT 03", issued by CIIT Asset Management Co., Ltd., of RMB300 million. In September 2023, it issued RMB1,600 million 3-year fixed-rate corporate bond with annual interest rate of 3.41%. As at 31 December 2023, the Bank holds "23 CIIT 04", issued by CIIT Asset Management Co., Ltd., of RMB400 million. In November 2023, it issued RMB1,000 million 3-year fixed-rate corporate bond with annual interest rate of 3.41%.

(14) In November 2023, China Industrial Asset Management Co., Ltd., a subsidiary of China Industrial International Trust Limited, the Group's subsidiary, issued RMB1 billion super short-term commercial paper with annual interest rate of 2.61%.

(15) In July 2021, China Industrial Asset Management Co., Ltd., a subsidiary of China Industrial International Trust Limited, the Group's subsidiary, issued RMB1 billion 3-year fixed-rate medium-term note with annual interest rate of 3.82%. As at 31 December 2023, the Bank holds "21 CIAMC MTN001" of RMB100 million issued by China Industrial Asset Management Co., Ltd..

(16) In March 2023, China Industrial Asset Management Co., Ltd., a subsidiary of China Industrial International Trust Limited, the Group's subsidiary, issued RMB500 million 3-year fixed-rate medium-term note with annual interest rate of 3.58%.

(17) In July 2023, the Group's subsidiary Industrial Consumer Finance Co., Ltd. issued asset-backed securities of consumer loans amounting to RMB 1,700 million. As at 31 December 2023, the Bank holds "23 Xingqing-1", issued by Industrial Consumer Finance Co., Ltd., of RMB60 million. According to the terms in the Credit Assets Securitization contracts, the Group retained substantially all the risks and rewards of the ownership of the credit assets, the Group would not derecognise the transferred credit assets and the corresponding liability is recognised as debt securities issued.

(18) In August 2023, the Group's subsidiary Industrial Consumer Finance Co., Ltd. issued asset-backed securities of consumer loans amounting to RMB 1,800 million. As at 31 December 2023, the Bank holds "23 Xingqing-2", issued by Industrial Consumer Finance Co., Ltd., of RMB108 million. According to the terms in the Credit Assets Securitization contracts, the Group retained substantially all the risks and rewards of the ownership of the credit assets, the Group would not derecognise the transferred credit assets and the corresponding liability is recognised as debt securities issued.

25. Lease liabilites

Unit: RMB million

	The Group		The Bank	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Due within 1 year	**2,769**	2,593	**2,524**	2,415
1 - 5 years	**6,396**	6,134	**5,680**	5,773
Due over 5 years	**1,418**	1,341	**1,140**	1,139
Closing balance of undiscounted lease liabilities	**10,583**	10,068	**9,344**	9,327
Lease liabilities	**9,659**	9,296	**8,662**	8,622

26. Other liabilites

Unit: RMB million

	The Group		The Bank	
	2023	2022	2023	2022
Continuing involvement liabilities (Note XII, 3.1)	**10,396**	11,427	**10,396**	11,314
Items in the process of clearance and settlement	**20,232**	15,592	**10,170**	3,023
Other accounts payable	**7,709**	12,943	**5,884**	10,645
Advance collection of financial leasing funds	**267**	588	**-**	-
Notes payable	**12,092**	9,706	**-**	-
Contract liabilities	**859**	870	**859**	870
Deferred income	**702**	1,010	**472**	497
Others	**13,527**	11,951	**12,941**	11,186
Total	**65,784**	64,087	**40,722**	37,535

27. Share capital

Unit: RMB million

	The Group and the Bank		
	1 January 2023	Change for the period	31 December 2023
Shares without limited sales restrictions RMB ordinary shares (A shares)	**20,774**	-	**20,774**
Shares with limited sales restrictions RMB ordinary shares (A shares)	-	-	-
Total shares	**20,774**	-	**20,774**

As at 31 December 2023, the share capital of the Bank is RMB20,774 million (31 December 2022: RMB20,774 million) with par value of RMB 1 per share.

28. Other equity instruments

Unit: RMB million

	The Group and the Bank		
	Note	31 December 2023	31 December 2022
Equity components of convertible corporate bonds	28.1	**3,158**	3,158
Preference shares	28.2	**55,842**	55,842
Perpetual bonds	28.3	**29,960**	29,960
Total		**88,960**	88,960

28.1 As of 31 December 2023, the equity components of convertible corporate bonds issued by the Bank are RMB3,158 million (as of 31 December 2022: RMB3,158 million), and detail refers to Note VII, 24 (10).

28.2 Preference shares

Outstanding financial instrument	The Group and the Bank								
	Issue Date	Classification	Rate	Issue price RMB / share	Quantity million share	Amount in millions of RMB	Maturity date	Conversion condition	Conversion
Outstanding preference shares									
Xing Ye You 1	December 2014	Equity instrument	Note 1	100	130	13,000	N/A	Note 4	N/A
Xing Ye You 2	June 2015	Equity instrument	Note 2	100	130	13,000	N/A	Note 4	N/A
Xing Ye You 3	April 2019	Equity instrument	Note 3	100	300	30,000	N/A	Note 4	N/A

Note 1: For the initial issuance of the preference shares ("Xing Ye You 1"), every five years was an interest-bearing cycle starting from the payment deadline (i.e. 8 December 2014). The dividend rate was the same in every interest-bearing cycle. The dividend rate of preference shares of this issuance was the sum of benchmark interest rate and basic interest rate. The benchmark interest rate was adjusted every 5 years from the deadline for payment of preference shares issued. The basic spread was the dividend rate of first cycle deducting the benchmark interest rate, i.e. 2.55%. The basic spread would no longer be adjusted after the issuance. The subsequent coupon interest rate was determined by the current benchmark interest rate plus the basis spread. The benchmark interest rate of current interest-bearing cycle is national debt (which period before payment is for 5 years) YTM's arithmetic mean (rounded to 0.01%), from the fixed-rate national debt yield curve in Bank Debt published on www.chinabond.com.cn (or any other websites approved by Central Securities Depository Trust and Clearing Corporation Limited), 20 days before benchmark interest rate adjustment date, the date of each 5 years of the deadline for payment of preference shares issued (which is 8 December). If the YTM regarding treasury bonds, with 5-year remaining terms is not available on the benchmark interest adjustment date, the Bank will negotiate with the investors to determine the subsequent benchmark interest rate or its determining principles at the request of the regulatory authorities.

In December 2019, the dividend yield ratio of the "Xing Ye You 1" preferred stock for the second dividend period was adjusted in accordance with relevant provisions in the Prospectus. The current benchmark interest rate was the arithmetic mean (i.e. 3.00% rounded to 0.01%) of the yield to maturity of the 5-year treasury bonds within the ChinaBond treasury bond yield curve (previously known as the ChinaBond interbank fixed interest rate treasury bond yield curve) in the 20 trading days (excluding the benchmark interest rate adjustment date) prior to the current benchmark interest rate adjustment date (8 December 2019) published on www.chinabond.com.cn or other websites recognised by China Central Depository & Clearing Co., Ltd., and the basic spread was 2.55%. Therefore, the dividend yield ratio of "Xing Ye You 1" for the second dividend period was changed to 5.55% from 8 December 2019.

Note 2: For the second issuance of the preference shares ("Xing Ye You 2"), every five years was an interest-bearing cycle starting from the payment deadline (i.e. 24 June 2015). The dividend rate was the same in every interest-bearing cycle. The dividend rate of preference shares of this issuance was the sum of benchmark interest rate and basic interest rate. The benchmark interest rate was adjusted every 5 years from the deadline for payment of preference shares issued. The basic spread was the dividend rate of first cycle deducting the benchmark interest rate, i.e. 2.15%. The basic spread would no longer be adjusted after the issuance. The subsequent coupon interest rate was determined by the current benchmark interest rate plus the basis spread, the benchmark interest rate of current interest-bearing cycle is national debt (which period before payment is for 5 years) YTM's arithmetic mean (rounded to 0.01%), from the fixed-rate national debt yield curve in Bank Debt published on www.chinabond.com.cn (or any other websites approved by Central Securities Depository Trust and Clearing Corporation Limited), 20 days before benchmark interest rate adjustment date, the date of each 5 years of the deadline for payment of preference shares issued (which is 24 June). If the YTM regarding treasury bonds, with 5-year remaining terms is not available on the benchmark interest adjustment date, the Bank will negotiate with the investors to determine the subsequent benchmark interest rate or its determining principles at the request of the regulatory authorities.

In June 2020, the dividend yield ratio of the "Xing Ye You 2" preferred stock for the second dividend period was adjusted in accordance with relevant provisions in the Prospectus. The current benchmark interest rate was the arithmetic mean (i.e. 2.48% rounded to 0.01%) of the yield to maturity of the 5-year treasury bond within the ChinaBond treasury bond yield curve (previously known as the ChinaBond interbank fixed interest rate treasury bond yield curve) in the 20 trading days (excluding the benchmark interest rate adjustment date) prior to the current benchmark interest rate adjustment date (24 June 2020) published on www.chinabond.com.cn or other websites recognised by China Central Depository & Clearing Co., Ltd., and the basic spread was 2.15%. Therefore, the dividend yield ratio of "Xing Ye You 2" for the second dividend period was changed to 4.63% from 24 June 2020.

Note 3: For the preference shares ("Xing Ye You 3") issued in 2019, every five years was an interest-bearing cycle starting from the payment deadline (i.e. 10 April 2019). The dividend rate was the same in every interest-bearing cycle. The dividend rate of first cycle was determined as 4.90% through inquiry by the Board of Directors authorised by shareholders' meeting and was in accordance with factors such as national policy, market conditions, specific circumstances of the Bank and requirements from investors at that time. The dividend rate of preference shares of this issuance was the sum of benchmark interest rate and basic interest rate. The benchmark interest rate of the first interest-bearing cycle (i.e. 3.06%, rounded to 0.01%) was determined by calculating the arithmetic mean of 20 trading days (before 10 April 2019) of the YTM regarding treasury bonds, with 5-year remaining terms. The data was obtained from the interbank fixed-rate treasury bond yield curve published by ChinaBond Information Website (or any other websites approved by Central Securities Depository Trust and Clearing Corporation Limited). The benchmark interest rate was adjusted every 5 years from the deadline for payment of preference shares issued. The basic spread was the dividend rate of first cycle deducting the benchmark interest rate, i.e. 1.84%. The basic spread would no longer be adjusted after the issuance. The subsequent coupon interest rate was determined by the current benchmark interest rate plus the basis spread. The benchmark interest rate of current interest-bearing cycle was determined by calculating the arithmetic mean of 20 trading days (before the benchmark interest adjustment date) of the YTM regarding treasury bonds, with 5-year remaining terms (rounded to 0.01%). If the YTM regarding treasury bonds, with 5-year remaining terms is not available on the benchmark interest adjustment date, the Bank will negotiate with the investors to determine the subsequent benchmark interest rate or its determining principles at the request of the regulatory authorities.

Note 4: When the Bank's core tier 1 capital adequacy ratio falls to 5.125%, the preference shares issued this time will be completely converted to A shares of ordinary shares with the mandatory price after the examination and determination made by NFRA in accordance with the relevant requirements of NFRA. The conversion is irrevocable.

When triggered events of the secondary capital instruments (unable to survive) issued by the Bank occur, the preference shares issued this time will be completely converted to A shares of ordinary shares with the mandatory price after the examination and determination made by NFRA in accordance with the relevant requirements of NFRA. The conversion is irrevocable. The secondary capital instruments triggering event is the earlier of the following two situations: 1) NFRA considers the Bank unable to survive without conversion or written off; 2) Relevant departments consider the Bank unable to survive without the contribution from public departments or the support of the same effect.

(i) The principal terms of disclosure

The Bank will pay preference shares dividends in cash. The preference shares of this issuance use a non-cumulative dividend payment, which means a dividend that is not paid in full to preference shareholders will not accumulate to the next interest-bearing year. After the preference shareholders obtain distribution in accordance with the agreed dividend rate, they can no longer participate in the distribution of remaining profits with ordinary shareholders.

Under the premise of ensuring the capital adequacy ratio to satisfy the regulatory requirements, if there still are retained earnings in the Bank's financial statements calibre after covering losses, extracting statutory reserve and general reserve, the Bank could allocate dividends to preference shareholders. The priority of preference shareholders is higher than ordinary shareholders in dividend distribution. Payment of preference shares dividends is neither linked to ratings of the Bank, nor adjusted with the rating changes. The Bank can cancel payment of preference shares dividends in any case, which does not constitute an event of default. The Bank is entitled to arrange cancelled payment of preference shares dividends as repayment of other matured debts. Cancelling payment of dividends shall not constitute any further restrictions on the Bank except restrictions on profit distribution of ordinary shares. When the Bank exercises the aforesaid rights, it will take full account of the interests of preference shareholders. If payment of preference shares dividend is wholly or partly cancelled, the Bank shall not pay ordinary share dividend for the fiscal year.

The right of redemption for preference shares of this issuance belongs to the Bank. The Bank may exercise the right of redemption under the premise of obtaining

NFRA's approval. The Bank's preference shareholders do not have the right to request redemption of preference shares and should not expect that the preference shares will be redeemed.

The initial mandatory conversion price of the preference shares of this issuance is the arithmetic mean of 20 trading days of the Bank's A shares of ordinary shares before issuance of Board resolution which approved the issuance of the preference shares. Since the issuance plan of the preference shares is approved by the Bank's Board of Directors, when the Bank's shares change with the delivery of stock dividend, transfer of reserve to share capital, issuance of new shares (not including any share capital from conversion of financing instruments with terms that they could be converted to ordinary shares) or the allotment of shares, the mandatory conversion price of the preference shares will be accumulatively adjusted in turn in accordance with the established formula, and disclose relevant information in accordance with the provisions.

The Bank's preference shareholders are entitled to priority over ordinary shareholders of the remaining property distribution. The amount paid off is the sum of the neither cancelled nor paid dividends and the nominal amount of the preference shares; if it can not be paid in full, the remaining property will be distributed in proportion to preference shares.

(ii) Changes in outstanding preference shares are as follows:

The preferred shares issued by the Group and the Bank remained unchanged during the period.

	1 January 2023		Additional/Less		31 December 2023	
	Quantity Million	Book value in millions of RMB	Quantity Million	Book value in millions of RMB	Quantity Million	Book value in millions of RMB
Issuing Preference Shares						
Preference shares	560	56,000	-	-	560	56,000
Issue cost	-	(158)	-	-	-	(158)
Total	560	55,842	-	-	560	55,842

28.3 Perpetual bonds

Outstanding financial instrument	Issue Date	Classification	Rate	Issue price RMB/Unit	Quantity million units	Amount in millions of RMB	Maturity date
Issuing Perpetual bonds							
Perpetual Bonds	October 2020	Equity instrument	Note 1	100	300	30,000	N/A

Note 1: Approved by the relevant regulators, the Bank issued the Non-fixed-term Capital Bonds of Industrial Bank Co., Ltd. (Perpetual bonds or "the Bonds") in the national inter-bank bond market on 13 October 2020. The Bank completed book keeping and the issuance of the Bonds on 13 October 2020 and 15 October 2020, respectively. The Bonds have a par value of RMB100 per unit and a coupon rate of 4.73% for the first five years. The coupon rate will be adjusted every five years, and the issuer shall have a conditional redemption right on every dividend payment date from the fifth year onwards. Proceeds from the issuance of the Bonds will be used to replenish Additional tier 1 capital of the Bank in accordance with the applicable laws and the approval of the competent authorities.

(i) The principal terms of disclosure

The Bonds will keep continuing so long as the Bank's business continues operating. The Bonds set conditional redemption rights for the issuer. Specifically, from the fifth anniversary since the issuance, the Bank can redeem the Bonds, in whole or in part, on each dividend payment date (including the fifth dividend payment date since the issuance).

The coupon rate of the Bonds will be adjusted at defined intervals, with an adjustment period every five years from the payment due date. The dividend shall be paid at the same agreed rate in each adjustment period of coupon rate. The coupon rate at the time of issuance is determined by book keeping and centralised allotment.

The claims in respect of the Bonds will be subordinated to the claims of depositors, general creditors, and subordinated debts that rank senior to the Bonds; and will rank in priority to all classes of shares held by the Bank's shareholders and rank pari passu with the claims in respect of additional tier 1 capital instruments of the Bank that rank pari passu with the Bonds.

If a Non-Viability Trigger Event occurs (see Note VII, 28.2.4), the Bank has the right to write off, in whole or in part, the principal amount of the Bonds without the need for the consent of the Bondholders. The amount of the write-off shall be determined by the ratio of the outstanding principal amount of the Bonds to the aggregate outstanding principal amount of all additional tier 1 capital instruments under the identical trigger event.

The dividends on the Bonds are non-cumulative, any dividends unpaid to the Bondholders in full by the Bank will not accumulate or compound to the subsequent distribution period. The Bank has the right to cancel, in whole or in part, dividends on the Bonds and any such cancellation shall not constitute an event of default.

According to the applicable laws and approval of the competent authorities, the net proceeds from the issuance of the Bonds after deducting issuance costs will be used to replenish the additional tier 1 capital of the Bank.

(ii) Changes in outstanding perpetual bonds are as follows:

	1 January 2023		Additional/Less		31 December 2023	
	Quantity Million	Book value in millions of RMB	Quantity Million	Book value in millions of RMB	Quantity Million	Book value in millions of RMB
Issuing Perpetual bonds						
Perpetual bonds	**300**	**30,000**	-	-	**300**	**30,000**
Issue cost	-	**(40)**	-	-	-	**(40)**
Total	**300**	**29,960**	-	-	**300**	**29,960**

As at 31 December 2023, the above-mentioned other equity instruments supplement tier 1 capital amounted to RMB88,960 million.

28.4 Attribution to holders of equity instrument:

Unit: RMB million

	The Group	
	31 December 2023	31 December 2022
Equities attributable to shareholders of the Bank	**796,224**	746,187
Equities attributable to ordinary shareholders of the Bank	**710,422**	660,385
Equities attributable to shareholders of other equity instruments of the Bank	**85,802**	85,802
Equity attributable to non-controlling shareholders	**11,495**	11,111
Equity attributable to non-controlling ordinary shareholders	**9,783**	9,325
Equity attributable to non-controlling shareholders of other equity instruments	**1,712**	1,786

29. Capital reserve

Unit: RMB million

	The Group				The Bank			
	1 January 2023	Increase	Decrease	31 December 2023	1 January 2023	Increase	Decrease	31 December 2023
Share premium	74,881	1	-	74,882	75,227	1	-	75,228
Others	28	-	(151)	(123)	34	-	(151)	(117)
Total	74,909	1	(151)	74,759	75,261	1	(151)	75,111

30. Surplus reserve

Unit: RMB million

	The Group and the Bank	
	2023	2022
Statutory surplus reserve	**10,387**	10,387
Discretionary surplus reserve	**297**	297
Total	**10,684**	10,684

Under relevant PRC law, the Bank is required to transfer 10% of its net profit to a non-distributable statutory surplus reserve. Appropriation to the statutory surplus reserve may cease when the balance of this reserve has reached 50% of share capital. As of 31 December 2023, the Bank ceased to make appropriations to the statutory surplus reserves since the balance of them has reached 50% of the share capital of the Bank.

31. General reserve

Unit: RMB million

	The Group		The Bank	
	2023	2022	2023	2022
General reserve	**120,118**	108,957	**110,523**	99,952

Pursuant to (Cai Jin [2012] No.20) Measures on General Provision for Bad and Doubtful Debts for Financial Institutions promulgated by the MOF, the Bank is required to transfer a certain percentage of its net profit to establish and maintain a general reserve within shareholders' equity, through the appropriation of profit to address unidentified potential impairment losses. In principle, the general reserve, accounted as profit distribution, should not be lower than 1.5% of the closing balance of gross risk-bearing assets since it is a part of shareholders' equity. Gross risk-bearing assets include Loans and advances to customers, Debt investments, Other debt investments, Other equity investments, Long-term equity investments, Deposits with banks and other financial institutions, Placements with banks and other financial institutions, Foreclosed assets and Other receivables and so forth. The subsidiaries of the Bank determine the general reserve according to the regulation.

32. Retained earnings

Unit: RMB million

	The Group		The Bank	
	2023	2022	2023	2022
Opening balance	**442,627**	387,976	**414,433**	362,865
Net profit	**77,116**	91,377	**71,545**	86,057
Appropriations to general reserve	**(11,161)**	(11,013)	**(10,571)**	(8,776)
Dividends distribution of ordinary shares	**(24,680)**	(21,501)	**(24,680)**	(21,501)
Dividends distribution of preference shares	**(2,793)**	(2,793)	**(2,793)**	(2,793)
Interest expense of perpetual bonds	**(1,419)**	(1,419)	**(1,419)**	(1,419)
Closing balance	**479,690**	442,627	**446,515**	414,433

32.1 “2023 Profit Distribution Proposal of the Bank” approved by the Board of Directors on 28 March 2024 and will be submitted for approval by the annual general meeting is as follows :

(i) Appropriation of RMB10,571 million to general reserve. As at 31 December 2023, the proposed appropriation of general reserve has been included in the general reserve.

(ii) The Bank has issued a total of 560 million preference shares (Xing Ye You 1, Xing Ye You 2 and Xing Ye You 3) with a par value of $100 per share, interest payable in cash once a fiscal year. For the year ended 31 December 2023, the dividends payable of preference shares are RMB2,793 million (tax inclusive) in total.

(iii) Distribute cash dividends of RMB10.40 per 10 shares (tax inclusive) on the basis of ordinary shares of the Bank on the record date for implementation of the profit appropriation.

The above profit distribution plan has not been approved by the Annual General Meeting of the Bank. The accounting treatment of dividend distribution scheme before the approval is not carried out.

32.2 “2022 Profit Distribution Proposal of the Bank” approved by the Board of Directors on 30 March 2023 and approved by the Annual General Meeting on 26 May 2023 is as follows :

(i) Appropriate RMB8,776 million to general reserve. As at 31 December 2022, the proposed appropriation of general reserve has been included in the general reserve.

(ii) The Bank has issued a total of 560 million preference shares (Xing Ye You 1, Xing Ye You 2 and Xing Ye You 3) with a par value of RMB100 per share, interest payable in cash once a fiscal year. For the year ended 31 December 2022, the dividends of preference shares are RMB2,793 million (tax inclusive) in total.

(iii) Distribute cash dividends of RMB11.88 per 10 shares (tax inclusive) on the basis of ordinary shares of the Bank on the record date for implementation of the profit appropriation.

As at 31 December 2023, the above-mentioned dividend distribution has been completed.

32.3 Surplus reserve appropriated by subsidiaries

As at 31 December 2023, the balance of the Group's retained earnings includes surplus reserve appropriated by subsidiaries amounting to RMB4,658 million (31 December 2022: RMB3,970 million).

33. Net interest income

Unit: RMB million

	The Group		The Bank	
	2023	2022	2023	2022
Interest income				
Balances with Central Bank	**5,795**	5,656	**5,795**	5,656
Deposits with banks and other financial institutions	**3,023**	1,426	**2,809**	1,282
Placements with banks and other financial institutions	**13,592**	10,761	**14,228**	11,327
Financial assets purchased under resale agreements	**3,781**	3,971	**3,763**	3,956
Loans and advances to customers	**236,281**	225,468	**222,702**	213,791
Including: Corporate	**123,858**	103,084	**124,020**	103,273
Personal	**108,370**	116,311	**94,629**	104,445
Discounted bills	**4,053**	6,073	**4,053**	6,073
Bonds and other investment	**81,450**	76,258	**79,954**	74,817
Finance lease receivables	**4,976**	5,034	**-**	-
Others	**181**	172	**20**	52
Subtotal	**349,079**	328,746	**329,271**	310,881
Interest expense				
Borrowing from Central Bank	**(5,043)**	(2,495)	**(5,043)**	(2,495)
Deposits from banks and other financial institutions	**(40,222)**	(36,916)	**(40,331)**	(37,097)
Placements from banks and other financial institutions	**(9,460)**	(5,366)	**(5,726)**	(1,743)
Financial assets sold under repurchase agreements	**(3,875)**	(2,459)	**(3,475)**	(2,118)
Deposits from customers	**(112,909)**	(103,703)	**(112,935)**	(103,719)
Debt securities issued	**(30,210)**	(32,033)	**(29,350)**	(30,950)
Others	**(857)**	(501)	**(610)**	(282)
Subtotal	**(202,576)**	(183,473)	**(197,470)**	(178,404)
Net interest income	**146,503**	145,273	**131,801**	132,477

34. Net fee and commission income

Unit: RMB million

	The Group		The Bank	
	2023	2022	2023	2022
Fee and commission income				
Bank card fee	**11,808**	13,384	**11,808**	13,384
Consultancy and advisory fee	**5,256**	19,454	**1,272**	16,034
Agency fee	**5,831**	5,258	**5,823**	5,249
Custodian fee	**3,549**	3,551	**3,549**	3,551
Trust service fee	**370**	564	**-**	-
Credit commitment fee	**1,210**	1,408	**1,210**	1,408
Settlement and clearing fee	**2,914**	2,775	**2,914**	2,775
Lease service fee	**292**	421	**-**	-
Transactional service fee	**484**	570	**484**	570
Others	**1,405**	2,077	**1,182**	1,692
Subtotal	**33,119**	49,462	**28,242**	44,663
Fee and commission expense	**(5,364)**	(4,421)	**(5,034)**	(6,005)
Net fee and commission income	**27,755**	45,041	**23,208**	38,658

35. Investment income

Unit: RMB million

	The Group		The Bank	
	2023	2022	2023	2022
Trading assets	**24,746**	24,976	**23,029**	23,800
Debt investments	**4,216**	4,584	**4,213**	4,527
Other debt investments	**861**	2,671	**855**	2,671
Precious metals and related financial instruments	**730**	167	**730**	167
Other equity investments	**37**	50	**37**	50
Gains from long-term equity investments under the equity method	**18**	190	**9**	190
Dividends declared by subsidiaries	**-**	-	**896**	495
Derivative financial instruments	**(675)**	(2,212)	**(738)**	(2,314)
Trading liabilities	**(771)**	(1,887)	**(771)**	(1,887)
Others	**1,537**	1,683	**1,511**	1,696
Total	**30,699**	30,222	**29,771**	29,395

36. Gains (losses) from changes in fair values

Unit: RMB million

	The Group		The Bank	
	2023	2022	2023	2022
Trading assets	**6,130**	(3,670)	**7,576**	(3,862)
Trading liabilities	**(87)**	2	**(87)**	2
Precious metals and related financial instruments	**(3,116)**	-	**(3,116)**	-
Derivative financial instruments and others	**1,212**	3,037	**1,212**	3,037
Total	**4,139**	(631)	**5,585**	(823)

37. Taxes and surcharges

Unit: RMB million

	The Group		The Bank	
	2023	2022	2023	2022
City maintenance and construction tax	**1,094**	1,109	**997**	1,021
Education surcharge	**751**	766	**686**	708
Others	**474**	403	**377**	342
Total	**2,319**	2,278	**2,060**	2,071

38. General and administrative expenses

Unit: RMB million

	The Group		The Bank	
	2023	2022	2023	2022
Employee benefits	**38,065**	38,196	**34,735**	34,351
Lease expenses	**164**	162	**164**	179
Depreciation and amortisation	**6,785**	6,480	**6,218**	5,852
Others	**17,594**	20,005	**17,594**	19,965
Total	**62,608**	64,843	**58,711**	60,347

39. Credit impairment losses

Unit: RMB million

	The Group		The Bank	
	2023	2022	2023	2022
Loans and advances to customers	**67,103**	37,819	**60,639**	32,945
Debt investments	**(5,584)**	9,572	**(6,378)**	7,046
Other debt investments	**787**	701	**783**	711
Finance lease receivables	**(312)**	(204)	**-**	-
Impairment loss for off-balance-sheet assets	**(810)**	2,936	**(810)**	2,936
Others	**(210)**	(2,232)	**(363)**	(2,288)
Total	**60,974**	48,592	**53,871**	41,350

40. Income tax expenses

Unit: RMB million

	The Group		The Bank	
	2023	2022	2023	2022
Current income tax	**11,754**	18,317	**8,823**	14,763
Deferred income tax	**(4,202)**	(4,707)	**(3,327)**	(3,970)
Adjustment for prior years	**(877)**	197	**(853)**	192
Total	**6,675**	13,807	**4,643**	10,985

The income tax expense of the Group and the Bank can be reconciled to the profit as follows:

Unit: RMB million

	The Group		The Bank	
	2023	2022	2023	2022
Accounting profit	**84,329**	106,221	**76,188**	97,042
Tax calculated at applicable statutory tax rate of 25%	**21,082**	26,555	**19,047**	24,261
Adjustments on income tax:				
Income not taxable for tax purpose	**(13,900)**	(13,826)	**(13,770)**	(13,656)
Expenses not deductible for tax purpose	**370**	881	**219**	188
Adjustment for prior years	**(877)**	197	**(853)**	192
Total	**6,675**	13,807	**4,643**	10,985

41. Other comprehensive income

Unit: RMB million

	The Group						
	Year ended 31 December 2023						
	1 January 2023	Amount incurred before income tax	Other comprehensive income transferred to profit and loss	Income tax expense	Attributable to shareholders of the Bank after tax	Non-controlling interests after tax	31 December 2023
Other comprehensive income that will not be subsequently classified to profit and loss							
Including: Actuarial (losses) profits on defined benefit plans	**1,661**	**(67)**	**-**	**-**	**(67)**		**1,594**
Fair value changes of other equity investments	**(166)**	**(41)**	**-**	**10**	**(31)**	**-**	**(197)**
Subtotal	**1,495**	**(108)**	**-**	**10**	**(98)**	**-**	**1,397**
Other comprehensive income that may be subsequently classified to profit and loss							
Including: Fair value changes of other debt investments (Note 1)	**(5,924)**	**(462)**	**5,040**	**(1,130)**	**3,426**	**22**	**(2,498)**
Credit losses on other debt investments (Note 2)	**3,686**	**2,084**	**(3,919)**	**445**	**(1,369)**	**(21)**	**2,317**
Translation differences of financial statements denominated in foreign currencies	**19**	**4**	**-**	**-**	**4**	**-**	**23**
Subtotal	**(2,219)**	**1,626**	**1,121**	**(685)**	**2,061**	**1**	**(158)**
Total	**(724)**	**1,518**	**1,121**	**(675)**	**1,963**	**1**	**1,239**

Unit: RMB million

	The Bank				
	Year ended 31 December 2023				
	1 January 2023	Amount incurred before income tax	Other comprehensive income transferred to profit and loss	Income tax expense	31 December 2023
Other comprehensive income that will not be subsequently classified to profit and loss					
Including: Actuarial (losses) profits on defined benefit plans	**1,661**	(67)	-	-	**1,594**
Fair value changes of other equity investments	**(166)**	(41)	-	10	**(197)**
Subtotal	**1,495**	(108)	-	10	**1,397**
Other comprehensive income that may be subsequently classified to profit and loss					
Including: Fair value changes of other debt investments (Note 1)	**(5,827)**	(483)	4,948	(1,116)	**(2,478)**
Credit losses on other debt investments (Note 2)	**3,596**	2,084	(3,833)	438	**2,285**
Subtotal	**(2,231)**	1,601	1,115	(678)	**(193)**
Total	**(736)**	1,493	1,115	(668)	**1,204**

Note 1: Fair value changes of other debt investments include changes in fair value of other debt investments in financial investments and issued loans and advances measured at fair value through other comprehensive income.

Note 2: Provision for credit impairments of other debt investments includes provision for impairments of other debt investments in financial investments and issued loans and advances measured at fair value through other comprehensive income.

42. Earnings per share

42.1 Basic earnings per share

Unit: RMB million

	The Group	
	2023	2022
Current net proft attributable to equity shareholders of the Bank	**77,116**	91,377
Less: Current net proft attributable to preferred shareholders of the Bank	**(2,793)**	(2,793)
Less: Current net proft attributable to perpetual bonds of the Bank	**(1,419)**	(1,419)
Current net profit attributable to ordinary shareholders of the Bank	**72,904**	87,165
Weighted average ordinary shares issued by the Bank (shares in million)	**20,774**	20,774
Basic earnings per share (RMB)	**3.51**	4.20

When calculating the earnings per share, the declared dividends for preference shares and interest expense of perpetual bonds were not included in the current net profit attributable to ordinary shareholders.

42.2 Diluted earnings per share

Unit: RMB million

	The Group	
	2023	2022
Current net profit attributable to ordinary shareholders of the Bank	**72,904**	87,165
Add: Current interest charges on convertible corporate bonds (after tax)	**1,258**	1,235
Current net profit for calculating diluted earnings per share	**74,162**	88,400
Weighted average ordinary shares issued by the bank (shares in million)	**20,774**	20,774
Add: Weighted average of all convertible corporate bond converted into ordinary shares (shares in million)	**2,147**	2,042
Add: Weighted average of current ordinary shares for calculating diluted earnings per share(shares in million)	**22,921**	22,816
Diluted earnings per share(RMB)	**3.24**	3.87

The conversion characteristic of preference shares and convertible bonds enables the existence or ownership of ordinary shares to be issued. As at 31 December 2023 and 31 December 2022, there was no triggering event for the conversion of shares, and the conversion characteristics of preference shares had no impact on the calculation of the basic and diluted earnings per share for the above period.

43. Supplementary information to the cash flow statement

43.1 Reconciliation of net profit to cash flows from operating activities

Unit: RMB million

	The Group		The Bank	
	2023	2022	2023	2022
Reconciliation of net profit to cash flows from operating activities				
Net profit	**77,654**	92,414	**71,545**	86,057
Add: Allowance for impairment losses on assets	**61,178**	48,620	**53,883**	41,378
Depreciation of fixed assets	**2,988**	2,491	**2,394**	2,052
Amortisation of intangible assets	**256**	215	**226**	197
Depreciation of right-of-use assets	**2,968**	2,914	**2,766**	2,780
Amortisation of unrecognised financing fee	**312**	325	**299**	325
Amortisation of long-term prepaid expenses	**573**	535	**533**	498
Gains from disposal of fixed assets, intangible assets and other long-term assets	**(27)**	(7)	**(22)**	(7)
Interest income of bonds and other investments	**(81,450)**	(76,258)	**(79,954)**	(74,817)
Interest income of impaired financial assets	**(1,001)**	(1,685)	**(1,001)**	(1,685)
(Gains) losses from changes in fair value	**(4,139)**	631	**(5,585)**	823
Investment income	**(30,699)**	(30,222)	**(29,771)**	(29,395)
Interest expense for debt securities issued	**30,210**	32,033	**29,350**	30,950
Increase in deferred tax assets	**(4,293)**	(4,474)	**(3,569)**	(3,264)
(Decrease)/increase in deferred tax liabilities	**(169)**	486	**-**	-
Increase in receivables of operating activities	**(562,388)**	(976,485)	**(528,639)**	(956,357)
Increase in payables of operating activities	**941,644**	563,880	**927,837**	546,331
Net cash flow generated from (used in) operating activities	**433,617**	(344,587)	**440,292**	(354,134)
Net changes in cash and cash equivalents				
Closing balance of cash and cash equivalents	**531,277**	404,856	**529,372**	398,084
Less: Opening balance of cash and cash equivalents	**404,856**	768,908	**398,084**	760,083
Net increase/(decrease) of cash and cash equivalents	**126,421**	(364,052)	**131,288**	(361,999)

43.2 Composition of cash and cash equivalents

Cash and cash equivalents stated in consolidated cash flow statement and cash flow statement comprise:

Unit: RMB million

	The Group		The Bank	
	2023	2022	2023	2022
Cash on hand	**5,722**	5,201	**5,679**	5,181
Balances with Central Bank that can be withdrawn on demand	**54,137**	79,172	**54,136**	79,163
Original maturity less than three months:				
Deposits with banks and other financial institutions	**175,616**	88,627	**170,755**	82,084
Placements with banks and other financial institutions	**28,936**	63,812	**31,936**	63,812
Financial assets purchased under resale agreements	**198,067**	56,057	**198,067**	56,057
Investments	**68,799**	111,987	**68,799**	111,787
Closing balance of cash and cash equivalents	**531,277**	404,856	**529,372**	398,084

44. Post-employment compensation

44.1 Defined contribution plans

The Group participates in the endowment insurance, unemployment insurance plans established by the government and the annuity plan established by the Group. According to these plans, the employees' salaries are paid to the plans proportionally each month. Except for the expenses above, the Group undertakes no further payment duties. Certain expenses are charged in profit or loss of the period.

Expenses recognised in profit or loss for the period:

Unit: RMB million

	The Group		The Bank	
	2023	2022	2023	2022
Defined contribution plans	**3,781**	3,218	**3,390**	2,975

Amount of payable at the period-end:

Unit: RMB million

	The Group		The Bank	
	2023	2022	2023	2022
Defined contribution plans	**108**	324	**84**	304

44.2 Defined benefit plans

The Group offers complementary retiring benefit plans to employees who start their service before 31 December 2007 and core personnel of grade 13 or above who join the Group after 31 December 2007 and are not due to retire for 10 or more years. The Group estimates the present value by actuary means based on expected cumulative benefits unit method. The project estimates the future cash outflow based on rate of inflation and rate of death, and recognises its present value by discount rate. Discount rate is measured by the corresponding yield of the treasury bond which matches the period of defined benefit plans and currency on balance sheet date. The Group recognises assets of this plan based on actuary results, related actuarial gains or losses recognised into other comprehensive income. Past service costs will be charged in profit or loss in the period of revising the plans. The interest net value is recognised by net liabilities or assets of the defined benefit plans multiplied by appropriate discount rate.

The profit or loss charged by related influence from defined benefit plans is RMB101 million. Actuary losses charged to other comprehensive income are RMB67 million. Net assets of defined benefit plans decreased by RMB168 million for the period, and the balance at the end of the period is RMB1,835 million, which is the net value of present value of defined benefit plans duties and fair value of defined benefit plans assets, and should be charged to other assets (Note VII, 15).

As at 31 December 2023, the average benefit obligation period of the Group's defined benefit plans was about 5 to 6 years (31 December 2022: about 5 to 6 years).

Defined benefit plan makes the Group face actuarial risks that include interest rate risk and longevity risk. The decrease in the yield of government bonds will lead to an increase in the present value of defined benefit plan obligations. The present value of defined benefit plan obligations is calculated based on the best estimate of the mortality rate of the employees participating in the scheme, and the increase in life expectancy will lead to an increase in plan liabilities.

Discount rate and mortality rate are the key actuarial factors in determining the present value of the defined benefit plan obligations. The discount rate is 2.50% as at 31 December 2023 (31 December 2022: 2.75%). Mortality assumptions are based on Male Pension Service Form and Female Pension Service Form of China Experience Life Table of Life Insurance (2010-2013) released by Chinese Insurance Regulatory Commission. The male workers who retire at the age of 60 and female workers who retire at the age of 55 are expected to have an average residual life of 25.34 years and 34.03 years respectively.

The following sensitivity analysis is based on the corresponding hypothesis with reasonable possible changes at the end of the reporting period (assuming all other assumptions remain unchanged):

If the discount rate increases (decreases) by 25 basis points, then the present value of defined benefit plan obligations will be decreased by RMB30 million (increased by RMB31 million).

As part of hypothesises may have correlations and a hypothesis cannot be changed in an isolated way, the sensitivity analysis may not reflect the actual changes in the fair value of the defined benefit plan obligations.

In the aforesaid sensitivity analysis, the calculation method for determining the defined benefit plan obligations is the same as the recognition of the relevant liabilities in the balance sheet at the end of the reporting period.

Compared with the previous year, the method for sensitivity analysis and the hypothesis didn't change.

45. Structured entities

Consolidated structured entities

The consolidated structured entities of the Group are fund products, asset-backed securities, trust plans and asset management plans. As the manager/initiator of the fund products, asset-backed securities, trust plans and asset management plans, the Group considers whether it has control over the structured entities, and determines whether the consolidation is necessary based on the scope of asset manager's decision, power of trust holder, reward from management service offering and the risk exposure of variable profit. In 2023, the Group didn't offer financial support to the consolidated structured entities (2022: Nil).

Unconsolidated structured entities

45.1 Structured entities sponsored by third-party institutions in which the Group holds an interest

The Group holds an interest in some structured entities sponsored by third-party institutions through investments in the notes issued by these structured entities. Such structured entities include funds, asset-backed securities, trust plans, asset management plans and wealth management products and the Group does not consolidate these structured entities. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors including the Group and are financed through the issue of investment products to investors.

The following table sets out an analysis of the carrying amounts and the maximum risk exposure of interests held by the Group as at 31 December 2023 and 31 December 2022 in the structured entities sponsored by third-party institutions:

Unit: RMB million

	The Group					
	2023					
	Trading assets	Debt investments	Other debt investments	Carrying amount	Maximum risk exposure (note)	Type of income
Funds	585,875	-	-	585,875	585,875	Investment income
Trust plans	9,176	296,837	250	306,263	306,263	Investment income, interest income
Asset management plans	105,316	127,271	-	232,587	232,587	Investment income, interest income
Asset-backed securities	5,468	92,971	58,931	157,370	157,370	Investment income, interest income
Wealth management products	1,141	-	-	1,141	1,141	Investment income
Total	706,976	517,079	59,181	1,283,236	1,283,236	

Unit: RMB million

	2022					
	Trading assets	Debt investments	Other debt investments	Carrying amount	Maximum risk exposure (note)	Type of income
Funds	621,463	-	-	621,463	621,463	Investment income
Trust plans	6,928	216,733	-	223,661	223,661	Investment income, interest income
Asset management plans	77,319	202,789	1,104	281,212	281,212	Investment income, interest income
Asset-backed securities	6,938	60,089	87,222	154,249	154,249	Investment income, interest income
Wealth management products	-	-	-	-	-	Investment income
Total	712,648	479,611	88,326	1,280,585	1,280,585	

Note: Maximum risk exposure to funds, trust plans, asset management plans, asset-backed securities and wealth management products is the amortised cost or fair value at the reporting date as recognised in the balance sheet.

45.2 Structured entities sponsored by the Group which the Group did not consolidate but held an interest

The structured entities which are not consolidated and set up by the Group consist primarily of wealth management products, trust plans, funds, asset management plans and asset-backed securities. The nature and purpose of these structured entities are to manage investors' assets and collect management fees. These structured entities generally finance the purchase of assets by issuing units of the products. Interest held by the Group includes direct investments in these structured entities and fees charged by providing management services.

As at 31 December 2023 and 31 December 2022, unconsolidated structured entities sponsored by the Group are set out as below:

Unit: RMB million

	The Group	
	2023	2022
Wealth management products	2,264,211	2,067,451
Funds	231,554	262,159
Trust plans	149,387	151,946
Asset management plans	67,826	70,029
Asset-backed securities	30,084	36,121
Total	2,743,062	2,587,706

As at 31 December 2023, the commission income earned from offering management services to the investors of these structured entities by the Group is RMB5,598 million (As at 31 December 2022: RMB19,266 million).

45.3 Unconsolidated structured entities sponsored by the Group during the year in which the Group does not have an interest on 31 December 2023

Unconsolidated structured entities sponsored by the Group after 1 January 2023 but matured before 31 December 2023 in which the Group does not have an interest were mainly the non-principal-guaranteed wealth management products.

The aggregated amount of the non-principal-guaranteed wealth management products sponsored and issued by the Group after 1 January 2023 but matured before 31 December 2023 was RMB96,849 million (The aggregated amount of the non-principal-guaranteed wealth management products sponsored and issued by the Group after 1 January 2022 but matured before 31 December 2022 was RMB26,987 million). As at 31 December 2023, the amount of fee and commission income received from such category of non-principal-guaranteed wealth management products by the Group was RMB21 million (As at 31 December 2022: RMB70 million).

VIII. Segment reporting

Senior management of the Group evaluates the operations of the Group in accordance with the economic areas of the respective branches and subsidiaries. Each branch serves its local customers and a few customers in other regions. The Group does not deeply depend on one single external customer. Through the review of internal reports, the management of the Group conducts performance evaluations and determines the allocation of resources. Segment reporting is presented in a manner consistent with the Group's internal management and reports.

Segment accounting policies are consistent with the accounting policies of the consolidated financial statements. Inter-segment transfer transactions are measured at the actual transaction prices.

The Group includes the head office (including the head office and the operating institutions of the head office), Fujian, Beijing, Shanghai, Guangdong, Zhejiang, Jiangsu, northeast and other regions, western region, central region, a total of ten segments, of which branches within the northeast and other regions, western region, central region are presented in a consolidated manner.

Among them, the northeast and other regions include: Harbin branch, Changchun branch, Shenyang branch, Dalian branch, Tianjin branch, Jinan branch, Qingdao branch, Haikou branch, Hong Kong branch and Industrial Bank Financial Leasing Co., Ltd.;

Western region includes: Chengdu branch, Chongqing branch, Guiyang branch, Xi'an branch, Kunming branch, Nanning branch, Urumqi branch, Lanzhou branch, Yinchuan branch, Xining branch and Lasa branch;

Central region includes: Hohhot branch, Shijiazhuang branch, Zhengzhou branch, Taiyuan branch, Hefei branch, Changsha branch, Wuhan branch and Nanchang branch.

Unit: RMB million

	The Group											
	2023											
	Head office	Fujian	Beijing	Shanghai	Guangdong	Zhejiang	Jiangsu	Northeast and other regions	Westem region	Central region	Eliminations	Total
Operating income	81,137	30,359	6,165	7,839	10,350	10,580	12,390	19,023	14,062	18,926	-	210,831
Net interest income	33,222	23,389	5,476	6,909	9,433	11,158	11,535	15,766	12,777	16,838	-	146,503
Including: Net inter-segment interest (expense) income	(36,761)	5,129	11,561	13,478	2,947	(1,758)	(1,528)	3,181	(2,218)	5,969	-	-
Net fee and commission income	16,454	5,159	651	823	740	(676)	724	1,379	986	1,515	-	27,755
Other income	31,461	1,811	38	107	177	98	131	1,878	299	573	-	36,573
Operating expenses	(42,973)	(20,449)	(4,854)	(4,742)	(7,123)	(5,133)	(5,943)	(8,711)	(14,196)	(12,567)	-	(126,691)
Operating profit	38,164	9,910	1,311	3,097	3,227	5,447	6,447	10,312	(134)	6,359	-	84,140
Add: Non-operating income	101	84	4	4	40	8	22	23	17	25	-	328
Less: Non-operating expenses	(31)	(44)	(2)	(4)	(8)	(2)	(3)	(17)	(6)	(22)	-	(139)
Total profit	38,234	9,950	1,313	3,097	3,259	5,453	6,466	10,318	(123)	6,362	-	84,329
Less: Income tax expenses												(6,675)
Net profit												77,654
Segment assets	4,829,387	888,283	644,002	756,407	737,144	500,933	566,309	1,022,624	712,677	975,412	(1,532,898)	10,100,280
Including: Investment in an associate	3,397	475										3,872
Undistributed assets												58,046
Total assets												10,158,326
Segment liabilities	4,209,772	820,415	642,326	748,487	733,866	495,365	559,830	991,284	712,947	969,034	(1,532,898)	9,350,428
Undistributed liabilities												179
Total liabilities												9,350,607
Supplemental information												
Credit commitments	531,064	117,772	33,260	31,610	116,447	105,077	103,604	229,741	175,181	263,584	-	1,707,340
Depreciation and amortisation	1,125	916	382	396	574	288	400	942	765	997	-	6,785
Capital expenditures	1,135	469	62	95	221	160	318	1,377	363	306	-	4,506

Unit: RMB million

	2022											
	Head office	Fujian	Beijing	Shanghai	Guangdong	Zhejiang	Jiangsu	Northeast and other regions	Westem region	Central region	Eliminations	Total
Operating income	93,717	29,760	6,453	7,275	10,539	10,158	11,818	19,363	13,909	19,382	-	222,374
Net interest income	35,655	21,672	5,730	6,443	9,333	10,426	10,866	15,878	12,267	17,003	-	145,273
Including: Net inter-segment interest (expense) income	(48,167)	4,942	14,207	13,348	4,573	(393)	(468)	5,518	(62)	6,502	-	-
Net fee and commission income	33,286	5,242	732	733	966	(524)	658	1,315	1,152	1,481	-	45,041
Other income	24,776	2,846	(9)	99	240	256	294	2,170	490	898	-	32,060
Operating expenses	(52,396)	(17,066)	(4,919)	(3,551)	(7,730)	(4,178)	(4,301)	(7,564)	(6,685)	(7,822)	-	(116,212)
Operating profit	41,321	12,694	1,534	3,724	2,809	5,980	7,517	11,799	7,224	11,560	-	106,162
Add: Non-operating income	57	64	3	7	25	5	5	34	11	16	-	227
Less: Non-operating expenses	(19)	(34)	(9)	(11)	(18)	(17)	(5)	(30)	(12)	(13)	-	(168)
Total profit	41,359	12,724	1,528	3,720	2,816	5,968	7,517	11,803	7,223	11,563	-	106,221
Less: Income tax expenses												(13,807)
Net profit												92,414
Segment assets	4,511,962	808,053	586,351	660,698	706,644	442,206	473,164	944,926	599,120	885,049	(1,406,375)	9,211,798
Including: Investment in an associate	3,568	478										4,046
Undistributed assets												54,873
Total assets												9,266,671
Segment liabilities	3,923,261	752,861	585,001	652,272	707,617	437,589	467,573	914,698	598,117	876,411	(1,406,375)	8,509,025
Undistributed liabilities												348
Total liabilities												8,509,373
Supplemental information												
Credit commitments	518,344	109,505	21,081	32,671	145,105	107,603	118,972	254,177	165,741	243,759	-	1,716,958
Depreciation and amortisation	1,101	806	371	413	545	267	389	883	767	938	-	6,480
Capital expenditures	1,726	677	69	92	250	546	497	1,263	695	471	-	6,286

IX. Related party relationship and transactions

1. Related Party Relationship

The Group

Related parties with no controlling interest

1.1 Shareholders holding more than 5% (inclusive) of the Bank's shares

Name	Economic nature	Place of registration	Principal activities	Legal representative	Registered capital (RMB hundred million)	
					2023/12/31	2022/12/31
The Finance Bureau of Fujian Province (1)	Legal entity of government agencies	Fuzhou	Administration of Fujian provincial fiscal and tax policy	Lin Zhonglin	N/A	N/A
Fujian Financial Investment Co., Ltd. (1)	Limited Company	Fuzhou	Investment management	Wan Chongwei	1,000.00	1,000.00
PICC Life Insurance Company Limited (2)	Incorporated Company	Beijing	Insurance services	Xiao Jianyou	257.61	257.61
PICC Property and Casualty Company Limited (2)	Incorporated Company	Beijing	Insurance services	Yu Ze	222.43	222.43
China National Tobacco Corporation (3)	Owned by the whole people	Beijing	Production, and sales of tobacco products	Zhang Jianmin	570.00	570.00
Haisheng Investment Management Company of Fujian Tobacco (3)	Limited Company	Xiamen	Investment management	He Weiming	26.47	26.47
China Tobacco Hunan Investment Management Company (3)	Limited Company	Changsha	Investment management	Xiao Bing	2.00	2.00
The People's Insurance Company (Group) of China Limited (2)	Incorporated Company	Beijing	Investment management and insurance services	Wang Yanke	442.24	442.24
China National Tobacco Fujian Corporation (3)	Owned by the whole people	Fuzhou	Sales of tobacco products	Zhao Jiancheng	1.37	1.37
China National Tobacco Guangdong Corporation (3)	Owned by the whole people	Guangzhou	Production, and sales of tobacco products	Wang Deyuan	1.40	1.40
Fujian Sanhua Color Printing Co., Ltd. (3)	Limited Company	Longyan	Trademark, advertisement and other printed matter production	Chen Beirong	0.12	0.12

Number of shares held by Shareholders holding more than 5% (inclusive) of the Bank's shares:

Name	2023		2022	
	Shares (Million shares)	Proportion (%)	Shares (Million shares)	Proportion (%)
The Finance Bureau of Fujian Province (1)	453	2.18	418	2.01
Fujian Financial Investment Co., Ltd. (1)	3,512	16.91	3,512	16.91
PICC Life Insurance Company Limited (2)	1,276	6.14	1,276	6.14
PICC Property and Casualty Company Limited (2)	1,229	5.91	1,229	5.91
China National Tobacco Corporation (3)	1,110	5.34	1,110	5.34
Haisheng Investment Management Company of Fujian Tobacco (3)	441	2.13	441	2.13
China Tobacco Hunan Investment Management Company (3)	226	1.09	226	1.09
The People's Insurance Company (Group) of China Limited (2)	174	0.84	174	0.84
China National Tobacco Fujian Corporation (3)	132	0.64	132	0.64
China National Tobacco Guangdong Corporation (3)	99	0.48	99	0.48
Fujian Sanhua Color Printing Co., Ltd. (3)	46	0.22	46	0.22
Total	8,698	41.88	8,663	41.71

Note: (1) As of 31 December 2023, the aggregate proportion of the Finance Bureau of Fujian Province and its wholly-owned subsidiary Fujian Financial Investment Co., Ltd. was 19.09%.

(2) As of 31 December 2023, PICC Property and Casualty Company Limited and PICC Life Insurance Company Limited are both subsidiaries of The People's Insurance Company (Group) of China Limited. The aggregate proportion is 12.90%.

(3) As of 31 December 2023, Haisheng Investment Management Company of Fujian Tobacco, China Tobacco Hunan Investment Management Company, China National Tobacco Fujian Corporation, China National Tobacco Guangdong Corporation and Fujian Sanhua Color Printing Co., Ltd. are subsidiaries of China National Tobacco Corporation. The aggregate proportion is 9.90%.

1.2 Other major shareholders of the Bank

Name	Economic nature	Place of registration	Principal activities	Legal representative	Registered capital (RMB hundred million)	
					2023/12/31	2022/12/31
Zhejiang Provincial Energy Group Company Ltd.(4)	Limited Company	Hangzhou	Industrial investment and development	Liu Shenghui	**100.00**	100.00
Zhejiang Zheneng Electric Power Co., Ltd. (4)	Incorporated Company	Hangzhou	Electricity generation and related technologies research and development	Yu Guoping	**134.09**	136.01
Fujian Provincial Port Group Co., Ltd. (5)	Limited Company	Fuzhou	Port terminal infrastructure construction and operation	Chen Zhiping	**100.00**	100.00
Fujian Provincial Communication Transportation Group Co., Ltd. (5)	Limited Company	Fuzhou	Transportation	Li Xinghu	**32.20**	32.20
Xiamen Port Holding Group Co., Ltd. (5)	Limited Company	Xiamen	Port facility services	Cai Liqun	**31.00**	31.00
Fuzhou Port Group Co., Ltd. (5)	Limited Company	Fuzhou	Marina facility services	Chen Jianzhong	**12.04**	12.04
Fujian Shipping Company (5)	Limited Company	Fuzhou	Water transport and foreign trade	Wu Liangqi	**5.20**	4.60

(4) The supervisor assigned by Zhejiang Energy Group Co., Ltd. to the Bank resigned on 18 July 2023, satisfying the regulatory disclosure requirements, Zhejiang Provincial Energy Group Company Ltd. and its related parties constitute related parties of the Bank. Zhejiang Zheneng Electric Power Co., Ltd. is a subsidiary of Zhejiang Energy Group Co., Ltd., with a total shareholding ratio of less than 5%.

(5) On 26 May 2023, the Annual General Meeting passed a resolution that Fujian Provincial Port Group Co., Ltd. will appoint supervisor to the Bank, which can exercise significant influence over the Bank and constitute a related party of the Bank. Xiamen Port Holding Group Co., Ltd. and Fujian Provincial Communication Transportation Group Co., Ltd. are subsidiaries of Fujian Provincial Port Group Co., Ltd.. Fuzhou Port Group Co., Ltd. and Fujian Shipping Company are subsidiaries of Fujian Provincial Communication Transportation Group Co., Ltd.. The above companies have a total shareholding ratio of less than 5%.

1.3 The major shareholders' related parties which have credit-related transactions with the Group

Credit-related transactions: refer to the provision of financial support by a banking institution to related parties, or the guarantee of compensation and payment obligations that may arise from related parties' economic activities, including loans (including trade finance), acceptance and discounting of bills, overdrafts, bond investments, investment in special purpose vehicles, establishment of letters of credit, factoring, guarantees, letters of guarantee, loan commitments, securities repurchases, loan at call, and other on-balance-sheet and off-balance-sheet businesses in which the banking institution essentially bears credit risk.

(a) Fujian Financial Investment Co., Ltd. and its related parties

- Huafu Securities Corporation Limited

(b) The People's Insurance Company (Group) of China Limited and its related parties

- PICC Property and Casualty Company Limited
- China Securities Credit Investment Co., Ltd.

(c) China National Tobacco Corporation and its related parties

- Changde Jinpeng Printing Co.,
- Fujian Province Tobacco Company Fuzhou Company
- China Tobacco Guangxi Industry Co., Ltd.
- Guizhou Ke Tai Tian Xing Agricultural Technology Co., Ltd.
- Hangzhou Xiang Yi Chun Jiang Shan Ju Real Estate Co., Ltd.

- Hongta Securities Co., Ltd.
- Jilin Jin Ye Tobacco Co., Ltd.
- Xiamen Xiang'an Xing Hai Sheng Real Estate Development Co., Ltd.
- Yunnan Hongta Bank
- Zhong Wei Xin Sheng Real Estate Development (Fujian) Co., Ltd.
- Zunyi Da Xing Fu Fei Co., Ltd.

(d) Fujian Provincial Port Group Co., Ltd. and its related parties

- Fujian Provincial Port Group Co., Ltd.
- Fujian Atl- Shengfeng Logistics Co.,
- Fu Zhou Port (Luo Yuan) Group Co., Ltd.
- Fujian Jiangyin International Container Terminal Co.,
- Fujian Provincial Port Group Finance Co., Ltd.
- Fujian Shipping Company
- Fujian Hong Yuan Environment Resources Co.,Ltd.
- Fujian Provincial Communication Transportation Group Co., Ltd.
- Fujian Minshen Trading Co., Ltd.
- Putian Hanjiang Port Development Company
- Fujian Shaowu Minyun Passenger Transportation Station Co., Ltd.
- Fujian Province Sugar Liquor And Non-Staple Food Co.,Ltd.
- Fujian Xiaocuo Port Development Co., Ltd.
- Fuzhou Port Group Co.,Ltd.
- Fuzhou Minyun Public Traffic Co.,
- Lianjiang Minyun Public Traffic Co.,
- Xiamen Port Commerce Information Co.,Ltd.
- Xiamen Port Haiheng Industrial Co., Ltd.
- Xiamen Port Wine Co., Ltd.
- Xiamen Port Holding Group Co.,Ltd.
- Xiamen Port Trading Co.,Ltd.
- Xiamen Port Dredging & Engineering Co.,Ltd.
- Xiamen Port Ye Shui Fu Logistics Co., Ltd.
- Xiamen International Port Co.,Ltd.
- Xiamen Hailong Manning Service Co.,Ltd.
- Xiamen Haixia Supply Chain Development Co.,Ltd.
- Xiamen Haixia Investment Co.,Ltd.
- Xiamen Sunlit Co.,Ltd.
- Xiamen Port Group Gangdian Service Co.,Ltd.
- Xiamen Pilot Free Trade Zone Electronic Port Co., Ltd.
- Zhangzhou Longwen Long-distance Transportation Public Transport Co., Ltd.

- Zhangzhou Xiangcheng Long-distance Transportation Public Transport Co., Ltd.

(e) Zhejiang Provincial Energy Group Company Ltd. and its related parties

- Zhejiang Provincial Energy Group Company Ltd.
- Huzhou Chang Guang Placing of Electricity Co., Ltd.
- Qianjiang Water Resources Development Co., Ltd.
- Jolywood (Suzhou) Sunwatt Co., Ltd.
- Jolywood (Suzhou) Minsheng Energy Co., Ltd.
- Tongmei Zhejiang Energy Majialiang Coal Industry Co., Ltd.
- Jolywood (Taizhou) Optoelectronic Technology Co., Ltd.
- Zhejiang Fuhong Energy Co., Ltd.
- Zhejiang Water Conservancy & Hydropower Investment Corp.Group
- Zhejiang Zheneng Electric Power Co., Ltd.

1.4 Associates

Details of general information and related information of associates are set out in Note VII, 9.

1.5 Other related parties

Other related parties include key management personnel (director, supervisor, senior management of head office) and their close families, as well as other enterprises over which the key management personnel or their close families have control, common control or act as board of directors or senior management.

2. Related party transactions

The conditions and prices of related party transactions between the Group and the Bank are determined according to the Group's contract, and are examined and approved in accordance with the transaction type and content of transaction by corresponding decision-making authority.

2.1 Interest income

Unit: RMB million

Related party	2023	2022
Fujian Provincial Port Group Co., Ltd. and its related parties	**71**	N/A
China Tobacco and its related parties	**71**	27
Zhejiang Energy Group Co., Ltd. and its related parties	**21**	23
Fujian Financial Investment Co., Ltd. and its related parties	**18**	-
Associates	**102**	193
Others	**6**	7
Total	**289**	250
Proportion in amount of related similar transactions	**0.08%**	0.08%

2.2 Interest expense

Unit: RMB million

Related party	2023	2022
China Tobacco and its related parties	**5,791**	4,888
The People's Insurance Company (Group) of China Limited and its related parties	**807**	649
Fujian Financial Investment Co., Ltd. and its related parties	**176**	1
Fujian Provincial Port Group Co., Ltd. and its related parties	**38**	N/A
The Finance Bureau of Fujian Province	**13**	95
Zhejiang Energy Group Co., Ltd. and its related parties	**7**	4
Associates	**27**	34
Other related parties	**2**	1
Total	**6,861**	5,672
Proportion in amount of related similar transactions	**3.39%**	3.09%

2.3 Investment income

Unit: RMB million

Related party	2023	2022
Zhejiang Energy Group Co., Ltd. and its related parties	-	4
China Tobacco and its related parties	-	4
Total	-	8
Proportion in amount of related similar transactions	0.00%	0.03%

2.4 Fee and commission income

Unit: RMB million

Related party	2023	2022
The People's Insurance Company (Group) of China Limited and its related parties	**177**	114
Fujian Financial Investment Co., Ltd. and its related parties	**69**	-
The Finance Bureau of Fujian Province	**7**	-
Fujian Provincial Port Group Co., Ltd. and its related parties	**4**	N/A
China Tobacco and its related parties	**-**	1
Associates	**-**	6
Other related parties	**1**	1
Total	**258**	122
Proportion in amount of related similar transactions	**0.78%**	0.25%

2.5 Fees and commission expense

Unit: RMB million

Related party	2023	2022
The People's Insurance Company (Group) of China Limited and its related parties	**47**	56
Fujian Financial Investment Co., Ltd. and its related parties	**25**	-
Associates	**6**	-
Others	**8**	30
Total	**86**	86
Proportion in amount of related similar transactions	**1.60%**	1.95%

2.6 General and administrative expenses-insurance

Unit: RMB million

Related party	2023	2022
The People's Insurance Company (Group) of China Limited and its related parties	**658**	536
Proportion in amount of related similar transactions	**1.05%**	0.83%

In 2023, the Bank was paid RMB 0.76 million in compensation from PICC Property and Casualty Company Limited (2022: RMB 0.21 million).

2.7 General and administrative expenses-property rent

Unit: RMB million

Related party	2023	2022
China Tobacco and its related parties	**30**	22
Fujian Financial Investment Co., Ltd. and its related parties	**2**	-
Zhejiang Energy Group Co., Ltd. and its related parties	**1**	1
Total	**33**	23
Proportion in amount of related similar transactions	**0.05%**	0.04%

2.8 Income from other business – rental income

Unit: RMB million

Related party	2023	2022
Fujian Financial Investment Co., Ltd. and its related parties	**5**	1
China Tobacco and its related parties	**1**	-
Total	**6**	1
Proportion in amount of related similar transactions	**4.23%**	0.84%

2.9 Non-operating income

Unit: RMB million

Related party	2023	2022
Fujian Financial Investment Co., Ltd. and its related parties	**30**	-
Total	**30**	-
Proportion in amount of related similar transactions	**9.15%**	0.00%

3. Unsettled amount of related party transactions

3.1 Deposits with banks and other financial institutions

Unit: RMB million

Related party	2023	2022
China Tobacco and its related parties	**-**	1,000
Associates	**2**	7
Total	**2**	1,007
Proportion in amount of related similar transactions	**0.00%**	1.07%

3.2 Placements with banks and other financial institutions

Unit: RMB million

Related party	2023	2022
Associates	**276**	1,177
Proportion in amount of related similar transactions	**0.08%**	0.33%

3.3 Loans and advances to customers

Unit: RMB million

Related party	2023	2022
Fujian Provincial Port Group Co., Ltd. and its related parties	**1,182**	N/A
China Tobacco and its related parties	**568**	586
Zhejiang Energy Group Co., Ltd. and its related parties	**56**	556
Associates	**2,153**	3,133
Others	**183**	97
Total	**4,142**	4,372
Proportion in amount of related similar transactions	**0.08%**	0.09%

3.4 Trading assets

Unit: RMB million

Related party	2023	2022
Fujian Financial Investment Co., Ltd. and its related parties	**550**	-
China Tobacco and its related parties	**330**	102
Fujian Provincial Port Group Co., Ltd. and its related parties	**233**	N/A
Total	**1,113**	102
Proportion in amount of related similar transactions	**0.12%**	0.01%

3.5 Debt investments

Unit: RMB million

Related party	2023	2022
Fujian Provincial Port Group Co., Ltd. and its related parties	**3,298**	N/A
Fujian Financial Investment Co., Ltd. and its related parties	**2,100**	-
Zhejiang Energy Group Co., Ltd. and its related parties	**10**	10
China Tobacco and its related parties	**-**	1,200
Associates	**-**	3,609
Total	**5,408**	4,819
Proportion in amount of related similar transactions	**0.30%**	0.29%

3.6 Other debt investments

Unit: RMB million

Related party	2023	2022
China Tobacco and its related parties	**756**	159
Fujian Provincial Port Group Co., Ltd. and its related parties	**248**	N/A
Zhejiang Energy Group Co., Ltd. and its related parties	**195**	230
Associates	**496**	-
Total	**1,695**	389
Proportion in amount of related similar transactions	**0.30%**	0.07%

3.7 Lease payment receivables

Unit: RMB million

Related party	2023	2022
Zhejiang Energy Group Co., Ltd. and its related parties	**25**	-
Total	**25**	-
Proportion in amount of related similar transactions	**0.02%**	-

3.8 Deposits from banks and other financial institution

Unit: RMB million

Related party	2023	2022
The People's Insurance Company (Group) of China Limited and its related parties	**5,244**	152
Fujian Financial Investment Co., Ltd. and its related parties	**4,651**	-
Fujian Provincial Port Group Co., Ltd. and its related parties	**851**	N/A
China Tobacco and its related parties	**362**	833
Associates	**1,847**	2,338
Others	**33**	36
Total	**12,988**	3,359
Proportion in amount of related similar transactions	**0.70%**	0.21%

3.9 Deposits from customers

Unit: RMB million

Related party	2023	2022
China Tobacco and its related parties	**86,345**	86,268
The People's Insurance Company (Group) of China Limited and its related parties	**15,018**	17,766
Fujian Financial Investment Co., Ltd. and its related parties	**5,616**	390
The Finance Bureau of Fujian Province	**3,428**	4,153
Fujian Provincial Port Group Co., Ltd. and its related parties	**1,161**	N/A
Zhejiang Energy Group Co., Ltd. and its related parties	**273**	169
Associates	**257**	446
Others	**21**	148
Total	**112,119**	109,340
Proportion in amount of related similar transactions	**2.18%**	2.31%

3.10 Right-of-use assets

Unit: RMB million

Related party	2023	2022
China Tobacco and its related parties	**79**	4
Fujian Financial Investment Co., Ltd. and its related parties	**6**	-
Zhejiang Energy Group Co., Ltd. and its related parties	**-**	1
Total	**85**	5
Proportion in amount of related similar transactions	**0.86%**	0.05%

3.11 Lease liabilities

Unit: RMB million

Related party	2023	2022
China Tobacco and its related parties	**80**	4
Fujian Financial Investment Co., Ltd. and its related parties	**7**	-
Zhejiang Energy Group Co., Ltd. and its related parties	**1**	1
Total	**88**	5
Proportion in amount of related similar transactions	**0.91%**	0.05%

3.12 Other accounts payable

Unit: RMB million

Related party	2023	2022
The People's Insurance Company (Group) of China Limited and its related parties	**1**	-
Total	**1**	-
Proportion in amount of related similar transactions	**0.02%**	0.00%

3.13 Credit line

Unit: RMB million

Related party	2023	2022
The People's Insurance Company (Group) of China Limited and its related parties	**54,000**	54,000
Fujian Provincial Port Group Co., Ltd. and its related parties	**29,100**	N/A
Fujian Financial Investment Co., Ltd. and its related parties	**21,000**	N/A
China Tobacco and its related parties	**17,000**	17,000
Zhejiang Energy Group Co., Ltd. and its related parties	**8,500**	8,500
Total	**129,600**	79,500

For details of major credit-related transactions, please refer to the relevant resolutions of the board of directors publicly disclosed by the Bank.

3.14 Off-balance sheet items

Bank acceptances

Unit: RMB million

Related party	2023	2022
Zhejiang Energy Group Co., Ltd. and its related parties	**604**	62
China Tobacco and its related parties	**294**	330
Fujian Provincial Port Group Co., Ltd. and its related parties	**119**	N/A
Accociates	**1,495**	1,521
Others	**-**	183
Total	**2,512**	2,096
Proportion in amount of related similar transactions	**0.32%**	0.25%

Letters of guarantee

Unit: RMB million

Related party	2023	2022
China Tobacco and its related parties	**81**	54
Zhejiang Energy Group Co., Ltd. and its related parties	**30**	22
Fujian Provincial Port Group Co., Ltd. and its related parties	**39**	N/A
Total	**150**	76
Proportion in amount of related similar transactions	**0.18%**	0.08%

Letters of credit

Unit: RMB million

Related party	2023	2022
Zhejiang Energy Group Co., Ltd. and its related parties	**89**	-
China Tobacco and its related parties	**50**	50
Fujian Provincial Port Group Co., Ltd. and its related parties	**61**	N/A
Associates	**230**	118
Total	**430**	168
Proportion in amount of related similar transactions	**0.15%**	0.07%

4. Key management personnel remuneration

Unit: RMB million

	2023	2022
Salary and welfare	**19**	18

X. Contingencies and commitments

1. Pending litigations

As of the balance sheet date, the Group's management considers that there is no pending litigation which has a significant impact on the financial statements and needs to be disclosed.

2. Off-balance sheet items

Contractual amount

Unit: RMB million

	The Group and the Bank	
	2023	2022
Bank acceptances	**776,166**	834,853
Credit card commitments	**531,064**	518,344
Letters of credit	**290,125**	247,776
Letters of guarantee	**85,500**	93,375
Irrevocable loan commitments	**24,485**	22,610
Total	**1,707,340**	1,716,958

3. Capital commitments

Unit: RMB million

	Contractual amount of the Group		Contractual amount of the Bank	
	2023	2022	2023	2022
Authorised but not contracted for	**22**	8	**22**	8
Contracted but not paid for	**1,521**	356	**1,509**	311

	1,543	364	**1,531**	319

4.Collateral

Assets pledged

4.1 The carrying amount of assets pledged as collateral under repurchase agreements is as follows:

Unit: RMB million

	The Group		The Bank	
	2023	2022	2023	2022
Bonds	**406,986**	342,528	**390,053**	323,917
Bills	**13,260**	19,864	**13,260**	19,864
Total	**420,246**	362,392	**403,313**	343,781

As at 31 December 2023, none of the bills purchased under resale agreements by the Group and the Bank were used to carry out the sold under repurchased business (31 December 2022: Nil).

Debt securities pledged as collateral for borrowings from Central Banks by the Group as at 31 December 2023 amounted to RMB352,277 million in total (31 December 2022: RMB107,923 million).

4.2 As at 31 December 2023, the Group and the Bank have no pledged bonds to credit derivative transactions (31 December 2022: Nil).

Collateral accepted

In the resale agreement, the Group can sell pledged assets or transfer them in other transactions when the counterparty is not in breach of the contract. As at 31 December 2023, the fair value of pledged assets available for sale or convertible is RMB12,599 million (31 December 2022: RMB7,614 million).

5. Redemption commitment of certificate treasury bonds and saving treasury bonds

The Group entrusted by the MOF as its agent issues certificate treasury bonds and saving treasury bonds. Holders of certificate treasury bonds and saving treasury bonds can require advance redemption, and the Group has the obligation to execute the redemption responsibility. Redemption amount for the certificate treasury bonds and saving treasury bonds includes principal and interest payable till redemption date.

As of 31 December 2023 and 31 December 2022, the cumulative principal balances of the certificate treasury bonds and saving treasury bonds which are issued by the Group under trust prior to maturity and have not been paid are as follows:

Unit: RMB million

	The Group and the Bank	
	2023	2022
Certificate treasury bonds and saving treasury bonds	2,149	2,169

The Group believes the Group's redemption amount of these certificate treasury bonds and saving treasury bonds is not significant before their maturity.

6. Fiduciary Business

Unit: RMB million

	The Group		The Bank	
	2023	2022	2023	2022
Fiduciary loans	**130,239**	158,269	**130,239**	158,269
Fiduciary funds	**130,239**	158,269	**130,239**	158,269
Fiduciary wealth management products	**2,264,211**	2,067,451	**21,524**	29,658

Fiduciary loans are loans in that depositors designated a specific third party as the loan party, and related credit risk of the loan is borne by depositors who designated borrowers.

Fiduciary wealth management refers to a kind of service that the entrusted Group is responsible for the operation and management of customer assets. The investment risk of fiduciary wealth management products is borne by the trustor.

XI. Financial risk management

1. Overview

The Group is exposed to various types of risks due to its financing businesses including banking business. The Group identifies, assesses and monitors various risks on an ongoing basis. The most significant types of risk to which the Group is exposed are credit risk, market risk, liquidity risk and operation risk, country risk, bank book interest rate risk, reputation risk, strategic risk, information technology risk, and money-laundering risk.

The Group's risk management objectives are to achieve a proper balance between risks and benefits and run business safely and prudently under a reasonable level of risk.

2. Risk management framework

Risk management is the basic safeguard for survival and development of commercial banks. The Group has taken risk management as one of its core competitiveness, formulated a development strategy focused on business operation as well as risk management, established pre-during-post events risk control system with a core of risk asset management, and improved the risk management and operation instructions for various businesses; completed the mechanism of risk responsibilities and punishment, implemented credit business operation responsibilities, established risk fund for credit post personnel, enhanced risk constraints; including credit risk, market risk, liquidity risk, operational risk and other risks into the scope of risk management and continuously improve the risk management mechanism to wholly-owned and holding subsidiaries; Further defined the specific responsibilities of board of directors, board of supervisors, senior management and operation executives in respect of risk management, formed a defined, clear and effective overall risk management system. In daily risk management work, the Group's business sector, risk management department and internal audit department build up the "three defences"; they perform their respective functions and work together to achieve the objective of risk management. Among them, operation institutions and business sector form the first line of defence to conduct risk management according to the risk management rules and policies. Operation institutions take precautions against all the business and operating risks, while business sector is in charge of making its risk management policy, evaluating the effectiveness of risk management regularly and taking corrective actions if necessary. The risk management department is the second line of defence, which is responsible for the constitution of the Group's risk management strategy, policy, regulations and process, and supervision of the execution. Meanwhile, the risk management department is responsible for the identification, evaluation and supervision of the risk that the Group faces, assessing the Group's risk condition periodically, taking measures for continuous improvement, and pushing forward the outspread of overall risk management work. The internal audit department is the third line of defence. It is responsible for all process audits, continuously providing independent and prospective audits and supervision with emphasis.

3. Credit risk

Credit risk represents the potential loss that may arise from a customer or counterparty's failure to meet its obligation. Credit risk can also arise from operational failures that result in an unauthorised or inappropriate advance, commitment or investment of funds. The Group's major credit risks come from loans and receivables (enterprises and personal credit loans), treasury operations (including debt investment) and off-balance-sheet-related credit risk exposures. The Group manages and controls credit risk according to the following processes: customer investigation before granting of credit limits, credit review and approval and post-disbursement loan monitoring and collection.

The Group establish the risk management department, which is responsible for organising, implementing the credit risk management strategies and policies of the Group, and making basic rules for the Group risk management affairs. In addition, the department is also professionally managing, evaluating, guiding the general operation of the Group risk management together with inspecting and supervising the activities mentioned above. As the leading party, the risk management department formulates unified standards, responsible for the credit management on the whole. All the actions taken are to ensure the overall credit risk is under control. The Group set up risk management department and professional risk management desk in two major lines called enterprise financial line and investment banking and financial markets line. Each of the risk departments is responsible for the credit management in its own line or professional operating department, and it is also responsible for making detailed regulations and operating rules and approving projects within the approving authority. The Group also sets up several specialised committees such as Credit Approval Committee and Credit Accountability Committee. The first one is responsible for the examination and approval of the loans within the authority. The other one is responsible for determining the responsibility of related loans.

The Group has formulated a whole set of credit policies on approval process and management procedure, and implemented them throughout the Group. The credit management procedure for corporate and personal loans can be classified as credit investigation, credit examination, credit approval, credit disbursement, and post-disbursement monitoring and recovery process. In addition, the Group issued Due Diligence of Credit approval to clarify the duties of different positions, to effectively control the credit risk, and to strengthen compliance of credit business.

In accordance with the discriminative credit policy of "protecting, controlling, and compressing", the Group set up detailed rules for the implementation of credit policy, which has intensified the credit support for the real economy and optimised credit resources allocation. The Group preferentially develops credit businesses for industries which comply with national policy orientation, develop rapidly and have broad market prospects (including infrastructures, people's livelihood, strategic emerging industries and modern agriculture); actively practices green credit principle, preferentially supports green and environment-friendly industry with obvious social benefits, mature technology application and commercial operation; supports short-term cycle and people's livelihood consumption industry like medical care, education, tourism and communication.

The Group has established an internal customer credit rating system which comprehensively and systematically investigated various factors that influence customer solvency in future; disclosed and evaluated customers' credit risks and capabilities based on qualitative and quantitative analysis. Credit rating results become an important foundation to draw up credit service policies, adjust and optimise client structure, as well as identify credit service of individual customer. According to new Basel Capital Accord and Administrative Measures for the Capital of Commercial Banks ("Measures") and other relevant guidance of NFRA, the Group developed and established customer internal rating system and has been continuously optimising the model and system. Meanwhile, the related results of internal rating have continuously entered into various risk management areas including authorisation management, industry access, limit management, economic capital measurement and asset impairment calculation. The credit risk weighted assets ("CRWA") measurement system was successfully launched, realising automated measurement of CRWA using the internal rating method for credit risk. As the Measures construction made further headway, the Group got promoted in capacity of identification, measurement, monitoring and control of credit risk.

The Group developed an Intelligent Risk Management System, applying big data technology to fully integrate both internal and external risk information and analysing as per certain rules so as to form a warning indicator. With customers' potential risks disclosed in time by monitoring the indicator, the active push, tracking, feedback and report generated by level of risk indicator can be achieved and the timeliness and accuracy of risk warnings can be improved effectively. The Intelligent Risk Management System realised the online posting of warning information and carried out system hard control over warning levels and provided a basic guarantee for credit management.

To accurately and effectively assessed credit risk, Measures for the Risk Classification of Financial Assets of Industrial Bank Co., Ltd. have been established to make sure the Group adjusts financial asset risk classification according to real conditions of projects. Based on 5 levels classified by the supervisor, the Group has classified its financial asset risks into 9 levels as level 1(normal), level 2(normal), level 3(normal), level 1(special mention), level 2(special mention), level 3(special mention), substandard, doubtful and loss. The Group has various management policies for each level.

Risks arising from credit commitments are similar to risks of loans and advances to customers in substance. Therefore, requirements for application, post-loan management and pledge and guarantees are the same as those in loans and advances to customers. According to substance-over-form principle, the Group includes the non-standard credit loans in the comprehensive risk management system and manages them by comparing to traditional loans. The Group provides uniform credit, carries out general control on risks, executes uniform credit policy nationwide, carries out whole-process responsibilities management by comparing to traditional loans, implements risk classification and provides risk reserves.

ECL measurement

Stage of financial asset risks

The Group adopted a three-stage ECL model for the impairment of financial assets. The model is summarised as follows:

- Financial assets that have not increased significantly since the initial recognition or have a low credit risk at the reporting date are included in stage 1, and the Group continuously monitors its credit risk;
- Financial assets that have a significant increase (excluding the low credit risk of such financial instruments at the reporting date), but without objective impairment evidence are included in stage 2. Criteria of the Group's significant increase in credit risk, see Significant increase in credit risk;
- Financial assets with objective evidence of impairment at the reporting date are included in stage 3. The Group's definition of credit impairment and default, see Definition of asset defaulted and credit-impaired.
- Financial assets classified in stage 1 make provisions for ECL caused by defaults that may occur within 12 months after the reporting date, and the financial assets classified in the stage 2 and 3 make provisions for the entire lifetime ECL; calculation of the interest income of financial assets classified in stage 1 and 2 is based on the total carrying value of the assets, and interest income of the financial assets classified in stage 3 is calculated based on the net amount after deducting provisions for credit losses. Inputs, assumptions and estimation techniques utilised in ECL measurement, see Measurement of ECL – Explanation of inputs, assumptions and estimation techniques.
- The Group takes into account forward-looking information when measuring ECLs. For a description of how the Group considers forward-looking information in the ECL model, please refer to Forward-looking information incorporated in the ECL model;
- Purchased or originated credit-impaired (POCI) financial assets refer to financial assets with credit impairment at initial recognition. Loss provision of these assets is lifetime ECLs.

The key judgements and assumptions adopted by the Group when measuring ECL are as follows:

Significant increase in credit risk

The Group identifies whether the credit risk has increased significantly by comparing default risk at the reporting date with the risk of default on the day of initial recognition. The Group considers that the credit risk of a Financial Instrument has increased significantly when one or more of the following quantitative, qualitative or cap criteria are triggered:

- Asset quality is classified as special-mentioned;

- The number of overdue days or days in arrears with interest exceeds 30 days;
- The absolute and relative levels of change in the probability of default exceed a certain range;
- Downgraded by more than three levels or more;
- The customer triggers the bank alert list;
- Other significant increases in credit risk.

The Group periodically reviews the applicability of the evaluation criteria to the current situation. During the Reporting Period, the Group further deepened the application of forward-looking information and improved the risk differentiation ability of the model. At the same time, the Group has established a strict stage upward migration mechanism, and the upgrading of corporate financial instruments from the third stage to the second stage should meet the requirements of the observation period, and the financial instruments of the third stage cannot be directly moved to the first stage.

After the outbreak of the COVID-19 pandemic, the Group provided relief support for customers affected by the pandemic in accordance with government regulations. For customers who apply for loan relief, the Group strictly follows policy requirements related to deferred payment of principal and interest and regulates eligibility of customers. For customers who are eligible for loan relief, the Group provides support measures such as loan extensions, deferred interest payments, and adjustments to the repayment plans. The Group also evaluates whether the credit risk of such customers has increased significantly based on actual circumstances.

Definition of asset defaulted and credit-impaired

The Group carefully considers whether different standards represent client defaults. When a financial asset meets one or more of the following conditions, the Group recognises the financial asset as default, and the standard is consistent with the definition of the credit-impaired:

(1) Quantitative criteria:

- Payment overdue for more than 90 days or calssified or loans devided into substandard, doubtful or loss according to Measures for the Risk Classification of Financial Assets of Industrial Bank Co., Ltd..

(2) Qualitative criteria:

- Any loan to the debtor ceases to bear interest or accrue interest is included in the off-balance sheet accounting;
- After the occurrence of the credit relationship, due to the deterioration of the financial situation of the debtor, the Group wrote off the loan or made a certain proportion of loan loss provisions;
- The Group expects to sell the loan and assumes a certain percentage of the book loss;
- Due to the deterioration of the financial situation of the debtor, the Group agreed to passively restructure and make non-commercial adjustments to the terms of the loan contract, including but not limited to the following: (a) The contract term changes lead to a decline in the scale of the debt; (b) the debtor is unable to repay the loan; (c) extension due to the debtor's inability to repay;
- The Group classifies the debtor as a bankrupt enterprise or a similar status;
- The debtor filed for bankruptcy, or has gone bankrupt, or is in a similar state of protection, and thus will not perform or postpone the settlement of the debts of the Group;
- Other circumstances identified by the Group that may result in the debtor not being able to fully repay the debt.

The above criteria apply to all financial instruments of the Group and are consistent with the definition of default used in internal credit risk management. The definition of default has been consistently applied to the model of Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD) in the Group's ECL calculation process.

Measurement of ECL – Explanation of inputs, assumptions and estimation techniques

According to whether there is a significant increase in credit risk and whether there is an impairment of assets, the Group measures the impairment loss for different financial assets according to its current risk stage with ECL of 12 months or the entire lifetime respectively. The expected credit losses taken by the Group are obtained by Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD), and discounted by discount factors. Definitions are as follows:

- PD refers to the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation.
- The exposure to default risk refers to the amount that the Group should be repaid in the event of default in the next 12 months or throughout the remaining period;
- LGD is the Group's estimation regarding the extent of the EAD.

The estimates for each risk parameter are as follows:

- Estimation of PD: For non-retail credit assets, the PD is obtained through the main benchmark mapping of internal rating and the macroeconomic forward-looking adjustment is applied to obtain the applicable PD; for retail credit assets, it is based on PD of division of pool, and the macroeconomic forward-looking adjustment is conducted to obtain the applicable PD; for bond assets, the PD is mapped to the main benchmark mainly through external rating, and the applicable PD is obtained through macroeconomic forward-looking adjustment; PD for the entire lifetime of more than 12 months is estimated by a 12M PD and a forward-looking adjustment factor;
- Estimation of EAD: The EAD of financial assets in the first and third stages is the amortised cost; the EAD of financial assets in the second stage is the amortised cost and the cash discount of capital recovered in the following years;
- Estimation of LGD: For non-retail credit assets, it uses the LGD after mitigation, and a macroeconomic forward-looking adjustment is made to obtain the LGD applicable under the new standard; for retail credit assets, it is based on LGD of division of pool, and a macroeconomic forward-looking adjustment is conducted to obtain the LGD applicable under the new standard; for the loss without historical data collection and write-off data assets, it is based on peer experience and regulatory factors, combined with expert's judgement.

The ECL is multiplied by the above estimated PD, EAD and LGD, and discounted to the reporting date. The discount rate used in the ECL calculation is the initial actual effective interest rate.

The Group monitors and reviews assumptions related to the calculation of ECL on a regular basis. There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

Risk portfolio

When measuring expected credit losses on a portfolio basis, the Group has classified exposures with similar risk characteristics, with the main businesses being divided into non-retail business, bond business, retail business and credit card business. The Group groups the models according to similar risk characteristics, and the main reference indicators for the current grouping include national standard industries and product types. In grouping, the Group has obtained sufficient information to ensure its statistical reliability.

Forward-looking information incorporated in the ECL model

According to the different risk characteristics of assets, the Group divides assets into different risk groups, and collects external authoritative data and internal risk-related data for modelling within a reasonable cost and time range according to the risk characteristics of different risk groups.

During the reporting period, the Group expanded its macroeconomic index database to four categories: national economy, fiscal and monetary policy, price index and economic climate survey, fixed assets and real estate, and then formed macroeconomic indicator forecasts under multiple scenarios of "benchmark", "optimistic", "pessimistic", "extremely optimistic" and "extremely pessimistic" through quantitative statistical modelling combined with expert judgment.

The Group fully considers the differentiated risk characteristics of different assets, differentiates asset classes and constructs quantitative models to obtain the relationship between macroeconomic indicators and systemic risk factors, and then transmits the estimation results of one-year default probability and default loss rate based on macroeconomic forecasts.

The macroeconomic information used by the Group includes macro indicators such as the year-on-year growth rate of GDP in the quarter, the cumulative year-on-year growth rate of fixed asset investment completion, the stock of social financing scale: the year-on-year growth rate of RMB loans, and the average exchange rate of USD/RMB. Among them, the GDP forecast for the quarter is about 4.9% year-on-year under the 2023 baseline scenario, the optimistic scenario forecast is 0.5 percentage points higher than the benchmark, the pessimistic scenario forecast is 0.6 percentage points lower than the benchmark, and the extremely pessimistic scenario forecast is 1.2 percentage points lower than the benchmark.

By establishing an econometric model, combining macro data analysis and expert judgment, the weights of optimism, benchmark, pessimism and extreme pessimism were determined. In 2023, the benchmark scenario accounted for the highest weight, the extremely pessimistic scenario accounted for the lowest weight.

Expected credit loss is sensitive to the parameters used in the model, the macroeconomic variables of forward-looking forecasts, the weighting probability under multiple scenarios, and other factors considered in the application of expert judgment. Changes in these input parameters, assumptions, models, and judgments will have an impact on the significant increase in credit risk and the measurement of expected credit losses.

Assuming a 10% increase in the weight of the optimistic scenario and a 10% reduction in the weight of the benchmark scenario, the Group's credit impairment provision decreased by less than 1.1% as at 31 December 2023; Assuming a 10% increase in the weight of the pessimistic scenario and a 10% decrease in the weight of the benchmark scenario, the Group's credit impairment allowance increases by less than 1.8%; Assuming a 10% increase in the weight of the extreme pessimistic scenario and a 10% decrease in the weight of the benchmark scenario, the Group's credit impairment allowance increases by less than 3.7%.

3.1 Concentration of credit risk

Concentration of credit risk exists when changes in geographic, economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is material in relation to the Group's total exposures. The Group's portfolio of financial instrument is diversified along geographic, industry and product sectors.

The Group mainly operates the lending and guarantee business in the PRC mainland only. Since there are different economic development characteristics in the different regions in China, the characteristics of credit risks are also different.

For the geographical and industrial concentration of the loans and advances to customers please refer to Note VII, 6.

3.2 Maximum exposure to credit risk

Despite any usable collateral, and other credit enhancement measures, the maximum credit risk exposure that the Group and the Bank can afford on balance sheet date is the related financial assets (including derivative instruments and deducted equity instruments) plus the amount of off-balance sheet book value in Note X, 2. As at 31 December 2023, the maximum credit risk exposure of the Group amounted to RMB11,122,727 million (31 December 2022: RMB10,209,100 million); the maximum credit risk exposure of the Bank amounted to RMB10,822,985 million (31 December 2022: RMB9,947,171 million).

Credit exposure

Loans and advances to customers

Unit: RMB million

	The Group				
	2023				
	Stage 1	Stage 2	Stage 3	Purchased financial assets that have already been impaired	Total
Low risk	**5,275,900**	**43,554**	**92**	**-**	**5,319,546**
Medium risk	**-**	**81,326**	**4,485**	**-**	**85,811**
High risk	**-**	**-**	**60,216**	**-**	**60,216**
Total carrying amount	**5,275,900**	**124,880**	**64,793**	**-**	**5,465,573**
Allowance for impairment losses	**(64,571)**	**(27,241)**	**(50,752)**	**-**	**(142,564)**
Total	**5,211,329**	**97,639**	**14,041**	**-**	**5,323,009**

Unit: RMB million

	The Group				
	2022				
	Stage 1	Stage 2	Stage 3	Purchased financial assets that have already been impaired	Total
Low risk	4,817,165	34,556	2,964	-	4,854,685
Medium risk	-	65,739	9,016	-	74,755
High risk	-	-	55,729	-	55,729
Total carrying amount	4,817,165	100,295	67,709	-	4,985,169
Allowance for impairment losses	(56,872)	(16,918)	(52,293)	-	(126,083)
Total	4,760,293	83,377	15,416	-	4,859,086

The Group classifies asset risk characteristics according to the quality of assets. "Low risk" means that the borrower can fulfil the contract, and there are not enough reasons to suspect that the principal and interest of the loan cannot be repaid in full on time; "Medium risk" means that the borrower is currently able to repay the principal and interest of the loan, but there are some factors that may adversely affect the repayment; "High risk" means that the borrower's repayment ability has obvious problems and loan principal and interest cannot be repaid in full by relying on normal business income. Even if the guarantee is enforced, losses may be incurred. The above maximum credit risk exposure information for loans and advances does not include loans and advances that are measured at fair value through profit or loss.

Off-balance sheet items

Unit: RMB million

	The Group				
	2023				
	Stage 1	Stage 2	Stage 3	Purchased financial assets that have already been impaired	Total
Low risk	**1,703,619**	**1,722**	**63**	-	**1,705,404**
Medium risk	**-**	**1,885**	**1**	-	**1,886**
High risk	**-**	**-**	**50**	-	**50**
Total carrying amount	**1,703,619**	**3,607**	**114**	-	**1,707,340**
Allowance for impairment losses	**(6,077)**	**(139)**	**(8)**	-	**(6,224)**
Total	**1,697,542**	**3,468**	**106**	-	**1,701,116**

Unit: RMB million

	The Group				
	2022				
	Stage 1	Stage 2	Stage 3	Purchased financial assets that have already been impaired	Total
Low risk	1,705,782	4,890	392	-	1,711,064
Medium risk	-	4,986	281	-	5,267
High risk	-	-	627	-	627
Total carrying amount	1,705,782	9,876	1,300	-	1,716,958

Allowance for impairment losses	(6,263)	(396)	(371)	-	(7,030)
Total	1,699,519	9,480	929	-	1,709,928

Financial investments

Unit: RMB million

	The Group				
	2023				
	Stage 1	Stage 2	Stage 3	Purchased financial assets that have already been impaired	Total
Low risk	2,347,840	3,855	-	-	2,351,695
Medium risk	-	24,660	2,743	-	27,403
High risk	-	-	35,421	-	35,421
Total carrying amount	2,347,840	28,515	38,164	-	2,414,519
Allowance for impairment losses	(3,799)	(5,600)	(31,189)	-	(40,588)
Total	2,344,041	22,915	6,975	-	2,373,931

Unit: RMB million

	The Group				
	2022				
	Stage 1	Stage 2	Stage 3	Purchased financial assets that have already been impaired	Total
Low risk	2,130,652	5,698	-	-	2,136,350
Medium risk	-	23,964	7,780	-	31,744
High risk	-	-	32,385	-	32,385
Total carrying amount	2,130,652	29,662	40,165	-	2,200,479
Allowance for impairment losses	(5,342)	(7,988)	(32,116)	-	(45,446)
Total	2,125,310	21,674	8,049	-	2,155,033

The Group classifies the credit ratings of financial assets included in the ECL measurement as "low risk", "medium risk" and "high risk" according to the characteristics of risk levels. "Low risk" means that the assets are of good quality, the possibility of future default is low, and it is less affected by external unfavourable factors; "medium risk" means the asset has certain solvency, but the persistent significant instability or poor commercial, financial or economic conditions may reduce its solvency; and "high risk" means the existence of unfavourable factors that have a material impact on solvency, a higher risk of default or assets that meet the definition of default by the Group.

Deposits with banks and other financial institutions

Unit: RMB million

	The Group				
	2023				
	Stage 1	Stage 2	Stage 3	Purchased financial assets that have already been impaired	Total
Low risk	**749,428**	**-**	**-**	**-**	**749,428**
Medium risk	**-**	**-**	**-**	**-**	**-**
High risk	**-**	**-**	**9**	**-**	**9**
Total carrying amount	**749,428**	**-**	**9**	**-**	**749,437**
Allowance for impairment losses	**(526)**	**-**	**(9)**	**-**	**(535)**
Total	**748,902**	**-**	**-**	**-**	**748,902**

Unit: RMB million

	The Group				
	2022				
	Stage 1	Stage 2	Stage 3	Purchased financial assets that have already been impaired	Total
Low risk	503,515	-	-	-	503,515
Medium risk	-	-	-	-	-
High risk	-	-	9	-	9
Total carrying amount	503,515	-	9	-	503,524
Allowance for impairment losses	(821)	-	(9)	-	(830)
Total	502,694	-	-	-	502,694

The Group classifies risk characteristics of deposits with banks and other financial institutions based on asset entry and internal rating changes. "Low risk" means that the issuer's initial internal rating is above the entry level, and there are no reasons to suspect that the financial investment is expected to default; "medium risk" means that although the issuer's internal rating is reduced to a certain extent, there are not enough reasons to suspect that the financial investment is expected to default; "high risk" means that there are obvious problems may cause a default, or the financial investment indeed is defaulted.

3.3 Analysis of exposure to credit risk of the Group about loans and advances to customers, inter-bank placements, investments and finance lease receivables

As at 31 December 2023, the credit risk stages of financial instruments are as follows:

Unit: RMB million

	The Group							
	Gross carrying amount				Allowance for impairment losses			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Measured at amortised cost:								
Cash and balances with Central Bank	418,569	-	-	418,569	-	-	-	-
Deposits with banks and other financial institutions	185,966	-	9	185,975	(60)	-	(9)	(69)
Placements with banks and other financial institutions	363,314	-	-	363,314	(383)	-	-	(383)
Financial assets purchased under resale agreements	200,148	-	-	200,148	(83)	-	-	(83)
Loans and advances to customers								
- Corporate loans and advances	3,048,128	79,117	36,071	3,163,316	(40,183)	(14,605)	(24,275)	(79,063)
- Personal loans and advances	1,908,028	45,758	28,722	1,982,508	(24,388)	(12,636)	(26,477)	(63,501)
Debt investments	1,777,265	26,962	37,707	1,841,934	(3,799)	(5,600)	(31,189)	(40,588)
Finance lease receivables	113,688	615	4,738	119,041	(1,097)	(238)	(3,029)	(4,364)
Financial assets, Others	37,001	25	146	37,172	(1,700)	(8)	(141)	(1,849)
Total	8,052,107	152,477	107,393	8,311,977	(71,693)	(33,087)	(85,120)	(189,900)
Fair value through other comprehensive income:								
Loans and advances to customers								
- Corporate loans and advances	319,744	5	-	319,749	(852)	-	(10)	(862)
Other debt investments	570,575	1,553	457	572,585	(500)	(917)	(790)	(2,207)
Total	890,319	1,558	457	892,334	(1,352)	(917)	(800)	(3,069)
Credit commitments	1,703,619	3,607	114	1,707,340	(6,077)	(139)	(8)	(6,224)

As at 31 December 2022, the credit risk stages of financial instruments are as follows:

Unit: RMB million

	The Group							
	Gross carrying amount				Allowance for impairment losses			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Measured at amortised cost:								
Cash and balances with Central Bank	442,403	-	-	442,403	-	-	-	-
Deposits with banks and other financial institutions	94,239	-	9	94,248	(125)	-	(9)	(134)
Placements with banks and other financial institutions	352,628	-	-	352,628	(585)	-	-	(585)
Financial assets purchased under resale agreements	56,648	-	-	56,648	(111)	-	-	(111)
Loans and advances to customers								
- Corporate loans and advances	2,520,009	70,091	36,584	2,626,684	(29,218)	(8,920)	(24,627)	(62,765)
- Personal loans and advances	1,919,762	30,145	31,011	1,980,918	(27,654)	(7,998)	(27,666)	(63,318)
Debt investments	1,584,122	28,846	39,504	1,652,472	(5,342)	(7,988)	(32,116)	(45,446)
Finance lease receivables	106,745	801	4,327	111,873	(1,269)	(225)	(3,155)	(4,649)
Financial assets, Others	32,386	29	375	32,790	(1,569)	(9)	(364)	(1,942)
Total	7,108,942	129,912	111,810	7,350,664	(65,873)	(25,140)	(87,937)	(178,950)
Fair value through other comprehensive income:								
Loans and advances to customers								
- Corporate loans and advances	377,394	59	114	377,567	(2,682)	-	(69)	(2,751)
Other debt investments	546,530	816	661	548,007	(1,296)	(348)	(509)	(2,153)
Total	923,924	875	775	925,574	(3,978)	(348)	(578)	(4,904)
Credit commitments	1,705,782	9,876	1,300	1,716,958	(6,263)	(396)	(371)	(7,030)

3.3.1 Loans and advances to customers

As at 31 Demember 2023, loans and advances to customers were analysed by types of security as follows, excluding loans and advances measured at fair value through profit or loss:

Unit: RMB million

	31 December 2023		31 December 2022	
	The Group	The Bank	The Group	The Bank
Stage 1				
Unsecured loans	**1,419,457**	**1,341,568**	1,348,689	1,282,257
Guaranteed loans	**1,298,070**	**1,298,070**	1,020,593	1,020,593
Collateralised loans	**2,558,373**	**2,558,373**	2,447,883	2,447,883
- Secured by mortgage	**1,861,795**	**1,861,795**	1,745,840	1,745,840
- Secured by collaterals	**696,578**	**696,578**	702,043	702,043
Subtotal	**5,275,900**	**5,198,011**	4,817,165	4,750,733
Stage 2				
Unsecured loans	**30,480**	**28,293**	22,418	21,326
Guaranteed loans	**30,539**	**30,539**	37,166	37,166
Collateralised loans	**63,861**	**63,861**	40,711	40,711
- Secured by mortgage	**53,856**	**53,856**	31,943	31,943
- Secured by collaterals	**10,005**	**10,005**	8,768	8,768
Subtotal	**124,880**	**122,693**	100,295	99,203
Stage 3				
Unsecured loans	**22,739**	**20,587**	25,981	24,317
Guaranteed loans	**16,690**	**16,662**	12,326	12,298
Collateralised loans	**25,364**	**23,607**	29,402	27,643
- Secured by mortgage	**19,608**	**17,851**	22,691	20,932
- Secured by collaterals	**5,756**	**5,756**	6,711	6,711
Subtotal	**64,793**	**60,856**	67,709	64,258
Total	**5,465,573**	**5,381,560**	4,985,169	4,914,194
Fair value of collateral held against credit-impaired loans	**6,724**	**5,808**	9,839	8,922

The above collateral mainly includes land, buildings, machinery and equipment, etc. The fair value of collateral was estimated by the Group based on the latest external valuations available, adjusted in light of disposal experience and current market conditions.

3.3.2 Deposits with banks and other financial institutions

Deposits with banks and other financial institutions include balances with banks and other financial institutions, placements with banks and other financial institutions and financial assets purchased under resale agreements of which counterparties are banks and non-bank financial institutions.

Unit: RMB million

	31 December 2023		31 December 2022	
	The Group	The Bank	The Group	The Bank
Credit-impaired	**9**	**9**	9	9
Less: allowances for impairment losses	**(9)**	**(9)**	(9)	(9)
Subtotal	**-**	**-**	-	-
Neither past due nor credit-impaired				
- Grade A to AAA	**715,744**	**726,918**	439,703	452,922
- Grade B to BBB	**743**	**743**	20,239	20,239
- Unrated	**30,956**	**30,843**	42,476	41,714
Total	**747,443**	**758,504**	502,418	514,875
Interest accrued	**1,985**	**2,103**	1,097	1,152
Less: allowances for impairment losses	**(526)**	**(525)**	(821)	(816)
Subtotal	**748,902**	**760,082**	502,694	515,211
Total	**748,902**	**760,082**	502,694	515,211

Deposits with banks and other financial institutions are analysed above according to the Group and the Bank's internal credit rating. Exposure limits are set for trading counterparties of banks and non-bank financial institutions.

3.3.3 Distribution of investments analysed by rating

The ratings are obtained from Standard & Poor's ratings, or major rating agencies where the issuers of the debt securities are located. The investments include debt investments in financial investments.

Unit: RMB million

	The Group					
	2023					
	Unrated	AAA	AA	A	Lower than A	Total
Credit-impaired						
- Other corporates	**23,693**	**1,434**	**3,405**	**52**	**9,559**	**38,143**
- Banks and non-bank financial institutions.	**21**	**-**	**-**	**-**	**-**	**21**
Total	**23,714**	**1,434**	**3,405**	**52**	**9,559**	**38,164**
Allowance for impairment losses						**(31,189)**
Subtotal						**6,975**
Overdue but not credit impaired						
- Other corporates	**350**	**-**	**-**	**-**	**-**	**350**
Allowance for impairment losses						**(25)**
Subtotal						**325**
Neither overdue nor credit impaired						
- Government	**932,538**	**351,861**	**374**	**1,261**	**-**	**1,286,034**
- Policy banks	**39,930**	**9,014**	**-**	**581**	**-**	**49,525**
- Banking and non-banking financial institution	**199,235**	**215,108**	**34,353**	**7,225**	**4,397**	**460,318**
- Other corporates	**210,045**	**466,065**	**195,290**	**18,647**	**31,537**	**921,584**
Total	**1,381,748**	**1,042,048**	**230,017**	**27,714**	**35,934**	**2,717,461**
Allowance for impairment losses						**(9,374)**
Subtotal						**2,708,087**
Total						**2,715,387**

Unit: RMB million

	The Group					
	2022					
	Unrated	AAA	AA	A	Lower than A	Total
Credit-impaired						
- Other corporates	22,514	1,844	5,832	-	9,954	40,144
- Banks and non-bank financial institutions	21	-	-	-	-	21
Total	22,535	1,844	5,832	-	9,954	40,165
Allowance for impairment losses						(32,116)
Subtotal						8,049
Overdue but not credit impaired						
- Other corporates	1,239	-	1,125	-	-	2,364
Allowance for impairment losses						(349)
Subtotal						2,015
Neither overdue nor credit impaired						
- Government	902,234	237,689	21	1,673	-	1,141,617
- Policy banks	32,822	2,101	101	715	-	35,739
- Banking and non-banking financial institution	289,021	91,759	3,907	12,658	3,258	400,603
- Other corporates	432,462	335,170	91,376	27,928	39,136	926,072
Total	1,656,539	666,719	95,405	42,974	42,394	2,504,031
Allowance for impairment losses						(12,981)
Subtotal						2,491,050
Total						2,501,114

3.4 Collateral and other credit enhancements

The amount and type of collateral required depend on the assessment of the credit risk of the counterparty. The pledge rate depends on the credit information, operation and management, and financial position of pledgers, the condition of collateral, the market price, the pledged periods, and the convertibility of collateral. In addition, the Collateral Guideline of the Group set an upper limit on the pledged rate. Furthermore, the Group classifies and manages collateral by the difficulty of appraisal and management, the stability of market price and the convertibility of collateral. Collateral mainly includes financial collateral, real estate, accounts receivable and other collateral.

The management will monitor the market value of the collateral, ask the borrowers to increase collateral if necessary according to the agreements and monitor the changes in the market value of the collateral when reviewing the adequacy of impairment.

3.5 Rescheduled loans

Rescheduled loans refer to the loan projects generated by the Group to re-determine the terms of the loan at the discretion of the borrower who is unable to repay the loan according to the original loan terms. If conditions permit, the Group will seek to reschedule the loan instead of obtaining ownership of the collateral. The Group assessed the rescheduled loans as impaired loans when rescheduling. As at 31 December 2023, the carrying amount of the Group's rescheduled loans was RMB3,093 million. (As at 31 December 2022, the amount is RMB2,766 million.)

4. Market risk

Market risk is the risk of loss, in respect of the Group's on and off-balance sheet activities, arising from movements in market rates including interest rates, foreign exchange rates, commodity prices and stock prices. Market risk arises from both the Group's proprietary and customer-driven business. The Group's market risk management objective is to control the market risk within a reasonable scope in order to achieve the Group's business objectives.

According to the Group's market risk management structure, market risk management is critical for the risk management of the Group. Any major events should be reported to the Asset and Liability Management Committee for review and then authorised by President of the Bank. The planning and financial department is responsible for implementing the Group's asset and liability management policy, analysing and monitoring the implementation status of each type of indicator.

For daily control and management of treasury business, the risk management department of the treasury centre built up mid-stage risk control system to carry out implanting risk management and report to the risk management department of the Group.

4.1 Interest rate risk

The interest rate risk of the Group includes repricing risk, yield curve risk, benchmark risk and optional risk, among which repricing risk is the main risk. It is the risk arising from the mismatch between the agreed maturity date (fixed interest rate) and the repricing date (floating interest rate) of interest-bearing assets and interest payment liabilities. Currently, the Group has fully carried out the internal capital transfer pricing. The Group determined the transfer pricing by different products and terms, and gradually centralised the interest rate risk to the Head Office, so as to improve the efficiency of management and control the interest rate risk.

For the interest risk management of bank book, the Group mainly evaluates the interest rate risk of balance sheet through gap analysis. The Group dynamically monitors and controls the interest rate sensitive gap of balance sheet through information systems like assets-liabilities management system, and simply calculates the interest rate sensitivity affected by revenue and economic value on the basis of gap analysis. The revenue analysis emphasises the effect of the interest rate fluctuation on short-term income, while the economic value analysis emphasises the effect of the interest rate fluctuation on present value of net cash flow.

For the interest risk management of transaction book, the Group mainly achieves the real-time monitoring of the interest rate risk of the trading book through the quota system, the use of financial transactions and analysis system and the scientific exposure measurement models. According to regulatory requirements, the Group has strengthened the management of market risk measurement models, standardised the developing, testing and commissioning process, and built on regular evaluation mechanisms to ensure the accuracy of measurement models. The Group applies the online trading and analysis system to timely measure and control the interest rate risk exposure of transaction book, which provides effective technical support to control the interest rate risk of transaction book.

At the balance sheet date, an analysis of contractual repricing date or maturity date, whichever is earlier, of the financial assets and financial liabilities is as follows:

Unit: RMB million

	The Group					
	2023					
	Within 3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	Total
Financial assets:						
Cash and balances with Central Bank	**406,269**	**-**	**-**	**-**	**12,300**	**418,569**
Deposits with banks and other financial institutions	**182,784**	**3,122**	**-**	**-**	**-**	**185,906**
Placements with banks and other financial institutions	**133,964**	**187,270**	**41,938**	**-**	**-**	**363,172**
Derivative financial assets	**-**	**-**	**-**	**-**	**43,679**	**43,679**
Financial assets purchased under resale agreements	**199,772**	**293**	**-**	**-**	**-**	**200,065**
Loans and advances to customers	**3,357,819**	**1,687,157**	**218,869**	**69,638**	**-**	**5,333,483**
Financial investments:						
Trading assets	**75,628**	**51,697**	**102,235**	**108,962**	**619,186**	**957,708**
Debt investments	**103,602**	**215,234**	**765,658**	**716,852**	**-**	**1,801,346**
Other debt investments	**69,315**	**140,846**	**276,251**	**86,173**	**-**	**572,585**
Other equity investments	**-**	**-**	**-**	**-**	**3,836**	**3,836**
Finance lease receivables	**84,735**	**18,155**	**11,118**	**669**	**-**	**114,677**
Other assets	**6,576**	**1,737**	**146**	**-**	**26,864**	**35,323**
Total financial assets	**4,620,464**	**2,305,511**	**1,416,215**	**982,294**	**705,865**	**10,030,349**
Financial liabilities:						
Borrowing from Central Bank	**131,305**	**175,759**	**-**	**-**	**-**	**307,064**
Deposits from banks and other financial institutions	**1,532,028**	**320,950**	**-**	**-**	**-**	**1,852,978**
Placements from banks and other financial institutions	**217,161**	**121,834**	**10,499**	**-**	**-**	**349,494**
Trading liabilities	**12,665**	**-**	**-**	**-**	**281**	**12,946**
Derivative financial liabilities	**-**	**-**	**-**	**-**	**43,279**	**43,279**
Financial assets sold under repurchase agreements	**412,505**	**4,063**	**-**	**-**	**-**	**416,568**
Deposits from customers	**3,064,719**	**823,682**	**1,325,918**	**-**	**2,745**	**5,217,064**
Debt securities issued	**255,420**	**390,950**	**231,147**	**152,008**	**-**	**1,029,525**
Lease liabilities	**681**	**1,907**	**5,791**	**1,280**	**-**	**9,659**
Other liabilities	**5,731**	**7,179**	**-**	**-**	**40,647**	**53,557**
Total financial liabilities	**5,632,215**	**1,846,324**	**1,573,355**	**153,288**	**86,952**	**9,292,134**
Net position	**(1,011,751)**	**459,187**	**(157,140)**	**829,006**	**618,913**	**738,215**

Unit: RMB million

	2022					
	Within 3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	Total
Financial assets:						
Cash and balances with Central Bank	427,435	-	-	-	14,968	442,403
Deposits with banks and other financial institutions	90,139	3,975	-	-	-	94,114
Placements with banks and other financial institutions	111,581	197,581	42,881	-	-	352,043
Derivative financial assets	-	-	-	-	35,253	35,253
Financial assets purchased under resale agreements	56,537	-	-	-	-	56,537
Loans and advances to customers	3,097,093	1,488,291	214,081	70,414	-	4,869,879
Financial investments:						
Trading assets	43,611	40,662	159,727	95,584	660,271	999,855
Debt investments	57,798	133,427	816,411	599,390	-	1,607,026
Other debt investments	88,811	118,008	281,063	60,125	-	548,007
Other equity investments	-	-	-	-	3,453	3,453
Finance lease receivables	14,826	73,635	16,806	1,957	-	107,224
Other assets	3,672	658	1,447	106	24,965	30,848
Total financial assets	3,991,503	2,056,237	1,532,416	827,576	738,910	9,146,642
Financial liabilities:						
Borrowing from Central Bank	12,104	82,517	-	-	-	94,621
Deposits from banks and other financial institutions	1,548,687	79,567	-	-	-	1,628,254
Placements from banks and other financial institutions	173,704	90,489	12,276	799	-	277,268
Trading liabilities	28,726	-	-	-	20,852	49,578
Derivative financial liabilities	-	-	-	-	34,967	34,967
Financial assets sold under repurchase agreements	344,906	8,720	-	-	-	353,626
Deposits from customers	2,920,399	621,715	1,246,269	-	371	4,788,754
Debt securities issued	414,408	430,061	313,538	-	-	1,158,007
Lease liabilities	665	1,791	5,653	1,187	-	9,296
Other liabilities	1,457	8,249	-	-	40,382	50,088
Total financial liabilities	5,445,056	1,323,109	1,577,736	1,986	96,572	8,444,459
Net position	(1,453,553)	733,128	(45,320)	825,590	642,338	702,183

The following tables illustrate the potential impact of a parallel upward or downward shift of 100 basis points in yield curves of all currencies on the Group's net interest income and other comprehensive income, based on the Group's positions of financial assets and financial liabilities at the balance sheet date.

Unit: RMB million

	The Group			
	2023		2022	
	Net interest income (decrease) increase	Other comprehensive income (decrease) increase	Net interest income (decrease) increase	Other comprehensive income (decrease) increase
+100 basis points	**(10,263)**	**(12,181)**	(12,420)	(11,694)
- 100 basis points	**10,263**	**12,670**	12,420	12,047

The sensitivity analysis on net interest income is based on reasonably possible changes in interest rates with the assumption that the structure of financial assets and financial liabilities held at the period end remains unchanged.

The sensitivity analysis on other comprehensive income is the effect on changes of fixed-rate debt instruments at fair value through other comprehensive income at the period end after adjusting in accordance with the reasonably possible changes in interest rates.

The above prediction assumes that all yield curves of assets and liabilities, except demand deposits, shift upward or downward parallel. Therefore, it does not reflect the potential impact of non-parallel shifts in yield curves. The prediction also assumes that all positions are held to maturity. The Group anticipates that the amount of sensitivity analysis is insignificant if a position is not held to maturity.

The assumption does not represent the Group's capital and interest rate risk management policy. Therefore, the above analysis may differ from the actual situation.

In addition, the impact of interest rate fluctuation is only for illustrating purpose, showing the anticipated net interest income and other comprehensive income of the Group under the current interest rate risk situation, and such impact has not taken into account the potential interest rate risk control activities carried out by the management.

4.2 Foreign currency risk

The Group conducts its businesses mainly in RMB, with certain businesses denominated in USD or other currencies. RMB is the functional currency. The exchange rate for RMB converting to USD or other foreign currencies is regulated by the PBOC.

The Group is mainly exposed to currency risk resulting from currency mismatches of assets and liabilities, foreign currency transactions and foreign currency capital, etc.

The capital operation department of the Bank centrally manages the currency risk. The currency risk that arises from all types of foreign exchange transactions at the branch level should be centralised to head office to manage the risk exposure and squares positions through the core business system.

The currency risk exposure between foreign currencies is managed on the basis of "overnight position limit" and "daytime self-trading positions". The positions are centralised to the capital operation department in a timely way and managed centrally. This kind of position is relatively small compared to the Group's asset scale and is controllable.

Regarding the currency risk exposure between RMB and foreign currencies, the Group is mainly exposed to currency risk resulting from the comprehensive positions of the RMB market maker and the position of the foreign currency capital. As an active RMB market maker, the Group controls the position limit properly. The comprehensive positions of the market maker are managed close to zero and the overnight positions are kept at a low level.

The following tables are the structure analysis of the relevant financial assets and financial liabilities by currency.

Unit: RMB million

	The Group			
	2023			
	RMB	USD equivalent to RMB	Other currencies equivalent to RMB	Total
Financial assets:				
Cash and balances with Central Bank	**413,193**	**4,964**	**412**	**418,569**
Deposits with banks and other financial institutions	**163,300**	**18,654**	**3,952**	**185,906**
Placements with banks and other financial institutions	**343,857**	**18,684**	**631**	**363,172**
Derivative financial assets	**36,587**	**6,907**	**185**	**43,679**
Financial assets purchased under resale agreements	**195,243**	**4,822**	**-**	**200,065**
Loans and advances to customers	**5,111,285**	**77,678**	**144,520**	**5,333,483**
Financial investments:				
Trading assets	**947,423**	**9,427**	**858**	**957,708**
Debt investments	**1,730,451**	**51,466**	**19,429**	**1,801,346**
Other debt investments	**493,489**	**76,090**	**3,006**	**572,585**
Other equity investments	**3,756**	**80**	**-**	**3,836**
Finance lease receivables	**114,111**	**566**	**-**	**114,677**
Other assets	**34,909**	**298**	**116**	**35,323**
Total financial assets	**9,587,604**	**269,636**	**173,109**	**10,030,349**
Financial liabilities:				
Borrowing from Central Bank	**307,064**	**-**	**-**	**307,064**
Deposits from banks and other financial institutions	**1,792,905**	**55,087**	**4,986**	**1,852,978**
Placements from banks and other financial institutions	**243,964**	**95,178**	**10,352**	**349,494**
Trading liabilities	**12,946**	**-**	**-**	**12,946**
Derivative financial liabilities	**33,620**	**9,559**	**100**	**43,279**
Financial assets sold under repurchase agreements	**407,799**	**8,075**	**694**	**416,568**
Deposits from customers	**5,046,475**	**119,426**	**51,163**	**5,217,064**
Debt securities issued	**1,010,211**	**17,047**	**2,267**	**1,029,525**
Leasing liabilities	**9,232**	**350**	**77**	**9,659**
Other liabilities	**53,279**	**207**	**71**	**53,557**
Total financial liabilities	**8,917,495**	**304,929**	**69,710**	**9,292,134**
Net position	**670,109**	**(35,293)**	**103,399**	**738,215**

Unit: RMB million

	2022			
	RMB	USD equivalent to RMB	Other currencies equivalent to RMB	Total
Financial assets:				
Cash and balances with Central Bank	434,231	7,818	354	442,403
Deposits with banks and other financial institutions	70,136	20,394	3,584	94,114
Placements with banks and other financial institutions	306,713	39,353	5,977	352,043
Derivative financial assets	28,507	6,733	13	35,253
Financial assets purchased under resale agreements	52,583	3,954	-	56,537
Loans and advances to customers	4,676,667	103,491	89,721	4,869,879
Financial investments:				
Trading assets	981,941	17,914	-	999,855
Debt investments	1,534,720	66,012	6,294	1,607,026
Other debt investments	453,587	93,334	1,086	548,007
Other equity investments	3,449	4	-	3,453
Finance lease receivables	106,747	477	-	107,224
Other assets	30,442	278	128	30,848
Total financial assets	8,679,723	359,762	107,157	9,146,642
Financial liabilities:				
Borrowing from Central Bank	94,621	-	-	94,621
Deposits from banks and other financial institutions	1,572,922	54,678	654	1,628,254
Placements from banks and other financial institutions	167,428	106,653	3,187	277,268
Trading liabilities	49,578	-	-	49,578
Derivative financial liabilities	29,154	5,802	11	34,967
Financial assets sold under repurchase agreements	339,823	13,803	-	353,626
Deposits from customers	4,593,336	140,884	54,534	4,788,754
Debt securities issued	1,131,035	24,738	2,234	1,158,007
Leasing liabilities	8,762	379	155	9,296
Other liabilities	45,803	4,243	42	50,088
Total financial liabilities	8,032,462	351,180	60,817	8,444,459
Net position	647,261	8,582	46,340	702,183

The table below indicates the potential effect of an appreciation or depreciation of RMB spot and forward exchange rate against all other currencies by 5% on the foreign exchange gains or losses:

Unit: RMB million

	The Group	
	2023	2022
	Foreign exchange (losses) gains	Foreign exchange (losses) gains
5% appreciation	**551**	(170)
5% depreciation	**(551)**	170

The above sensitivity analysis is measured on the basis that all assets and liabilities have a static currency risk structure. The relevant assumptions are:

(1) The exchange rate sensitivity represents the exchange gains or losses arising from a 5% change of the closing exchange rates (middle price) of the different foreign currencies against RMB at the balance sheet date;

(2) The exchange rate changes of different foreign currencies against RMB move in the same direction simultaneously.

The aforesaid effect on foreign exchange gains or loss is based on the assumption that the Group's net positions of foreign exchange sensitivity and foreign exchange derivative instruments at the end of the reporting period remain unchanged. The Group mitigates its foreign currency risk through active management of its foreign currency exposures and appropriate use of derivative instruments, based on the management expectation of future foreign currency movements, and therefore the above sensitivity analysis may differ from the actual situation.

4.3 Other price risks

Other price risks mainly derive from equity investment, held-for-trading precious metals investment and other bonds and derivatives linked to commodity price.

The Group considers that the market risk of commodity price or stock price from portfolio is insignificant.

5. Liquidity risk

Liquidity risk refers to the risk of being unable to acquire sufficient funds in time or failing to acquire sufficient funds at a reasonable cost to meet repayment obligations for asset growth or other business. The Group's liquidity risk mainly derives from advanced or concentrated withdrawal, deferred loan repayment and mismatches of assets and liabilities.

The Group implements a unified liquidity risk management methodology, with the Bank responsible for formulating the Group's liquidity risk management policies and strategies, and centrally managing liquidity risks at the legal entity level, while domestic and overseas subsidiaries formulate their own liquidity risk management strategies and procedures within the framework of the Group's overall liquidity risk management policy and in accordance with the requirements of regulatory authorities. The assets and liabilities management committee of the Group monitors and manages the liquidity risk of the Group, ensuring effective liquidity management.

The financial planning department of the Bank is responsible for: drafting liquidity risk management policies and measures; monitoring different types of liquidity ratios and exposure indicators. The financial planning department monitors the liquidity risk ratios monthly by reviewing the structure of assets and liabilities. If there are any ratios close to or over the alarming limits, the department has to investigate the reasons and make recommendations to adjust the assets' and liabilities' structure accordingly. It is also responsible for analysing the liquidity risk and reporting to the assets and liabilities management committee regularly; and daily operation of liquidity management, establishment of a cash position forecast system in order to meet the cash payment needs and assure the liquidity for the business development requirements.

The Group regularly monitors the liquidity ratio, liquidity coverage ratio, net stable fund ratio, and liquidity matching ratio and sets objectives and limits for each ratio. The Group also analyses general liquidity conditions, incorporating the consideration of macro economy and interbank liquidity status. The assessment report will be submitted together with credit risk, liquidity risk and market risk to the risk management committee for the analysis of the Group's overall risk assessment to determine the management strategy accordingly.

5.1 Undiscounted contractual cash flows classified by the maturity date of contracts

The following tables are the structure analysis of non-derivative financial assets and financial liabilities by contractual maturities at the balance sheet date. The amounts disclosed in each term are the undiscounted contractual cash flows.

Unit: RMB million

	The Group							
	2023							
	On demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Past due/ undated	Total
Non-derivative financial assets:								
Cash and balances with Central Bank	**60,038**	**-**	**-**	**-**	**-**	**-**	**358,531**	**418,569**
Deposits with banks and other financial institutions	**170,531**	**9,307**	**2,971**	**3,178**	**-**	**-**	**9**	**185,996**
Placements with banks and other financial institutions	**-**	**37,516**	**99,410**	**190,558**	**42,610**	**-**	**-**	**370,094**
Financial assets purchased under resale agreements	**-**	**199,634**	**292**	**295**	**-**	**-**	**-**	**200,221**
Loans and advances to customers	**-**	**599,541**	**475,609**	**1,294,272**	**1,537,903**	**2,979,780**	**81,976**	**6,969,081**
Financial investments:								
Trading assets	**178,027**	**23,576**	**65,378**	**284,412**	**203,998**	**187,289**	**31,465**	**974,145**
Debt investments	**-**	**16,544**	**44,007**	**241,257**	**844,820**	**1,073,061**	**6,252**	**2,225,941**
Other debt investments	**-**	**10,802**	**39,325**	**146,898**	**306,411**	**129,320**	**83**	**632,839**
Other equity investments	**-**	**-**	**-**	**-**	**-**	**-**	**3,836**	**3,836**
Financial lease receivables	**330**	**3,761**	**9,421**	**36,117**	**73,516**	**8,879**	**1,108**	**133,132**
Other non-derivative financial assets	**21,101**	**1,649**	**2,711**	**2,031**	**4,549**	**2,545**	**896**	**35,482**
Total non-derivative financial assets	**430,027**	**902,330**	**739,124**	**2,199,018**	**3,013,807**	**4,380,874**	**484,156**	**12,149,336**
Non-derivative financial liabilities:								
Borrowing from Central Bank	**-**	**12,933**	**118,865**	**179,139**	**-**	**-**	**-**	**310,937**
Deposits from banks and other financial institutions	**971,629**	**220,590**	**342,422**	**325,093**	**-**	**-**	**-**	**1,859,734**
Placements from banks and other financial institutions	**-**	**124,219**	**93,972**	**122,876**	**11,096**	**-**	**-**	**352,163**
Trading liabilities	**1,218**	**11,519**	**15**	**149**	**-**	**-**	**45**	**12,946**
Financial assets sold under repurchase agreements	**-**	**406,404**	**6,178**	**4,076**	**-**	**-**	**-**	**416,658**
Deposits from customers	**2,054,781**	**703,378**	**307,118**	**832,814**	**1,519,180**	**-**	**-**	**5,417,271**
Debt securities issued	**-**	**40,711**	**215,892**	**407,415**	**262,412**	**165,086**	**-**	**1,091,516**
Lease liabilities	**6**	**473**	**280**	**2,010**	**6,396**	**1,418**	**-**	**10,583**
Other non-derivative financial liabilities	**34,763**	**1,853**	**4,910**	**8,131**	**3,600**	**422**	**199**	**53,878**
Total non-derivative financial liabilities	**3,062,397**	**1,522,080**	**1,089,652**	**1,881,703**	**1,802,684**	**166,926**	**244**	**9,525,686**
Net position	**(2,632,370)**	**(619,750)**	**(350,528)**	**317,315**	**1,211,123**	**4,213,948**	**483,912**	**2,623,650**

Unit: RMB million

	2022							
	On demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Past due/ undated	Total
Non-derivative financial assets:								
Cash and balances with Central Bank	84,528	-	-	-	-	-	357,875	442,403
Deposits with banks and other financial institutions	57,742	30,873	1,652	4,044	-	-	9	94,320
Placements with banks and other financial institutions	-	70,163	43,707	202,059	43,501	-	-	359,430
Financial assets purchased under resale agreements	331	55,859	484	-	-	-	-	56,674
Loans and advances to customers	-	638,070	374,312	1,311,069	1,378,572	2,596,984	84,432	6,383,439
Financial investments:								
Trading assets	628,551	14,502	2,546	22,477	47,714	274,138	42,229	1,032,157
Debt investments	-	11,202	28,044	276,108	194,646	1,473,647	13,356	1,997,003
Other debt investments	-	21	-	258	42,676	555,205	4,061	602,221
Other equity investments	-	-	-	-	-	-	3,453	3,453
Financial lease receivables	1,896	4,770	9,800	35,614	63,873	7,529	361	123,843
Other non-derivative financial assets	20,500	1,438	1,663	2,020	2,077	2,304	947	30,949
Total non-derivative financial assets	793,548	826,898	462,208	1,853,649	1,773,059	4,909,807	506,723	11,125,892
Non-derivative financial liabilities:								
Borrowing from Central Bank	-	5,966	6,248	83,897	-	-	-	96,111
Deposits from banks and other financial institutions	855,350	327,640	368,238	80,495	-	-	-	1,631,723
Placements from banks and other financial institutions	-	126,860	47,525	92,441	13,162	915	-	280,903
Trading liabilities	23,832	28,212	13	105	35	-	186	52,383
Financial assets sold under repurchase agreements	-	330,141	14,897	8,758	-	-	-	353,796
Deposits from customers	2,019,613	622,813	276,645	628,822	1,387,101	-	-	4,934,994
Debt securities issued	-	112,803	305,089	444,853	371,872	-	-	1,234,617
Lease liabilities	-	225	468	1,900	6,134	1,341	-	10,068
Other non-derivative financial liabilities	28,470	5,017	3,219	9,582	3,356	401	721	50,766
Total non-derivative financial liabilities	2,927,265	1,559,677	1,022,342	1,350,853	1,781,660	2,657	907	8,645,361
Net position	(2,133,717)	(732,779)	(560,134)	502,796	(8,601)	4,907,150	505,816	2,480,531

5.2 Liquidity risk analysis of derivative instruments

(1) Derivatives settled on a net basis

Derivatives that were settled on a net basis by the Group include: interest rate derivatives, exchange rate derivatives, credit derivatives and precious metal derivatives, etc. The tables below set forth the Group's net derivative financial instruments positions by remaining contractual maturities at the balance sheet date. The amounts disclosed in the tables are the undiscounted contractual cash flows

Unit: RMB million

	The Group					
	2023					
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Interest rate derivatives	**26**	**(18)**	**(63)**	**(1,563)**	**(27)**	**(1,645)**
Exchange rate derivatives	**356**	**1,687**	**(249)**	**62**	**-**	**1,856**
Other derivatives	**718**	**1,015**	**1,045**	**-**	**-**	**2,778**
Total	**1,100**	**2,684**	**733**	**(1,501)**	**(27)**	**2,989**
	2022					
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Interest rate derivatives	12	10	15	(45)	72	64
Exchange rate derivatives	(472)	497	482	15	-	522
Other derivatives	395	78	420	6	-	899
Total	(65)	585	917	(24)	72	1,485

(2) Derivatives settled on a gross basis

The Group's major derivatives that will be settled on a gross basis refer to exchange rate derivatives. The tables below set forth the Group's positions by remaining contractual maturities at the balance sheet date. The amounts disclosed in the tables are the undiscounted contractual cash flows:

Unit: RMB million

	The Group					
	2023					
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Exchange rate derivatives						
- Cash inflow	**275,636**	**211,887**	**518,261**	**123,389**	**445**	**1,129,618**
- Cash outflow	**(277,193)**	**(212,609)**	**(520,653)**	**(123,004)**	**(445)**	**(1,133,904)**
Total	**(1,557)**	**(722)**	**(2,392)**	**385**	**-**	**(4,286)**
	2022					
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Exchange rate derivatives						
- Cash inflow	216,699	174,241	320,756	164,914	-	876,610
- Cash outflow	(217,172)	(174,072)	(326,086)	(168,229)	-	(885,559)
Total	(473)	169	(5,330)	(3,315)	-	(8,949)

5.3 Liquidity risk analysis of off-balance sheet items

The Group's off-balance sheet items mainly include credit card commitments, letters of credit, letters of guarantee, bank acceptances and irrevocable loan commitments. The tables below set forth the liquidity of the off-balance sheet items:

Unit: RMB million

	The Group							
	2023				2022			
	Less than 1 year	1-5 years	Over 5 years	Total	Less than 1 year	1-5 years	Over 5 years	Total
Credit card commitments	**531,064**	**-**	**-**	**531,064**	518,344	-	-	518,344
Letters of credit	**289,514**	**611**	**-**	**290,125**	247,256	520	-	247,776
Letters of guarantee	**56,158**	**27,177**	**2,165**	**85,500**	60,298	32,065	1,012	93,375
Bank acceptances	**776,166**	**-**	**-**	**776,166**	834,853	-	-	834,853
Irrevocable loan commitments	**906**	**14,511**	**9,068**	**24,485**	7,612	5,549	9,449	22,610
Total	**1,653,808**	**42,299**	**11,233**	**1,707,340**	1,668,363	38,134	10,461	1,716,958

6. Capital management

During the reporting period, the Group had conscientiously implemented the capital management policy according to the "Administrative Measures for the Capital of Commercial Banks (for Trial Implementation)". The Group will ensure capital adequacy ratio and the overall strategic development match with target management requirements, in order to achieve healthy, sustainable and rapid development.

In 2023, the Group implemented capital-intensive operation and management to continuously improve and optimise risk-weighted asset amount allocation and governing system: oriented by risk-weighted asset yields, the Group makes overall arrangements in operation institutions, risk-weighted assets scale of business lines to reasonably adjust industry structure and promote capital allocation.

According "Administrative Measures for the Capital of Commercial Banks (for Trial Implementation)" and other regulations, the Group and the Bank monitor the capital adequacy and capital application in real time.

Unit: RMB million

	The Group		The Bank	
	2023	2022	2023	2022
Net capital	**1,033,057**	973,833	**960,834**	908,004
Core tier 1 capital	**714,764**	662,916	**667,283**	621,255
Other tier 1 capital	**86,089**	86,052	**85,802**	85,802
Tier 2 capital	**233,463**	226,053	**228,941**	222,074
Deductions	**1,259**	1,188	**21,192**	21,127
Total risk weighted assets	**7,312,326**	6,746,229	**6,956,839**	6,427,244
Capital adequacy ratio	**14.13%**	14.44%	**13.81%**	14.13%
Tier 1 capital adequacy ratio	**10.93%**	11.08%	**10.52%**	10.67%
Core tier 1 capital adequacy ratio	**9.76%**	9.81%	**9.29%**	9.34%

(1) The scope of consolidation for the purpose of calculating the Group's Capital Adequacy Ratio includes domestic and overseas operating units and other financial subsidiaries specified in the capital rules.

(2) The Group's core tier 1 capital includes ordinary shares, equity components of convertible bonds, the capital reserve (subject to regulatory limitations), surplus reserve, general reserve, retained earnings, non-controlling interests (to the extent permitted in the core tier 1 capital under the Regulation), and other qualified capital instruments.

(3) The Group's core tier 1 capital supervision deductions include the net amount of goodwill after deduction of related deferred tax liabilities and the net amount of other intangible assets (excluding land use rights) after deduction of related net deferred tax liabilities.

(4) The Group's other tier 1 capital includes preference shares and non-controlling interests to the extent permitted by the capital rules.

(5) The Group's tier two capital includes: tier two capital instruments and related premiums (to the extent permitted under the Regulation), excessive allowance for loan losses, and non-controlling interests to the extent permitted by the capital rules.

(6) Risk-weighted Assets include Credit Risk-weighted Assets, Market Risk-weighted Assets and Operational Risk-weighted Assets. The Group adopts risk weighting approach, standardised approach and basic indicator approach to measure Credit Risk-weighted Assets, Market Risk-weighted Assets and Operational Risk-weighted Assets respectively.

7. Fair value of financial instruments

7.1 Method of fair value recognition

Part of the financial assets and financial liabilities of the Group is measured at fair value. Fair values are measured through appropriate methods and parameters, and regularly reviewed by the Board of Directors to keep applicability. The Group determined and disclosed the fair value of financial instruments based on:

Level 1 inputs: Unadjusted public quoted prices in active markets that are observable at the measurement date for identical assets or liabilities;

Level 2 inputs: All parameters that have a significant impact on the valuation results are market information that can be directly or indirectly observable with the utilisation of valuation techniques; and

Level 3 inputs: Part of the parameters that have a significant impact on the valuation results are market information that is not observable with the utilisation of valuation techniques.

When recognising the fair value of the financial instrument, which can obtain unadjusted price of same assets and liabilities in the active market, the Group regards the unadjusted price in the active market as the best evidence of fair value. And then the Group recognises the fair value and classifies it to level 1. The financial instruments of the Group divided into level 1 include equity securities and public funds listed on the exchange.

If the parameters of the estimation are observable and acquirable in the active market, such financial instruments (including equity instrument and derivative financial instrument) should be classified to level 2. Financial instruments classified as level 2 by the Group were mainly bond investment, bill business, foreign exchange forwards and swaps, interest rate swaps, foreign exchange options and precious metal contracts, etc. In terms of the fair value of RMB bonds, the Group mainly adopted the valuation results issued by China Central Depository & Clearing Co., Ltd. or China Securities Depository and Clearing Corporation Limited according to the different bond exchange markets; the fair value of foreign currency bonds was based on the valuation results published by Bloomberg; bill business was discounted by a discounted cash flow model which uses the interbank lending rate as a benchmark to adjust the spread based on credit risk and liquidity to build an interest rate curve; non-derivative financial instruments and some derivative financial instruments (including interest rate swaps, foreign exchange forwards, etc.) that cannot obtain quotes from active markets were valued using a cash flow discount model which includes main parameters such as recent transaction price, relevant yield curve, exchange rate, early compensation rate and counterparty credit spread; and option derivative valuation valued using the Black-Scholes option pricing model which includes the relevant yield curve, exchange rate, volatility, and counterparty credit spread etc.. All significant valuation parameters are based on observable market information.

7.2 Financial assets and financial liabilities at fair value on a recurring basis

For financial assets and financial liabilities at fair value on a recurring basis, three levels of fair value measurement are analysed as follows:

Unit: RMB million

	The Group							
	2023				2022			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets:								
Placements with banks and other financial institutions	**-**	**241**	**-**	**241**	-	-	-	-
Trading assets	**201,984**	**722,556**	**33,168**	**957,708**	231,006	728,619	40,230	999,855
Other debt investments	**-**	**565,390**	**7,195**	**572,585**	-	541,346	6,661	548,007
Other equity investments	**619**	**-**	**3,217**	**3,836**	658	-	2,795	3,453
Loans and advances to customers								
At fair value through profit or loss	**-**	**10,474**	**-**	**10,474**	-	10,793	-	10,793
At fair value through other comprehensive income	**-**	**319,749**	**-**	**319,749**	-	377,567	-	377,567
Derivative financial assets	**-**	**43,679**	**-**	**43,679**	-	35,253	-	35,253
Total	**202,603**	**1,662,089**	**43,580**	**1,908,272**	231,664	1,693,578	49,686	1,974,928
Financial liabilities:								
Trading liabilities	**60**	**12,841**	**45**	**12,946**	24	49,346	208	49,578
Derivative financial liabilities	**-**	**43,279**	**-**	**43,279**	-	34,967	-	34,967
Placements from banks and other financial institutions	**-**	**51,972**	**-**	**51,972**	-	-	-	-
Total	**60**	**108,092**	**45**	**108,197**	24	84,313	208	84,545

In 2023 and 2022, the Group did not transfer the fair value of financial instruments from level 1 and level 2 to level 3, nor did it transfer the fair value of financial instruments from level 1 to level 2.

Movement in level 3 financial instruments measured at fair value:

Unit: RMB million

	The Group				
	Trading assets	Other debt investment	Other equity investment	Trading liabilities	Tatal
At 1 January 2023	**40,230**	**6,661**	**2,795**	**(208)**	**49,478**
Gains or losses					
- in profit or loss	**(1,200)**	**327**	**-**	**-**	**(873)**
- in other comprehensive income	**-**	**(701)**	**-**	**-**	**(701)**
Purchase	**8,859**	**3,718**	**422**	**-**	**12,999**
Sold and settle	**(14,721)**	**(2,810)**	**-**	**163**	**(17,368)**
At 31 December 2023	**33,168**	**7,195**	**3,217**	**(45)**	**43,535**
Unrealised gains or losses as at 31 December 2023 included in profit or loss for assets held at 31 December 2023	**(1,140)**	**-**	**-**	**-**	**(1,140)**

Unit: RMB million

	Trading assets	Other debt investment	Other equity investment	Trading liabilities	Tatal
At 1 January 2022	31,767	4,774	2,295	(188)	38,648
Gains or losses					
- in profit or loss	(288)	(214)	-	(20)	(522)
- in other comprehensive income	-	433	-	-	433
Purchase	20,160	5,208	500	-	25,868
Sold and settle	(11,409)	(3,540)	-	-	(14,949)
At 31 December 2022	40,230	6,661	2,795	(208)	49,478
Unrealised gains or losses as at 31 December 2022 included in profit or loss for assets held at 31 December 2022	(288)	-	-	-	(288)

Information of Level 3 financial instruments:

Unit: RMB million

Items	The Group		
	Fair value on 31 December 2023	Fair value on 31 December 2022	Value Tech
Trading assets			
- Equity investments	**12,266**	18,117	**Net asset value method**
- Trust beneficiary rights and asset management plans	**9,693**	8,797	**Discounted cash flow method**
- Debt	**5,625**	7,712	**Discounted cash flow method**
- Others	**5,584**	5,604	**Discounted cash flow method**
Other debt investments			
- Debt	**6,939**	5,228	**Discounted cash flow method**
- Trust beneficiary rights and asset management plans	**256**	1,433	**Discounted cash flow method**
Other equity investments	**3,217**	2,795	**Net asset value method**
Trading liabilities	**(45)**	(208)	**Note**
Total	**43,535**	49,478	

Note: Trading liabilities are the equity of other shareholders in the consolidated structured entity, and the fair value is the amount attributable to the investors of the structured entity calculated based on the net value of the structured entity.

7.3 Financial assets and liabilities measured not by fair value

All financial instruments not measured at fair value are carried at amounts which are not materially different from the fair value except as follows:

Unit: RMB million

	The Group				
	2023				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets:					
Debt investments	**1,801,346**	**1,828,786**	**-**	**1,359,166**	**469,620**
Total	**1,801,346**	**1,828,786**	**-**	**1,359,166**	**469,620**
Financial liabilities:					
Debt securities issued	**1,029,525**	**1,034,760**	**-**	**1,034,760**	**-**
Total	**1,029,525**	**1,034,760**	**-**	**1,034,760**	**-**
	2022				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets:					
Debt investments	1,607,026	1,620,124	-	1,118,736	501,388
Total	1,607,026	1,620,124	-	1,118,736	501,388
Financial liabilities:					
Debt securities issued	1,158,007	1,173,640	-	1,173,640	-
Total	1,158,007	1,173,640	-	1,173,640	-

Quantitative information of level 2, 3 at fair value:

Unit: RMB million

Items	The Group			
	Fair value at 31 December 2023	Fair value at 31 December 2022	Valuation Technique	Inputs
Debt investments	**1,828,786**	1,620,124	Discounted cash flow method	Yield rate of bonds,default rate, loss given default, discount rate
Debt securities issued	**1,034,760**	1,173,640	Discounted cash flow method	Yield rate of bonds

All of the above-mentioned assumptions and methods provide a consistent basis for the calculation of the fair values of the Group's assets and liabilities. However, other institutions may use different assumptions and methods. Therefore, the fair values disclosed by different financial institutions may not be entirely comparable.

XII. Other significant events

1. Financial assets and financial liabilities measured at fair value

Unit: RMB million

	The Group				
	2023				
	Opening balance	Profit or loss arising from changes in fair value for the year	Accumulated changes in fair value included in other comprehensive income	Provision for impairment losses for the year	Closing balance
Financial assets:					
Placements with banks and other financial institutions	**-**	**34**	**-**	**-**	**241**
Derivative financial assets	**35,253**	**8,426**	**-**	**-**	**43,679**
Loans and advances to customers measured at fair value through profit or loss	**10,793**	**5**	**-**	**-**	**10,474**
Loans and advances to customers measured at fair value through other comprehensive income	**377,567**	**-**	**(7)**	**1,889**	**319,749**
Trading assets	**999,855**	**6,130**	**-**	**-**	**957,708**
Other debt investments	**548,007**	**419**	**(2,087)**	**(787)**	**572,585**
Other equity investments	**3,453**	**-**	**(262)**	**-**	**3,836**
Total financial assets	**1,974,928**	**15,014**	**(2,356)**	**1,102**	**1,908,272**
Financial liabilities (1)	**(84,545)**	**(11,860)**	**-**	**-**	**(108,197)**

Unit: RMB million

	The Bank				
	2023				
	Opening balance	Profit or loss arising from changes in fair value for the year	Accumulated changes in fair value included in other comprehensive income	Provision for impairment losses for the year	Closing balance
Financial assets:					
Placements with banks and other financial institutions	-	34	-	-	241
Derivative financial assets	35,252	8,423	-	-	43,675
Loans and advances to customers measured at fair value through profit or loss	10,793	5	-	-	10,474
Loans and advances to customers measured at fair value through other comprehensive income	377,567	-	(7)	1,889	319,749
Trading assets	933,931	7,576	-	-	894,921
Other debt investments	548,000	419	(2,052)	(783)	568,979
Other equity investments	2,873	-	(262)	-	3,255
Total financial assets	1,908,416	16,457	(2,321)	1,106	1,841,294
Financial liabilities (1)	(84,174)	(11,869)	-	-	(107,914)

(1) Financial liabilities include placements with banks and other financial institutions, trading liabilities and derivative financial liabilities.

(2) The items of assets and liabilities listed in the above tables have no inevitable relationship.

2. Financial assets and financial liabilities denominated in foreign currencies

Unit: RMB million

	The Group				
	2023				
	Opening balance	Profit or loss arising from changes in fair value for the year	Accumulated changes in fair value included in other comprehensive income	(Charge) reversal for impairment losses for the year	Closing balance
Cash and balances with Central Bank	8,172	-	-	-	5,376
Deposits with banks and other financial institutions	23,978	-	-	-	22,606
Placements with banks and other financial institutions	45,330	-	-	-	19,315
Derivative financial assets	6,746	346	-	-	7,092
Financial assets purchased under resale agreement	3,954	-	-	-	4,822
Loans and advances to customers	193,212	-	-	(454)	222,198
Financial investments:					
Trading assets	17,914	1,420	-	-	10,285
Debt investments	72,306	-	-	(8)	70,895
Other debt investments	94,420	-	(1,994)	(144)	79,096
Other equity investments	4	-	76	-	80
Finance lease receivables	477	-	-	117	566
Other financial assets	406	-	-	-	414
Total of financial assets	466,919	1,766	(1,918)	(489)	442,745
Financial liabilities (1)	(411,997)	3,812	-	-	(374,639)

Unit: RMB million

	The Bank				
	2023				
	Opening balance	Profit or loss arising from changes in fair value for the year	Accumulated changes in fair value included in other comprehensive income	(Charge) reversal for impairment losses for the year	Closing balance
Cash and balances with Central Bank	**8,172**	-	-	-	**5,376**
Deposits with banks and other financial institutions	**23,759**	-	-	-	**21,856**
Placements with banks and other financial institutions	**45,330**	-	-	-	**19,315**
Derivative financial assets	**6,746**	**346**	-	-	**7,092**
Financial assets purchased under resale agreement	**3,954**	-	-	-	**4,822**
Loans and advances to customers	**193,212**	-	-	**(454)**	**222,198**
Financial investments:					
Trading assets	**17,914**	**1,420**	-	-	**10,285**
Debt investments	**72,306**	-	-	**(8)**	**70,895**
Other debt investments	**94,420**	-	**(1,994)**	**(144)**	**79,096**
Other equity investments	**4**	-	**76**	-	**80**
Other financial assets	**406**	-	-	-	**172**
Total of financial assets	**466,223**	**1,766**	**(1,918)**	**(606)**	**441,187**
Financial liabilities (1)	**(406,005)**	**3,812**	-	-	**(368,739)**

(1) Financial liabilities include Borrowing from Central Bank, Deposits from banks and other financial institutions, Placements from banks and other financial institutions, Trading liabilities, Derivative financial liabilities, Financial assets sold under repurchase agreements, Deposits from customers and Debt securities issued, etc.

(2) The items of assets and liabilities listed in the above tables have no inevitable relationship.

3. Transfer of financial assets

3.1 Assets-securitised

The Group conducts asset-backed securities transactions during normal operations. The Group sells part of its financial assets to the special purpose trust established by the Group as an originating institution and then the special purpose trust issues asset-backed securities to investors. The Group determines whether it consolidates the special purpose trust based on whether it has power over such special purpose trust and whether it is involved in related activities of the special purpose trust to enjoy variable returns, and whether the Group has the ability to use its power over the special purpose trust to affect its returns.

Once a special purpose trust is established, it shall be distinguished from other property for which the Group has not set up a trust. When the Group is dissolved or revoked according to law, and declared bankrupt, if the Group is the sole beneficiary, the special purpose trust shall be terminated and the trust property shall be deemed as the liquidation property; if the Group is not the sole beneficiary, the special purpose trust shall survive and the trust property shall not be deemed as the liquidation property; however, the trust beneficial rights held by the Group is its liquidation property.

The Group analyses and judges if the relevant financial assets transferred to be derecognised based on the degree of transfer of risk and return:

- When the Group transfers substantially all the risks (mainly including credit risk, early repayment risk and interest rate risk of the transferred assets) and rewards of ownership of the financial assets to other investors in the course of the transfer of the underlying financial assets, the Group derecognises the transferred financial assets. The Group has RMB16,589 million securitised financial assets in 2023 (2022: RMB12,605 million). Meanwhile, the Group subscribed for a certain percentage of asset-backed securities. As at 31 December 2023, the above asset-backed securities held by the Group amounted to RMB75 million (31 December 2022: RMB68 million).

- In 2023, the Group transferred assets include financial assets with carrying amount of RMB0 million (2022: RMB1,952 million), where the Group neither transferred nor retained substantially all the risks (mainly including the credit risk, early repayment risk and interest rate risk of the transferred assets) and rewards of the ownership, and retained the control and has continuing involvement in these financial assets. As at 31 December 2023, the Group continued to recognise the financial assets with carrying amount of RMB10,396 million (31 December 2022: RMB11,427 million) based on its extent of continuing involvement in the assets, and recognised assets and liabilities with continuing involvement as other assets and other liabilities.

3.2 Repurchase agreements

Repurchase agreements refer to agreements made by the Group and the counter-parities that financial assets (or financial assets that share the same substance) are settled at a fixed price of repurchasing when they are sold at a fixed date. Due to the fixed repurchasing price, the Group retains almost all the credit and market risks and benefits of the assets. The sold financial assets (cannot be used within the period) should not be recognised in the financial statement, but should be regarded as guarantees because the Group retains all the risks and returns. Besides, the Group recognises the financial liabilities by the price received. In these trading, the right of counter-parties to the Group is not limited to the transferred financial assets.

As at 31 December 2023 and 31 December 2022, the Group conducted trading of bonds and bills under repurchase agreements. The price of selling these financial assets is called financial assets sold under repurchase agreements price (Note VII, 19).

Included in the repurchase agreement, the book value of the financial assets which had been transferred but continued to be recognised by the Group and relevant liabilities are as follows:

Unit: RMB million

	The Group			
	2023		2022	
	Bond	Bill	Bond	Bill
Assets book value	**406,986**	**13,260**	342,528	19,864
Liabilities book value	**403,187**	**13,202**	333,662	19,767

3.3 Securities lending transactions

The counterparties are allowed to sell or repledge those securities sold 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 determines that it retains substantially all the risks and rewards of these securities and therefore does not derecognise them.

XIII. Comparative figures

Certain comparative figures have been re-presented by the Group to meet the presentation of the financial reporting.

XIV. Non-adjusting events after balance sheet date

As at the approval date of the financial statements, there are no material post-balance-sheet date events which should be disclosed by the Group, except for dividend distribution. For details of dividend distribution, see Note VII, 32.

XV. Financial statements approved

The financial statements were approved by the Board of Directors of the Bank on 28 March 2024.

Supplementary Financial Information

(Expressed in millions of RMB, unless otherwise stated)

I. Breakdown of non-recurring profit or loss

The following table is in accordance with the requirement of Information Disclosure and Presentation Rules for Companies Making Public Offering of Securities No.1 - Non-recurring Profit or Loss (2023) (ZJHGG [2023] No.65) issued by CSRC.

Unit: RMB million

	The Group	
	2023	2022
Gains and losses on the disposal of non-current assets	**29**	12
Government grants recognised in profit or loss	**652**	483
Other non-operating income and expenses	**180**	56
Subtotal	**861**	551
Impact on income tax expenses	**(238)**	(151)
Total	**623**	400
Total non-recurring profit or loss attributable to ordinary shareholders of the Bank	**593**	381
Total non-recurring profit or loss attributable to non-controlling interests	**30**	19
Net profit attributable to ordinary shareholders of the Bank, after deduction of non-recurring profit or loss	**72,311**	86,784

Non-recurring profit or loss refers to the profit or loss not related to normal business or the profit or loss which is related to normal business but affects the user of financial statements to make correct judgement for the Bank's financial position and financial performance because of its distinctiveness and non-recurring. Considering the nature of its normal business, Industrial Bank Co., Ltd. (hereinafter referred to as "the Group") does not include "Trading assets, Debt investments, Other debt investments and Other equity investments" in non-recurring profit or loss.

II. Return on net assets ("ROE") and earnings per share ("EPS")

The related data is calculated in accordance with the provisions in Rule No.9 for the Preparation of Information Disclosure of Companies with Public Offering – the Calculation and Disclosure of ROE and EPS (revised in 2010). In the related period, basic EPS is calculated by dividing net profit by weighted average ordinary shares issued.

	The Group		
	2023		
	Weighted average ROE (%)	Basic EPS (RMB)	Diluted EPS (RMB)
Net profit attributable to ordinary shareholders of the Bank	**10.64**	**3.51**	**3.24**
Net profit attributable to ordinary shareholders of the Bank, after deduction of non-recurring profit or loss	**10.55**	**3.48**	**3.21**

	2022		
	Weighted average ROE (%)	Basic EPS (RMB)	Diluted EPS (RMB)
Net profit attributable to ordinary shareholders of the Bank	13.85	4.20	3.87
Net profit attributable to ordinary shareholders of the Bank, after deduction of non-recurring profit or loss	13.79	4.18	3.86

Auditor's Report

KPMG Huazhen Shen Zi No.2301766

To the shareholders of Industrial Bank Co., Ltd.:

Opinion

We have audited the accompanying financial statements of Industrial Bank Co., Ltd. (the "Bank"), which comprise the consolidated and Bank'S balance sheets as at 31 December 2022, the consolidated and Bank'S income statements, the consolidated and Bank'S cash flow statements, the consolidated and Bank'S statements of changes in shareholders' equity for the year then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and Bank'S financial position as at 31 December 2022, and the consolidated and Bank'S financial performance and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises (CAS) issued by the Ministry of Finance (MOF) of the People'S Republic of China.

Basis for Opinion

We conducted our audit in accordance with China Standards on Auditing for Certified Public Accountants ("CSAs"). Our responsibilities under those standards are further described in the Auditor'S Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the China Code of Ethics for Certified Public Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the 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)

The determination of allowance for impairment losses on loans and advances to customers and debt investments

Refer to the accounting policies set out in the notes to the financial statements "IV. Significant accounting policies and accounting estimates" 7.6 and "VII. Notes to the consolidated financial statements" 6 and 7.2.

The Key Audit Matter	How the matter was addressed in our audit
The determination of allowance for impairment losses on loans and advances to customers and debt investments using the expected credit loss model is subject to a number of key parameters and assumptions, including the identification of loss stages, estimates of probability of default, loss given default, exposures at default and discount rate, adjustments for forward-looking information and other adjustment factors. Management judgment is involved in the selection of those parameters and the application of the assumptions. In particular, the determination of expected credit loss model is heavily dependent on the external macro environment and the Bank'S internal credit risk management strategy. The expected credit losses for corporate loans and debt investments are derived from estimates including the historical losses, internal and external credit grading and other adjustment factors. The expected credit losses for personal loans and advances are derived from estimates whereby management takes into consideration historical overdue data, the historical loss experience for personal loans and other adjustment factors.	Our audit procedures to assess allowance for impairment losses on loans and advances to customers and debt investments included the following: • understanding and assessing the design, implementation and operating effectiveness of key internal controls of financial reporting over the approval, recording and monitoring of loans and advances to customers or debt investments, the credit grading process and the measurement of allowances for impairment; • involving our IT specialists to assess the design and operating effectiveness of information system controls, including general information technology controls, completeness of automatically extracted key internal historical data, data transmission between systems, mapping of parameters of expected credit loss model, and logic settings for system calculation of allowance for impairment losses for expected credit loss; • with the assistance of our internal specialists in financial risk management, assessing the reliability of the expected credit loss model used by management in determining allowance for impairment losses, and assessing the appropriateness of the key parameters and assumptions in the expected credit loss model, including the identification of loss stages, probability of default, loss given default, exposure at default, discount rate, adjustments for forward-looking information and other management adjustments; • assessing the completeness and accuracy of data used for the key parameters in the expected credit loss model. For key parameters derived from internal data relating to original loan agreements, we compared the total balance of the loan and financial assets list used by management to assess the allowances for impairment with the general ledger, selecting samples and comparing individual loan and financial assets information with the underlying agreements and other related documentation to assess the accuracy of the compilation of the loan and financial assets list. For key parameters derived from external data, we selected samples to inspect the accuracy of such data by comparing them with public resources;

Key Audit Matters (continued)

The determination of allowance for impairment losses on loans and advances to customers and debt investments (continued)

Refer to the accounting policies set out in the notes to the financial statements "IV. Significant accounting policies and accounting estimates" 7.6 and "VII. Notes to the consolidated financial statements" 6 and 7.2.

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 available remedies for recovery, the financial situation of the borrower, the recoverable amount of collateral, the seniority of the claim and the existence and cooperativeness of other creditors. Management refers to valuation reports issued by qualified third-party valuers and considers the influence of various factors including the market price, location and usage when assessing the value of property held as collateral. The enforceability, timing and means of realisation of collateral can also have an impact on the recoverable amount of collateral. We identified the impairment of loans and advances to customers and debt investments 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 Bank.	• for key parameters involving judgement, critically assessing input parameters by seeking evidence from external sources and comparing to the Bank'S internal records including historical loss experience and type of collateral. As part of these procedures, we inquired about reasons for management'S revisions to estimates and input parameters compared with prior periods and considered the consistency of judgement. We compared the economic factors used in the models with market information to assess whether they were aligned with market and economic development; • for key internal data generated by the system, we selected samples and checked the system input data against source documents to assess the accuracy of the system input data, and tested the logic for preparing information about overdue loans and advances based on the samples and with the help of our IT specialists; • evaluating the reasonableness of the management'S judgment as to whether the credit risk of loans and advances to customers or debt investments has increased significantly since the initial recognition and whether the credit impairment has occurred by selecting a risk-based sample for credit review. We analysed the loan portfolio by industry sector to select samples for credit review in industries more vulnerable to the current economic situation. We also selected samples based on other risk criteria, including but not limited to borrowers with adverse press coverage and from the Bank'S overdue report; Based on the selected samples, we checked information about overdue loans, learned about the borrowers' credit risk profile, made enquiries to the credit managers about the borrowers' business operations, checked the borrowers' financial information, and researched market information related to the borrowers' business. • performing credit review procedures on the samples of corporate loans and advances and debt investments selected in accordance with the aforesaid criteria, to assess the appropriateness of the loss given default (LGD) of the credit-impaired corporate loans and advances and debt investments; assessing the rationality of estimated

Key Audit Matters (continued)

The determination of allowance for impairment losses on loans and advances to customers and debt investments (continued)	
Refer to the accounting policies set out in the notes to the financial statements "IV. Significant accounting policies and accounting estimates" 7.6 and "VII. Notes to the consolidated financial statements" 6 and 7.2.	
The Key Audit Matter	How the matter was addressed in our audit
	recoverable cash flow through inquiries, professional judgements, independent queries, etc.; evaluating the management'S assessment of the value of any collateral held, comparing the management'S valuation of the collaterals to their market prices, evaluating the timing and means of realisation of the collaterals, and considering other sources of repayment asserted by the management; assessing the consistency in the application of key assumptions by the management and comparing them with our data sources. • selecting samples to check the expected credit loss calculation, so as to comment on the Bank'S application of the expected credit loss model; and • evaluating whether the disclosure related to allowance for impairment losses on loans and advances to customers and debt investments meets the disclosure requirements of the revised CAS 37 - Presentation of Financial Instruments.

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Key Audit Matters (continued)

Recognition of interests in and consolidation of structured entities	
Refer to the accounting policies set out in the notes to the financial statements "IV. Significant accounting policies and accounting estimates" 4, "VI. Consolidation scope" 2 and "VII. Notes to the consolidated financial statements" 45. Structured entities	
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 Bank may acquire or retain an ownership interest in, or act as a sponsor to, a structured entity by issuing a wealth management product, an investment fund, an asset management plan, a trust plan or an asset-backed security. In determining whether a structured entity is required to be consolidated by the Bank, the management is required to consider the power the Bank is able to exercise over the activities of the entity, the variable returns to which the Bank has rights from its involvement with the structured entity, and its ability to influence its own variable returns from the entity. These factors are not purely quantitative and the substance of the transaction needs to be considered collectively. We identified the recognition of interests in and consolidation of structured entities as a key audit matter because some of these structured entities were complex in nature and judgement was required when the Bank performed a qualitative assessment of terms and transaction substance for each structured entity.	Our audit procedures to assess the consolidation of structured entities and recognition of their entitlement rights included the following: • making enquiries of management and inspecting documents relating to the judgement process over whether a structured entity is consolidated or not to assess the design, implementation and operating effectiveness of internal controls; • performing the following procedures for structured entities on a sample basis: – inspecting selected contracts, internal establishment documents and information disclosed to the investors to understand the purpose of the establishment of the structured entities and the involvement the Bank has with the structured entities and to assess management'S judgement over whether the Bank has the ability to exercise power over the structured entities; – inspecting the risk and reward structure of the structured entities, including any capital or return guarantee, provision of liquidity support, commission paid and distribution of the returns, to assess management'S judgement as to exposure, or rights, to variable returns from the Bank'S involvement in such entities; – evaluating management'S analyses of the structured entities including qualitative analyses and calculations of the magnitude and variability associated with the Bank'S economic interests in the structured entities to assess management'S judgement over the Bank'S ability to influence its returns from the structured entities; – assessing management'S judgement over whether the structured entities should be consolidated or not; and • assessing the disclosures in the consolidated financial statements in relation to structured entities with reference to the requirements of the prevailing accounting standards.

Key Audit Matters (continued)

Fair value of financial instruments

Refer to "IV. Significant accounting policies and accounting estimates" 7 and "XI. Financial risk management" 7. Fair value of financial instruments set out in the notes to the financial statements.

The Key Audit Matter	How the matter was addressed in our audit
Financial instruments carried at fair value account for a significant part of the Bank'S assets and liabilities. The effect of fair value adjustments of financial instruments may impact either the profit or loss or other comprehensive income. The valuation of the Bank'S financial instruments, held at fair value, is based on a combination of market data and valuation models which often require a considerable number of inputs. Many of these inputs are obtained from readily available data, in particular for level 1 and level 2 financial instruments in the fair value hierarchy, the valuation techniques for which use quoted market prices and observable inputs, respectively. Where such observable data is not readily available for valuation techniques, as in the case of level 3 financial instruments, estimates need to be developed which can involve significant management judgement. The Bank has developed its own models to value certain level 2 and level 3 financial instruments, which also involves significant management judgement. We identified assessing the fair value of financial instruments as a key audit matter because of the degree of complexity involved in valuing certain financial instruments and the degree of judgement exercised by management in determining the inputs used in the valuation models.	Our audit procedures to assess the fair value of financial instruments included the following: • assessing the design, implementation and operating effectiveness of key internal controls over the valuation, independent price verification, front office and back office reconciliations and model approval for financial instruments; • assessing the level 1 fair values, on a sample basis, by comparing the fair values applied by the Bank with publicly available market data; • engaging our internal valuation specialists to assist us in performing independent valuations, on a sample basis, of level 2 and level 3 financial instruments and comparing our valuations with the Bank'S valuations. Our procedures included developing parallel models, obtaining inputs independently and verifying the inputs; • assessing the appropriate application of fair value adjustments that form an integral part of fair values, inquiring of management about any changes in the fair value adjustments methodology and assessing the appropriateness of the inputs applied; and • assessing whether the financial statement disclosures appropriately reflected the Bank'S exposure to financial instrument valuation risk with reference to the requirements of the related financial reporting standards.

Other Information

The Bank'S management is responsible for the other information. The other information comprises all the information included in 2022 annual report of the Bank, other than the financial statements and our auditor'S report thereon.

Our opinion on the 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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 Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Accounting Standards for Business Enterprises, and for the design, implementation and maintenance of such internal control necessary to enable that the financial statements are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank'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 management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank'S financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CSAs 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 financial statements.

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

Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.

Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

Conclude on the appropriateness of management'S 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 Bank'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 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 Bank to cease to continue as a going concern.

Evaluate the overall presentation (including disclosure), structure and content of the financial statements, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Bank to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the 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.

KPMG Huazhen LLP

Certified Public Accountants
Registered in the People'S Republic of China

Chen Sijie (Engagement Partner)

Beijing, China

Wu Zhongming

30 March 2023

The Consolidated and Bank's Balance Sheets

As at 31 December 2022 | Unit: RMB million

	Note VII	The Group		The Bank	
		2022	2021	2022	2021
Assets					
Cash and balances with Central Bank	1	**442,403**	447,446	**442,392**	447,437
Deposits with banks and other financial institutions	2	**94,114**	66,251	**87,068**	59,021
Precious metals		**113**	156	**113**	156
Placements with banks and other financial institutions	3	**352,043**	351,822	**372,137**	366,783
Derivative financial assets	4	**35,253**	34,460	**35,252**	34,460
Financial assets purchased under resale agreements	5	**56,537**	141,131	**56,006**	137,072
Loans and advances to customers	6	**4,869,879**	4,310,306	**4,804,006**	4,260,746
Financial investments:	7				
Trading assets	7.1	**999,855**	909,794	**933,931**	847,457
Debt investments	7.2	**1,607,026**	1,601,030	**1,595,755**	1,585,226
Other debt investments	7.3	**548,007**	484,624	**548,000**	484,758
Other equity investments	7.4	**3,453**	3,148	**2,873**	3,068
Finance lease receivables	8	**107,224**	103,957	**–**	–
Long-term equity investments	9	**4,046**	3,732	**24,117**	23,957
Fixed assets	10	**28,571**	26,060	**22,528**	20,666
Construction in progress	11	**2,571**	2,775	**2,558**	2,770
Right-of-use assets	12	**9,566**	9,581	**8,674**	8,806
Intangible assets		**986**	883	**900**	809
Goodwill	13	**532**	532	**–**	–
Deferred tax assets	14	**54,873**	49,146	**50,480**	45,664
Other assets	15	**49,619**	56,190	**40,301**	45,722
Total assets		**9,266,671**	8,603,024	**9,027,091**	8,374,578

(Continued)

The accompanying notes form an integral part of these financial statements.

	Note VII	The Group		The Bank	
		2022	2021	2022	2021
Liabilities and Shareholders' equity					
Liabilities					
Borrowing from Central Bank		**94,621**	95,777	**94,621**	95,777
Deposits from banks and other financial institutions	16	**1,628,254**	1,710,879	**1,639,966**	1,719,889
Placements from banks and other financial institutions	17	**277,268**	173,778	**146,133**	53,239
Trading liabilities	18	**49,578**	47,830	**49,218**	41,907
Derivative financial liabilities	4	**34,967**	38,847	**34,956**	38,847
Financial assets sold under repurchase agreements	19	**353,626**	265,576	**335,015**	253,669
Deposits from customers	20	**4,788,754**	4,355,748	**4,789,661**	4,356,738
Employee benefits payable	21	**30,395**	24,783	**27,676**	22,103
Tax payable	22	**13,122**	12,767	**11,778**	11,619
Provisions	23	**7,050**	4,085	**7,048**	4,083
Debt securities issued	24	**1,158,007**	1,120,116	**1,135,534**	1,089,480
Lease liabilities	25	**9,296**	9,053	**8,622**	8,488
Deferred tax liabilities	14	**348**	163	**–**	–
Other liabilities	26	**64,087**	49,324	**37,535**	26,168
Total liabilities		**8,509,373**	7,908,726	**8,317,763**	7,722,007

The accompanying notes form an integral part of these financial statements.

The Consolidated and Bank's Balance Sheets (continued)

As at 31 December 2022 Unit: RMB million

	Note VII	The Group		The Bank	
		2022	2021	2022	2021
Shareholders' equity					
Share capital	27	**20,774**	20,774	**20,774**	20,774
Other equity instruments	28	**88,960**	88,960	**88,960**	88,960
Including: preference shares		**55,842**	55,842	**55,842**	55,842
perpetual bonds		**29,960**	29,960	**29,960**	29,960
equity component of convertible corporate bonds		**3,158**	3,158	**3,158**	3,158
Capital reserve	29	**74,909**	74,914	**75,261**	75,260
Other comprehensive income	41	**(724)**	2,859	**(736)**	2,852
Surplus reserve	30	**10,684**	10,684	**10,684**	10,684
General reserve	31	**108,957**	97,944	**99,952**	91,176
Retained earnings	32	**442,627**	387,976	**414,433**	362,865
Equity attributable to shareholders of the Bank		**746,187**	684,111	**709,328**	652,571
Non-controlling interests		**11,111**	10,187	**—**	—
Total shareholders' equity		**757,298**	694,298	**709,328**	652,571
Total liabilities and shareholders' equity		**9,266,671**	8,603,024	**9,027,091**	8,374,578

The accompanying notes form an integral part of these financial statements.

The Consolidated and Bank's Income Statements

For the year ended 31 December 2022 Unit: RMB million

	Note VII	The Group		The Bank	
		2022	2021	2022	2021
I. Operating income		**222,374**	221,236	**201,277**	201,122
Net interest income	33	**145,273**	145,679	**132,477**	134,055
Interest income	33	**328,746**	315,158	**310,881**	298,013
Interest expense	33	**(183,473)**	(169,479)	**(178,404)**	(163,958)
Net fee and commission income	34	**45,041**	42,680	**38,658**	36,011
Fee and commission income	34	**49,462**	47,567	**44,663**	42,380
Fee and commission expense	34	**(4,421)**	(4,887)	**(6,005)**	(6,369)
Investment income	35	**30,222**	28,478	**29,395**	28,784
Including:income from joint ventures and associates		**190**	213	**190**	211
income from derecognition of financial assets at amortised cost		**4,584**	1,360	**4,527**	1,355
(Losses) gains from changes in fair values	36	**(631)**	2,178	**(823)**	985
Foreign exchange gains		**1,292**	1,001	**1,249**	1,014
Income (Losses) from asset disposal		**9**	(10)	**10**	(10)
Other income		**483**	613	**110**	100
Other operating income		**685**	617	**201**	183
II. Operating expenses		**(116,212)**	(126,037)	**(104,255)**	(116,758)
Taxes and surcharges	37	**(2,278)**	(2,207)	**(2,071)**	(2,016)
General and administrative expenses	38	**(64,843)**	(55,468)	**(60,347)**	(51,633)
Credit impairment losses	39	**(48,592)**	(66,841)	**(41,350)**	(62,615)
Impairment losses on other assets		**(28)**	(169)	**(28)**	–
Other operating expenses		**(471)**	(1,352)	**(459)**	(494)
III. Operating profit		**106,162**	95,199	**97,022**	84,364
Add: Non-operating income		**227**	286	**176**	205
Less:Non-operating expenses		**(168)**	(175)	**(156)**	(161)
IV. Total profit		**106,221**	95,310	**97,042**	84,408
Less:Income tax expenses	40	**(13,807)**	(11,494)	**(10,985)**	(8,627)

(Continued)

The accompanying notes form an integral part of these financial statements.

	Note VII	The Group		The Bank	
		2022	2021	2022	2021
V. Net profit (continued)		**92,414**	83,816	**86,057**	75,781
1.Categorised by continuity of operation					
(1)Net profit from continuing operations		**92,414**	83,816	**86,057**	75,781
(2)Net profit from discontinued operations		**–**	–	**–**	–
2.Categorised by ownership					
(1)Attributable to shareholders of the Bank		**91,377**	82,680	**86,057**	75,781
(2)Non-controlling interests		**1,037**	1,136	**–**	–
VI.Other comprehensive income, net of tax	41	**(3,587)**	3,611	**(3,588)**	3,603
Other comprehensive income attributable to shareholders of the Bank		**(3,583)**	3,608	**(3,588)**	3,603
1.Items that may be reclassified subsequently to profit or loss					
(1)Changes in fair value of other debt investments		**(4,519)**	4,016	**(4,514)**	3,977
(2)Credit losses on other debt investments		**1,212**	(1,015)	**1,217**	(986)
(3)Translation differences of financial statements denominated in foreign currencies		**15**	(5)	**–**	–
(4)Other comprehensive income recognised under equity method		**–**	–	**–**	–
2.Items that will not be reclassified subsequently to profit or loss:					
(1)Actuarial profits on defined benefit plans		**(145)**	418	**(145)**	418
(2)Changes in fair value of other equity investments		**(146)**	194	**(146)**	194
Other comprehensive income attributable to non-controlling interests		**(4)**	3	**–**	–
VII.Total comprehensive income		**88,827**	87,427	**82,469**	79,384
Total comprehensive income attributable to shareholders of the Bank		**87,794**	86,288	**82,469**	79,384
Non-controlling interests		**1,033**	1,139	**–**	–
VIII.Earnings per share (expressed in RMB)					
Basic earnings per share	42	**4.20**	3.77		
Diluted earnings per share	42	**3.87**	3.77		

The financial statements were approved by the Board of Directors of the Bank on 30 March 2023.

Lyu Jiajin	Tao Yiping	Lai Furong
Chairman of the Board Legal Representative	President Financial Director	Person in-charge of the Accounting Body

The accompanying notes form an integral part of these financial statements.

The Consolidated and Bank's Cash Flow Statements

For the year ended 31 December 2022 Unit: RMB million

	Note VII	The Group		The Bank	
		2022	2021	2022	2021
I.Cash flows from operating activities:					
Net decrease in balances with Central Bank and deposits with banks and other financial institutions		–	7,889	–	12,642
Net increase in deposits from customers and deposits from banks and other financial institutions		**343,310**	489,437	**345,957**	489,858
Net increase in placements from banks and other financial institutions and financial assets sold under repurchase agreements		**191,044**	135,638	**173,768**	123,999
Cash receipts from interest, fee and commission		**316,089**	304,724	**293,839**	280,758
Other cash receipts relating to operating activities		**10,879**	13,711	**8,122**	9,139
Subtotal of cash inflows from operating activities		**861,322**	951,399	**821,686**	916,396
Net increase in balances with Central Bank and deposits with banks and other financial institutions		**(5,047)**	–	**(5,844)**	–
Net increase in placements with banks and other financial institutions and financial assets purchased under resale agreements		**(41,487)**	(112,009)	**(48,527)**	(110,105)
Net increase in loans and advances to customers		**(596,645)**	(468,473)	**(574,241)**	(448,944)
Net increase in financial assets held for trading		**(326,717)**	(326,921)	**(322,129)**	(312,964)
Net increase in finance lease receivables		**(4,445)**	(3,190)	–	–
Net decrease in borrowing from Central Bank		**(705)**	(193,065)	**(705)**	(193,065)
Cash payments to interest, fee and commission		**(148,689)**	(145,441)	**(146,370)**	(142,177)
Cash payments to and on behalf of employees		**(32,584)**	(30,110)	**(28,778)**	(26,993)
Cash payments of various types of taxes		**(35,151)**	(33,288)	**(31,592)**	(28,626)
Other cash payments relating to operating activities		**(14,439)**	(28,673)	**(17,634)**	(27,868)
Subtotal of cash outflows from operating activities		**(1,205,909)**	(1,341,170)	**(1,175,820)**	(1,290,742)
Net cash flow from operating activities	43.1	**(344,587)**	(389,771)	**(354,134)**	(374,346)

(Continued)

The accompanying notes form an integral part of these financial statements.

	Note VII	The Group		The Bank	
		2022	2021	2022	2021
II.Cash flows from investing activities					
Cash receipts from recovery of investments		**2,647,595**	2,669,316	**2,621,774**	2,649,706
Cash receipts from investment income		**105,951**	130,814	**103,943**	128,385
Cash receipts from disposals of fixed assets, intangible assets and other long-term assets		**68**	720	**67**	186
Subtotal of cash inflows from investing activities		**2,753,614**	2,800,850	**2,725,784**	2,778,277
Cash payments to acquire investments		**(2,749,757)**	(2,715,572)	**(2,720,858)**	(2,699,060)
Cash payments to acquire fixed assets, intangible assets and other long-term assets		**(5,916)**	(5,624)	**(4,770)**	(4,274)
Subtotal of cash outflows from investing activities		**(2,755,673)**	(2,721,196)	**(2,725,628)**	(2,703,334)
Net cash flow from investing activities		**(2,059)**	79,654	**156**	74,943
III.Cash flows from financing activities:					
Proceeds from issuance of bonds		**1,142,354**	1,239,898	**1,140,254**	1,227,904
Subtotal of cash inflows from financing activities		**1,142,354**	1,239,898	**1,140,254**	1,227,904
Cash repayments of borrowings		**(1,111,663)**	(1,059,383)	**(1,101,498)**	(1,045,305)
Cash payments for distribution of dividends or profits or settlement of interest expenses		**(50,658)**	(52,865)	**(49,364)**	(51,437)
Including: Dividends paid to					
non-controlling shareholders of subsidiaries		**(5)**	(65)	**–**	–
Other cash payments relating to financing activities		**(2,281)**	(3,062)	**(2,251)**	(2,581)
Subtotal of cash outflows from financing activities		**(1,164,602)**	(1,115,310)	**(1,153,113)**	(1,099,323)
Net cash flow from financing activities		**(22,248)**	124,588	**(12,859)**	128,581
IV.Effect of foreign exchange rate changes on cash and cash equivalents		**4,842**	(2,358)	**4,838**	(2,200)
V.Net decrease in cash and cash equivalents	43.1	**(364,052)**	(187,887)	**(361,999)**	(173,022)
Add: Opening balance of cash and cash equivalents		**768,908**	956,795	**760,083**	933,105
VI.Closing balance of cash and cash equivalents	43.2	**404,856**	768,908	**398,084**	760,083

The financial statements were approved by the Board of Directors of the Bank on 30 March 2023.

Lyu Jiajin	Tao Yiping	Lai Furong
Chairman of the Board Legal Representative	President Financial Director	Person in-charge of the Accounting Body

The accompanying notes form an integral part of these financial statements.

The Consolidated Statement of Changes In Shareholders' Equity

For the year ended 31 December 2022

Unit: RMB million

	Note VII	Attributable to shareholders of the Bank							Non-controlling interests	Total
		Share capital	Other equity instruments	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings		
I.Balance at 1 January 2022		20,774	88,960	74,914	2,859	10,684	97,944	387,976	10,187	694,298
II.Changes for the year										
(I)Net profit		–	–	–	–	–	–	91,377	1,037	92,414
(II)Other comprehensive income	41	–	–	–	(3,583)	–	–	–	(4)	(3,587)
Subtotal of (I) and (II)		–	–	–	(3,583)	–	–	91,377	1,033	88,827
(III)Capital contribution from shareholders		–	–	(5)	–	–	–	–	–	(5)
1.Conversion of equity from convertible corporate bonds	29	–	–	1	–	–	–	–	–	1
2.Capital injection by other equity instruments shareholders		–	–	–	–	–	–	–	1,994	1,994
3.Repayment of capital of holders of other equity instruments	29	–	–	(6)	–	–	–	–	(1,994)	(2,000)
(IV)Profit distribution		–	–	–	–	–	11,013	(36,726)	(109)	(25,822)
1.Appropriation to general reserve	31	–	–	–	–	–	11,013	(11,013)	–	–
2.Dividends paid to ordinary shareholders	32	–	–	–	–	–	–	(21,501)	(5)	(21,506)
3.Dividends paid to preference shareholders	32	–	–	–	–	–	–	(2,793)	–	(2,793)
4.Distribution to perpetual debt holders	32	–	–	–	–	–	–	(1,419)	(104)	(1,523)
III.Balance at 31 December 2022		20,774	88,960	74,909	(724)	10,684	108,957	442,627	11,111	757,298

(Continued)

The accompanying notes form an integral part of these financial statements.

For the year ended 31 December 2021

Unit: RMB million

	Note VII	Attributable to shareholders of the Bank							Non-controlling interests	Total
		Share capital	Other equity instruments	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings		
I.Balance at 1 January 2021		20,774	85,802	74,914	(749)	10,684	87,535	336,626	9,217	624,803
II.Changes for the year										
(I)Net profit		–	–	–	–	–	–	82,680	1,136	83,816
(II)Other comprehensive income	41	–	–	–	3,608	–	–	–	3	3,611
Subtotal of (I) and (II)		–	–	–	3,608	–	–	82,680	1,139	87,427
(III)Capital contribution from shareholders		–	3,158	–	–	–	–	–	–	3,158
Capital injection by issuing convertible corporate bonds	28	–	3,158	–	–	–	–	–	–	3,158
(IV)Profit distribution		–	–	–	–	–	10,409	(31,330)	(169)	(21,090)
1.Appropriation to general reserve	31	–	–	–	–	–	10,409	(10,409)	–	–
2.Dividends paid to ordinary shareholders	32	–	–	–	–	–	–	(16,661)	(65)	(16,726)
3.Dividends paid to preference shareholders	32	–	–	–	–	–	–	(2,841)	–	(2,841)
4.Distribution to perpetual debt holders	32	–	–	–	–	–	–	(1,419)	(104)	(1,523)
III.Balance at 31 December 2021		20,774	88,960	74,914	2,859	10,684	97,944	387,976	10,187	694,298

The financial statements were approved by the Board of Directors of the Bank on 30 March 2023.

Lyu Jiajin	Tao Yiping	Lai Furong
Chairman of the Board	President	Person in-charge of
Legal Representative	Financial Director	the Accounting Body

The accompanying notes form an integral part of these financial statements.

The Bank'S Statement of Changes In Shareholders' Equity

For the year ended 31 December 2022

Unit: RMB million

	Note VII	Share capital	Other equity instruments	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Total
I.Balance at 1 January 2022		**20,774**	**88,960**	**75,260**	**2,852**	**10,684**	**91,176**	**362,865**	**652,571**
II.Changes for the year									
(I)Net profit		–	–	–	–	–	–	**86,057**	**86,057**
(II)Other comprehensive income	41	–	–	–	**(3,588)**	–	–	–	**(3,588)**
Subtotal of (I) and (II)		–	–	–	**(3,588)**	–	–	**86,057**	**82,469**
(III)Capital contribution from shareholders		–	–	**1**	–	–	–	–	**1**
Conversion of equity from convertible corporate bonds	29	–	–	**1**	–	–	–	–	**1**
(IV)Profit distribution		–	–	–	–	–	**8,776**	**(34,489)**	**(25,713)**
1.Appropriation to general reserve	31	–	–	–	–	–	**8,776**	**(8,776)**	–
2.Dividends paid to ordinary shareholders	32	–	–	–	–	–	–	**(21,501)**	**(21,501)**
3.Dividends paid to preference shareholders	32	–	–	–	–	–	–	**(2,793)**	**(2,793)**
4.Distribution to perpetual debt holders	32	–	–	–	–	–	–	**(1,419)**	**(1,419)**
III.Balance at 31 December 2022		**20,774**	**88,960**	**75,261**	**(736)**	**10,684**	**99,952**	**414,433**	**709,328**

(Continued)

The accompanying notes form an integral part of these financial statements.

For the year ended 31 December 2021

Unit: RMB million

	Note VII	Share capital	Other equity instruments	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Total
I.Balance at 1 January 2021		20,774	85,802	75,260	(751)	10,684	83,382	315,799	590,950
II.Changes for the year									
(I)Net profit		–	–	–	–	–	–	75,781	75,781
(II)Other comprehensive income	41	–	–	–	3,603	–	–	–	3,603
Subtotal of (I) and (II)		–	–	–	3,603	–	–	75,781	79,384
(III)Capital contribution from shareholders		–	3,158	–	–	–	–	–	3,158
Capital injection by issuing convertible corporate bonds	28	–	3,158	–	–	–	–	–	3,158
(IV)Profit distribution		–	–	–	–	–	7,794	(28,715)	(20,921)
1.Appropriation to general reserve	31	–	–	–	–	–	7,794	(7,794)	–
2.Dividends paid to ordinary shareholders	32	–	–	–	–	–	–	(16,661)	(16,661)
3.Dividends paid to preference shareholders	32	–	–	–	–	–	–	(2,841)	(2,841)
4.Distribution to perpetual debt holders	32	–	–	–	–	–	–	(1,419)	(1,419)
III.Balance at 31 December 2021		20,774	88,960	75,260	2,852	10,684	91,176	362,865	652,571

The financial statements were approved by the Board of Directors of the Bank on 30 March 2023.

Lyu Jiajin
Chairman of the Board
Legal Representative

Tao Yiping
President
Financial Director

Lai Furong
Person in-charge of the Accounting Body

The accompanying notes form an integral part of these financial statements.

Notes to the Consolidated Financial Statements

I.General information

Industrial Bank Co., Ltd. (hereinafter referred to as "the Bank") which was referred to as Fujian Industrial Bank Co., Ltd. previously, is a stock commercial bank approved by the People'S Bank of China (the "PBOC"), with the document YF [1988] No.347 issued on 20 July 1988, in accordance with the Application by Fujian Province for Deepening Reform and Opening and Accelerating the Development of Export-oriented Economy (GH [1988] No.58) approved by the State Council. The Bank started trading on Shanghai Stock Exchange on 5 February 2007 with the stock code 601166.

The Bank holds the license for carrying out financial activities issued by China Banking and Insurance Regulatory Commission (former China Banking Regulatory Commission, the "CBIRC") with the license number No.B0013H135010001; and the Business License of Enterprise Legal Person issued by Fujian Provincial Administration for Industry and Commerce with uniform social credit code of 91350000158142711F. The Bank's registered address is Industrial Bank Building, 398 Jiangbin Middle Avenue, Taijiang District, Fuzhou, Fujian Province. Lyu Jiajin was delegated the duties of legal representative.

The principal activities of the Bank comprise the provision of banking service, which includes accepting deposits from the public; granting short-term, medium-term and long-term loans; domestic and overseas settlement services; issuance of discount and acceptance bills and notes; issuing financial bonds; agency issuance and encashment, underwriting of government bonds and debentures; trading of government and financial bonds and debentures; agency trading and trading of marketable securities except stock; asset custody business; inter-bank lending and borrowings; agency trading, trading, settlement and sale of foreign exchanges; bank card business; letters of credit and letters of guarantee; remittance and insurance agent services; safety deposit box services; financial advisory services; credit investigation, advisory and attestation services; other activities approved by the CBIRC; insurance and agency business; import and export of gold and its products; sales of public offering of fund; custody of securities investment funds.

The principal activities of the Bank's subsidiaries comprise finance leasing; trust services; fund raising and marketing; asset management for specific clients; asset management; consumer finance; equity investment; industrial investment; investment management and advisory; investment consulting (excluding brokerage); financial consulting; business consulting; enterprise management consulting; financial data processing; commodity futures brokerage; financial futures brokerage; futures investment consulting; asset management; economic information consulting service; application software development and operational services; system integration services; investment and asset management; acquisition, transfer and disposal of bad debts in batches of financial institutions in the province; acquisition, transfer and disposal of bad debts of non-financial institutions; issuance of wealth management products to non-specific public customers and investment and management of the investors' assets as entrusted; issuance of wealth management products to qualified investors and investment and management of the investors' assets as entrusted; wealth management consulting and advisory services; database services; data processing and storage services; cloud platform services; cloud software services and other banking activities approved by the CBIRC as well as other businesses permitted by China Securities Regulatory Commission (the "CSRC").

II.Basis of preparation of financial statements

The report is prepared on a going concern basis.

The Bank and its subsidiaries (hereinafter referred to as "the Group") have adopted the CAS 21 – Leases issued by the MOF in 2018, since 1 January 2021.

III.Statement of compliance with the CAS

The financial statements of the Bank have been prepared in accordance with CAS issued by the MOF, and present truly and completely, the consolidated and the Bank'S financial position as of 31 December 2022, and the consolidated and Bank'S results of operations and cash flows for the year then ended.

In addition, the Bank'S financial statements also comply with relevant disclosure requirements on financial statements and notes of the revised Rules on the Preparation and Submission of Information Disclosed by Companies Offering Securities to the Public (No.15) – General Rules on Financial Reports issued by China Securities Regulatory Commission (CSRC) in 2014.

IV.Significant accounting policies and accounting estimates

1.Accounting period

The Bank'S accounting year starts on 1 January and ends on 31 December.

2.Functional currency

The Group and its domestic subsidiaries choose Renminbi (“RMB”) as their functional currency and these financial statements are presented in RMB, while its subsidiaries overseas choose their functional currency depending on the primary economic environment in which the subsidiaries operate and were translated into RMB according to the principles stated in Note IV, 6.

3.Accounting treatments for business combinations involving entities under common control and not under common control

A transaction constitutes a business combination when the Group obtains control of one or more entities (or a group of assets or net assets). Business combination is classified as either business combinations involving enterprises under common control or business combinations not involving enterprises under common control.

For a transaction not involving enterprises under common control, the acquirer determines whether the acquired set of assets constitutes a business. The Group may elect to apply the simplified assessment method, the concentration test, to determine whether an acquired set of assets is not a business. If the concentration test is met and the set of assets is determined not to be a business, no further assessment is needed. If the concentration test is not met, the Group shall perform the assessment according to the guidance on the determination of a business.

When the set of assets the Group acquired does not constitute a business, acquisition costs should be allocated to each identifiable asset and liability at their acquisition date fair values. It is not required to apply the accounting of business combination described as below.

3.1 Business combinations involving enterprises under common control

A business combination involving enterprises under common control is a business combination in which all of the combining enterprises are ultimately controlled by the same party or parties both before and after the combination, and that control is not transitory.

The assets acquired and liabilities assumed are measured based on their carrying amounts (or the total par value of the issued shares) in the consolidated financial statements of the ultimate controlling party at the combination date. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the combination is adjusted to the share premium in capital reserve. If the share premium is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings.

Costs that are directly attributable to the combination are charged to profit or loss in the period in which they are incurred. Combination date is the date on which the absorbing party effectively obtains control of the party being absorbed.

3.2 Business combinations not involving enterprises under common control and goodwill

A business combination not involving enterprises under common control is a business combination in which all of the combining enterprises are not ultimately controlled by the same party or parties before and after the combination.

The cost of combination is the aggregation of the fair values, at the acquisition date, of the assets given, liabilities incurred or assumed, and the equity securities issued by the acquirer in exchange for control of the acquiree. Where a business combination not involving enterprises under common control is achieved in stages that involve multiple transactions, the cost of combination is the sum of the consideration paid at the acquisition date and the fair value at the acquisition date of the acquirer'S previously held interest in the acquiree. The intermediary expenses incurred by the acquirer in respect of auditing, legal services, valuation and consultancy services, etc. and other associated administrative expenses attributable to the business combination are recognised in profit or loss when they are incurred.

For a business combination involving entities not under common control and achieved in stages, the Group remeasured its previously-held equity interest in the acquiree to its acquisition-date fair value and recognised any resulting difference between the fair value and the carrying amount as investment income or other comprehensive income for the current period. In addition, any amount recognised in other comprehensive income and other changes in the owners' equity under equity accounting in prior reporting periods relating to the previously-held equity interest that may be reclassified to profit or loss was transferred to investment income at the date of acquisition (see Note IV, 9.3. (2)); Any previously-held equity interest that was designated as equity investment at fair value through other comprehensive income, the other comprehensive income recognised in prior reporting periods was transferred to retained earnings at the date of acquisition.

The acquiree'S identifiable assets, liabilities and contingent liabilities acquired by the acquirer in a business combination that meet the recognition criteria shall be measured at fair value at the acquisition date. Acquisition date is the date on which the acquirer effectively obtains control of the acquiree.

Where the cost of combination exceeds the acquirer'S interest in the fair value of the acquiree'S identifiable net assets, the difference is treated as an asset and recognised as goodwill, which is measured at cost on initial recognition. Where the cost of combination is less than the acquirer'S interest in the fair value of the acquiree'S identifiable net assets, the acquirer firstly reassesses the measurement of the fair values of the acquiree'S identifiable assets, liabilities and contingent liabilities and measurement of the cost of combination. If after that reassessment, the cost of combination is still less than the acquirer'S interest in the fair value of the acquiree'S identifiable net assets, the acquirer recognises the remaining difference immediately in profit or loss for the current period.

Goodwill arising from a business combination is measured at cost less accumulated impairment losses, and is presented separately in the consolidated financial statements. It is tested for impairment at least at the end of each year. On disposal of an asset group or a set of asset groups, any attributable goodwill is written off and included in the calculation of the profit or loss on disposal.

4.Preparation of consolidated financial statements

4.1 General principals

The scope of consolidated financial statements is determined on the basis of control and the consolidated financial statements comprise the Bank and its subsidiaries (including structured entities controlled). Control refers to the power an investor has over an investee, by virtue of which the investor enjoys variable returns by participating in related activities of the investee, and has the ability to use its power over the investee to influence the amount of its returns. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered. Once the change in relevant facts and circumstances leads to a change in relevant elements involved in the definition of control, the Group will conduct a reassessment.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

Structured entities refer to the entities that voting rights or similar rights do not constitute decisive factors when recognising the controlling party, such as when voting rights are associated with the administration, or related activities are led by the contractual arrangements. Wealth management products, funds, trust fund plans and fund management plans could be used as examples of structured entities.

Non-controlling interests are presented separately in the consolidated balance sheet within shareholders' equity. Net profit or loss attributable to non-controlling shareholders is presented separately in the consolidated income statement below the net profit line item. Total comprehensive income attributable to non-controlling shareholders is presented separately in the consolidated income statement below the total comprehensive income line item.

When the amount of loss for the current period attributable to the non-controlling shareholders of a subsidiary exceeds the non-controlling shareholders' share of the opening owners' equity of the subsidiary, the excess is still allocated against the non-controlling interests.

When the accounting period or accounting policies of a subsidiary are different from those of the Bank, the Bank makes necessary adjustments to the financial statements of the subsidiary based on the Bank'S own accounting period or accounting policies.

Intra-group balances and transactions, and any unrealised profit or loss arising from intra-group transactions, are eliminated when preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, unless they represent impairment losses that are recognised in the financial statements.

4.2 Subsidiaries acquired through a business combination

No matter when the business combination occurs in the reporting period, subsidiaries acquired through a business combination involving enterprises under common control are included in the Group'S scope of consolidation as if they had been included in the scope of consolidation from the date when they first came under the common control of the ultimate controlling party. Their operating results and cash flows from the beginning of the earliest reporting period are included in the consolidated income statement and consolidated statement of cash flows, as appropriate.

For subsidiaries acquired through a business combination not involving enterprises under common control, their results of operation and cash flows from the acquisition date(the date when control is obtained) are included in the consolidated statements of comprehensive income and consolidated statement of cash flows, as appropriate.

For the stepwise acquisition of equity interest till acquiring control after a few transactions and leading to business combination not involving enterprises under common control, this should be dealt with based on whether this belongs to 'package deal' : if it belongs to 'package deal' , transactions will be dealt as transactions to acquire control. If it does not belong to 'package deal' , transactions will be dealt as transactions of a business combination involving entities not under common control and achieved in stages (see Note IV, 3.2).

4.3 Disposal of subsidiaries

When the Group loses control over a subsidiary, any resulting disposal gains or losses are recognised as investment income for the current period. The remaining equity interest is re-measured at its fair value at the date when control is lost, any resulting gains or losses are also recognised as investment income for the current period.

When the Group loses control of a subsidiary in multiple transactions in which it disposes of its long-term equity investment in the subsidiary in stages, If each of the multiple transactions does not form part of a bundled transaction, the transactions conducted before the loss of control of the subsidiary are accounted for in accordance with the accounting policy for partial disposal of equity investment in subsidiaries where control is retained (see Note IV, 4.4). If each of the multiple transactions forms part of a bundled transaction which eventually results in the loss of control in the subsidiary, these multiple transactions are accounted for as a single transaction. In the consolidated financial statements, the difference between the consideration received and the corresponding proportion of the subsidiary'S net assets (calculated continuously from the acquisition date) in each transaction prior to the loss of control shall be recognised in other comprehensive income and transferred to profit or loss when the parent eventually loses control of the subsidiary.

Acquisition of non-controlling interests or disposal of interest in a subsidiary that does not result in the loss of control over the subsidiary is accounted for as equity transactions. The carrying amounts of the equity attributable to equity holders of the bank and non-controlling interests in equity are adjusted to reflect the changes in their relative interests in the subsidiary. The difference between the amount by which the non-controlling interests in equity are adjusted and the fair value of the consideration paid or received is adjusted to capital reserve. If the capital reserve is not sufficient to absorb the difference, the excess is adjusted against retained earnings.

When the Group loses control over a subsidiary due to disposal of certain equity interest or other reasons, any retained interest is re-measured at its fair value at the date when control is lost. The difference between (i) the aggregate of the consideration received on disposal and the fair value of any retained interest and (ii) the share of the former subsidiary'S net assets cumulatively calculated from the acquisition date according to the original proportion of ownership interest is recognised as investment income in the period in which control is lost. Other comprehensive income associated with investment in the former subsidiary is reclassified to investment income in the period in which control is lost.

4.4 Changes in non-controlling interests

Where the Bank acquires a non-controlling interest from a subsidiary'S non-controlling shareholders or disposes of a portion of an interest in a subsidiary without a change in control, the difference between the proportion interests of the subsidiary'S net assets being acquired or disposed of and the amount of the consideration paid or received is adjusted to the capital reserve (share premium) in the consolidated balance sheet, with any excess adjusted to retained earnings.

5.Recognition criteria of cash and cash equivalents

Cash comprises cash on hand and deposits of the Group that can be readily withdrawn on demand. Cash equivalents are the Group'S short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

6.Transactions denominated in foreign currencies and translation of foreign currency financial statements

Transactions in foreign currencies are translated into the respective functional currencies of account on initial recognition at the spot exchange rate on the date of the transaction. Monetary items denominated in foreign currencies are translated to RMB at the spot exchange rate at the balance sheet date. Monetary items that are denominated in foreign currencies and classified as financial assets at fair value while their changes are recognised in other comprehensive income, their foreign currency translation differences are broken down into translation differences arising from changes in amortised cost and translation differences arising from changes in the other carrying amounts of these items. Translation differences arising from changes in amortised cost are recognised in profit or loss for the current period, and those arising from changes in other carrying amounts are recognised in other comprehensive income. Exchange differences on other foreign currency monetary items are recognised in profit or loss for the current period.

Non-monetary items denominated in foreign currencies that are measured at historical cost are translated into functional currency using the spot exchange rates at the dates of the transactions. Non-monetary items denominated in foreign currencies that are measured at fair value are translated using the spot exchange rates at the dates the fair values are determined; Translation differences on equity investments at fair value through other comprehensive income are recognised in other comprehensive income. Other Translation differences are recognised in the profit or loss.

When preparing consolidated financial statements, financial statements of overseas operations in foreign currency are translated into financial statements in RMB in the following methods: All assets and liabilities in the statements of financial position are translated by applying the spot exchange rates at the balance sheet date; shareholders' equities except retained earnings and other comprehensive income are translated by applying the spot exchange rate on the date of the transaction; statements of comprehensive income and items reflecting profit distribution occurred are translated by exchange rates similar with the spot exchange rate on the date of the transaction; retained earnings at the beginning of this year equal to the retained earnings after translation at the end of previous year; retained earnings at the end of period are presented as profit distributions after translation; differences between assets after translation and liabilities & shareholders' equity after translation are presented as "other comprehensive income" in shareholders' equity.

7.Financial instruments

A financial instrument is a contract that forms the financial assets of one party and forms the financial liabilities or equity instruments of the others.

The Group'S financial instruments mainly include Cash and balances with Central Bank, Deposits with banks and other financial institutions, Placements with banks and other financial institutions, Derivative financial assets, Financial assets purchased under resale agreements, Loans and advances to customers, Trading assets, Debt investments, Other debt investments, Other equity investments, Other receivables, Borrowing from Central Bank, Deposits from banks and other financial institutions, Placements from banks and other financial institutions, Trading liabilities, Derivative financial liabilities, Financial assets sold under repurchase agreements, Deposits from customers, Debt securities issued, Other payables, Share capital, Preference Shares, Perpetual bonds and Convertible instruments etc.

7.1 Recognition and initial measurement of financial assets and financial liabilities

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

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

7.2 Classification and subsequent measurement of financial assets

(1)Classification of financial assets

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

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

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

- It is held within a business model whose objective is to hold assets to collect contractual cash flows;

- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The financial assets measured at amortised cost held by the Group mainly include Cash and balances with Central Bank, Deposits with banks and other financial institutions, Placements with banks and other financial institutions, Financial assets purchased under resale agreements, Loans and advances to customers measured at amortised cost, Debt investments, Other receivables, etc.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets;

- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The financial assets measured at FVOCI held by the Group mainly include Loans and advances to customers measured at FVOCI and Other debt investments.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment'S fair value in other comprehensive income. This election is made on an investment-by-investment basis. The equity investments elected to fair value in other comprehensive income held by the Group mainly include Other equity investments.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. The financial assets measured at FVTPL held by the Group mainly include Loans and advances to customers measured at FVTPL and Trading assets.

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

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. For the purposes of this assessment, ‘Principal' is defined as the fair value of the financial asset on initial recognition. ‘Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. The Group also assesses whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

(2)Subsequent measurement of financial assets

(i)Financial assets at FVTPL

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

(ii)Financial assets at amortised cost

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

(iii)Debt investments at FVOCI

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

(iv)Equity investments at FVOCI

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

7.3 Classification and subsequent measurement of financial liabilities

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

(1)Financial liabilities at FVTPL

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

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

(2)Other financial liabilities

Financial liabilities measured at amortised cost are subsequently measured at amortised cost using the effective interest method, However, the transfer of financial assets does not meet the conditions for termination of recognition or continues to involve in the transfer of financial liabilities, financial guarantee contracts and loan commitments (see Note IV, 7.4) formed by the financial assets shall be excluded.

7.4 Financial guarantee contracts and loan commitments

(1)Financial guarantee contracts

Financial guarantees contracts are contracts that require the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are initially recognised at fair value on the date of the guarantee is provided. Subsequent to initial recognition, deferred income related to financial guarantee is amortised in profit or loss in accordance with the accounting policies set out in Note IV, 18. A financial guarantee liability is measured at the higher of the amount of the allowance for loss determined in accordance with impairment policies of financial instruments (see Note IV, 7.6); and the amount initially recognised less the cumulative amount of income.

(2)Loan commitments

Loan commitments are the commitments to extend credit under pre-defined terms and conditions.

The Group provides loan commitments that are assessed for impairment based on expected credit losses. The Group does not commit to extend loans at any below-market interest rates, make cash payments, or issue other financial instruments as a net settlement of loan commitments.

The provision for losses on loan commitments and financial guarantee contracts are stated in Provinsion by the Group.

7.5 Derecognition of financial assets and financial liabilities

The Group derecognises a financial asset if the part being considered for derecognition meets one of the following conditions:

- the contractual rights to receive the cash flows from the financial asset expire; or

- the financial asset has been transferred and the Group transfers substantially all of the risks and rewards of ownership of the financial asset; or

- the financial asset has been transferred, although the Group neither transfers nor retains substantially all of the risks and rewards of ownership of the financial asset, it does not retain control over the transferred asset.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset which has been transferred, but retains control, the Group continues to recognise the financial asset to the extent of its continuing involvement in the financial asset, and corresponding financial liability.

Where a transfer of a financial asset in its entirety meets the criteria for derecognition, the difference between the two amounts below is recognised in profit or loss:

- The carrying amount of the financial asset transferred measured at the date of derecognition;

- The sum of the consideration received from the transfer and, when the transferred financial asset is a debt investment at FVOCI, any cumulative gain or loss that has been recognised directly in other comprehensive income for the part derecognised.

The Group derecognises a financial liability (or part of it) only when its contractual obligation (or part of it) is extinguished.

As part of its business activities, the Bank securitised some of its assets, generally by selling the assets to structured entities, which then issue securities to investors. For the conditions for financial assets derecognition. When applying the financial assets derecognition conditions, the Group considers the risk and reward transfer degree of the assets transferred to structured entities, as well as the extent to which the Group exercises control over the entities. The financial assets related to the asset-backed securities failing to meet the derecognition conditions are not derecognised, and funds from third-party investors are treated as financial liabilities. Where the Group neither transfers nor retains substantially all of the risks and rewards of ownership of the financial assets, the Group will consider whether it retains control over the transferred assets. If the Group does not retain control, it shall derecognise the financial assets and recognise the rights and obligations arising from or reserved during the transfer as assets or liabilities. If the Group retains control, the financial assets are recognised based on the extent of its involvement in the financial assets.

7.6 Impairment of financial assets

The Group recognises an allowance for impairment losses for expected credit loss (ECL) on:

- Financial assets measured at amortised cost;

- Debt investments measured at FVOCI;

- Financial lease receivables

- Loan commitments and financial guarantee contracts issued, which are not measured at FVTPL.

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

(1)Measurement of ECLs

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

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

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

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 balance sheet date (or a shorter period if the expected life of the instrument is less than 12 months).

The Group applies a “three-stage model” for measuring ECL. For the measurement and segmentation of ECL of financial instruments of the Group, see Note XI, 3 Credit risk.

(2)Presentation of allowance for ECL

ECLs are remeasured at each balance sheet date to reflect changes in the financial instrument'S 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 an allowance for loss account, except for debt investments that are measured at FVOCI, for which the allowance for impairment loss is recognised in other comprehensive income. For the loan commitments and financial guarantee contracts issued, which are not measured at FVTPL, the Group recognises the allowance for impairment losses in provisions (credit loss of off-balance sheet assets).

(3)Write-off

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

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

7.7 Offsetting

Financial assets and financial liabilities are generally presented separately in the balance sheet, and are not offset. However, a financial asset and a financial liability are offset and the net amount is presented in the balance sheet when both of the following conditions are satisfied:

- The Group currently has a legally enforceable right to set off the recognised amounts;

- The Group intends either to settle on a net basis, or to realise the financial asset and settle the financial liability simultaneously.

7.8 Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

If the main contract included in the hybrid contract is an asset within the scope of the new financial instrument standard, the embedded derivative is no longer split from the main contract of the financial asset, but the hybrid financial instrument as a whole is related to the classification of the financial asset provision. Derivatives embedded in the hybrid contract in which the main contract included is not an asset within the scope of the new financial instructment standard should be split from the hybrid contract and treated as separate derivatives when their economic characteristics and risks are not closely related to those of the hybrid contract, they meet the definition of derivatives, and the hybrid instrument is not carried at FVTPL. These embedded derivatives are measured at fair value with the changes in fair value recognised in profit or loss.

Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to profit or loss.

7.9 Hedge accounting

Hedge accounting is a method which recognises in profit or loss (or other comprehensive income) the gain or loss on the hedging instrument and the hedged item in the same accounting period(s) to represent the effect of risk management.

Hedged items are items that expose the Group to risks of changes in fair value or cash flows and that are designated as being hedged and can be reliably measured. A hedging instrument is a designated financial instrument whose changes in fair value or cash flows are expected to offset changes in the fair value or cash flows of the hedged item.

The Group assesses at the inception of a hedging relationship, and on an ongoing basis, whether the hedging relationship meets the hedge effectiveness requirements. A hedging relationship is regarded as having met the hedge effectiveness requirements if all of the following conditions are satisfied:

- There is an economic relationship between the hedged item and the hedging instrument.

- The effect of credit risk does not dominate the value changes that result from the economic relationship.

- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of the hedged item.

The hedging relationship does not conform to the requirements of the hedging effectiveness due to hedging ratio, however, the risk management goal of existing hedging relationship has not changed. The Group performs the hedging relationship rebalancing and makes the adjustments to hedged items in the existing hedging relationship or the number of the hedging instruments, in order to make the hedging ratio conform to the requirements of the hedging effectiveness.

The Group discontinues applying hedge accounting in any of the following circumstances:

- The hedging relationship no longer meets the risk management objective on the basis of which it qualified for hedge accounting.

- The hedging instrument expires or is sold, terminated or exercised.

- There is no longer an economic relationship between the hedged item and the hedging instrument or the effect of credit risk starts to dominate the value changes that result from that economic relationship.

- The hedging relationship no longer meets other criteria for applying hedge accounting.

Fair value hedges

Fair value hedges are hedges of the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment, or a portion of such an asset, liability or firm commitment.

Gains or losses arising from hedging instruments are recognised in current profit or loss. The gain or loss on the hedged item attributable to the hedged risk adjusts the carrying amount of the recognised hedged item not measured at fair value and is recognised in profit or loss.

Any adjustment to the carrying amount of a hedged item is amortised to profit or loss if the hedged item is a financial instrument (or a component thereof) measured at amortised cost. The amortisation is based on a recalculated effective interest rate at the date that amortisation begins and is recognised in profit or loss.

7.10 Equity instrument

An equity instrument is a contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. A financial instrument issued by the Group shall be classified as an equity instrument when both of the following conditions are satisfied: (1) the 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 unfavourable to the issuer; (2) if the instrument will or may be settled in the Group'S own equity instrument, it is a non-derivative that includes no contractual obligation for the issuer 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. The Group'S issuance (including refinancing), repurchase, sales or cancellation of an equity instrument shall be accounted for as a change to equity. The Group does not recognise changes in the fair value of an equity instrument. Transaction costs of an equity transaction are accounted for as a deduction from equity.

The Group'S distribution to the holders of equity instruments is treated as profit distribution, and the issued stock dividends do not affect the total amount of shareholders' equity.

7.11 Preference share and perpetual bond

Such preference shares or their components are initially recognised as financial assets, financial liabilities or equity instruments according to the terms and the economic substance combined with the definition of financial assets, financial liabilities and equity instruments.

The issued preference shares that should be classified as equity instruments, will be recognised as equity in actual amount received. Dividend payables are recognised as distribution of profits. Redemption before maturity will write down equity at redemption price.

7.12 Convertible instruments

Convertible instruments issued by the Group that can be converted to equity shares, where the number of shares to be issued and the value of consideration to be received at that time do not vary, are accounted for as compound financial instruments containing both liability and equity components.

The initial carrying amount of a compound financial instrument is allocated to its equity and liability components. The amount recognised in the equity is the difference between the fair value of the instrument as a whole and the separately determined fair value of the liability component (including the fair value of any embedded derivatives other than the equity component). Transaction costs that relate to the issuance of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

Subsequent to initial recognition, the liability component is measured at amortised cost using the effective interest method, unless it is designated upon recognition at fair value through profit or loss. The equity component is not re-measured.

If the convertible instrument is converted, the liability component, together with the equity component, is transferred to equity. If the convertible instrument is redeemed, the consideration paid for the redemption, together with the transaction costs that relate to the redemption, are allocated to the liability and equity components. The method used to allocate the consideration and transaction costs is the same as that used for issuance. After allocating the consideration and transaction costs, the difference between the allocated and carrying amounts is charged to profit and loss if it relates to the liability component or is directly recognised in equity if it relates to the equity component.

8.Precious metal

Precious metals comprise gold, silver and other precious metals. Precious metals that are not related to the Group'S precious metals trading activities are initially measured at acquisition cost and subsequently measured at the lower of cost and net realisable value. Precious metals acquired by the Group for trading purposes are initially measured at fair value and subsequent changes in fair value are recorded in the statement of profit or loss.

9.Long-term equity investments

9.1 Determination of joint control or significant influence over investee

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. 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. When determining whether an investing enterprise is able to exercise control or significant influence over an investee, the effect of potential voting rights of the investee (for example, warrants and convertible debts) held by the investing enterprises or other parties that are currently exercisable or convertible shall be considered.

9.2 Determination of initial investment cost

For the acquisition of long-term equity investments involving enterprises under the common control, the Group measures the initial cost of the long-term equity investment as the share of the carrying amount of the owner'S equity of the acquired enterprise at that date. The difference between the initial costs of the long-term equity investment and cash paid or non-cash assets transferred as well as the carrying amount of the debts borne by the Group shall offset against the capital reserve. If the capital reserve is insufficient to observe the difference, the retained earnings shall be adjusted. The investment cost which adopts the equity securities issued as the consideration should be adopted as the initial investment cost of the long-term equity investment according to the proportion carrying amount of combined party'S shareholder equity in the consolidated financial statement of the final controlling part, and adjust the capital reserves by the difference between the initial investment cost of long-term equity investment and the amount of issued stock'S face value, which is regarded as capital stock. If the capital reserves are insufficient to absorb the difference, retained income should be adjusted. For the acquisition of enterprises under the common control through several steps of trading, it should be confirmed whether it'S a package deal. If it is, these deals should be measured as one acquiring-control deal. If not, the Group measures the initial cost of the long-term equity investment as the share of the carrying amount of the owner'S equity of the acquired enterprise at that date. The difference between the initial costs of the long-term equity investment and the carrying amount of long-term equity investment before acquiring control as well as the carrying amount of the debts for more shares on the acquisition date shall offset against the capital reserve. If the capital reserve is insufficient to absorb the difference, the retained earnings shall be adjusted.

For a long-term equity investment acquired through business combination not involving enterprises under common control, the initial investment cost of the long-term equity investment is the cost of acquisition on the acquisition date. For the acquisition of enterprises under the common control through several steps of trading, it should be confirmed whether it'S a package deal. If it is, these deals should be measured as one acquiring-control deal. If not, the carrying amount of long-term equity investment before acquiring control and the cost of new investment is the cost of acquisition measured under cost method.

Acquisition-related costs including auditing fees, legal services fees, valuation advice fees and other relevant management fees are generally recognised in profit or loss as incurred.

A long-term equity investment acquired other than through a business combination is initially recognised at the amount of cash paid if the Group acquires the investment by cash, or at the fair value of the equity securities issued if an investment is acquired by issuing equity securities.

9.3 Subsequent measurement and recognition of profit or loss

(1)Long-term equity investment accounted for using the cost method

The Bank uses the cost method for the long-term equity investment in subsidiaries in the financial statements. The subsidiary refers to the investee controlled by the group.

Under the cost method, a long-term equity investment is measured at initial investment cost. Increasing or reducing investment will adjust the cost of long-term equity investment accordingly. Investment income is recognised in the period in accordance with the attributable share of cash dividends or profit distributions declared by the investee.

The investments in subsidiaries are stated in the balance sheet at cost less accumulated impairment losses.

(2)Long-term equity investment accounted for using the equity method

The Group accounts for investment in associates using the equity method. Associates are investees that the group is able to exercise significant influence over.

Under the equity method, where the initial investment cost of a long-term equity investment exceeds the Group'S share of the fair value of the investee'S identifiable net assets at the time of acquisition, no adjustment is made to the initial investment cost. Any excess of the Group'S share of the net fair value of the identifiable assets and liabilities over the initial cost of the investment, after reassessment of the long-term equity investment, is recognised immediately in profit or loss in the period in which the investment is acquired.

Under the equity method, the Group recognises investment income and other comprehensive income based on the Group'S share of net profit or loss and other comprehensive income of the investee and adjust the carrying amount of long-term equity investment accordingly. The carrying amount of the investment decreases regarding the attributable share of cash dividends or profit distributions declared by the investee. Changes in shareholders' equity of the investee other than net profits or losses, other comprehensive income or profit distribution are correspondingly adjusted to the carrying amount of the long-term equity investment, and recognised as capital reserve. The Group recognises its share of the investee'S net profit or loss based on the fair value of the investee'S identifiable assets after the adjustment of investee'S net profit. When the accounting policy and accounting period adopted by the investee are inconsistent with the Group'S, the investment income and other comprehensive income are recognised based on the adjusted financial statements of the investee in accordance with the Group'S accounting policies and accounting period. Unrealised profits or losses resulting from the Group'S transactions with its associates and joint ventures are recognised as investment income or loss to the extent that those attributable to the Group'S equity interest are eliminated. However, unrealised losses resulting from the Group'S transactions with its investees in respect of impairment losses on the transferred assets shouldn' t be eliminated.

The Group discontinues recognising its share of net losses of the investee after the carrying amount of the long-term equity investment together with any long-term interests that in substance form part of its net investment in the investee is reduced to zero. If the Group has incurred obligations to assume additional losses of the investee, a provision is recognised according to the expected obligation, and recorded as investment loss for the period. Where net profits are subsequently made by the investee, the Group resumes recognising its share of those profits only after its share of the profits exceeds the share of losses previously not recognised.

9.4 Disposal of long-term equity investments

On disposal of a long-term equity investment, the difference between the proceeds actually received and the carrying amount is recognised in profit or loss for the period. When the Group reduces its ownership interest in investee but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the investee'S disposal of the related assets or liabilities. Then the equity recognised by the Group other than the change of the net profits and loss, other comprehensive income and profit distribution of the invested entity is reclassified to profit and losses on proportion. When the Group reduces its ownership interest but the Group continues to use the cost method, for the other comprehensive income recognised by the Group using equity method prior to the control over the investee or under financial instrument recognition and measurement standard, the Group reclassifies to profit or loss the proportion of the gain or loss relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the investee'S disposal of the related assets or liabilities. Then the other changes in owners' equity recognised by the Group using equity method, not arising from the change of the net profits and loss, other comprehensive income or profit distribution of the invested entity is reclassified to profit and loss on proportion.

10.Fixed assets

10.1 Recognition criteria for fixed assets

Fixed assets are tangible assets that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and have useful lives of more than one accounting year. A fixed asset is recognised only when it is probable that economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. Fixed assets are initially measured at cost.

The cost of a purchased fixed asset comprises the purchase price, related taxes, and any directly attributable expenditure for bringing the asset to working condition for its intended use. The cost of self-constructed assets is measured in accordance with Construction in progress.

Subsequent expenditures incurred for the fixed asset are included in the cost of the fixed asset if it is probable that economic benefits associated with the asset will flow to the Group and the cost 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.

Fixed assets are stated in the balance sheet at cost less accumulated depreciation and impairment losses.

10.2 Depreciation of each category of fixed assets

A fixed asset is depreciated over its useful life using the straight-line method from the month subsequent to the one in which it is ready for intended use. The depreciation period, estimated net residual value rate and annual depreciation rate of each category of fixed assets are as follows:

Category	Depreciation period	Estimated residual value rate	Annual depreciation rate
Buildings	20 - 30 years	0% - 3%	3.23% - 5.00%
Fixed assets improvement	The lower of improvement period and remaining useful life	0%	Linear depreciation according to depreciation life
Office and machinery equipment	3 - 20 years	0% - 5%	4.75% - 33.33%
Transportation vehicles	5 - 8 years	0% - 3%	12.13% - 20.00%
Flight equipment	25 years or 20 years	5% or 15%	3.80% or 4.25%

Estimated net residual value of a fixed asset is the estimated amount that the Group would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

10.3 Other explanations

If a fixed asset is upon disposal or no future economic benefits are expected to be generated from its use or disposal, the fixed asset is derecognised. When a fixed asset is sold, transferred, retired or damaged, the amount of any proceeds on disposal of the asset net of the carrying amount and related taxes is recognised in profit or loss for the period.

The Group reviews the useful life and estimated net residual value rate of a fixed asset and the depreciation method applied at least once at each financial year-end, and accounts for any change as a change in an accounting estimate.

The carrying amount of a fixed asset is derecognised:

- on disposal; or

- when no future economic benefits are expected to be generated from its use or disposal.

Gains or losses arising from the retirement or disposal of an item of fixed assets are determined as the difference between the net disposal proceeds and the carrying amount of the item, and are recognised in profit or loss on the date of retirement or disposal.

11.Construction in progress

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 fixed asset or other asset when it is ready for intended use.

12.Intangible assets

Intangible assets include land use rights, franchising, etc.

An intangible asset is measured initially at cost. Expenses related to the intangible assets are recognised in the cost of intangible assets when (i) it is probable that the associated economic benefits will flow to the Group; and (ii) the associated costs can be measured reliably. Other expenses related to the intangible assets are recognised in profit or loss for the period in which it is incurred.

Intangible assets are stated in the balance sheet at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses.

The acquired land use right is recognised as an intangible asset. Expenses related to land use rights and construction costs from buildings such as self-built factories, etc. are recognised as intangible assets and fixed assets, respectively. In the case of purchased buildings, it allocates related costs between land use rights and buildings. If the related cost cannot be allocated reasonably, it is recognised as an fixed asset.

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 the period, and accounts for any change as a change in an accounting estimate. For an intangible asset with infinite useful life, the Group reviews the useful life. If it is evident that the duration of associated economic benefits is predictable, then estimate the useful life pursuant to amortisation policies for intangible assets with finite useful life.

13.Impairment of non-financial assets

The Group checks whether long-term equity investment, fixed assets, construction in progress, right-of-use assets, intangible assets with a finite useful life, goodwill, long-term prepaid expenses, and non-financial foreclosed assets will impair in every balance sheet date. If the indication of impairment of these assets exists, the Group estimates their recoverable amount. Intangible assets with indefinite useful life and intangible assets not yet available for use are tested for impairment annually, irrespective of whether there is any indication that the assets may be impaired.

Estimation of recoverable amount of assets is based on an individual asset. If the recoverable amount is difficult to estimate, the amount should be estimated by the asset group which the asset belongs to. Recoverable amount is the higher of the two: net fair value of the assets or asset group after disposal expenses, or present value of the expected cash flow from the assets.

If an asset'S recoverable amount is lower than its carrying amount, the allowance for impairment losses should be recognised by their balances in profit or loss for the period.

The goodwill should be tested for impairment at least at the end of each year with its related asset group or combination of asset groups. On the purchase date, the carrying amount of goodwill should be allocated reasonably to asset groups or combinations which can benefit from the synergy of the enterprise merger. If the recoverable amount of asset group or combinations of allocated goodwill is lower than its carrying amount, impairment loss should be recognised. The amount of impairment loss should offset the carrying value of the goodwill which is allocated to certain asset groups or combinations at first, then it should offset the carrying amount of other assets proportionally according to the proportion of other assets' carrying amount of asset group or combination after goodwill. However, such allocation would not reduce the carrying amount of an asset below the highest of its fair value less costs to sell (if measurable), its present value of expected future cash flows (if determinable) and zero.

The impairment losses cannot be reversed once they are recognised.

14.Long-term prepaid expenses

Long-term prepaid expenses represent expenses incurred that should be borne and amortised over the current and subsequent periods (together of more than one year). Long-term prepaid expenses are amortised using the straight-line method over the expected periods in which benefits are derived.

15.Employee benefits

15.1 Accounting method of short-term employee benefits

In an accounting period in which an employee has rendered service to the Group, the Group recognises the short-term employee benefits for that service as a liability, and the expenditure incurred for the period is recorded in profit or loss. The employee'S welfare incurred is recognised in the profit or loss for the period as well. Non-monetary benefits included in employee'S welfare expenses are recorded at fair value.

Payment made by the Group regarding social security contributions for employees such as contributions on medical insurance, work injury insurance and maternity insurance, etc. and payments of housing funds, as well as trade union fund and employee education fund provided in accordance with relevant requirements, are calculated according to prescribed bases and percentages in determining the amount of employee benefits and recognised as relevant liabilities, with a corresponding charge to the profit or loss for the period in the accounting period in which employees provide services.

15.2 Accounting method of post-employment benefits

Termination benefits are classified as defined contribution pension plans and defined benefit plans.

In an accounting period in which an employee has rendered service to the Group, the Group recognises the employee benefits arising from defined contribution pension plans as a liability as well as in profit or loss for the period.

For the defined benefit plan, the Group recognises obligations arising from such plan based on a formula under estimated cumulated welfare method in the period in which employees render service and in profit or loss for the period. The classifications of the costs are as follows:

- Service costs (including service costs of the period, service costs in the past, and profit and loss).

- Net value of interests from net liabilities or net assets of defined benefit plans (including interest income of planned assets, obligated interest cost of defined benefit plans and interest of influence of assets upper limit).

- The changes of recalculating the net liabilities and net assets of defined benefit plans.

Net interests of service costs and net liabilities and net assets of defined benefit plans are recorded in the profit and loss. The changes of recalculating the net liabilities and net assets of defined benefit plans, including actuarial gains or loss, planned assets yield deducting net value of interests from net liabilities or net assets of defined benefit plans, change rising from upper limit of assets deducting net value of interests from net liabilities or net assets of defined, are recorded in other comprehensive income.

The difference between the present value of defined benefit obligation and the fair value of defined benefit asset is recognised as a net asset or liability of defined benefit plans. If there is a surplus, the net assets of defined benefit plans should be measured by the lower of the two: 1. the surplus of defined benefit plans; 2. upper limit of assets.

15.3 Accounting method of termination benefits

In an accounting period in which an employee has rendered service to the Group, a liability for a termination benefit and an expense accordingly are recognised at the earlier of when the Group entity can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.

16.Assets transferred under repurchase agreements

16.1 Financial assets purchased under resale agreements

The financial assets are not recognised in the statements of financial position if they are committed to being resold at a specific price at a specific date in the future. The cost of purchasing such assets is presented under "financial assets purchased under resale agreements" in the statements 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.

16.2 Financial assets sold under repurchase agreements

Financial assets sold subject to agreements with a commitment to repurchase at a specific future date and price are not derecognised in the statements of financial position. The proceeds from selling such assets are presented under "financial assets sold under repurchase agreements" in the statements 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.

17.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 balance sheet 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.

The Group reviews the carrying amount of a provision at the balance sheet date and adjusts the carrying amount to the current best estimate.

18.Income

18.1 Interest income

For all financial instruments measured at amortised cost and interest-generating financial instruments classified as financial assets measured at FVOCI, interest income is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument, where appropriate, to the book value of the financial asset, or the amortised cost of financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not expected credit losses.

Interest income is calculated by applying the effective interest rate to the book value of financial assets and is included in interest income, except for:

- For purchased or originated credit-impaired financial assets, whose interest income is calculated, since initial recognition, by applying the credit-adjusted effective interest rate to their amortised cost;

- Financial assets that are not purchased or originated credit-impaired but have subsequently become credit-impaired, whose interest income is calculated by applying the effective interest rate to their amortised cost (i.e. net of the expected credit loss provision). If, in a subsequent period, the financial assets improve their qualities so that they are no longer credit-impaired and the improvement in credit quality is related objectively to a certain event occurring after the application of the above-mentioned rules, then the interest income is calculated by applying the effective interest rate to their book value.

18.2 Fee and commission income

Fees and commissions are recognised by providing various services to customers, which reflects the consideration amount expected to be entitled to receive for the service provided to customers, and the income is recognised when the performance obligations in the contract are fulfilled.

The Group will confirm the income according to the performance schedule within the time period when one of the following conditions is met:

- The customer obtains and consumes the economic benefits brought by the Group'S performance while performing the contract;

- The customer can control the services performed during the performance of the Group;

- The services performed by the Group in the performance process are irreplaceable and the Group has the right to collect money for the cumulative performance part which has been completed so far throughout the contract period;

In other cases, the Group recognises revenue when customers obtain the relevant service control right.

19.Expenses

19.1 Interest expense

The interest expense of the financial liability is calculated according to the amortised cost of the financial liability and the time occupied by the capital according to the effective interest rate method, and is recognised in the corresponding period.

19.2 Other expenses

Other expenses are recognised on an accrual basis.

20.Government grants

Government grants are transfer of monetary assets and non-monetary assets from the government to the Group at no consideration, excluding capital investment by the government as an investor. A government grant is recognised only when the Group can comply with the conditions attached to the grant and the Group will receive the grant.

If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount received or receivable. If a government grant is in the form of a non-monetary asset, it is measured at fair value. If the fair value cannot be reliably determined, it is measured at a nominal amount. A government grant measured at a nominal amount is recognised immediately in profit or loss for the period. Government grants are classified into government grants related to assets and government grants related to income according to the subjects required by the Government documents.

Government grants related to assets are grants whose primary condition is that the Group qualifying for them should purchase, construct or otherwise acquire long-term assets. Government grants related to income are grants other than those related to assets.

A government grant related to an asset is offset against the carrying amount of related asset. For a government grant related to income, if the grant is compensation for related costs or losses to be incurred in subsequent periods, the grant is recognised as deferred income, and recognised in profit or loss over the periods in which the related costs or losses are recognised. If the grant is compensation for related expenses or losses already incurred, the grant is recognised immediately in profit or loss for the period.

A government grant related to the Group'S daily activities is included in other income according to the economic business substance. A government not related to the Group'S daily activities is included in non-operating income and expense.

For the repayment of a government grant already recognised, if the carrying value of related assets is written off upon initial recognition, the carrying value of the assets is adjusted; if there is any related deferred income, the repayment is offset against the carrying amount of the deferred income, and any excess is recognised in profit or loss for the period; if there is no related deferred income, it is recognised immediately in profit or loss for the period.

21.Deferred tax assets / deferred tax liabilities

The income tax expenses include current income tax and deferred income tax.

21.1 Current income tax

At the balance sheet date, current income tax liabilities (or assets) for the current and prior periods are measured at the amount expected to be paid (or recovered) according to the requirements of tax laws.

21.2 Deferred tax assets and deferred tax liabilities

For temporary differences between the carrying amounts of certain assets or liabilities and their tax base, or between the nil carrying amount of those items that are not recognised as assets or liabilities and their tax base that can be determined according to tax laws, deferred tax assets and liabilities are recognised using the balance sheet liability method.

Deferred tax is generally recognised for all temporary differences. Deferred tax assets for deductible temporary differences are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilised. However, for temporary differences associated with the initial recognition of goodwill and the initial recognition of an asset or liability arising from a transaction (not a business combination) that affects neither the accounting profit nor taxable profits (or deductible losses) at the time of transaction, no deferred tax asset or liability is recognised.

For deductible losses and tax credits that can be carried forward, deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible losses and tax credits can be utilised.

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 timing of 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 taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

At the balance sheet date, deferred tax assets and liabilities are measured at the tax rates, according to tax laws, that are expected to apply in the period in which the asset is realised or the liability is settled.

When they arise from transactions or events that are directly recognised in other comprehensive income or in shareholders' equity, in which case they are recognised in other comprehensive income or in shareholders' equity; and when they arise from business combinations, in which case they adjust the carrying amount of goodwill.

At the balance sheet date, the carrying amount of deferred tax assets is reviewed and reduced if it is no longer probable that sufficient taxable profits will be available in the future to allow the benefit of deferred tax assets to be utilised. Such reduction in amount is reversed when it becomes probable that sufficient taxable profits will be available.

When the Group has a legal right to settle on a net basis and intends either to settle on a net basis or to realise the assets and settle the liabilities simultaneously, current tax assets and current tax liabilities are offset and presented on a net basis.

When the Group has a legal right to settle current tax assets and liabilities on a net basis, and deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax assets and liabilities on a net basis or to realise the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be reversed, deferred tax assets and deferred tax liabilities are offset and presented on a net basis.

22.Fiduciary activities and agent business

The Group acts in fiduciary activities and agent business as a trustee or an agent for customers. Customers should bear the risk and return generated by such activities. The Group only charges fees and commissions. The fiduciary activities and agent business are excluded from the financial statements.

23.Lease

A contract is a lease if the lessor conveys the right to control the use of an identified asset to lessee for a period of time in exchange for consideration.

At inception of a contract, the Group assesses whether a 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, the Group assesses whether:

- the contract involves the use of an identified asset. An identified asset may be specified explicitly or implicitly specified in a contract and should be physically distinct, or capacity portion or other portion of an asset that is not physically distinct but it represents substantially all of the capacity of the asset and thereby provides the customer with the right to obtain substantially all of the economic benefits from the use of the asset. If the supplier has a substantive substitution right throughout the period of use, then the asset is not identified;

- the lessee has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use;

- the lessee has the right to direct the use of the asset.

For a contract that contains more separate lease components, the lessee and the lessor separate lease components and account for each lease component as a lease separately. For a contract that contains lease and non-lease components, the lessee and the lessor separate lease components from non-lease components. For a contract that contains lease and non-lease components, the lessee allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. On the contract inception date, the Lessor determines the stand-alone selling price of the lease and non-lease components underlying each performance obligation and allocates the transaction price in proportion to those stand-alone selling prices to recognise income.

(1)The Group as lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability, any lease payments made at or before the commencement date (less any lease incentives received), any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease.

The right-of-use asset is depreciated using the straight-line method. If the lessee is reasonably certain to exercise a purchase option by the end of the lease term, the right-of-use asset is depreciated over the remaining useful lives of the underlying asset. Otherwise, the right-of-use asset is depreciated from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. Impairment losses of right-of-use assets are accounted for in accordance with the accounting policy described in Note IV, 13.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group'S incremental borrowing rate.

A constant periodic rate is used to calculate the interest on the lease liability in each period during the lease term with a corresponding charge to profit or loss or included in the cost of assets where appropriate. Variable lease payments not included in the measurement of the lease liability are charged to profit or loss or included in the cost of assets where appropriate as incurred.

Under the following circumstances after the commencement date, the Group remeasures lease liabilities based on the present value of revised lease payments:

- there is a change in the amounts expected to be payable under a residual value guarantee;

- there is a change in future lease payments resulting from a change in an index or a rate used to determine those payments;

- there is a change in the assessment of whether the Group will exercise a purchase, extension or termination option, or there is a change in the exercise of the extension or termination option.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases in profit or loss or as the cost of the assets where appropriate using the straight-line method over the lease term.

(2) The Group as lessor

The Group determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset irrespective of whether the legal title to the asset is eventually transferred. An operating lease is a lease other than a finance lease.

When the Group is a sub-lessor, it assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies practical expedient described above, then it classifies the sub-lease as an operating lease.

Under a finance lease, at the commencement date, the Group recognises the finance lease receivable and derecognises the finance lease asset. The finance lease receivable is initially measured at an amount equal to the net investment in the lease. The net investment in the lease is measured at the aggregate of the unguaranteed residual value and the present value of the lease receivable that are not received at the commencement date, discounted using the interest rate implicit in the lease.

The Group recognises finance income over the lease term, based on a pattern reflecting a constant periodic rate of return. The derecognition and impairment of the finance lease receivable are recognised in accordance with the accounting policy in Note IV, 7. Variable lease payments not included in the measurement of net investment in the lease are recognised as income as they are earned.

Lease receipts from operating leases are recognised as income using the straight-line method over the lease term. The initial direct costs incurred in respect of the operating lease are initially capitalised and subsequently amortised in profit or loss over the lease term on the same basis as the lease income. Variable lease payments not included in lease receipts are recognised as income as they are earned.

24.Foreclosed asset

Foreclosed asset is initially measured at its fair value. At the balance sheet date, foreclosed asset is measured at the lower of carrying amount and net realisable value. The difference by which the net realisable value is lower than the carrying amount of the assets shall be provided for the current period. The foreclosed assets other than equity instruments are charged to other assets.

On disposal of a foreclosed asset, the difference between (i) income from disposal and (ii) the carrying amount of the foreclosed asset is charged to income from disposal of assets.

If the foreclosed asset is transferred for self-use, it should be measured at the carrying amount at the transfer date. Provision is to be taken into account if applicable (see Note IV, 13).

25.Profit distribution

Proposed dividends which are declared and approved after the end of each balance sheet date are not recognised as a liability in the statement of financial position and are instead disclosed as a subsequent event after the end of each balance sheet date in the notes to the financial statements. Dividends payable are recognised as liabilities in the period in which they are approved.

26.Contingent liabilities

A potential obligation arising from a past transaction or event whose existence can only be confirmed by the occurrence or non-occurrence of future uncertain events; or a present obligation that arises from past transactions or events where it is not probable that an outflow of economic benefits is required to settle the obligation or the amount of the obligation cannot be measured reliably, is disclosed as a contingent liability unless the probability of outflow of economic benefit is remote.

Contingent liabilities which are not recognised as liabilities are expected to be disclosed in the notes only. If the situation changes, the contingent liabilities are recognised as provisions when it is probable that an outflow of economic resources will be required and the amount of obligation can be measured reliably.

27.Related parties

If the Group has the power to control, jointly control or exercise significant influence over another party, or vice versa, or the two parties are subject to common control or joint control from another party, they are considered to be related parties. Related parties may be individuals or enterprises. Enterprises with which the Group is under common control only from the State and that have no other related party relationships are not regarded as related parties.

In addition to the related parties stated above, the Bank determines related parties based on the disclosure requirements of Administrative Procedures on the Information Disclosures of Listed Companies issued by the CSRC.

28.Operating segment

The Group determines its operating segments on the basis of its internal organisational structure, management requirements and internal reporting practices.

An operating segment is a component of the Group that meets all the following requirements: (i) it engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses relating to transactions with other components of the Group; (ii) its operating results are regularly reviewed by the Group'S chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and (iii) separate financial information is available. The operating segments that meet the specified criteria have been aggregated, and the operating segment that meets quantitative thresholds have been reported separately.

29.Significant accounting estimates and judgements

The preparation of the financial statements requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates as well as underlying assumptions and uncertainties involved are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

29.1 Significant accounting estimates

In addition to the accounting estimates related to the depreciation and amortisation of fixed assets and intangible assets (see Note IV, 10 and 12) and the impairment of various assets (see Note VII, 2, 3, 5, 6, 7, 8, 9, 10, 11, 12, 13 and 15), other major accounting estimates are as follows:

(1)Note VII, 14 - Recognition of deferred tax assets;

(2)Note VII, 44 - Post-employment benefits - defined benefit plans; and

(3)Note XI, 7 - Fair value of financial instruments.

29.2 Significant accounting judgements

The significant accounting judgements made by the Group in the application of accounting policies are as follows:

(1)Note IV, 7 - Classification of financial investment;

(2)Note IV, 4 and 9 - Significant judgments and assumptions on control, joint control or significant impact on other entities;

(3)Note VII, 24 and 28 - Other financial instruments are classified as financial liabilities or equity instruments; and

(4)Note VII, 45 - Judgement of consolidated structured entities.

30.Changes in significant accounting policies

The Group has adopted these standards released by the MOF recently from the accounting year beginning on 1 January 2022.

•Regulations on accounting for the external sale of products or by-products produced by an enterprise before the fixed assets reach the intended state of use or during the course of research and development ("Accounting for Trial Sales") in CAS Bulletin No.15 (Cai Kuai [2021] No.35) (CAS Bulletin No.15);

•Interpretation of the provisions on the "Judgment on Loss-making Contracts" in CAS Bulletin No.15;

•Notice on Issues Related to the Application of <Accounting Treatment on COVID-19 Related Rent Concessions> (Cai Kuai [2022] No.13)

•Provision on the accounting treatment for the income tax implications of dividends related to financial instruments classified by issuers as equity instruments in CAS Bulletin No.16 (Cai Kuai [2022] No.31) (CAS Bulletin No.16)

•Interpretation of the provision on the accounting treatment for company modifying Cash-settled share-based payment to Equity-settled share-based payment in CAS Bulletin No.16.

The application of the above provisions does not have a significant impact on the Group'S financial position and operating results.

V.Taxation

1.Corporate income tax

According to the Corporate Income Tax Law of the People'S Republic of China, the income tax of the Bank is 25% (2021: 25%). The Bank'S subsidiaries are calculated and settled at the tax rate in accordance with the tax rate applicable in the relevant territory.

The income tax of overseas branches of the Bank is calculated in accordance with the local tax rate, and the difference between the overseas tax rate and domestic tax rate is settled by the head office.

The deductible items of Corporate income tax are calculated in accordance with the relevant regulations. Corporate income tax is prepaid by domestic branches of the Bank and conducted annual filing by the head office.

2.Value-added tax

The value-added tax ("VAT") on sales is calculated using applicable tax rate on the basis of the revenue from sales determined as per tax regulations, and is paid after deducting the VAT on purchases. According to the Announcement of the Ministry of Finance, the State Taxation Administration and the General Administration of Customs on Policies for Deepening the VAT Reform (MOF/STA/GACC Announcement [2019] No.39), the Group'S applicable VAT rate range was changed from 3% - 16% to 3% - 13% from 1 April 2019.

According to the Supplementary Notice on Issues relating to VAT Policies on Assets Management Products (Cai Shui [2017] No.2) and Notice on Issues relating to VAT Policies on Assets Management Products (Cai Shui [2017] No.56) issued by MOF and State Administration of Taxation, since 1 January 2018, the manager of asset management products will be the VAT taxpayer for VAT taxable behaviours occurred in the operation of asset management products. And the VAT is levied at the rate of 3% with a provisional application of simple taxation method.

3.City maintenance and construction tax

The Group'S city maintenance and construction tax is calculated according to 1% ~ 7% of VAT.

4.Education surcharge

The Group'S education surcharge and local education surcharge are calculated according to 3% ~ 5% of VAT.

VI.Consolidation scope

1.Details of the Bank'S principal subsidiaries included in the scope of consolidation are set out as follows:

Key subsidiaries	Main business place/Place of registration	Business nature	Registered capital In millions of RMB	Total shareholding by the Group			
				31 December 2022		31 December 2021	
				Direct (%)	Indirect (%)	Direct (%)	Indirect (%)
Industrial Bank Financial Leasing Co., Ltd.	Tianjin	Financial leasing	9,000	**100**	**–**	100	–
China Industrial International Trust Limited	Fuzhou	Trust	10,000	**73**	**–**	73	–
CIB Fund Management Co., Ltd.	Fuzhou	Fund management	1,200	**90**	**–**	90	–
Industrial Consumer Finance Co., Ltd.	Quanzhou	Consumer finance	5,320	**66**	**–**	66	–
CIB Wealth Management Co., Ltd.	Fuzhou	Wealth management	5,000	**100**	**–**	100	–
CIIT Asset Management Co., Ltd. (1)	Shanghai	Assets management	3,400	**–**	**100**	–	100
China Industrial Asset Management Co., Ltd. (1)	Fuzhou	Assets management	1,950	**–**	**100**	–	100
Industrial Future Co., Ltd. (1)	Ningbo	Futures brokerage	500	**–**	**100**	–	100

(1)The companies are the subsidiaries of the Bank'S controlled subsidiaries.

2.Refer to Note VII, 45 for the information of consolidated structure entities included in the consolidation scope.

VII.Notes to items in the financial statements

1.Cash and balances with Central Bank

Unit: RMB million

	Note	The Group		The Bank	
		2022	2021	2022	2021
Cash on hand		**5,181**	5,026	**5,181**	5,026
Mandatory reserves with central bank	(1)	**355,956**	343,500	**355,954**	343,491
Excess reserves with central bank	(2)	**79,172**	97,027	**79,163**	97,027
Other deposits with central bank	(3)	**1,918**	1,726	**1,918**	1,726
Interest accrued		**176**	167	**176**	167
Total		**442,403**	447,446	**442,392**	447,437

(1)The domestic institution of the Bank places general deposit reserves mainly with the PBOC as required, including RMB deposit reserves and foreign deposit reserves. These deposit reserves are not available for the Group'S daily operations and can' t be transferred or used without the PBOC'S approval. General deposit generates from organisations deposit, non-financial-budget deposit, individual deposit, enterprise deposit, net trust funds and other deposits. As at 31 December 2022, the ratio of the Bank'S RMB deposit reserves is 7.5% (31 December 2021: 8%), and the ratio of foreign deposit reserves is 6% (31 December 2021: 9%). According to related regulations from the PBOC, foreign deposit reserves are non-interest bearing. The Group'S subsidiaries' RMB reserve deposit ratio is in accordance with regulations of PBOC. Deposit ratio of statutory reserve in Hong Kong branch is in accordance with regulations from local regulators.

(2)Excess reserves with central bank are maintained with the PBOC mainly for the purpose of clearing, transferring, etc.

(3)The majority of other deposits with central bank are the fiscal deposits placed at Central Bank. Fiscal deposit at Central Bank refers to the fiscal deposit at PBOC by the Bank according to regulations, including the Bank'S agent central budgetary revenues, local treasury deposits, etc. The fiscal deposits placed with the PBOC of institutions in mainland China are non-interest bearing.

2.Deposits with banks and other financial institutions

Unit: RMB million

	The Group		The Bank	
	2022	2021	2022	2021
Banks operating in Mainland China	**68,262**	35,529	**61,393**	28,540
Other financial institutions operating in Mainland China	**8,501**	7,500	**8,358**	7,316
Banks operating outside Mainland China	**17,178**	23,368	**17,178**	23,368
Other financial institutions operating outside Mainland China	**197**	90	**197**	90
Interest accrued	**110**	171	**71**	110
Subtotal	**94,248**	66,658	**87,197**	59,424
Less: allowance for impairment losses	**(134)**	(407)	**(129)**	(403)
Net value	**94,114**	66,251	**87,068**	59,021

3.Placements with banks and other financial institutions

Unit: RMB million

	The Group		The Bank	
	2022	2021	2022	2021
Banks operating in Mainland China	**11,202**	16,092	**11,202**	15,293
Other financial institutions operating in Mainland China	**259,880**	220,639	**279,880**	236,224
Banks operating outside Mainland China	**80,618**	115,975	**80,618**	115,975
Interest accrued	**928**	542	**1,022**	717
Subtotal	**352,628**	353,248	**372,722**	368,209
Less: allowance for impairment losses	**(585)**	(1,426)	**(585)**	(1,426)
Net value	**352,043**	351,822	**372,137**	366,783

4.Derivative financial instruments

The Group enters into derivative financial instruments related to foreign currency exchange rate, interest rate, precious metals and credit rating or index for purposes of trading, asset and liability management and customer-driven business.

The notional amounts of derivative instruments represent the value of the underlying asset or the reference rate as a basis to measure changes in derivative financial instruments, which provide an indication of the volume of business transacted by the Group, but don' t stand for the relevant future cash flow or current fair value, thus, do not indicate the Group'S exposure to credit or market risks. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates, foreign exchange rates or precious metal prices relative to their terms. The aggregate fair values of derivative financial assets and financial liabilities can fluctuate significantly from time to time.

The notional amount and fair value of the Group'S derivative financial instruments are as follows:

Unit: RMB million

	The Group		
	2022		
	Notional amount	Fair value	
		Assets	Liabilities
Exchange rate derivatives	**2,096,757**	**22,057**	**(21,666)**
Interest rate derivatives	**4,688,389**	**11,950**	**(11,903)**
Precious metal derivatives	**51,688**	**1,221**	**(1,366)**
Credit derivatives and others	**5,747**	**25**	**(32)**
Total	**6,842,581**	**35,253**	**(34,967)**
	2021		
	Notional amount	Fair value	
		Assets	Liabilities
Exchange rate derivatives	1,707,928	14,984	(15,280)
Interest rate derivatives	5,104,796	18,989	(21,448)
Precious metal derivatives	64,022	423	(1,939)
Credit derivatives and others	13,504	64	(180)
Total	6,890,250	34,460	(38,847)

	The Bank		
	2022		
	Notional amount	Fair value	
		Assets	Liabilities
Exchange rate derivatives	**2,096,757**	**22,057**	**(21,666)**
Interest rate derivatives	**4,688,389**	**11,950**	**(11,903)**
Precious metal derivatives	**51,688**	**1,221**	**(1,366)**
Credit derivatives and others	**5,500**	**24**	**(21)**
Total	**6,842,334**	**35,252**	**(34,956)**
	2021		
	Notional amount	Fair value	
		Assets	Liabilities
Interest rate derivatives	5,104,796	18,989	(21,448)
Exchange rate derivatives	1,707,928	14,984	(15,280)
Precious metal derivatives	64,022	423	(1,939)
Credit derivatives and others	13,498	64	(180)
Total	6,890,244	34,460	(38,847)

Fair value hedge

The Group uses fair value hedges to hedge the influences of changes in fair value of financial assets and trading spots caused by the changes of market interest rate and market value. For interest rate risk of financial assets, the Group adopts interest rate swaps as hedging instruments. For pricing risk of trading spots, the Group adopts future contracts as hedging instruments. Included in the aforesaid derivative financial instruments, the hedging instruments designated by the Group and the Bank are as follows:

Unit: RMB million

	The Group		
	2022		
	Notional amount	Fair value	
		Assets	Liabilities
Derivatives designated as fair value hedging instruments:			
Interest rate derivatives - Interest rate swaps	**18,004**	**784**	**(26)**
Commodity derivatives - Future contracts (1)	**40**	**–**	**–**
	18,044	**784**	**(26)**
	2021		
	Notional amount	Fair value	
		Assets	Liabilities
Derivatives designated as fair value hedging instruments:			
Interest rate derivatives - Interest rate swaps	19,853	113	(177)
Commodity derivatives - Future contracts (1)	90	–	–
	19,943	113	(177)

(1)Industrial Future Co., Ltd., a subsidiary of the Group, uses commodity derivatives to hedge the fair value changes caused by market price changes of trading spots held. The commodity derivatives are settled daily without liability and have a fair value of 0 on the balance sheet date.

Unit: RMB million

	The Bank		
	2022		
	Notional amount	Fair value	
		Assets	Liabilities
Derivatives designated as fair value hedging instruments:			
Interest rate derivatives - Interest rate swaps	**18,004**	**784**	**(26)**
	2021		
	Notional amount	Fair value	
		Assets	Liabilities
Derivatives designated as fair value hedging instruments:			
Interest rate derivatives - Interest rate swaps	19,853	113	(177)

The effectiveness of the hedging activities in the year which is reflected by the changes in fair value of hedging instruments and the net profit or loss from the hedged item attributable to the hedged risks is as follows:

Unit: RMB million

	The Group	
	2022	2021
Net gain (loss) from fair value hedge:		
Hedging instruments	**818**	285
Hedged item attributable to the hedged risk	**(795)**	(276)
	23	9

Unit: RMB million

	The Bank	
	2022	2021
Net gain (loss) from fair value hedge:		
Hedging instruments	**822**	264
Hedged item attributable to the hedged risk	**(797)**	(255)
	25	9

Details of hedged exposure in fair value hedging strategy of the Group and the Bank as below:

Unit: RMB million

	The Group				
	2022				
	Carrying amount of hedged items		Total amount of fair value adjustment of hedged items		Balance sheet items
	Assets	Liabilities	Assets	Liabilities	
Bonds	**17,483**	**–**	**(717)**	**–**	Other Debt Investments
Others	**37**	**–**	**(19)**	**–**	Other Assets
Total	**17,520**	**–**	**(736)**	**–**	
	2021				
	Carrying amount of hedged items		Total amount of fair value adjustment of hedged items		Balance sheet items
	Assets	Liabilities	Assets	Liabilities	
Bonds	20,117	–	80	–	Other Debt Investments
Others	90	–	(21)	–	Other Assets
Total	20,207	–	59	–	

Unit: RMB million

	The Bank				
	2022				
	Carrying amount of hedged items		Total amount of fair value adjustment of hedged items		Balance sheet items
	Assets	Liabilities	Assets	Liabilities	
Bonds	**17,483**	**–**	**(717)**	**–**	Other Debt Investments
	2021				
	Carrying amount of hedged items		Total amount of fair value adjustment of hedged items		Balance sheet items
	Assets	Liabilities	Assets	Liabilities	
Bonds	20,117	–	80	–	Other Debt Investments

5.Financial assets purchased under resale agreements

Unit: RMB million

	The Group		The Bank	
	2022	2021	2022	2021
Bonds	**56,589**	142,312	**56,058**	138,256
Interest accrued	**59**	66	**59**	63
Subtotal	**56,648**	142,378	**56,117**	138,319
Less: allowance for impairment losses	**(111)**	(1,247)	**(111)**	(1,247)
Total	**56,537**	141,131	**56,006**	137,072

6.Loans and advances to customers

6.1 Analysis of loans and advances to customers by person and corporate:

Unit: RMB million

	The Group		The Bank	
	2022	2021	2022	2021
Measured at amortised cost:				
Personal loans and advances				
Residential and business mortgage loans	**1,097,324**	1,121,169	**1,097,323**	1,121,169
Credit cards	**452,772**	436,482	**452,772**	436,482
Others	**423,811**	322,281	**348,890**	264,225
Subtotal	**1,973,907**	1,879,932	**1,898,985**	1,821,876
Corporate loans and advances				
Loans and advances	**2,620,620**	2,221,044	**2,625,254**	2,226,658
Subtotal	**2,620,620**	2,221,044	**2,625,254**	2,226,658
Less: allowance for impairment losses on loans and advances to customers measured at amortised cost	**(126,083)**	(129,877)	**(120,981)**	(126,425)
Carrying amount of loans and advances to customers measured at amortised cost	**4,468,444**	3,971,099	**4,403,258**	3,922,109
Fair value through other comprehensive income:				
Corporate loans and advances				
Discounted Bills	**377,567**	324,356	**377,567**	324,356
Subtotal	**377,567**	324,356	**377,567**	324,356
Fair value through profit or loss:				
Corporate loans and advances				
Loans and advances	**10,793**	2,851	**10,793**	2,851
Subtotal	**10,793**	2,851	**10,793**	2,851
Interest accrued	**13,075**	12,000	**12,388**	11,430
Net balance	**4,869,879**	4,310,306	**4,804,006**	4,260,746

As at 31 December 2022, the Group and Bank'S allowance for impairment losses on loans and advances to customers measured at fair value through other comprehensive income was RMB2,751 million (As at 31 December 2021: RMB1,032 million).

6.2 Analysis of loans and advances to customers (interest accrued excluded) by industry distribution:

Unit: RMB million

	The Group				The Bank			
	2022		2021		2022		2021	
	Amount	(%)	Amount	(%)	Amount	(%)	Amount	(%)
Manufacturing	**585,275**	**11.74**	437,716	9.89	**585,275**	**11.91**	437,716	10.00
Leasing and commercial services	**458,017**	**9.19**	378,765	8.55	**458,017**	**9.32**	378,765	8.66
Real estate	**356,027**	**7.14**	336,830	7.61	**356,027**	**7.25**	336,830	7.70
Retail and wholesale	**263,437**	**5.29**	247,648	5.59	**261,652**	**5.33**	246,291	5.63
Water, environment and public facilities administration	**246,453**	**4.95**	231,926	5.24	**246,453**	**5.02**	231,926	5.30
Production and supply of power, gas and water	**166,203**	**3.34**	117,743	2.66	**166,203**	**3.38**	117,743	2.69
Transport, logistics and postal service	**165,154**	**3.31**	146,287	3.30	**165,154**	**3.36**	146,287	3.34
Construction	**163,364**	**3.28**	149,833	3.38	**163,364**	**3.33**	149,833	3.42
Extractive industry	**74,380**	**1.49**	67,626	1.53	**74,380**	**1.51**	67,626	1.55
Financial industry	**34,943**	**0.70**	27,562	0.62	**41,362**	**0.84**	34,532	0.79
Other corporate industries	**118,160**	**2.38**	81,959	1.86	**118,160**	**2.40**	81,960	1.87
Subtotal	**2,631,413**	**52.81**	2,223,895	50.23	**2,636,047**	**53.65**	2,229,509	50.95
Personal loans	**1,973,907**	**39.61**	1,879,932	42.45	**1,898,985**	**38.66**	1,821,876	41.64
Discounted bills	**377,567**	**7.58**	324,356	7.32	**377,567**	**7.69**	324,356	7.41
Gross loans and advances	**4,982,887**	**100.00**	4,428,183	100.00	**4,912,599**	**100.00**	4,375,741	100.00
Less: allowance for impairment losses	**(126,083)**		(129,877)		**(120,981)**		(126,425)	
Loans and advances to customers (interest accrued excluded)	**4,856,804**		4,298,306		**4,791,618**		4,249,316	

6.3 Analysis of loans and advances to customers (interest accrued excluded) by geographical distribution:

Unit: RMB million

	The Group				The Bank			
	2022		2021		2022		2021	
	Amount	(%)	Amount	(%)	Amount	(%)	Amount	(%)
Head office (Note 1)	**602,207**	**12.09**	511,398	11.55	**602,207**	**12.26**	511,398	11.69
Guangdong	**577,166**	**11.58**	516,058	11.66	**572,586**	**11.66**	512,081	11.70
Fujian	**545,812**	**10.95**	472,429	10.67	**542,278**	**11.04**	470,594	10.75
Jiangsu	**478,612**	**9.61**	429,137	9.69	**470,024**	**9.57**	422,798	9.66
Zhejiang	**448,161**	**8.99**	383,254	8.65	**444,391**	**9.05**	380,322	8.69
Shanghai	**240,738**	**4.83**	201,100	4.54	**217,828**	**4.43**	186,695	4.27
Beijing	**215,527**	**4.33**	221,082	4.99	**213,556**	**4.35**	218,914	5.00
Others (Note 2)	**1,874,664**	**37.62**	1,693,725	38.25	**1,849,729**	**37.64**	1,672,939	38.24
Gross loans and advances	**4,982,887**	**100.00**	4,428,183	100.00	**4,912,599**	**100.00**	4,375,741	100.00
Less: allowance for impairment losses	**(126,083)**		(129,877)		**(120,981)**		(126,425)	
Loans and advances to customers (interest accrued excluded)	**4,856,804**		4,298,306		**4,791,618**		4 ,249,316	

Note 1: Head office includes the credit card centre and the treasury centre.

Note 2: As at 31 December 2022, the Bank has 45 tier 1 branches, apart from the tier 1 branches mentioned above, the rest is categorised into "Others". Loans and advances originated by the Bank and the subsidiaries are presented by geographical distribution.

6.4 Analysis of loans and advances (interest accrued excluded) to customers by security type:

Unit: RMB million

	The Group		The Bank	
	2022	2021	2022	2021
Unsecured loans	**1,392,814**	1,193,021	**1,324,311**	1,141,979
Guaranteed loans	**1,068,126**	876,315	**1,068,098**	876,315
Collateralised loans	**2,144,380**	2,034,491	**2,142,623**	2,033,091
- Secured by mortgage	**1,795,822**	1,720,791	**1,794,065**	1,719,391
- Secured by collaterals	**348,558**	313,700	**348,558**	313,700
Discounted bills	**377,567**	324,356	**377,567**	324,356
Gross loans and advances	**4,982,887**	4,428,183	**4,912,599**	4,375,741
Less: allowance for impairment losses	**(126,083)**	(129,877)	**(120,981)**	(126,425)
Loans and advances to customers (interest accrued excluded)	**4,856,804**	4,298,306	**4,791,618**	4,249,316

6.5 Overdue loans (interest accrued excluded):

Unit: RMB million

	The Group									
	2022					2021				
	1-90 days (including 90 days)	91-360 days (including 360 days)	361 days to 3 years (including 3 years)	Over 3 years	Total	1-90 days (including 90 days)	91-360 days (including 360 days)	361 days to 3 years (including 3 years)	Over 3 years	Total
Unsecured loans	**19,208**	**18,370**	**3,086**	**297**	**40,961**	12,668	9,387	2,197	202	24,454
Guaranteed loans	**3,623**	**4,002**	**3,467**	**516**	**11,608**	5,882	4,145	3,500	762	14,289
Collateralised loans	**14,170**	**10,409**	**4,854**	**1,235**	**30,668**	8,821	9,904	6,710	805	26,240
- Secured by mortgage	**12,868**	**8,336**	**4,668**	**1,235**	**27,107**	8,818	9,478	6,405	779	25,480
- Secured by collaterals	**1,302**	**2,073**	**186**	**–**	**3,561**	3	426	305	26	760
Total	**37,001**	**32,781**	**11,407**	**2,048**	**83,237**	27,371	23,436	12,407	1,769	64,983

	The Bank									
	2022					2021				
	1-90 days (including 90 days)	91-360 days (including 360 days)	361 days to 3 years (including 3 years)	Over 3 years	Total	1-90 days (including 90 days)	91-360 days (including 360 days)	361 days to 3 years (including 3 years)	Over 3 years	Total
Unsecured loans	**17,734**	**17,382**	**3,078**	**297**	**38,491**	11,675	8,739	2,188	202	22,804
Guaranteed loans	**3,623**	**4,002**	**3,467**	**516**	**11,608**	5,882	4,145	3,500	762	14,289
Collateralised loans	**14,170**	**10,409**	**4,854**	**1,235**	**30,668**	8,821	8,504	6,710	805	24,840
- Secured by mortgage	**12,868**	**8,336**	**4,668**	**1,235**	**27,107**	8,818	8,078	6,405	779	24,080
- Secured by collaterals	**1,302**	**2,073**	**186**	**–**	**3,561**	3	426	305	26	760
Total	**35,527**	**31,793**	**11,399**	**2,048**	**80,767**	26,378	21,388	12,398	1,769	61,933

The loan will be categorised into overdue when principal or interest is overdue for one day.

6.6 Allowance for loan impairment

As at 31 December 2022, changes in allowance for impairment losses on loans and advances to customers are as follows:

(1)Loans and advances to customers measured at amortised cost

Unit: RMB million

	The Group			
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
1 January 2022	**81,935**	**14,080**	**33,862**	**129,877**
Transfer:				
- to stage 1	**3,501**	**(1,489)**	**(2,012)**	**–**
- to stage 2	**(3,490)**	**3,900**	**(410)**	**–**
- to stage 3	**(7,208)**	**(7,049)**	**14,257**	**–**
(Reversal) charge for the year	**(17,866)**	**7,476**	**46,490**	**36,100**
Write-offs and transfer out	**–**	**–**	**(46,745)**	**(46,745)**
Recoveries of amounts previously written off	**–**	**–**	**8,214**	**8,214**
Exchange difference and other movements	**–**	**–**	**(1,363)**	**(1,363)**
31 December 2022	**56,872**	**16,918**	**52,293**	**126,083**

	The Group			
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
1 January 2021	68,662	7,485	31,921	108,068
Transfer:				
- to stage 1	7,826	(2,664)	(5,162)	–
- to stage 2	(4,785)	10,005	(5,220)	–
- to stage 3	(4,745)	(1,499)	6,244	–
Charge for the year	14,977	753	29,315	45,045
Write-offs and transfer out	–	–	(32,795)	(32,795)
Recoveries of amounts previously written off	–	–	10,602	10,602
Exchange difference and other movements	–	–	(1,043)	(1,043)
31 December 2021	81,935	14,080	33,862	129,877

Unit: RMB million

	The Bank			
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
1 January 2022	**80,236**	**13,768**	**32,421**	**126,425**
Transfer:				
- to stage 1	**3,431**	**(1,478)**	**(1,953)**	**–**
- to stage 2	**(3,459)**	**3,863**	**(404)**	**–**
- to stage 3	**(7,154)**	**(7,036)**	**14,190**	**–**
(Reversal) charge for the year	**(18,407)**	**7,251**	**42,382**	**31,226**
Write-offs and transfer out	**–**	**–**	**(43,237)**	**(43,237)**
Recoveries of amounts previously written off	**–**	**–**	**7,910**	**7,910**
Exchange difference and other movements	**–**	**–**	**(1,343)**	**(1,343)**
31 December 2022	**54,647**	**16,368**	**49,966**	**120,981**

	The Bank			
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
1 January 2021	67,566	7,238	30,678	105,482
Transfer:				
- to stage 1	7,781	(2,648)	(5,133)	–
- to stage 2	(4,780)	9,995	(5,215)	–
- to stage 3	(4,733)	(1,496)	6,229	–
Charge for the year	14,402	679	26,726	41,807
Write-offs and transfer out	–	–	(30,118)	(30,118)
Recoveries of amounts previously written off	–	–	10,297	10,297
Exchange difference and other movements	–	–	(1,043)	(1,043)
31 December 2021	80,236	13,768	32,421	126,425

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

Unit: RMB million

	The Group and the Bank			
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
1 January 2022	1,008	3	21	1,032
Transfer:				
- to stage 1	–	–	–	–
- to stage 2	–	–	–	–
- to stage 3	–	–	–	–
Charge (reversal) for the year	1,674	(3)	48	1,719
Write-offs and transfer out	–	–	–	–
Recoveries of amounts previously written off	–	–	–	–
Exchange difference and other movements	–	–	–	–
31 December 2022	2,682	–	69	2,751

	The Group and the Bank			
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
1 January 2021	576	–	17	593
Transfer:				
- to stage 1	–	–	–	–
- to stage 2	–	–	–	–
- to stage 3	–	–	–	–
Charge (reversal) for the year	432	3	4	439
Write-offs and transfer out	–	–	–	–
Recoveries of amounts previously written off	–	–	–	–
Exchange difference and other movements	–	–	–	–
31 December 2021	1,008	3	21	1,032

7.Financial investments

Unit: RMB million

	Note	The Group		The Bank	
		2022	2021	2022	2021
Trading assets	7.1	**999,855**	909,794	**933,931**	847,457
Debt investments	7.2	**1,607,026**	1,601,030	**1,595,755**	1,585,226
Other debt investments	7.3	**548,007**	484,624	**548,000**	484,758
Other equity investments	7.4	**3,453**	3,148	**2,873**	3,068
Total		**3,158,341**	2,998,596	**3,080,559**	2,920,509

7.1 Trading assets

Unit: RMB million

	The Group		The Bank	
	2022	2021	2022	2021
Held for trading purpose:				
Investment in debt instruments				
Government bonds	**114,961**	70,086	**112,654**	68,682
The Central Bank bills and policy bank financial bonds	**13,725**	32,267	**9,268**	16,029
Bonds issued by banks and other financial institutions	**7,549**	16,665	**2,097**	2,976
Interbank certificates of deposit	**4,980**	802	**3,191**	482
Corporate bonds and asset-backed securities	**94,511**	82,131	**44,223**	45,904
Funds	**628,551**	589,920	**664,900**	632,477
Other investments	**5,624**	5,035	**–**	–
Subtotal	**869,901**	796,906	**836,333**	766,550
Financial assets measured at fair value through profit or loss (mandatory):				
Bonds issued by banks and other financial institutions	**7,219**	4,562	**7,219**	4,562
Corporate bonds and asset-backed securities	**1,966**	1,548	**1,916**	1,497
Trust beneficiary rights and asset management plans	**95,546**	77,580	**86,629**	68,700
- Debt securities	**86,231**	72,347	**83,933**	65,762
- Credit assets	**3,211**	2,248	**1,705**	1,827
- Others	**6,104**	2,985	**991**	1,111
Wealth management products	**2,727**	6,678	**674**	5,089
Equity investments	**20,069**	19,536	**1,160**	1,059
Funds	**2,427**	2,984	**–**	–
Subtotal	**129,954**	112,888	**97,598**	80,907
Total	**999,855**	909,794	**933,931**	847,457

7.2 Debt investments

Unit: RMB million

	Note	The Group		The Bank	
		2022	2021	2022	2021
Government bonds		**845,933**	835,631	**839,518**	828,788
The Central Bank bills and policy bank financial bonds		**8,575**	2,040	**8,575**	2,040
Bonds issued by banks and other financial institutions		**75,740**	19,848	**75,740**	19,848
Interbank certificates of deposit		**16,072**	18,414	**16,072**	18,414
Corporate bonds and asset-backed securities		**153,007**	88,475	**152,892**	88,229
Trust beneficiary rights and asset management plans		**537,513**	662,771	**530,259**	652,520
- Credit assets		**308,810**	367,931	**308,083**	367,206
- Debt securities		**187,277**	229,540	**187,275**	229,426
- Others		**41,426**	65,300	**34,901**	55,888
Interest accrued		**15,632**	16,168	**15,588**	15,991
Subtotal		**1,652,472**	1,643,347	**1,638,644**	1,625,830
Less: allowance for impairment losses	(1)	**(45,446)**	(42,317)	**(42,889)**	(40,604)
Net value		**1,607,026**	1,601,030	**1,595,755**	1,585,226

(1)Changes in allowance for impairment losses on debt investments are as follows:

Unit: RMB million

	The Group			
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
1 January 2022	**8,390**	**6,671**	**27,256**	**42,317**
Transfer:				
- to stage 2	**(154)**	**3,257**	**(3,103)**	**–**
- to stage 3	**(141)**	**(3,712)**	**3,853**	**–**
(Reversal) charge for the year	**(1,959)**	**1,772**	**9,759**	**9,572**
Write-offs and transfer out	**–**	**–**	**(7,842)**	**(7,842)**
Exchange difference and other movements	**(794)**	**–**	**2,193**	**1,399**
31 December 2022	**5,342**	**7,988**	**32,116**	**45,446**

Unit: RMB million

	The Group			
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
1 January 2021	14,162	3,420	13,920	31,502
Transfer:				
- to stage 1	224	(224)	–	–
- to stage 2	(261)	1,219	(958)	–
- to stage 3	(71)	(1,127)	1,198	–
(Reversal) charge for the year	(5,623)	3,383	23,171	20,931
Write-offs and transfer out	–	–	(10,207)	(10,207)
Exchange difference and other movements	(41)	–	132	91
31 December 2021	8,390	6,671	27,256	42,317

Unit: RMB million

	The Bank			
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
1 January 2022	**8,386**	**6,356**	**25,862**	**40,604**
Transfer:				
- to stage 2	**(154)**	**3,257**	**(3,103)**	**–**
- to stage 3	**(141)**	**(2,150)**	**2,291**	**–**
(Reversal) charge for the year	**(1,964)**	**525**	**8,485**	**7,046**
Write-offs and transfer out	**–**	**–**	**(6,160)**	**(6,160)**
Exchange difference and other movements	**(794)**	**–**	**2,193**	**1,399**
31 December 2022	**5,333**	**7,988**	**29,568**	**42,889**

Unit: RMB million

	The Bank			
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
1 January 2021	14,151	3,081	13,385	30,617
Transfer:				
- to stage 1	221	(221)	–	–
- to stage 2	(261)	1,219	(958)	–
- to stage 3	(71)	(897)	968	–
(Reversal) charge for the year	(5,614)	3,174	22,248	19,808
Write-offs and transfer out	–	–	(9,865)	(9,865)
Exchange difference and other movements	(40)	–	84	44
31 December 2021	8,386	6,356	25,862	40,604

7.3 Other debt investments

Unit: RMB million

	The Group		The Bank	
	2022	2021	2022	2021
Debt investments:				
Government bonds	**170,626**	190,528	**170,122**	190,023
The Central Bank bills and policy bank financial bonds	**13,437**	8,478	**13,437**	8,478
Bonds issued by banks and other financial institutions	**70,276**	26,210	**70,378**	26,514
Interbank certificates of deposit	**79,529**	22,261	**79,529**	22,261
Corporate bonds and asset-backed securities	**207,936**	230,058	**208,435**	231,191
Trust beneficiary rights and asset management plans	**1,436**	2,565	**1,332**	1,754
Interest accrued	**4,767**	4,524	**4,767**	4,537
Total	**548,007**	484,624	**548,000**	484,758

(1)Changes in fair value

Unit: RMB million

	Note	The Group		The Bank	
		2022	2021	2022	2021
Initial recognition cost		**555,284**	485,775	**555,131**	485,771
Fair value		**548,007**	484,624	**548,000**	484,758
Accumulated amount recognised in other comprehensive income		**(6,560)**	(1,231)	**(6,414)**	(1,093)
Accumulated amount recognised in profit or loss	(i)	**(717)**	80	**(717)**	80

(i)The Bank uses interest rate swaps to hedge the changes in fair value caused by changes in bond interest rates of other debt investments held. Fair value changes of the part of hedged bonds are included in profit or loss.

(2)Changes in allowance for impairment losses on other debt investments are as follows:

Unit: RMB million

	The Group			
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
1 January 2022	**752**	**233**	**1,313**	**2,298**
Transfer:				
- to stage 1	**20**	**(20)**	**–**	**–**
- to stage 3	**(1)**	**–**	**1**	**–**
Charge for the year	**493**	**135**	**73**	**701**
Write-offs and transfer out	**–**	**–**	**(878)**	**(878)**
Exchange difference and other movements	**32**	**–**	**–**	**32**
31 December 2022	**1,296**	**348**	**509**	**2,153**

Unit: RMB million

	The Group			
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
1 January 2021	593	591	2,904	4,088
Transfer:				
- to stage 2	(2)	2	–	–
- to stage 3	–	(78)	78	–
Charge (reversal) for the year	170	(282)	468	356
Write-offs and transfer out	–	–	(2,137)	(2,137)
Exchange difference and other movements	(9)	–	–	(9)
31 December 2021	752	233	1,313	2,298

Unit: RMB million

	The Bank			
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
1 January 2022	**714**	**222**	**1,204**	**2,140**
Transfer:				
- to stage 1	**20**	**(20)**	**–**	**–**
- to stage 3	**(1)**	**–**	**1**	**–**
Charge for the year	**531**	**146**	**34**	**711**
Write-offs and transfer out	**–**	**–**	**(840)**	**(840)**
Exchange difference and other movements	**32**	**–**	**–**	**32**
31 December 2022	**1,296**	**348**	**399**	**2,043**

Unit: RMB million

	The Bank			
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
1 January 2021	590	580	2,724	3,894
Charge (reversal) for the year	151	(358)	617	410
Write-offs and transfer out	–	–	(2,137)	(2,137)
Exchange difference and other movements	(27)	–	–	(27)
31 December 2021	714	222	1,204	2,140

7.4 Other equity investments

Unit: RMB million

	The Group		The Bank	
	2022	2021	2022	2021
Designated at fair value through other comprehensive income	**3,453**	3,148	**2,873**	3,068

The Group designates non-trading equity investments as financial assets at fair value through other comprehensive income. As at 31 December 2022, the fair value of the equity investments is RMB3,453 million (31 December 2021: RMB3,148 million). During the reporting period, dividend income of RMB50.00 million (2021: RMB16.25 million) recognised for such equity investments was included in the profit or loss.

Related analyses of other equity investments are as follows:

Unit: RMB million

	The Group		The Bank	
	2022	2021	2022	2021
Initial recognition cost	**3,676**	3,175	**3,096**	3,095
Fair value	**3,453**	3,148	**2,873**	3,068
Accumulated amount recognised in other comprehensive income	**(223)**	(27)	**(223)**	(27)

8.Finance lease receivables

Presented by nature:

Unit: RMB million

	Note	The Group	
		2022	2021
Finance lease receivables		**123,843**	120,046
Less: unrealised financing income		**(11,970)**	(11,184)
Present value of minimum finance lease receivables		**111,873**	108,862
Less: allowance for impairment losses	(1)	**(4,649)**	(4,905)
Net value		**107,224**	103,957

Finance lease receivables Listed as follows:

Unit: RMB million

	Note	The Group	
		2022	2021
Within 1 year		**50,184**	49,302
1 to 2 years		**32,800**	30,295
2 to 3 years		**17,331**	18,079
3 to 5 years		**13,742**	13,160
Over 5 years		**7,529**	7,226
Undated		**2,257**	1,984
Minimum lease receipts in total		**123,843**	120,046
Unrealised financing income		**(11,970)**	(11,184)
Present value of minimum finance lease receivables		**111,873**	108,862
Less: allowance for impairment losses	(1)	**(4,649)**	(4,905)
Net value		**107,224**	103,957
- Finance lease receivables due within 1 year		**17,272**	17,060
- Finance lease receivables due more than 1 year		**89,952**	86,897

(1)Changes in allowance for impairment losses on finance lease receivables :

Unit: RMB million

	The Group			
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
1 January 2022	**1,461**	**201**	**3,243**	**4,905**
Transfer:				
- to stage 1	**9**	**(9)**	**–**	**–**
- to stage 2	**(153)**	**169**	**(16)**	**–**
- to stage 3	**(841)**	**–**	**841**	**–**
Charge (reversal) for the year	**793**	**(136)**	**(861)**	**(204)**
Write-offs and transfer out	**–**	**–**	**(222)**	**(222)**
Exchange difference and other movements	**–**	**–**	**170**	**170**
31 December 2022	**1,269**	**225**	**3,155**	**4,649**

Unit: RMB million

	The Group			
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
1 January 2021	1,894	556	2,807	5,257
Transfer:				
- to stage 1	–	–	–	–
- to stage 2	(1)	1	–	–
- to stage 3	(215)	(130)	345	–
Reversal (charge) for the year	(217)	(226)	289	(154)
Write-offs and transfer out	–	–	(197)	(197)
Exchange difference and other movements	–	–	(1)	(1)
31 December 2021	1,461	201	3,243	4,905

9.Long-term equity investments

Unit: RMB million

Investee	Accounting method	The Group 1 January 2022	Investment income recognised under the equity method	Provisions	Cash dividends for this year	New investments made this year	31 December 2022	Proportion of equity interest (%)	Proportion of voting power in the investee (%)	Explanation of inconsistency between the proportion of equity interest and the proportion of voting power in the investee
Bank of Jiujiang (1)	Equity method	**3,408**	**190**	–	(30)	–	**3,568**	**12.23**	**12.23**	**N/A**
Others	Equity method	**324**	–	–	–	**154**	**478**			**N/A**
Total		**3,732**	**190**	–	(30)	**154**	**4,046**			

Unit: RMB million

The Bank										
Long-term equity investments by equity method:										
Investee										
Bank of Jiujiang (1)	Equity method	**3,408**	**190**	–	(30)	–	**3,568**	**12.23**	**12.23**	**N/A**
Subtotal		**3,408**	**190**	–	(30)	–	**3,568**	**12.23**	**12.23**	–

Unit: RMB million

The Bank									
Long-term equity investments by equity method:									
Investee	Accounting method	1 January 2022	Changes	31 December 2022	Proportion of equity interest (%)	Proportion of voting power in the investee (%)	Explanation of inconsistency between the proportion of equity interest and the proportion of voting power in the investee	Provisions	Cash dividends for this year
Industrial Bank Financial Leasing Co., Ltd. (Note. VI)	Cost method	7,000	–	7,000	100.00	100.00	N/A	–	450
China Industrial International Trust Limited (Note. VI)	Cost method	6,395	–	6,395	73.00	73.00	N/A	–	–
CIB Fund Management Co., Ltd. (Note. VI)	Cost method	900	–	900	90.00	90.00	N/A	–	45
Industrial Consumer Finance Co., Ltd. (Note. VI)	Cost method	1,254	–	1,254	66.00	66.00	N/A	–	–
CIB Wealth Management Co., Ltd.(Note. VI)	Cost method	5,000	–	5,000	100.00	100.00	N/A	–	–
Subtotal		20,549	–	20,549				–	495
Total		23,957	160	24,117					

(1)As the Bank holds 12.23% shares and voting rights of Bank of Jiujiang and appoints a director to Bank of Jiujiang, the Bank has significant influence over Bank of Jiujiang and the equity investment is accounted for using the equity method.

(2)There are no restrictions on the investees' capacities of capital transferring to the Group and the Bank on 31 December 2022.

10.Fixed assets

Unit: RMB million

	The Group					
	Buildings	Fixed assets improvement	Office and machinery equipment	Transportation vehicles	Flight equipment	Total
Cost						
At 1 January 2022	22,292	1,248	9,722	453	6,053	39,768
Purchase	26	3	2,622	52	821	3,524
Transfers from constructions in progress	1,517	5	–	–	–	1,522
Sales/disposals	(18)	(5)	(627)	(54)	–	(704)
At 31 December 2022	23,817	1,251	11,717	451	6,874	44,110
Accumulated depreciation						
At 1 January 2022	(4,893)	(614)	(6,442)	(334)	(1,222)	(13,505)
Depreciation for the year	(827)	(37)	(1,183)	(49)	(395)	(2,491)
Eliminated on sales/disposals	15	5	596	44	–	660
At 31 December 2022	(5,705)	(646)	(7,029)	(339)	(1,617)	(15,336)
Net value						
At 1 January 2022	17,399	634	3,280	119	4,831	26,263
At 31 December 2022	18,112	605	4,688	112	5,257	28,774
Allowance for impairment losses						
At 1 January 2022	(3)	–	–	–	(200)	(203)
Charge for the year	–	–	–	–	–	–
At 31 December 2022	(3)	–	–	–	(200)	(203)
Net carrying amount						
At 1 January 2022	17,396	634	3,280	119	4,631	26,060
At 31 December 2022	18,109	605	4,688	112	5,057	28,571

As at 31 December 2022, the cost of flight equipment leased out under operating lease business by the Group'S subsidiary Industrial Bank Financial Leasing Co., Ltd. was RMB6,874 million (1 January 2022: RMB6,053 million).

As at 31 December 2022, buildings with cost RMB513 million were in use but the legal ownership registrations were still in process (31 December 2021: RMB1,338 million).

Unit: RMB million

	The Bank				
	Buildings	Fixed assets improvement	Office and machinery equipment	Transportation vehicles	Total
Cost					
At 1 January 2022	21,844	1,199	9,121	420	32,584
Purchase	10	3	2,371	48	2,432
Transfers from constructions in progress	1,517	5	–	–	1,522
Sales/disposals	(18)	(5)	(612)	(52)	(687)
At 31 December 2022	23,353	1,202	10,880	416	35,851
Accumulated depreciation					
At 1 January 2022	(4,874)	(614)	(6,113)	(314)	(11,915)
Depreciation for the year	(809)	(37)	(1,163)	(43)	(2,052)
Eliminated on sales/disposals	15	5	584	43	647
At 31 December 2022	(5,668)	(646)	(6,692)	(314)	(13,320)
Net value					
At 1 January 2022	16,970	585	3,008	106	20,669
At 31 December 2022	17,685	556	4,188	102	22,531
Allowance for impairment losses					
At 1 January 2022	(3)	–	–	–	(3)
At 31 December 2022	(3)	–	–	–	(3)
Net carrying amount					
At 1 January 2022	16,967	585	3,008	106	20,666
At 31 December 2022	17,682	556	4,188	102	22,528

As at 31 December 2022, buildings which cost RMB513 million were in use but the legal ownership registrations were still in process (31 December 2021: RMB1,338 million).

11.Construction in progress

Unit: RMB million

	The Group						
	2022						
	1 January 2022	Additions	Transfer to fixed assets	Transfer to long-term prepaid expenses	31 December 2022	Provisions	Net book value
Operating building, Changsha	404	–	–	–	404	–	404
Operating building, Ningbo	–	385	–	–	385	–	385
Operating building, Kunming	–	353	–	–	353	–	353
Operating building, Dongguan	293	29	–	–	322	–	322
Operating building, Huizhou	271	2	–	–	273	–	273
Operating building, Putian	194	3	–	–	197	–	197
Operating building, Wuyi Branch in Nanping	157	3	–	–	160	–	160
Others	1,456	1,031	(1,522)	(488)	477	–	477
Total	2,775	1,806	(1,522)	(488)	2,571	–	2,571

Unit: RMB million

	The Bank						
	2022						
	1 January 2022	Additions	Transfer to fixed assets	Transfer to long-term prepaid expenses	31 December 2022	Provisions	Net book value
Operating building, Changsha	404	–	–	–	404	–	404
Operating building, Ningbo	–	385	–	–	385	–	385
Operating building, Kunming	–	353	–	–	353	–	353
Operating building, Dongguan	293	29	–	–	322	–	322
Operating building, Huizhou	271	2	–	–	273	–	273
Operating building, Putian	194	3	–	–	197	–	197
Operating building, Wuyi Branch in Nanping	157	3	–	–	160	–	160
Others	1,451	1,013	(1,522)	(478)	464	–	464
Total	2,770	1,788	(1,522)	(478)	2,558	–	2,558

12.Right-of-use assets

Unit: RMB million

	The Group			
	Buildings	Flight equipment	Others	Total
Cost				
At 1 January 2022	11,739	652	56	12,447
Additions for the year	2,892	65	30	2,987
Less for the year	(777)	–	(10)	(787)
At 31 December 2022	13,854	717	76	14,647
Accumulated depreciation				
At 1 January 2022	(2,736)	(96)	(29)	(2,861)
Depreciation for the year	(2,853)	(43)	(18)	(2,914)
Eliminated for the year	689	–	10	699
At 31 December 2022	(4,900)	(139)	(37)	(5,076)
Allowance for impairment losses				
At 1 January 2022	–	(5)	–	(5)
Charge for the year	–	–	–	–
Reversal for the year	–	–	–	–
At 31 December 2022	–	(5)	–	(5)
Net value				
At 1 January 2022	9,003	551	27	9,581
At 31 December 2022	8,954	573	39	9,566

	The bank		
	Buildings	Others	Total
Cost			
At 1 January 2022	11,341	35	11,376
Additions for the year	2,699	30	2,729
Less for the year	(737)	(10)	(747)
At 31 December 2022	13,303	55	13,358
Accumulated depreciation			
At 1 January 2022	(2,556)	(14)	(2,570)
Depreciation for the year	(2,767)	(13)	(2,780)
Eliminated for the year	656	10	666
At 31 December 2022	(4,667)	(17)	(4,684)
Allowance for impairment losses			
At 1 January 2022	–	–	–
Charge for the year	–	–	–
Reversal for the year	–	–	–
At 31 December 2022	–	–	–
Net value			
At 1 January 2022	8,785	21	8,806
At 31 December 2022	8,636	38	8,674

13.Goodwill

Unit: RMB million

	The Group				
	1 January 2022	Additions	Deductions	31 December 2022	Provision at 31 December 2022
China Industrial International Trust Limited	**532**	–	–	**532**	–

Goodwill arose from acquisition of China Industrial International Trust Limited in February 2011, and the overweight of China Industrial Future Limited by China Industrial International Trust Limited in March 2015.

At the end of the period, the Group performed impairment tests on goodwill based on expected future cash flow of the investee, meanwhile, calculated the expected present value of future cash flow of the investee by applying an appropriate discount rate to determine recoverable amount. No evidence shows that the recoverable amount of goodwill is less than the carrying amount and therefore no impairment is recognised.

14.Deferred tax asset and deferred tax liability

14.1 Recognised deferred tax assets and liabilities

Unit: RMB million

	The Group			
	2022		2021	
	Deductible (taxable) temporary differences	Deferred tax assets (liabilities)	Deductible (taxable) temporary differences	Deferred tax assets (liabilities)
Deferred tax assets				
Impairment losses on assets	**181,562**	**45,387**	172,648	43,162
Fair value changes of derivative financial instruments	**–**	**–**	2,356	589
Fair value changes of trading assets	**6,735**	**1,681**	1,588	397
Fair value changes of trading liabilities	**272**	**68**	276	69
Changes in fair value in other debt investments	**7,801**	**1,954**	1,800	450
Changes in fair value in other equity investments	**223**	**56**	28	7
Accrued but not paid employee benefits	**26,144**	**6,522**	19,864	4,966
Accounting and tax basis differences related to lease liabilities	**8,706**	**2,176**	8,488	2,122
Others	**3,910**	**977**	1,680	420
Subtotal	**235,353**	**58,821**	208,728	52,182
Offset	**(15,795)**	**(3,948)**	(12,144)	(3,036)
Deferred tax assets after offset	**219,558**	**54,873**	196,584	49,146
Deferred tax liabilities				
Accounting and tax basis differences related to right-of-use assets	**(8,747)**	**(2,187)**	(8,808)	(2,202)
Differences of fixed assets depreciation	**(4,615)**	**(1,154)**	(3,336)	(834)
Fair value changes of trading assets	**(1,861)**	**(465)**	(648)	(162)
Fair value changes of other debt investments	**–**	**–**	(4)	(1)
Fair value changes of derivative financial instruments	**(1,006)**	**(251)**	–	–
Others	**(958)**	**(239)**	–	–
Subtotal	**(17,187)**	**(4,296)**	(12,796)	(3,199)
Offset	**15,795**	**3,948**	12,144	3,036
Deferred tax liabilities after offset	**(1,392)**	**(348)**	(652)	(163)

Unit: RMB million

	The bank			
	2022		2021	
	Deductible (taxable) temporary differences	Deferred tax assets (liabilities)	Deductible (taxable) temporary differences	Deferred tax assets (liabilities)
Deferred tax assets				
Impairment losses on assets	**170,795**	**42,700**	162,412	40,604
Fair value changes of derivative financial instruments	**–**	**–**	2,356	589
Fair value changes of trading assets	**6,396**	**1,599**	1,336	334
Fair value changes of trading liabilities	**272**	**68**	276	69
Fair value changes of other debt investments	**7,762**	**1,939**	1,749	436
Fair value changes of other equity investments	**223**	**56**	27	7
Accrued but not paid employee benefits	**23,092**	**5,773**	17,916	4,479
Accounting and tax basis differences related to lease liabilities	**8,706**	**2,176**	8,488	2,122
Others	**–**	**–**	240	60
Subtotal	**217,246**	**54,311**	194,800	48,700
Offset	**(15,326)**	**(3,831)**	(12,144)	(3,036)
Deferred tax assets after offset	**201,920**	**50,480**	182,656	45,664
Deferred tax liabilities				
Accounting and tax basis differences related to right-of-use assets	**(8,747)**	**(2,187)**	(8,808)	(2,202)
Differences of fixed assets depreciation	**(4,615)**	**(1,154)**	(3,336)	(834)
Fair value changes of derivative financial instruments	**(1,006)**	**(251)**	–	–
Others	**(958)**	**(239)**	–	–
Subtotal	**(15,326)**	**(3,831)**	(12,144)	(3,036)
Offset	**15,326**	**3,831**	12,144	3,036
Deferred tax liabilities after offset	**–**	**–**	–	–

The tax payment of domestic branches of the Bank can be aggregated in the way that the deferred tax assets and deferred tax liabilities are presented at the net amount after offset; overseas branches are individual taxable entities, and the deferred tax assets and deferred tax liabilities of the same entity can be presented at the net amount after offset. When there are net deferred tax assets/liabilities in overseas branches, they are not offset against those in domestic branches. The subsidiaries of the Bank are individual taxable entities, and the deferred tax assets and deferred tax liabilities of the same entity can be presented at the net amount after offset.

14.2 Movements in deferred tax assets and liabilities

Unit: RMB million

	The Group	The Bank
31 December 2021	48,983	45,664
- Deferred tax assets	52,182	48,700
- Deferred tax liabilities	(3,199)	(3,036)
Net changes of deferred tax recognised in income tax expenses	**3,988**	**3,264**
Net changes of deferred tax recognised in other comprehensive income	**1,554**	**1,552**
31 December 2022	**54,525**	**50,480**
- Deferred tax assets	**58,821**	**54,311**
- Deferred tax liabilities	**(4,296)**	**(3,831)**

15.Other assets

Unit: RMB million

	Note	The Group		The Bank	
		2022	2021	2022	2021
Items in the process of clearance and settlement		**7,098**	20,905	**3,971**	17,304
Other receivables	15.1	**21,985**	14,588	**18,381**	10,582
Continuing involvement assets(Note XII, 3.1)		**11,427**	12,191	**11,314**	11,314
Prepaid purchase cost of lease assets		**2,042**	1,662	**–**	–
Interest receivable	15.2	**3,270**	2,882	**2,898**	2,626
Net assets of defined benefit plan (Note VII, 44.2)		**2,003**	2,167	**2,003**	2,167
Long-term prepaid expenses	15.3	**1,399**	1,382	**1,339**	1,316
Foreclosed assets	15.4	**395**	413	**395**	413
Total		**49,619**	56,190	**40,301**	45,722

15.1 Other receivables

Listed by aging:

Unit: RMB million

Account age	The Group				The Bank			
	2022	Proportion %	2021	Proportion %	2022	Proportion %	2021	Proportion %
Within 1 year	**17,331**	**72.44**	9,982	60.39	**14,267**	**71.07**	6,604	53.42
1-2 years	**949**	**3.97**	1,132	6.85	**525**	**2.61**	460	3.72
2-3 years	**568**	**2.37**	2,990	18.09	**288**	**1.43**	2,938	23.77
Over 3 years	**5,078**	**21.22**	2,425	14.67	**4,998**	**24.89**	2,360	19.09
Subtotal	**23,926**	**100.00**	16,529	100.00	**20,078**	**100.00**	12,362	100.00
Less: Allowance for impairment losses	**(1,941)**		(1,941)		**(1,697)**		(1,780)	
Net value	**21,985**		14,588		**18,381**		10,582	

15.2 Interest receivable

Unit: RMB million

	The Group		The Bank	
	2022	2021	2022	2021
Loans and advances to customers	**2,799**	2,139	**2,799**	2,109
Bonds and other investments	**471**	743	**99**	517
Total	**3,270**	2,882	**2,898**	2,626

15.3 Long-term prepaid expenses

Unit: RMB million

	The Group				
	1 January 2022	Changes	Transferred from construction in progress	Amortisation	31 December 2022
Leasehold improvements	**1,306**	**43**	**475**	**(514)**	**1,310**
Others	**76**	**21**	**13**	**(21)**	**89**
Total	**1,382**	**64**	**488**	**(535)**	**1,399**

	The Bank				
	1 January 2022	Changes	Transferred from construction in progress	Amortisation	31 December 2022
Leasehold improvements	**1,261**	**30**	**475**	**(491)**	**1,275**
Others	**55**	**13**	**3**	**(7)**	**64**
Total	**1,316**	**43**	**478**	**(498)**	**1,339**

15.4 Foreclosed assets

Analysed by category of the foreclosed assets:

Unit: RMB million

	The Group and the Bank	
	2022	2021
Buildings and land use rights	**546**	536
Others	**1**	1
Subtotal	**547**	537
Less: Allowance for impairment losses	**(152)**	(124)
Net value	**395**	413

16.Deposits from banks and other financial institutions

Unit: RMB million

	The Group		The Bank	
	2022	2021	2022	2021
Amount due to banks:				
Banks operating in Mainland China	**331,921**	287,186	**331,921**	287,186
Banks operating outside Mainland China	**36,319**	63,076	**36,319**	63,076
Deposits from other financial institutions:				
Other financial institutions operating in Mainland China	**1,252,930**	1,353,540	**1,264,614**	1,362,497
Other financial institutions operating outside Mainland China	**2**	–	**2**	–
Interest accrued	**7,082**	7,077	**7,110**	7,130
Total	**1,628,254**	1,710,879	**1,639,966**	1,719,889

17.Placements from banks and other financial institutions

Unit: RMB million

	The Group		The Bank	
	2022	2021	2022	2021
Banks operating in Mainland China	**181,519**	106,969	**68,366**	9,687
Other financial institutions operating in Mainland China	**26,937**	29,809	**9,912**	7,481
Banks operating outside Mainland China	**67,352**	35,995	**67,352**	35,995
Interest accrued	**1,460**	1,005	**503**	76
Total	**277,268**	173,778	**146,133**	53,239

18.Trading liabilities

Unit: RMB million

	Note	The Group		The Bank	
		2022	2021	2022	2021
Trading liabilities:					
Financial liabilities related to precious metals	(1)	**20,492**	29,896	**20,492**	29,896
Sold financing bonds		**28,212**	11,663	**28,212**	11,663
Others		**514**	348	**514**	348
Subtotal		**49,218**	41,907	**49,218**	41,907
Financial liabilities designated as at fair value through profit or loss	(2)	**360**	5,923	**–**	–
Total		**49,578**	47,830	**49,218**	41,907

(1) The Group'S financial liabilities related to the precious metals are matched with the precious metals or derivatives based on the risk management strategy and are included in the financial liabilities at fair value through profit or loss.

(2) The Group'S other shareholders' equities that are included in the consolidated financial statements are designated as financial liabilities at fair value through profit or loss. No significant changes in fair value from changes in credit risk occurred on 31 December 2022 (31 December 2021: Nil).

19.Financial assets sold under repurchase agreements

Unit: RMB million

	The Group		The Bank	
	2022	2021	2022	2021
Bonds	**333,662**	233,230	**315,051**	221,327
Bills	**19,767**	32,190	**19,767**	32,190
Interest accrued	**197**	156	**197**	152
Total	**353,626**	265,576	**335,015**	253,669

20.Deposits from customers

Unit: RMB million

	The Group		The Bank	
	2022	2021	2022	2021
Demand deposits				
- Corporate	**1,389,479**	1,434,288	**1,390,335**	1,435,197
- Personal	**389,794**	334,958	**389,794**	334,958
Subtotal	**1,779,273**	1,769,246	**1,780,129**	1,770,155
Term deposits (including call deposits)				
- Corporate	**1,912,484**	1,754,633	**1,912,534**	1,754,712
- Personal	**695,739**	458,205	**695,739**	458,205
Subtotal	**2,608,223**	2,212,838	**2,608,273**	2,212,917
Pledged deposits	**346,921**	326,763	**346,921**	326,763
Others	**2,565**	2,194	**2,565**	2,195
Interest accrued	**51,772**	44,707	**51,773**	44,708
Total	**4,788,754**	4,355,748	**4,789,661**	4,356,738

The pledged deposits included in deposits from customers are analysed as follows:

Unit: RMB million

	The Group and the Bank	
	2022	2021
Bank acceptances	**213,756**	212,736
Letters of credit	**33,020**	20,891
Guarantee	**12,105**	11,358
Others	**88,040**	81,778
Total	**346,921**	326,763

21.Employee benefits payable

Unit: RMB million

	The Group				The Bank			
	1 January 2022	Increase	Decrease	31 December 2022	1 January 2022	Increase	Decrease	31 December 2022
Salaries and bonus	**21,700**	**29,222**	**(24,441)**	**26,481**	**19,179**	**26,175**	**(21,429)**	**23,925**
Labor union expenditure and staff educational funds	**2,870**	**1,157**	**(545)**	**3,482**	**2,766**	**1,084**	**(471)**	**3,379**
Social insurance	**37**	**2,978**	**(2,957)**	**58**	**27**	**2,704**	**(2,705)**	**26**
Housing funds	**51**	**1,621**	**(1,622)**	**50**	**42**	**1,413**	**(1,413)**	**42**
Defined contribution plans	**125**	**3,218**	**(3,019)**	**324**	**89**	**2,975**	**(2,760)**	**304**
Total	**24,783**	**38,196**	**(32,584)**	**30,395**	**22,103**	**34,351**	**(28,778)**	**27,676**

The salaries, bonuses, retirement benefits and other social insurance of employee benefits payable are granted or paid according to time limit set by relevant laws, regulations and the Group'S policies. See defined contribution pension plans in Note VII, 44.1.

22.Tax payable

Unit: RMB million

	The Group		The Bank	
	2022	2021	2022	2021
Corporate income tax	**8,680**	8,266	**7,590**	7,391
Value added tax	**3,688**	3,684	**3,504**	3,486
City maintenance and construction tax	**289**	293	**265**	269
Others	**465**	524	**419**	473
Total	**13,122**	12,767	**11,778**	11,619

23.Provisions

Unit: RMB million

	The Group		The Bank	
	2022	2021	2022	2021
Impairment allowance for off-balance-sheet assets	**7,030**	4,083	**7,030**	4,083
Litigation provisions	**20**	2	**18**	–
Total	**7,050**	4,085	**7,048**	4,083

As at 31 December 2022, movements of impairment allowance for off-balance-sheet assets are as follows:

Unit: RMB million

	The Group and the Bank			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	
1 January 2022	**3,947**	**126**	**10**	**4,083**
Transfer:				
- to stage 1	**7**	**(6)**	**(1)**	**–**
- to stage 2	**(246)**	**246**	**–**	**–**
- to stage 3	**(8)**	**(1)**	**9**	**–**
Charge for the year	**2,554**	**29**	**353**	**2,936**
Exchange difference and other movements	**9**	**2**	**–**	**11**
31 December 2022	**6,263**	**396**	**371**	**7,030**

Unit: RMB million

	The Group and the Bank			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	
1 January 2021	4,214	614	569	5,397
Transfer:				
- to stage 1	2	(1)	(1)	–
- to stage 2	(11)	11	–	–
- to stage 3	(4)	–	4	–
Reversal for the year	(249)	(498)	(562)	(1,309)
Exchange difference and other movements	(5)	–	–	(5)
31 December 2021	3,947	126	10	4,083

24.Debt securities issued

Unit: RMB million

	The Group		The Bank	
	2022	2021	2022	2021
Financial bonds	**183,460**	132,901	**173,391**	117,436
Tier two capital bonds	**151,780**	127,987	**151,780**	125,956
Interbank certificates of deposit	**753,276**	788,094	**753,276**	788,094
Certificates of deposit	**8,780**	11,210	**8,780**	11,210
Convertible corporate bonds	**48,307**	46,784	**48,307**	46,784
Private placement note	**1,026**	1,026	**–**	–
Corporate bonds	**10,461**	10,300	**–**	–
Super short-term commercial paper	**–**	1,001	**–**	–
Mid-term note	**917**	813	**–**	–
Total	**1,158,007**	1,120,116	**1,135,534**	1,089,480

Note: Debt securities issued by the Group include financial bonds, tier two capital bonds, interbank certificates of deposit, certificates of deposit and convertible corporate bonds. Tier two capital bonds are issued by commercial banks and their subsidiaries to supplement the secondary capital. Tier two capital bonds and long-term subordinated bonds are in the same liquidation sequence.

Details of debt securities issued are as follows:

Unit: RMB million

Category of bonds	Issuing date	Frequency of interest payment	The Group 2022	The Bank 2022
Financial bonds				
20 CIB small and micro enterprise bond 01(1)	2020–04–28	Yearly	23,000	23,000
20 CIB small and micro enterprise bond 02(1)	2020–04–28	Yearly	7,000	7,000
20 CIB small and micro enterprise bond 03(1)	2020–05–25	Yearly	22,000	22,000
20 CIB small and micro enterprise bond 04(1)	2020–05–25	Yearly	5,000	5,000
20 CIB small and micro enterprise bond 05(1)	2020–08–11	Yearly	23,000	23,000
CIB BOND 2022 01(2)	2022–03–10	Yearly	10,000	10,000
CIB BOND 2022 02(2)	2022–03–10	Yearly	30,000	30,000
CIB BOND 2022 03(2)	2022–04–01	Yearly	11,500	11,500
CIB BOND 2022 04(2)	2022–08–01	Yearly	20,000	20,000
USD medium-term notes(3)	2018–03–05	Semi-annually	1,741	1,741
USD medium-term notes(3)	2018–03–05	Quarterly	3,482	3,482
USD Interbank certificates of deposit(3)	2020–11–06	Semi-annually	3,134	3,134
USD green financial bond 01(3)	2021–06–10	Semi-annually	4,179	4,179
HKD green financial bond 01(3)	2021–06–10	Semi-annually	2,233	2,233
USD green financial bond 02(3)	2022–05–18	Semi-annually	4,527	4,527
20 CIB consumer financial debt 01(4)	2020–08–18	Yearly	2,000	–
21 CIB consumer financial debt 01(4)	2021–03–02	Yearly	1,500	–
21 CIB consumer financial debt 02(4)	2021–10–12	Yearly	1,399	–
21 CIB leasing green debt 01(5)	2021–06–02	Yearly	3,500	–
21 CIB leasing green debt 02(5)	2021–06–16	Yearly	1,500	–
Interest accrued			2,843	2,663
Less: unamortised issuance cost			(78)	(68)
Subtotal			183,460	173,391
Tier two capital bonds				
19 CIB secondary 01(6)	2019–08–23	Yearly	30,000	30,000
19 CIB secondary 02(6)	2019–09–17	Yearly	20,000	20,000
21 CIB secondary 01(6)	2021–10–21	Yearly	30,000	30,000
21 CIB secondary 02(6)	2021–11–23	Yearly	40,000	40,000
21 CIB secondary 03(6)	2021–11–23	Yearly	5,000	5,000
22 CIB secondary 01(6)	2022–01–12	Yearly	25,000	25,000
Interest accrued			1,880	1,880
Less: unamortised issuance cost			(100)	(100)
Subtotal			151,780	151,780

Unit: RMB million

			The Group	The Bank
Category of bonds	Issuing date	Frequency of interest payment	2022	2022
Interbank certificates of deposit				
Par value of interbank certificates of deposit (7)	/	/	758,863	758,863
Interest accrued			2	2
Less: unamortised issuance cost			(5,589)	(5,589)
Subtotal			753,276	753,276
Certificates of deposit				
Par value of certificates of deposit (8)	/	/	8,867	8,867
Interest accrued			4	4
Less: unamortised issuance cost			(91)	(91)
Subtotal			8,780	8,780
Convertible corporate bonds				
CIB convertible corporate bonds (9)	2021-12-27	Yearly	48,304	48,304
Interest accrued			3	3
Subtotal			48,307	48,307
Private placement note				
20 CIAMC PPN001(10)	2020-03-09	Yearly	500	–
20 CIAMC PPN002(10)	2020-04-20	Yearly	500	–
Interest accrued			26	–
Subtotal			1,026	–
Corporate bonds				
20 CIAMC 02(11)	2020-03-18	Yearly	450	–
20 CIAMC 04(11)	2020-08-19	Yearly	600	–
21 CIAMC 01(11)	2021-08-11	Yearly	600	–
21 CIAMC 02(11)	2021-11-01	Yearly	500	–
22 CIAMC 01(11)	2022-03-07	Yearly	900	–
20 CIIT 01(12)	2020-03-13	Yearly	1,500	–
20 CIIT 02(12)	2020-07-27	Yearly	3,100	–
21 CIIT 01(12)	2021-03-26	Yearly	1,400	–
22 CIIT 01(12)	2022-12-22	Yearly	1,200	–
Interest accrued			217	–
Less: unamortised issuance cost			(6)	–
Subtotal			10,461	–

Unit: RMB million

Category of bonds	Issuing date	Frequency of interest payment	The Group 2022	The Bank 2022
Mid-term note				
21 CIAMC MTN001(13)	2021–07–07	Yearly	900	–
Interest accrued			17	–
Subtotal			917	–
Total			1,158,007	1,135,534

(1)In April 2020, the Group issued RMB23 billion 3-year fixed-rate and RMB7 billion 5-year fixed-rate small-and-micro enterprise bonds, with annual interest rates of 2.17% and 2.67%, respectively. In May 2020, the Group issued RMB22 billion 3-year fixed-rate and RMB5 billion 5-year fixed-rate small-and-micro enterprise bonds, with annual interest rates of 2.58% and 2.95%, respectively. In August 2020, the Group issued RMB23 billion 3-year fixed-rate small-and-micro enterprise bonds, with an annual interest rate of 3.45%.

(2)In March 2022, the Group issued RMB10 billion 3-year fixed-rate and RMB30 billion 3-year fixed-rate financial bonds, with annual interest rates of 3.00% and 2.96%, respectively. In April 2022, the Group issued RMB11.5 billion 3-year fixed-rate financial bonds, with an annual interest rate of 2.94%. In August 2022, the Group issued RMB20 billion 3-year fixed-rate financial bonds, with an annual interest rate of 2.54%.

(3)In March 2018, the Hong Kong branch of the Bank issued USD250 million 5-year fixed-rate medium-term notes and USD500 million 5-year fixed-rate medium-term notes, with an annual interest rate of 3.75% and 105 basis points over the 3-month LIBOR, respectively; in November 2020, the Hong Kong branch of the Bank issued USD450 million 3-year interbank certificates of deposit, with annual interest rates of 1.125%; in June 2021, the Hong Kong branch of the Bank issued USD600 million 3-year fixed-rate USD green financial bonds and HKD2.5 billion 3-year fixed-rate HKD green financial bonds, with annual interest rates of 0.875% and 0.75%, respectively. In May 2022, the Hong Kong branch of the Bank issued USD650 million 3-year fixed-rate USD green financial bonds, with annual interest rates of 3.25%.

(4)In August 2020, March 2021 and October 2021, the Group'S subsidiary Industrial Consumer Finance Co., Ltd. respectively issued RMB2 billion, RMB1.5 billion and RMB1.5 billion 3-year fixed-rate RMB financial bonds, with annual interest rates of 3.70%, 3.85% and 3.45%. As of 31 December 2021, the "21 CIB consumer financial debt 02" amounting to RMB101 million issued by Industrial Consumer Finance Co., Ltd. was held by the Bank.

(5)In June 2021, the Group'S subsidiary Industrial Financial Leasing Co., Ltd. issued RMB3.5 billion and RMB1.5 billion 3-year fixed-rate green financial bonds with annual interest rates of 3.42% and 3.49%.

(6)In August 2019 and September 2019, the Group respectively issued RMB30 billion and RMB20 billion fixed-rate tier two capital bonds with 10-year maturity and an issuer'S redemption right at the end of the fifth year. During the tenure of the bonds, the annual interest rates remain at 4.15% and 4.12%. In October 2021 and November 2021, the Group respectively issued RMB30 billion and RMB40 billion fixed-rate tier two capital bonds with 10-year maturity and an issuer'S redemption right at the end of the fifth year. During the tenure of the bonds, the annual interest rates remain at 3.83% and 3.62%. In November 2021, the Group issued RMB5 billion fixed-rate tier two capital bonds with 15-year maturity and an issuer'S redemption right at the end of the tenth year. During the tenure of the bonds, the annual interest rate remains at 3.85%. In January 2022, the Group issued RMB25 billion fixed-rate tier two capital bonds with 10-year maturity and an issuer'S redemption right at the end of the fifth year. During the tenure of the bonds, the annual interest rate remains at 3.45%.

(7)As at 31 December 2022, the Group had 314 unpaid interbank certificates of deposit with par value of RMB758,863 million in total, including 9 USD interbank certificates of deposit, of which the issued par value is USD602 million (RMB4,193 million) and the terms are within 1 year, and 305 RMB interbank certificates of deposit, of which the issued par value is RMB 754,670 million and the terms are within 1 year. The annual interest rates are from 1.45% to 2.65%. Except for the interest of 1 interest-bearing debt being paid quarterly, the interest of the rest is paid upon maturity.

(8)As at 31 December 2022, Hong Kong branch had 16 unpaid certificates of deposit with par value of RMB8,867 million in total and the terms are within 1 year. The par value of 6 USD certificates is USD505 million (RMB3,517 million). The par value of 10 RMB certificates is RMB5,350 million. The annual interest rates are from 0% to 2.35%. Except for the interest of 4 interest-bearing debts being paid quarterly, the interest of the rest certificates is paid upon maturity.

(9)Approved by relevant regulatory agencies, the Bank issued RMB50 billion of 500 million A-shares convertible corporate bonds publicly with face value of RMB100 per share (hereinafter referred to as “convertible bonds”) on 27 December 2021. The duration of the convertible bonds is 6 years, which is from 27 December 2021 to 26 December 2027. The coupon rate of the convertible bonds is 0.2% in the first year, 0.4% in the second year, 1.0% in the third year, 1.5% in the fourth year, 2.3% in the fifth year and 3.0% in the sixth year. Within five trading days after the expiration of the convertible bonds issued, the Bank will redeem all unconverted bonds at the price of 109% of the face value of the convertible bonds issued (including the last annual interest). Convertible bonds holders may, within the period from the first trading day subsequent to six months after the end of the issuance to the maturity date of the convertible bonds (hereinafter referred to as the “conversion period”), which is 30 June 2022 to 26 December 2027 (in case of statutory holidays or weekends, the conversion period is extended to the next first weekday; interest paid during the deferred period will not be calculated separately), convert the convertible bonds held into ordinary shares of the Bank according to the agreed clauses.

The initial conversion price is RMB25.51 per share. After the issuance, if the Bank changes its shares due to the issuance of share dividends, conversion of share capital, additional issuance of new shares or allotment of shares (excluding the increase of share capital resulting from the conversion of convertible bonds issued) and distributes cash dividends, the Bank will adjust the conversion price according to the offering terms in accordance with the principles of equity, justice and fairness and the principle of fully protecting the rights and interests of the convertible bond holders. On 16 June 2022, the Bank adjusted the conversion price to RMB24.48 per share due to the 2021 A-shares ordinary share profit distribution.

The convertible bonds include conditional redemption clauses: during the conversion period, if the closing price of the Bank'S A-share stocks for at least 15 trading days in any 30 consecutive trading days is not less than 130% (including 130%) of the current conversion price, the Bank has the right to redeem all or part of the unconverted convertible bonds at the price of the bond'S face value plus accrued interest. If a conversion price adjustment occurs due to ex-rights or ex-dividends within the aforementioned 30 trading days, on trading days before adjustment, it is calculated according to the conversion price and the closing price before adjustment. On subsequent trading days, it is calculated based on the conversion price and the closing price after adjustment. In addition, when the total par value of the unconverted convertible bonds issued is less than RMB30 million, the Bank has the right to redeem all the unconverted convertible bonds at the face value plus the interest accrued in the current period.

As of 31 December 2022, a total of RMB1.5 million of convertible bonds have been converted into A-share ordinary shares of the Bank, with a cumulative number of 62,177 shares.

Equity and liability components of the convertible bonds issued by the Group and the Bank are allocated as follows:

Unit: RMB million

	Liability components	Equity compoents (Note VII, 28)	Total
Issuing amounts of convertible corporate bonds	46,837	3,163	50,000
Direct trading fees	(75)	(5)	(80)
Balance at the issue date	46,762	3,158	49,920
Amortisation	22	–	22
As of January 1 2021	46,784	3,158	49,942
Amortisation	1,521	–	1,521
Conversion of shares	(1)	–	(1)
As of December 31 2022	48,304	3,158	51,462

(10)In March 2020 and April 2020, China Industrial Asset Management Co., Ltd., a subsidiary of China Industrial International Trust Limited, the Group'S subsidiary, issued RMB500 million and RMB500 million 3-year fixed-rate placement notes, with annual interest rates of 3.59% and 3.19%, respectively.

(11)In March 2020 and August 2020, China Industrial Asset Management Co., Ltd., a subsidiary of China Industrial International Trust Limited, the Group'S subsidiary, issued RMB450 million and RMB600 million 3-year fixed-rate corporate bonds with annual interest rates of 3.65% and 4.00%, respectively. In August 2021 and November 2021, it issued RMB600 million and RMB500 million 3-year fixed-rate corporate bonds with annual interest rates of 3.40% and 3.60%, respectively. In March 2022, it issued RMB900 million 3-year fixed rate corporate bonds with an annual interest rate of 3.30%.

(12)In March 2020 and July 2020, CIIT Asset Management Co., Ltd., a subsidiary of China Industrial International Trust Limited, the Group'S subsidiary, issued RMB1,500 million and RMB3,100 million 3+2-year fixed-rate corporate bonds with annual interest rates of 3.50% and 4.38%, respectively. In March 2021, it issued RMB1,500 million 3+2-year fixed-rate corporate bonds with an annual interest rate of 4.60%. In December 2022, it issued RMB1,500 million 3+2-year fixed-rate corporate bonds with annual interest rate of 4.90%. As at 31 December 2022, the Bank holds "21 CIIT 01" of RMB100 million and "22 CIIT 01" of RMB300 million, issued by CIIT Asset Management Co., Ltd..

(13)In July 2021, China Industrial Asset Management Co., Ltd., a subsidiary of China Industrial International Trust Limited, the Group'S subsidiary, issued RMB 1 billion 3-year fixed-rate medium-term note with an annual interest rate of 3.82%. As at 31 December 2022, the Bank holds "21 CIAMC MTN001" amounting to RMB 100 million issued by China Industrial Asset Management Co., Ltd..

25.Lease liabilites

Unit: RMB million

	The Group		The Bank	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Due within 1 year	**2,593**	2,477	**2,415**	2,408
1-5 years	**6,134**	6,011	**5,773**	5,637
Due over 5 years	**1,341**	1,296	**1,139**	1,161
Closing balance of undiscounted lease liabilities	**10,068**	9,784	**9,327**	9,206
Lease liabilities	**9,296**	9,053	**8,622**	8,488

26.Other liabilites

Unit: RMB million

	The Group		The Bank	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Continuing involvement liabilities (Note XII, 3.1)	**11,427**	12,191	**11,314**	11,314
Items in the process of clearance and settlement	**15,592**	13,842	**3,023**	1,854
Other accounts payable	**12,943**	13,777	**10,645**	11,207
Advance collection of financial leasing funds	**588**	1,596	**–**	–
Notes payable	**9,706**	4,423	**–**	–
Contract liabilities	**870**	931	**870**	931
Deferred income	**1,010**	1,224	**497**	379
Others	**11,951**	1,340	**11,186**	483
Total	**64,087**	49,324	**37,535**	26,168

27.Share capital

Unit: RMB million

	The Group and the Bank		
	1 January 2022	Change for the period	31 December 2022
Shares without limited sales restrictions RMB ordinary shares (A shares)	**19,615**	**1,159**	**20,774**
Shares with limited sales restrictions RMB ordinary shares (A shares)	**1,159**	**(1,159)**	**–**
Total shares	**20,774**	**–**	**20,774**

As at 31 December 2022, the share capital of the Bank is RMB20,774 million (31 December 2021: RMB20,774 million) with par value of RMB 1 per share.

28.Other equity instruments

Unit: RMB million

		The Group and the Bank	
	Note	31 December 2022	31 December 2021
Equity components of convertible corporate bonds	28.1	**3,158**	3,158
Preference shares	28.2	**55,842**	55,842
Perpetual bonds	28.3	**29,960**	29,960
Total		**88,960**	88,960

28.1 As of 31 December 2022, the equity components of convertible corporate bonds issued by the Bank are RMB3,158 million (as of 31 December 2021: RMB3,158 million), and detail refers to Note VII, 24 (9).

28.2 Preference shares

The Group and the Bank									
Outstanding financial instrument	Issue Date	Classification	Rate	Issue price RMB / share	Quantity million share	Amount in millions of RMB	Maturity date	Conversion condition	Conversion
Outstanding preference shares									
Preference shares	December 2014	Equity instrument	Note 1	100	130	13,000	N/A	Note 4	N/A
Preference shares	June 2015	Equity instrument	Note 2	100	130	13,000	N/A	Note 4	N/A
Preference shares	April 2019	Equity instrument	Note 3	100	300	30,000	N/A	Note 4	N/A

Note 1: For the initial issuance of the preference shares ("Xing Ye You 1"), every five years was an interest-bearing cycle starting from the payment deadline (i.e. 8 December 2014). The dividend rate was the same in every interest-bearing cycle. The dividend rate of preference shares of this issuance was the sum of benchmark interest rate and basic interest rate. The benchmark interest rate was adjusted every 5 years from the deadline for payment of preference shares issued. The basic spread was the dividend rate of first cycle deducting the benchmark interest rate, i.e. 2.55%. The basic spread would no longer be adjusted after the issuance. The subsequent coupon interest rate was determined by the current benchmark interest rate plus the basis spread. The benchmark interest rate of current interest-bearing cycle is national debt (which period before payment is for 5 years) YTM'S arithmetic mean (rounded to 0.01%), from the fixed-rate national debt yield curve in Bank Debt published on www.chinabond.com.cn (or any other websites approved by Central Securities Depository Trust and Clearing Corporation Limited), 20 days before benchmark interest rate adjustment date, the date of each 5 years of the deadline for payment of preference shares issued (which is 8 December). If the YTM regarding treasury bonds, with 5-year remaining terms is not available on the benchmark interest adjustment date, the Bank will negotiate with the investors to determine the subsequent benchmark interest rate or its determining principles at the request of the regulatory authorities.

In December 2019, the dividend yield ratio of the "Xing Ye You 1" preferred stock for the second dividend period was adjusted in accordance with relevant provisions in the Prospectus. The current benchmark interest rate was the arithmetic mean (i.e. 3.00% rounded to 0.01%) of the yield to maturity of the 5-year treasury bonds within the ChinaBond treasury bond yield curve (previously known as the ChinaBond interbank fixed interest rate treasury bond yield curve) in the 20 trading days (excluding the benchmark interest rate adjustment date) prior to the current benchmark interest rate adjustment date (8 December 2019) published on www.chinabond.com.cn or other websites recognised by China Central Depository & Clearing Co., Ltd., and the basic spread was 2.55%. Therefore, the dividend yield ratio of "Xing Ye You 1" for the second dividend period was changed to 5.55% from 8 December 2019.

Note 2: For the second issuance of the preference shares ("Xing Ye You 2"), every five years was an interest-bearing cycle starting from the payment deadline (i.e. 24 June 2015). The dividend rate was the same in every interest-bearing cycle. The dividend rate of preference shares of this issuance was the sum of benchmark interest rate and basic interest rate. The benchmark interest rate was adjusted every 5 years from the deadline for payment of preference shares issued. The basic spread was the dividend rate of first cycle deducting the benchmark interest rate, i.e. 2.15%. The basic spread would no longer be adjusted after the issuance. The subsequent coupon interest rate was determined by the current benchmark interest rate plus the basis spread, the benchmark interest rate of current interest-bearing cycle is national debt (which period before payment is for 5 years) YTM'S arithmetic mean (rounded to 0.01%), from the fixed-rate national debt yield curve in Bank Debt published on www.chinabond.com.cn (or any other websites approved by Central Securities Depository Trust and Clearing Corporation Limited), 20 days before benchmark interest rate adjustment date, the date of each 5 years of the deadline for payment of preference shares issued (which is 24 June). If the YTM regarding treasury bonds, with 5-year remaining terms is not available on the benchmark interest adjustment date, the Bank will negotiate with the investors to determine the subsequent benchmark interest rate or its determining principles at the request of the regulatory authorities.

In June 2020, the dividend yield ratio of the “Xing Ye You 2” preferred stock for the second dividend period was adjusted in accordance with relevant provisions in the Prospectus. The current benchmark interest rate was the arithmetic mean (i.e. 2.48% rounded to 0.01%) of the yield to maturity of the 5-year treasury bond within the ChinaBond treasury bond yield curve (previously known as the ChinaBond interbank fixed interest rate treasury bond yield curve) in the 20 trading days (excluding the benchmark interest rate adjustment date) prior to the current benchmark interest rate adjustment date (24 June 2020) published on www.chinabond.com.cn or other websites recognised by China Central Depository & Clearing Co., Ltd., and the basic spread was 2.15%. Therefore, the dividend yield ratio of “Xing Ye You 2” for the second dividend period was changed to 4.63% from 24 June 2020.

Note 3: For the preference shares (“Xing Ye You 3”) issued in 2019, every five years was an interest-bearing cycle starting from the payment deadline (i.e. 10 April 2019). The dividend rate was the same in every interest-bearing cycle. The dividend rate of first cycle was determined as 4.90% through inquiry by the Board of Directors authorised by shareholders' meeting and was in accordance with factors such as national policy, market conditions, specific circumstances of the Bank and requirements from investors at that time. The dividend rate of preference shares of this issuance was the sum of benchmark interest rate and basic interest rate. The benchmark interest rate of the first interest-bearing cycle (i.e. 3.06%, rounded to 0.01%) was determined by calculating the arithmetic mean of 20 trading days (before 10 April 2019) of the YTM regarding treasury bonds, with 5-year remaining terms. The data was obtained from the interbank fixed-rate treasury bond yield curve published by ChinaBond Information Website (or any other websites approved by Central Securities Depository Trust and Clearing Corporation Limited). The benchmark interest rate was adjusted every 5 years from the deadline for payment of preference shares issued. The basic spread was the dividend rate of first cycle deducting the benchmark interest rate, i.e. 1.84%. The basic spread would no longer be adjusted after the issuance. The subsequent coupon interest rate was determined by the current benchmark interest rate plus the basis spread. The benchmark interest rate of current interest-bearing cycle was determined by calculating the arithmetic mean of 20 trading days (before the benchmark interest adjustment date) of the YTM regarding treasury bonds, with 5-year remaining terms (rounded to 0.01%). If the YTM regarding treasury bonds, with 5-year remaining terms is not available on the benchmark interest adjustment date, the Bank will negotiate with the investors to determine the subsequent benchmark interest rate or its determining principles at the request of the regulatory authorities.

Note 4: When the Bank'S core tier 1 capital adequacy ratio falls to 5.125%, the preference shares issued this time will be completely converted to A shares of ordinary shares with the mandatory price after the examination and determination made by CBIRC in accordance with the relevant requirements of CBIRC. The conversion is irrevocable.

When triggered events of the secondary capital instruments (unable to survive) issued by the Bank occur, the preference shares issued this time will be completely converted to A shares of ordinary shares with the mandatory price after the examination and determination made by CBIRC in accordance with the relevant requirements of CBIRC. The conversion is irrevocable. The secondary capital instruments triggering event is the earlier of the following two situations: 1) CBIRC considers the Bank unable to survive without conversion or written off; 2) Relevant departments consider the Bank unable to survive without the contribution from public departments or the support of the same effect.

(i) The principal terms of disclosure

The Bank will pay preference shares dividends in cash. The preference shares of this issuance use a non-cumulative dividend payment, which means a dividend that is not paid in full to preference shareholders will not accumulate to the next interest-bearing year. After the preference shareholders obtain distribution in accordance with the agreed dividend rate, they can no longer participate in the distribution of remaining profits with ordinary shareholders.

Under the premise of ensuring the capital adequacy ratio to satisfy the regulatory requirements, if there still are retained earnings in the Bank'S financial statements calibre after covering losses, extracting statutory reserve and general reserve, the Bank could allocate dividends to preference shareholders. The priority of preference shareholders is higher than ordinary shareholders in dividend distribution. Payment of preference shares dividends is neither linked to ratings of the Bank, nor adjusted with the rating changes. The Bank can cancel payment of preference shares dividends in any case, which does not constitute an event of default. The Bank is entitled to arrange cancelled payment of preference shares dividends as repayment of other matured debts. Cancelling payment of dividends shall not constitute any further restrictions on the Bank except restrictions on profit distribution of ordinary shares. When the Bank exercises the aforesaid rights, it will take full account of the interests of preference shareholders. If payment of preference shares dividend is wholly or partly cancelled, the Bank shall not pay ordinary share dividend for the fiscal year.

The right of redemption for preference shares of this issuance belongs to the Bank. The Bank may exercise the right of redemption under the premise of obtaining CBIRC'S approval. The Bank'S preference shareholders do not have the right to request redemption of preference shares and should not expect that the preference shares will be redeemed.

The initial mandatory conversion price of the preference shares of this issuance is the arithmetic mean of 20 trading days of the Bank'S A shares of ordinary shares before issuance of Board resolution which approved the issuance of the preference shares. Since the issuance plan of the preference shares is approved by the Bank'S Board of Directors, when the Bank'S shares change with the delivery of stock dividend, transfer of reserve to share capital, issuance of new shares (not including any share capital from conversion of financing instruments with terms that they could be converted to ordinary shares) or the allotment of shares, the mandatory conversion price of the preference shares will be accumulatively adjusted in turn in accordance with the established formula, and disclose relevant information in accordance with the provisions.

The Bank'S preference shareholders are entitled to priority over ordinary shareholders of the remaining property distribution. The amount paid off is the sum of the neither cancelled nor paid dividends and the nominal amount of the preference shares; if it can not be paid in full, the remaining property will be distributed in proportion to preference shares.

(ii) Changes in outstanding preference shares are as follows:

The preferred shares issued by the Group and the Bank remained unchanged during the period.

	1 January 2022		Additional/Less		31 December 2022	
	Quantity Million	Book value in millions of RMB	Quantity Million	Book value in millions of RMB	Quantity Million	Book value in millions of RMB
Issuing Preference Shares						
Preference shares	**560**	**56,000**	–	–	**560**	**56,000**
Issue cost	–	(158)	–	–	–	(158)
Total	**560**	**55,842**	–	–	**560**	**55,842**

28.3 Perpetual bonds

The Group and the Bank

Outstanding financial instrument	Issue Date	Classification	Rate	Issue price RMB/ share	Quantity million share	Amount in millions of RMB	Maturity date	Conversion condition	Conversion
Issuing Perpetual bonds									
Perpetual Bonds	October 2020	Equity instrument	Note 1	100	300	30,000	N/A	N/A	N/A

Note 1: Approved by the relevant regulators, the Bank issued the Non-fixed-term Capital Bonds of Industrial Bank Co., Ltd. (Perpetual bonds or "the Bonds") in the national inter-bank bond market on 13 October 2020. The Bank completed book keeping and the issuance of the Bonds on 13 October 2020 and 15 October 2020, respectively. The Bonds have a par value of RMB100 per unit and a coupon rate of 4.73% for the first five years. The coupon rate will be adjusted every five years, and the issuer shall have a conditional redemption right on every dividend payment date from the fifth year onwards. Proceeds from the issuance of the Bonds will be used to replenish Additional tier 1 capital of the Bank in accordance with the applicable laws and the approval of the competent authorities.

(i) The principal terms of disclosure

The Bonds will keep continuing so long as the Bank'S business continues operating. The Bonds set conditional redemption rights for the issuer. Specifically, from the fifth anniversary since the issuance, the Bank can redeem the Bonds, in whole or in part, on each dividend payment date (including the fifth dividend payment date since the issuance).

The coupon rate of the Bonds will be adjusted at defined intervals, with an adjustment period every five years from the payment due date. The dividend shall be paid at the same agreed rate in each adjustment period of coupon rate. The coupon rate at the time of issuance is determined by book keeping and centralised allotment.

The claims in respect of the Bonds will be subordinated to the claims of depositors, general creditors, and subordinated debts that rank senior to the Bonds; and will rank in priority to all classes of shares held by the Bank'S shareholders and rank pari passu with the claims in respect of additional tier 1 capital instruments of the Bank that rank pari passu with the Bonds.

If a Non-Viability Trigger Event occurs (see Note VII, 28.2.4), the Bank has the right to write off, in whole or in part, the principal amount of the Bonds without the need for the consent of the Bondholders. The amount of the write-off shall be determined by the ratio of the outstanding principal amount of the Bonds to the aggregate outstanding principal amount of all additional tier 1 capital instruments under the identical trigger event.

The dividends on the Bonds are non-cumulative, any dividends unpaid to the Bondholders in full by the Bank will not accumulate or compound to the subsequent distribution period. The Bank has the right to cancel, in whole or in part, dividends on the Bonds and any such cancellation shall not constitute an event of default.

According to the applicable laws and approval of the competent authorities, the net proceeds from the issuance of the Bonds after deducting issuance costs will be used to replenish the additional tier 1 capital of the Bank.

(ii) Changes in outstanding perpetual bonds are as follows:

The perpetual bonds issued by the Group and the Bank remained unchanged during the period.

	1 January 2022		Additional/Less		31 December 2022	
	Quantity Million	Book value in millions of RMB	Quantity Million	Book value in millions of RMB	Quantity Million	Book value in millions of RMB
Issuing Perpetual bonds						
Perpetual bonds	**300**	**30,000**	**–**	**–**	**300**	**30,000**
Issue cost	**–**	**(40)**	**–**	**–**	**–**	**(40)**
Total	**300**	**29,960**	**–**	**–**	**300**	**29,960**

As at 31 December 2022, the above-mentioned other equity instruments supplement tier 1 capital amounted to RMB88,960 million.

28.4 Attribution to holders of equity instrument:

Unit: RMB million

	The Group	
	2022	2021
Equities attributable to shareholders of the Bank	**746,187**	684,111
Equities attributable to ordinary shareholders of the Bank	**660,385**	598,309
Equities attributable to shareholders of other equity instruments of the Bank	**85,802**	85,802
Equity attributable to non-controlling shareholders	**11,111**	10,187
Equity attributable to non-controlling ordinary shareholders	**9,325**	8,297
Equity attributable to non-controlling shareholders of other equity instruments	**1,786**	1,890

29.Capital reserve

Unit: RMB million

	The Group				The Bank			
	1 January 2022	Increase	Decrease	31 December 2022	1 January 2022	Increase	Decrease	31 December 2022
Share premium	**74,881**	**–**	**–**	**74,881**	**75,227**	**–**	**–**	**75,227**
Others	**33**	**1**	**(6)**	**28**	**33**	**1**	**–**	**34**
Total	**74,914**	**1**	**(6)**	**74,909**	**75,260**	**1**	**–**	**75,261**

30.Surplus reserve

Unit: RMB million

	The Group and the Bank	
	2022	2021
Statutory surplus reserve	**10,387**	10,387
Discretionary surplus reserve	**297**	297
Total	**10,684**	10,684

Under relevant PRC law, the Bank is required to transfer 10% of its net profit to a non-distributable statutory surplus reserve. Appropriation to the statutory surplus reserve may cease when the balance of this reserve has reached 50% of share capital. As of 31 December 2022, the Bank ceased to make appropriations to the statutory surplus reserves since the balance of them has reached 50% of the share capital of the Bank.

31.General reserve

Unit: RMB million

	The Group		The Bank	
	2022	2021	2022	2021
General reserve	**108,957**	97,944	**99,952**	91,176

Pursuant to (Cai Jin [2012] No.20) Measures on General Provision for Bad and Doubtful Debts for Financial Institutions promulgated by the MOF, the Bank is required to transfer a certain percentage of its net profit to establish and maintain a general reserve within shareholders' equity, through the appropriation of profit to address unidentified potential impairment losses. In principle, the general reserve, accounted as profit distribution, should not be lower than 1.5% of the closing balance of gross risk-bearing assets since it is a part of shareholders' equity. Gross risk-bearing assets include Loans and advances to customers, Debt investments, Other debt investments, Other equity investments, Long-term equity investments, Deposits with banks and other financial institutions, Placements with banks and other financial institutions, Foreclosed assets and Other receivables and so forth. The subsidiaries of the Bank determine the general reserve according to the regulation.

32.Retained earnings

Unit: RMB million

	The Group		The Bank	
	2022	2021	2022	2021
Opening balance	**387,976**	336,626	**362,865**	315,799
Net profit	**91,377**	82,680	**86,057**	75,781
Appropriations to general reserve	**(11,013)**	(10,409)	**(8,776)**	(7,794)
Dividends distribution of ordinary shares	**(21,501)**	(16,661)	**(21,501)**	(16,661)
Dividends distribution of preference shares	**(2,793)**	(2,841)	**(2,793)**	(2,841)
Interest expense of perpetual bonds	**(1,419)**	(1,419)	**(1,419)**	(1,419)
Closing balance	**442,627**	387,976	**414,433**	362,865

32.1 “2022 Profit Distribution Proposal of the Bank” approved by the Board of Directors on 30 March 2023 and will be submitted for approval by the annual general meeting is as follows :

(i) Appropriation of RMB8,776 million to general reserve. As at 31 December 2022, the proposed appropriation of general reserve has been included in the general reserve.

(ii) The Bank has issued a total of 560 million preference shares (Preference shares 1, 2 and 3) with a par value of $100 per share, interest payable in cash once a fiscal year. For the year ended 31 December 2022, the dividends payable of preference shares are RMB2,793 million (tax inclusive) in total.

(iii) Distribute cash dividends of RMB11.88 per 10 shares (tax inclusive) on the basis of ordinary shares of the Bank on the record date for implementation of the profit appropriation.

The above profit distribution plan has not been approved by the Annual General Meeting of the Bank. The accounting treatment of dividend distribution scheme before the approval is not carried out.

32.2 “2021 Profit Distribution Proposal of the Bank” approved by the Board of Directors on 24 March 2022 and approved by the Annual General Meeting on 27 May 2022 is as follows :

(i) Appropriation of RMB7,794 million to general reserve. As at 31 December 2021, the proposed appropriation of general reserve has been included in the general reserve.

(ii) Distribute cash dividends of RMB10.35 per 10 shares (tax inclusive) on the basis of 20,774,190,751 ordinary shares of the Bank at the issuance date of the financial statements for the year ended 31 December 2021.

(iii) The Bank has issued a total of 560 million preferred shares with a par value of $100 per share, interest payable in cash once a fiscal year. As at 31 December 2022, the dividends payable of preference shares are RMB2,793 million (tax inclusive) in total.

As at 31 December 2022, the above-mentioned dividend distribution has been completed.

32.3 Surplus reserve appropriated by subsidiaries

As at 31 December 2022, the balance of the Group'S retained earnings includes surplus reserve appropriated by subsidiaries amounting to RMB3,970 million (31 December 2021: RMB3,217 million).

33.Net interest income

Unit: RMB million

	The Group		The Bank	
	2022	2021	2022	2021
Interest income				
Balances with Central Bank	**5,656**	5,641	**5,656**	5,640
Deposits with banks and other financial institutions	**1,426**	1,762	**1,282**	1,528
Placements with banks and other financial institutions	**10,761**	8,722	**11,327**	9,075
Financial assets purchased under resale agreements	**3,971**	2,475	**3,956**	2,455
Loans and advances to customers	**225,468**	211,807	**213,791**	202,244
Including: Corporate	**103,084**	96,106	**103,273**	96,304
Personal	**116,311**	109,891	**104,445**	100,130
Discounted bills	**6,073**	5,810	**6,073**	5,810
Bonds and other investment	**76,258**	79,370	**74,817**	77,052
Finance lease receivables	**5,034**	5,274	**–**	–
Others	**172**	107	**52**	19
Subtotal	**328,746**	315,158	**310,881**	298,013
Interest expense:				
Borrowing from Central Bank	**(2,495)**	(7,133)	**(2,495)**	(7,133)
Deposits from banks and other financial institutions	**(36,916)**	(33,873)	**(37,097)**	(34,010)
Placements from banks and other financial institutions	**(5,366)**	(4,230)	**(1,743)**	(463)
Financial assets sold under repurchase agreements	**(2,459)**	(2,278)	**(2,118)**	(1,913)
Deposits from customers	**(103,703)**	(90,866)	**(103,719)**	(90,882)
Debt securities issued	**(32,033)**	(30,783)	**(30,950)**	(29,424)
Others	**(501)**	(316)	**(282)**	(133)
Subtotal	**(183,473)**	(169,479)	**(178,404)**	(163,958)
Net interest income	**145,273**	145,679	**132,477**	134,055

34.Net fee and commission income

Unit: RMB million

	The Group		The Bank	
	2022	2021	2022	2021
Fee and commission income				
Consultancy and advisory fee	**19,454**	14,668	**16,034**	11,641
Bank card fee	**13,384**	13,182	**13,384**	13,182
Agency fee	**5,258**	7,153	**5,249**	7,100
Custodian fee	**3,551**	3,553	**3,551**	3,553
Settlement and clearing fee	**2,775**	2,268	**2,775**	2,268
Credit commitment fee	**1,408**	1,544	**1,408**	1,544
Transactional service fee	**570**	1,235	**570**	1,235
Trust service fee	**564**	1,099	**–**	–
Lease service fee	**421**	560	**–**	–
Others	**2,077**	2,305	**1,692**	1,857
Subtotal	**49,462**	47,567	**44,663**	42,380
Fee and commission expense	**(4,421)**	(4,887)	**(6,005)**	(6,369)
Net fee and commission income	**45,041**	42,680	**38,658**	36,011

35.Investment income

Unit: RMB million

	The Group		The Bank	
	2022	2021	2022	2021
Trading assets	**24,976**	26,691	**23,800**	26,536
Debt investments	**4,584**	1,360	**4,527**	1,355
Other debt investments	**2,671**	943	**2,671**	943
Gains from long-term equity investments under the equity method	**190**	213	**190**	211
Precious metal	**167**	(84)	**167**	(84)
Other equity investments	**50**	16	**50**	16
Dividends declared by subsidiaries	**–**	–	**495**	575
Trading liabilities	**(1,887)**	47	**(1,887)**	(60)
Derivative financial instruments	**(2,212)**	(1,990)	**(2,314)**	(2,004)
Others	**1,683**	1,282	**1,696**	1,296
Total	**30,222**	28,478	**29,395**	28,784

36.(Losses) gains from changes in fair values

Unit: RMB million

	The Group		The Bank	
	2022	2021	2022	2021
Trading liabilities	**2**	(298)	**2**	(297)
Precious metals	**–**	(133)	**–**	(133)
Trading assets	**(3,670)**	4,422	**(3,862)**	3,312
Derivative financial instruments and others	**3,037**	(1,813)	**3,037**	(1,897)
Total	**(631)**	2,178	**(823)**	985

37.Taxes and surcharges

Unit: RMB million

	The Group		The Bank	
	2022	2021	2022	2021
City maintenance and construction tax	**1,109**	1,075	**1,021**	984
Education surcharge	**766**	739	**708**	679
Others	**403**	393	**342**	353
Total	**2,278**	2,207	**2,071**	2,016

38.General and administrative expenses

Unit: RMB million

	The Group		The Bank	
	2022	2021	2022	2021
Employee benefits	**38,196**	34,689	**34,351**	31,306
Lease expenses	**162**	430	**179**	415
Depreciation and amortisation	**6,480**	5,551	**5,852**	5,288
Others	**20,005**	14,798	**19,965**	14,624
Total	**64,843**	55,468	**60,347**	51,633

39.Credit impairment losses

Unit: RMB million

	The Group		The Bank	
	2022	2021	2022	2021
Loans and advances to customers	**37,819**	45,484	**32,945**	42,246
Debt investments	**9,572**	20,931	**7,046**	19,808
Other debt investments	**701**	356	**711**	410
Finance lease receivables	**(204)**	(154)	**–**	–
Impairment loss for off-balance-sheet assets	**2,936**	(1,309)	**2,936**	(1,309)
Others	**(2,232)**	1,533	**(2,288)**	1,460
Total	**48,592**	66,841	**41,350**	62,615

40.Income tax expenses

Unit: RMB million

	The Group		The Bank	
	2022	2021	2022	2021
Current income tax	**18,317**	16,610	**14,763**	13,535
Deferred income tax	**(4,707)**	(5,324)	**(3,970)**	(5,085)
Adjustment for prior years	**197**	208	**192**	177
Total	**13,807**	11,494	**10,985**	8,627

The income tax expense of the Group and the Bank can be reconciled to the profit as follows:

Unit: RMB million

	The Group		The Bank	
	2022	2021	2022	2021
Accounting profit	**106,221**	95,310	**97,042**	84,408
Tax calculated at applicable statutory tax rate of 25%	**26,555**	23,828	**24,261**	21,102
Adjustments on income tax:				
Income not taxable for tax purpose	**(13,826)**	(15,077)	**(13,656)**	(14,892)
Expenses not deductible for tax purpose	**881**	2,535	**188**	2,240
Adjustment for prior years	**197**	208	**192**	177
Total	**13,807**	11,494	**10,985**	8,627

41.Other comprehensive income

Unit: RMB million

	The Group						
	Year ended 31 December 2022						
	1 January 2022	Amount incurred before income tax	Other comprehensive income transferred to profit and loss	Income tax expense	Attributable to shareholders of the Bank after tax	Non-controlling interests after tax	31 December 2022
Other comprehensive income that will not be subsequently classified to profit and loss							
Including: Actuarial (losses) profits on defined benefit plans	**1,806**	(145)	–	–	(145)	–	**1,661**
Fair value changes of other equity investments	**(20)**	(194)	–	48	(146)	–	**(166)**
Subtotal	**1,786**	(339)	–	48	(291)	–	**1,495**
Other comprehensive income that may be subsequently classified to profit and loss							
Including: Fair value changes of other debt investments (Note 1)	**(1,405)**	(6,618)	591	1,506	(4,519)	(2)	**(5,924)**
Credit losses on other debt investments (Note 2)	**2,474**	3,934	(2,321)	(403)	1,212	(2)	**3,686**
Translation differences of financial statements denominated in foreign currencies	**4**	15	–	–	15	–	**19**
Subtotal	**1,073**	(2,669)	(1,730)	1,103	(3,292)	(4)	**(2,219)**
Total	**2,859**	(3,008)	(1,730)	1,151	(3,583)	(4)	**(724)**

Unit: RMB million

	The Bank				
	Year ended 31 December 2022				
	1 January 2022	Amount incurred before income tax	Other comprehensive income transferred to profit and loss	Income tax expense	31 December 2022
Other comprehensive income that will not be subsequently classified to profit and loss					
Including: Actuarial (losses) profits on defined benefit plans	**1,806**	(145)	–	–	**1,661**
Fair value changes of other equity investments	**(20)**	(194)	–	48	**(166)**
Subtotal	**1,786**	(339)	–	48	**1,495**
Other comprehensive income that may be subsequently classified to profit and loss					
Including: Fair value changes of other debt investments (Note 1)	**(1,313)**	(6,617)	599	1,504	**(5,827)**
Credit losses on other debt investments (Note 2)	**2,379**	3,934	(2,312)	(405)	**3,596**
Subtotal	**1,066**	(2,683)	(1,713)	1,099	**(2,231)**
Total	**2,852**	(3,022)	(1,713)	1,147	**(736)**

Note 1: Fair value changes of other debt investments include changes in fair value of other debt investments in financial investments and issued loans and advances measured at fair value through other comprehensive income.

Note 2: Provision for credit impairments of other debt investments includes provision for impairments of other debt investments in financial investments and issued loans and advances measured at fair value through other comprehensive income.

42.Earnings per share

42.1 Basic earnings per share

Unit: RMB million

	The Group	
	2022	2021
Current net proft attributable to equity shareholders of the Bank	**91,377**	82,680
Less：Current net proft attributable to preferred shareholders of the Bank	**(2,793)**	(2,841)
Less：Current net proft attributable to perpetual bonds of the Bank	**(1,419)**	(1,419)
Current net profit attributable to ordinary shareholders of the Bank	**87,165**	78,420
Weighted average ordinary shares issued by the Bank (shares in million)	**20,774**	20,774
Basic earnings per share (RMB)	**4.20**	3.77

When calculating the earnings per share, the current net profit attributed to ordinary shareholders did not include preference shares dividends and perpetual bonds interests announced of insurance during the year ended 31 December 2022 and 31 December 2021.

42.2 Diluted earnings per share

Unit: RMB million

	The Group	
	2022	2021
Current net profit attributable to ordinary shareholders of the Bank	**87,165**	78,420
Add: Current interest charges on convertible corporate bonds (after tax)	**1,235**	16
Current net profit for calculating diluted earnings per share	**88,400**	78,436
Weighted average ordinary shares issued by the bank (shares in million)	**20,774**	20,774
Add: Weighted average of all convertible corporate bond converted into ordinary shares (shares in million)	**2,042**	—
Add: Weighted average of current ordinary shares for calculating diluted earnings per share(shares in million)	**22,816**	20,774
Diluted earnings per share(RMB)	**3.87**	3.77

The conversion characteristic of preference shares and convertible bonds enables the existence or ownership of ordinary shares to be issued. As at 31 December 2022 and 31 December 2021, there was no triggering event for the conversion of shares, and the conversion characteristics of preference shares had no impact on the calculation of the basic and diluted earnings per share for the above period.

43. Supplementary information to the cash flow statement

43.1 Reconciliation of net profit to cash flows from operating activities

Unit: RMB million

	The Group		The Bank	
	2022	2021	2022	2021
Reconciliation of net profit to cash flows from operating activities				
Net profit	**92,414**	83,816	**86,057**	75,781
Add: Allowance for impairment losses on assets	**48,620**	67,010	**41,378**	62,615
Depreciation of fixed assets	**2,491**	2,249	**2,052**	1,734
Amortisation of intangible assets	**215**	218	**197**	150
Depreciation of right-of-use assets	**2,914**	2,822	**2,780**	2,592
Amortisation of unrecognised financing fee	**325**	539	**325**	324
Amortisation of long-term prepaid expenses	**535**	529	**498**	506
(Gains) losses from disposal of fixed assets, intangible assets and other long-term assets	**(7)**	20	**(7)**	20
Interest income of bonds and other investments	**(76,258)**	(79,370)	**(74,817)**	(77,052)
Interest income of impaired financial assets	**(1,685)**	(1,747)	**(1,685)**	(1,747)
Losses (gains) from changes in fair value	**631**	(2,178)	**823**	(985)
Investment income	**(30,222)**	(28,478)	**(29,395)**	(28,784)
Interest expense for debt securities issued	**32,033**	30,783	**30,950**	29,424
Increase in deferred tax assets	**(4,474)**	(3,633)	**(3,264)**	(3,316)
Increase in deferred tax liabilities	**486**	89	**–**	–
Increase in receivables of operating activities	**(976,485)**	(912,241)	**(956,357)**	(873,248)
Increase in payables of operating activities	**563,880**	449,801	**546,331**	437,640
Net cash flow from operating activities	**(344,587)**	(389,771)	**(354,134)**	(374,346)
Net changes in cash and cash equivalents				
Closing balance of cash and cash equivalents	**404,856**	768,908	**398,084**	760,083
Less: opening balance of cash and cash equivalents	**768,908**	956,795	**760,083**	933,105
Net decrease of cash and cash equivalents	**(364,052)**	(187,887)	**(361,999)**	(173,022)

43.2 Composition of cash and cash equivalents

Cash and cash equivalents stated in consolidated cash flow statement and cash flow statement comprise:

Unit: RMB million

	The Group		The Bank	
	2022	2021	2022	2021
Cash on hand	**5,201**	5,026	**5,181**	5,026
Balances with Central Bank that can be withdrawn on demand	**79,172**	97,031	**79,163**	97,027
Original maturity less than three months:				
Deposits with banks and other financial institutions	**88,627**	53,014	**82,084**	47,470
Placements with banks and other financial institutions	**63,812**	109,759	**63,812**	108,959
Financial assets purchased under resale agreements	**56,057**	138,370	**56,057**	137,470
Investments	**111,987**	365,708	**111,787**	364,131
Closing balance of cash and cash equivalents	**404,856**	768,908	**398,084**	760,083

44.Post-employment compensation

44.1 Defined contribution plans

The Group participates in the endowment insurance, unemployment insurance plans established by the government and the annuity plan established by the Group. According to these plans, the employees' salaries are paid to the plans proportionally each month. Except for the expenses above, the Group undertakes no further payment duties. Certain expenses are charged in profit or loss of the period.

Expenses recognised in profit or loss for the period:

Unit: RMB million

	The Group		The Bank	
	2022	2021	2022	2021
Defined contribution plans	**3,218**	2,889	**2,975**	2,710

Amount of payable at the period-end:

Unit: RMB million

	The Group		The Bank	
	2022	2021	2022	2021
Defined contribution plans	**324**	125	**304**	89

44.2 Defined benefit plans

The Group offers complementary retiring benefit plans to employees who start their service before 31 December 2007 and core personnel of grade 13 or above who join the Group after 31 December 2007 and are not due to retire for 10 or more years. The Group estimates the present value by actuary means based on expected cumulative benefits unit method. The project estimates the future cash outflow based on rate of inflation and rate of death, and recognises its present value by discount rate. Discount rate is measured by the corresponding yield of the treasury bond which matches the period of defined benefit plans and currency on balance sheet date. The Group recognises assets of this plan based on actuary results, related actuarial gains or losses recognised into other comprehensive income. Past service costs will be charged in profit or loss in the period of revising the plans. The interest net value is recognised by net liabilities or assets of the defined benefit plans multiplied by appropriate discount rate.

The profit or loss charged by related influence from defined benefit plans is RMB19 million. Actuary losses charged to other comprehensive income are RMB145 million. Net assets of defined benefit plans decreased by RMB164 million for the period, and the balance at the end of the period is RMB2,003 million, which is the net value of present value of defined benefit plans duties and fair value of defined benefit plans assets, and should be charged to other assets (Note VII, 15).

As at 31 December 2022, the average benefit obligation period of the Group'S defined benefit plans was about 5 to 6 years (31 December 2021: about 5 to 7 years).

Defined benefit plan makes the Group face actuarial risks that include interest rate risk and longevity risk. The decrease in the yield of government bonds will lead to an increase in the present value of defined benefit plan obligations. The present value of defined benefit plan obligations is calculated based on the best estimate of the mortality rate of the employees participating in the scheme, and the increase in life expectancy will lead to an increase in plan liabilities.

Discount rate and mortality rate are the key actuarial factors in determining the present value of the defined benefit plan obligations. The discount rate is 2.75% as at 31 December 2022 (31 December 2021: 2.75%). Mortality assumptions are based on Male Pension Service Form and Female Pension Service Form of China Experience Life Table of Life Insurance (2010-2013) released by Chinese Insurance Regulatory Commission. The male workers who retire at the age of 60 and female workers who retire at the age of 55 are expected to have an average residual life of 25.34 years and 34.03 years respectively.

The following sensitivity analysis is based on the corresponding hypothesis with reasonable possible changes at the end of the reporting period (assuming all other assumptions remain unchanged):

If the discount rate increases (decreases) by 25 basis points, then the present value of defined benefit plan obligations will be decreased by RMB32 million (increased by RMB33 million).

As part of hypothesises may have correlations and a hypothesis cannot be changed in an isolated way, the sensitivity analysis may not reflect the actual changes in the fair value of the defined benefit plan obligations.

In the aforesaid sensitivity analysis, the calculation method for determining the defined benefit plan obligations is the same as the recognition of the relevant liabilities in the balance sheet at the end of the reporting period.

Compared with the previous year, the method for sensitivity analysis and the hypothesis didn' t change.

45.Structured entities

Consolidated structured entities

The consolidated structured entities of the Group are fund products, asset-backed securities, trust plans and asset management plans. As the manager/initiator of the fund products, asset-backed securities, trust plans and asset management plans, the Group considers whether it has control over the structured entities, and determines whether the consolidation is necessary based on the scope of asset manager'S decision, power of trust holder, reward from management service offering and the risk exposure of variable profit. In 2022, the Group didn' t offer financial support to the consolidated structured entities (2021: Nil).

Unconsolidated structured entities

45.1 Structured entities sponsored by third-party institutions in which the Group holds an interest

The Group holds an interest in some structured entities sponsored by third-party institutions through investments in the notes issued by these structured entities. Such structured entities include funds, trust plans, asset management plans, asset-backed securities and wealth management products and the Group does not consolidate these structured entities. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors including the Group and are financed through the issue of investment products to investors.

The following table sets out an analysis of the carrying amounts and the maximum risk exposure of interests held by the Group as at 31 December 2022 and 31 December 2021 in the structured entities sponsored by third-party institutions:

Unit: RMB million

	The Group					
	2022					
	Trading assets	Debt investments	Other debt investments	Carrying amount	Maximum risk exposure (note)	Type of income
Funds	**621,463**	**–**	**–**	**621,463**	**621,463**	Investment income
Trust plans	**722**	**216,733**	**–**	**217,455**	**217,455**	Investment income, interest income
Asset management plans	**77,319**	**202,789**	**1,104**	**281,212**	**281,212**	Investment income, interest income
Asset-backed securities	**6,938**	**60,089**	**87,222**	**154,249**	**154,249**	Investment income, interest income
Wealth management products	**–**	**–**	**–**	**–**	**–**	Investment income
Total	**706,442**	**479,611**	**88,326**	**1,274,379**	**1,274,379**	
	2021					
	Trading assets	Debt investments	Other debt investments	Carrying amount	Maximum risk exposure (note)	Type of income
Funds	425,492	–	–	425,492	425,492	Investment income
Trust plans	4,389	285,907	461	290,757	290,757	Investment income, interest income
Asset management plans	59,607	222,556	1,508	283,671	283,671	Investment income, interest income
Asset-backed securities	12,346	33,013	105,315	150,674	150,674	Investment income, interest income
Wealth management products	5,089	–	–	5,089	5,089	Investment income
Total	506,923	541,476	107,284	1,155,683	1,155,683	

Note: Maximum risk exposure to funds, trust plans, asset management plans, asset-backed securities and wealth management products is the amortised cost or fair value at the reporting date as recognised in the balance sheet.

45.2 Structured entities sponsored by the Group which the Group did not consolidate but held an interest

The structured entities which are not consolidated and set up by the Group consist primarily of wealth management products, trust plans, funds, asset management plans and asset-backed securities. The nature and purpose of these structured entities are to manage investors' assets and collect management fees. These structured entities generally finance the purchase of assets by issuing units of the products. Interest held by the Group includes direct investments in these structured entities and fees charged by providing management services.

As at 31 December 2022 and 31 December 2021, unconsolidated structured entities sponsored by the Group are set out as below:

Unit: RMB million

	The Group	
	2022	2021
Wealth management products	**2,067,451**	1,746,548
Funds	**262,159**	218,518
Trust plans	**151,946**	220,021
Asset management plans	**70,029**	77,392
Asset-backed securities	**36,121**	53,500
Total	**2,587,706**	2,315,979

As at 31 December 2022, the commission income earned from offering management services to the investors of these structured entities by the Group is RMB19,266 million (As at 31 December 2021: RMB14,263 million).

45.3 Unconsolidated structured entities sponsored by the Group during the year in which the Group does not have an interest on 31 December 2022

Unconsolidated structured entities sponsored by the Group after 1 January 2022 but matured before 31 December 2022 in which the Group does not have an interest were mainly the non-principal-guaranteed wealth management products.

The aggregated amount of the non-principal-guaranteed wealth management products sponsored and issued by the Group after 1 January 2022 but matured before 31 December 2022 was RMB26,987 million (The aggregated amount of the non-principal-guaranteed wealth management products sponsored and issued by the Group after 1 January 2021 but matured before 31 December 2021 was RMB69,263 million). As at 31 December 2022, the amount of fee and commission income received from such category of non-principal-guaranteed wealth management products by the Group was RMB70 million (As at 31 December 2021: RMB197 million).

VIII.Segment reporting

Senior management of the Group evaluates the operations of the Group in accordance with the economic areas of the respective branches and subsidiaries. Each branch serves its local customers and a few customers in other regions. The Group does not deeply depend on one single external customer. Through the review of internal reports, the management of the Group conducts performance evaluations and determines the allocation of resources. Segment reporting is presented in a manner consistent with the Group'S internal management and reports.

Segment accounting policies are consistent with the accounting policies of the consolidated financial statements. Inter-segment transfer transactions are measured at the actual transaction prices.

The Group includes the head office (including the head office and the operating institutions of the head office), Fujian, Beijing, Shanghai, Guangdong, Zhejiang, Jiangsu, northeast and other regions, western region, central region, a total of ten segments, of which branches within the northeast and other regions, western region, central region are presented in a consolidated manner.

Among them, the northeast and other regions include: Harbin branch, Changchun branch, Shenyang branch, Dalian branch, Tianjin branch, Jinan branch, Qingdao branch, Haikou branch, Hong Kong branch and Industrial Bank Financial Leasing Co., Ltd.;

Western region includes: Chengdu branch, Chongqing branch, Guiyang branch, Xi' an branch, Kunming branch, Nanning branch, Urumqi branch, Lanzhou branch, Yinchuan branch, Xining branch and Lasa branch;

Central region includes: Hohhot branch, Shijiazhuang branch, Zhengzhou branch, Taiyuan branch, Hefei branch, Changsha branch, Wuhan branch and Nanchang branch.

Unit: RMB million

	The Group											
	2022											
	Head office	Fujian	Beijing	Shanghai	Guangdong	Zhejiang	Jiangsu	Northeast and other regions	Westem region	Central region	Eliminations	Total
Operating income	93,717	29,760	6,453	7,275	10,539	10,158	11,818	19,363	13,909	19,382	–	222,374
Net interest income	35,655	21,672	5,730	6,443	9,333	10,426	10,866	15,878	12,267	17,003	–	145,273
Including: Net inter-segment interest (expense) income	(48,167)	4,942	14,207	13,348	4,573	(393)	(468)	5,518	(62)	6,502	–	–
Net fee and commission income	33,286	5,242	732	733	966	(524)	658	1,315	1,152	1,481	–	45,041
Other income	24,776	2,846	(9)	99	240	256	294	2,170	490	898	–	32,060
Operating expenses	(54,588)	(17,066)	(2,727)	(3,551)	(7,730)	(4,178)	(4,301)	(7,564)	(6,685)	(7,822)	–	(116,212)
Operating profit	39,129	12,694	3,726	3,724	2,809	5,980	7,517	11,799	7,224	11,560	–	106,162
Add: Non-operating income	57	64	3	7	25	5	5	34	11	16	–	227
Less: Non-operating expenses	(19)	(34)	(9)	(11)	(18)	(17)	(5)	(30)	(12)	(13)	–	(168)
Total profit	39,167	12,724	3,720	3,720	2,816	5,968	7,517	11,803	7,223	11,563	–	106,221
Less: Income tax expenses												(13,807)
Net profit												92,414
Segment assets	4,511,962	808,053	586,351	660,698	706,644	442,206	473,164	944,926	599,120	885,049	(1,406,375)	9,211,798
Including: Investment in an associate												4,046
Undistributed assets												54,873
Total assets												9,266,671
Segment liabilities	3,923,261	752,861	585,001	652,272	707,617	437,589	467,573	914,698	598,117	876,411	(1,406,375)	8,509,025
Undistributed liabilities												348
Total liabilities												8,509,373
Supplemental information												
Credit commitments	518,344	109,505	21,081	32,671	145,105	107,603	118,972	254,177	165,741	243,759	–	1,716,958
Depreciation and amortisation	1,101	806	371	413	545	267	389	883	767	938	–	6,480
Capital expenditures	1,726	677	69	92	250	546	497	1,263	695	471	–	6,286

Unit: RMB million

	The Group											
	2021											
	Head office	Fujian	Beijing	Shanghai	Guangdong	Zhejiang	Jiangsu	Northeast and other regions	Western region	Central region	Eliminations	Total
Operating income	94,075	28,320	6,504	6,836	12,615	9,188	12,338	17,963	14,212	19,185	–	221,236
Net interest income	37,964	19,206	5,778	5,796	11,525	9,599	11,233	15,082	12,545	16,951	–	145,679
Including: Net inter-segment interest (expense) income	(47,147)	5,444	13,298	9,559	7,496	(681)	182	4,721	1,623	5,505	–	–
Net fee and commission income	29,604	5,504	676	902	894	(537)	917	1,803	1,279	1,638	–	42,680
Other income	26,507	3,610	50	138	196	126	188	1,078	388	596	–	32,877
Operating expenses	(68,960)	(14,746)	(2,207)	(3,142)	(6,227)	(4,066)	(5,167)	(6,970)	(7,172)	(7,380)	–	(126,037)
Operating profit	25,115	13,574	4,297	3,694	6,388	5,122	7,171	10,993	7,040	11,805	–	95,199
Add: Non-operating income	56	98	6	6	23	9	15	17	31	25	–	286
Less: Non-operating expenses	(47)	(32)	(29)	(5)	(4)	(19)	(7)	(8)	(15)	(9)	–	(175)
Total profit	25,124	13,640	4,274	3,695	6,407	5,112	7,179	11,002	7,056	11,821	–	95,310
Less: Income tax expenses												(11,494)
Net profit												83,816
Segment assets	4,260,140	768,503	655,073	596,296	878,928	436,206	485,282	932,076	575,262	875,650	(1,909,538)	8,553,878
Including: Investment in an associate												3,732
Undistributed assets												49,146
Total assets												8,603,024
Segment liabilities	3,741,575	715,857	650,705	592,123	872,461	430,628	478,035	903,882	569,475	863,360	(1,909,538)	7,908,563
Undistributed liabilities												163
Total liabilities												7,908,726
Supplemental information												
Credit commitments	466,625	98,151	15,534	26,990	127,669	99,277	112,331	237,678	163,155	241,611	–	1,589,021
Depreciation and amortisation	617	654	339	401	470	251	350	832	754	883	–	5,551
Capital expenditures	1,052	438	38	107	716	184	347	390	493	637	–	4,402

IX.Related party relationship and transactions

1.Related Party Relationship

The Group

Related parties with no controlling interest

1.1 Shareholders holding more than 5% (inclusive) of the Bank'S shares

Name	Economic nature	Place of registration	Principal activities	Legal representative	Registered capital (RMB hundred million)	
					2022/12/31	2021/12/31
The Finance Bureau of Fujian Province (1)	Legal entity of government agencies	Fuzhou	Administration of Fujian provincial fiscal and tax policy	Lin Zhonglin	N/A	N/A
Fujian Financial Investment Co., Ltd (1)	Limited Company	Fuzhou	Investment management	Wan Chongwei	1,000.00	N/A
PICC Life Insurance Company Limited (2)	Incorporated Company	Beijing	Insurance services	Xiao Jianyou	257.61	257.61
PICC Property and Casualty Company Limited (2)	Incorporated Company	Beijing	Insurance services	Yu Ze	222.43	222.43
China National Tobacco Corporation (3)	Owned by the whole people	Beijing	Production, and sales of tobacco products	Zhang Jianmin	570.00	570.00
Haisheng Investment Management Company of Fujian Tobacco (3)	Limited Company	Xiamen	Investment management	Lin Shixun	26.47	26.47
China Tobacco Hunan Investment Management Company (3)	Limited Company	Changsha	Investment management	Xiao Bing	2.00	2.00
The People'S Insurance Company (Group) of China Limited (2)	Incorporated Company	Beijing	Investment management and insurance services	Luo Xi	442.24	442.24
China National Tobacco Fujian Corporation (3)	Owned by the whole people	Fuzhou	Sales of tobacco products	Li Mindeng	1.37	1.37
China National Tobacco Guangdong Corporation (3)	Owned by the whole people	Guangzhou	Production, and sales of tobacco products	Wang Deyuan	1.40	1.40
Fujian Sanhua Color Printing Co., Ltd. (3)	Limited Company	Longyan	Trademark, advertisement and other printed matter production	Lu Dongfen	0.12	0.12

Number of shares held by Shareholders holding more than 5% (inclusive) of the Bank'S shares:

Name	2022		2021	
	Shares Million shares	Proportion (%)	Shares Million shares	Proportion (%)
The Finance Bureau of Fujian Province(1)	**418**	**2.01**	3,915	18.85
Fujian Financial Investment Co., Ltd (1)	**3,512**	**16.91**	N/A	N/A
PICC Life Insurance Company Limited (2)	**1,276**	**6.14**	1,276	6.14
PICC Property and Casualty Company Limited (2)	**1,229**	**5.91**	1,229	5.91
China National Tobacco Corporation (3)	**1,110**	**5.34**	1,110	5.34
Haisheng Investment Management Company of Fujian Tobacco (3)	**441**	**2.13**	441	2.13
China Tobacco Hunan Investment Management Company (3)	**226**	**1.09**	226	1.09
The People'S Insurance Company (Group) of China Limited (2)	**174**	**0.84**	174	0.84
China National Tobacco Fujian Corporation (3)	**132**	**0.64**	132	0.64
China National Tobacco Guangdong Corporation (3)	**99**	**0.48**	99	0.48
Fujian Sanhua Color Printing Co., Ltd. (3)	**46**	**0.22**	46	0.22
Total	**8,663**	**41.71**	8,648	41.64

Note: (1) In March 2022, according to the document The People'S Government of Fujian Province'S Reply and Approval on the Matter regarding Transfer of Industrial Bank'S Equity at No Consideration (Minzheng Wen [2022] No.137), the Finance Bureau of Fujian Province transferred 3,512 million ordinary shares of the Bank (accounting for 16.91% of the total share capital of the Bank) to Fujian Financial Investment Co., Ltd. at no consideration following relevant procedures. This equity change has been approved by the People'S Government of Fujian Province. In August 2022, the Bank received the Reply of the CBIRC on the Qualifications of Related Shareholders of Industrial Bank (CBIRC Fu [2022] No.549), and the CBIRC agreed that the Finance Bureau of Fujian Province would transfer the 3,511,918,625 shares of capital of the Bank held in its ordinary account to Fujian Financial Investment Co., Ltd. The registration of ownership transfer was completed on 29 September 2022. As at 31 December 2022, the Finance Bureau of Fujian Province and its fully funded Fujian Financial Investment Co., Ltd. hold 18.92% shares in total.

(2) PICC Property and Casualty Company Limited and PICC Life Insurance Company Limited are both subsidiaries of The People'S Insurance Company (Group) of China Limited. The aggregate proportion is 12.90%.

(3) Haisheng Investment Management Company of Fujian Tobacco, China Tobacco Hunan Investment Management Company, China National Tobacco Fujian Corporation, China National Tobacco Guangdong Corporation and Fujian Sanhua Color Printing Co., Ltd. are subsidiaries of China National Tobacco Corporation. The aggregate proportion is 9.90%.

1.2 Other major shareholders of the Bank

Name	Relationship	Economic nature	Place of registration	Principal activities	Legal representative	Registered capital (RMB hundred million)	
						2022/12/31	2021/12/31
Zhejiang Provincial Energy Group Company Ltd.	Holding less than 5% of the Group'S shares but having a significant influence	Limited Company	Hangzhou	Industrial investment and development	Hu Zhongming	100.00	100.00
Zhejiang Zheneng Electric Power Co., Ltd.	Holding less than 5% of the Group'S shares but having a significant influence	Limited Company	Hangzhou	Electricity generation and related technologies research and development	Yu Guoping	136.01	136.01

Note: Zhejiang Zheneng Electric Power Co., Ltd. is a subsidiary of Zhejiang Provincial Energy Group Company Ltd., with a total shareholding ratio of less than 5%.

1.3 The major shareholders' related parties which have credit-related transactions with the Group

(a) The People's Insurance Company (Group) of China Limited and its related parties

- China Aerospace Investment Holdings Ltd.
- PICC Property and Casualty Company Limited
- China Securities Credit Investment Co., Ltd.

(b) China National Tobacco Corporation and its related parties

- Changde Jinpeng Printing Co.
- China Tobacco Guangxi Industry Co., Ltd.
- Guizhou Ke Tai Tian Xing Agricultural Technology Co., Ltd
- Hangzhou Xiang Yi Chun Jiang Shan Ju Real Estate Co., Ltd
- Hongta Securities Co., Ltd.
- Jilin Jin Ye Tobacco Co., Ltd.
- Xiamen Xin Ye Real Estate Development Co., Ltd
- Xiamen Xiang' an Xing Hai Sheng Real Estate Development Co., Ltd
- Yunnan Hongta Bank
- Zhong Wei Xin Sheng Real Estate Development (Fujian) Co., Ltd
- Zunyi Da Xing Fu Fei Co., Ltd

(c) Zhejiang Provincial Energy Group Company Ltd. and its related parties

- Zhejiang Provincial Energy Group Company Ltd.
- Nanjiao Urban Famei Station of Datong
- Guoneng Zheneng Ningdong Power Generation Co., Ltd.
- Huzhou Chang Guang Placing of Electricity Co., Ltd
- Ningxia Yin Xing Power Generation Co., Ltd.
- Qianjiang Water Resources Development Co., Ltd.
- Tongmei Zhejiang Energy Majialiang Coal Industry Co., Ltd
- Zhejiang Zheneng Electric Power Co., Ltd.
- Zheneng Jinjiang Environment Holding Company Limited

1.4 Associates

Details of general information and related information of associates are set out in Note VII, 9.

1.5 Other related parties

Other related parties include key management personnel (director, supervisor, senior management of head office) and their close families, as well as other enterprises over which the key management personnel or their close families have control, common control or act as board of directors or senior management.

2.Related party transactions

The conditions and prices of related party transactions between the Group and the Bank are determined according to the Group'S contract, and are examined and approved in accordance with the transaction type and content of transaction by corresponding decision-making authority.

2.1 Interest income

Unit: RMB million

Related party	2022	2021
Associates	**193**	280
China Tobacco and its related parties	**27**	14
Zhejiang Energy Group Co., Ltd. and its related parties	**23**	17
Fujian Yango Holdings Group and its related parties	**N/A**	372
Longyan Wen Lv Hui Jin Development Group Co., Ltd. and its related parties	**N/A**	43
Other related parties	**7**	1
Total	**250**	727
Proportion in amount of related similar transactions	**0.08%**	0.23%

Note: (1) As at 31 December 2022, Fujian Yango Holdings Group and its related parties were no longer related parties of the Group.

(2) As at 31 December 2022, Longyan Wen Lv Hui Jin Development Group Co., Ltd. and its related parties were no longer related parties of the Group.

2.2 Interest expense

Unit: RMB million

Related party	2022	2021
China Tobacco and its related parties	**4,888**	3,275
The People'S Insurance Company (Group) of China Limited and its related parties	**649**	926
The Finance Bureau of Fujian Province	**95**	19
Associates	**34**	74
Zhejiang Energy Group Co., Ltd. and its related parties	**4**	71
Fujian Financial Investment Co., Ltd and its related parties	**1**	N/A
Fujian Yango Holdings Group and its related parties	**N/A**	128
Longyan Wen Lv Hui Jin Development Group Co., Ltd. and its related parties	**N/A**	10
Other related parties	**1**	–
Total	**5,672**	4,503
Proportion in amount of related similar transactions	**3.09%**	2.66%

Note: (1) As at 31 December 2022, Fujian Yango Holdings Group and its related parties were no longer related parties of the Group.

(2) As at 31 December 2022, Longyan Wen Lv Hui Jin Development Group Co., Ltd. and its related parties were no longer related parties of the Group

2.3 Investment income

Unit: RMB million

Related party	2022	2021
Zhejiang Energy Group Co., Ltd. and its related parties	**4**	2
China Tobacco and its related parties	**4**	–
Total	**8**	2
Proportion in amount of related similar transactions	**0.03%**	0.01%

2.4 Fee and commission income

Unit: RMB million

Related party	2022	2021
The People'S Insurance Company (Group) of China Limited and its related parties	**114**	153
Associates	**6**	9
China Tobacco and its related parties	**1**	13
The Finance Bureau of Fujian Province	**–**	1
Huaxia Life Insurance Co.,Ltd. and its related parties	**N/A**	13
Fujian Yango Holdings Group and its related parties	**N/A**	8
Longyan Wen Lv Hui Jin Development Group Co., Ltd. and its related parties	**N/A**	1
Other related parties	**1**	–
Total	**122**	198
Proportion in amount of related similar transactions	**0.25%**	0.42%

Note: (1) As at 31 December 2022, Huaxia Life Insurance Co.,Ltd. and its related parties were no longer related parties of the Group.

(2) As at 31 December 2022, Fujian Yango Holdings Group and its related parties were no longer related parties of the Group.

(3) As at 31 December 2022, Longyan Wen Lv Hui Jin Development Group Co., Ltd. and its related parties were no longer related parties of the Group.

2.5 Fees and commission expense

Unit: RMB million

Related party	2022	2021
The People'S Insurance Company (Group) of China Limited and its related parties	**56**	6
Others	**30**	12
Total	**86**	18
Proportion in amount of related similar transactions	**1.95%**	0.37%

2.6 General and administrative expenses-insurance

Unit: RMB million

Related party	2022	2021
The People'S Insurance Company (Group) of China Limited and its related parties	**536**	521
Proportion in amount of related similar transactions	**0.83%**	0.94%

In 2022, the Bank was paid RMB 0.21 million in compensation from PICC Property and Casualty Company Limited (2021: RMB 0.43 million).

2.7 General and administrative expenses-property rent

Unit: RMB million

Related party	2022	2021
China Tobacco and its related parties	**22**	28
Zhejiang Energy Group Co., Ltd. and its related parties	**1**	–
Total	**23**	28
Proportion in amount of related similar transactions	**0.04%**	0.05%

2.8 General and administrative expenses-others

Unit: RMB million

Related party	2022	2021
Others	**–**	2
Proportion in amount of related similar transactions	**0.00%**	0.00%

3.Unsettled amount of related party transactions

3.1 Deposits with banks and other financial institutions

Unit: RMB million

Related party	2022	2021
China Tobacco and its related parties	**1,000**	–
Associates	**7**	9
Total	**1,007**	9
Proportion in amount of related similar transactions	**1.07%**	0.01%

3.2 Placements with banks and other financial institutions

Unit: RMB million

Related party	2022	2021
Associates	**1,177**	1,415
Proportion in amount of related similar transactions	**0.33%**	0.40%

3.3 Loans and advances to customers

Unit: RMB million

Related party	2022	2021
Associates	**3,133**	2,260
China Tobacco and its related parties	**586**	293
Zhejiang Energy Group Co., Ltd. and its related parties	**556**	726
Fujian Yango Holdings Group and its related parties	**N/A**	7,417
Longyan Wen Lv Hui Jin Development Group Co., Ltd. and its related parties	**N/A**	534
Others	**97**	13
Total	**4,372**	11,243
Proportion in amount of related similar transactions	**0.09%**	0.25%

Note: (1) As at 31 December 2022, Fujian Yango Holdings Group and its related parties were no longer related parties of the Group.

(2) As at 31 December 2022, Longyan Wen Lv Hui Jin Development Group Co., Ltd. and its related parties were no longer related parties of the Group.

3.4 Trading assets

Unit: RMB million

Related party	2022	2021
China Tobacco and its related parties	102	–
Proportion in amount of related similar transactions	0.01%	0.00%

3.5 Debt investments

Unit: RMB million

Related party	2022	2021
Associates	3,609	3,609
China Tobacco and its related parties	1,200	–
Zhejiang Energy Group Co., Ltd. and its related parties	10	–
Fujian Yango Holdings Group and its related parties	N/A	912
Total	4,819	4,521
Proportion in amount of related similar transactions	0.29%	0.28%

Note (1) As at 31 December 2022, Fujian Yango Holdings Group and its related parties were no longer related parties of the Group.

3.6 Other debt investments

Unit: RMB million

Related party	2022	2021
Zhejiang Energy Group Co., Ltd. and its related parties	230	191
China Tobacco and its related parties	159	–
Total	389	191
Proportion in amount of related similar transactions	0.07%	0.04%

3.7 Deposits from banks and other financial institution

Unit: RMB million

Related party	2022	2021
Associates	2,338	1,232
China Tobacco and its related parties	833	339
The People'S Insurance Company (Group) of China Limited and its related parties	152	256
Zhejiang Energy Group Co., Ltd. and its related parties	–	500
Fujian Yango Holdings Group and its related parties	N/A	10
Others	36	–
Total	3,359	2,337
Proportion in amount of related similar transactions	0.21%	0.14%

Note (1) As at 31 December 2022, Fujian Yango Holdings Group and its related parties were no longer related parties of the Group.

3.8 Deposits from customers

Unit: RMB million

Related party	2022	2021
China Tobacco and its related parties	**86,268**	90,333
The People'S Insurance Company (Group) of China Limited and its related parties	**17,766**	24,357
Fujian Yango Holdings Group and its related parties	**N/A**	4,173
The Finance Bureau of Fujian Province	**4,153**	3,087
Associates	**446**	1,240
Fujian Financial Investment Co., Ltd and its related parties	**390**	N/A
Zhejiang Energy Group Co., Ltd. and its related parties	**169**	16
Longyan Wen Lv Hui Jin Development Group Co., Ltd. and its related parties	**N/A**	1,140
Others	**148**	59
Total	**109,340**	124,405
Proportion in amount of related similar transactions	**2.31%**	2.89%

Note: (1) As at 31 December 2022, Fujian Yango Holdings Group and its related parties were no longer related parties of the Group.

(2) As at 31 December 2022, Longyan Wen Lv Hui Jin Development Group Co., Ltd. and its related parties were no longer related parties of the Group.

3.9 Right-of-use assets

Unit: RMB million

Related party	2022	2021
China Tobacco and its related parties	**4**	23
Zhejiang Energy Group Co., Ltd. and its related parties	**1**	–
Total	**5**	23
Proportion in amount of related similar transactions	**0.05%**	0.24%

3.10 Lease liabilities

Unit: RMB million

Related party	2022	2021
China Tobacco and its related parties	**4**	24
Zhejiang Energy Group Co., Ltd. and its related parties	**1**	–
Total	**5**	24
Proportion in amount of related similar transactions	**0.05%**	0.27%

3.11 Credit line

Unit: RMB million

Related party	2022	2021
The People'S Insurance Company (Group) of China Limited and its related parties	**54,000**	54,000
China Tobacco and its related parties	**17,000**	17,000
Zhejiang Energy Group Co., Ltd. and its related parties	**8,500**	8,100
Fujian Yango Holdings Group and its related parties	**N/A**	18,500
Longyan Wen Lv Hui Jin Development Group Co., Ltd. and its related parties	**N/A**	4,000
Total	**79,500**	101,600

Note: (1) As at 31 December 2022, Fujian Yango Holdings Group and its related parties were no longer related parties of the Group.

(2) As at 31 December 2022, Longyan Wen Lv Hui Jin Development Group Co., Ltd. and its related parties were no longer related parties of the Group.

For details of major credit-related transactions, please refer to the relevant resolutions of the board of directors publicly disclosed by the Bank.

3.12 Off-balance sheet items

Bank acceptances

Unit: RMB million

Related party	2022	2021
Associates	**1,521**	1,421
China Tobacco and its related parties	**330**	40
Zhejiang Energy Group Co., Ltd. and its related parties	**62**	–
Fujian Yango Holdings Group and its related parties	**N/A**	1,705
Longyan Wen Lv Hui Jin Development Group Co., Ltd. and its related parties	**N/A**	67
Others	**183**	–
Total	**2,096**	3,233
Proportion in amount of related similar transactions	**0.25%**	0.39%

Note: (1) As at 31 December 2022, Fujian Yango Holdings Group and its related parties were no longer related parties of the Group.

(2) As at 31 December 2022, Longyan Wen Lv Hui Jin Development Group Co., Ltd. and its related parties were no longer related parties of the Group.

Letters of guarantee

Unit: RMB million

Related party	2022	2021
China Tobacco and its related parties	**54**	56
Zhejiang Energy Group Co., Ltd. and its related parties	**22**	–
Fujian Yango Holdings Group and its related parties	**N/A**	283
Total	**76**	339
Proportion in amount of related similar transactions	**0.08%**	0.32%

Note: (1) As at 31 December 2022, Fujian Yango Holdings Group and its related parties were no longer related parties of the Group.

Letters of credit

Unit: RMB million

Related party	2022	2021
Associates	**118**	492
China Tobacco and its related parties	**50**	1
Zhejiang Energy Group Co., Ltd. and its related parties	**–**	140
Longyan Wen Lv Hui Jin Development Group Co., Ltd. and its related parties	**N/A**	47
Total	**168**	680
Proportion in amount of related similar transactions	**0.07%**	0.43%

Note: (1) As at 31 December 2022, Longyan Wen Lv Hui Jin Development Group Co., Ltd. and its related parties were no longer related parties of the Group.

4.Key management personnel remuneration

Unit: RMB million

	2022	2021
Salary and welfare	**18**	14

X.Contingencies and commitments

1.Pending litigations

As of the balance sheet date, the Group'S management considers that there is no pending litigation which has a significant impact on the financial statements and needs to be disclosed.

2.Off-balance sheet items

Contractual amount

Unit: RMB million

	The Group and the Bank	
	2022	2021
Credit card commitments	**518,344**	466,625
Letters of credit	**247,776**	158,352
Letters of guarantee	**93,375**	106,912
Bank acceptances	**834,853**	835,418
Irrevocable loan commitments	**22,610**	21,714
Total	**1,716,958**	1,589,021

3.Capital commitments

Unit: RMB million

	Contractual amount of the Group		Contractual amount of the Bank	
	2022	2021	2022	2021
Authorised but not contracted for	**8**	107	**8**	103
Contracted but not paid for	**356**	602	**311**	588
	364	709	**319**	691

4.Collateral

Assets pledged

4.1 The carrying amount of assets pledged as collateral under repurchase agreements is as follows:

Unit: RMB million

	The Group		The Bank	
	2022	2021	2022	2021
Bonds	**342,528**	237,375	**323,917**	225,472
Bills	**19,864**	32,416	**19,864**	32,416
Total	**362,392**	269,791	**343,781**	257,888

4.2 As at 31 December 2022, the Group and the Bank have no pledged bonds to credit derivative transactions (31 December 2021: Nil).

Collateral accepted

In the resale agreement, the Group can sell pledged assets or transfer them in other transactions when the counterparty is not in breach of the contract. As at 31 December 2022, the fair value of pledged assets available for sale or convertible is RMB7,614 million (31 December 2021: RMB9,254 million).

5.Redemption commitment of certificate treasury bonds and saving treasury bonds

The Group entrusted by the MOF as its agent issues certificate treasury bonds and saving treasury bonds. Holders of certificate treasury bonds and saving treasury bonds can require advance redemption, and the Group has the obligation to execute the redemption responsibility. Redemption amount for the certificate treasury bonds and saving treasury bonds includes principal and interest payable till redemption date.

As of 31 December 2022 and 31 December 2021, the cumulative principal balances of the certificate treasury bonds and saving treasury bonds which are issued by the Group under trust prior to maturity and have not been paid are as follows:

Unit: RMB million

	The Group and the Bank	
	2022	2021
Certificate treasury bonds and saving treasury bonds	**2,169**	2,532

The Group believes the Group'S redemption amount of these certificate treasury bonds and saving treasury bonds is not significant before their maturity.

6.Fiduciary Business

Unit: RMB million

	The Group		The Bank	
	2022	2021	2022	2021
Fiduciary loans	**158,269**	181,653	**158,269**	181,653
Fiduciary wealth management products	**2,067,451**	1,746,548	**29,658**	429,831

Fiduciary loans are loans in that depositors designated a specific third party as the loan party, and related credit risk of the loan is borne by depositors who designated borrowers.

Fiduciary wealth management refers to a kind of service that the entrusted Group is responsible for the operation and management of customer assets. The investment risk of fiduciary wealth management products is borne by the trustor.

XI. Financial risk management

1.Overview

The Group is exposed to various types of risks due to its financing businesses including banking business. The Group identifies, assesses and monitors various risks on an ongoing basis. The most significant types of risk to which the Group is exposed are credit risk, market risk, liquidity risk and operation risk, country risk, bank account interest rate risk, reputation risk, strategic risk, information technology risk, and money-laundering risk.

The Group'S risk management objectives are to achieve a proper balance between risks and benefits and run business safely and prudently under a reasonable level of risk.

2.Risk management framework

Risk management is the basic safeguard for survival and development of commercial banks. The Group has taken risk management as one of its core competitiveness, formulated a development strategy focused on business operation as well as risk management, established pre-during-post events risk control system with a core of risk asset management, and improved the risk management and operation instructions for various businesses; completed the mechanism of risk responsibilities and punishment, implemented credit business operation responsibilities, established risk fund for credit post personnel, enhanced risk constraints; including credit risk, market risk, liquidity risk, operational risk and other risks into the scope of risk management and continuously improve the risk management mechanism to wholly-owned and holding subsidiaries; Further defined the specific responsibilities of board of directors, board of supervisors, senior management and operation executives in respect of risk management, formed a defined, clear and effective overall risk management system. In daily risk management work, the Group'S business sector, risk management department and internal audit department build up the "three defences"; they perform their respective functions and work together to achieve the objective of risk management. Among them, operation institutions and business sector form the first line of defence to conduct risk management according to the risk management rules and policies. Operation institutions take precautions against all the business and operating risks, while business sector is in charge of making its risk management policy, evaluating the effectiveness of risk management regularly and taking corrective actions if necessary. The risk management department is the second line of defence, which is responsible for the constitution of the Group'S risk management strategy, policy, regulations and process, and supervision of the execution. Meanwhile, the risk management department is responsible for the identification, evaluation and supervision of the risk that the Group faces, assessing the Group'S risk condition periodically, taking measures for continuous improvement, and pushing forward the outspread of overall risk management work. The internal audit department is the third line of defence. It is responsible for all process audits, continuously providing independent and prospective audits and supervision with emphasis.

3.Credit risk

Credit risk represents the potential loss that may arise from a customer or counterparty'S failure to meet its obligation. Credit risk can also arise from operational failures that result in an unauthorised or inappropriate advance, commitment or investment of funds. The Group'S major credit risks come from loans and receivables (enterprises and personal credit loans), treasury operations (including debt investment) and off-balance-sheet-related credit risk exposures. The Group manages and controls credit risk according to the following processes: customer investigation before granting of credit limits, credit review and approval and post-disbursement loan monitoring and collection.

The Group establish the risk management department, which is responsible for organising, implementing the credit risk management strategies and policies of the Group, and making basic rules for the Group risk management affairs. In addition, the department is also professionally managing, evaluating, guiding the general operation of the Group risk management together with inspecting and supervising the activities mentioned above. As the leading party, the risk management department formulates unified standards, responsible for the credit management on the whole. All the actions taken are to ensure the overall credit risk is under control. The Group set up risk management department and professional risk management desk in two major lines called enterprise financial line and investment banking and financial markets line. Each of the risk departments is responsible for the credit management in its own line or professional operating department, and it is also responsible for making detailed regulations and operating rules and approving projects within the approving authority. The Group also sets up several specialised committees such as Credit Approval Committee and Credit Accountability Committee. The first one is responsible for the examination and approval of the loans within the authority. The other one is responsible for determining the responsibility of related loans.

The Group has formulated a whole set of credit policies on approval process and management procedure, and implemented them throughout the Group. The credit management procedure for corporate and personal loans can be classified as credit investigation, credit examination, credit approval, credit disbursement, and post-disbursement monitoring and recovery process. In addition, the Group issued Due Diligence of Credit approval to clarify the duties of different positions, to effectively control the credit risk, and to strengthen compliance of credit business.

In accordance with the discriminative credit policy of “protecting, controlling, and compressing”, the Group set up detailed rules for the implementation of credit policy, which has intensified the credit support for the real economy and optimised credit resources allocation. The Group preferentially develops credit businesses for industries which comply with national policy orientation, develop rapidly and have broad market prospects (including infrastructures, people'S livelihood, strategic emerging industries and modern agriculture); actively practices green credit principle, preferentially supports green and environment-friendly industry with obvious social benefits, mature technology application and commercial operation; supports short-term cycle and people'S livelihood consumption industry like medical care, education, tourism and communication.

The Group has established a customer credit rating system which comprehensively and systematically investigated various factors and variation trends that influence customer solvency in future; disclosed and evaluated customers' credit risks and capabilities based on qualitative and quantitative analysis. Credit rating results become an important foundation to draw up credit service policies, adjust and optimise client structure, as well as identify credit service of individual customer. According to new Basel Capital Accord and relevant guides of CBIRC, the Group developed and established customer internal rating system and has been continuously optimising the model and system. Meanwhile, the related results of internal rating have continuously entered into various risk management areas including authorisation management, industry access, limit management, economic capital measurement and asset impairment calculation. The credit risk weighted assets (“CRWA”) measurement system was successfully launched, realising automated measurement of CRWA using the internal rating method for credit risk. As the new Basel Capital Accord construction made further headway, the Group got promoted in capacity of identification, measurement and control of credit risk.

The Group developed a risk warning system, applying big data technology to fully integrate both internal and external risk information and analysing as per certain rules so as to form a warning indicator. With customers' potential risks disclosed in time by monitoring the indicator, the active push, tracking, feedback and report generated by level of warning indicator can be achieved and the timeliness and accuracy of risk warnings can be improved effectively. The risk warning system realised the online posting of warning information and carried out system hard control over processes including warning adjustment, cancellation etc. and provided a basic guarantee for credit management.

The Group accurately identified risk conditions of credit assets, and reasonably reflected the income after risk adjustment to guide capital allocation optimisation in operation institutions and allocation of credit resources to strengthen risk awareness in operation institutions. Therefore, Credit Asset Risks Classification Implementation Method and Credit Asset Risks Classification Implementation Standards and others have been established to make sure branches adjust credit asset risks classification according to real conditions of projects. Based on 5 levels classified by CBIRC, the Group has classified its credit asset risks into 9 levels as level 1(normal), level 2(normal), level 3(normal), level 1(special mention), level 2(special mention), level 3(special mention), substandard, doubtful and loss. The Group has various management policies for each level.

In 2022, the COVID-19 pandemic has caused a certain impact on China'S overall economic operation and affected the normal operation of enterprises differently, which has in turn affected the asset quality of the Group'S credit assets to a certain extent. Despite the situation caused by the pandemic, the Group provided relief support for customers affected by the epidemic in accordance with government regulations. The Group has also further strengthened risk monitoring, increased the frequency of risk inspections, and performed risk tracking in respect of customers affected by the pandemic. Based on the intelligent risk control platform, the Group enhances the application of big data analysis in its risk management to proactively respond to changes in the external environment, and takes forward-looking risk control measures to effectively resolve hidden risks and prevent the accumulation of non-performing loans.

Risks arising from credit commitments are similar to risks of loans and advances to customers in substance. Therefore, requirements for application, post-loan management and pledge and guarantees are the same as those in loans and advances to customers. According to substance-over-form principle, the Group includes the non-standard credit loans in the comprehensive risk management system and manages them by comparing to traditional loans. The Group provides uniform credit, carries out general control on risks, executes uniform credit policy nationwide, carries out whole-process responsibilities management by comparing to traditional loans, implements risk classification and provides risk reserves.

ECL measurement

Stage of financial asset risks

The Group adopted a three-stage ECL model for the impairment of financial assets. The model is summarised as follows:

•Financial assets that have not increased significantly since the initial recognition or have a low credit risk at the reporting date are included in stage 1, and the Group continuously monitors its credit risk;

•Financial assets that have a significant increase (excluding the low credit risk of such financial instruments at the reporting date), but without objective impairment evidence are included in stage 2. Criteria of the Group'S significant increase in credit risk, see Significant increase in credit risk;

•Financial assets with objective evidence of impairment at the reporting date are included in stage 3. The Group'S definition of credit impairment and default, see Definition of asset defaulted and credit-impaired.

•Financial assets classified in stage 1 make provisions for ECL caused by defaults that may occur within 12 months after the reporting date, and the financial assets classified in the stage 2 and 3 make provisions for the entire lifetime ECL; calculation of the interest income of financial assets classified in stage 1 and 2 is based on the total carrying value of the assets, and interest income of the financial assets classified in stage 3 is calculated based on the net amount after deducting provisions for credit losses. Inputs, assumptions and estimation techniques utilised in ECL measurement, see Measurement of ECL – Explanation of inputs, assumptions and estimation techniques.

•The Group takes into account forward-looking information when measuring ECLs. For a description of how the Group considers forward-looking information in the ECL model, please refer to Forward-looking information incorporated in the ECL model;

•Purchased or originated credit-impaired (POCI) financial assets refer to financial assets with credit impairment at initial recognition. Loss provision of these assets is lifetime ECLs.

The key judgements and assumptions adopted by the Group when measuring ECL are as follows:

Significant increase in credit risk

The Group identifies whether the credit risk has increased significantly by comparing default risk at the reporting date with the risk of default on the day of initial recognition. The Group considers that the credit risk of a Financial Instrument has increased significantly when one or more of the following quantitative, qualitative or cap criteria are triggered:

•Asset quality is classified as special-mentioned;

•The number of overdue days or days in arrears with interest exceeds 30 days;

•The absolute and relative levels of change in the probability of default exceed a certain range;

•Downgraded by more than three levels or more;

•The customer triggers the bank alert list;

•Other significant increases in credit risk.

The Group periodically reviews the applicability of the evaluation criteria to the current situation. During the Reporting Period, the Group further deepened the application of forward-looking information and improved the risk differentiation ability of the model. At the same time, the Group has established a strict stage upward migration mechanism, and the upgrading of corporate financial instruments from the third stage to the second stage should meet the requirements of the observation period, and the financial instruments of the third stage cannot be directly moved to the first stage.

After the outbreak of the COVID-19 pandemic, the Group provided relief support for customers affected by the pandemic in accordance with government regulations. For customers who apply for loan relief, the Group strictly follows policy requirements related to deferred payment of principal and interest and regulates eligibility of customers. For customers who are eligible for loan relief, the Group provides support measures such as loan extensions, deferred interest payments, and adjustments to the repayment plans. The Group also evaluates whether the credit risk of such customers has increased significantly based on actual circumstances.

Definition of asset defaulted and credit-impaired

The Group carefully considers whether different standards represent client defaults. When a financial asset meets one or more of the following conditions, the Group recognises the financial asset as default, and the standard is consistent with the definition of the credit-impaired:

(1)Quantitative criteria:

•Payment overdue for more than 90 days. If the borrower violates the prescribed overdraft limit or the re-approved overdraft limit is less than the current balance, the overdraft will be deemed to be overdue.

(2)Qualitative criteria:

•Any loan to the debtor ceases to bear interest or accrue interest is included in the off-balance sheet accounting;

•After the occurrence of the credit relationship, due to the deterioration of the financial situation of the debtor, the Group wrote off the loan or made a certain proportion of loan loss provisions;

•The Group sells the loan and assumes a certain percentage of the book loss;

•Due to the deterioration of the financial situation of the debtor, the Group agreed to restructure and make non-commercial adjustments to the terms of the loan contract, including but not limited to the following: (a) The contract term changes lead to a decline in the scale of the debt; (b) the debtor is unable to repay the loan; (c) extension due to the debtor'S inability to repay;

•The Group classifies the debtor as a bankrupt enterprise or a similar status;

•The debtor filed for bankruptcy, or has gone bankrupt, or is in a similar state of protection, and thus will not perform or postpone the settlement of the debts of the Group;

•Other circumstances identified by the Group that may result in the debtor not being able to fully repay the debt.

The above criteria apply to all financial instruments of the Group and are consistent with the definition of default used in internal credit risk management. The definition of default has been consistently applied to the model of Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD) in the Group'S ECL calculation process.

Measurement of ECL – Explanation of inputs, assumptions and estimation techniques

According to whether there is a significant increase in credit risk and whether there is an impairment of assets, the Group measures the impairment loss for different financial assets according to its current risk stage with ECL of 12 months or the entire lifetime respectively. The expected credit losses taken by the Group are obtained by Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD), and discounted by discount factors. Definitions are as follows:

•PD refers to the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation.

•The exposure to default risk refers to the amount that the Group should be repaid in the event of default in the next 12 months or throughout the remaining period;

•LGD is the Group'S estimation regarding the extent of the EAD.

The estimates for each risk parameter are as follows:

•Estimation of PD: For non-retail credit assets, the PD is obtained through the main benchmark mapping of internal rating and the macroeconomic forward-looking adjustment is applied to obtain the applicable PD; for retail credit assets, it is based on PD of division of pool, and the macroeconomic forward-looking adjustment is conducted to obtain the applicable PD; for bond assets, the PD is mapped to the main benchmark mainly through external rating, and the applicable PD is obtained through macroeconomic forward-looking adjustment; PD for the entire lifetime of more than 12 months is estimated by a 12M PD and a forward-looking adjustment factor;

•Estimation of EAD: The EAD of financial assets in the first and third stages is the amortised cost; the EAD of financial assets in the second stage is the amortised cost and the cash discount of capital recovered in the following years;

•Estimation of LGD: For non-retail credit assets, it uses the LGD after mitigation, and a macroeconomic forward-looking adjustment is made to obtain the LGD applicable under the new standard; for retail credit assets, it is based on LGD of division of pool, and a macroeconomic forward-looking adjustment is conducted to obtain the LGD applicable under the new standard; for the loss without historical data collection and write-off data assets, it is based on peer experience and regulatory factors, combined with expert'S judgement.

The ECL is multiplied by the above estimated PD, EAD and LGD, and discounted to the reporting date. The discount rate used in the ECL calculation is the initial actual effective interest rate.

The Group monitors and reviews assumptions related to the calculation of ECL on a regular basis. There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

Risk portfolio

When measuring expected credit losses on a portfolio basis, the Group has classified exposures with similar risk characteristics, with the main businesses being divided into non-retail business, bond business, retail business and credit card business. The Group groups the models according to similar risk characteristics, and the main reference indicators for the current grouping include national standard industries and product types. In grouping, the Group has obtained sufficient information to ensure its statistical reliability.

Forward-looking information incorporated in the ECL model

According to the different risk characteristics of assets, the Group divides assets into different risk groups, and collects external authoritative data and internal risk-related data for modelling within a reasonable cost and time range according to the risk characteristics of different risk groups.

During the reporting period, the Group expanded its macroeconomic index database to four categories: national economy, fiscal and monetary policy, price index and economic climate survey, fixed assets and real estate, and then formed macroeconomic indicator forecasts under multiple scenarios of “benchmark”, “optimistic”, “pessimistic”, “extremely optimistic” and “extremely pessimistic” through quantitative statistical modelling combined with expert judgment.

The Group fully considers the differentiated risk characteristics of different assets, differentiates asset classes and constructs quantitative models to obtain the relationship between macroeconomic indicators and systemic risk factors, and then transmits the estimation results of one-year default probability and default loss rate based on macroeconomic forecasts.

The macroeconomic information used by the Group includes macro indicators such as the year-on-year growth rate of GDP in the quarter, the cumulative year-on-year growth rate of fixed asset investment completion, the stock of social financing scale: the year-on-year growth rate of RMB loans, and the average exchange rate of USD/RMB. Among them, the GDP forecast for the quarter is about 4.8% year-on-year under the 2023 baseline scenario, the optimistic scenario forecast is 0.7 percentage points higher than the benchmark, the pessimistic scenario forecast is 0.6 percentage points lower than the benchmark, and the extremely pessimistic scenario forecast is 0.9 percentage points lower than the benchmark.

By establishing an econometric model, combining macro data analysis and expert judgment, the weights of optimism, benchmark, pessimism and extreme pessimism were determined. In 2022, the benchmark scenario accounted for the highest weight, the extremely pessimistic scenario accounted for the lowest weight, and the remaining scenarios all had a weight close to 25%.

Expected credit loss is sensitive to the parameters used in the model, the macroeconomic variables of forward-looking forecasts, the weighting probability under multiple scenarios, and other factors considered in the application of expert judgment. Changes in these input parameters, assumptions, models, and judgments will have an impact on the significant increase in credit risk and the measurement of expected credit losses.

Assuming a 10% increase in the weight of the optimistic scenario and a 10% reduction in the weight of the benchmark scenario, the Group'S credit impairment provision decreased by less than 1.2% as at 31 December 2022; Assuming a 10% increase in the weight of the pessimistic scenario and a 10% decrease in the weight of the benchmark scenario, the Group'S credit impairment allowance increases by less than 3.1%; Assuming a 10% increase in the weight of the extreme pessimistic scenario and a 10% decrease in the weight of the benchmark scenario, the Group'S credit impairment allowance increases by less than 4.6%.

3.1 Concentration of credit risk

Concentration of credit risk exists when changes in geographic, economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is material in relation to the Group'S total exposures. The Group'S portfolio of financial instrument is diversified along geographic, industry and product sectors.

The Group mainly operates the lending and guarantee business in the PRC mainland only. Since there are different economic development characteristics in the different regions in China, the characteristics of credit risks are also different.

For the geographical and industrial concentration of the loans and advances to customers please refer to Note VII, 6.

3.2 Maximum exposure to credit risk

Despite any usable collateral, and other credit enhancement measures, the maximum credit risk exposure that the Group and the Bank can afford on balance sheet date is the related financial assets (including derivative instruments and deducted equity instruments) plus the amount of off-balance sheet book value in Note X, 2. As at 31 December 2022, the maximum credit risk exposure of the Group amounted to RMB10,209,100 million (31 December 2021: RMB9,464,758 million); the maximum credit risk exposure of the Bank amounted to RMB9,947,171 million (31 December 2021: RMB9,206,278 million).

Credit exposure

Loans and advances to customers

Unit: RMB million

	The Group				
	2022				
	Stage 1	Stage 2	Stage 3	Purchased financial assets that have already been impaired	Total
Low risk	**4,817,165**	**34,556**	**2,964**	**–**	**4,854,685**
Medium risk	**–**	**65,739**	**9,016**	**–**	**74,755**
High risk	**–**	**–**	**55,729**	**–**	**55,729**
Total carrying amount	**4,817,165**	**100,295**	**67,709**	**–**	**4,985,169**
Allowance for impairment losses	**(56,872)**	**(16,918)**	**(52,293)**	**–**	**(126,083)**
Total	**4,760,293**	**83,377**	**15,416**	**–**	**4,859,086**

	The Group				
	2021				
	Stage 1	Stage 2	Stage 3	Purchased financial assets that have already been impaired	Total
Low risk	4,285,080	34,070	1,180	–	4,320,330
Medium risk	–	60,128	7,857	–	67,985
High risk	–	–	49,017	–	49,017
Total carrying amount	4,285,080	94,198	58,054	–	4,437,332
Allowance for impairment losses	(81,935)	(14,080)	(33,862)	–	(129,877)
Total	4,203,145	80,118	24,192	–	4,307,455

The Group classifies asset risk characteristics according to the quality of assets. “Low risk” means that the borrower can fulfil the contract, and there are not enough reasons to suspect that the principal and interest of the loan cannot be repaid in full on time; “Medium risk” means that the borrower is currently able to repay the principal and interest of the loan, but there are some factors that may adversely affect the repayment; “High risk” means that the borrower'S repayment ability has obvious problems and loan principal and interest cannot be repaid in full by relying on normal business income. Even if the guarantee is enforced, losses may be incurred. The above maximum credit risk exposure information for loans and advances does not include loans and advances that are measured at fair value through profit or loss.

Off-balance sheet items

Unit: RMB million

	The Group				
	2022				
	Stage 1	Stage 2	Stage 3	Purchased financial assets that have already been impaired	Total
Low risk	**1,705,782**	**4,890**	**392**	**–**	**1,711,064**
Medium risk	**–**	**4,986**	**281**	**–**	**5,267**
High risk	**–**	**–**	**627**	**–**	**627**
Total carrying amount	**1,705,782**	**9,876**	**1,300**	**–**	**1,716,958**
Allowance for impairment losses	**(6,263)**	**(396)**	**(371)**	**–**	**(7,030)**
Total	**1,699,519**	**9,480**	**929**	**–**	**1,709,928**

	The Group				
	2021				
	Stage 1	Stage 2	Stage 3	Purchased financial assets that have already been impaired	Total
Low risk	1,581,783	3,305	638	–	1,585,726
Medium risk	–	3,273	–	–	3,273
High risk	–	–	22	–	22
Total carrying amount	1,581,783	6,578	660	–	1,589,021
Allowance for impairment losses	(3,947)	(126)	(10)	–	(4,083)
Total	1,577,836	6,452	650	–	1,584,938

Financial investments

Unit: RMB million

	The Group				
	2022				
	Stage 1	Stage 2	Stage 3	Purchased financial assets that have already been impaired	Total
Low risk	**2,130,652**	**5,698**	**–**	**–**	**2,136,350**
Medium risk	**–**	**23,964**	**7,780**	**–**	**31,744**
High risk	**–**	**–**	**32,385**	**–**	**32,385**
Total carrying amount	**2,130,652**	**29,662**	**40,165**	**–**	**2,200,479**
Allowance for impairment losses	**(5,342)**	**(7,988)**	**(32,116)**	**–**	**(45,446)**
Total	**2,125,310**	**21,674**	**8,049**	**–**	**2,155,033**

Unit: RMB million

	The Group				
	2021				
	Stage 1	Stage 2	Stage 3	Purchased financial assets that have already been impaired	Total
Low risk	2,056,871	10,226	–	–	2,067,097
Medium risk	–	18,353	2,018	–	20,371
High risk	–	–	40,503	–	40,503
Total carrying amount	2,056,871	28,579	42,521	–	2,127,971
Allowance for impairment losses	(8,390)	(6,671)	(27,256)	–	(42,317)
Total	2,048,481	21,908	15,265	–	2,085,654

The Group classifies the credit ratings of financial assets included in the ECL measurement as "low risk", "medium risk" and "high risk" according to the characteristics of risk levels. "Low risk" means that the assets are of good quality, the possibility of future default is low, and it is less affected by external unfavourable factors; "medium risk" means the asset has certain solvency, but the persistent significant instability or poor commercial, financial or economic conditions may reduce its solvency; and "high risk" means the existence of unfavourable factors that have a material impact on solvency, a higher risk of default or assets that meet the definition of default by the Group.

Deposits with banks and other financial institutions

Unit: RMB million

	The Group				
	2022				
	Stage 1	Stage 2	Stage 3	Purchased financial assets that have already been impaired	Total
Low risk	**503,515**	**–**	**–**	**–**	**503,515**
Medium risk	**–**	**–**	**–**	**–**	**–**
High risk	**–**	**–**	**9**	**–**	**9**
Total carrying amount	**503,515**	**–**	**9**	**–**	**503,524**
Allowance for impairment losses	**(821)**	**–**	**(9)**	**–**	**(830)**
Total	**502,694**	**–**	**–**	**–**	**502,694**

Unit: RMB million

	The Group				
	2021				
	Stage 1	Stage 2	Stage 3	Purchased financial assets that have already been impaired	Total
Low risk	562,275	–	–	–	562,275
Medium risk	–	–	–	–	–
High risk	–	–	9	–	9
Total carrying amount	562,275	–	9	–	562,284
Allowance for impairment losses	(3,071)	–	(9)	–	(3,080)
Total	559,204	–	–	–	559,204

The Group classifies risk characteristics of deposits with banks and other financial institutions based on asset entry and internal rating changes. “Low risk” means that the issuer'S initial internal rating is above the entry level, and there are no reasons to suspect that the financial investment is expected to default; “medium risk” means that although the issuer'S internal rating is reduced to a certain extent, there are not enough reasons to suspect that the financial investment is expected to default; “high risk” means that there are obvious problems may cause a default, or the financial investment indeed is defaulted.

3.3 Analysis of c customers, inter-bank placements, investments and finance lease receivables

As at 31 December 2022, the credit risk stages of financial instruments are as follows:

Unit: RMB million

	The Group							
	Gross carrying amount				Allowance for impairment losses			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Measured at amortised cost:								
Cash and balances with Central Bank	442,403	–	–	442,403	–	–	–	–
Deposits with banks and other financial institutions	94,239	–	9	94,248	(125)	–	(9)	(134)
Placements with banks and other financial institutions	352,628	–	–	352,628	(585)	–	–	(585)
Financial assets purchased under resale agreements	56,648	–	–	56,648	(111)	–	–	(111)
Loans and advances to customers								
- Corporate loans and advances	2,520,009	70,091	36,584	2,626,684	(29,218)	(8,920)	(24,627)	(62,765)
- Personal loans and advances	1,919,762	30,145	31,011	1,980,918	(27,654)	(7,998)	(27,666)	(63,318)
Debt investments	1,584,122	28,846	39,504	1,652,472	(5,342)	(7,988)	(32,116)	(45,446)
Finance lease receivables	106,745	801	4,327	111,873	(1,269)	(225)	(3,155)	(4,649)
Financial assets, Others	32,386	29	375	32,790	(1,569)	(9)	(364)	(1,942)
Total	7,108,942	129,912	111,810	7,350,664	(65,873)	(25,140)	(87,937)	(178,950)
	Gross carrying amount				Provision for expected credit losses			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Fair value through other comprehensive income:								
Loans and advances to customers								
- Corporate loans and advances	377,394	59	114	377,567	(2,682)	–	(69)	(2,751)
Other debt investments	546,530	816	661	548,007	(1,296)	(348)	(509)	(2,153)
Total	923,924	875	775	925,574	(3,978)	(348)	(578)	(4,904)
Credit commitments	1,705,782	9,876	1,300	1,716,958	(6,263)	(396)	(371)	(7,030)

As at 31 December 2021, the credit risk stages of financial instruments are as follows:

Unit: RMB million

	The Group							
	Gross carrying amount				Allowance for impairment losses			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Measured at amortised cost:								
Cash and balances with Central Bank	447,446	–	–	447,446	–	–	–	–
Deposits with banks and other financial institutions	66,649	–	9	66,658	(398)	–	(9)	(407)
Placements with banks and other financial institutions	353,248	–	–	353,248	(1,426)	–	–	(1,426)
Financial assets purchased under resale agreements	142,378	–	–	142,378	(1,247)	–	–	(1,247)
Loans and advances to customers								
- Corporate loans and advances	2,112,243	76,080	38,600	2,226,923	(72,114)	(11,259)	(17,806)	(101,179)
- Personal loans and advances	1,849,111	17,529	19,413	1,886,053	(9,821)	(2,821)	(16,056)	(28,698)
Debt investments	1,574,039	27,154	42,154	1,643,347	(8,390)	(6,671)	(27,256)	(42,317)
Finance lease receivables	103,709	742	4,411	108,862	(1,461)	(201)	(3,243)	(4,905)
Financial assets, Others	38,739	20	538	39,297	(1,406)	(2)	(533)	(1,941)
Total	6,687,562	121,525	105,125	6,914,212	(96,263)	(20,954)	(64,903)	(182,120)
	Gross carrying amount				Provision for expected credit losses			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Fair value through other comprehensive income:								
Loans and advances to customers								
- Corporate loans and advances	323,726	589	41	324,356	(1,008)	(3)	(21)	(1,032)
Other debt investments	482,832	1,425	367	484,624	(752)	(233)	(1,313)	(2,298)
Total	806,558	2,014	408	808,980	(1,760)	(236)	(1,334)	(3,330)
Credit commitments	1,581,783	6,578	660	1,589,021	(3,947)	(126)	(10)	(4,083)

3.3.1 Loans and advances to customers

As at 31 Desember 2022, loans and advances to customers were analysed by types of security as follows, excluding loans and advances measured at fair value through profit or loss:

Unit: RMB million

	31 December 2022		31 December 2021	
	The Group	The Bank	The Group	The Bank
Stage 1				
Unsecured loans	**1,348,689**	**1,282,257**	1,166,567	1,116,826
Guaranteed loans	**1,020,593**	**1,020,593**	821,906	821,906
Collateralised loans	**2,447,883**	**2,447,883**	2,296,607	2,296,607
- Secured by mortgage	**1,745,840**	**1,745,840**	1,669,855	1,669,855
- Secured by collaterals	**702,043**	**702,043**	626,752	626,752
Subtotal	**4,817,165**	**4,750,733**	4,285,080	4,235,339
Stage 2				
Unsecured loans	**22,418**	**21,326**	16,175	15,432
Guaranteed loans	**37,166**	**37,166**	37,747	37,747
Collateralised loans	**40,711**	**40,711**	40,276	40,276
- Secured by mortgage	**31,943**	**31,943**	30,318	30,318
- Secured by collaterals	**8,768**	**8,768**	9,958	9,958
Subtotal	**100,295**	**99,203**	94,198	93,455
Stage 3				
Unsecured loans	**25,981**	**24,317**	13,675	12,547
Guaranteed loans	**12,326**	**12,298**	18,436	18,436
Collateralised loans	**29,402**	**27,643**	25,943	24,543
- Secured by mortgage	**22,691**	**20,932**	25,096	23,696
- Secured by collaterals	**6,711**	**6,711**	847	847
Subtotal	**67,709**	**64,258**	58,054	55,526
Total	**4,985,169**	**4,914,194**	4,437,332	4,384,320
Fair value of collateral held against credit-impaired loans	**9,839**	**8,922**	12,622	12,622

The above collateral mainly includes land, buildings, machinery and equipment, etc. The fair value of collateral was estimated by the Group based on the latest external valuations available, adjusted in light of disposal experience and current market conditions.

3.3.2 Deposits with banks and other financial institutions

Deposits with banks and other financial institutions include balances with banks and other financial institutions, placements with banks and other financial institutions and financial assets purchased under resale agreements of which counterparties are banks and non-bank financial institutions.

Unit: RMB million

	31 December 2022		31 December 2021	
	The Group	The Bank	The Group	The Bank
Credit-impaired	**9**	**9**	9	9
Less: allowances for impairment losses	**(9)**	**(9)**	(9)	(9)
Subtotal	**—**	**—**	—	—
Neither past due nor credit-impaired				
- Grade A to AAA	**439,703**	**452,922**	309,623	313,179
- Grade B to BBB	**20,239**	**20,239**	1,282	1,282
- Unrated	**42,476**	**41,714**	250,591	250,592
Total	**502,418**	**514,875**	561,496	565,053
Interest accrued	**1,097**	**1,152**	779	890
Less: allowances for impairment losses	**(821)**	**(816)**	(3,071)	(3,067)
Subtotal	**502,694**	**515,211**	559,204	562,876
Total	**502,694**	**515,211**	559,204	562,876

Deposits with banks and other financial institutions are analysed above according to the Group and the Bank'S internal credit rating. Exposure limits are set for trading counterparties of banks and non-bank financial institutions.

3.3 Analysis of exposure to credit risk of the Group about loans and advances to customers, inter-bank placements, investments and finance lease receivables

As at 31 December 2022, the credit risk stages of financial instruments are as follows:

Unit: RMB million

	The Group					
	2022					
	Unrated	AAA	AA	A	Lower than A	Total
Credit-impaired						
- Other corporates	22,514	1,844	5,832	–	9,954	40,144
- Banks and non-bank financial institutions.	21	–	–	–	–	21
Total	22,535	1,844	5,832	–	9,954	40,165
Allowance for impairment losses						(32,116)
Subtotal						8,049
Overdue but not credit impaired						
- Other corporates	1,239	–	1,125	–	–	2,364
Allowance for impairment losses						(349)
Subtotal						2,015
Neither overdue nor credit impaired						
- Government	902,234	237,689	21	1,673	–	1,141,617
- Policy banks	32,822	2,101	101	715	–	35,739
- Banking and non-banking financial institution	289,021	91,759	3,907	12,658	3,258	400,603
- Other corporates	432,462	335,170	91,376	27,928	39,136	926,072
Total	1,656,539	666,719	95,405	42,974	42,394	2,504,031
Allowance for impairment losses						(12,981)
Subtotal						2,491,050
Total						2,501,114

Unit: RMB million

	The Group					
	2021					
	Unrated	AAA	AA	A	Lower than A	Total
Credit-impaired						
- Other corporates	25,716	–	2,436	227	13,264	41,643
- Banks and non-bank financial institutions.	21	857	–	–	–	878
Total	25,737	857	2,436	227	13,264	42,521
Allowance for impairment losses						(27,256)
Subtotal						15,265
Overdue but not credit impaired						
- Other corporates	8,689	–	178	–	–	8,867
Allowance for impairment losses						(961)
Subtotal						7,906
Neither overdue nor credit impaired						
- Government	890,965	216,165	–	–	–	1,107,130
- Policy banks	42,625	–	–	325	–	42,950
- Banking and non-banking financial institution	88,478	123,624	20,962	6,648	1,189	240,901
- Other corporates	303,447	411,515	232,381	6,876	22,059	976,278
Total	1,325,515	751,304	253,343	13,849	23,248	2,367,259
Allowance for impairment losses						(14,100)
Subtotal						2,353,159
Total						2,376,330

3.4 Collateral and other credit enhancements

The amount and type of collateral required depend on the assessment of the credit risk of the counterparty. The pledge rate depends on the credit information, operation and management, and financial position of pledgers, the condition of collateral, the market price, the pledged periods, and the convertibility of collateral. In addition, the Collateral Guideline of the Group set an upper limit on the pledged rate. Furthermore, the Group classifies and manages collateral by the difficulty of appraisal and management, the stability of market price and the convertibility of collateral. Collateral mainly includes financial collateral, real estate, accounts receivable and other collateral.

The management will monitor the market value of the collateral, ask the borrowers to increase collateral if necessary according to the agreements and monitor the changes in the market value of the collateral when reviewing the adequacy of impairment.

3.5 Rescheduled loans

Rescheduled loans refer to the loan projects generated by the Group to re-determine the terms of the loan at the discretion of the borrower who is unable to repay the loan according to the original loan terms. If conditions permit, the Group will seek to reschedule the loan instead of obtaining ownership of the collateral. The Group assessed the rescheduled loans as impaired loans when rescheduling. As at 31 December 2022, the carrying amount of the Group'S rescheduled loans was RMB2,766 million. (As at 31 December 2021, the amount is RMB5,823 million.)

4.Market risk

Market risk is the risk of loss, in respect of the Group'S on and off-balance sheet activities, arising from movements in market rates including interest rates, foreign exchange rates, commodity prices and stock prices. Market risk arises from both the Group'S proprietary and customer-driven business. The Group'S market risk management objective is to control the market risk within a reasonable scope in order to achieve the optimal risk-adjusted benefit.

According to the Group'S market risk management structure, market risk management is critical for the risk management of the Group. Any major events should be reported to the Asset and Liability Management Committee for review and then authorised by President of the Bank. The planning and financial department is responsible for implementing the Group'S asset and liability management policy, analysing and monitoring the implementation status of each type of indicator.

For daily control and management of treasury business, the risk management department of the treasury centre built up mid-stage risk control system to carry out implanting risk management and report to the risk management department of the Group.

4.1 Interest rate risk

The interest rate risk of the Group includes repricing risk, yield curve risk, benchmark risk and optional risk, among which repricing risk is the main risk. It is the risk arising from the mismatch between the agreed maturity date (fixed interest rate) and the repricing date (floating interest rate) of interest-bearing assets and interest payment liabilities. Currently, the Group has fully carried out the internal capital transfer pricing. The Group determined the transfer pricing by different products and terms, and gradually centralised the interest rate risk to the Head Office, so as to improve the efficiency of management and control the interest rate risk.

For the interest risk management of bank accounts, the Group mainly evaluates the interest rate risk of balance sheet through gap analysis. The Group dynamically monitors and controls the interest rate sensitive gap of balance sheet through information systems like assets-liabilities management system, and simply calculates the interest rate sensitivity affected by revenue and economic value on the basis of gap analysis. The revenue analysis emphasises the effect of the interest rate fluctuation on short-term income, while the economic value analysis emphasises the effect of the interest rate fluctuation on present value of net cash flow.

For the interest risk management of transaction accounts, the Group mainly achieves the real-time monitoring of the interest rate risk of the trading accounts through the quota system, the use of financial transactions and analysis system and the scientific exposure measurement models. According to regulatory requirements, the Group has strengthened the management of market risk measurement models, standardised the developing, testing and commissioning process, and built on regular evaluation mechanisms to ensure the accuracy of measurement models. The Group applies the online trading and analysis system to timely measure and control the interest rate risk exposure of transaction accounts, which provides effective technical support to control the interest rate risk of transaction accounts.

At the balance sheet date, an analysis of contractual repricing date or maturity date, whichever is earlier, of the financial assets and financial liabilities is as follows:

Unit: RMB million

	The Group					
	2022					
	Within 3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	Total
Financial assets:						
Cash and balances with Central Bank	427,435	–	–	–	14,968	442,403
Deposits with banks and other financial institutions	90,139	3,975	–	–	–	94,114
Placements with banks and other financial institutions	111,581	197,581	42,881	–	–	352,043
Derivative financial assets	–	–	–	–	35,253	35,253
Financial assets purchased under resale agreements	56,537	–	–	–	–	56,537
Loans and advances to customers	3,097,093	1,488,291	214,081	70,414	–	4,869,879
Financial investments:						
Trading assets	43,611	40,662	159,727	95,584	660,271	999,855
Debt investments	57,798	133,427	816,411	599,390	–	1,607,026
Other debt investments	88,811	118,008	281,063	60,125	–	548,007
Other equity investments	–	–	–	–	3,453	3,453
Finance lease receivables	14,826	73,635	16,806	1,957	–	107,224
Other assets	3,672	658	1,447	106	24,965	30,848
Total financial assets	3,991,503	2,056,237	1,532,416	827,576	738,910	9,146,642
Financial liabilities:						
Borrowing from Central Bank	12,104	82,517	–	–	–	94,621
Deposits from banks and other financial institutions	1,548,687	79,567	–	–	–	1,628,254
Placements from banks and other financial institutions	173,704	90,489	12,276	799	–	277,268
Trading liabilities	28,726	–	–	–	20,852	49,578
Derivative financial liabilities	–	–	–	–	34,967	34,967
Financial assets sold under repurchase agreements	344,906	8,720	–	–	–	353,626
Deposits from customers	2,920,399	621,715	1,246,269	–	371	4,788,754
Debt securities issued	414,408	430,061	313,538	–	–	1,158,007
Lease liabilities	665	1,791	5,653	1,187	–	9,296
Other liabilities	1,457	8,249	–	–	40,382	50,088
Total financial liabilities	5,445,056	1,323,109	1,577,736	1,986	96,572	8,444,459
Net position	(1,453,553)	733,128	(45,320)	825,590	642,338	702,183

Unit: RMB million

	The Group					
	2021					
	Within 3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	Total
Financial assets:						
Cash and balances with Central Bank	430,986	–	–	–	16,460	447,446
Deposits with banks and other financial institutions	57,789	8,096	366	–	–	66,251
Placements with banks and other financial institutions	162,124	174,634	15,064	–	–	351,822
Derivative financial assets	–	–	–	–	34,460	34,460
Financial assets purchased under resale agreements	141,131	–	–	–	–	141,131
Loans and advances to customers	2,795,661	1,261,348	188,032	65,265	–	4,310,306
Financial investments:						
Trading assets	47,426	39,284	117,633	77,651	627,800	909,794
Debt investments	127,006	259,953	669,580	544,491	–	1,601,030
Other debt investments	80,257	67,030	250,482	86,855	–	484,624
Other equity investments	–	–	–	–	3,148	3,148
Finance lease receivables	40,130	48,580	13,965	1,282	–	103,957
Other assets	–	1,692	1,025	–	34,639	37,356
Total financial assets	3,882,510	1,860,617	1,256,147	775,544	716,507	8,491,325
Financial liabilities:						
Borrowing from Central Bank	18,805	76,972	–	–	–	95,777
Deposits from banks and other financial institutions	1,394,768	316,111	–	–	–	1,710,879
Placements from banks and other financial institutions	81,226	71,699	19,658	1,195	–	173,778
Trading liabilities	12,011	–	–	–	35,819	47,830
Derivative financial liabilities	–	–	–	–	38,847	38,847
Financial assets sold under repurchase agreements	244,010	21,566	–	–	–	265,576
Deposits from customers	2,738,365	731,617	884,823	200	743	4,355,748
Debt securities issued	339,504	494,153	237,666	48,793	–	1,120,116
Lease liabilities	606	1,729	5,573	1,145	–	9,053
Other liabilities	–	–	–	–	35,907	35,907
Total financial liabilities	4,829,295	1,713,847	1,147,720	51,333	111,316	7,853,511
Net position	(946,785)	146,770	108,427	724,211	605,191	637,814

The following tables illustrate the potential impact of a parallel upward or downward shift of 100 basis points in yield curves of all currencies on the Group'S net interest income and other comprehensive income, based on the Group'S positions of financial assets and financial liabilities at the balance sheet date.

Unit: RMB million

	The Group			
	2022		2021	
	Net interest income (decrease) increase	Other comprehensive income (decrease) increase	Net interest income (decrease) increase	Other comprehensive income (decrease) increase
+100 basis points	**(12,420)**	**(11,694)**	(9,953)	(11,765)
- 100 basis points	**12,420**	**12,047**	9,953	12,389

The sensitivity analysis on net interest income is based on reasonably possible changes in interest rates with the assumption that the structure of financial assets and financial liabilities held at the period end remains unchanged.

The sensitivity analysis on other comprehensive income is the effect on changes of fixed-rate debt instruments at fair value through other comprehensive income at the period end after adjusting in accordance with the reasonably possible changes in interest rates.

The above prediction assumes that all yield curves of assets and liabilities, except demand deposits, shift upward or downward parallel. Therefore, it does not reflect the potential impact of non-parallel shifts in yield curves. The prediction also assumes that all positions are held to maturity. The Group anticipates that the amount of sensitivity analysis is insignificant if a position is not held to maturity.

The assumption does not represent the Group'S capital and interest rate risk management policy. Therefore, the above analysis may differ from the actual situation.

In addition, the impact of interest rate fluctuation is only for illustrating purpose, showing the anticipated net interest income and other comprehensive income of the Group under the current interest rate risk situation, and such impact has not taken into account the potential interest rate risk control activities carried out by the management.

4.2 Foreign currency risk

The Group conducts its businesses mainly in RMB, with certain businesses denominated in USD or other currencies. RMB is the functional currency. The exchange rate for RMB converting to USD or other foreign currencies is regulated by the PBOC.

The Group is mainly exposed to currency risk resulting from currency mismatches of assets and liabilities, foreign currency transactions and foreign currency capital, etc.

The capital operation department of the Bank centrally manages the currency risk. The currency risk that arises from all types of foreign exchange transactions at the branch level should be centralised to head office to manage the risk exposure and squares positions through the core business system.

The currency risk exposure between foreign currencies is managed on the basis of “overnight position limit” and “daytime self-trading positions” . The positions are centralised to the capital operation department in a timely way and managed centrally. This kind of position is relatively small compared to the Group'S asset scale and is controllable.

Regarding the currency risk exposure between RMB and foreign currencies, the Group is mainly exposed to currency risk resulting from the comprehensive positions of the RMB market maker and the position of the foreign currency capital. As an active RMB market maker, the Group controls the position limit properly. The comprehensive positions of the market maker are managed close to zero and the overnight positions are kept at a low level.

The following tables are the structure analysis of the relevant financial assets and financial liabilities by currency.

Unit: RMB million

	The Group			
	2022			
	RMB	USD equivalent to RMB	Other currencies equivalent to RMB	Total
Financial assets:				
Cash and balances with Central Bank	434,231	7,818	354	442,403
Deposits with banks and other financial institutions	70,136	20,394	3,584	94,114
Placements with banks and other financial institutions	306,713	39,353	5,977	352,043
Derivative financial assets	28,507	6,733	13	35,253
Financial assets purchased under resale agreements	52,583	3,954	–	56,537
Loans and advances to customers	4,676,667	103,491	89,721	4,869,879
Financial investments:				
Trading assets	981,941	17,914	–	999,855
Debt investments	1,534,720	66,012	6,294	1,607,026
Other debt investments	453,587	93,334	1,086	548,007
Other equity investments	3,449	4	–	3,453
Finance lease receivables	106,747	477	–	107,224
Other assets	30,442	278	128	30,848
Total financial assets	8,679,723	359,762	107,157	9,146,642
Financial liabilities:				
Borrowing from Central Bank	94,621	–	–	94,621
Deposits from banks and other financial institutions	1,572,922	54,678	654	1,628,254
Placements from banks and other financial institutions	167,428	106,653	3,187	277,268
Trading liabilities	49,578	–	–	49,578
Derivative financial liabilities	29,154	5,802	11	34,967
Financial assets sold under repurchase agreements	339,823	13,803	–	353,626
Deposits from customers	4,593,336	140,884	54,534	4,788,754
Debt securities issued	1,131,035	24,738	2,234	1,158,007
Leasing liabilities	8,762	379	155	9,296
Other liabilities	45,803	4,243	42	50,088
Total financial liabilities	8,032,462	351,180	60,817	8,444,459
Net position	647,261	8,582	46,340	702,183

Unit: RMB million

	The Group			
	2021			
	RMB	USD equivalent to RMB	Other currencies equivalent to RMB	Total
Financial assets:				
Cash and balances with Central Bank	437,742	9,553	151	447,446
Deposits with banks and other financial institutions	34,123	19,856	12,272	66,251
Placements with banks and other financial institutions	261,467	83,078	7,277	351,822
Derivative financial assets	30,570	3,770	120	34,460
Financial assets purchased under resale agreements	137,070	4,061	–	141,131
Loans and advances to customers	4,155,647	105,695	48,964	4,310,306
Financial investments:				
Trading assets	893,608	16,083	103	909,794
Debt investments	1,560,783	37,724	2,523	1,601,030
Other debt investments	425,810	57,858	956	484,624
Other equity investments	3,087	61	–	3,148
Finance lease receivables	103,506	451	–	103,957
Other assets	36,605	352	399	37,356
Total financial assets	8,080,018	338,542	72,765	8,491,325
Financial liabilities:				
Borrowing from Central Bank	95,777	–	–	95,777
Deposits from banks and other financial institutions	1,595,969	109,891	5,019	1,710,879
Placements from banks and other financial institutions	127,632	38,726	7,420	173,778
Trading liabilities	47,830	–	–	47,830
Derivative financial liabilities	35,425	3,017	405	38,847
Financial assets sold under repurchase agreements	258,893	6,683	–	265,576
Deposits from customers	4,177,900	163,840	14,008	4,355,748
Debt securities issued	1,087,451	27,265	5,400	1,120,116
Leasing liabilities	8,449	377	227	9,053
Other liabilities	35,772	84	51	35,907
Total financial liabilities	7,471,098	349,883	32,530	7,853,511
Net position	608,920	(11,341)	40,235	637,814

The table below indicates the potential effect of an appreciation or depreciation of RMB spot and forward exchange rate against all other currencies by 5% on the foreign exchange gains or losses:

Unit: RMB million

	The Group	
	2022	2021
	Foreign exchange (losses) gains	Foreign exchange gains (losses)
5% appreciation	**(170)**	1,131
5% depreciation	**170**	(1,131)

The above sensitivity analysis is measured on the basis that all assets and liabilities have a static currency risk structure. The relevant assumptions are:

(1)The exchange rate sensitivity represents the exchange gains or losses arising from a 5% change of the closing exchange rates (middle price) of the different foreign currencies against RMB at the balance sheet date;

(2)The exchange rate changes of different foreign currencies against RMB move in the same direction simultaneously.

The aforesaid effect on foreign exchange gains or loss is based on the assumption that the Group'S net positions of foreign exchange sensitivity and foreign exchange derivative instruments at the end of the reporting period remain unchanged. The Group mitigates its foreign currency risk through active management of its foreign currency exposures and appropriate use of derivative instruments, based on the management expectation of future foreign currency movements, and therefore the above sensitivity analysis may differ from the actual situation.

4.3 Other price risks

Other price risks mainly derive from equity investment, held-for-trading precious metals investment and other bonds and derivatives linked to commodity price.

The Group considers that the market risk of commodity price or stock price from portfolio is insignificant.

5.Liquidity risk

Liquidity risk refers to the risk of being unable to acquire sufficient funds in time or failing to acquire sufficient funds at a reasonable cost to meet repayment obligations for asset growth or other business. The Group'S liquidity risk mainly derives from advanced or concentrated withdrawal, deferred loan repayment and mismatches of assets and liabilities.

The assets and liabilities management committee of the Group monitors and manages the liquidity risk of the Group, ensuring effective liquidity management. The committee will determine the liquidity risk management strategy, the monitoring indicators and the alarming index, regularly analyse and discuss the liquidity risk assessment report submitted, and determine the liquidity risk management measures.

The financial planning department is responsible for: drafting liquidity risk management policies and measures; monitoring different types of liquidity ratios and exposure indicators. The financial planning department monitors the liquidity risk ratios monthly by reviewing the structure of assets and liabilities. If there are any ratios close to or over the alarming limits, the department has to investigate the reasons and make recommendations to adjust the assets' and liabilities' structure accordingly. It is also responsible for analysing the liquidity risk and reporting to the assets and liabilities management committee regularly; and daily operation of liquidity management, establishment of a cash position forecast system at the Bank level in order to meet the cash payment needs and assure the liquidity for the business development requirements.

The Group regularly monitors the liquidity ratio, liquidity coverage ratio, net stable fund ratio, and liquidity matching ratio and sets objectives and limits for each ratio. The Group also analyses general liquidity conditions, incorporating the consideration of macro economy and interbank liquidity status. The assessment report will be submitted together with credit risk, liquidity risk and market risk to the risk management committee for the analysis of the Group'S overall risk assessment to determine the management strategy accordingly.

5.1 Undiscounted contractual cash flows classified by the maturity date of contracts

The following tables are the structure analysis of non-derivative financial assets and financial liabilities by contractual maturities at the balance sheet date. The amounts disclosed in each term are the undiscounted contractual cash flows.

Unit: RMB million

	The Group							
	2022							
	On demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Past due/ undated	Total
Non-derivative financial assets:								
Cash and balances with Central Bank	442,403	–	–	–	–	–	–	442,403
Deposits with banks and other financial institutions	57,742	30,873	1,652	4,044	–	–	9	94,320
Placements with banks and other financial institutions	–	70,163	43,707	202,059	43,501	–	–	359,430
Financial assets purchased under resale agreements	331	55,859	484	–	–	–	–	56,674
Loans and advances to customers	–	638,070	374,312	1,311,069	1,378,572	2,596,984	84,432	6,383,439
Financial investments:								
Trading assets	628,551	14,502	2,546	22,477	47,714	274,138	42,229	1,032,157
Debt investments	–	11,202	28,044	276,108	194,646	1,473,647	13,356	1,997,003
Other debt investments	–	21	–	258	42,676	555,205	4,061	602,221
Other equity investments	–	–	–	–	–	–	3,453	3,453
Financial lease receivables	1,896	4,770	9,800	35,614	63,873	7,529	361	123,843
Other non-derivative financial assets	20,500	1,438	1,663	2,020	2,077	2,304	947	30,949
Total non-derivative financial assets:	1,151,423	826,898	462,208	1,853,649	1,773,059	4,909,807	148,848	11,125,892
Non-derivative financial liabilities:								
Borrowing from Central Bank	–	5,966	6,248	83,897	–	–	–	96,111
Deposits from banks and other financial institutions	855,350	327,640	368,238	80,495	–	–	–	1,631,723
Placements from banks and other financial institutions	–	126,860	47,525	92,441	13,162	915	–	280,903
Trading liabilities	23,832	28,212	13	105	35	–	186	52,383
Financial assets sold under repurchase agreements	–	330,141	14,897	8,758	–	–	–	353,796
Deposits from customers	378	2,643,831	276,645	628,822	1,387,101	–	–	4,936,777
Debt securities issued	–	112,803	305,089	444,853	371,872	–	–	1,234,617
Lease liabilities	–	225	468	1,900	6,134	1,341	–	10,068
Other non-derivative financial liabilities	28,470	5,017	3,219	9,582	3,356	401	721	50,766
Total non-derivative financial liabilities	908,030	3,580,695	1,022,342	1,350,853	1,781,660	2,657	907	8,647,144
Net position	243,393	(2,753,797)	(560,134)	502,796	(8,601)	4,907,150	147,941	2,478,748

Unit: RMB million

	The Group							
	2021							
	On demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Past due/ undated	Total
Non-derivative financial assets:								
Cash and balances with Central Bank	447,446	–	–	–	–	–	–	447,446
Deposits with banks and other financial institutions	50,597	2,055	5,238	8,272	366	–	–	66,528
Placements with banks and other financial institutions	–	116,023	48,837	178,771	15,670	–	–	359,301
Financial assets purchased under resale agreements	–	141,956	513	–	–	–	–	142,469
Loans and advances to customers	–	606,703	337,844	1,184,665	1,327,719	2,242,833	66,476	5,766,240
Financial investments:								
Trading assets	589,920	4,268	14,574	48,094	147,537	57,571	98,845	960,809
Debt investments	–	12,516	54,241	285,198	746,133	892,603	19,147	2,009,838
Other debt investments	–	7,903	28,284	73,652	294,363	141,213	6,493	551,908
Other equity investments	–	–	–	–	–	–	3,148	3,148
Financial lease receivables	–	3,543	10,442	34,803	61,534	7,226	2,498	120,046
Other non-derivative financial assets	29,545	80	628	2,936	1,756	2,159	252	37,356
Total non-derivative financial assets:	1,117,508	895,047	500,601	1,816,391	2,595,078	3,343,605	196,859	10,465,089
Non-derivative financial liabilities:								
Borrowing from Central Bank	–	12,354	6,486	78,664	–	–	–	97,504
Deposits from banks and other financial institutions	932,457	188,868	273,769	318,605	–	–	–	1,713,699
Placements from banks and other financial institutions	–	61,401	27,731	69,137	20,692	1,226	–	180,187
Trading liabilities	36,320	11,663	14	97	2	–	186	48,282
Financial assets sold under repurchase agreements	–	231,451	12,609	21,566	–	–	–	265,626
Deposits from customers	753	2,499,998	244,141	737,207	982,867	231	–	4,465,197
Debt securities issued	–	180,488	152,868	502,086	283,732	66,993	–	1,186,167
Lease liabilities	–	212	421	1,844	6,011	1,296	–	9,784
Other non-derivative financial liabilities	23,715	214	2,129	5,552	3,804	1,035	265	36,714
Total non-derivative financial liabilities	993,245	3,186,649	720,168	1,734,758	1,297,108	70,781	451	8,003,160
Net position	124,263	(2,291,602)	(219,567)	81,633	1,297,970	3,272,824	196,408	2,461,929

5.2 Liquidity risk analysis of derivative instruments

(1)Derivatives settled on a net basis

Derivatives that were settled on a net basis by the Group include: interest rate derivatives, exchange rate derivatives, credit derivatives and precious metal derivatives, etc. The tables below set forth the Group'S net derivative financial instruments positions by remaining contractual maturities at the balance sheet date. The amounts disclosed in the tables are the undiscounted contractual cash flows:

Unit: RMB million

	The Group					
	2022					
	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Interest rate derivatives	**12**	**10**	**15**	**(45)**	**72**	**64**
Exchange rate derivatives	**(472)**	**497**	**482**	**15**	**–**	**522**
Other derivatives	**395**	**78**	**420**	**6**	**–**	**899**
Total	**(65)**	**585**	**917**	**(24)**	**72**	**1,485**
	2021					
	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Interest rate derivatives	(25)	(72)	(280)	(2,034)	(68)	(2,479)
Exchange rate derivatives	(100)	(233)	(234)	–	–	(567)
Other derivatives	(285)	(110)	12	(18)	–	(401)
Total	(410)	(415)	(502)	(2,052)	(68)	(3,447)

(2)Derivatives settled on a gross basis

The Group'S derivatives that will be settled on a gross basis refer to exchange rate derivatives. The tables below set forth the Group'S positions by remaining contractual maturities at the balance sheet date. The amounts disclosed in the tables are the undiscounted contractual cash flows:

Unit: RMB million

	The Group					
	2022					
	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Exchange rate derivatives						
- Cash inflow	**216,699**	**174,241**	**320,756**	**164,914**	**–**	**876,610**
- Cash outflow	**(217,172)**	**(174,072)**	**(326,086)**	**(168,229)**	**–**	**(885,559)**
Total	**(473)**	**169**	**(5,330)**	**(3,315)**	**–**	**(8,949)**
	2021					
	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Exchange rate derivatives						
- Cash inflow	237,055	165,529	377,976	92,439	–	872,999
- Cash outflow	(237,804)	(165,732)	(374,900)	(91,677)	–	(870,113)
Total	(749)	(203)	3,076	762	–	2,886

5.3 Liquidity risk analysis of off-balance sheet items

The Group'S off-balance sheet items mainly include credit card commitments, letters of credit, letters of guarantee, bank acceptances and irrevocable loan commitments. The tables below set forth the liquidity of the off-balance sheet items:

Unit: RMB million

	The Group							
	2022				2021			
	Less than 1 year	1-5 years	Over 5 years	Total	Less than 1 year	1-5 years	Over 5 years	Total
Credit card commitments	**518,344**	**–**	**–**	**518,344**	466,625	–	–	466,625
Letters of credit	**247,256**	**520**	**–**	**247,776**	157,505	847	–	158,352
Letters of guarantee	**60,298**	**32,065**	**1,012**	**93,375**	66,624	38,254	2,034	106,912
Bank acceptances	**834,853**	**–**	**–**	**834,853**	835,418	–	–	835,418
Irrevocable loan commitments	**7,612**	**5,549**	**9,449**	**22,610**	11,236	5,383	5,095	21,714
Total	**1,668,363**	**38,134**	**10,461**	**1,716,958**	1,537,408	44,484	7,129	1,589,021

6.Capital management

During the reporting period, the Group had conscientiously implemented the capital management policy according to the regulations of CBIRC “Administrative Measures for the Capital of Commercial Banks (for Trial Implementation)” . The Group will ensure capital adequacy ratio and the overall strategic development match with target management requirements, in order to achieve healthy, sustainable and rapid development.

In 2022, the Group implemented capital-intensive operation and management to continuously improve and optimise risk-weighted asset amount allocation and governing system: oriented by risk-weighted asset yields, the Group makes overall arrangements in operation institutions, risk-weighted assets scale of business lines to reasonably adjust industry structure and promote capital allocation.

According to related guidelines of CBIRC, “Administrative Measures for the Capital of Commercial Banks (for Trial Implementation)” and other regulations, the Group and the Bank monitor the capital adequacy and capital application in real time.

Unit: RMB million

	The Group	
	2022	2021
Net core tier 1 capital	**661,727**	598,556
Net tier 1 capital	**747,780**	684,555
Net capital	**973,833**	878,172
Total risk weighted assets	**6,746,229**	6,102,620
Core tier 1 capital adequacy ratio	**9.81%**	9.81%
Tier 1 capital adequacy ratio	**11.08%**	11.22%
Capital adequacy ratio	**14.44%**	14.39%

(1)The scope of consolidation for the purpose of calculating the Group'S Capital Adequacy Ratio includes domestic and overseas operating units and other financial subsidiaries specified in the capital rules.

(2)The Group'S core tier 1 capital includes ordinary shares, equity components of convertible bonds, the capital reserve (subject to regulatory limitations), surplus reserve, general reserve, retained earnings, non-controlling interests (to the extent permitted in the core tier 1 capital under the Regulation), and other qualified capital instruments.

(3)The Group'S core tier 1 capital supervision deductions include the net amount of goodwill after deduction of related deferred tax liabilities and the net amount of other intangible assets (excluding land use rights) after deduction of related net deferred tax liabilities.

(4)The Group'S other tier 1 capital includes preference shares and non-controlling interests to the extent permitted by the capital rules.

(5)The Group'S tier two capital includes: tier two capital instruments and related premiums (to the extent permitted under the Regulation), excessive allowance for loan losses, and non-controlling interests to the extent permitted by the capital rules.

(6)Risk-weighted Assets include Credit Risk-weighted Assets, Market Risk-weighted Assets and Operational Risk-weighted Assets. The Group adopts risk weighting approach, standardised approach and basic indicator approach to measure Credit Risk-weighted Assets, Market Risk-weighted Assets and Operational Risk-weighted Assets respectively.

7.Fair value of financial instruments

7.1 Method of fair value recognition

Part of the financial assets and financial liabilities of the Group is measured at fair value. Fair values are measured through appropriate methods and parameters, and regularly reviewed by the Board of Directors to keep applicability. The Group determined and disclosed the fair value of financial instruments based on:

Level 1 inputs: Unadjusted public quoted prices in active markets that are observable at the measurement date for identical assets or liabilities;

Level 2 inputs: All parameters that have a significant impact on the valuation results are market information that can be directly or indirectly observable with the utilisation of valuation techniques; and

Level 3 inputs: Part of the parameters that have a significant impact on the valuation results are market information that is not observable with the utilisation of valuation techniques.

When recognising the fair value of the financial instrument, which can obtain unadjusted price of same assets and liabilities in the active market, the Group regards the unadjusted price in the active market as the best evidence of fair value. And then the Group recognises the fair value and classifies it to level 1. The financial instruments of the Group divided into level 1 include equity securities and public funds listed on the exchange.

If the parameters of the estimation are observable and acquirable in the active market, such financial instruments (including equity instrument and derivative financial instrument) should be classified to level 2. Financial instruments classified as level 2 by the Group were mainly bond investment, bill business, foreign exchange forwards and swaps, interest rate swaps, foreign exchange options and precious metal contracts, etc. In terms of the fair value of RMB bonds, the Group mainly adopted the valuation results issued by China Central Depository & Clearing Co., Ltd. or China Securities Depository and Clearing Corporation Limited according to the different bond exchange markets; the fair value of foreign currency bonds was based on the valuation results published by Bloomberg; bill business was discounted by a discounted cash flow model which uses the interbank lending rate as a benchmark to adjust the spread based on credit risk and liquidity to build an interest rate curve; non-derivative financial instruments and some derivative financial instruments (including interest rate swaps, foreign exchange forwards, etc.) that cannot obtain quotes from active markets were valued using a cash flow discount model which includes main parameters such as recent transaction price, relevant yield curve, exchange rate, early compensation rate and counterparty credit spread; and option derivative valuation valued using the Black-Scholes option pricing model which includes the relevant yield curve, exchange rate, volatility, and counterparty credit spread etc.. All significant valuation parameters are based on observable market information.

7.2 Financial assets and financial liabilities at fair value on a recurring basis

For financial assets and financial liabilities at fair value on a recurring basis, three levels of fair value measurement are analysed as follows:

Unit: RMB million

	The Group							
	2022				2021			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets:								
Trading assets	**231,006**	**728,619**	**40,230**	**999,855**	247,695	630,332	31,767	909,794
Other debt investments	–	**541,346**	**6,661**	**548,007**	–	479,850	4,774	484,624
Other equity investments	**658**	–	**2,795**	**3,453**	853	–	2,295	3,148
Loans and advances to customers								
At fair value through profit or loss	–	**10,793**	–	**10,793**	–	2,851	–	2,851
At fair value through other comprehensive income	–	**377,567**	–	**377,567**	–	324,356	–	324,356
Derivative financial assets	–	**35,253**	–	**35,253**	–	34,460	–	34,460
Total	**231,664**	**1,693,578**	**49,686**	**1,974,928**	248,548	1,471,849	38,836	1,759,233
Financial liabilities:								
Trading liabilities	**24**	**49,346**	**208**	**49,578**	5,616	42,026	188	47,830
Derivative financial liabilities	–	**34,967**	–	**34,967**	–	38,847	–	38,847
Total	**24**	**84,313**	**208**	**84,545**	5,616	80,873	188	86,677

In 2022 and 2021, the Group did not transfer the fair value of financial instruments from level 1 and level 2 to level 3, nor did it transfer the fair value of financial instruments from level 1 to level 2.

Movement in level 3 financial instruments measured at fair value:

Unit: RMB million

	The Group				
	Trading assets	Other debt investment	Other equity investment	Trading liabilities	Tatal
At 1 January 2022	**31,767**	**4,774**	**2,295**	**(188)**	**38,648**
Gains or losses					
- in profit or loss	**(288)**	**(214)**	–	**(20)**	**(522)**
- in other comprehensive income	–	**433**	–	–	**433**
Purchase	**20,160**	**5,208**	**500**	–	**25,868**
Sold and settle	**(11,409)**	**(3,540)**	–	–	**(14,949)**
At 31 December 2022	**40,230**	**6,661**	**2,795**	**(208)**	**49,478**
Unrealised gains or losses as at 31 December 2022 included in profit or loss for assets held at 31 December 2022	**(288)**	–	–	–	**(288)**

Unit: RMB million

	The Group				
	Trading assets	Other debt investment	Other equity investment	Trading liabilities	Tatal
At 1 January 2021	32,843	2,606	1,793	(304)	36,938
Gains or losses					
- in profit or loss	(1,619)	356	–	–	(1,263)
- in other comprehensive income	–	(860)	–	–	(860)
Purchase	12,708	3,270	502	–	16,480
Sold and settle	(12,165)	(598)	–	116	(12,647)
At 31 December 2021	31,767	4,774	2,295	(188)	38,648
Unrealised gains or losses as at 31 December 2021 included in profit or loss for assets held at 31 December 2021	(366)	–	–	–	(366)

Information of Level 3 financial instruments:

Unit: RMB million

Items	The Group	
	Fair value on 31 December 2022	Value Tech
Trading assets		
- Equity investments	**18,117**	Net asset value method
- Trust beneficiary rights and asset management plans	**8,797**	Discounted cash flow method
- Debt	**7,712**	Discounted cash flow method
- Others	**5,604**	Discounted cash flow method
Other debt investments		
- Debt	**5,228**	Discounted cash flow method
- Trust beneficiary rights and asset management plans	**1,433**	Discounted cash flow method
Other equity investments	**2,795**	Net asset value method
Trading liabilities	**(208)**	Note
Total	**49,478**	

Unit: RMB million

Items	The Group	
	Fair value on 31 December 2021	Value Tech
Trading assets		
- Equity investments	17,553	Net asset value method
- Trust beneficiary rights and asset management plans	7,126	Discounted cash flow method
- Debt	2,123	Discounted cash flow method
- Others	4,965	Discounted cash flow method
Other debt investments		
- Trust beneficiary rights and asset management plans	2,580	Discounted cash flow method
- Debt	2,194	Discounted cash flow method
Other equity investments	2,295	Net asset value method
Trading liabilities	(188)	Note
Total	38,648	

Note:Trading liabilities are the equity of other shareholders in the consolidated structured entity, and the fair value is the amount attributable to the investors of the structured entity calculated based on the net value of the structured entity.

7.3 Financial assets and liabilities measured not by fair value

All financial instruments not measured at fair value are carried at amounts which are not materially different from the fair value except as follows:

Unit: RMB million

	The Group				
	2022				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets:					
Debt investments	**1,607,026**	**1,620,124**	**–**	**1,118,736**	**501,388**
Total	**1,607,026**	**1,620,124**	**–**	**1,118,736**	**501,388**
Financial liabilities:					
Debt securities issued	**1,158,007**	**1,173,640**	**–**	**1,173,640**	**–**
Total	**1,158,007**	**1,173,640**	**–**	**1,173,640**	**–**
	2021				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets:					
Debt investments	1,601,030	1,619,389	–	986,451	632,938
Total	1,601,030	1,619,389	–	986,451	632,938
Financial liabilities:					
Debt securities issued	1,120,116	1,132,713	–	1,132,713	–
Total	1,120,116	1,132,713	–	1,132,713	–

Quantitative information of level 2, 3 at fair value:

Unit: RMB million

Items	The Group			
	Fair value at 31 December 2022	Fair value at 31 December 2021	Valuation Technique	Inputs
Debt investments	1,620,124	1,619,389	Discounted cash flow method	Yield rate of bonds,default rate, loss given default,discount rate
Debt securities issued	1,173,640	1,132,713	Discounted cash flow method	Yield rate of bonds

All of the above-mentioned assumptions and methods provide a consistent basis for the calculation of the fair values of the Group'S assets and liabilities. However, other institutions may use different assumptions and methods. Therefore, the fair values disclosed by different financial institutions may not be entirely comparable.

XII.Other significant events

1.Financial assets and financial liabilities measured at fair value

Unit: RMB million

	The Group				
	2022				
	Opening balance	Profit or loss arising from changes in fair value for the year	Accumulated changes in fair value included in other comprehensive income	Provision for impairment losses for the year	Closing balance
Financial assets:					
Derivative financial assets	34,460	793	–	–	35,253
Loans and advances to customers measured at fair value through profit or loss	2,851	(15)	–	–	10,793
Loans and advances to customers measured at fair value through other comprehensive income	324,356	–	(248)	1,719	377,567
Trading assets	909,794	(3,670)	–	–	999,855
Other debt investments	484,624	(717)	(6,560)	701	548,007
Other equity investments	3,148	–	(223)	–	3,453
Total financial assets	1,759,233	(3,609)	(7,031)	2,420	1,974,928
Financial liabilities (1)	(86,677)	3,898	–	–	(84,545)

Unit: RMB million

	The Bank				
	2022				
	Opening balance	Profit or loss arising from changes in fair value for the year	Accumulated changes in fair value included in other comprehensive income	Provision for impairment losses for the year	Closing balance
Financial assets:					
Derivative financial assets	34,460	792	–	–	35,252
Loans and advances to customers measured at fair value through profit or loss	2,851	(15)	–	–	10,793
Loans and advances to customers measured at fair value through other comprehensive income	324,356	–	(248)	1,719	377,567
Trading assets	847,457	(3,862)	–	–	933,931
Other debt investments	484,758	(717)	(6,414)	711	548,000
Other equity investments	3,068	–	(223)	–	2,873
Total financial assets	1,696,950	(3,802)	(6,885)	2,430	1,908,416
Financial liabilities (1)	(80,754)	3,893	–	–	(84,174)

(1)Financial liabilities include trading liabilities and derivative financial liabilities.

(2)The items of assets and liabilities listed in the above tables have no inevitable relationship.

2.Financial assets and financial liabilities denominated in foreign currencies

Unit: RMB million

	The Group				
	2022				
	Opening balance	Profit or loss arising from changes in fair value for the year	Accumulated changes in fair value included in other comprehensive income	(Charge) reversal for impairment losses for the year	Closing balance
Cash and balances with Central Bank	9,704	–	–	–	8,172
Deposits with banks and other financial institutions	32,128	–	–	–	23,978
Placements with banks and other financial institutions	90,355	–	–	–	45,330
Derivative financial assets	3,890	2,856	–	–	6,746
Financial assets purchased under resale agreement	4,061	–	–	–	3,954
Loans and advances to customers	154,659	–	–	(686)	193,212
Financial investments:					
Trading assets	16,186	(571)	–	–	17,914
Debt investments	40,247	–	–	350	72,306
Other debt investments	58,814	–	(3,847)	(399)	94,420
Other equity investments	61	–	58	–	4
Finance lease receivables	451	–	–	(15)	477
Other financial assets	751	–	–	–	406
Total of financial assets	411,307	2,285	(3,789)	(750)	466,919
Financial liabilities (1)	(382,413)	(2,391)	–	–	(411,997)

Unit: RMB million

	The Bank				
	2022				
	Opening balance	Profit or loss arising from changes in fair value for the year	Accumulated changes in fair value included in other comprehensive income	(Charge) reversal for impairment losses for the year	Closing balance
Cash and balances with Central Bank	9,704	–	–	–	8,172
Deposits with banks and other financial institutions	31,419	–	–	–	23,759
Placements with banks and other financial institutions	90,355	–	–	–	45,330
Derivative financial assets	3,890	2,856	–	–	6,746
Financial assets purchased under resale agreement	4,061	–	–	–	3,954
Loans and advances to customers	154,659	–	–	(686)	193,212
Financial investments:					
Trading assets	16,186	(571)	–	–	17,914
Debt investments	40,247	–	–	350	72,306
Other debt investments	58,814	–	(3,847)	(399)	94,420
Other equity investments	61	–	58	–	4
Other financial assets	751	–	–	–	406
Total of financial assets	410,147	2,285	(3,789)	(735)	466,223
Financial liabilities (1)	(376,250)	(2,391)	–	–	(406,005)

(1)Financial liabilities include Borrowing from Central Bank, Deposits from banks and other financial institutions, Placements from banks and other financial institutions, Trading liabilities, Derivative financial liabilities, Financial assets sold under repurchase agreements, Deposits from customers and Debt securities issued, etc.

(2)The items of assets and liabilities listed in the above tables have no inevitable relationship.

3.Transfer of financial assets

3.1 Assets-securitised

The Group conducts asset-backed securities transactions during normal operations. The Group sells part of its financial assets to the special purpose trust established by the Group as an originating institution and then the special purpose trust issues asset-backed securities to investors. The Group determines whether it consolidates the special purpose trust based on whether it has power over such special purpose trust and whether it is involved in related activities of the special purpose trust to enjoy variable returns, and whether the Group has the ability to use its power over the special purpose trust to affect its returns.

Once a special purpose trust is established, it shall be distinguished from other property for which the Group has not set up a trust. When the Group is dissolved or revoked according to law, and declared bankrupt, if the Group is the sole beneficiary, the special purpose trust shall be terminated and the trust property shall be deemed as the liquidation property; if the Group is not the sole beneficiary, the special purpose trust shall survive and the trust property shall not be deemed as the liquidation property; however, the trust beneficial rights held by the Group is its liquidation property.

The Group analyses and judges if the relevant financial assets transferred to be derecognised based on the degree of transfer of risk and return:

•When the Group transfers substantially all the risks (mainly including credit risk, early repayment risk and interest rate risk of the transferred assets) and rewards of ownership of the financial assets to other investors in the course of the transfer of the underlying financial assets, the Group derecognises the transferred financial assets. The Group has RMB12,605 million securitised financial assets in 2022 (2021: RMB71,856 million). Meanwhile, the Group subscribed for a certain percentage of asset-backed securities. As at 31 December 2022, the above asset-backed securities held by the Group amounted to RMB68 million (31 December 2021: RMB448 million).

•In 2022, the Group'S transferred assets include financial assets with carrying amount of RMB1,952 million (2021: RMB21,457 million), where the Group neither transferred nor retained substantially all the risks (mainly including the credit risk, early repayment risk and interest rate risk of the transferred assets) and rewards of the ownership, and retained the control and has continuing involvement in these financial assets. As at 31 December 2022, the Group continued to recognise the financial assets with carrying amount of RMB11,427 million (31 December 2021: RMB12,191 million) based on its extent of continuing involvement in the assets, and recognised assets and liabilities with continuing involvement as other assets and other liabilities.

3.2 Repurchase agreements

Repurchase agreements refer to agreements made by the Group and the counter-parities that financial assets (or financial assets that share the same substance) are settled at a fixed price of repurchasing when they are sold at a fixed date. Due to the fixed repurchasing price, the Group retaines almost all the credit and market risks and benefits of the assets. The sold financial assets (cannot be used within the period) should not be recognised in the financial statement, but should be regarded as guarantees because the Group retains all the risks and returns. Besides, the Group recognises the financial liabilities by the price received. In these trading, the right of counter-parties to the Group is not limited to the transferred financial assets.

As at 31 December 2022 and 31 December 2021, the Group conducted trading of bonds and bills under repurchase agreements. The price of selling these financial assets is called financial assets sold under repurchase agreements price (Note VII, 19).

Included in the repurchase agreement, the book value of the financial assets which had been transferred but continued to be recognised by the Group and relevant liabilities are as follows:

Unit: RMB million

Item	The Group			
	2022		2021	
	Bond	Bill	Bond	Bill
Assets book value	**342,528**	**19,864**	237,375	32,416
Liabilities book value	**333,662**	**19,767**	233,230	32,190

XIII.Non-adjusting events after balance sheet date

China Industrial International Trust Asset Management Co., Ltd., a subsidiary of the Group, issued RMB500 million three-year fixed-rate corporate bonds with an annual interest rate of 4.5% in February 2023.

As at the approval date of the financial statements, there are no material post-balance-sheet date events which should be disclosed by the Group, except for the above contents and dividend distribution. For details of dividend distribution, see Note VII, 32.

XIV.Financial statements approved

The financial statements were approved by the Board of Directors of the Bank on 30 March 2023.

Supplementary Financial Information

I Breakdown of non-recurring profit or loss

The following table is in accordance with the requirement of Information Disclosure and Presentation Rules for Companies Making Public Offering of Securities No.1 - Non-recurring Profit or Loss (2008) (ZJHGG [2008] No.43) issued by CSRC.

Unit: RMB million

	The Group	
	2022	2021
Gains and losses on the disposal of non-current assets	**12**	(6)
Government grants recognised in profit or loss	**483**	613
Other non-operating income and expenses	**56**	107
Subtotal	**551**	714
Impact on income tax expenses	**(151)**	(210)
Total	**400**	504
Total non-recurring profit or loss attributable to ordinary shareholders of the Bank	**381**	474
Total non-recurring profit or loss attributable to non-controlling interests	**19**	30
Net profit attributable to ordinary shareholders of the Bank, after deduction of non-recurring profit or loss	**86,784**	77,946

Non-recurring profit or loss refers to the profit or loss not related to normal business or the profit or loss which is related to normal business but affects the user of financial statements to make correct judgement for the Bank'S financial position and financial performance because of its distinctiveness and non-recurring. Considering the nature of its normal business, Industrial Bank Co., Ltd. (hereinafter referred to as “the Group”) does not include “Trading assets, Debt investments, Other debt investments and Other equity investments” in non-recurring profit or loss.

II Return on net assets (“ROE”) and earnings per share (“EPS”)

The related data is calculated in accordance with the provisions in Rule No.9 for the Preparation of Information Disclosure of Companies with Public Offering – the Calculation and Disclosure of ROE and EPS (revised in 2010). In the related period, basic EPS is calculated by dividing net profit by weighted average ordinary shares issued.

	The Group		
	2022		
	Weighted average ROE (%)	Basic EPS (RMB)	Diluted EPS (RMB)
Net profit attributable to ordinary shareholders of the Bank	**13.85**	**4.20**	**3.87**
Net profit attributable to ordinary shareholders of the Bank, after deduction of non-recurring profit or loss	**13.79**	**4.18**	**3.86**

	The Group		
	2021		
	Weighted average ROE (%)	Basic EPS (RMB)	Diluted EPS (RMB)
Net profit attributable to ordinary shareholders of the Bank	13.94	3.77	3.77
Net profit attributable to ordinary shareholders of the Bank, after deduction of non-recurring profit or loss	13.86	3.75	3.75

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