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*This announcement is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities. The Notes (as defined below) 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 other jurisdiction and the Notes may not be offered or sold within the United States absent registration or an exemption from registration under the Securities Act.*

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 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 are intended for purchase by professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) only and have been listed on The Stock Exchange of Hong Kong Limited on that basis. Accordingly, the Issuer confirms that the Notes are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.*

PUBLICATION OF DRAWDOWN OFFERING CIRCULAR AND PRICING SUPPLEMENTS

CHINA CONSTRUCTION BANK CORPORATION LONDON BRANCH
中國建設銀行股份有限公司倫敦分行
(the "Issuer")
U.S.$1,000,000,000 Floating Rate Senior Green Notes due 2028
(Stock Code: 5902)
(the "2028 USD Notes")
U.S.$500,000,000 Floating Rate Senior Green Notes due 2030
(Stock Code: 5906)
(the "2030 USD Notes", together with the 2028 USD Notes, the "USD Notes")
CNY2,000,000,000 1.89 per cent. Senior Green Notes due 2028
(Stock Code: 85062)
(the "CNY Notes", together with the USD Notes, the "Notes")

each issued under the U.S.$15,000,000,000 Medium Term Note Programme
(the "Programme")
established by

中國建設銀行股份有限公司
CHINA CONSTRUCTION BANK CORPORATION
(a joint stock company incorporated in the People's Republic of China with limited liability)

and

CHINA CONSTRUCTION BANK CORPORATION HONG KONG BRANCH
中國建設銀行股份有限公司香港分行

Sole Green Structuring Advisor

China Construction Bank (Asia)

Joint Bookrunners and Joint Lead Managers for the USD Notes

China Construction Bank	**Agricultural Bank of China**	**Bank of China**	**Bank of Communications**
Barclays	**China CITIC Bank International**	**China Everbright Bank Hong Kong Branch**	**China Galaxy International**
China International Capital Corporation	**China Merchants Bank**	**China Minsheng Banking Corp., Ltd. Hong Kong Branch**	**China Securities International**
China Zheshang Bank Co., Ltd. (Hong Kong Branch)	**Citigroup**	**CITIC Securities**	**DBS Bank Ltd.**
Deutsche Bank	**Guotai Junan International**	**Haitong International**	**HSBC**
Huatai International	**ICBC**	**Industrial Bank Co., Ltd. Hong Kong Branch**	**Lloyds Bank Corporate Markets**
Mizuho		**Standard Chartered Bank**	

Joint Bookrunners and Joint Lead Managers for the CNY Notes

China Construction Bank	**Agricultural Bank of China Limited Hong Kong Branch**	**Bank of China**	**Bank of Communications**
China CITIC Bank International	**China International Capital Corporation**	**CITIC Securities**	**HSBC**

ICBC (Asia)	**Industrial Bank Co., Ltd. Hong Kong Branch**	**Standard Chartered Bank**

This announcement is issued pursuant to Rule 37.39A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

Please refer to the drawdown offering circular dated 4 September 2025 (the "**Drawdown Offering Circular**") appended herein in relation to the Notes, which contains the base offering circular dated 16 May 2025 in relation to the Programme and each of the pricing supplements dated 4 September 2025 in relation to the relevant series of the Notes. As disclosed in the Drawdown Offering Circular, the Notes are intended for purchase by professional investors (as defined in Chapter 37 of the Listing Rules) only and have been listed on The Stock Exchange of Hong Kong Limited on that basis.

The Drawdown Offering Circular does not constitute a prospectus, notice, circular, brochure or advertisement offering to sell any securities to the public in any jurisdiction, nor is it an invitation to the public to make offers to subscribe for or purchase any securities, nor is it circulated to invite offers by the public to subscribe for or purchase any securities.

The Drawdown Offering Circular must not be regarded as an inducement to subscribe for or purchase any securities of the Issuer, and no such inducement is intended.

Hong Kong, 12 September 2025

*As at the date of this announcement, the executive directors of China Construction Bank Corporation (the "**Bank**") are Mr. Zhang Jinliang, Mr. Zhang Yi and Mr. Ji Zhihong; the non-executive directors of the Bank are Ms. Xin Xiaodai, Ms. Liu Fang, Ms. Li Lu, Ms. Li Li and Mr. Dou Hongquan; and the independent non-executive directors of the Bank are Mr. William Coen, Mr. Leung Kam Chung, Antony, Lord Sassoon, Mr. Lin Zhijun and Mr. Zhang Weiguo.*

APPENDIX
DRAWDOWN OFFERING CIRCULAR

IMPORTANT NOTICE

NOT FOR DISTRIBUTION DIRECTLY OR INDIRECTLY IN OR INTO THE UNITED STATES.

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE ADDRESSEES OUTSIDE OF THE UNITED STATES.

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

Confirmation of Your Representation: This document is being sent to you at your request, and by accepting the e-mail and accessing the attached Drawdown Offering Circular, you shall be deemed to represent to each of the Bank, the Issuer and the Joint Lead Managers (each as defined herein) (1) that you and any customers you represent are outside of the United States, (2) that the e-mail address that you gave us and to which this e-mail has been delivered is not located in the United States, its territories or possessions, and (3) that you consent to delivery of the attached Drawdown Offering Circular and any amendments or supplements thereto by electronic transmission.

Restrictions: The attached document is being furnished in connection with an offering in offshore transactions outside the United States in compliance with Regulation S under the U.S. Securities Act of 1933, as amended (the "**Securities Act**") solely for the purpose of enabling a prospective investor to consider the purchase of the Notes described herein.

The attached document has been made available to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission and consequently none of the Bank, the Issuer and the Joint Lead Managers, the agents named herein (the "**Agents**") nor their respective affiliates and their respective directors, officers, employees, representatives, agents and each person who controls the Bank, the Issuer, a Joint Lead Manager, an Agent or their respective affiliates or advisors accepts any liability or responsibility whatsoever in respect of any discrepancies between the document distributed to you in electronic format and the hard copy version. We will provide a hard copy version to you upon request.

THE SECURITIES 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 AND THE SECURITIES 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 AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF NOTES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO.

Nothing in this electronic transmission constitutes an offer or an invitation by or on behalf of either the Bank, the Issuer and the Joint Lead Managers to subscribe for or purchase any of the securities described therein, and access has been limited so that it shall not constitute a general advertisement or general solicitation (as those terms are used in Regulation D under the Securities Act) or directed selling efforts (within the meaning of Regulation S under the Securities Act) in the United States or elsewhere. If a jurisdiction requires that the offering be made by a licensed broker or dealer and a Joint Lead Manager or any affiliate of such Joint Lead Manager is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by it or its affiliate on behalf of the Issuer in such jurisdiction.

You are reminded that you have accessed the attached Drawdown Offering Circular on the basis that you are a person into whose possession this Drawdown 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 forward this document, electronically or otherwise, to any other person. **If you have gained access to this transmission contrary to the foregoing restrictions, you are not allowed to purchase any of the securities described in the attached.**

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YOU ARE NOT AUTHORISED TO AND YOU MAY NOT FORWARD OR DELIVER THE ATTACHED DRAWDOWN OFFERING CIRCULAR, ELECTRONICALLY OR OTHERWISE, TO ANY OTHER PERSON OR REPRODUCE SUCH DRAWDOWN OFFERING CIRCULAR IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THE ATTACHED DRAWDOWN OFFERING CIRCULAR 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.

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STRICTLY CONFIDENTIAL

CHINA CONSTRUCTION BANK CORPORATION
中國建設銀行股份有限公司

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

CHINA CONSTRUCTION BANK CORPORATION LONDON BRANCH
中國建設銀行股份有限公司倫敦分行

Issue of

U.S.$1,000,000,000 Floating Rate Senior Green Notes due 2028
U.S.$500,000,000 Floating Rate Senior Green Notes due 2030
CNY2,000,000,000 1.89 per cent. Senior Green Notes due 2028

each under the U.S.$15,000,000,000 Medium Term Note Programme

This Drawdown Offering Circular is supplemental to, forms part of and must be read and construed as one document in conjunction with the offering circular dated 16 May 2025 (a copy of which is attached as Annex IV hereto) (the "**Base Offering Circular**", and together with this Drawdown Offering Circular, the "**Offering Circular**"), including the information incorporated by reference in the Base Offering Circular as described therein, prepared by China Construction Bank Corporation 中國建設銀行股份有限公司 (the "**Bank**") and China Construction Bank Corporation Hong Kong Branch 中國建設銀行股份有限公司香港分行 (the "**Hong Kong Branch**") in connection with the U.S.$15,000,000,000 Medium Term Note Programme as described in the Base Offering Circular (the "**Programme**").

This Drawdown Offering Circular is prepared for the U.S.$1,000,000,000 Floating Rate Senior Green Notes due 2028 (the "**2028 USD Notes**"), the U.S.$500,000,000 Floating Rate Senior Green Notes due 2030 (the "**2030 USD Notes**", together with the 2028 USD Notes, the "**USD Notes**") and the CNY2,000,000,000 1.89 per cent. Senior Green Notes due 2028 (the "**CNY Notes**", together with the USD Notes, the "**Notes**" or "**Green Notes**"), each to be issued by China Construction Bank Corporation London Branch (the "**London Branch**" or the "**Issuer**"), under the Programme. The London Branch is a branch of China Construction Bank Corporation, a joint stock limited company, incorporated and existing under the laws of the People's Republic of China, registered with the Beijing Administration for Industry and Commerce of the People's Republic of China under number 911100001000044477 and having its registered office at No 25, Finance Street, Xicheng District, Beijing, China.

Terms given a defined meaning in the Base Offering Circular shall, unless the context otherwise requires, have the same meaning when used in this Drawdown Offering Circular. To the extent there is any inconsistency between any statement in this Drawdown Offering Circular and any statement in the Base Offering Circular, the statement in this Drawdown Offering Circular shall prevail.

Pursuant to the annual foreign debt quota granted by the National Development and Reform Commission of the PRC (the "**NDRC**") to the Bank in 2024 (the "**Quota**"), separate pre-issuance registration with the NDRC with respect to the Notes is not required as the Notes will be issued within the aforesaid Quota, but the Bank is still required to file with the NDRC the requisite information on the issuance of the Notes after the issuance of such Notes. The Bank intends to provide the requisite information on the issuance of the Notes to the NDRC within the time periods prescribed by 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 on 5 January 2023 which came into effect on 10 February 2023 (as supplemented, amended or replaced from time to time, "**NDRC Order 56**") and any implementation rules or policies as issued by the NDRC from time to time and the terms of the Quota.

Application will be made to The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") for the listing of, and permission to deal in, the Notes 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. This Drawdown Offering Circular is for distribution to Professional Investors only.

Notice to Hong Kong investors: The Issuer and the Bank confirms each relevant series of Notes are intended for purchase by Professional Investors only and will be listed on the Hong Kong Stock Exchange on that basis. Accordingly, each of the Issuer and the Bank confirms that each relevant series of Notes are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.

The Hong Kong Stock Exchange has not reviewed the contents of this Drawdown Offering Circular, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this Drawdown Offering Circular to Professional Investors only have been reproduced in this Drawdown Offering Circular. Listing of the Programme or the Notes on the Hong Kong Stock Exchange is not to be taken as an indication of the commercial merits or credit quality of the Programme, the Notes, the Bank, the Issuer or the Group or quality of disclosure in this Drawdown Offering Circular.

Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange take no responsibility for the contents of this Drawdown 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 Drawdown Offering Circular.

This Drawdown 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 Issuer, the Bank and the Group. The Issuer and the Bank accept full responsibility for the accuracy of the information contained in this Drawdown 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.

The Issuer and the Bank accept full responsibility for the accuracy of the information contained in this Drawdown Offering Circular and confirm, having taken all reasonable care to ensure that such is the case, the information contained in the Drawdown Offering Circular is, to the best of their knowledge, in accordance with the facts and contains no omission likely to affect its import.

Application will be made to the London Stock Exchange plc (the "**London Stock Exchange**") for the Notes to be admitted to trading on the London Stock Exchange's International Securities Market (the "**ISM**") and to be displayed on the London Stock Exchange's Sustainable Bond Market (the "**SBM**"). Such admission to trading is expected to be effective immediately following the Issue Date (as defined herein). This Drawdown Offering Circular comprises admission particulars for the purposes of admission to trading of the Notes on the ISM. The ISM is not a regulated market for the purposes of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**UK MiFIR**").

The ISM is a market designated for professional investors. Notes admitted to trading on the ISM are not admitted to the Official List of the Financial Conduct Authority. The London Stock Exchange has not approved or verified the contents of this Drawdown Offering Circular.

The Notes have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") and, subject to certain exceptions, may not be offered or sold within the United States and are only being offered and sold outside the United States in compliance with Regulation S under the Securities Act ("**Regulation S**"). For a description of these and certain restrictions on offers and sales of the Notes and the distribution of this Drawdown Offering Circular, see "Subscription and Sale" in the Base Offering Circular, as amended and/or supplemented by this Drawdown Offering Circular. The Notes may be subject to additional selling restrictions as set out in the Pricing Supplement (as defined below).

Each series of Notes will be represented by beneficial interests in a global certificate (the "**Global Certificate**") in registered form which will be (in the case of the USD Notes) registered in the name of a nominee of, and shall be deposited on or about the Issue Date with, a common depositary for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream**") or (in the case of the CNY Notes) registered in the name of the Hong Kong Monetary Authority as operator of, and shall be deposited on or about the Issue Date with a sub-custodian for, the Central Moneymarkets Unit Service (the "**CMU**"). Beneficial interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream or the CMU, as applicable. Except as described herein, certificates for the Notes will not be issued in exchange for interests in the relevant Global Certificate. The provisions governing the exchange of interests in Global Certificates for other Global Certificates and definitive Notes are described in "Form of the Notes" in the Base Offering Circular.

Each series of Notes are expected to be assigned a rating of "A1" by Moody's Investors Service Hong Kong Ltd. ("**Moody's**"). The Bank has been rated "A1" by Moody's. The Programme has been rated "A1" by Moody's. These ratings are only correct as at the date of this Drawdown Offering Circular. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning rating agency.

Investing in the Notes involves risks. See "*Risk Factors*" herein and in the Base Offering Circular for a discussion of certain factors to be considered in connection with an investment in the Notes. The risks and investment considerations identified in this Drawdown Offering Circular and the Base Offering Circular are provided as general information only. Investors should consult their own financial and legal advisers as to the risks and investment considerations arising from an investment in the Notes and should possess the appropriate resources to analyse such investment and the suitability of such investment in their particular circumstances.

Sole Green Structuring Advisor

China Construction Bank (Asia)

Joint Bookrunners and Joint Lead Managers for the USD Notes

China Construction Bank	**Agricultural Bank of China**	**Bank of China**	**Bank of Communications**
Barclays	**China CITIC Bank International**	**China Everbright Bank Hong Kong Branch**	**China Galaxy International**
China International Capital Corporation	**China Merchants Bank**	**China Minsheng Banking Corp., Ltd. Hong Kong Branch**	**China Securities International**
China Zheshang Bank Co., Ltd. (Hong Kong Branch)	**Citigroup**	**CITIC Securities**	**DBS Bank Ltd.**
Deutsche Bank	**Guotai Junan International**	**Haitong International**	**HSBC**
Huatai International	**ICBC**	**Industrial Bank Co., Ltd. Hong Kong Branch**	**Lloyds Bank Corporate Markets**

Mizuho **Standard Chartered Bank**

Joint Bookrunners and Joint Lead Managers for the CNY Notes

China Construction Bank	**Agricultural Bank of China Limited Hong Kong Branch**	**Bank of China**	**Bank of Communications**
China CITIC Bank International	**China International Capital Corporation**	**CITIC Securities**	**HSBC**

ICBC (Asia) **Industrial Bank Co., Ltd. Hong Kong Branch** **Standard Chartered Bank**

The date of this Drawdown Offering Circular is 4 September 2025

IMPORTANT NOTICE

The Issuer and the Bank accepts responsibility for the information contained in this Drawdown Offering Circular (read together with the Base Offering Circular) and, having taken all reasonable care to ensure that such is the case, confirms that to the best of its knowledge and belief (i) this Drawdown Offering Circular (read together with the Base Offering Circular) contains all information with respect to the Issuer and the Bank and its subsidiaries taken as a whole (the "**Group**") and to the Notes which is material in the context of the issue and offering of the Notes (including all information required by applicable laws and the information which, according to the particular nature of the Issuer, the Bank and of the Notes, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses, and prospects of the Issuer and the Group and of the rights attaching to the Notes); (ii) the statements relating to the Issuer, the Bank, the Group and the Notes contained in this Drawdown Offering Circular (read together with the Base Offering Circular) are in every material respect true and accurate and not misleading; (iii) the information contained in this Drawdown Offering Circular (read together with the Base Offering Circular) is in accordance with the facts and contains no omission likely to affect its import; and (iv) there are no other facts in relation to the Issuer, the Bank, the Group or the Notes, the omission of which would, in the context of the issue and offering of the Notes, make any statement in this Drawdown Offering Circular (read together with the Base Offering Circular) misleading in any material respect.

In this Drawdown Offering Circular:

"**Joint Lead Managers**" means, together, (i) the Joint Lead Managers for the USD Notes and (ii) the Joint Lead Managers for the CNY Notes.

"**Joint Lead Managers for the USD Notes**" means China Construction Bank (Asia) Corporation Limited, CCB International Capital Limited, China Construction Bank Corporation Singapore Branch, China Construction Bank (Europe) S.A., ABCI Capital Limited, Agricultural Bank of China Limited Hong Kong Branch, Bank of China (Hong Kong) Limited, Bank of China Limited London Branch, Bank of Communications Co., Ltd. Hong Kong Branch, Barclays Bank PLC, BOCI Asia Limited, BOCOM International Securities Limited, China CITIC Bank International Limited, China Everbright Bank Co., Ltd., Hong Kong Branch, China Galaxy International Securities (Hong Kong) Co., Limited, China International Capital Corporation Hong Kong Securities Limited, China Minsheng Banking Corp., Ltd. Hong Kong Branch, China Securities (International) Corporate Finance Company Limited, China Zheshang Bank Co., Ltd. (Hong Kong Branch), Citigroup Global Markets Limited, CLSA Limited, CMB International Capital Limited, CMB Wing Lung Bank Limited, DBS Bank Ltd., Deutsche Bank AG, Hong Kong Branch, Guotai Junan Securities (Hong Kong) Limited, Haitong International Securities Company Limited, Huatai Financial Holdings (Hong Kong) Limited, ICBC International Securities Limited, Industrial and Commercial Bank of China (Asia) Limited, Industrial and Commercial Bank of China (Macau) Limited, Industrial and Commercial Bank of China Limited, Singapore Branch, Industrial Bank Co., Ltd. Hong Kong Branch, Lloyds Bank Corporate Markets plc, Mizuho Securities Asia Limited, Standard Chartered Bank and The Hongkong and Shanghai Banking Corporation Limited.

"**Joint Lead Managers for the CNY Notes**" means China Construction Bank (Asia) Corporation Limited, CCB International Capital Limited, China Construction Bank Corporation Singapore Branch, China Construction Bank (Europe) S.A., Agricultural Bank of China Limited Hong Kong Branch, Bank of China (Hong Kong) Limited, Bank of China Limited London Branch, Bank of Communications Co., Ltd. Hong Kong Branch, China CITIC Bank International Limited, China International Capital Corporation Hong Kong Securities Limited, CLSA Limited, Industrial and Commercial Bank of China (Asia) Limited, Industrial Bank Co., Ltd. Hong Kong Branch, Standard Chartered Bank and The Hongkong and Shanghai Banking Corporation Limited.

Notwithstanding any other provisions to the contrary, a Joint Lead Manager for the USD Notes or the CNY Notes is a joint bookrunner and a joint lead manager for such relevant series of Notes only and unless stated otherwise in this Drawdown Offering Circular, is not a global coordinator, bookrunner or lead manager (joint or otherwise) of any other series.

No person is or has been authorised by the Issuer or the Bank to give any information or to make any representations other than those contained in this Drawdown Offering Circular (read together with the Base Offering Circular) in connection with the Programme or the Notes and, if given or made, such information or representations must not be relied upon as having been authorised by the Issuer, the Bank, the Joint Lead Managers or the Agents or any of their respective directors, officers, employees, agents, representatives or affiliates or any person who controls any of them.

The 2028 USD Notes will be issued on the terms set out under "*Terms and Conditions of the Notes*" in the Base Offering Circular, as amended and/or supplemented by the pricing supplement set out in Annex I (the "**2028 USD Notes Pricing Supplement**"). The 2030 USD Notes will be issued on the terms set out under "*Terms and Conditions of the Notes*" in the Base Offering Circular, as amended and/or supplemented by the pricing supplement set out in Annex II (the "**2030 USD Notes Pricing Supplement**", together with the 2028 USD Notes Pricing Supplement, the "**USD Notes Pricing Supplements**"). The CNY Notes will be issued on the terms set out under "*Terms and Conditions of the Notes*" in the Base Offering Circular, as amended and/or supplemented by the pricing supplement set out in Annex III (the "**CNY Notes Pricing Supplement**", together with the USD Notes Pricing Supplements, the "**Pricing Supplements**" and each a Pricing Supplement). This Drawdown Offering Circular must be read and construed together with any amendments or supplements hereto and with the Base Offering Circular and, in relation to Notes of the relevant series, must be read and construed together with the relevant Pricing Supplement. This Drawdown Offering Circular and the Base Offering Circular are to be read in conjunction with all documents which are deemed to be incorporated in the Base Offering Circular by reference (see "*Documents Incorporated by Reference*" in the Base Offering Circular). This Drawdown Offering Circular shall be read and construed on the basis that such documents are incorporated and form part of the Base Offering Circular.

The Joint Lead Managers have not separately verified the information contained in this Drawdown Offering Circular, the Base Offering Circular or any Pricing Supplement to the fullest extent permitted by law. None of the Joint Lead Managers, the Agents or any of their respective directors, officers, employees, agents, representatives or affiliates or any person who controls any of them makes any representation, warranty or undertaking, express or implied, or accepts any responsibility, with respect to the accuracy or completeness of any of the information contained in this Drawdown Offering Circular, the Base Offering Circular or any Pricing Supplement. To the fullest extent permitted by law, none of the Joint Lead Managers, the Agents or any of their respective directors, officers, employees, agents, representatives or affiliates or any person who controls any of them accepts any responsibility for the contents of this Drawdown Offering Circular, the Base Offering Circular or any Pricing Supplement or for any other statement made or purported to be made by or on behalf of the Joint Lead Managers, the Agents or any of their respective directors, officers, employees, agents, representatives or affiliates or any person who controls any of them, in connection with the Bank, the Issuer, the Group or the issue and offering of the Notes. Each of the Joint Lead Managers, the Agents or any of their respective directors, officers, employees, agents, representatives or affiliates or any person who controls any of them 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 Drawdown Offering Circular, the Base Offering Circular, any Pricing Supplement or any such statement. This Drawdown Offering Circular, the Base Offering Circular, any Pricing Supplement or any financial statements included or incorporated herein is not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by the Issuer, the Bank, the Joint Lead Managers or the Agents or any of their respective directors, officers, employees, agents, representatives or affiliates or any person who controls any of them that any recipient of this Drawdown

Offering Circular, the Base Offering Circular or any Pricing Supplement should purchase any Notes. Each potential purchaser of the Notes should determine for itself the relevance of the information contained in this Drawdown Offering Circular, the Base Offering Circular and the relevant Pricing Supplement and make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer and the Group and the risks involved. The purchase of the Notes by investors should be based upon their investigation, as they deem necessary. None of the Joint Lead Managers, the Agents or any of their respective directors, officers, employees, agents, representatives or affiliates or any person who controls any of them undertakes to review the financial condition or affairs of the Issuer and the Group during the life of the arrangements contemplated by this Drawdown Offering Circular, nor to advise any investor or potential investor in the Notes of any information coming to the attention of any of the Joint Lead Managers, the Agents or any of their respective directors, officers, employees, agents, representatives or affiliates or any person who controls any of them.

Neither this Drawdown Offering Circular, the Base Offering Circular, any Pricing Supplement 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 the Issuer, the Bank, the Joint Lead Managers or the Agents or any of their respective directors, officers, employees, agents, representatives or affiliates or any person who controls any of them to any person to subscribe for or to purchase any Notes.

If a jurisdiction requires that the offering be made by a licensed broker or dealer and a Joint Lead Manager or any affiliate of such Joint Lead Manager is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by it or its affiliate on behalf of the Issuer in such jurisdiction.

Neither the delivery of this Drawdown Offering Circular, the Base Offering Circular nor any Pricing Supplement nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained herein concerning the Issuer or the Group is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme or the issue of any Notes is correct as of any time subsequent to the date indicated in the document containing the same.

The Joint Lead Managers, the Agents or any of their respective directors, officers, employees, agents, representatives or affiliates or any person who controls any of them expressly do not undertake to review the financial condition or affairs of the Issuer or the Bank during the terms of any Notes or to advise any investor of any information coming to their attention.

The Notes have not been and will not be registered under the Securities Act. Subject to certain exceptions, the Notes may not be offered, sold or delivered within the United States. This Drawdown Offering Circular, the Base Offering Circular or the Pricing Supplement 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. The distribution of this Drawdown Offering Circular, the Base Offering Circular or any Pricing Supplement and the offer or sale of Notes may be restricted by law in certain jurisdictions. None of the Issuer, the Joint Lead Managers or the Agents or any of their respective directors, officers, employees, agents, representatives or affiliates or any person who controls any of them represents that this Drawdown Offering Circular, the Base Offering Circular or any Pricing Supplement 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, no action has been taken by the Issuer, the Joint Lead Managers or the Agents or any of their respective directors, officers, employees, agents, representatives or affiliates or any person who controls any of them which would permit a public offering of any Notes or distribution of this Drawdown Offering Circular, the Base Offering Circular or the relevant Pricing Supplement in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and none of this Drawdown Offering Circular, the Base Offering Circular, the Pricing Supplements 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 Drawdown Offering Circular, the Base Offering Circular, any Pricing Supplement or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Drawdown Offering Circular, the Base Offering Circular or the relevant Pricing Supplement and the offering and sale of Notes. In particular, there are restrictions on the offer and sale of the Notes and the circulation of documents relating thereto, in certain jurisdictions and to persons connected therewith. **For a further description of certain restrictions on the offering and sale of the Notes and on distribution of this Drawdown Offering Circular, see "*Subscription and Sale*" in the Base Offering Circular, as amended and/or supplemented by this Drawdown Offering Circular.**

Neither the admission to listing of the Notes on the Hong Kong Stock Exchange nor the admission to trading on the ISM is to be taken as an indication of the merits of the Issuer, the Bank, the Group or the Notes.

In making an investment decision, investors must rely on their own examination of the Issuer, the Bank, the Group and the terms of the offering, including the merits and risks involved. See "*Risk Factors*" herein and in the Base Offering Circular for a discussion of certain factors to be considered in connection with an investment in the Notes. The risks and investment considerations identified in this Drawdown Offering Circular and the Base Offering Circular are provided as general information only. Investors should consult their own financial and legal advisers as to the risks and investment considerations arising from an investment in the Notes and should possess the appropriate resources to analyse such investment and the suitability of such investment in their particular circumstances.

This Drawdown 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. The distribution of this Drawdown Offering Circular and the offer or sale of Notes may be restricted by law in certain jurisdictions. None of the Issuer, the Bank, the Joint Lead Managers or the Agents represents that this Drawdown 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, no action has been taken by the Issuer, the Bank, the Joint Lead Managers or the Agents which would permit a public offering of any Notes or distribution of this Drawdown 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 Drawdown Offering Circular, the Base 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 Drawdown Offering Circular or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Drawdown Offering Circular and the offering and sale of Notes. In particular, there are restrictions on the offer and sale of the Notes and the circulation of documents relating thereto, in certain jurisdictions including, but not limited to, the United States of America, the United Kingdom, the European Economic Area, Singapore, Japan, Hong Kong, the PRC, Luxembourg and the Dubai International Financial Centre and to persons connected therewith. For a further description of certain restrictions on the offering and sale of the Notes and on distribution of this Drawdown Offering Circular, see "*Subscription and Sale*" in the Base Offering Circular.

None of the Joint Lead Managers accepts any responsibility for any social, environmental and/or sustainability assessment of the Green Notes or makes any representation or warranty or assurance whether the Green Notes will meet any investor expectations or requirements regarding such "green", "sustainable", "social" or similar labels (including in relation to, but not limited to, Regulation (EU) 2020/852 on the establishment of a framework to facilitate sustainable investment (the "**EU Taxonomy Regulation**") and any related technical screening criteria, the EuGB label or the optional disclosures for bonds marketed as environmentally sustainable and for sustainability-linked bonds under Regulation (EU) 2023/2631 (the "**EU Green Bond Regulation**"), Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector ("**SFDR**") and any implementing legislation and guidelines, or any similar legislation in the United Kingdom or any market standards or guidance, including green, sustainable or social bond principles or other similar principles or guidance published by ICMA (the "**ICMA Principles**") or any requirements of such labels or market standards as they may evolve from time to time. None of the Joint Lead Managers is responsible for (i) the use or allocation of proceeds for the Green Notes, (ii) the impact, monitoring or reporting in respect of such use or allocation of proceeds, or (iii) the alignment of the Green Notes with the Bank's GSSS Bond Framework (as defined in "*Green, Social, Sustainability and Sustainability-Linked Bond Framework*" below) or alignment of the Bank's GSSS Bond Framework with the applicable ICMA Principles (or any other equivalent principles), (iv) nor do any of the Joint Lead Managers undertake to ensure that there are at any time sufficient Eligible Green Projects (as defined in "*Green, Social, Sustainability and Sustainability-Linked Bond Framework*" below) to allow for allocation of a sum equal to the net proceeds of the issue of such Green Notes in full.

In addition, none of the Joint Lead Managers is responsible for the assessment of the Bank's GSSS Bond Framework including the assessment of the applicable eligibility criteria in relation to Green Notes set out in therein. In connection with the Green Notes, the Bank has engaged Ernst & Young Hua Ming LLP to provide an independent limited assurance report (the "**Assurance Report**") and has requested the Hong Kong Quality Assurance Agency (the "**HKQAA**") to issue independent certification (a "**HKQAA Pre-issuance Stage Certificate**"). No representation or assurance is given by the Joint Lead Managers as to the suitability or reliability of the Assurance Report, the HKQAA Pre-issuance Stage Certificate or any opinion, review or certification of any third party (including any post-issuance reports prepared by an external reviewer) made available in connection with the issue of Green Notes. As at the date of this Drawdown Offering Circular, the providers of such opinions, reviews, certifications and post-issuance reports are not subject to any specific regulatory or other regime or oversight. Whilst the EU Green Bond Regulation will introduce a supervisory regime of external reviewers of European Green Bonds, this is not due to take full effect until 21 June 2026 and would not apply to external reviewers in respect of the issue of the Green Notes as the Green Notes are not intended to be compliant with the EU Green Bonds Regulation. The Issuer has no intention of meeting the requirements of the EU Green Bond Regulation, obtaining the EuGB label, or complying with the optional disclosures regime. The Issuer is under no obligation to take any steps to make the Notes eligible for the 'European Green Bond' or 'EuGB' designation. The Assurance Report, the HKQAA Pre-issuance Stage Certificate and any other such opinion, review, certification or post-issuance report are not, nor should be deemed to be, a recommendation by the Joint Lead Managers, or any other person to buy, sell or hold the Green Notes and is current only as of the date it is issued. Prospective investors must determine for themselves the relevance of the Assurance Report, the HKQAA Pre-issuance Stage Certificate and any opinion, review, certification or post-issuance report and/or the information contained therein. The criteria and/or considerations that form the basis of the Assurance Report, the HKQAA Pre-issuance Stage Certificate or any other opinion, review, certification or post-issuance report may change at any time and the Assurance Report, the HKQAA Pre-issuance Stage Certificate or any other opinion, review, certification or post-issuance report may be amended, updated, supplemented, replaced and/or withdrawn. The Bank's GSSS Bond Framework may also be subject to review and change and may be amended, updated, supplemented, replaced and/or withdrawn from time to time and any subsequent version(s) may differ from any description given in this Drawdown Offering Circular. None of the Bank's GSSS Bond Framework, the Assurance Report, the HKQAA Pre-issuance Stage Certificate and any other such opinion, review, certification or post-issuance report forms part of, or is incorporated by reference in, this Drawdown Offering Circular.

In the event the Green Notes are, or are intended to be, listed, or admitted to trading on a dedicated "green", "sustainable", "social" or other equivalently-labelled segment of a stock exchange or securities market, no representation or assurance is given by the Joint Lead Managers that such listing or admission will be obtained or maintained for the lifetime of the Green Notes or that any such listing or admission will meet any criteria that an investor may require.

Paragraph 21 of the Hong Kong SFC Code of Conduct

Paragraph 21 of the Hong Kong SFC Code of Conduct: As paragraph 21 of the Hong Kong SFC Code of Conduct applies to this offering of the 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 iv to v of the Base Offering Circular, and CMIs (as defined in the Base 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 179 to 181 in the Base Offering Circular.

PRESENTATION OF FINANCIAL INFORMATION

This Drawdown Offering Circular contains the audited consolidated financial statements of the Group as at and for the year ended 31 December 2023 (the "**Group 2023 Annual Financial Statements**") and the audited consolidated financial statements of the Group as at and for the year ended 31 December 2024 (the "**Group 2024 Annual Financial Statements**"). The Group 2023 Annual Financial Statements and the Group 2024 Annual Financial Statements were prepared in accordance with the International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**"). From 1 January 2019, the independent auditor of the Bank has been Ernst & Young, Certified Public Accountants, Hong Kong ("**Ernst & Young**").

The selected consolidated financial information of the Group as at and for the year ended 31 December 2022 have been extracted from the Group 2023 Annual Financial Statements contained in the annual report of the Group published by the Bank on the website of the Hong Kong Stock Exchange on 25 April 2024 (the "**2023 Annual Report**"). The selected consolidated financial information of the Group as at and for the years ended 31 December 2023 and 2024 have been extracted from the Group 2024 Annual Financial Statements contained in the annual report of the Group published by the Bank on the website of the Hong Kong Stock Exchange on 25 April 2025 (the "**2024 Annual Report**"). The Group 2023 Annual Financial Statements and the Group 2024 Annual Financial Statements were audited by Ernst & Young.

In particular, in respect of the Group 2023 Annual Financial Statements, the Group has reclassified business segments of certain business of the Bank to reflect changes in regulatory classification requirements. The Group has also adjusted comparative figures for the year 2022 accordingly. Please refer to note 57 of the Group 2023 Annual Financial Statements. The Group has adopted and implemented IFRS 17 Insurance Contracts ("**IFRS 17**") since 1 January 2023 and made retrospective adjustments to the financial statements for the comparative periods in accordance with the transition requirements. As a result, certain comparative financial information as at 31 December 2022 and for the year ended 31 December 2022 included in the Group 2023 Annual Financial Statements has been restated. Under IFRS 17, the Group has reassessed its business models of financial assets held for managing activities related to contracts within the scope of application of IFRS 17 and determined the classification of these financial assets, while also retrospectively adjusting information in comparative periods. On the basis of the measurement of fulfilment cash flows for insurance contract liabilities linked to certain debt investments measured at amortised cost, the Group reassessed its business models for the above financial assets, and reclassified them as debt investments measured at fair value through other comprehensive income. Please refer to note 3 of the Group 2023 Annual Financial Statements for further information, including the impact of the implementation of IFRS 17 on main financial indicators of the comparative periods. In addition, according to the Interim Measures for the Administration of the Gold Leasing Business issued by the People's Bank of China, the Group has adjusted the presentation of its interbank gold leasing business and relevant data of the comparative period accordingly from 2023.

In respect of the Group 2024 Annual Financial Statements, the Group has adopted - "Amendments to IFRS 16 (*Lease Liability Measurement in a Sale and Leaseback Transaction*)", "Amendments to IAS 1 (*Classification of Liabilities as Current or Non-current*)", "Amendments to IAS 1 (*Non-current Liabilities with Covenants*)" and "Amendments to IAS 7 and IFRS 7 (*Supplier Finance Arrangements*)" - the revised IFRS accounting standards for the year ended 31 December 2024. Please refer to note 3 of the Group 2024 Annual Financial Statements.

This Drawdown Offering Circular also contains the selected consolidated interim financial information as at and for the six months ended 30 June 2024 and 2025 which was extracted from the unaudited consolidated interim financial statements of the Group as at and for the six months ended 30 June 2025 (the "**Group 2025 Interim Financial Statements**"). The Group 2025 Interim Financial Statements were prepared and presented in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("**IAS 34**") issued by the International Accounting Standards Board ("**IASB**") and have been reviewed by Ernst & Young, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). However, such unaudited consolidated interim financial information should not be relied upon to provide the same quality of information associated with information that has been subject to an audit. Potential investors must exercise caution when using such information to evaluate the Group's financial condition, results of operations and results. Such unaudited consolidated interim financial information as at and for the six months ended 30 June 2025 should not be taken as an indication of the expected financial condition and results of operations for the Group for the full financial year ending 31 December 2025.

In respect of the Group 2025 Interim Financial Statements, the Group has adopted "Amendments to IAS 21 (*Lack of Exchangeability*)" for the six months ended 30 June 2025. Please refer to note 2 of the Group 2025 Interim Financial Statements.

The Group 2023 Annual Financial Statements and Group 2024 Audited Financial Statements are included in the Base Offering Circular, which is attached to this Drawdown Offering Circular as Annex IV. The Group 2025 Interim Financial Statements (together with the review report prepared in connection therewith) are incorporated by reference in this Drawdown Offering Circular.

Investors must therefore exercise caution when making comparisons between such financial data when evaluating the Group's financial condition and results of operations. Please refer to "*Risk Factors – Risks Relating to the Bank's Business – The Group's historical financial information may not be indicative of its current or future results of operations and investors should exercise caution in comparing financial data between years or periods due to changes in accounting standards*".

CERTAIN DEFINITIONS

Unless otherwise specified or the context requires, references herein to the "**Bank**" refer to China Construction Bank Corporation 中國建設銀行股份有限公司; all references to the "**Group**" refer to the Bank and its subsidiaries taken as a whole; references herein to "**U.S. dollars**" and "**U.S.$**" are to the lawful currency of the United States of America (the "**U.S.**") and references to "**Renminbi**" "**RMB**" and "**CNY**" are to the lawful currency of the People's Republic of China (the "**PRC**").

In addition, references to "**Hong Kong**" are to the Hong Kong Special Administrative Region of the PRC, references to "**Macau**" are to the Macau Special Administrative Region of the PRC, references to "**Mainland China**" are to the PRC excluding Hong Kong and Macau and references to "**Greater China**" are to the PRC including Hong Kong and Macau.

The English names of the PRC nationals, entities, departments, facilities, laws, regulations, certificates, titles and the like are translations of their Chinese names and are included for identification purposes only.

Any discrepancies in any table between totals and sums of the amounts listed are due to rounding.

FORWARD-LOOKING STATEMENTS

The Issuer has included statements in this Drawdown Offering Circular and the Base Offering Circular which contain words or phrases such as "will", "would", "aim", "aimed", "is likely", "are likely", "believe", "expect", "expected to", "will continue", "anticipated", "estimate", "estimating", "intend", "plan", "seeking to", "future", "objective", "should", "can", "could", "may", and similar expressions or variations of such expressions, that are "forward-looking statements". Actual results may differ materially from those suggested by the forward-looking statements due to certain risks or uncertainties associated with the Issuer's or the Bank's expectations with respect to, but not limited to, its ability to successfully implement its strategy, its ability to integrate recent or future mergers or acquisitions into its operations, future levels of non-performing assets and restructured assets, its growth and expansion, the adequacy of its provision for credit and investment losses, technological changes, investment income, its ability to market new products, cash flow projections, the outcome of any legal or regulatory proceedings it is or becomes a party to, the future impact of new accounting standards, its ability to pay dividends, its ability to roll over its short-term funding sources, its exposure to operational, market, credit, interest rate and currency risks and the market acceptance of and demand for internet banking services.

THIRD PARTY INFORMATION

Market data and certain industry forecasts and statistics in this Drawdown Offering Circular have been obtained from both public and private sources, including market research, publicly available information and industry publications. With respect to any information included herein and specified to be sourced from a third party, the Issuer confirms that any such information has been accurately reproduced and as far as the Issuer are aware and is able to ascertain from information available to it from such third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. Although this information is believed to be reliable, it has not been independently verified by the Issuer, the Bank, the Joint Lead Managers or the Agents or any of their respective directors, officers, employees, agents, representatives or affiliates or any person who controls any of them, and none of the Issuer, the Bank, the Joint Lead Managers or the Agents or any of their respective directors, officers, employees, agents, representatives or affiliates or any person who controls any of them make any representation as to the accuracy or completeness of that information. In addition, third party information providers may have obtained information from market participants and such information may not have been independently verified.

STABILISATION

In connection with the issue of the Notes of the relevant series, one or more of the Joint Lead Managers (except for China CITIC Bank International Limited) (the "**Stabilisation Manager(s)**") (or any person acting on behalf of any Stabilisation Manager(s)) named in the applicable Pricing Supplement may over-allot the Notes of the relevant series or effect transactions with a view to supporting the market price of such 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) 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 such 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 such Notes and 60 days after the date of allotment of such 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, regulations and rules.

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SELECTED CONSOLIDATED FINANCIAL INFORMATION

The section headed "Selected Consolidated Financial Information" on pages 3 to 5 of the Base Offering Circular shall be deleted in its entirety and replaced with the following:

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

The selected consolidated financial information as at and for the year ended 31 December 2022 is extracted from the Group 2023 Annual Financial Statements (contained in the 2023 Annual Report); the selected consolidated financial information as at and for the years ended 31 December 2023 and 2024 is extracted from the Group 2024 Annual Financial Statements (contained in the 2024 Annual Report), which were prepared and presented in accordance with IFRS. The Group 2023 Annual Financial Statements and the Group 2024 Annual Financial Statements were audited by Ernst & Young.

The information set out below should be read in conjunction with, and is qualified in its entirety by reference to, the relevant consolidated financial statements of the Group, including the notes thereto, included elsewhere in this Offering Circular.

In particular, in respect of the Group 2023 Annual Financial Statements, the Group has reclassified business segments of certain business of the Bank to reflect changes in regulatory classification requirements. The Group has also adjusted comparative figures for the year 2022 accordingly. Please refer to note 57 of the Group 2023 Annual Financial Statements. The Group has adopted and implemented IFRS 17 since 1 January 2023 and made retrospective adjustments to the financial statements for the comparative periods in accordance with the transition requirements. As a result, certain comparative financial information as at 31 December 2022 and for the year ended 31 December 2022 included in the Group 2023 Annual Financial Statements has been restated. Under IFRS 17, the Group has reassessed its business models of financial assets held for managing activities related to contracts within the scope of application of IFRS 17 and determined the classification of these financial assets, while also retrospectively adjusting information in comparative periods. On the basis of the measurement of fulfilment cash flows for insurance contract liabilities linked to certain debt investments measured at amortised cost, the Group reassessed its business models for the above financial assets, and reclassified them as debt investments measured at fair value through other comprehensive income. Please refer to note 3 of the Group 2023 Annual Financial Statements for further information, including the impact of the implementation of IFRS 17 on main financial indicators of the comparative periods. In addition, according to the Interim Measures for the Administration of the Gold Leasing Business issued by the People's Bank of China, the Group has adjusted the presentation of its interbank gold leasing business and relevant data of the comparative period accordingly from 2023.

In respect of the Group 2024 Annual Financial Statements, the Group has adopted - "Amendments to IFRS 16 (*Lease Liability Measurement in a Sale and Leaseback Transaction*)", "Amendments to IAS 1 (*Classification of Liabilities as Current or Non-current*)", "Amendments to IAS 1(*Non-current Liabilities with Covenants*)" and "Amendments to IAS 7 and IFRS 7 (*Supplier Finance Arrangements*)" - the revised IFRS accounting standards for the year ended 31 December 2024. Please refer to note 3 of the Group 2024 Annual Financial Statements.

The selected consolidated interim financial information as at and for the six months ended 30 June 2024 and 2025 which was extracted from the Group 2025 Interim Financial Statements. The Group 2025 Interim Financial Statements were prepared and presented in accordance with IAS 34 issued by IASB and have been reviewed by Ernst & Young, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by HKICPA. However, such unaudited consolidated interim financial information should not be relied upon to provide the same quality of information associated with information that has been subject to an audit. Potential investors must exercise caution when using such information to evaluate the Group's financial condition, results of operations and results. Such unaudited consolidated interim financial information as at and for the six months ended 30 June 2025 should not be taken as an indication of the expected financial condition and results of operations for the Group for the full financial year ending 31 December 2025.

In respect of the Group 2025 Interim Financial Statements, the Group has adopted "Amendments to IAS 21 (*Lack of Exchangeability*)" for the six months ended 30 June 2025. Please refer to note 2 of the Group 2025 Interim Financial Statements.

Investors must therefore exercise caution when making comparisons between such financial data when evaluating the Group's financial condition and results of operations. Please refer to "*Risk Factors – Risks Relating to the Bank's Business – The Group's historical financial information may not be indicative of its current or future results of operations and investors should exercise caution in comparing financial data between years or periods due to changes in accounting standards.*"

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022, 2023 AND 2024

	As at 31 December		
	2022	2023	2024
	(Restated) *(audited)*	*(audited)*	*(audited)*
	(RMB in millions, unless otherwise stated)		
Assets:			
Cash and deposits with central banks	3,159,296	3,066,058	2,571,361
Deposits with banks and non-bank financial institutions	185,423	148,218	154,532
Precious metals	39,119	59,429	138,433
Placements with banks and non-bank financial institutions	509,786	675,270	672,875
Positive fair value of derivatives	49,308	43,840	108,053
Financial assets held under resale agreements	1,040,847	979,498	622,559
Loans and advances to customers	20,493,042	23,083,377	25,040,400
Financial investments:			
Financial assets measured at fair value through profit or loss	568,097	602,303	612,504
Financial assets measured at amortised cost	5,958,397	6,801,242	7,429,723
Financial assets measured at fair value through other comprehensive income	2,015,818	2,234,731	2,641,736
Long-term equity investments	22,700	20,983	23,560
Fixed assets	157,014	159,948	165,116
Construction in progress	9,971	7,423	4,319
Land use rights	13,225	12,911	12,417
Intangible assets	6,496	6,540	5,830
Goodwill	2,256	2,456	2,522
Deferred tax assets	113,081	121,227	120,485
Other assets	256,835	299,372	244,724
Total assets	**34,600,711**	**38,324,826**	**40,571,149**
Liabilities:			
Borrowings from central banks	774,779	1,155,634	942,594
Deposits from banks and non-bank financial institutions	2,584,271	2,792,066	2,835,885
Placements from banks and non-bank financial institutions	365,760	407,722	479,881
Financial liabilities measured at fair value through profit or loss	289,100	252,179	240,593
Negative fair value of derivatives	46,747	41,868	93,990
Financial assets sold under repurchase agreements	242,676	234,578	739,918
Deposits from customers	25,020,807	27,654,011	28,713,870
Accrued staff costs	49,355	52,568	60,661
Taxes payable	84,169	73,580	40,388
Provisions	50,726	43,344	38,322
Debt securities issued	1,646,870	1,895,735	2,386,595

	As at 31 December		
	2022	2023	2024
	(Restated) *(audited)*	*(audited)*	*(audited)*
	(RMB in millions, unless otherwise stated)		
Deferred tax liabilities	881	1,724	1,525
Other liabilities	568,326	547,743	652,962
Total liabilities	**31,724,467**	**35,152,752**	**37,227,184**
Equity:			
Share capital	250,011	250,011	250,011
Other equity instruments			
Preference shares	59,977	59,977	59,977
Perpetual bonds	79,991	139,991	100,000
Capital reserve	135,653	135,619	135,736
Other comprehensive income	17,403	23,981	57,901
Surplus reserve	337,527	369,906	402,196
General reserve	444,786	496,255	534,591
Retained earnings	1,530,102	1,674,405	1,781,715
Total equity attributable to equity shareholders of the Bank	2,855,450	3,150,145	3,322,127
Non-controlling interests	20,794	21,929	21,838
Total equity	**2,876,244**	**3,172,074**	**3,343,965**
Total liabilities and equity	**34,600,711**	**38,324,826**	**40,571,149**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEARS ENDED 31 DECEMBER 2022, 2023 AND 2024

	For the year ended 31 December		
	2022	2023	2024
	(Restated) *(audited)*	*(audited)*	*(audited)*
	(RMB in millions, unless otherwise stated)		
Interest income	1,170,573	1,247,366	1,241,557
Interest expense	(526,904)	(630,133)	(651,675)
Net interest income	643,669	617,233	589,882
Fee and commission income	130,830	129,906	117,940
Fee and commission expense	(14,745)	(14,160)	(13,012)
Net fee and commission income	116,085	115,746	104,928
Net trading gain	3,632	5,685	4,739
Dividend income	6,135	5,712	6,576
Net (loss)/gain arising from investment securities	(9,062)	(222)	10,878

	For the year ended 31 December		
	2022	2023	2024
	(Restated) *(audited)*	*(audited)*	*(audited)*
	(RMB in millions, unless otherwise stated)		
Net gain on derecognition of financial assets measured at amortised cost	322	946	3,991
Other operating (expense)/income, net:			
– Other operating income	22,800	25,223	29,882
– Other operating expense	(26,071)	(24,708)	(22,306)
Other operating (expense)/income, net	(3,271)	515	7,576
Operating income	757,510	745,615	728,570
Operating expenses	(219,991)	(220,152)	(223,779)
	537,519	525,463	504,791
Credit impairment losses	(154,535)	(136,774)	(120,700)
Other impairment losses	(479)	(463)	(298)
Share of profit of associates and joint ventures	1,194	1,151	584
Profit before tax	383,699	389,377	384,377
Income tax expense	(58,836)	(56,917)	(48,095)
Net profit	**324,863**	**332,460**	**336,282**
Other comprehensive income:			
(1) Other comprehensive income that will not be reclassified to profit or loss			
Remeasurements of post-employment benefit obligations	(275)	(54)	(93)
Fair value changes of equity instruments designated as measured at fair value through other comprehensive income	(211)	153	9,152
Others	33	39	74
Subtotal	(453)	138	9,133
(2) Other comprehensive income that may be reclassified subsequently to profit or loss			
Fair value changes of debt instruments measured at fair value through other comprehensive income	(12,096)	8,256	36,827
Allowances for credit losses of debt instruments measured at fair value through other comprehensive income	3,157	(1,234)	(1,241)
Reclassification adjustments included in profit or loss due to disposals	11	(439)	(2,997)
Net gain on cash flow hedges	485	201	100
Exchange difference on translating foreign operations	8,712	4,115	1,273
Others	(3,114)	(6,424)	(10,270)
Subtotal	(2,845)	4,475	23,692
Other comprehensive income for the year, net of tax	**(3,298)**	**4,613**	**32,825**
Total comprehensive income for the year	**321,565**	**337,073**	**369,107**

	For the year ended 31 December		
	2022	2023	2024
	(Restated) *(audited)*	*(audited)*	*(audited)*
	(RMB in millions, unless otherwise stated)		
Net profit attributable to:			
Equity shareholders of the Bank	324,727	332,653	335,577
Non-controlling interests	136	(193)	705
	324,863	**332,460**	**336,282**
Total comprehensive income attributable to:			
Equity shareholders of the Bank	322,724	339,257	369,504
Non-controlling interests	(1,159)	(2,184)	(397)
	321,565	337,073	369,107
Basic and diluted earnings per share (in RMB yuan)	1.28	1.31	1.31

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2024 AND 30 JUNE 2025

	As at 31 December	As at 30 June
	2024	2025
	(audited)	*(unaudited)*
	(RMB in millions, unless otherwise stated)	
Assets:		
Cash and deposits with central banks	2,571,361	2,976,660
Deposits with banks and non-bank financial institutions	154,532	165,763
Precious metals	138,433	141,611
Placements with banks and non-bank financial institutions	672,875	780,987
Positive fair value of derivatives	108,053	50,911
Financial assets held under resale agreements	622,559	1,272,031
Loans and advances to customers	25,040,400	26,575,492
Financial investments:		
Financial assets measured at fair value through profit or loss	612,504	746,460
Financial assets measured at amortised cost	7,429,723	7,418,599
Financial assets measured at fair value through other comprehensive income	2,641,736	3,605,297
Long-term equity investments	23,560	25,802
Fixed assets	165,116	163,011
Construction in progress	4,319	3,865
Land use rights	12,417	12,167

	As at 31 December	As at 30 June
	2024	2025
	(audited)	*(unaudited)*
	(RMB in millions, unless otherwise stated)	
Intangible assets	5,830	4,942
Goodwill	2,522	2,461
Deferred tax assets	120,485	140,362
Other assets	244,724	346,427
Total assets	**40,571,149**	**44,432,848**
Liabilities:		
Borrowings from central banks	942,594	1,199,086
Deposits from banks and non-bank financial institutions	2,835,885	3,787,648
Placements from banks and non-bank financial institutions	479,881	520,598
Financial liabilities measured at fair value through profit or loss	240,593	218,602
Negative fair value of derivatives	93,990	73,429
Financial assets sold under repurchase agreements	739,918	1,038,739
Deposits from customers	28,713,870	30,469,491
Accrued staff costs	60,661	57,224
Taxes payable	40,388	35,787
Provisions	38,322	30,583
Debt securities issued	2,386,595	2,913,134
Deferred tax liabilities	1,525	1,345
Other liabilities	652,962	502,323
Total liabilities	**37,227,184**	**40,847,989**
Equity:		
Share capital	250,011	261,600
Other equity instruments		
Preference shares	59,977	59,977
Perpetual bonds	100,000	140,000
Capital reserve	135,736	229,113
Other comprehensive income	57,901	43,309
Surplus reserve	402,196	402,196
General reserve	534,591	535,432
Retained earnings	1,781,715	1,891,671
Total equity attributable to equity shareholders of the Bank	3,322,127	3,563,298
Non-controlling interests	21,838	21,561
Total equity	**3,343,965**	**3,584,859**
Total liabilities and equity	**40,571,149**	**44,432,848**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2024 AND 2025

	For the six months ended 30 June	
	2024	**2025**
	(unaudited)	*(unaudited)*
	(RMB in millions, unless otherwise stated)	
Interest income	627,014	579,257
Interest expense	(330,955)	(292,548)
Net interest income	296,059	286,709
Fee and commission income	68,727	71,450
Fee and commission expense	(6,031)	(6,232)
Net fee and commission income	62,696	65,218
Net trading gain	4,003	1,854
Dividend income	3,051	2,648
Net gain arising from investment securities	4,520	11,691
Net gain on derecognition of financial assets measured at amortised cost	1,914	9,400
Other operating income, net:		
– Other operating income	14,147	17,707
– Other operating expense	(11,559)	(9,322)
Other operating income, net	2,588	8,385
Operating income	374,831	385,905
Operating expenses	(94,388)	(95,503)
	280,443	290,402
Credit impairment losses	(87,654)	(107,652)
Other impairment losses	17	(10)
Share of (losses)/profits of associates and joint ventures	206	(299)
Profit before tax	193,012	182,441
Income tax expense	(27,973)	(19,803)
Net profit	165,039	162,638
Other comprehensive income:		
(1) Other comprehensive income that will not be reclassified to profit or loss		
Remeasurements of post-employment benefit obligations	(19)	79
Fair value changes of equity instruments designated as measured at fair value through other comprehensive income	7,171	671
Others	7	2
Subtotal	7,159	752
(2) Other comprehensive income that may be reclassified subsequently to profit or loss		
Fair value changes of debt instruments measured at fair value through other comprehensive income	16,810	(6,626)

	For the six months ended 30 June	
	2024	**2025**
	(unaudited)	*(unaudited)*
	(RMB in millions, unless otherwise stated)	
Allowances for credit losses of debt instruments measured at fair value through other comprehensive income	1,449	951
Reclassification adjustments included in profit or loss due to disposals	(1,457)	(7,802)
Net loss on cash flow hedges	(43)	(264)
Exchange difference on translating foreign operations	1,309	73
Others	(6,759)	(1,844)
Subtotal	11,309	(15,512)
Other comprehensive income for the period, net of tax	18,468	(14,760)
Total comprehensive income for the period	183,507	147,878
Net profit attributable to:		
Equity shareholders of the Bank	164,326	162,076
Non-controlling interests	713	562
	165,039	162,638
Total comprehensive income attributable to:		
Equity shareholders of the Bank	184,497	147,537
Non-controlling interests	(990)	341
	183,507	147,878
Basic and diluted earnings per share (in RMB yuan)	0.66	0.65

RISK FACTORS

Prospective investors should carefully consider, together with all other information contained in this Drawdown Offering Circular and the Base Offering Circular, the risks and uncertainties described below. The business, financial condition or results of operations of the Bank and the Group may be adversely affected by any of these risks. The risks described below are not the only ones relevant to the Bank or the Notes. The Bank believes the risks described below represent the principal risks inherent when considering an investment in the Notes. Additional risks and uncertainties not presently known to the Bank, or which the Bank currently deems 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.

The Bank does not represent that the statements below regarding the risk factors of holding any Notes are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Drawdown Offering Circular and the Base Offering Circular and reach their own views prior to making any investment decision.

This Drawdown Offering Circular and the Base Offering Circular also contain forward-looking statements that involve risks and uncertainties. The Bank's actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the considerations described below and elsewhere in this Drawdown Offering Circular and the Base Offering Circular.

Save as amended or supplemented in this Drawdown Offering Circular, the section entitled "Risk Factors" on pages 71 to 105 of the Base Offering Circular must be read and construed together with the relevant risks and uncertainties in this Drawdown Offering Circular.

RISKS RELATING TO THE BANK'S BUSINESS

The sub-section headed "Risk Factors – Risks Relating to the Bank's Business" on pages 71 to 85 in the Base Offering Circular shall be deleted in its entirety and replaced with the following risk factors below:

Uncertainties and instability in global market conditions could adversely affect the Bank's business, financial condition and results of operations

The Group has been, and in the future will continue to be, materially affected by geo-political, economic and market conditions, including factors such as the liquidity of the global financial markets, the level and volatility of debt and equity prices, interest rates, currency and commodities prices, investor sentiment, inflation, and the availability and cost of capital and credit.

Global economic fluctuations have had significant impacts on the global economy and on the Group. Since 2020, the general economic outlook in major economies such as Europe, the United States, Japan, and the PRC has remained challenging due to lower global economic growth prospects, higher government fiscal deficits and public debt, and continued inflationary pressure.

Moreover, the ongoing political gridlock in the United States about government spending and debt levels, the conflict between Russia and Ukraine, the effective economic sanctions on Russia, geopolitical tensions and conflicts in various countries in the Middle East including the Israeli-Palestinian conflict, and the impact of climate risks due to global warming may also result in additional adverse impacts on the global economy and markets, which may in turn have a material adverse effect on the Group's business, financial condition and results of operations.

The outlook for the world economy and financial markets remains uncertain due to geopolitical uncertainty. Although the Bank's exposure to the regions experiencing geopolitical tensions and conflicts is limited, the current crisis has the potential to escalate further and this could result in elevated geopolitical instability, trade restrictions, disruptions to global supply chains, increases in energy prices with knock-on global inflationary impacts, and a potential downturn in the global economy.

Furthermore, the latest escalating trade dispute in 2025 between the United States and other major economies could result in significant adverse impacts, including a slowdown in global economic growth, higher inflation, reduced trade flows and business investment, and downside risks for equity, bond, and commodity prices. The continuing tensions between the PRC and the United States, including ongoing trade disputes and deterioration in diplomatic relations, have contributed to increased market volatility, weakened consumer confidence and diminished expectations for economic growth around the world. Some of these tensions have manifested themselves through actions taken and sanctions imposed by the governments of the United States and the PRC in recent years. The United States has imposed a range of sanctions and trade restrictions to target Chinese persons and companies in a number of sectors, focusing on entities the United States believes are involved in human rights violations, information technology and communications equipment and services, and military activities, among others. In response, the PRC has announced a number of sanctions and trade restrictions that target or provide authority to target foreign officials and companies, including those in the United States. Moreover, the trade tensions between the European Union ("**EU**") and China have grown following the EU's decision to impose tariffs on selected PRC industries, potentially adversely affecting economic relations and altering market dynamics between the two regions.

Investors should be aware that there is a recent history of financial crises and boom-bust cycles in multiple markets in both emerging and developed economies which leads to risks for all financial institutions, including the Group. In addition, the Group remains subject to the risks posed by the indirect economic effect of the global credit crisis, some of which cannot be anticipated and the vast majority of which are not under its control. The Group also remains subject to counterparty risk arising from financial institutions that may fail or are otherwise unable to meet their obligations under their contractual commitment to the Group. If there is another global or regional financial crisis or a downturn in the economic condition of the Group's primary markets, this would likely have a material adverse effect on the Group's business, financial condition and results of operations.

The Bank has a concentration of credit exposure to certain customers and certain sectors

As at 30 June 2025, the Bank's corporate loans and advances to the domestic (i) transportation, storage and postal services industries; (ii) leasing and commercial services industries; (iii) manufacturing industry; (iv) production and supply of electric power, heat, gas and water industries; (v) wholesale and retail trade industries; and (vi) real estate industries accounted for 9.18 per cent., 10.33 per cent., 8.89 per cent., 6.22 per cent., 5.53 per cent. and 3.39 per cent. of the Bank's gross loans and advances excluding accrued interest, respectively. If any of these industries in which the Bank's loans are highly concentrated experiences a significant downturn, the Bank's asset quality, business, financial condition and results of operations may be adversely affected, which in turn may negatively affect its ability to service the Notes and to satisfy its other obligations under the Notes. Any significant or extended downturn in any of these sectors may reduce the borrowing activities in these sectors, as well as increase the level of the Bank's impaired loans and related provisions for impaired loans, any of which could in turn reduce its net profit and adversely affect its business, financial condition and results of operations.

The Bank is also exposed to the fluctuations of the real estate market through its extension of personal residential mortgage loans and individual commercial property mortgage loans. The Bank's real estate related loans mainly include both corporate real estate loans and personal residential mortgage loans. As at 30 June 2025, corporate real estate loans amounted to RMB927,351 million, representing 3.39 per cent. of the Group's gross loans and advances excluding accrued interest, and its corresponding non-performing loan ("**NPL**") ratio was 4.74 per cent. As at 30 June 2025, personal residential mortgages amounted to RMB6,145,498 million, representing 22.39 per cent. of the Group's gross loans and advances to customers and its corresponding NPL ratio was 0.76 per cent. Notwithstanding prudential measures the Bank has put in place to maintain a portfolio of high quality real estate loans with sustainable growth, including imposing stringent standards for the acceptance of new customers for personal residential mortgage loans, the PRC real estate market is subject to volatility and property prices have experienced significant fluctuations in recent years. In the event that PRC real estate prices experience a significant prolonged decline, the Bank's asset quality will likely be negatively affected. In recent years, the PRC government has been imposing and may continue to impose various economic measures with an aim of cooling the overheated real estate market in the PRC, including strengthened supervision over PRC real estate developers, some of which have experienced tightened cashflow, difficulty in refinancing or even default in their loan obligations, which would affect relevant segments of the economy and may in turn affect the Bank's business and operation. As a result of cooling measures, the PRC real estate sector experienced a significant slowdown, precipitating a financial crisis within the sector and leading to widespread defaults by several real estate developers. This situation has in turn adversely affected property prices and transaction volumes, resulting in an oversupply of both residential and commercial properties. In response, the PRC government has recently implemented a series of measures, such as lowering the interest rate on residential mortgage loans, easing house purchase restrictions in certain cities and adjusting land supply, to stimulate the PRC real estate market, particularly in response to challenges such as high levels of debt among property developers and cooling property sales. However, there is no assurance that such measures could achieve their intended outcomes. Any of the above developments or a combination thereof may adversely affect the Bank's asset quality, business, financial condition and results of operations, which in turn may negatively affect its ability to service the Notes and to satisfy its other obligations under the Notes.

In accordance with national policies aimed at limiting the over-development of certain industries with excess capacity, including the iron and steel, cement, electrolytic aluminium, plate glass and shipbuilding industries, the Bank carefully manages its exposure to these industries and has adopted a strict policy towards extending loans to these industries in order to reduce its loan exposure and risks associated with loans to these high-risk industries. Notwithstanding the credit measures the Bank has put in place, in the event the PRC government issues policies to further restrict such industries or there is deterioration in the production and operation of the Bank's customers from industries with overcapacity, the quality of the Bank's loans could suffer, which could in turn have an adverse effect on its business, financial position and results of operations, and may negatively affect its ability to service the Notes and to satisfy its other obligations under the Notes.

Since 2012, with the aim of reinforcing the risk management of loans to local government financing vehicles ("**LGFV**"), the PRC State Council (the "**State Council**"), the National Administration of Financial Regulation (國家金融監督管理總局) (the "**NAFR**") and the People's Bank of China (the "**PBOC**"), along with several other PRC regulatory authorities, have promulgated a series of notices, guidelines and other regulatory documents to direct PRC banks and other financial institutions to further optimise and strengthen their risk management measures regarding their loans to LGFV. The Bank has adopted a series of measures such as imposing stringent controls on granting loans to LGFV and strengthening credit related policies to manage and control the risks associated with loans to LGFV. Unfavourable developments in macroeconomic conditions, adverse changes to state policies, the financial condition of local governments and other factors may adversely affect the debt repayments of these financing platforms, which may in turn adversely affect the Bank's asset quality, financial condition and results of operations. Such developments may negatively affect its ability to service the Notes and to satisfy its other obligations under the Notes.

While the Bank introduced heightened criteria in 2009 to manage the risks associated with LGFV loans, including stricter requirements for guarantees, it cannot be assured that these loans will not default in the event of macroeconomic instability or other policy changes introduced by the PRC government. Given their importance to the composition of the Bank's loan portfolio, the default of any portion of such loans for any reason may affect its loan quality and will adversely affect its business, financial position and results of operations. Such developments may negatively affect its ability to service the Notes and to satisfy its other obligations under the Notes. As at 30 June 2025, the Group's gross loans and advances to customers stood at RMB27.44 trillion, an increase of RMB1.60 trillion or 6.20 per cent. from 31 December 2024, mainly due to the increase in domestic corporate loans and advances of the Bank; its NPL ratio for gross loans and advances (excluding accrued interest) as at 30 June 2025 was 3.18 per cent., representing an increase of 0.06 per cent. as compared to the corresponding ratio as at 31 December 2024. As at 30 June 2025, the NPL ratio for corporate loans and advances was 1.58 per cent., representing a decrease of 0.07 per cent. from 31 December 2024, and the NPL ratio for personal loans and advances was 1.10 per cent., representing an increase of 0.12 per cent. from 31 December 2024. The NPL ratio for overseas operations and subsidiaries as at 30 June 2025 was 1.94 per cent., representing a decrease of 0.26 per cent. from 31 December 2024. The NPL ratio for credit card loans as at 30 June 2025 was 2.35 per cent., representing an increase of 0.13 per cent. from 31 December 2024.

The Bank may be unable to realise the full value of the collateral or guarantees securing the Bank's loan portfolio

As at 30 June 2025, the balances of the Group's unsecured loans, guaranteed loans, loans secured by property and other immovable assets and other pledged loans were RMB12,813,576 million, RMB3,559,178 million, RMB9,289,525 million and RMB1,732,355 million, respectively, accounting for 46.69 per cent., 12.97 per cent., 33.85 per cent. and 6.31 per cent. of the Group's gross loans and advances to customers, respectively. If there is substantial deterioration in the business condition of a borrower which adversely affects the borrower's ability to repay, the Bank may not be able to recover the amounts lent under credit loans, which will in turn adversely affect the Bank's financial position and results of operations, and may negatively affect the Bank's ability to service the Notes and to satisfy its other obligations under the Notes. Guaranteed loans are loans that are guaranteed by affiliates of the borrower or other third parties. Notwithstanding the fact that such loans are guaranteed, the Bank's exposure to the guarantor is generally unsecured and if the financial position of the guarantor deteriorates significantly, its ability to recover such loans will correspondingly deteriorate. Furthermore, the guarantee provided by such guarantor may be determined by the court as invalid if the guarantor fails to comply with certain laws and regulations in the PRC, including the "*PRC Civil Code*", "*Interpretation of Supreme People's Court on Application of the Security System under the PRC Civil Code*" and "*Interpretation of the Supreme People's Court on the Application of Real Right Part of the PRC Civil Code (I)*". A significant percentage of the Bank's loan portfolio is secured by collateral, consisting mainly of domestic assets such as properties, land use rights and securities. The value of the collateral is generally higher than the amount loaned but such value is affected by factors the Bank cannot control including those affecting the PRC economy. If the PRC economy deteriorates, it could result in a decrease in the value of the collateral which will lead to the reduction of the amount of the loan that can be recovered. In addition, the procedures for liquidating or otherwise realising the value of collateral of borrowers in China may be protracted, and the enforcement process in China may be difficult. According to the Provisions of the Supreme People's Court on Sealing up, Distraining and Freezing Property in Civil Enforcement by People's Court, effective from 1 January 2005 and amended in December 2008 and December 2020, the court may seal up residential premises that are necessary to the person subject to enforcement and his dependents for living, but shall not auction, sell or use it to pay a debt. As a result, it may be difficult and time-consuming for banks to take control of or liquidate the collateral securing NPLs. Accordingly, if a borrower fails to repay and if the Bank is not able to timely realise the entire or sufficient part of the value of collateral, pledged assets or guarantees, the Bank's asset quality, business, financial condition and results of operations may be adversely affected, which in turn may negatively affect the Bank's ability to service the Notes and to satisfy its other obligations under the Notes.

The Bank may not be able to maintain or reduce its current NPL ratio

The Bank's results of operations have been negatively affected by its NPLs, which may continue to affect the Bank's current and future business performance. As at 30 June 2025, the amount of the Group's NPLs for gross loans and advances to customers (excluding accrued interest) was RMB364,312 million and the NPL ratio was 1.33 per cent., representing a decrease of 0.01 per cent. as compared to the corresponding ratio as at 31 December 2024. As at 30 June 2025, the NPL ratio for corporate loans and advances was 1.58 per cent., representing a decrease of 0.07 per cent. from 31 December 2024, and the NPL ratio for personal loans and advances was 1.10 per cent., representing an increase of 0.12 per cent. from 31 December 2024. The NPL ratio for overseas operations and subsidiaries as at 30 June 2025 was 1.94 per cent., representing a decrease of 0.26 per cent. from 31 December 2024. The NPL ratio for credit card loans as at 30 June 2025 was 2.35 per cent., representing an increase of 0.13 per cent. from 31 December 2024.

It cannot be assured that the Bank will be able to reduce or even maintain the same level of asset quality in the future. This is because the quality of the Bank's loan portfolio is affected by factors which the Bank is unable to control, including any adverse changes to the PRC economic structure and any deterioration in the PRC's economy or the global economy. Adverse changes in the economic environment in the PRC or globally as well as force majeure events including natural disasters or outbreak of diseases may all have a negative impact on the ability of the Bank's customers to repay the loans. Factors such as deterioration in the credit conditions of the Bank's customers and trading partners, decline in both residential and commercial property prices, low market confidence in and very low demand for China real estate, an increase in the unemployment rate in China and the deterioration in the profitability of corporate borrowers will also lead to a reduction in the quality of the Bank's assets. All of these factors can lead to an increase in the Bank's NPL ratio, which will correspondingly adversely affect its business, financial condition and results of operations, and may negatively affect the Bank's ability to service the Notes and to satisfy its other obligations under the Notes. See also "*Risk Factors – Risks relating to the Bank's Business – Uncertainties and instability in global market conditions could adversely affect the Bank's business, financial condition and results of operations*".

The Bank's allowance for impairment losses may not be adequate to cover future actual losses to its loan portfolio

As at 30 June 2025, the Group's allowance for impairment losses on loans and advances to customers measured at amortised cost was RMB869,366 million, representing an increase of RMB66,472 million from 31 December 2024, and the ratio of its allowance for impairment losses to total assets was 1.96 per cent., representing a decrease of 0.02 per cent. from 31 December 2024. The amount of the allowance for impairment losses to loans is based on the Bank's current assessment of and expectations concerning various factors that may affect the quality of its loan portfolio. These factors include, among other things, the borrowers' financial condition, repayment ability and repayment intention, the realisable value of any collateral and the likelihood of support from guarantors, as well as the PRC's economy, macroeconomic policies, interest rates, inflation, exchange rates and legal and regulatory environment. The above-mentioned factors are beyond the Bank's control. If the Bank's assessment of and expectations concerning these factors differ from actual developments in the future, or if the quality of its loan portfolio deteriorates, its 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 adversely affect its business, financial condition and results of operations and, in turn, may negatively affect the Bank's ability to service the Notes and to satisfy its other obligations under the Notes.

The expanding range of products and services exposes the Bank to new risks

The Bank has expanded and intends to continue to expand the range of its products and services. As at 30 June 2025, the Bank had 23 major subsidiaries (including 17 integrated operation subsidiaries and six overseas banking subsidiaries) with a total of 549 entities, including 423 domestic ones and 126 overseas ones, covering bank branch operations in Hong Kong, Macau, Taiwan, Singapore, Frankfurt, Johannesburg, Tokyo, Seoul, New York, Sydney, Ho Chi Minh City, Luxembourg, Toronto, London, Zurich, Dubai, Chile, Astana, Labuan, Auckland, etc., and certain subsidiaries operating in Hong Kong, Moscow, Luxembourg, British Virgin Islands, Auckland, Jakarta, San Paulo and Kuala Lumpur, etc., and maintained wholly-owned operating subsidiaries including CCB Asia, CCB London, CCB Russia, CCB Europe, CCB New Zealand and CCB Malaysia and held 60 per cent. of the total share capital of CCB Indonesia. Expansion of its business activities exposes the Bank to a number of risks and challenges, including the following:

- the Bank may have limited or no experience in certain new business activities or geographies and may not be able, or may take a relatively long period, to compete effectively in these areas;
- the Bank may not be able to devote sufficient resources or management capacity to certain new business activities or geographies;
- there is no guarantee that the new business activities will meet the Bank's expectations of their profitability;
- the Bank may not be able to hire new personnel or retrain existing personnel who are able to conduct new business activities; and
- the Bank may not be able to continually add to the capability of its risk management and information technology systems to support a broader range of activities.

If the Bank is not able to achieve the intended results in these new business areas, its business, financial condition and results of operations may be adversely affected, which in turn may negatively affect the Bank's ability to service the Notes and to satisfy its other obligations under the Notes. In addition, if the Bank fails to promptly identify and expand into new areas of business to meet the increasing demand for certain products and services, it may fail to maintain its market share or lose some of its existing customers to its competitors.

Furthermore, the Bank's international expansion into multiple jurisdictions exposes the Bank to a variety of new regulatory and business challenges and risks and has increased the complexity of its risks in a number of areas, including currency risk, interest rate risk, credit risk, regulatory and compliance risk, reputational risk, operational risk and data privacy risk. If the Bank is unable to manage the risks resulting from its international expansion, its reputation, business, financial condition and results of operations may be adversely affected, which in turn may negatively affect the Bank's ability to service the Notes and to satisfy its other obligations under the Notes.

The Bank is subject to liquidity risk

The Bank regularly monitors the gap between its assets and liabilities for various maturities in order to assess its liquidity risk for different periods. As at 30 June 2025, the loan-to-deposit ratio of the Group was 89.64 per cent., which increased as compared to a loan-to-deposit ratio of 89.28 per cent. as at 31 December 2024. Customer deposits have historically been the main source of the Bank's funding. Generally, the Bank's short-term customer deposits have not been withdrawn upon maturity and have represented a stable source of funding. However, it cannot be assured that this will continue to be the case. If a substantial portion of the Bank's depositors withdraw their demand deposits or do not roll over their time deposits upon maturity, the Bank may have no choice but to seek other sources of funding to meet its funding requirements. It cannot be assured that the Bank can find alternative sources of financing based on normal commercial terms when necessary. Furthermore, the Bank's ability to obtain additional funds may also be affected by other factors including factors that the Bank may find difficult to control or be totally incapable of controlling, such as the deterioration of overall market conditions, severe disturbance to the financial market or a bleak outlook for industries where it has substantial credit exposure. Any of these factors could result in adverse effects on the Bank's liquidity, business, financial position and results of operations, which in turn may negatively affect the Bank's ability to service the Notes and to satisfy its other obligations under the Notes.

The adoption of the PRC deposit insurance scheme may adversely affect the Bank's deposit-taking business and financial position.

The "*Deposit Insurance Regulation*" formulated by the State Council came into effect on 1 May 2015 (the "**Deposit Insurance Regulation**"), and it has resulted in the formal establishment of a deposit insurance scheme in the PRC. The Deposit Insurance Regulation requires that the commercial banks and other deposit-taking banking financial institutions established in the PRC shall take out deposit insurance and pay deposit insurance premiums to relevant deposit insurance fund management institutions, with such premiums to be used as deposit insurance funds to compensate depositors in the event of the liquidation or similar event of any PRC bank. Under the Deposit Insurance Regulation scheme, deposit insurance has a coverage limit, and the maximum amount of coverage is RMB500,000.

The deposit insurance premiums to be paid by the Bank in accordance with the Deposit Insurance Regulation and other relevant laws and regulations will increase the Bank's operating costs and capital requirements. Furthermore, the Deposit Insurance Regulation scheme may increase competition among PRC banks for deposits as some depositors may consider spreading out their deposits with different PRC banks. This may result in deposits currently held with the Bank being transferred by depositors to other PRC banks as well as the Bank needing to offer higher interest rates to retain existing depositors and attract new depositors, which may have an adverse effect on the Bank's business, financial position and operating results.

The Bank is subject to credit risks with respect to certain off-balance sheet commitments and guarantees

In the ordinary course of the Bank's business, the Bank makes commitments and guarantees which are not reflected as liabilities on its balance sheet, including providing bank acceptances, guarantees, letters of credit and other credit commitments. As at 30 June 2025, the balance of the Group's credit commitments was RMB4,045,964 million, representing an increase of RMB81,513 million as compared to RMB3,964,451 million as at 31 December 2024. The Bank is subject to credit risks on its commitments and guarantees because certain of its commitments and guarantees may need to be fulfilled as a result of the Bank's customers' default. If the Bank is not able to obtain payment from its customers in respect of these commitments and guarantees or enforce its contracts with them, the Bank's business, financial condition and results of operations may be adversely affected, which in turn may negatively affect the Bank's ability to service the Notes and to satisfy its other obligations under the Notes.

The Bank is subject to risks associated with its hedging activities and other derivative transactions

The Bank has entered into derivative transactions for hedging purposes as well as conducted derivative transactions on behalf of its customers. Accordingly, the Bank faces market and operational risks associated with these transactions. At present, the regulation of China's derivative market remains in the development stage and requires further improvement and this increases the risks of the derivative transactions the Bank enters into. Further, the Bank's ability to monitor, analyse and report these transactions is limited by its information technology. Accordingly, the Bank's business, financial position and results of operations may be adversely affected given the volatility of the prices of these derivatives, which in turn may negatively affect the Bank's ability to service the Notes and to satisfy its other obligations under the Notes.

The Bank's risk management and internal control policies and procedures may not be effective in completely managing and avoiding all of its risks

In recent years, the Bank has achieved progress in terms of risk management by improving its policies and procedures. However, as the Bank's business continues to develop, the Bank's risk management and internal control policies may not be able to effectively reduce and mitigate all types of risks, including unexpected risks and those of which the Bank is unaware of. In addition, the Bank's risk management capabilities are limited by the information, tools and technologies available to the Bank. Furthermore, the Bank's ability to control market risk and liquidity risk is constrained by the current PRC laws and regulations that restrict the types of financial instruments and investments the Bank may hold. If the Bank is unable to effectively implement the enhanced risk management and internal control policies and procedures, or if the intended results of such policies and procedures are not achieved in a timely manner, its asset quality, business, financial condition and results of operations may be adversely affected, which in turn may negatively affect the Bank's ability to service the Notes and to satisfy its other obligations under the Notes.

The Bank's business is highly dependent on the proper functioning and improvement of its information technology systems as well as the integration of new emerging technologies

The Bank's business is highly dependent on the ability of its information technology systems to accurately process large numbers of transactions across numerous markets and products in a timely manner. The proper functioning of the Bank's financial control, risk management, accounting, customer service and other data processing systems, together with the communication networks between the Bank's various branch outlets and its main data processing centre, is critical to its business and its ability to compete effectively. By integrating new emerging technologies such as artificial intelligence ("**AI**"), the Bank aims to enhance the efficiency and security of its operations. The Bank's data centres provide backup data that could be used in the event of a system breakdown or a failure of the Bank's primary systems, and have established alternative communications networks where available. However, the Bank does not operate all of its backup systems on a real-time basis and it cannot be assured that the Bank's business activities would not be substantially disrupted if there was a partial or complete failure of any of these primary information technology systems or communications networks. Such failures could be caused by, among other things, software flaws, computer virus attacks, cyber attacks or conversion errors due to system upgrading. In addition, any security breach caused by unauthorised access to information or systems, or intentional destruction or loss or corruption of data, software, hardware or other computer equipment, could have an adverse effect on the Bank's business, financial condition and results of operations, which in turn may negatively affect the Bank's ability to service the Notes and to satisfy its other obligations under the Notes.

The Bank's ability to remain competitive will depend in part on its ability to upgrade its information technology systems on a timely and cost-effective basis and its capacity to adopt new emerging technologies such as AI to enhance customer services. In addition, the information available to and received by the Bank through its existing information technology systems may not be timely or sufficient for the Bank to manage risks and plan for, and respond to, market changes and other developments in its current operating environment. As a result, the Bank is making and intends to continue making investments to improve or upgrade its information technology systems and integrating AI to optimise operations and deliver personalised experiences. Any substantial failure to improve or upgrade the Bank's information technology systems effectively or on a timely basis or lag in utilising AI could adversely affect its competitiveness, business, financial condition and results of operations, which in turn may negatively affect the Bank's ability to service the Notes and to satisfy its other obligations under the Notes.

The Bank's business generates and processes a large amount of data, and any improper use or disclosure of such data could subject the Bank to significant reputational, financial, legal, and operational consequences, and deter current and potential customers from using its services

The Bank's business generates and processes a large quantity of personal and transaction data. The Bank face risks inherent in handling large volumes of data and in protecting the security of such data. In particular, the Bank faces a number of challenges relating to data from transactions and other activities on its platforms, including:

- protecting the data in and hosted on the Bank's system, including against attacks on its system by outside parties or fraudulent behaviour by its employees;
- addressing concerns related to privacy and sharing, safety, security, and other factors; and

- complying with applicable laws, rules, and regulations relating to the collection, use, retention, disclosure, or security of personal information, including any requests from regulatory and government authorities relating to such data.

Any systems failure or security breach or lapse that result in the release of user data could harm the Bank's reputation and brand and, consequently, its business, in addition to exposing it to potential legal liability. Any failure, or perceived failure, by the Bank to comply with its privacy policies or with any regulatory requirements or privacy protection-related laws, rules, and regulations could result in proceedings or actions against it by governmental entities or others. These proceedings or actions may subject the Bank to significant penalties and negative publicity, require the Bank to change its business practices, increase its costs, and severely disrupt its business.

The Bank is subject to domestic and international laws relating to the collection, use, retention, security, and transfer of personally identifiable information, with respect to its customers and employees. In many cases, these laws do not only apply to third-party transactions, but may also restrict transfers of personally identifiable information among the Bank and its international subsidiaries. The adoption of new emerging technologies, including AI, may introduce additional risks and responsibilities in relation to data governance. Several jurisdictions have passed laws in this area, and other jurisdictions are considering imposing additional restrictions. These laws continue to develop and may vary from jurisdiction to jurisdiction. Complying with emerging and changing international requirements may cause the Bank to incur substantial costs or require it to change its business practices, and failure to comply with any data protection laws could subject the Bank to significant penalties and negative publicity and severely disrupt its operations.

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

The Bank may suffer from economic loss, penalties from regulatory institutions and severe damage to its reputation as a result of fraud or other misconduct committed by the Bank's employees or third parties. Types of misconduct conducted by the Bank's employees in the past include, among other things, theft, embezzlement or misappropriation of customers' funds, mishandling of deposits-taking business and settlement of payment transactions, improper extensions of credit, improper accounting, fraud and the giving or acceptance of bribes. Types of misconduct by third parties which may affect the Bank include, among other things, fraud, theft, robbery and certain armed crimes. In addition, the Bank's employees may commit errors that could subject the Bank to financial claims as well as regulatory actions. While the Bank is constantly strengthening its inspection efforts and increasing its precautionary measures to prevent misconduct by employees and third parties, given the Bank's significant number of branch outlets, it cannot be assured that the Bank can identify and prevent all fraudulent behaviours of misconduct or that the preventive measures the Bank has adopted will be effective in every circumstance. It cannot be assured that any fraud or other misconduct committed by the Bank's employees or third parties, whether involving past acts that have gone undetected or future acts, will not have an adverse effect on the Bank's business, financial condition and results of operations, which in turn may negatively affect the Bank's ability to service the Notes and to satisfy its other obligations under the Notes.

The Bank may not be able to detect money laundering and other illegal or improper activities fully or on a timely basis, which could expose it to additional liability and harm its business or reputation

The Bank is required to comply with applicable anti-money-laundering, anti-terrorism laws and other regulations in the PRC, Hong Kong and other jurisdictions where the Bank has operations. These laws and regulations require the Bank, among other things, to adopt and enforce "know your customer" policies and procedures and to report suspicious and large transactions to the applicable regulatory authorities in different jurisdictions. While the Bank has adopted policies and procedures aimed at detecting and preventing the use of its banking network for money laundering activities or by terrorists and terrorist-related organisations and individuals generally, such policies and procedures may not completely eliminate instances where the Bank may be used by other parties to engage in money laundering or other illegal or improper activities. To the extent the Bank fails to fully comply with applicable laws and regulations, the relevant government agencies to whom the Bank reports have the power and authority to impose fines and other penalties on the Bank, which could harm its business and reputation, which in turn may negatively affect the Bank's ability to service the Notes and to satisfy its other obligations under the Notes.

The Bank does not possess the relevant land use right certificates or building ownership certificates for some of the properties it holds, and it is subject to risks that its leases over certain properties may not be renewed

The Bank leases a significant number of properties in the PRC, primarily as business premises for its branch outlets. It cannot be assured that all lessors of the Bank's leased business premises have the relevant land use right certificates or building ownership certificates. As a result, third parties may be able to challenge the validity of the Bank's leases. In addition, it cannot be assured that the Bank will be able to renew its leases on acceptable terms upon their expiration. If any of the Bank's leases were terminated as a result of challenges by third parties or failure of the lessors to renew them upon expiration, the Bank may be forced to relocate affected branch outlets and, if it fails to find suitable replacement sites on acceptable terms, its business, financial condition and results of operations may be adversely affected. This may negatively affect the Bank's ability to service the Notes and to satisfy its other obligations under the Notes.

In addition, the Bank may occupy certain parcels of land and buildings for which it does not have the relevant land use right certificates or building ownership certificates. The Bank will apply for the relevant land use rights and building ownership certificates if the Bank does not yet hold such land use rights certificates or building ownership certificates. However, it cannot be assured that the Bank's ownership rights will not be adversely affected in respect of any parcels of land or buildings for which the Bank is unable to obtain the relevant certificates.

The Group's historical financial information may not be indicative of its current or future results of operations and investors should exercise caution in comparing financial data between years or periods due to changes in accounting standards

The historical financial information of the Group is sometimes adjusted or restated to address subsequent changes in accounting standards, the Group's accounting policies and/or applicable laws and regulations with retrospective impact on the Group's financial reporting, correction of an error recorded in the previous period or to reflect the comments provided by the Group's independent auditors during the course of their audit or review in subsequent financial periods. There can be no assurance that the historical financial information were or will be indicative of what the Group's results of operations, financial condition or cash flow will be in the future or that financial information is comparable on a year-to-year or period-to-period basis. In particular, in respect of the Group 2024 Annual Financial Statements, the Group adopted - "Amendments to IFRS 16 (*Lease Liability Measurement in a Sale and Leaseback Transaction*)", "Amendments to IAS 1 (*Classification of Liabilities as Current or Non-current*)", "Amendments to IAS 1(*Non-current Liabilities with Covenants*)" and "Amendments to IAS 7 and IFRS 7 (*Supplier Finance Arrangements*)" - the revised IFRS accounting standards for the year ended 31 December 2024. Please refer to note 3 of the Group 2024 Annual Financial Statements. In respect of the Group 2025 Interim Financial Statements, the Group has adopted "Amendments to IAS 21 (*Lack of Exchangeability*)" for the six months ended 30 June 2025. Please refer to note 2 of the Group 2025 Interim Financial Statements. Investors must therefore exercise caution when making comparisons between such financial data when evaluating the Group's financial condition and results of operations.

Potential investors should not place undue reliance on the financial information incorporated by reference that is not audited

This Offering Circular incorporates the most recently published unaudited but reviewed consolidated interim financial statements of the Bank, together with any review reports prepared in connection therewith, as well as the most recently published unaudited and unreviewed consolidated quarterly financial statements of the Bank. Please see "*Documents Incorporated by Reference*" for more details. The Bank publishes its consolidated quarterly reports in respect of the three months ended 31 March and 30 September of each financial year. A copy of the quarterly reports can be found on the website of the Hong Kong Stock Exchange.

The consolidated interim financial statements of the Group have not been and will not be audited by the Bank's independent auditors and were and are expected to be prepared in accordance with International Accounting Standard No.34 - Interim Financial Reporting, the consolidated quarterly financial statements have not been and will not be audited or reviewed by the Bank's independent auditors and were and are expected to be prepared under IFRS, and such financial statements 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, as the case may be. None of the Arranger, the Agents or the Dealers or any of their respective directors, officers, employees, agents, representatives or affiliates or any person who controls any of them makes any representation or warranty, express or implied, regarding the accuracy, completeness and sufficiency of such consolidated financial statements of the Group for an assessment of, and potential investors should exercise caution when using such data to evaluate the Bank's financial condition and results of operations. The half-year or quarterly financial information should not be taken as an indication of the expected financial condition or results of operations of the Bank for the relevant full financial year.

The Bank may face situations where it cannot meet the capital adequacy requirements imposed by the relevant PRC regulators or as a globally systemically important bank ("G-SIB") pursuant to the Third Basel Capital Accord ("Basel III") and total loss-absorbing capacity ("TLAC") standard

According to the "*Administrative Measures for the Capital of Commercial Banks (Provisional)*" (the "**NAFR Capital Regulations**") formulated by the previously-named China Banking Regulatory Commission (which was subsequently renamed CBIRC and in 2023, has been replaced by the NAFR) to implement the Basel III in June 2012 and effected on 1 January 2013, the capital adequacy ratio of different tiers of a commercial bank shall not be lower than the following minimum requirements at any point in time: (i) the core tier 1 capital adequacy ratio shall not be lower than 5 per cent.; (ii) the tier 1 capital adequacy ratio shall not be lower than 6 per cent.; (iii) the capital adequacy ratio shall not be lower than 8 per cent.; (iv) the capital conservation buffer shall not be lower than 2.5 per cent.; and (v) the countercyclical buffer shall not be lower than 0 to 2.5 per cent. In addition, the Bank as a domestic systemically important bank will also be required to maintain a further 1 per cent. capital surcharge above prevailing core tier 1 capital requirements. Since January 2013, the Bank has calculated its capital adequacy ratio in accordance with these measures.

In 2017, the Basel Committee released the final framework for Basel III reform, which reconstituted the measurement rules for risk-weighted assets, and the NAFR revised its NAFR Capital Regulations. Accordingly, the Bank promoted the transformation of its risk-weighted assets measurement system against the final framework, so as to meet regulatory standards.

On 26 October 2023, the NAFR published the "*Regulation Governing Capital of Commercial Banks*" (the "**New NAFR Capital Regulations**") which became effective on 1 January 2024 and the NAFR Capital Regulations ceased to have effect on the same day. Based on the current situation of China's banking industry and the latest international regulatory reform, the NAFR made a number of amendments to the NAFR Capital Regulations, including the elimination of specific quantitative requirements for counter-cyclical capital and globally or domestically systemically important institutions, which would be separately stipulated by the PBOC and the NAFR. The New NAFR Capital Regulations focuses on five aspects, including building a differentiated capital supervision system, comprehensively revising the rules for measuring risk-weighted assets, ensuring the applicability and prudence of risk weights, strengthening supervision and inspection, and improving the information disclosure standards, so as to further improve the rules for capital supervision of commercial banks, strengthen the risk management level of banks, and enhance the quality and efficiency of their services.

As at 30 June 2025, the Group's capital adequacy ratio, Tier 1 ratio and Common Equity Tier 1 ratio, calculated in accordance with the New NAFR Capital Regulations, were 19.51 per cent., 15.19 per cent. and 14.34 per cent. respectively, meeting the regulatory requirements.

In order to support a 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 tier 1 capital or share or perpetual securities that can contribute towards additional tier 1 capital or any debt securities that can contribute towards additional tier 1 capital or tier 2 capital. In the first half of 2025, the Bank issued A shares to specific target with the total amount of RMB105.0 billion to replenish its Common Equity Tier 1 capital, and issued the undated capital bonds of RMB40.0 billion and Tier 2 capital bonds of RMB40.0 billion.

Furthermore, the Financial Stability Board has identified the Bank as a G-SIB since November 2017. As a G-SIB, the Bank is required to satisfy heightened capital adequacy ratios pursuant to Basel III and TLAC standard. Pursuant to the PBOC, the CBIRC and the Ministry of Finance of China - Administrative Measures on the Total Loss-absorbing Capacity of Global Systemically Important Banks (Order No. 6 [2021]), the Bank will be required to meet the external TLAC risk-weighted ratio of no less than 16 per cent. and the external TLAC leverage ratio of no less than 6 per cent. by no later than 1 January 2025 and the external TLAC risk-weighted ratio of no less than 18 per cent. and the external TLAC leverage ratio of no less than 6.75 per cent. by no later than 1 January 2028. The Group has updated its recovery and resolution plans, and has made continuous improvements in areas such as TLAC, large exposures, and effective risk data aggregation and risk reporting, so as to meet the additional regulatory requirements for G-SIB. In 2024, the Bank completed the issuance of RMB50 billion domestic non-capital TLAC bonds and the proceeds had all been used to improve the Bank's total loss-absorbing capacity.

Although the Bank has already implemented medium to long term capital management policies to strengthen capital management and its capability to maintain growth, some regulatory developments may affect the Bank's ability to continually comply with capital adequacy requirements, including the decline in asset quality, the decline in value of its investments, the raising of minimum capital adequacy ratios by the NAFR and the changes in calculations of capital adequacy ratios by the NAFR.

The Bank's capital-raising ability may be restricted by the Bank's future business, financial and operational results, the Bank's credit rating, necessary regulatory approvals, overall market conditions including PRC and global economic, political and other conditions at the time of any capital raising.

If the Bank fails to meet the capital adequacy requirements, the NAFR may require the Bank to take corrective measures, including, for example, restricting the growth of its loans and other assets or restricting its declaration or distribution of dividends. These measures could adversely affect the Bank's reputation, business, financial condition and results of operations, which in turn may negatively affect the Bank's ability to service the Notes and to satisfy its other obligations under the Notes.

The Bank is exposed to systemic risk resulting from failures by banks, other financial institutions and corporates

Within the financial services industry, the default of any institution or corporate could lead to defaults by other institutions. Concerns about, or a default by, one institution could lead to significant liquidity problems, losses or defaults by other institutions as the commercial soundness of many financial institutions may be closely correlated as a result of their credit, trading, clearing or other relationships. This risk is sometimes referred to as "systemic risk", and may adversely affect financial intermediaries, such as clearing agencies, clearing houses, banks, securities firms, other financial institutions and exchanges with whom the Bank interacts on a daily basis. In turn, the actual or perceived soundness of these institutions could have an adverse effect on the Bank's ability to raise new funding, including regulatory capital, and could have a material impact on the Bank's financial condition and results of operations.

The financial markets turmoil with the collapse of Silicon Valley Bank, followed by Signature Bank and First Republic Bank in the United States and the crisis of Credit Suisse, has resulted in higher uncertainty in the financial services industry and has prompted questions about the viability of other financial services firms with the tightening of credit controls and liquidity for banks and possibility of broader systemic risk. In addition, the actions of government regulators and central banks to the financial markets turmoil, including the intervention of Swiss authorities in response to the collapse of Credit Suisse, has caused market participants to question how regulators and central banks will exercise resolution authority powers with respect to financial institutions or respond in the event of further turbulence or crisis in financial markets. As a result, there is greater uncertainty about the ability of financial institutions to raise regulatory capital, which could increase the Bank's cost of capital, or require the Bank to utilise different methods of raising regulatory capital than the Bank has used in the past, and could have a material impact on the Bank's financial condition and results of operations.

The Bank may not manage risks associated with the replacement of benchmark indices effectively

For several years, global regulators and central banks have been driving international efforts to reform key benchmark interest rates and indices; in particular interbank offered rates ("**IBORs**") such as the London Interbank Offered Rate ("**LIBOR**"). This has resulted in significant changes to the methodology and operation of certain benchmarks and indices, the adoption of alternative risk-free rates ("**RFRs**"), the discontinuation of certain reference rates (including LIBOR), and the introduction of implementing legislation and regulations.

Following the United Kingdom Financial Conduct Authority ("**FCA**") announcement on 27 July 2017 where FCA announced that it would no longer persuade or compel banks to submit rates for the calculation of the LIBOR benchmark after 2021, the national working groups for the impacted currencies were tasked with providing guidance and support to financial and non-financial firms to help them facilitate an orderly transition of the relevant LIBORs to their chosen RFRs. The transition away from LIBOR has been completed as of September 2024.

The discontinuation of certain key IBORs such as LIBOR, the adoption of RFRs by the market, and the development of RFR products by the Bank, introduce a number of risks for the Bank, its clients, and the financial services industry. In particular, as products linked to RFRs are relatively new in the market, market conventions and practices for RFRs have a limited history and may continue to evolve over time, potentially resulting in additional risks and liabilities for the Group.

If any of these risks materialise, it could have a material adverse effect on the Bank's business, financial condition, results of operations, prospects and customers.

The Bank is subject to certain operational requirements as well as guidelines set by the PRC banking regulatory authorities. The Bank is also subject to the supervision and inspection of domestic regulators and overseas regulators in jurisdictions where it operates

The Bank is subject to regular and irregular supervision and inspection by China's regulatory institutions, including the PRC Ministry of Finance (the "**MOF**"), the PBOC, the NAFR, the China Securities Regulatory Commission (the "**CSRC**"), the State Administration of Taxation (the "**SAT**"), the State Administration of Industry & Commerce (the "**SAIC**"), the State Administration of Foreign Exchange (the "**SAFE**") and the National Audit Office (the "**NAO**").

The Bank is subject to certain operational requirements and guidelines set by the PRC banking regulatory authorities. It cannot be assured that the Bank will be able to meet these operational requirements and guidelines in the future at all times, or that no sanction will be imposed on the Bank in the future if the Bank fails to do so. If sanctions are imposed on the Bank for the breaches of these or other operational requirements and guidelines, its business, financial condition and results of operations may be adversely affected, which in turn may negatively affect the Bank's ability to service the Notes and to satisfy its other obligations under the Notes.

Furthermore, the Bank may also be subject to inspection and supervision of overseas regulatory institutions in overseas jurisdictions where it operates. The Bank's overseas branches, subsidiaries and representative offices must follow local laws, regulations and the regulatory requirements of relevant local regulatory institutions of their respective jurisdictions. It cannot be assured that the Bank's overseas branches, subsidiaries and representative offices will be able to meet the applicable laws and regulatory requirements at all times. If the Bank is not able to meet these requirements, there may be an adverse impact on the Bank's business in these jurisdictions. Some of these inspections have led to penalties and other sanctions imposed on the Bank as a result of non-compliance. Although none of the penalties and sanctions imposed on the Bank have had a material adverse impact on the Bank's operations, financial position, and business performance, it cannot be assured that future inspections by regulatory institutions will not result in penalties or sanctions which may adversely affect the Bank's operations, reputation, business, financial position and results of operations, which in turn may negatively affect the Bank's ability to service the Notes and to satisfy its other obligations under the Notes.

The Bank or the Bank's customers may be subject to OFAC or other penalties if they are determined to have violated any OFAC regulations or similar sanctions

The United States imposes a range of economic sanctions against certain foreign countries, terrorists, international narcotics traffickers and those engaged in activities related to the proliferation of weapons of mass destruction. The U.S. sanctions are intended to advance certain U.S. foreign policy and national interests, such as discouraging certain countries from acquiring weapons of mass destruction or engaging in human rights abuses. The U.S. Department of the Treasury's Office of Foreign Assets Control ("**OFAC**") is the principal government agency charged with administering and enforcing U.S. economic sanctions programmes. These economic sanctions, as administered by OFAC, generally apply to U.S. entities and, in certain cases, to foreign affiliates of U.S. entities, or to transactions that involve, in some manner, U.S. products or otherwise come within the jurisdiction of the United States. The United Nations Security Council, the European Union, the United Kingdom, the PRC and other governments and international or regional organisations also administer similar economic sanctions. The Bank does not believe that any of the Group's activities are subject to these sanctions. In addition, the Bank may from time to time engage in business activities in countries or with entities that are the subject of certain sanctions. Notwithstanding that such business activities may not themselves be subject to sanctions, the Bank may face secondary sanctions if it is determined to be providing material support to countries or entities or involving specific sectors of certain countries that are the subject of sanctions. If the Bank engages in any prohibited transactions by any means, or if it is otherwise determined that any of the Bank's transactions violated OFAC-administered or other sanctions regulations, the Bank could be subject to penalties, and the Bank's reputation and ability to conduct future business in the United States or with U.S. entities, or in other affected jurisdictions, could be affected, which may materially and adversely affect its business, financial condition and results of operations. 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.

Any force majeure events, including occurrence of natural disasters or outbreaks of contagious diseases (such as COVID-19) may have an adverse effect on the Bank's business operations, financial condition and results of operations

Any force majeure events, such as the occurrence of natural disasters or outbreaks of health epidemics and contagious diseases, including but not limited to the COVID-19 outbreak, all variants of the avian influenza, severe acute respiratory syndrome ("**SARS**"), Middle East Respiratory Syndrome ("**MERS**"), Ebola virus, and swine flu caused by H1N1 virus ("**H1N1 Flu**"), may adversely affect the Bank's business, financial condition and results of operations. Possible force majeure events may give rise to additional costs to be borne by the Bank and have adverse effects on the quality of the Bank's assets, business, financial condition 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, financial condition and results of operations.

Please also refer to *"Risk Factors – Risks Relating to the Bank's Business – Uncertainties and instability in global market conditions could adversely affect the Bank's business, financial condition and results of operations*". Any of these factors could have a material adverse effect on the Group's financial condition, business and results of operation. In addition, any future occurrence of severe natural disasters in China or elsewhere may adversely affect PRC's economy or the global economy and in turn the Bank's business. There is no guarantee that any future occurrence of natural disasters or outbreak of any avian influenza, SARS, MERS, Ebola virus, H1N1 Flu, COVID-19 or other epidemics, or the measures taken by the PRC government or other countries in response to such future outbreak of epidemics, will not seriously interrupt the Bank's operations or those of the Bank's customers, which may have an adverse effect on the Bank's business, financial condition and results of operations.

Failure by the Bank to meet its environmental, social and governance ("ESG") or corporate social responsibility ("CSR") targets may have an adverse effect on the Bank's performance, reputation, business, financial condition and results of operations

The Bank takes its corporate social responsibilities seriously and seeks to serve the public, promote livelihoods, and become a low-carbon and environmentally friendly bank for sustainable development. In line with its philosophy, the Bank has issued several series of ESG related notes (the "**ESG Notes**") under the Programme, including green notes, sustainability-linked notes and transition notes. In addition, the Bank has also increased its credit supply in the area of green finance, to among others provide financial services for energy security and low-carbon transformation.

In respect of the Bank's ESG Notes and green finance credit and loans, the Bank may have agreed to obligations relating to reporting and disclosure, environmental and social targets and specified use of proceeds. Furthermore, the Bank also publishes its CSR reports annually, which sets out the Bank's implementation strategies, targets and goals (such as emission reduction goals, energy conservation goals, waste reduction goals and water conservation goals) and proposed business processes and standards, with respect to ESG and CSR. Any failure by the Bank to meet any of the targets, strategies, goals, processes and standards mentioned above, or any failure by the Bank to satisfy investor or other stakeholder expectations or standards in the execution of its ESG strategies, may affect the value and/or trading of the ESG Notes, and more widely affect the Bank's current and future business performance, results of operations and reputation. These may in turn negatively affect the Bank's ability to service the Notes and to satisfy its other obligations under the Notes.

In addition, the Bank is subject to a variety of risks, including reputational risk, associated with ESG matters. Adverse incidents with respect to ESG activities could impact the Bank's reputation and relationships with investors, all of which could adversely affect its business and results of operations. The Bank's expectations, estimates and aspirational statements regarding ESG matters, including the potential environmental impacts of its projects and initiatives, involve known and unknown risks, uncertainties and other factors beyond the Bank's control that could cause the actual results to be different from such expectations, estimates and aspirational statements. As a result, there can be no assurance that the Bank's ESG initiatives, including the use of proceeds from the Notes and any further issuances of green notes, will not be subject to heightened scrutiny or public commentary in the future. Such scrutiny or public commentary could adversely affect the Bank's reputation, business, financial condition and results of operations and, in particular, could create legal and reputational risks.

RISKS RELATING TO THE PRC BANKING INDUSTRY

The sub-section headed "Risk Factors – Risks Relating to the PRC Banking Industry" on pages 85 to 91 in the Base Offering Circular shall be deleted in its entirety and replaced with the following risk factors below:

The highly competitive nature of the PRC banking industry could adversely affect the Bank's profitability

The PRC banking industry is intensely competitive. The Bank competes primarily with other domestic commercial banks and financial institutions, as well as foreign-invested financial institutions. These commercial banks and financial institutions compete with the Bank for substantially the same loans, deposits and fees from customers.

Following the removal of regulatory restrictions on their geographical presence, customer base and operating licence in China in December 2006 as part of China's WTO accession commitments, the Bank has experienced increased challenges from foreign-invested commercial banks. Furthermore, the "Mainland and Hong Kong Closer Economic Partnership Arrangement", which permits smaller Hong Kong banks to operate in China, the rapid development of new competitors such as Alipay and WeChat Pay, and the emergence of new technologies such as new digital currencies in the PRC have also increased the competition in China's banking industry.

The increased competitive pressures resulting from the above and other factors may adversely affect the Bank's business and prospects, as well as the Bank's business, financial condition and results of operations by, among other things:

- reducing the Bank's market share in its principal products and services;
- affecting the growth of the Bank's loan portfolio or deposit base and other products and services;
- decreasing the Bank's interest income or increasing its interest expense, thereby decreasing its net interest margin;
- reducing the Bank's fee and commission income;
- increasing the Bank's non-interest expenses, such as marketing expenses;
- reducing the Bank's asset quality; and
- increasing the turnover of senior management and qualified professional personnel.

The Bank may not always be able to maintain its competitive advantage or successfully compete in all the business areas in which it currently operates or intends to operate in the future. The adverse developments described above may negatively affect the Bank's ability to service the Notes and to satisfy its other obligations under the Notes.

The Bank may also face competition for funds from other forms of investment alternatives as the PRC capital market continues to develop. For example, as the PRC capital market continues to develop and become a more viable and attractive investment alternative, the Bank's deposit customers may elect to transfer their funds into bonds, equities and other capital market instruments, which may reduce the Bank's deposit base and adversely affect the Bank's business, financial condition and results of operations. This may negatively affect the Bank's ability to service the Notes and to satisfy its other obligations under the Notes.

The Bank's business is inherently subject to market fluctuations and general economic conditions, particularly in the PRC

The Bank's business is inherently subject to global capital market fluctuations and general economic conditions. Global market factors and the volatility and strength of the capital markets all affect the business and economic environment and, ultimately, the Bank's business. In particular, uncertain economic conditions, volatility and disruptions in global capital markets, such as those that occurred in late 2008 and 2009 during the global financial crisis, can have a material adverse effect on the Bank. The economic recovery since the global financial crisis has been slow, with economic growth rates in major economies remaining persistently lower than pre-crisis levels, due to the rise in inflation in major economies, the escalating tensions between the PRC and the United States, the ongoing concerns about European sovereign debt levels, the military conflict between Russia and Ukraine and the conflict in Middle East region. Please also refer to "*Risk Factors – Risks Relating to the Bank's Business – Uncertainties and instability in global market conditions could adversely affect the Bank's business, financial condition and results of operations*".

Furthermore, uncertainties in the PRC's economies may also adversely affect the Bank's business, financial condition and results of operations in many ways, including, among others:

- during a period of economic slowdown, there is a greater likelihood that more of the 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 NPLs, allowances for impairment losses and write-offs;
- the increased regulation and supervision by 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;
- the value of the Bank's investments in the domestic and international equity and debt securities markets may significantly decline;
- the Bank's ability to raise additional capital on favourable terms, or at all, could be adversely affected;
- 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;
- the ongoing property market slowdown and deterioration of export trade growth may further adversely affect economic growth; and
- increased fiscal policy support may not be sufficient to boost overall domestic demand and business investment.

Any potential market and economic downturns, economic slowdown or geopolitical uncertainties in the PRC, its neighbouring countries or regions or the rest of the world may exacerbate the risks relating to the PRC capital markets. In addition, global economic uncertainty and the slowdown in PRC economic growth have precipitated, and may continue to raise the possibility of, fiscal, monetary, regulatory and other governmental actions. It cannot be predicted whether or when such actions may occur, nor can it be predicted what ultimate impact, if any, such actions or any other governmental actions could have on the Bank's business, results of operations and financial condition. There can be no assurance that the PRC's economy or the global economy will continue to improve or maintain sustainable growth. If further economic downturn occurs or continues, the Bank's business, financial condition and results of operations could be materially and adversely affected.

The Bank's businesses are highly regulated which may be adversely affected by future regulatory changes

The Bank's businesses are highly regulated which may be adversely affected by future regulatory changes. The Bank's business and operations are directly affected by changes in the PRC's policies, laws and regulations relating to the banking industry, such as those affecting the extent to which the Bank can engage in specific businesses as well as changes in other governmental policies. 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 adversely affect the Bank's business, financial condition and result of operations nor can the Bank assure investors that it will be able to adapt to all such changes on a timely basis. For example, in recent years, the PRC government has announced a number of supply-side structural reforms, including the reforms to improve the corporate governance of small and medium-sized enterprises ("**SMEs**") to reduce systemic financial risks and credit risk and to increase lending activities to SMEs while effectively controlling risks, to achieve a healthy economic growth.

The Bank has participated in such supply-side structural reforms, including the development of Guangdong-Hong Kong-Macau Greater Bay Area and Free Trade Zones, SMEs financing and debt-to-equity swap reforms.

As COVID-19 hampered business activities in the world, including China, the former China Banking and Insurance Regulatory Commission (the "**CBIRC**", which has been replaced by NAFR)) promulgated a series of measures to relax credit controls and increase financial support to SMEs to combat the challenges arising from COVID-19. In particular, it has encouraged banking institutions to increase lending to SMEs by lowering loan rates and increasing the amounts these enterprises could borrow. However, SMEs are more vulnerable to fluctuations in the macroeconomy and the adverse impact brought by major economic crisis or regulatory changes. In addition, these enterprises may not be able to provide reliable information necessary for the Bank to assess the credit risks involved. In the absence of accurate assessment of the relevant credit risks, the non-performing loans of the Bank may increase significantly if a large number of its SMEs clients are affected by major economic crisis or regulatory changes. As a result, this may have an impact on the Bank's overall risk profile and quality of the loan portfolio, which could in turn materially and adversely affect its business, financial condition and results of operations. Separately, there can be no assurance that the policies, laws and regulations governing the PRC banking industry, in particular those relating to loans to SMEs (e.g. incentive policies to encourage lending to SMEs), 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. For instance, as the World Health Organisation has in May 2023 declared that COVID-19 is no longer a global health emergency, the NAFR may start to unwind support measures for SMEs, which could lead to a tightening of credit controls and an increase in default risks for SMEs.

In addition, the Bank may be entrusted to administer banking business. For example, on 24 May 2019, the Bank announced that it has accepted the entrustment of Baoshang Bank to take its business into custody. Under the custodian period of one year, the Bank had assisted Baoshang Bank in the reform of its corporate governance and risk management and in its business operations. There is no assurance that the policies implemented by the PRC regulators and the Bank's participation in them will not affect the Bank's business, financial condition and result of operations or that the Bank will be able to make proper adjustment(s) to its business operations according to the changes in the financial regulatory policies, monetary policies and structural-side reforms.

Furthermore, in 2022, the PBOC circulated for public consultation a draft Financial Stability Law of the People's Republic of China (中華人民共和國金融穩定法(草案徵求意見稿)) (the "**Financial Stability Law**"), which aims to provide a comprehensive plan for addressing systemic risks to China's financial system.

As the Financial Stability Law has not been promulgated, its actual impact on the Bank's business and operations remains unknown. However, as a leading commercial bank in China, it is highly possible that the Bank will be required to comply with the Financial Stability Law upon its enactment, and there is no assurance that the compliance with the Financial Stability Law will not affect the Bank's business, financial condition and result of operations.

In addition, there may be uncertainties regarding the interpretation and application of new policies, laws and regulations, which may result in penalties and restrictions on the Bank's activities and could also have a significant impact on the Bank's business. The adverse developments described above may negatively affect the Bank's ability to service the Notes and to satisfy its other obligations under the Notes.

The growth rate of the PRC banking market may not be sustainable

The Bank expects the banking market in the PRC to expand as a result of anticipated growth in the PRC economy, increases in household wealth, continued social welfare improvement, demographic changes and the opening of the PRC banking market to foreign participants. However, the prospective impact on the PRC banking industry of certain trends and events, such as the pace of economic growth in the PRC and the ongoing reform of the social welfare system is currently not clear. Consequently, it cannot be assured that the growth and development of the PRC banking market will be sustainable.

Fluctuations in interest rates may adversely affect the Bank's lending business and its financial condition

As with most commercial banks, the Bank's results of operations depend to a great extent on the Bank's net interest income. For the six months ended 30 June 2025, net interest income represented 74.30 per cent. of the Group's operating income. Fluctuations in interest rates could affect the Bank's financial condition and profitability in different ways. For example, a decrease in interest rates may reduce the Bank's interest income and yields from interest-earning assets. An increase in interest rates may decrease the value of the Bank's investment in debt securities portfolio and raise the Bank's funding costs. In addition, an increase in interest rates may reduce overall demand for loans, and, accordingly, reduce the Bank's origination of new loans, as well as increase the risk of customer default. Fluctuations in interest rate will also affect the market value of and return on derivative financial instruments and may result in a gap between the Bank's interest rate sensitive assets and interest rate sensitive liabilities.

Interest rate spread may also be affected by the PBOC's reserve requirement ratio for commercial banks. The reserve requirement refers to the amount of funds that banks must hold in reserve against deposits made by their customers. The PBOC may further adjust the reserve requirement ratio or revise its calculation basis in the future. Increases in the bank reserve requirement ratio or expansion of the calculation basis of the reserve requirement may negatively impact the amount of funds available for loans to businesses by the Bank and other commercial banks in China and therefore may adversely affect the Bank's ability to earn interest income, which in turn may negatively affect the Bank's ability to service the Notes and to satisfy its other obligations under the Notes.

In addition, increasing competition in the banking industry and further deregulation of interest rates by the PBOC may result in higher fluctuations in market interest rates. If the interest rates the Bank pays for its deposits increase to a greater extent than the interest rates it receives for its loans, the Bank's net interest margin will narrow, leading to a reduction in its net interest income. Increases in interest rates might also affect borrowers' financial condition and hence their ability to repay loans. As a result, fluctuations in interest rates may adversely affect the Bank's lending operations, financial condition and results of operations, which in turn may negatively affect the Bank's ability to service the Notes and to satisfy its other obligations under the Notes.

PRC regulations impose limitations on the types of investments the Bank may make and, as a result, the Bank has limited abilities to seek optimal investment returns, to diversify its investment portfolio and to hedge the risks of its Renminbi-denominated assets

As a result of the PRC regulatory restrictions, substantially all of the Renminbi-denominated investment assets of PRC commercial banks are concentrated in the limited types of investments permitted by PRC law. These permitted investments mainly include PRC treasury bonds, financial debt securities issued by PRC policy banks, notes issued by the PBOC, and subordinated bonds. These restrictions on the Bank's ability to diversify its investment portfolio limit its ability to seek an optimal return. The restrictions also expose the Bank to significantly greater risk of investment loss in the event a particular type of investment the Bank holds suffers a decrease in value. For example, a general increase in interest rates may result in a significant decline in the value of the fixed income debt securities held by the Bank. In addition, due to the limited availability of hedging tools, the Bank's ability to manage market and credit risks associated with Renminbi-denominated assets is limited, and any resulting decline in the value of its Renminbi-denominated assets will adversely affect the Bank's financial condition and results of operations. This may negatively affect the Bank's ability to service the Notes and to satisfy its other obligations under the Notes.

The Bank's results of operations may be adversely affected if the PBOC further expedites the deregulation of interest rates

In recent years, the PBOC has adopted reform measures to liberalise China's interest rate regime. For example, in 2002, the PBOC substantially liberalised interest rates for foreign currency-denominated loans and deposits. In October 2004, the PBOC eliminated restrictions in respect of the maximum interest rate for RMB-denominated loans and the minimum interest rate for RMB-denominated deposits. In June 2012, the PBOC lowered the one-year Renminbi benchmark deposit and loan interest rates each by 0.25 per cent. At the same time, the PBOC also adjusted the upper limit of the floating range for deposit interest rates and the lower limit of the floating range for loan interest rates.

As of 8 June 2012, RMB-denominated deposits could not be set above 110 per cent. of the relevant PBOC benchmark rate. On 25 October 2013, the PBOC introduced a new prime lending rate, officially known as the "**loan prime rate**", which is based on a weighted average of lending rates from nine commercial banks. In 2015, the PBOC made consecutive interest rates cuts and removed the deposit interest rate ceiling, giving rise to greater competition among banks and general shrinking of returns in the bond and monetary markets. Deposit interest rate ceilings were replaced by a market pricing self-regulatory and coordination mechanism comprised of PRC financial institutions, known as the Self-Regulatory Mechanism for the Pricing of Market-Oriented Interest Rates (市場利率定價自律機制). On 17 August 2019, the PBOC issued Bulletin [2019] No. 15, reforming and improving the loan prime rate calculation mechanism, further liberalising the interest rate system. The PBOC may further liberalise the existing interest rate restrictions on RMB-denominated loans and deposits. If the existing regulations are substantially liberalised or eliminated, competition in China's banking industry will likely intensify as China's commercial banks seek to offer more attractive interest rates to customers. Further adjustments by the PBOC to the benchmark interest rates or liberalisation by the PBOC may result in the narrowing of the spread in the average interest rates between RMB-denominated loans and RMB-denominated deposits, thereby adversely affecting the Bank's business, financial condition and results of operations, which in turn may negatively affect the Bank's ability to service the Notes and to satisfy its other obligations under the Notes.

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

National credit information databases developed by the PBOC have been in operation since January 2006. However, as the information infrastructure in China is still under development and there remains limitations on the availability of information, national credit information databases are generally under-developed and are not able to provide complete credit information on many of the Bank's credit applicants. Therefore, the Bank's assessment of the credit risk associated with a particular customer may not be based on complete, accurate or reliable information, and the Bank's ability to effectively manage the Bank's credit risk may be adversely affected. This may negatively affect the Bank's ability to service the Notes and to satisfy its other obligations under the Notes.

Certain facts and statistics and information relating to the Bank and the Group are derived from publications not independently verified by the Bank, the Arranger, the Dealers or any of their respective directors, officers, employees, agents, representatives, affiliates or advisers or any person who controls any of them

Certain facts and statistics in this Offering Circular relating to the PRC, its economy and its banking industry are derived from various official and publicly available sources generally believed to be reliable. While the Bank has taken reasonable care to ensure that the facts and statistics or information relating to the Bank and the Group presented are accurately extracted from such sources, such facts, statistics and information have not been independently verified by the Bank, the Arranger, the Dealers or any of their respective directors, officers, employees, agents, representatives, affiliates or advisers or any person who controls any of them and, therefore, none of them makes any representation as to the accuracy of such facts and statistics or information, which may not be consistent with other information compiled within or outside the PRC and may not be complete or up-to-date.

Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice or other reasons, the statistics herein may be inaccurate or may not be comparable from period to period or to statistics produced for other economies and should not be unduly relied upon.

RISKS RELATING TO THE PRC

The sub-section headed "Risk Factors – Risks Relating to the PRC" on pages 91 to 93 in the Base Offering Circular shall be deleted in its entirety and replaced with the following risk factors below:

PRC economic, political and social conditions and government policies could affect the Bank's financial condition and results of operations

A substantial majority of the Bank's businesses, assets and operations are in China. Accordingly, the Bank's financial condition, results of operations and business prospects are, to a significant degree, subject to the economic, political and legal developments in China. The PRC economy has been transitioning from a planned economy to a more market-oriented economy. In recent years, the PRC government has implemented a series of measures emphasising market forces for economic reform, the reduction of state ownership of productive assets and the establishment of sound corporate governance in business enterprises. However, a large portion of productive assets in China remain owned by the PRC government. The PRC government retains the power to implement macroeconomic policies affecting the PRC economy and continues to play a significant role in regulating industrial development, allocating resources, setting monetary policy, implementing measures on production, pricing, management and taxation and providing preferential treatment to particular industries or companies. These measures are aimed at benefiting the overall economy of the PRC, but some of the measures may have negative effects on certain industries, including the commercial banking industry. For example, the Bank'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.

Any failure to complete the relevant filing and/registration under the NDRC Order 56 (as defined below) within the prescribed time frames may have adverse consequences for the relevant Issuer and/or the investors of the Notes

On 5 January 2023, NDRC issued 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））(as supplemented, amended or replaced from time to time) and any implementation rules or policies as issued by the NDRC from time to time (the "**NDRC Order 56**"), which became effective on 10 February 2023. As confirmed by the Bank, the foreign debt registration certificate (Fa Gai Ban Wai Zhai [2024] No. 561) (the"**Certificate**") has already been obtained by the Bank under the NDRC Order 56 and the Issuer can rely on the Certificate to issue the Notes. Under the NDRC Order 56, the Bank shall, (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 Certificate with respect to the relevant Notes in accordance with the NDRC Order 56, (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 Order 56 mentions some legal consequences of noncompliance with the pre-issuance registration requirement. For example, if the enterprise borrows foreign debt in violation of the NDRC Order 56, 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 according to the seriousness of the circumstances, and if any intermediary agency knows or should have known that an enterprise is borrowing foreign debt in violation of the relevant provision of the NDRC Order 56 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-issuance 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 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 Order 56 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 Order 56 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 Order 56 and any implementation rules or policies as issued by the NDRC from time to time.

While the NDRC Order 56 has set out the legal consequences for debtors and involved professional parties in cases of non-compliance of the NDRC Order 56, the NDRC Order 56 is silent on whether any such non-compliance would affect the validity and enforceability of the Notes. There is no assurance that the failure to comply with the NDRC Order 56 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.

Interpretation of PRC laws and regulations may affect the Bank and the Noteholders

The Bank is organised under the laws of the PRC. The PRC legal system is based on written statutes. Since 1979, the PRC government has promulgated laws and regulations dealing with economic matters, such as foreign investment, corporate organisation and governance, commerce, taxation and trade, with a view towards developing a comprehensive system of commercial law. Many of these laws and regulations continue to evolve and these laws and regulations may be subject to different interpretation and enforcement. In addition, although there is a large volume of published court decisions and such court decisions may be cited for reference, they are not binding on subsequent cases and have limited precedential value unless the Supreme People's Court otherwise provides interpretations. As such, the interpretation and implementation of PRC laws and regulations may have impact on the legal protections and remedies that are available to the Bank and the Noteholders.

Additional procedures may be required in effecting service of legal process and enforcing judgments against the Bank and its directors and officers

The Bank is a company incorporated under the laws of the PRC, and substantially all of its assets and its subsidiaries are located in the PRC. In addition, most of the Bank's directors and officers reside within the PRC, and the assets of its directors and officers may be located within the PRC. As a result, additional procedures may be required to effect service of process outside of the PRC upon most of the Bank's directors and officers and for the Noteholders to effect service of process against the Bank's assets or its directors and officers in the PRC in order to seek recognition and enforcement for foreign judgments in the PRC.

The recognition and enforcement of foreign judgments are provided for under the PRC Civil Procedures Law. PRC courts may recognise and enforce foreign judgments in accordance with the requirements of the PRC Civil Procedures Law and other applicable laws and regulations based either on treaties between China and the country where the judgment is made or on principles of reciprocity between jurisdictions. The PRC has not entered into treaties or arrangements providing for the recognition and enforcement of judgments made by courts of the United States, the United Kingdom, Japan or most other Western countries. In addition, according to the PRC Civil Procedures Law, courts in the PRC will not enforce a foreign judgment against the Bank or its directors and officers if they decide that the judgment violates the basic principles of PRC law or national sovereignty, security or public interest. Hence, it is uncertain whether and on what basis a PRC court would enforce a judgment rendered by a court in any of these jurisdictions.

The Bank is affected by the PRC government's restrictions on currency conversion and future fluctuations in exchange rates

The Bank receives a substantial majority of its revenues in RMB, 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 demands for foreign currencies.

The exchange rates of the RMB against the U.S. dollar and other currencies are in constant fluctuation and influenced by, among other things, the changes in Chinese and international political and economic conditions. Since 1994, China had implemented a single and managed floating exchange rate regime based on market supply and demand to determine the exchange rate of RMB with reference to the exchange rate determined by the PBOC based on the interbank exchange rates and the prevailing rate of the international financial market on the previous business day. On 21 July 2005, the PRC government adopted a more flexible market-based and managed floating exchange rate regime with reference to a basket of currencies. Under the new system, the exchange rate of RMB was allowed to fluctuate within a regulated band. In addition, a market maker system was introduced to the interbank spot foreign exchange market. In July 2008, China continued to deepen its exchange rate regime reform to implement a managed floating exchange rate system based on market supply and demand. Given the domestic and overseas economic developments, in June 2010, the PBOC decided to proceed further with reform of the RMB exchange rate regime, improve the flexibility of the RMB exchange rate and widen the daily trading band for the U.S.$/RMB exchange rate in April 2012 and in March 2014. In 2017, the RMB depreciated as against the U.S. dollar and continued to fluctuate in 2018 and early 2019. Against the backdrop of uncertain trade and global economy, the PBOC authorised the China Foreign Exchange Trade System and National Interbank Funding Centre on 8 August 2019 to publish the central parity rate of the RMB as against the U.S. dollar in the interbank exchange market, which was U.S.$1.00 to RMB7.0039. That was the first time the value of the RMB as against the U.S. dollar fell below RMB7.00 per U.S. dollar since 2008. The value of RMB against the U.S. dollar and other currencies may fluctuate and is affected by, among other factors, changes in international and national political and economic conditions and the foreign exchange policy adopted by the PRC government. The PRC government may in the future implement other exchange rate reforms.

The Bank is also currently required to obtain the approval of SAFE before converting significant sums of foreign currencies into RMB. All of these factors could adversely affect the Bank's business, financial condition, results of operations and compliance with capital adequacy ratios and operational ratios, which in turn may negatively affect the Bank's ability to service the Notes and to satisfy its other obligations under the Notes.

RISKS RELATING TO THE NOTES

Prospective investors should have regard to the risk factors described under the section entitled "Risk Factors – Risks Relating to the Notes" on pages 93 to 105 of the Base Offering Circular, which are incorporated by reference into this Drawdown Offering Circular. In addition, the section entitled "Risk Factors – Risks Relating to the Notes" starting on page 93 of the Base Offering Circular shall be supplemented with the following:

The Notes being issued as green bonds may not be a suitable investment for all investors seeking exposure to green or other equivalently-labelled assets

No assurance can be given that Eligible Green Projects will meet investor expectations or requirements regarding such "green", "sustainable", "social" or similar labels (including in relation to, but not limited to, the EU Taxonomy Regulation and any related technical screening criteria, the EU Green Bond Regulation, SFDR, and any implementing legislation and guidelines, or any similar legislation in the United Kingdom or any market standards or guidance, including the ICMA Principles) or any requirements of such labels or market standards as they may evolve from time to time. The Notes will not be compliant with the EU Green Bond Regulation and are only intended to comply with the requirements and processes in the Bank's GSSS Bond Framework. The Joint Lead Managers have not undertaken, nor are responsible for, any assessment of the eligibility of the projects within the definition of Eligible Green Projects or the monitoring of the use of proceeds from the offering of the Notes. Although applicable green projects are expected to be selected in accordance with the categories recognised by the HKQAA Green and Sustainable Finance Certification Scheme and are expected to be developed in accordance with applicable legislation and standards, there can be no guarantee that adverse environmental and/or social impacts will not occur during the design, construction, commissioning and/or operation of any such green projects. Where any negative impacts are insufficiently mitigated, any green projects may become controversial, and/or may be criticised by activist groups or other stakeholders. Each potential purchaser of the Notes should have regard to the relevant projects and eligibility criteria described under the section headed "*Green, Social, Sustainability and Sustainability-Linked Bond Framework*" and determine for itself the relevance of the information contained in this Drawdown Offering Circular regarding the use of proceeds, and its purchase of any Notes should be based upon such investigation as it deems necessary.

Any failure to use the net proceeds of the issue of the Notes in connection with eligible green projects, and/or any failure to meet, or to continue to meet, the investment requirements of certain investors with environmental and/or social concerns with respect to the Notes of the relevant series, may affect the value and/or trading price of the Notes of the relevant series, and/or may have consequences for certain investors with portfolio mandates to invest in green projects. In the event that the Notes are included in any dedicated "green", "environmental", "social", "sustainable" or other equivalently-labelled index, no representation or assurance is given by the Issuer or the Bank or any other person (including but not limited to the Joint Lead Managers) that such listing or admission, or inclusion in such index, satisfies any present or future investor expectations or requirements as regards to any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable law or regulations or by its own constitutive documents or other governing rules or investment portfolio mandates.

None of the Issuer, the Bank or the Joint Lead Managers makes any representation as to (i) the suitability for any purpose of the Assurance Report and/or the HKQAA Pre-issuance Stage Certificate, (ii) whether the Notes will meet investor criteria and expectations regarding environmental impact and sustainability performance for any investors, (iii) the characteristics of Eligible Green Projects, including their relevant environmental and sustainability criteria or (iv) there being at any time sufficient Eligible Green Projects to allow for allocation of an amount equal to the net proceeds of the issue of the Notes in full. None of the Joint Lead Managers make any representation as to whether the net proceeds will be used to finance and/or refinance Eligible Green Projects (as further described in the sections entitled "*Use of Proceeds*" and "*Green, Social, Sustainability and Sustainability-Linked Bond Framework*"). Therefore, the Notes may not be a suitable investment for all investors seeking exposure to green assets. The description of Eligible Green Projects provided elsewhere in this Drawdown Offering Circular is for illustrative purposes only and no assurance can be provided that investment in project with these specific characteristics will be made by the Issuer during the term of the Notes.

Each prospective investor should have regard to the factors described in the Bank's GSSS Bond Framework and the relevant information contained in this Drawdown Offering Circular and seek advice from their independent financial adviser or other professional adviser regarding its purchase of the Notes before deciding to invest. The Bank's GSSS Bond Framework may be subject to review and change and may be amended, updated, supplemented, replaced and/or withdrawn from time to time and any subsequent version(s) may differ from any description given in this Drawdown Offering Circular. The Bank's GSSS Bond Framework does not form part of, nor is incorporated by reference, in this Drawdown Offering Circular.

No assurance of suitability or reliability of any opinion or certification of any third party relating to the Notes

In connection with the issue of the Notes, the Bank has engaged Ernst & Young Hua Ming LLP to provide an independent limited assurance report (the "**Assurance Report**") to report on the Bank's use of proceeds in relation to the Notes, process for project evaluation and selection, management of proceeds and reporting of the Notes. The criteria for Ernst & Young Hua Ming LLP's assurance of the Notes are the Green Bond Principles (as defined below) published by the International Capital Market Association.

In addition, in connection with the issue of the Notes, the Issuer has requested the HKQAA to issue the HKQAA Pre-issuance Stage Certificate confirming that Notes of the relevant series are in compliance with the requirements of the Green and Sustainable Finance Certification Scheme operated by the HKQAA (the "**HKQAA Green and Sustainable Finance Certification Scheme**"). The HKQAA Green Finance Certification Scheme is a set of voluntary guidelines that aims to facilitate the development of green finance and the green industry. The HKQAA Pre-issuance Stage Certificate will be obtained on or before the Issue Date for the Notes. See "*The HKQAA Green and Sustainable Finance Certification Scheme*" of this Drawdown Offering Circular for more details. The Assurance Report will be made available on the Bank's website (http://www.ccb.com/), however, neither the Assurance Report nor the HKQAA Pre-issuance Stage Certificate nor any of the reports, verification assessments, opinions or contents of the website mentioned above are, or shall be deemed to, constitute a part of or are incorporated into the Base Offering Circular or this Drawdown Offering Circular.

Neither the Assurance Report nor the HKQAA Pre-issuance Stage Certificate is a recommendation to buy, sell or hold securities and is only current as of its date of issue and is subject to certain disclaimers set out therein, and may be updated, suspended or withdrawn at any time. The Assurance Report and the HKQAA Pre-issuance Stage Certificate may not reflect the potential impact of all risks related to the Notes, their marketability, trading price or liquidity or any other factors that may affect the price or value of the Notes. Furthermore, the Assurance Report and the HKQAA Pre-issuance Stage Certificate are for information purposes only and none of the Issuer, the Bank or the Joint Lead Managers accepts any form of liability for the substance of the Assurance Report or the HKQAA Pre-issuance Stage Certificate and/or any liability for loss arising from the use of the Assurance Report, the HKQAA Pre-issuance Stage Certificate and/or the information provided in each of it. No representation or assurance is given as to the suitability or reliability of the Assurance Report nor the HKQAA Pre-issuance Stage Certificate or any other opinion, review or certification of any third party (including any post-issuance reports prepared by an external reviewer) made available in connection with the Notes.

Any second party opinion provider and providers of similar opinions, certifications and validations (including but not limited to Ernst & Young Hua Ming LLP who provided the Assurance Report) are not currently subject to any specific regulatory or other regime or oversight. Whilst the EU Green Bond Regulation will introduce a supervisory regime of external reviewers of European Green Bonds, this is not due to take full effect until 21 June 2026 and would not apply to external reviewers in respect of an issue of the Notes as the Notes are not intended to be compliant with the EU Green Bonds Regulation. The Issuer has no intention of meeting the requirements of the EU Green Bond Regulation, obtaining the EuGB label, or complying with the optional disclosures regime. The Issuer is under no obligation to take any steps to make the Notes eligible for the 'European Green Bond' or 'EuGB' designation. It is not clear if the establishment under the EU Green Bond Regulation of the EuGB label and the optional disclosure templates for bonds marketed as "environmentally sustainable" could have an impact on investor demand for, and pricing of, green/social/sustainable use of proceeds bonds that do not comply with the requirements of the EuGB label or the optional disclosures templates such as the Notes. It could result in reduced liquidity or lower demand or could otherwise affect the market price of the Notes.

Noteholders have no recourse against the Issuer, the Bank or any of the Joint Lead Managers or the provider of any such opinion, review or certification for the contents of any such opinion, review or certification, which is only current as at the date it was initially issued. Prospective investors must determine for themselves the relevance of any such opinion, review, certification or validation and/or the information contained therein and/or the provider of such opinion, review, certification or validation for the purpose of any investment in the Notes. Any withdrawal of any such opinion or certification or any such opinion, certification attesting that the Group is not complying in whole or in part with any matters for which such opinion, review, certification or validation is opining on or certifying on may have a material adverse effect on the value of the Notes and/or result in adverse consequences for certain investors with portfolio mandates to invest in securities to be used for a particular purpose.

The Notes are not linked to the performance of the Eligible Green Projects, and do not benefit from any arrangements to enhance the performance of the Notes or any contractual rights derived solely from the intended use of proceeds of such Notes

The performance of the Green Notes is not linked to the performance of the relevant Eligible Green Projects or the performance of the Issuer or the Bank in respect of any environmental or similar targets. There will be no segregation of assets and liabilities in respect of the Green Notes and the Eligible Green Projects. Consequently, neither payments of principal and/or interest on the Green Notes nor any rights of Noteholders shall depend on the performance of the relevant Eligible Green Projects or the performance of the Issuer or the Bank in respect of any such environmental or similar targets. Holders of any Green Notes shall have no preferential rights or priority against the assets of any Eligible Green Project nor benefit from any arrangements to enhance the performance of the Notes.

No breach of contract or event of default

Whilst the Issuer and the Bank have agreed to certain obligations relating to reporting and use of proceeds as described under the sections headed "*Green, Social, Sustainability and Sustainability-Linked Bond Framework*" and "*Use of Proceeds*" in this Drawdown Offering Circular, there would not be an Event of Default under the Terms and Conditions of the Notes if (i) the Issuer or the Bank were to fail to comply with such obligations or were to fail to use the proceeds of the issue of Notes of the relevant series in the manner specified in this Drawdown Offering Circular (as further described in the sections entitled "*Use of Proceeds*" and "*Green, Social, Sustainability and Sustainability-Linked Bond Framework*") and/or (ii) any Assurance Report and/or the HKQAA Pre-issuance Stage Certificate issued in connection with such Notes were to be withdrawn and/or (iii) the Notes fail to meet investors' expectations or requirements regarding any "green", "sustainable", "social" or similar labels (including in relation to, but not limited to, the EU Taxonomy Regulation and any related technical screening criteria, the EU Green Bond Regulation, SFDR, and any implementing legislation and guidelines, or any similar legislation in the United Kingdom or any market standards or guidance, including the ICMA Principles).

USE OF PROCEEDS

The net proceeds from the issue of each series of Notes will be allocated to finance and/or refinance, in whole or in part, loans to customers involved in, as well as the Bank's own operational activities in, Eligible Green Projects (as defined below) that, as applicable, promote a green, blue and low-carbon economy, develop a more inclusive, harmonised society and provide clear environmental sustainability and climate change benefits in accordance with certain prescribed eligibility criteria as described under the GSSS Bond Framework (see the section headed "*Green, Social, Sustainability and Sustainability-Linked Bond Framework*") and in accordance with applicable laws and regulations (including those with respect to the remittance of proceeds into the PRC).

Eligible Green Projects have been defined in accordance with the broad categorisation of eligibility for "*Green Eligible Categories*" as set out in the section headed "*Green, Social, Sustainability and Sustainability-Linked Bond Framework*".

"**Eligible Green Projects**" relate to projects that comprise financing within the Green Eligible Categories which, amongst other things, comply with the Green Bond Principles (as defined in the section headed "*Green, Social, Sustainability and Sustainability-Linked Bond Framework*"). Such Green Eligible Categories include those which relate to renewable energy; energy efficiency; pollution prevention and control and waste management; clean transportation; sustainable water and wastewater management; green buildings; environmentally sustainable management of living natural resources and land use; terrestrial and aquatic biodiversity conservation; and climate change adaptation. Activities within and/or financings to industries involved in, among others, mining, quarrying and fossil fuel related assets, large-scale hydro power plants, weapons and ammunitions and the production, distribution or storage of hazardous chemicals and radioactive substantives are specifically excluded from this definition.

Assets in all eligible categories shall reach the minimum threshold required by relevant official standards in relation to environmental impacts recognised in the relevant jurisdiction. Where no official standards are locally recognised, corresponding international standards and best practices shall apply.

The Joint Lead Managers have not separately verified nor will make any assurances as to (i) whether the Notes will meet investor criteria and expectations regarding environmental impact and sustainability performance for any investors, (ii) whether the net proceeds will be used to finance and/or refinance Eligible Green Projects, or (iii) the characteristics of Eligible Green Projects, including their environmental and sustainability criteria. See the section headed "*Risk Factors – Risks Relating to the Notes – The Notes being issued as green bonds may not be a suitable investment for all investors seeking exposure to green or other equivalently-labelled assets*" for further information.

GREEN, SOCIAL, SUSTAINABILITY AND SUSTAINABILITY-LINKED BOND FRAMEWORK

This section sets out details of the Bank's GSSS Bond Framework (as defined below). None of the Joint Lead Managers is responsible for the assessment of the Bank's GSSS Bond Framework. The Bank's GSSS Bond Framework, the Assurance Report and any other similar opinion (including any content of websites or webpages references to which hyperlinks are included in this Drawdown Offering Circular) does not form part of, nor is incorporated by reference in, the Base Offering Circular or this Drawdown Offering Circular.

Background to the Bank's ESG Commitments

The Bank takes its corporate social responsibilities seriously and seeks to serve the public, promote livelihoods, and become a low-carbon and environmentally friendly bank for sustainable development. In recent years, the Bank has been actively considering how it can use financial means to address significant challenges faced by the community and the environment. The Bank is dedicated to developing, promoting and practising "New Finance", where it reviews and reflects on the development logic of financial work with the concepts of innovation, coordination, greenness, openness and sharing so as to develop people-centred "New Finance" policies. Through the Bank's "New Finance" philosophy, the Bank strives to be a responsible financial institution by combining its financial expertise and social responsibilities to address social challenges to improve living standards, as well as contributing to the green and sustainable development of the global economy. Some of the Bank's main areas of focus over the past few years include (1) inclusive finance for a better livelihood; (2) green development and low-carbon finance against climate challenges; and (3) innovation sharing to empower development.

Inclusive Finance for Better Livelihood

The Bank has and continues to utilise innovation and technology to develop an inclusive finance model which focuses on, *inter alia*, supporting the development of small and micro enterprises, poverty alleviation, supporting rural revitalisation, providing better housing services and protecting customer rights and interests. The Bank deeply integrated the technological, inclusive and sharing attributes of "New Finance", and focused on the concept of "digital, platform-based, and ecosystem-based development with empowerment" to explore new development models of inclusive finance. It leverages digital technology and technological empowerment to strengthen platform operations, improve market responsiveness and focus on differentiated needs of inclusive finance groups such as small and micro enterprises, individual business, agricultural clients, upstream and downstream clients in the supply chain, and others. In 2023, the Group continued to lead the industry, broke through the business model of traditional banking platform, joined hands with more market entities to serve medium, small and micro businesses, and launched the upgraded "CCB Huidongni" 4.0 – an integrated ecological service platform for inclusive finance.

Green Development and Low-Carbon Finance Against Climate Challenges

The Bank places an emphasis on preserving natural ecology and promoting green development with financial forces and continues to explore new concepts, new models and new methods to develop green finance. The Bank continues to improve the long-term mechanism for green finance development, promotes the development of green finance business and actively implements its "Strategic Plan for Green Finance Development and the Action Plan for Carbon Peaking and Carbon Neutrality". The Bank coordinates efforts to promote its "Carbon Peaking and Carbon Neutrality Action Plan", leverages the advantages of financial technology and fully licenced finance, and utilises a combination of financial instruments, including green credit, green bonds, green leases, green funds, green trusts, green insurance and green wealth management, to extensively support and foster green industries.

In addition, the Bank has set decarbonisation targets that are in full alignment with China's goal of reaching peak carbon emissions by 2030 and achieving carbon neutrality by 2060 (the 30/60 goal) and will continue to increase credit support in transition projects that promote low-carbon or zero-carbon. The Bank aims to use the principles of commercialisation and sustainability to guide its clients to utilise financial products to transform and upgrade their businesses to achieve decarbonisation targets, maximise environmental and social benefits and achieve their own climate transition strategic goals.

Innovation Sharing to Empower Development

The Bank advocates that finance and technology should guide society towards goodwill and betterment, in line with the "New Finance" philosophy. Since 2020, the Bank has adapted itself to the digital transformation, and started the all-round explorations of digital operation centred on "building an ecosystem, setting up scenarios, and expanding the base of users". The Bank's FinTech Strategic Plan (2021- 2025) ("TOP+2.0") focuses on three strategic positioning of "a FinTech leader, a national force for independent innovation and a New Finance ecosystem pioneer". The Bank used its own FinTech advantages in 2020 to launch the smart government services platform aimed at enhancing governance capacity and efficiency and opening up more communication channels between the government and the public, thus making it easier for businesses and individuals to access government services and extending the Bank's reach to social groups at all levels.

Framework Overview

The Bank has implemented a green, social, sustainability and sustainability-linked bond framework (the "**GSSS Bond Framework**") which provides guidelines for all domestic and overseas branches and subsidiaries of the Bank to issue green bonds (including blue bonds), social bonds, sustainability bonds and sustainability-linked bonds (collectively, "**GSSS Bonds**"), for the financing or refinancing of eligible assets and projects, so as to fulfil the Bank's strategies of corporate social responsibility to serve the public, promote livelihoods and become a low-carbon and environmentally friendly bank for sustainable development. The issuance of the GSSS Bonds under the GSSS Bond Framework will be in accordance with the following principles (collectively, the "**Principles**"):

(i) for green bonds, the ICMA Green Bond Principles[1] (the "**Green Bond Principles**");

(ii) for social bonds, the ICMA Social Bond Principles[2] (the "**Social Bond Principles**"); and

(iii) for sustainability bonds, the ICMA Sustainability Bond Guidelines[3] (the "**Sustainability Bond Guidelines**").

The issuance of blue bonds under the GSSS Bond Framework will be in accordance with both the Green Bond Principles and Bonds to Finance the Sustainable Blue Economy[4] (the "**Bonds to Finance the Sustainable Blue Economy**") published by ICMA together with the International Finance Corporation– a member of the World Bank Group, United Nations Global Compact, United Nations Environment Programme Finance Initiative, and the Asian Development Bank.

The issuance of sustainability-linked bonds under the GSSS Bond Framework will be in accordance with the ICMA Sustainability-Linked Bond Principles[5] (the "**Sustainability-Linked Bond Principles**").

In addition, the green projects located in the PRC will be in line with the Green Bond Endorsed Project Catalogue issued by the Green Finance Committee of the People's Bank of China ("**PBOC**") and other industrial criteria issued by relevant authorities.

[1] https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/

[2] https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/social-bond-principles-sbp/

[3] https://www.icmagroup.org/green-social-and-sustainability-bonds/sustainability-bond-guidelines-sbg/

[4] https://www.icmagroup.org/News/news-in-brief/new-guidance-on-blue-themed-bonds-to-help-unlock-finance-for-a-sustainable-ocean-economy

[5] https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/sustainability-linked-bond-principles-slbp/

The GSSS Bond Framework is made available on the official website of the Bank (http://www.ccb.com/). Neither the GSSS Bond Framework nor any of the reports, verification assessments, opinions or contents of the websites mentioned above are, or shall be deemed to, constitute a part of nor are incorporated into this Drawdown Offering Circular or the Base Offering Circular.

GSSS Bond Framework

Rationale for the green bonds issued under the GSSS Bond Framework

The PRC has in recent years been focused on green financing and has implemented a series of policy and institutional arrangements to attract investments into green industries, such as environmental protection, energy conservation and clean energy. More recently, the PRC government promulgated the "Yangtze River Protection Law" in December 2020, which is formulated in order to strength ecological and environmental protection and restoration in the Yangtze River basin, facilitate the rational and effective use of resources, safeguard ecological security and achieve the sustainable development of the PRC. Pursuant to the "Yangtze River Protection Law", the PRC government encourages financial institutions to develop green credit, green bonds, green insurance and other financial products to provide financial support for ecological and environmental protection and green development in the Yangtze River basin. The Bank's GSSS Bond Framework will enable the Bank to issue green bonds (including blue bonds) and promote green financing that are aligned with the theme of environmental protection and ecological restoration.

Management Statement

The Bank strives to become a leading green and socially responsible bank focused on using finance to promote environmental protection and to actively develop a harmonised society. To accomplish such goals, the Bank seeks to continuously improve its green credit policies and allocation of its credit resources to promote development in green sectors, strengthen the management of environmental and social risks and take social responsibility by supporting economic development in a sustainable manner. In the past few years, the Bank has been continuously striving to follow national green credit policies through the financing of green projects and to promote inclusive finance by actively supporting the economic development of small and micro-enterprises.

The Bank developed a "green credit" development strategy in 2016 and later established a Green Credit Committee, which is responsible for setting green credit development plans, formulating rules and policies and the research, discussion and coordination of business development relating to the Bank's green credit business. As for inclusive finance, the Bank established an Inclusive Financial Development Committee in 2017, which is tasked with the design and structuring of inclusive finance development plans and relevant rules and policies and discussion and coordination of business development relating to the Bank's inclusive finance business. Furthermore, an Inclusive Financial Strategy Promotion Leading Group was established in 2018 to oversee the design, layout, coordination, planning, promotion and supervision of the Bank's overall "inclusive finance" development strategy.

In line with its philosophy, the Bank has issued several series of ESG related notes under the Programme, including green notes, sustainability linked notes and transition notes. In addition, the Bank has also increased its credit supply in the area of green finance, to among others provide financial services for energy security and low-carbon transformation.

The issue of the Notes will enable the Group to commit to its efforts in promoting green finance and fund projects that will deliver environmental and social benefits to support the Bank's business strategies and vision.

Use of Proceeds

The net proceeds of the issuance of any green bonds (including blue bonds), social bonds and sustainability bonds (the "**GSS Bonds**") under the GSSS Bond Framework will be allocated to the following eligible assets or projects:

(i) the net proceeds of the issuance of any green bonds will be allocated to Green Eligible Categories;

(ii) the net proceeds of the issuance of any social bonds will be allocated to Social Eligible Categories;

(iii) the net proceeds of the issuance of any sustainability bonds will be allocated to Green Eligible Categories and Social Eligible Categories; and

(iv) The net proceeds of the issuance of any blue bonds will be allocated to blue categorised Green Eligible Categories.

Green Eligible Categories

- **Renewable energy**:
    - Production and transmission of renewable energy: wind power, photovoltaic power, solar thermal utilization, hydropower (run-of-river hydropower and no artificial reservoir; or life-cycle GHG emissions threshold < 100gCO2e/kWh or power density of electricity generation facilities > 5 W/m2), biomass energy, renewable energy promotion projects and the utilizations of other renewable energy (the utilizations of geothermal energy with life cycle GHG emissions below 100g CO2e/kWh), ocean energy, air source heat energy and other renewable energy sources;
    - Infrastructure construction related to renewable energy: land development, construction of transport networks and base stations; and
    - Blue criteria: projects that increase contribution of marine and offshore renewable energy to energy mix and renewable energy projects while safeguarding the marine environment such as offshore wind (both fixed and floating installations), wave, tidal, floating solar, ocean thermal energy conversion.
- **Energy efficiency**:
    - industrial energy conservation, energy management centres, urban-rural infrastructure construction with energy saving and emission reduction, reduction of pollutants; and
    - smart grids, energy internet, the construction and operation of distributed energy infrastructure such as district energy stations (including natural gas district energy stations), distributed photovoltaic power generation system, and energy management systems such distributed energy access and peak-balancing system, distributed electricity trading platform.
- **Pollution prevention and control and waste management**:
    - pollution prevention and environmental restoration projects: such as industrial solid waste and waste gas (liquid) recycle and resource utilization, recycling and reprocessing of renewable resources, recycling of biomass resources, soil remediation and decontamination of hazardous sewage; and
    - Blue criteria: projects that prevent, control, and reduce waste from entering the coastal and marine environments such as resource efficiency and circular economy (waste prevention and reduction), solid waste management projects within 50km of the coast or a river that drains to

the ocean and non-point source pollution management projects within 200km of the coast or within 50km of rivers (and their tributaries) that flow to the ocean.

- **Clean transportation**:
  - rolling stocks and public transport vehicles: the purchase and maintenance of rolling stocks for express railway, metro, light railway and urban railway which use only electricity and the purchase of electric buses and trolleys;
  - public rail infrastructure: the construction and maintenance of tracks and the modernisation, maintenance and upgrades to electric line networks;
  - associated rail infrastructures: the maintenance and upgrade of communication systems, signal systems, ventilation and drainage systems and the upgrades of lighting systems, such as installing LED lightings;
  - the maintenance of public transport system's operation sites, BRT systems, and waterway regulation, etc.; and
  - <u>Blue criteria</u>: projects that increase environmental performance and sustainability of port functions and infrastructure and projects that involve increasing environmental performance and sustainability of maritime transportation;
- **Sustainable water and wastewater management**:
  - water saving and the use of unconventional water such as industrial water-saving technology transformation, agriculture and animal husbandry water-saving irrigation project, seawater desalination;
  - construction and maintenance of sustainable clean water and/or drinking water infrastructure such as the construction and maintenance of urban water networks;
  - sewage treatment and recycling, comprehensive treatment of river basin, water pollution treatment and decontamination of hazardous waste water;
  - flood control and disaster contingency works, including flood basin works, construction of embankments for major rivers and river channel treatment; and
  - <u>Blue criteria</u>: projects that prevent, control, and reduce waste from entering the coastal and marine environments such as wastewater management projects within 100km of the coast;
- **Green buildings**: energy-efficient modification of new/existing buildings that meet the following criteria:
  - Chinese Green Building Evaluation Label - 2 Star or above;
  - U.S. Leadership in Energy and Environmental Design (LEED) – Silver or above;
  - Building Research Establishment Environmental Assessment Method (BREEAM) – Very Good or above; and
  - Other equivalent international standards;
- **Environmentally sustainable management of living natural resources and land use**:

- ecological protection, ecological restoration, vegetation protection, certified ecological agriculture, husbandry and fishery, sustainable forestry development; and
- Blue criteria: development of blue economy, i.e. certified sustainable fishery management programme, population reconstruction and ecological value chain improvement;

- **Terrestrial and aquatic biodiversity conservation**:
  - Blue criteria: (i) environmental protection, treatment and restoration in relation to the sea, coastlines and coastal areas, such as reservoir renovation, reserve construction, vegetation restoration and shoreline erosion prevention facilities, etc. in coastal areas; (ii) marine biodiversity protection such as fisheries enhancement and release of eggs, larvas or adults of aquatic animals into the ocean to restore or increase population, improve and optimise the aquatic biological community structure, construct and operate aquafarm; and (iii) projects must be within the marine environment or within 100 km of the coast;

- **Climate change adaptation**:
  - projects that increase the resilience of ecosystems, including communities, climate observation and early warning systems, systems and infrastructure for anticipated wind speeds, heavy rains and increased temperature; and
  - Blue criteria: projects within 50 km of the coast or within the marine environment that support ecological and community resilience and adaptation to climate change including water resilient infrastructure and bridges to address higher levels of flooding.

Social Eligible Categories

- **Employment generation through the potential effect of SME financing and microfinance**: loans relating to inclusive finance to SMEs and individuals (such as operation loans for businesses owned by individuals, operations loans for SMEs and farmers, consumption loans to registered poverty-stricken populations and poverty alleviation loans) and agriculture-related loans;
- **Affordable basic infrastructure**: the construction of indemnificatory housing programmes (such as public rental housing) and basic rural living facilities (such as rural biogas, the development of power grids in rural areas and garbage collection and treatment); and
- **Access to essential services (including health, education, career training, and health care)**: the construction of education and medical infrastructure and providing loans for career training.

The Bank will identify the relevant target population(s) for the social projects. The definition of the target population may vary depending on local contexts, and in some cases, such target population(s) may also be served by addressing the general public. The target populations include, but are not limited to, those living below the poverty line, the undereducated, people with disabilities, the underserved, those lacking quality access to essential goods and services, the unemployed and workers affected by the climate transition, women, aging populations, vulnerable youth, and other vulnerable groups as defined by national governments or local authorities.

Exclusions

The following sectors will be excluded from Green Eligible Categories and Social Eligible Categories:

- sectors that are prohibited by laws and regulations in the PRC, such as the gambling industry, adult entertainment, child labour, and corporations involved in illegal activities;

- luxury sectors such as precious metals, precious artworks & antiques, and golf course services;
- distillation, rectification, and mixed alcoholic beverages;
- production of tobacco and tobacco products;
- hydro power with an installed capacity greater than 20MW;
- biomass that is suitable for a food source;
- mining, quarrying, and fossil fuels-related assets;
- nuclear fuels;
- weapons and ammunitions; and
- companies or activities involved in the production, distribution, or storage of hazardous chemicals and radioactive substances.

Project Evaluation and Selection

The Bank will follow the procedures below to evaluate and select potential financing of Eligible Green Projects and/or Eligible Social Projects:

1. Preliminary Screening

Domestic and overseas branches and business lines of the Bank shall conduct a preliminary screening of potential projects in accordance with the criteria and standards set out in the Bank's internal regulations and the Green Eligible Categories and Social Eligible Categories as described above. For bonds issuance with specific themes, the screening will be aligned with the theme's requirements. Consequently, a list of nominated projects will be compiled, which will then be submitted to the CCB Head Office for review.

2. Review and Approval

A dedicated GSS Bond Working Group working group (the "**GSSB Working Group**") at the Bank's Head Office, which includes, among others, the Bank's asset and liability management department, credit management department and public relations and corporate culture department, shall review each of the nominated projects for approval as eligible green projects (including any blue categorised eligible green projects, as applicable) and/or eligible social projects (the "**Eligible Social Projects**"). The approved projects will form an eligible projects list (the "**Eligible Projects List**").

The GSSB Working Group will select the Eligible Green Projects and Eligible Social Projects that fall within the eligibility criteria and other factors as set out in the GSSS Bond Framework, such as whether the projects comply with the overall development and sustainability policy and strategy of the Bank, and whether any clear and measurable social and/or environmental benefits can be attained.

3. Update and Maintenance

The GSSB Working Group shall review the Eligible Projects List on an annual basis and determine if any changes are necessary (for example, if a project has amortised, been prepaid, sold or otherwise become ineligible). The GSSB Working Group will decide any necessary update of the Eligible Projects List (such as replacement, deletion, or addition of projects) to maintain the eligibility of the use of proceeds raised from each relevant GSS Bond.

Management of Proceeds

1. Planning for Use of Proceeds

The Bank shall continuously evaluate the recent and pipeline capital spending and develop a preliminary Eligible Projects List in accordance with the procedures described above to ensure that the proceeds of each GSS Bond can be allocated to Eligible Green Projects and/or Eligible Social Projects in a timely manner.

2. Management of Separate Register

The Bank shall establish and maintain a separate register to record and keep track of the allocation of proceeds. The proceeds of each GSS Bond will be deposited in the Bank's general funding accounts and earmarked pending allocation.

The register would contain information of the capital source (such as the issue amount, coupon rate, issue date, maturity date and ISIN of each GSS Bond) and the capital allocation (such as the issuer or borrower description, transaction date and the amount of proceeds). The register would also contain information including the remaining balance of unallocated proceeds yet to be earmarked and other relevant information such as information on the use of unallocated proceeds, to ensure that the aggregate of issuance proceeds allocated to the Eligible Green Projects and Eligible Social Projects is recorded at all times.

3. Use of Unallocated Proceeds

Any balance of issuance proceeds not allocated to Eligible Green Projects and/or Eligible Social Projects will be held in accordance with the Bank's normal liquidity management policy. The unallocated proceeds could be temporarily used domestically and internationally in money market instruments or loans with good credit rating and market liquidity, or kept in cash until they are allocated to Eligible Green Projects and/or Eligible Social Projects.

4. Eligible Projects List

The Bank has established an Eligible Projects List to which it undertakes periodic review as described in the section titled "*Green, Social, Sustainability and Sustainability-Linked Bond Framework – Project Evaluation and Selection*" above. Consequently, the projects in the Eligible Projects List may evolve over time. The following are some examples of the Eligible Green Projects which have been identified by the Bank:

Examples of Eligible Green Projects

The examples of Eligible Green Projects provided below represent past projects identified by the Bank, and the actual projects to which the net proceeds from each series of the Notes will be allocated may differ.

London Branch – Green Bonds

- The wind power project is located in Northern China. The wind power project, with total capacity of 2000 MW, consists of 231 wind turbines with per-turbine capacity of 3.4 MW and 270 wind turbines with per-turbine capacity of 4.5 MW. Annually, The wind power project generates around 6,058,451 MWh electricity per year, reducing carbon dioxide emission about 4,705,902 tons/year.
- The sewage treatment project is located in Central China. It includes the construction of 1 sewage treatment plant. The sewage treatment capacity of the project is 292 million tons annually.
- The metro project is located in Southern China. The total length of the metro is 43.2 km with 32 stations, and the expecting capacity of this line is 462.46 million passengers/year in primary stage. This line is expected to reduce carbon dioxide emission by 229,956 tons/year. The Bank's loan accounted for

approximately 4.38% of the total project investment, which reduced carbon dioxide emission by 10,077 tons/year.

Reporting

1. Allocation Reporting

As long as any GSSS Bonds are outstanding, the Bank will prepare a Green, Social, Sustainability and Sustainability-Linked Bonds Annual Report ("**Green, Social, Sustainability and Sustainability-Linked Bonds Annual Report**") on an annual basis. The Bank intends to maintain the transparency of information disclosure following the best practices recommended by the Principles. Each Green, Social, Sustainability and Sustainability-Linked Bonds Annual Report will provide information on the net proceeds of each GSS Bond issued and provide:

(i) the aggregate amount allocated to the various Eligible Green Projects and/or Eligible Social Projects;

(ii) the remaining balance of funds which have not yet been allocated and the type of temporary investment for unallocated proceeds; and

(iii) examples of Eligible Green Projects and Eligible Social Projects (subject to confidentiality disclosures).

2. Impact Reporting

Where possible, the Bank will report on the environmental and social (where relevant) impacts resulting from Eligible Green Projects and Eligible Social Projects in the Bank's Green, Social, Sustainability and Sustainability-Linked Bonds Annual Report. For specific-themed bonds, the Bank will report on the mechanism of the themed bond and the impact of the themed eligible projects.

The Green, Social, Sustainability and Sustainability-Linked Bonds Annual Report will be publicly available annually on the official website of the Bank (http://www.ccb.com/).

3. External Review

The Bank will obtain an external review of GSSS Bonds from a third party which has environmental and social benefit review expertise and audit qualification. External review will cover pre-issuance assurance, post-issuance assurance and assurance report of independent accounts on use of proceeds annually. Any external review report will be publicly available on the official website of the Bank (http://www.ccb.com/).

In addition, the HKQAA Pre-issuance Stage Certificate will be obtained on or before the Issue Date from the HKQAA for the Notes, certifying that the Notes to be issued by the Issuer comply with the requirements of the HKQAA Green and Sustainable Finance Certification Scheme. See the section headed "*The HKQAA Green and Sustainable Finance Certification Scheme*" below.

THE HKQAA GREEN AND SUSTAINABLE FINANCE CERTIFICATION SCHEME

Certain information relating to the HKQAA in this Drawdown Offering Circular have been obtained from public sources, including the Green and Sustainable Finance Certification Scheme Handbook (as defined below) and other publicly available information. Although this information is believed to be reliable, it has not been independently verified by the Issuer, the Bank, the Joint Lead Managers, the Agents or their respective directors and advisers, and none of the Issuer, the Bank, the Joint Lead Managers, the Agents and their respective directors and advisers makes any representation as to the accuracy or completeness of that information.

THE HKQAA

The HKQAA is a non-profit distributing organisation established by the Hong Kong Government and was the only Hong Kong organisation accredited as a Designated Operational Entity by the Executive Board of the Clean Development Mechanism ("**CDM**") under the United Nations Framework Convention on Climate Change to deliver CDM validation and verification services in 2011.

THE HKQAA GREEN AND SUSTAINABLE FINANCE CERTIFICATION SCHEME

The HKQAA Green and Sustainable Finance Certification Scheme was developed with reference to, among others, the CDM, the Green Bond Principles and the PBOC Green Bond Categories. The benefits of the HKQAA Green and Sustainable Finance Certification Scheme include (i) enhancing the credibility of, and stakeholder confidence in, green financial instruments via independent, impartial third-party conformity assessments, (ii) reaching out to potential green finance investors with the aid of the HKQAA green finance certificate and certification mark, (iii) demonstrating issuers' efforts to promote environmentally friendly investment; and, (iv) promoting a common understanding of green finance.

Under the HKQAA Green and Sustainable Finance Certification Scheme, an applicant may apply for either (i) a pre-issuance stage certificate or (ii) a post-issuance stage certificate.

An applicant may apply for a pre-issuance stage certificate before the issuance of debt instrument. A pre-issuance stage certificate is an "as-at" certificate and aims to validate the adequacy, including the readiness of the Method Statement (up to the assessment completion date which is also the issue date on such certificate) comply with the HKQAA Green and Sustainable Finance Certification Scheme. Method Statement is defined in the handbook of the HKQAA Green and Sustainable Finance Certification Scheme published in May 2021 (the "**Green and Sustainable Finance Certification Scheme Handbook**") as an information form provided by HKQAA and completed by Applicant to state the latter's method to achieve the intended contribution to Green and Sustainable and to demonstrate compliance towards the requirements of the Handbook. Information in the Method Statement will also be disclosed to the investor and public via HKQAA website for Bond and upon request for Loan.

As part of the application for a pre-issuance stage certificate, an applicant is required to complete the relevant application forms (including a self-declaration) and provide a Method Statement to the HKQAA which will assess and validate its adequacy. A Method Statement shall include the following elements for a green bond:

(1) use of proceeds;

(2) process for projects evaluation and selection;

(3) management of proceeds;

(4) information disclosure and reporting;

(5) Project monitoring;

(6) Impact Assessment (which is the determination of the likely environmental consequences, or impacts, of proposed projects or activities conducted by the applicant); and

(7) Stakeholder Engagement (which is the engagement with public, including individuals, groups or communities, affected, or likely to be affected, by the proposed project activity, or actions leading to the implementation of such an activity).

An annual surveillance assessment by the HKQAA to verify the continuous implementation and effectiveness of the Method Statement is not required by pre-issuance stage certificate.

When the HKQAA has completed its assessment and validation of the Method Statement and no non-conforming issues are outstanding, it will make a recommendation of certification to the Certification Review Board which reviews and approves the recommendation. Upon such approval, a pre-issuance stage certificate and a Certification Mark (a trademark designed by the HKQAA indicating that the applicant's debt instrument is duly certified under the HKQAA Green and Sustainable Finance Certification Scheme) are issued to the applicant.

HKQAA will disclose the Method Statement via the HKQAA website after the issuance of a pre-issuance stage certificate or the issuance of the relevant debt instrument (whichever is later). The HKQAA also gives flexibility for the applicant to request disclosure of its Method Statement on the HKQAA website before the issuance of green bond in order to cope with its announcement of certification of green bond in the public domain. Such pre-issuance stage certificate will only be valid if the applicant's Method Statement for the time being corresponds to the version of the applicant's Method Statement accessible via the HKQAA website.

If an applicant makes any change to its Method Statement after the issuance of a pre-issuance stage certificate, the corresponding pre-issuance stage certificate will be regarded as invalid. An applicant shall inform the HKQAA in writing for any change in its Method Statement within one month after the occurrence of any foreseeable or actual changes. An applicant has to make a new application to the HKQAA for the certification of the revised Method Statement.

HKQAA CERTIFICATION DISCLAIMER

The issuance of the HKQAA Pre-issuance Stage Certificate relating to the Notes by the HKQAA is based solely on the Green and Sustainable Finance Certification Scheme Handbook and does not, and is not intended to, make any representation or give any assurance with respect to any other matter relating to the Notes or any Eligible Green Projects, including but not limited to the Base Offering Circular, this Drawdown Offering Circular, the transaction documents, the Issuer, the Bank or the management of the Bank.

The issuance of the HKQAA Pre-issuance Stage Certificate relating to the Notes by the HKQAA will be addressed solely to the Issuer and is not a recommendation to any person to purchase, hold or sell the Notes and such certification does not address the market price or suitability of the Notes for a particular investor. The certification also does not address the merits of the decision by the Bank or any third party to participate in any Eligible Green Projects and does not express and should not be deemed to be an expression of an opinion as to the Bank or any aspect of any Eligible Green Projects (including but not limited to the financial viability of any Eligible Green Projects) other than with respect to conformance with the Green and Sustainable Finance Certification Scheme Handbook.

In issuing the HKQAA Pre-issuance Stage Certificate, HKQAA shall not be liable for any loss or damage suffered by any person whatsoever or howsoever caused by, arising from and/or in connection with, whether directly or indirectly, the certification of the Notes.

The HKQAA Pre-issuance Stage Certificate does not and is not in any way intended to address the likelihood of timely payment of interest when due on the Notes and/or the payment of principal at maturity or any other date.

The HKQAA Pre-issuance Stage Certificate may be withdrawn at any time in HKQAA's sole and absolute discretion and there can be no assurance that the HKQAA Pre-issuance Stage Certificate will not be withdrawn.

CAPITALISATION

The section headed "Substantial Shareholders" on page 106 of the Base Offering Circular shall be deleted in its entirety and replaced with the following:

The following table sets forth the Bank's capitalisation and indebtedness as at 30 June 2025 as adjusted to give effect to the issuance of the Notes prior to deducting the commissions and other estimated expenses payable by the Group in connection with this offering.

This table should be read in conjunction with the "*Use of Proceeds*" and the Group 2025 Interim Financial Statements and notes thereto incorporated into this Drawdown Offering Circular.

	As at 30 June 2025			
	Actual		**As adjusted**	
	(RMB in millions)	*(U.S.$ million)[(1)]*	*(RMB in millions)*	*(U.S.$ million)[(1)]*
Debt				
2028 USD Notes to be issued	-	-	7,164	1,000
2030 USD Notes to be issued	-	-	3,582	500
CNY Notes to be issued	-	-	2,000	279
Other borrowings[(2)]	40,847,989	5,702,159	40,847,989	5,702,159
Total debt	**40,847,989**	**5,702,159**	**40,860,735**	**5,703,938**
Equity				
Share capital	261,600	36,518	261,600	36,518
Other equity instruments				
Preference Shares	59,977	8,372	59,977	8,372
Perpetual Bonds	140,000	19,543	140,000	19,543
Capital reserve	229,113	31,983	229,113	31,983
Other comprehensive income	43,309	6,046	43,309	6,046
Surplus reserve	402,196	56,144	402,196	56,144
General reserve	535,432	74,743	535,432	74,743
Retained earnings	1,891,671	264,067	1,891,671	264,067
Total equity attributable to equity shareholders of the Bank	3,563,298	497,416	3,563,298	497,416
Non-controlling interests	21,561	3,010	21,561	3,010
Total equity	**3,584,859**	**500,426**	**3,584,859**	**500,426**
Total capitalisation[(3)]	**44,432,848**	**6,202,585**	**44,445,594**	**6,204,364**

Notes:

(1) All translations from RMB to U.S. dollar are made at the exchange rate exchange rate set forth in the H.10 statistical release of The Board of Governors of the Federal Reserve System as at 30 June 2025: U.S.$1.00 to RMB7.1636.

(2) Other borrowings include borrowings from central banks, deposits from banks and non-bank financial institutions, placements from banks and non-bank financial institutions, financial liabilities measured at fair value through profit or loss, negative fair value

of derivatives, financial assets sold under repurchase agreements, deposits from customers, accrued staff costs, taxes payable, provisions, debt securities issued, deferred tax liabilities and other liabilities.

(3) Total capitalisation equals the sum of total debt and total equity.

DESCRIPTION OF CHINA CONSTRUCTION BANK CORPORATION LONDON BRANCH

The London Branch is a commercial bank offering corporate and trade finance services in the United Kingdom ("**UK**"). The London Branch is a branch of the Bank and is authorised and regulated by the National Financial Regulatory Administration of the PRC (which replaced the China Banking and Insurance Regulatory Commission of the PRC since 18 May 2023), has been authorised by the Prudential Regulation Authority ("**PRA**") and is subject to the regulation of the Financial Conduct Authority ("**FCA**") and limited regulation by the PRA.

The London Branch was authorised by the PRA on 22 December 2014 (the reference number of the London Branch in the Financial Services Register is 652628).

OVERVIEW OF THE UK REGULATORY FRAMEWORK

The PRA, as part of the Bank of England (the "**BoE**"), is the UK's prudential regulator for deposit-takers, insurance companies and designated investment firms.

The PRA has two primary objectives:

- a general objective to promote the safety and soundness of PRA-authorised persons; and
- an objective specific to insurance firms for the protection of policyholders.

The PRA has two secondary objectives:

- a competition objective, to facilitate effective competition in the markets for services provided by PRA-authorised persons in carrying on regulated activities; and
- a competitiveness and growth objective, to facilitate, subject to alignment with relevant international standards, (a) the international competitiveness of the economy of the UK (including, in particular, the financial services sector through the contribution of PRA-authorised persons); and (b) its growth in the medium to long term.

The Prudential Regulation Committee (the "**Committee**") is the body within the BoE responsible for exercising the BoE's functions as the PRA. The Committee is independent in all its decision-making functions, including making rules and the PRA's most important supervisory and policy decisions.

Financial Conduct Authority

The FCA:

- is responsible for the conduct of business regulation of all firms authorised under the Financial Services and Markets Act 2000;
- is responsible for the prudential regulation of firms not regulated by the PRA. These firms are sometimes referred to as FCA-only firms or FCA-authorised firms; and
- is responsible for the regulation of conduct in retail and wholesale financial markets and supervision of the trading infrastructure that supports those markets.

The FCA has a strategic objective and three operational objectives:

- The strategic objective is to ensure that the "relevant markets" function well.
- The operational objectives are:

- to secure an appropriate degree of protection for consumers;
- to protect and enhance the integrity of the UK financial system; and
- to promote effective competition in the interests of consumers. The FCA is also obliged to discharge its general functions in a way that promotes competition and growth in the UK economy.

DESCRIPTION OF THE BANK

The section headed "Description of the Bank" on pages 109 to 141 of the Base Offering Circular shall be deleted in its entirety and replaced with the following:

OVERVIEW

The Bank is a leading commercial bank in China providing a comprehensive range of banking products and financial services. The Bank was incorporated as a joint stock company in the PRC on 17 September 2004 and its Unified Social Credit Code is 911100001000044477. The registered address of the Bank is No. 25, Finance Street, Xicheng District, Beijing 100033, China and its telephone number is +86 10 6621 5533. As at 30 June 2025, the Bank had 261,600,381,459 ordinary shares outstanding. Headquartered in Beijing, the Bank provides convenient and quality banking services to its customers through an extensive network comprised of nationwide branches, self-service facilities and an electronic banking service platform.

The Bank operates principally in mainland China with branches in all provinces, autonomous regions and municipalities directly under the central government, and several subsidiaries located in mainland China. The Bank's principal business activities include corporate finance business, personal finance business, treasury and asset management business and others. Within the Bank's corporate finance business, the Bank offers a broad range of products and services to corporations, government agencies and financial institutions, including corporate loans, trade financing, deposit taking, wealth management services, agency services, financial consulting and advisory services, cash management services, remittance and settlement services, guarantee services and investment banking services.

The Bank provides a broad range of personal finance products and services under well recognised brands, including personal loans, deposit taking and wealth management services, card business, remittance services and agency services. The Bank's treasury operations include inter-bank deposit and placement transactions, repurchase and resale transactions, and investments in debt securities. It also trades in derivatives and foreign currencies for its own account. The treasury carries out customer-driven derivatives, foreign currency and precious metal trading and custody services. The Bank's treasury operations also include the management of the Group's overall liquidity position, including the issuance of debt securities.

Leveraging its vast resources and geographic advantages in the Chinese domestic market, the Bank is committed to providing a world-wide banking and financial services platform to service the overseas banking needs of its domestic corporate and personal finance customers and the domestic banking needs of its overseas corporate and personal finance customers seeking to trade with or invest in China. The Group adheres to a positive and steady international operation and overseas development strategy, leading to a steady expansion of its overseas network. As at 30 June 2025, the Group had a total of 14,727 operating entities. The Bank had 14,178 operating entities consisting of 14,143 domestic entities including the Head Office, two branch-level specialised entities, 37 tier-one branches, 362 tier-two branches, 13,730 sub-branches, 11 outlets under the sub-branches, and 35 overseas operations. As at 30 June 2025, the Bank had 23 major subsidiaries (including 17 integrated operation subsidiaries and six overseas banking subsidiaries) with a total of 549 entities, including 423 domestic ones and 126 overseas ones, covering bank branch operations in Hong Kong, Macau, Taiwan, Singapore, Frankfurt, Johannesburg, Tokyo, Seoul, New York, Sydney, Ho Chi Minh City, Luxembourg, Toronto, London, Zurich, Dubai, Chile, Astana, Labuan, Auckland, etc., and certain subsidiaries operating in Hong Kong, Moscow, Luxembourg, British Virgin Islands, Auckland, Jakarta, San Paulo and Kuala Lumpur, etc., and maintained wholly-owned operating subsidiaries including CCB Asia, CCB London, CCB Russia, CCB Europe, CCB New Zealand and CCB Malaysia and held 60 per cent. of the total share capital of CCB Indonesia.

As at 30 June 2025, the Group's total assets, total liabilities, and total equity were RMB44,432,848 million (including net loans and advances to customers of RMB26,575,492 million), RMB40,847,989 million (including deposits from customers of RMB30,469,491 million) and RMB3,584,859 million, respectively. For the six months ended 30 June 2025, the Group's net interest income was RMB286,709 million, representing a decrease of 3.16 per cent. over the same period in 2024, and the profit before tax was RMB182,441 million, representing a decrease of 5.48 per cent. over the same period in 2024.

The NPL ratio of the Group as at 30 June 2025 was 1.33 per cent., representing a decrease of 0.01 per cent. as compared to the corresponding ratio as at 31 December 2024. As at 30 June 2025, the NPL ratio for domestic corporate loans and advances was 1.58 per cent., a decrease of 0.07 per cent. from 31 December 2024, and the NPL ratio for personal loans and advances was 1.10 per cent., an increase of 0.12 per cent. from 31 December 2024. The NPL ratio for credit card loans as at 30 June 2025 was 2.35 per cent., representing an increase of 0.13 per cent. from 31 December 2024. As at 30 June 2025, the NPL ratio for overseas operations and subsidiaries was 1.94 per cent., representing a decrease of 0.26 per cent. from 31 December 2024.

The Group adheres to a robust and prudent capital management strategy, continues to strengthen capital constraints and incentives and further promotes intensive and refined capital management to continuously improve the efficiency of capital use. The Group relies both on internal capital accumulation and external capital replenishment, and maintains a capital adequacy level that is constantly above the regulatory requirements and among the highest in the industry. In the first half of 2025, the Group continued to promote the implementation of the new capital rules, conducted external capital replenishment in a prudent and orderly manner, and constantly improved the regulatory capital constraint and transmission mechanism. In the first half of 2025, it recorded retained earnings of RMB111.2 billion after deducting dividends, issued A shares to specific target with the total amount of RMB105.0 billion to replenish its Common Equity Tier 1 capital, and issued the undated capital bonds of RMB40.0 billion and Tier 2 capital bonds of RMB40.0 billion. The Group effectively advanced refined and intensive capital management, and achieved reasonable growth in risk-weighted assets. As a result, it saw solid performance in various capital indicators and capital adequacy ratios surpassed regulatory requirements continuously. As at 30 June 2025, the Group's total capital ratio, Tier 1 ratio and Common Equity Tier 1 ratio, calculated in accordance with the New NAFR Capital Regulations, were 19.51 per cent., 15.19 per cent. and 14.34 per cent. respectively, all in compliance with regulatory requirements.

The Group maintained a stable market position and its core indicators and market capitalisation continued to be in the leading position among its peers. The Group formulated the Transformation and Development Plan of China Construction Bank in 2014, which proposed to accelerate transformation towards a comprehensive banking group, multi-functional service, intensive development, an innovative bank and a smart bank. In accordance with the requirements of enhancing capability to serve national development, to prevent financial risks and to participate in international competition, the Group specified seven key points of transformation, including promoting operation and management of assets and liabilities on a consolidated basis, consolidating and developing wholesale business, accelerating the development of retail business, improving the quality of electronic banking business, enhancing asset management business for customers in an all-round way, strengthening the competitiveness of subsidiaries and accelerating the expansion of international business and overseas operations. By deepening reform of system and mechanism, strengthening risk management and control, enhancing IT support and big data usage capacity, the Group strives to build the best value creation bank.

In recent years, the Group, adhering to the new finance concept of inclusiveness, openness and sharing, took the lead in digital transformation, took digitalised operation as the breakthrough point to implement the "Three Major Strategies" of house rental, inclusive finance and FinTech. The Group places its focus on key areas of national economy and people's livelihood, such as smart government affairs, rural revitalisation, green development, elderly care and healthcare, consumer finance, mega wealth management, FinTech, and county-level business expansion.

In 2022, 2023 and 2024 and the first half of 2025, the Group received numerous awards from various domestic and international institutions including the "Best Retail Bank in Asian Pacific 2024", "Best Retail Bank in China 2024", "Best Mega-Retail Bank in China", "Best SME Bank in China", "Green and Sustainable Bank of the Year in China 2025" and "2025 Asia-Pacific Best AI/ML Model Management Platform Innovation Award" from Singapore magazine The Asian Banker, "Best Bank for Sci-Tech Innovation Financial Service Outstanding Cases of Rural Revitalisation for Large Banks" from Financial News, the "Best Sub-Custodian Bank in China 2024", "Best Investment Bank in China 2024" and "Best Bank for Renminbi Internationalization 2024" from US magazine Global Finance, "Outstanding Responsible Enterprise of the Year" for the 16th China CSR Annual Forum" from Southern Weekend, "Second in in Top 1000 World Banks Ranking 2024" from the UK magazine The Banker, "Second in Top 500 Banking Brands" from the UK consulting company Brand Finance, and "2024 Outstanding Pension Finance Cases in China's Financial Industry – "Jianyang'an" pension finance brand construction of CCB" from China Finance. In addition, the Group has won numerous awards from major domestic and foreign media organisations for its achievements in fields including corporate governance, corporate social responsibility, risk management, corporate credit, retail business, investment custodial business, underwriting of debt securities, credit card business, housing finance and information technology.

OVERVIEW OF CHINA'S BANKING INDUSTRY

In the first half of 2025, the external environment became increasingly complex and challenging, with weakening global growth momentum, rising trade protectionism, and diverging economic performances among major economies. Uncertainties persisted regarding inflation trends and adjustments to monetary policies. China's economy maintained overall stability and scored gradual progress, demonstrating enhanced vitality and resilience, with key economic indicators performing well. Reform and opening-up initiatives were progressively deepened. Moreover, new growth drivers recorded accelerated development and expansion. In the first half of 2025, China's GDP grew by 5.3 per cent. year on year, an increase of 0.3 per cent. compared to both the first half and the full year of 2024. However, economic operations still face numerous risks and challenges with multiple external unstable and uncertain factors, and continued efforts to cement the foundation for economic recovery and improvement are needed.

Economic and financial regulatory authorities have stepped up efforts to implement more proactive and effective macroeconomic policies. On the one hand, the regulators implemented front-loaded proactive fiscal policies, focusing on key areas such as boosting consumption and stabilising employment and economic performance in China. Leveraging on policy tools such as Chinese ultra-long-term special treasury bonds, government bonds, fiscal subsidies, and subsidies on interest payment of loans, policies were introduced to actively expand effective investments to prop up economic and social development. On the other hand, prudent monetary policies implemented by the regulators maintained a moderately accommodative stance, with timely reserve requirement ratio and interest rate cuts. Total financial assets maintained reasonable growth. At the end of June 2025, China's outstanding aggregate financing to the real economy grew by 8.9% year on year, while broad money supply (M2) and RMB loans increased by 8.3% and 7.1% year on year, respectively. The cost of financing to the real economy continued to trend lower. In the first half of 2025, the weighted average interest rate of newly issued corporate loans and interest rate of residential mortgages decreased by approximately 45 basis points and 60 basis points year on year, respectively. Major financial markets, including equity, bond, foreign exchange and commodity markets, remained stable. Regulators coordinated their efforts to prevent risks, strengthen supervision, and promote development. Specifically, regulators took robust and systematic measures to prevent and mitigate risks in key areas, firmly safeguarding the bottom line of wiping out systematic financial risk. They constantly enhanced regulatory effectiveness to standardise business conduct of financial institutions, advance the protection of consumer rights and interests, and guide the banking sector in boosting high-quality development. Additionally, regulators exerted efforts to expand domestic demand on all fronts, facilitated initiatives to boost consumption, enhanced financing support for effective investments, actively fostered new quality productive forces, and advanced the "Five Priorities" of finance, thus underpinning the upward trajectory of China's economy toward excellence.

Boasting a vast and solid customer base, a dedicated team of employees capable of meeting challenges head-on, a distinguished tradition of reform and innovation, a comprehensive and proactive intelligent risk control system, and market-leading quality and efficiency of operations, CCB has consistently grown in tandem with China's economic development. In the first half of 2025, the Group achieved steady and coordinated growth in its assets and liabilities, maintained robust and orderly risk control, and delivered operating results in line with expectations.

THE BANK'S COMPETITIVE STRENGTHS

The Bank believes its strengths, as set out below, provide a stable and effective platform through which it will be able to maintain its competitive advantage in China's banking industry:

Large Customer Base and Established Relationships

The Bank has a quality corporate customer base and large personal finance customer base. The Group continued to optimise its customer structure. As at 30 June 2025, the number of personal customers reached 777 million, an increase of 6 million compared to 31 December 2024. As at 30 June 2025, the number of private banking customers increased to 265.5 thousand, representing an increase of 14.69 per cent. compared to the year ended 31 December 2024, and the amount of such private banking customers' assets under management with the Bank amounted to RMB3.18 trillion, representing an increase of 14.39 per cent. as compared to 31 December 2024.

Extensive Distribution Network and a Diversified Service Channel

The Bank has an extensive distribution network. Through its branches, customer self-service equipment, specialised service entities across the country and an electronic banking service platform, the Bank provides customers with convenient and high-quality banking services. As at 30 June 2025, the Group had a total of 14,727 operating entities. The Bank had 14,178 operating entities consisting of 14,143 domestic entities including the Head Office, two branch-level specialised entities, 37 tier-one branches, 362 tier-two branches, 13,730 sub-branches, 11 outlets under the sub-branches, and 35 overseas operations. As at 30 June 2025, the Bank had 23 major subsidiaries (including 17 integrated operation subsidiaries and six overseas banking subsidiaries) with a total of 549 entities, including 423 domestic ones and 126 overseas ones. As at 30 June 2025, the Bank had approximately 14 thousand outlets that were able to provide inclusive finance services and over 2,800 featured inclusive finance outlets in operation. The Bank also continued to streamline its self-service network, which comprised ATMs and self-service banks, including off-premise self-service banks. As at the same date, the Bank also had smart teller machines, supporting both retail and corporate banking services. The Bank's extensive distribution network and diversified service channels provide it with the competitive measures and resources for sustainable development.

Leading Positions in Key Products and Services, Pioneering New Product and Service Development and Implementing Fintech Strategy

To be in line with the Bank's objective of establishing an "innovative bank", the Bank continuously improves its product innovation capability, vigorously supporting transformation and development. In 2018, the Bank organised the "Inaugural Innovation Marathon" and increased efforts in innovation to further deepen the "Three Major Strategies" of house rental, inclusive finance and Fintech, while exploring the options for building a long-term CCB-specific innovation and incubation mechanism. Through the "Benevolence Religious Affairs" comprehensive service platform, the Bank provides one-stop comprehensive services in relation to religious affairs. "Jianrongzhihe", an AI-assisted comprehensive service platform for business matchmaking among enterprises, has created a new model for business development. The blockchain trade finance platform has enabled the online end-to-end processing of domestic letters of credit, forfeiting, international factoring and logistics finance. The end-to-end support system for the underwriting and distribution of bonds enables the Bank to further strengthen its enterprise-level management and systemic end-to-end management and control of bond underwriting and distribution business. The Bank launched the "Cloud Tax Loan" to connect with the tax data systems of the State Taxation Administration and provincial tax authorities, enabling the Bank to more accurately match its products and services with the demands of small and micro enterprises and entrepreneurs and more accurately manage their risks. The "Long Fortune" personal wealth management platform created a new retail model by integrating financial and technological resources. Family offices have been created as part of its private banking business to provide comprehensive services for customers with assets of over RMB500 million, including family wealth management and inheritance, family governance, family business management on a going concern basis and social charity. A young customer service system had been put in place to attract young customers.

The Bank focused on creating an environment of innovation for all employees and continued to actively promote the "Inaugural Innovation Marathon", the building of a crowd-creation platform and the construction of a product pedigree to optimise the management mechanism and strengthen management foundation. The Group systematically enhanced its comprehensive, end-to-end and systematic digital and intelligent transformation. It enhanced AI productisation and strengthened the capability construction of financial large models (FLMs). It established the mechanism of coordinated management, monitoring and operation of data requirements, prioritised and integrated data governance requirements into the system R&D process, and promoted construction of the knowledge and data management system. The Group continued to strengthen the traffic value operation of "binary stars" to improve the product service capabilities and functional experience of the online platform. It continued to improve the open, intensive, efficient and intelligent operation system to deepen the integration of online and offline channels, providing customers with convenient, efficient and consistent service experience.

The Bank carried out innovation of merger and acquisition ("**M&A**") loans, supported the economic transformation and upgrading as well as the resolution of overcapacity, and improved its capability to support enterprise M&A. The Bank integrated its resources to push forward comprehensive financial service schemes for strategic group clients, offering comprehensive financial service solutions tailored for them. The Bank initiated service mode innovation of bank medical cards, establishing a more mature mode that was able to meet customers' needs with existing technical conditions. Based upon big data technology, the Bank launched "Xinyidai" for small and micro businesses, refining the small and micro businesses big data credit product system. The Bank offered cross-bank smart money collection and integrated cross-bank money collection channels, smoothing the process as well as presenting various choices of signing and authorising. By introducing the "Suixinyong" application, the Bank realised functions such as over-the-air issuing, off-line card transaction, inquiring, electronic cash recharging and industry application recharging, featuring convenient card activation and secure transaction. The Bank formulated comprehensive service solutions to housing reform finance and initiated new operations for provident housing fund loans, providing one-stop services for individual housing loan of housing provident fund (combined) customers. The Bank launched Long Card Cloud QuickPass to migrate the security management function of mobile payment from mobile hardware to Cloud platform, realising quick and secure mobile payment of simulated IC cards. The Bank launched market member bond lending, carrying forward bond lending transactions with market members. The Bank presented three brands comprising "Jiandantong, Jianpiaotong and Jianxintong", to provide financing services for companies contracted with foreign projects as well as those exporting whole set equipment. The Bank introduced WeChat-based "E Shenche" and "E Jiesuan" to adapt to the fast-growing Internet financial needs, and strengthened the Group's internal cooperation by collaborating with CCB Pension to provide an all-round solution for pension insurance fund business. As at 30 June 2025, the Bank's official account on WeChat named "CCB Customer Service" had over 50 million followers.

As part of the "Three Major Strategies", the Bank has been actively exploring the comprehensive house rental financial solutions, to implement the positioning of "Houses are for living in, not for speculation" and help people realise their dreams of having a home. In 2018, the Bank launched the house leasing cloud platform to increase the supply of long-term housing units from governments and enterprises, becoming China's largest transparent house leasing service platform. The Bank built "Jianrong Jiayuan" community for long-term house leasing. The Bank has also established CCB Housing Services, the first housing service company in the banking industry, to facilitate the building of house leasing market, and is the first to launch house leasing price indices. The Bank is committed to building a smart ecosystem to create greater social empowerment. Anchoring on its house leasing service platform, the Bank has established platforms for smart community services, senior care, and public education, and connected these platforms to empower the public and deliver combining financial and non-financial services. In 2022, the Bank established CCB Housing Rental Fund (Limited Partnership) ("**CCB Housing Rental Fund**") to explore a new pattern of real estate development that encourages both housing rentals and purchases through acquiring existing assets such as residential buildings owned by real estate enterprises, commercial properties and low-cost rental land projects and transforming such assets into rental housing. CCB Housing Rental Fund signed acquisition contracts for 31 projects with asset size and cumulative investment size of RMB16,305 million and RMB9,273 million respectively. At the end of June 2025, the Bank's loans for corporate housing rental business were RMB361,062 million. These projects could provide approximately 28.9 thousand long-term rental apartments to the market. The housing rental scenarios of CCB Housing continued to create financial value, which cumulatively brought in over 16.28 million new personal customers at the Group level.

Since 2018, the Bank took the lead in making inclusive finance a bank-wide strategy, made comprehensive arrangements, and formulated a three-year plan for the inclusive finance strategy. It leveraged fintech to build inclusive finance with "CCB features" while adhering to the innovation-driven development strategy. For example, the Bank released "CCB – Xinhua Inclusive Finance – Small and Micro Enterprise Index", the first inclusive financial index and evaluation index in the banking industry that has gained national influence. In addition, the Bank launched the "CCB Huidongni" app as a one-stop service platform for small and micro enterprises. It used internal and external data to accurately align its products and services with the customer needs, formed a new type of bank-enterprise communication mode to realise the bilateral interaction between the Bank and its customers, and enhanced customers' sense of gaining in comprehensive service experience. As at 30 June 2025, the "CCB Huidongni" app has attracted 467 million visits and 44.90 million downloads, serving 15 million corporate customers.

Further, in 2018, the Bank issued its Fintech strategic plan, aiming at promoting the reform of Fintech innovation system, implementing Fintech to improve the management of operation security, so as to boost business innovation and development. The Bank promoted the implementation of Fintech strategy, constructed a dual-driven Fintech foundation of technology and data, and created a Fintech business system that promoted the combination of smart finance and smart ecosystem. The Bank also established CCB FinTech Co., Ltd. ("**CCB FinTech**") as the Bank enhanced efforts in making Fintech a driving force. The Bank strengthened the establishment of platforms and application of business scenarios for new technologies, such as AI, big data and blockchain, built a collaborative integrated R&D platform and an enterprise-level R&D ecosystem, and promoted the transformation of Fintech R&D model. Since the roll-out of the FinTech strategy in 2018, the Bank has upheld the principle of scitech self-reliance and self-improvement, continuously explored market-oriented reform, and became the first large state-owned commercial bank to establish a FinTech company, i.e., CCB FinTech, which focused on serving the main responsibilities and primary businesses of the Group, engaged in software research and development of the Group, and was responsible for the R&D quality and efficiency. It accelerated the digital and intelligent transformation of the Group by transforming technical tools and improving technical capabilities. As at 30 June 2025, total assets of CCB FinTech were RMB7,182 million, and shareholders' equity was RMB1,420 million. For the six months ended 30 June 2025, the net profit was RMB1 million.

Over the years, the Bank continued to increase investment in Fintech innovation and has further unleashed Fintech efficiency, with coordinated efforts in research and development, infrastructure construction and system operation and maintenance. In 2022 the Group drove digitalised operation through innovation and deepened its Fintech strategy. The Group released the Master Plan for Building a Digital CCB (2022-2025), which laid out the development direction and overall roadmap for digitalised operation. Through three major upgrades of management model, service model and culture development, the Group promoted digital transformation with characteristics of "agile response, full access and good experience". Taking digitalised operation as an important foundation and tool, the Group focused on enhancing the effectiveness of digitalised operation through both data-based business and business-based data, thus gradually realising the ecological operation modelling, business process automation and intelligent risk control and compliance, so as to attract potential customers and facilitate the realisation of principal business goals. The Group continuously improved its ecological scenario-based system with mobile banking and "CCB Lifestyle" platform as the core and accelerated the building of "three major middle platforms" in terms of business, data and technology. The Group actively carried out product innovation around the "Three Major Strategies" and key business areas to stimulate high-quality development momentum.

The Group continued to strengthen research and application capabilities in new technologies, consolidated digital infrastructure, and enhanced technological R&D support, to ensure the safe and stable operation of information systems.

The Group enhanced the capability construction of FLMs. At the end of June 2025, the Group empowered 274 in-house application scenarios, focusing on core areas such as credit approval, intelligent customer service, personal AI assistant for account managers, and AI-driven R&D empowerment. The Group optimised the retrieval-augmented generation (RAG) technology to enable in-depth analysis on over ten mainstream document formats including WPS, and adopted a domain isolation policy to ensure data security. It continued to enhance ChatCCB and AI Toolbox to improve knowledge Q&A and conversational capabilities, and add support for complex task processing for staff members across the Group. It continued to enhance AI productisation. Specifically, the number of bill types covered by financial image recognition products increased by 41.95%, with accuracy rate exceeding 99% for multiple bill types. It also enhanced intelligent recommendation engines to enable connectivity and reuse of data from search and recommendation systems, supporting data-driven intelligent business decision-making. It promoted intelligent coding of the agile R&D platform, with the number of activated users and monthly active users accounting for 94.37% and 74.83% of developers at the head office, respectively, supporting 13 intelligent scenarios for technology R&D such as code completion, code review, and test case writing.

The Group enhanced the construction of the big data platform. It further raised the peak of daily real-time data processing volume to 142,905 million items, and empowered the general ledger system to aggregate an average of 2,319 million accounting details daily in real time to provide near-real-time account balance data for business analysis and decision-making. The Group significantly improved the online analytical capabilities by optimising the massively parallel processing (MPP) of metadata and applying hybrid row-column storage and sparse indexing technology. As a result, 98.02% of business operations and marketing metrics achieved second level response for online queries. The Group advanced integrated innovation and application of cutting-edge technologies such as graph computing, privacy computing, AI, and LLMs. It developed a series of models for data analytics, such as reinforcement learning, deep learning, graph neural networks, and transfer learning methodologies, and explored the implementation of new technologies such as synthetic data and multi-modal analysis in practical scenarios. By enhancing intelligent data applications, the Group achieved comprehensive data utilisation and digital and intelligent empowerment across multiple areas, including customer operation, anti gambling and anti-fraud risk control, credit limit calculation for sci-tech enterprises and identification of green finance customers and debts.

In terms of distributed platforms, the Group strengthened the cloud-native support capabilities, and enhanced the functionality of application service invocation chain tracing, forming a closed loop service call chain. It released the HarmonyOS mobile app and applet framework to enable HarmonyOS compatibility for 11 CCB apps, such as personal mobile banking and "CCB Lifestyle". In addition, the Group continued to increase the computing power of the "CCB Cloud", further refined the "general computing + intelligent computing" architecture, driving sustained efficiency improvement in digital and intelligent operation across the group.

The Group carried out regular and practical security operation, promoted the application of security operation platform in overseas operations, conducted cybersecurity inspection in domestic and overseas branches and subsidiaries. It screened and rectified vulnerabilities at the group level, continued to perform penetration testing, and actively exercised group-wide cybersecurity attack and defence drills and ransomware emergency drills, strengthening cybersecurity and data security defences. The Group continued to enhance the quality and efficiency of IT R&D.

In the first half of 2025, the Group responded to 10,014 business demands at the group level, put 45,165 business demands items into production, and supported the launch of key projects such as technology finance services, digital operation of inclusive finance customers, pension financial products, intelligent and ecological development of personal AI assistant, and AI application for credit approval. By the end of June 2025, the Group had been granted 3,990 patents, an increase of 440 over the end of 2024, including 2,744 invention patents.

Advanced Financial Management Capabilities and Financial Controls

The Bank is one of the first domestic banks to establish a resource allocation and performance evaluation assessment system on the basis of an economic value-added approach. The Bank has further centralised its financial management and promoted an overall cost control system, while increasing the Bank's research efforts on strategic cost management. In addition, the Bank followed the successful experience of leading global banks and developed an internal fund transfer pricing ("**FTP**") system, an enterprise resource planning ("**ERP**") system and a management accounting system.

The Bank believes that its advanced financial management capabilities and sound financial controls have allowed the Bank to implement development strategies effectively, optimise resource allocation and improve overall operating efficiency.

Effective Strategic Co-operation

The Bank's strategic investor, Temasek Holdings (Private) Limited, has shared its experience with the Bank in relation to SMEs' business operation, human resource management, money market trading and other areas. The Bank has cooperated with Bank of America Corporation, in a number of areas including personal finance business, risk management, corporate governance, information technology and human resources.

Environmental Protection and Green Finance

The Bank actively promoted green development initiatives. Firstly, the Bank proactively participated in cooperation on green finance. The Bank has led the Special Committee for Green Credit of China Banking Association since 2018, helping the domestic banking industry to promote the development of green credit business. It was among the first to join the "Green Investment Principles for the Belt and Road Initiative". Secondly, the Bank strove to promote the development of green finance, and made active contributions to reducing greenhouse gas emissions. The Bank increased its green credit, continued to promote business development in its traditional areas of strength including green transportation and green energy, and actively expanded new green areas. It proactively expanded its energy efficiency credit business, and sped up the promotion of green credit products such as “energy conservation loan”, “carbon finance”, “construction loans for sponge cities” and “construction loans for comprehensive utility tunnels”.

The Group proactively implemented the Strategic Plan for Green Finance Development (2022-2025), advanced the carbon peaking and carbon neutrality action plan, and integrated the concept of green and sustainable development into operation management and strategic decision-making, so as to create a diversified service system covering various types of businesses such as green loans, green bonds, green funds and green leasing.

The Group is committed to promoting the development of green finance to a new level. As at 30 June 2025, the Bank’s green loans amounted to RMB5.72 trillion, an increase of RMB740,640 million, or 14.88 per cent. from the beginning of the year. The Bank continued to consolidate the responsible investment system of the proprietary bond investment portfolio, and channelled more funds into key areas that contribute to green and sustainable development of the real economy and high-quality issuers with outstanding ESG performance. By the end of June 2025, the Bank had invested more than RMB250 billion bonds in green sectors, and the average external ESG rating of issuers within the bond investment portfolio had consistently exceeded market average level.

The Bank focused on investment and financing needs of green and low-carbon transformation, and innovated diversified green financing channels. In the first half of 2025, it participated in underwriting 77 batches of green and sustainability bonds issued onshore and offshore, with a total issuance volume equivalent to RMB235,556 million. The Group continued to strengthen the construction of its responsible investment system.

It actively promoted the development of green investment and financing business of its subsidiaries to extensively support and foster green industries. The balance of green leasing assets of CCB Financial Leasing was RMB44,361 million, accounting for 63.97 per cent. of its general leasing business, an increase of nearly 4.4 per cent. over the end of last year. CCB Investment continued to invest in green industries, and implemented green investment projects worth RMB33,258 million on cumulative basis. CCB Principal Asset Management made a total of RMB24,249 million of equity investment in multiple industries such as clean energy, energy conservation and environmental protection, clean production, infrastructure green upgrading, ecological environment, and green services. CCB Life’s investment in green assets amounted to RMB13,444 million.

Experienced Management Team, Vocational Education Model and Professional Talent Cultivation

The Bank’s Chairman, Mr. Zhang Jinliang, and other senior management team members, have extensive management experience in the banking and financial sector in China. Under their leadership, the Group achieved steady growth in operating performance with stable and balanced core indicator. For the years ended 31 December 2022, 2023, and 2024, the Group’s return on average assets[6] were 1.00 per cent., 0.91 per cent. and 0.85 per cent., respectively, and for the six months ended 30 June 2024 and 2025, the Group’s annualised return on average assets[7] were 0.84 per cent. and 0.77 per cent., respectively. For the years ended 31 December 2022, 2023, and 2024, the Group’s return on average equity were 12.30 per cent., 11.56 per cent., and 10.69 per cent. Respectively, and for the six months ended 30 June 2024 and 2025, the Group’s annualised return on average equity[8] were 10.82 per cent. and 10.08 per cent., respectively.

To enhance financial innovation in vocational education model, the Bank established the CCB Learning Centre (International Institution), an integrated education and training institution that combines industry, academia and

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[6] Calculated by dividing net profit by average of total assets at the beginning and end of the year.

[7] Calculated by dividing net profit by the average of total assets at the beginning and end of the period and then annualising the quotient.

[8] Calculated in accordance with Accounting Standard for Business Enterprises No. 34 – Earnings per Share and the Rule No.9 on the Preparation of Information Disclosure of Companies Issuing Public Securities - Calculation and Disclosure of Return on Net Assets and Earnings per Share (Revision 2010) issued by the CSRC.

research. The centre is committed to building a first-class professional talent training base, a first-class professional research high-end think tank and a first-class integration platform for industry and education incubation. With the help of technological advancements, the CCB Learning Centre (International Institution) integrates the training centres or training venues of all levels of the Bank, the network training platform of the head office and branches, domestic and foreign cooperative schools, teachers, teaching materials, courses, lectures and training research results into an organic ecosystem, creating a lifelong learning ecosystem of interconnectivity, mutual use and sharing for employees. As the decision-making "brain" of the management, the CCB Learning Centre (International Institution) continuously focuses on the major issues affecting macroeconomic, management, the "three strategies", New Finance and other fields, providing theoretical support and practical solutions for the major strategies of the Bank, contributing the wisdom of CCB to the social pain points, and demonstrating the original mission and political responsibility of a state-owned bank. In 2021, CCB was selected as a "national integration of industry and education enterprise", and the CCB Learning Centre (International Institution) was honoured with the first place in the 2021 China enterprise benchmark learning platform and the China demonstrative enterprise university.

To cultivate leadership skills, the Bank established a cultivation system and formed a three-level leadership advancement training system for "outlet managers – sub-branch managers – tier-two branch managers". This system focuses on the work reality and training needs of outlet managers, sub-branch managers, and tier-two branch managers. It implements the training demand plans through the scientific and efficient training operation structure, and helps employees establish the concept of lifelong learning and improve professional skills and ability to cope with new businesses and challenges.

The Group continued to strengthen the overall planning of staff training, and built a layered and categorised training system covering the entire cycle of career development of employees with focus on promoting high-quality development and developing human resources. In the first half of 2025, it arranged special trainings on themes including "Three Capabilities" and "Five Priorities", as well as professional talent trainings on themes including rural revitalisation, FinTech, and risk and compliance. It also improved trainings for frontline employees including the heads of county level institutions, heads of outlets, and account managers, so as to help employees improve their moral character, professional competence, and duty performance. 137.5 thousand employees obtained the certificate of Financial Planner and 75.9 thousand employees obtained the certificate of customer service managers. In the first half of 2025, 368.8 thousand participants took part in on-site and online training sessions (including learning through online platforms) and the proportion of those who participated in on-site and online training sessions reached 98.85 per cent. of all staff members.

THE BANK'S PRINCIPAL BUSINESS ACTIVITIES

The Bank's principal businesses activities include corporate finance, personal finance, treasury and asset management business and others.

The following tables set forth, for the periods indicated, the profit before tax of each of the Bank's major business segments:

	Year ended 31 December						Six months ended 30 June			
	2022[(1)]		2023[(1)]		2024		2024		2025	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(In millions of RMB, except percentages)									
Corporate finance business...........................	73,979	19.28	75,030	19.27	101,144	26.31	19,330	10.01	17,473	9.58
Personal finance business	195,920	51.06	194,897	50.05	173,489	45.14	97,946	50.75	78,734	43.16

	Year ended 31 December						Six months ended 30 June			
	2022[(1)]		2023[(1)]		2024		2024		2025	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(In millions of RMB, except percentages)									
Treasury and asset management business	113,677	29.63	116,206	29.84	102,009	26.54	72,154	37.38	77,436	42.44
Others..............................	123	0.03	3,244	0.84	7,735	2.01	3,582	1.86	8,798	4.82
Profit before tax	383,699	100.00	389,377	100.00	384,377	100.00	193,012	100.00	182,441	100.00

Note:

(1) In respect of the Group 2023 Annual Financial Statements, the Group has reclassified business segments of certain businesses of the Bank to reflect changes in regulatory classification requirements. The Group has also adjusted comparative figures for the year 2022 accordingly. Please refer to Note 57 of the Group 2023 Annual Financial Statements.

CORPORATE FINANCE

Overview

For the years ended 31 December 2022, 2023 and 2024 and for the six months ended 30 June 2024 and 2025, the Group's corporate finance operations represented 19.28 per cent., 19.27 per cent., 26.31 per cent. 10.01 per cent. and 9.58 per cent., respectively, of its profit before tax. The Bank offers a broad range of corporate finance products and services for corporations, government agencies and financial institutions. As at 30 June 2025, the Group had RMB15,674,536 million of domestic corporate loans and advances, representing 57.22 per cent. of the Group's gross loans and advances to customers, RMB1,739,261 million of domestic discounted bills outstanding, representing 6.35 per cent. of the Group's gross loans and advances to customers, and RMB11,825,954 million of domestic corporate deposits, representing 38.81 per cent. of the Group's total deposits from customers.

Key Products and Services

Corporate loans products

Corporate loans have historically been the largest component of the Group's loan portfolio. As at 30 June 2025, the Group's domestic corporate loans and advances amounted to RMB15,674,536 million, representing an increase of 8.59 per cent. compared to 31 December 2024. The Group's corporate loan products mainly comprise medium to long-term loans and short-term loans. As at 30 June 2025, the Group's domestic medium to long-term loans and short-term loans amounted to RMB11,202,256 million and RMB4,472,280 million, representing 40.82 per cent. and 16.29 per cent., respectively, of the Group's gross loans and advances to customers.

Infrastructure loans

The Bank provides various infrastructure loan products to meet the funding requirements relating to the construction and expansion of its customers' infrastructure projects. The continuing expansion of the PRC economy has led to an increase in the number of new large-scale infrastructure projects which have resulted in an increased demand for infrastructure loans.

Working capital loans

The Bank offers working capital loans primarily to provide liquidity for the Bank's customers' regular business production and operational turnover needs and for their temporary funding needs. The Bank's working capital loans are mainly granted to its high-quality customers to supplement their infrastructure loans. The Bank also provides working capital loans to SMEs.

Syndicated loans

The Bank has provided to customers various syndicated loan products including, among others, direct external syndicated loans, internal syndicated loans and transferable syndicated loan products. The Bank has maintained strong growth in its syndicated loan businesses.

Other corporate loan products

The Bank offers various other corporate loan products, including trade finance facilities, supply-chain financing, M&A financing and property development loans. In March 2009, the Bank became one of the first commercial banks in China approved to undertake M&A financing business pursuant to the Guidelines to M&A Loan Risk Management of Commercial Banks issued by the previously-named China Banking Regulatory Commission (which was subsequently renamed CBIRC and in 2023, has been replaced by the NAFR) and the Bank was one of the first to launch corporate M&A financing products aimed to facilitate the financing needs of the Bank's customers' M&A transactions by providing a comprehensive set of financial resources. The Bank provided 132.2 thousand enterprises along 5,394 core enterprise industrial chains with a total of RMB688,432 million digital supply chain financing support on a cumulative basis in the first half of 2025.

The expansion of loans to SMEs is an important measure of the Bank to realise its strategic transformation of corporate finance business. As at 30 June 2025, the inclusive loans granted to small and micro businesses amounted to RMB3.74 trillion, an increase of RMB334,121 million as compared to 31 December 2024; the number of inclusive finance loan borrowers reached 3,660 thousand, an increase of 304.5 thousand as compared to 31 December 2024. The agriculture-related loans increased by 8.47 per cent. over the end of 2024 to RMB3.62 trillion, and the number of agriculture-related loans borrowers was 3.95 million, an increase of 169.5 thousand over the end of 2024. As at 30 June 2025, the balance of green loans granted by the Bank was RMB5.72 trillion, representing an increase of 14.88 per cent. as compared to 31 December 2024.

Discounted bills

Discounted bills are bank acceptance bills and commercial acceptance bills with a remaining maturity of less than six months purchased by the Bank from its customers at a discount. The Bank provides discounted bills as part of its comprehensive financing solution for its corporate customers. As at 30 June 2025, the Group had outstanding domestic discounted bills of RMB1,739,261 million, an increase of RMB107,509 million compared to 31 December 2024.

Corporate deposit products

In accordance with interest rate policies issued by the PBOC, the Bank offers a variety of time and demand deposit products to its corporate and institutional customers. In addition, the Bank also accepts negotiated deposits from customers including insurance companies, the National Social Security Fund and the Postal Savings Bank of China, whereby interest rates and other conditions can be separately negotiated. As at 30 June 2025, the Group's domestic corporate deposits amounted to RMB11,825,954 million, an increase of 3.35 per cent. compared to 31 December 2024.

Commission/fee based products and services

The Bank provides its corporate customers with a broad range of commission/fee-based products and services. The Group's net fee and commission income for the six months ended 30 June 2025 was RMB65,218 million, an increase of 4.02 per cent. compared to the same period last year.

Agency services

The Bank acts as an agent at the request of its clients in providing payment disbursement, collection, settlement, clearance and other agency services to corporations and government agencies. The key products and services the Bank provides include agency treasury settlement, agency premium collection and payment and entrusted loans. The Bank also acts as payroll agent as well as the agent to collect utilities, telecommunication and taxes payment and surcharges. In addition, in terms of the number of budget units it served, the volume of agency disbursement and related fee income, the Bank continued to be the market leader. The Bank is a major correspondent bank for China Development Bank. The Bank also distributes products and services on behalf of insurance companies and securities firms and provides payment and fee collection services to public utility and telecommunications companies. In addition, the Bank provides entrusted lending services to its corporate customers. The Bank charges a fee for providing entrusted lending services and does not take the credit risk with respect to these loans. In addition to generating fee income, the Bank's agency services also help the Bank develop and enhance its relationships with its customers.

Institutional business

The Bank adhered to state strategic deployment in its institutional business, and focused on people's livelihood services, public services, and government affair services. As at 30 June 2025, deposits from institutional customers amounted to RMB6.82 trillion, an increase of RMB187,890 million over the end of 2024.

The Bank strengthened the operation and service capabilities for education and healthcare ecosystems. It leveraged the "CCB Smart Campus" platform to build campus scenarios, and cooperated with 49.9 thousand schools including 978 colleges and universities. It leveraged the "CCB Smart Healthcare" platform to build a medical and healthcare ecosystem, and cooperated with 1,511 hospitals. The Bank implemented national strategies for major regions and coordinated regional development, and combined the Group's unique traditional advantages of comprehensive licenses and cost consulting with the parent-subsidiary synergy to engage in and undertake the relocation of colleges, universities and hospitals in Xiong'an New Area. The Bank actively participated in the construction of social security and medical insurance public services. In the first half of 2025, the Bank fully released the medical insurance e-wallet function and rolled it out across the country, enabling inter-provincial sharing of funds in personal medical insurance accounts. The Bank deepened scenario-based operation of government affairs and financial services, serving more than 140 thousand primary-level organisations. It provided government affair services for 35 million users through smart teller machines (STMs) at more than 14 thousand outlets across the Bank. It connected the government affair service payment system to 1,300 government affair and public service platforms, with a total transaction amount of over RMB370 billion.

Investment banking business

The Bank conducts investment banking business through the investment banking department at the Head Office and branch levels as well as its subsidiary, CCB International Capital Limited, providing customers with financial service packages such as asset-based securitisation business, financial advisory service, equity financing service and debt financing service. The Bank's substantial customer base, extensive marketing network, strong funding capability and research and development strength lay a foundation for the development of its investment banking business.

The Group deeply engaged in customer segment operation in its investment banking business around the guideline of "integration of commercial and investment banking", and actively explored new path to business transformation and development. In terms of bond underwriting, the Bank pursued high-quality development. In the first half of 2025, the Bank underwrote and issued 514 batches of debt financing instruments for non-financial enterprises, with an underwriting volume of RMB281,887 million. The Bank successfully participated in underwriting the first batch of sci tech innovation bonds in the market. In the first half of 2025, the Bank underwrote and issued 72 batches of sci-tech innovation bonds (including mixed sci-tech innovation notes, and sci-tech innovation notes), with a total underwriting volume of RMB23,702 million. In terms of equity business, the Bank focused on innovation. Taking the subsidiaries with equity investment functions such as CCB Private Equity, CCB Trust, and CCB Investment as the pivot, it supported more than 2,000 sci-tech enterprises through investment in enterprises or related funds.

Asset-backed securitisation business

The Bank was among the first commercial banks approved to undertake asset-backed securitisation business. In 2005, the Bank issued the first residential mortgage-backed securities in China with a size of RMB3.0 billion. The Bank has developed a specialised information system for its securitisation products and the Bank has extensive experience in the development of securitisation products and the execution of such transactions. In 2018, the Bank actively cooperated with the National Development and Reform Commission to jointly promote and establish the National Development Fund for Strategic Industries.

The Bank actively utilised asset securitisation products to serve the demands of the real economy for revitalising existing assets, reducing debt and enhancing efficiency. It led the underwriting of the first water supply fee revenue rights asset-backed commercial paper (ABCP) in China and the first continuing type real estate investment trusts (REITs) in the interbank market. It also participated in underwriting the first green building REITs in China and the first highway REITs in the interbank market. The Bank actively served customers' diverse financing needs by means of asset securitisation, and supported the "Five Priorities" by underwriting the first sci-tech innovation asset-back securities in the interbank market, China's first continuing type asset-backed debt financing instruments, multiple sci-tech innovation and green asset-backed notes. The Bank steadily carried out credit asset securitisation business. In the first half of 2025, the Bank issued seven batches of NPL asset backed securities, with an amount of RMB4,008 million.

Financial advisory service

The Bank's financial advisory business refers to its provision of consultation, analysis and solution design services to customers in respect of investment and financing, capital operation, asset management, debt management and corporate diagnosis based on the customers' requirements with an aim to assist them in reducing financing cost, increasing funding utilisation efficiency and optimising financial management. Furthermore, the Bank focused on providing its customers with product portfolios consisting of both investment banking and commercial banking products. In 2009, the Bank took the industry lead in launching Financial Total Solutions ("FITS"), a comprehensive financial solution also known as "Feichi". Depending on different situations and financial needs, FITS combines products and services such as traditional commercial banking, new investment banking, various funds and bank wealth management programmes in order to provide comprehensive and diversified financial services plans. In 2020, the Bank completed the improvement and upgrade of the ecosystem of "FITS@ 6+1" smart investment banking, pressed ahead with inclusive finance by providing free access to intelligent financial advisory service system named "FITS@ e Intelligent" for 19,000 small- and micro-sized enterprises. In 2022, the Bank strengthened market influence and cohesion of the "FITS e+" investor alliance platform, which had been certified as a FinTech product issued by the National Financial Technology Certification Centre (Beijing). It continued to upgrade the service capabilities of the three customer platforms, i.e., "FITS e Intelligent", "FITS e+" and "FITS Wits", providing customised think tank services for customers in key areas such as strategic planning, operation management, and investment and financing decisions. The Bank continued to improve its matchmaking capability, achieving notable results in customer expansion. "FITS® e Intelligent" had more than 70 thousand contracted customers, with its financial advisory service attracting more than 3,000 customers. The Bank promoted its investment banking platform for higher quality and efficiency. The platform had more than 1.9 million registered users cumulatively. The Bank's investment banking brand continued to strengthen, with award of "Green and Sustainable Bank of the Year in China" in 2025 from The Asian Banker.

Equity financing service

Through CCB International and the Bank's overseas branches and subsidiaries, the Bank provides enterprises with equity financing services such as listing sponsorship and underwriting services for their overseas capital markets IPOs and refinancing services and strategic investor introduction services in Hong Kong and Singapore. The Bank also cooperates with the Bank's business partners, including domestic and overseas securities companies to provide equity financing related services, such as domestic and overseas listing guidance, sponsorship, underwriting and financial advisory services.

Debt financing service

The Bank provides composite bond financing services for clients including short-term debentures, and mid-term notes. The Bank is an active underwriter in the domestic bond market and it is also a Class A underwriter in the MOF treasury bond underwriting syndicate. It also focused on the investment and financing needs of transformation, and innovated diversified green financing channels. In the first half of 2025, the Bank participated in underwriting 77 batches of green and sustainability bonds issued onshore and offshore, with a total issuance volume equivalent to RMB235,556 million.

Customer base

The Bank's prime corporate and personal customers from its commercial banking business have formed a solid customer base for developing its investment banking business through the years. Most domestic PRC conglomerates and top-quality corporates have established extensive and close business relationships with the Bank. The Bank believes that there remains potential for its investment banking business in the areas of bond financing, equity financing, asset securitisation, financial advisory, wealth management and trust services. The Bank also proactively strives to provide equity financing and equity investment services to SMEs that present promising growth. The Bank's personal finance customers, especially its high net worth and high-end clients, will also help the Bank expand its wealth management business and ensure the successful offering of its wealth management products.

Marketing

The Bank's major marketing model for the investment banking business involves cooperation between the Head Office, domestic and overseas offices and different business lines. A key strategy of the Bank's bank-wide marketing efforts is to combine the marketing efforts of the investment banking business and commercial banking business.

International business

The Bank offers international settlement products and services including import letters of credit, export letters of credit, import collection, export collection, outward remittance, inward remittance and guarantees. The Bank has been approved by the PBOC as the Hong Kong dollar settlement bank and approved by the China Foreign Exchange Trade System as the U.S. dollar agency settlement bank in the interbank foreign currency markets. The Bank was one of the first PRC banks to provide cross-border trade RMB settlement services and this pioneer status has allowed it to be one of the market leaders of this service.

In 2015, the Bank successfully issued RMB1 billion offshore RMB bonds in London, which was the first RMB bond product listed on the London Stock Exchange. In 2016, the Bank further expanded its RMB clearing network, as the Bank became the RMB clearing bank in Switzerland and Chile after becoming the RMB clearing bank in London. These cross-border RMB operations performed well, with the Bank's three RMB clearing branches in London, Switzerland and Chile showing steady development. RMB Qualified Foreign Institutional Investors ("**RQFII**"), RMB Qualified Domestic Institutional Investors and Mainland-Hong Kong mutual recognition of funds operations continued to grow. The Bank took the lead in establishing a blockchain trade finance platform in the industry and the Bank's AI-assisted documents review project became the first successful application of its kind in the industry. It also innovated “cross-border e-payment”, an online payment tool and met e-commerce customers’ needs for cross-border payment through virtual bank cards.

The Bank steadily enhanced its ability to participate in international competition and contributed to the new development pattern of “dual circulation” where domestic and foreign markets can boost each other. "CCB Match Plus" platform had held 300 cross-border matchmaking events for nearly 30,000 enterprises in 40 countries and regions.

The Bank focused on consolidating customer base with comprehensive financial services for foreign trade and foreign-funded enterprises, further promoted the integrated global operation of RMB and foreign currency services, continued to enhance its capability to participate in international competition, and played an important role in finance support for high-level opening up. In the first half of 2025, the supply of trade finance reached RMB1.38 trillion, an increase of 6.56% over the same period last year, with international settlement volume amounting to US$834,393 million; the “Cross-border Quick Loan” series of products cumulatively provided financing support of RMB42,103 million for small and micro foreign trade enterprises. The Bank steadily and prudently pressed ahead with the internationalisation of Renminbi. In the first half of 2025, the Bank’s cross-border RMB settlement volume was RMB3.14 trillion, with a growth rate of 23.21%; CCB London Branch continued to be the largest RMB clearing bank outside Asia with a cumulative clearing amount of nearly RMB148 trillion. It has held the “CCB Global B2B Matchmaking Festival” for four consecutive years, and, focusing on such themes as supporting high-quality “going global”, and coordinated trade development, it organised multiple cross border matchmaking events to facilitate smooth global exchanges in economic and trade arena. Adhering to the philosophy of “Financial Service + Intelligent Support”, the Bank provided all round financial support and financing facilities for high-quality BRI (Belt and Road Initiative) advancement via products including export credit, cross-border project financing, cross-border merger and acquisition loans, and Project Factoring (Jiandantong, Jianpiaotong and Jianxintong).

Settlement and cash management business

The Bank was one of the first domestic commercial banks to provide cash management services for its corporate clients. In recent years, the Bank’s cash management services expanded rapidly as the Bank introduced various new cash management products, providing services including account settlement services, fees receipt and payment services, liquidity management services, investment and financing management services, information and reporting services, industry-focused solutions and online banking services. The Bank has a range of cash management products and tailor-made industry specific cash management solutions for multinational corporations, large and medium sized enterprises, government agencies and financial institutions. The Bank’s settlement and cash management business continued to grow steadily. The Bank launched its innovative “Huishibao – comprehensive service platform for high-end corporate settlement” and built “Jianguanyi”, a multi-level fund supervision model, to meet treasury management needs of customers in specialised markets, fund supervision and other areas. In addition, through its internet and other electronic channels, as well as its customer-oriented branch network, the Bank has been able to provide comprehensive cash management services to its customers. The Bank’s electronic bill business has also developed rapidly, and the electronic tax payment service brought more convenience to customers.

In 2019, as the PBOC’s approval is no longer required for the opening of corporate bank accounts, the Bank created “Zhangyixing” brand to improve the convenience and efficiency of account opening service, and the number of corporate RMB accounts grew rapidly. The Bank also enhanced its management over corporate settlement accounts as well as payment and settlement, and carefully prevented new types of cybercrimes. It accelerated the mobile deployment in services such as “Yudaotongda”, collection and payment of bills, and iteratively upgraded its global cash management product system, continuously improving the contribution of cash management to the Bank.

The Bank practiced the concept of "payment for the people" and strived to improve the quality and efficiency of corporate settlement account services. It promoted the scenario-based application of key products, innovated the first "Professional Employment Platform" among domestic peers, strived to build the "Fund Supervision Plus" service ecosystem, upgraded the C-community consumption scenario services of "Huishibao", and comprehensively enhanced its capability to serve the national strategy and the real economy as well as to improve people's livelihood. The Bank actively pressed ahead with pilot projects of integrating RMB and foreign currency account systems, upgraded the global cash management service system and launched SWIFT-AMH (Alliance Message Hub) services for several large and medium-sized multinational enterprise groups, continuously enhancing the integrated operation capacity of domestic and foreign currencies.

The Bank accelerated innovation and marketing of settlement and cash management products. Key product contracting rate, penetration rate, and active user ratio continued to rise. With fund settlement services such as "Huishibao" as the core, the Bank integrated product offerings such as card acquiring, inclusive loans and agriculture-related loans to advance the implementation of the "smart retail and wholesale market ecosystem" service model. It provided innovative digital confirmation services under a centralised authorisation model for corporate online banking users, and expedited the digital transformation of its confirmation processes, to significantly improve the efficiency of confirmation services. The Bank enhanced SWIFT cash management and global payment capabilities, optimised products for cross-border fund settlement and centralised management of onshore and offshore accounts, and innovatively launched the "ledger manager" product to provide scenario-based solutions for cross-border centralised receipts and payments. The Bank explored the "Treasury Cloud" global treasury management solutions to help enterprises conduct efficient and centralised management and optimise the allocation of financial resources in multiple banks at home and abroad. The Bank enhanced the service system of the bank-corporate direct connections under comprehensive scenarios, and strengthened its capabilities of integrated online and offline collaborative services to support the modernisation of corporate financial management systems. The Bank further advanced service and marketing of agency collection and payment business, and continued to build the ecosystem, strengthen scenario-based applications, refine products, and optimise services, to meet differentiated customer needs. In the first half of 2025, it recorded agency payment service transactions of RMB4.99 trillion and agency collection and fee-payment service transactions of RMB1.73 trillion, an increase of 46.46% and 16.71%, respectively, over the same period last year. The Bank continued to improve the quality and efficiency of agency payroll service to migrant workers. By the end of June 2025, it had 214.3 thousand contracted corporate customers for agency payroll service to migrant workers, and made 22.01 million payments to migrant workers under agency payroll service in the first half of 2025, with an amount of RMB185,118 million, benefiting 10.88 million migrant workers. At the end of June 2025, the number of the Bank's corporate customers reached 12.26 million, an increase of 588.5 thousand over the end of 2024. The number of the Bank's corporate RMB settlement accounts was 17.23 million, an increase of 938.1 thousand over the end of 2024.

Customer Base

As a leading provider of capital for some of the key industries in China such as infrastructure, energy, transportation and telecommunication, the Bank has maintained close relationships with leading corporations in industries that are strategically important to China's economy and with major government agencies and financial institutions.

The Bank has focused and will continue to focus on customers in industries strategically important to China's economy. Most of these large companies in China's strategic industries are state-owned enterprises or state-controlled joint stock companies. As at 30 June 2025, loans to strategic emerging industries were RMB3.39 trillion, an increase of 18.92% over the end of 2024

Private enterprises have become important customers to the Bank, as in recent years, they have experienced significant growth in China and have become a major sector in China's economy. As at 30 June 2025, loans to private enterprises were RMB6.59 trillion, an increase of 9.92% over the end of 2024. The Bank also focuses on expanding its range of high-quality SME customers.

Marketing

Based on its customer-focused philosophy, the Bank employs both industry-wide and localised marketing strategies tailored to specific regions, customers and products. The Head Office formulates its overall corporate business development based on industry, geographical region, customer and product considerations. The Bank's tier-one branches then develop detailed marketing plans according to these guidelines tailored to local market needs.

The Bank's corporate finance marketing channel primarily involves corporate and institutional customer managers, branch outlets and electronic banking channels which include online banking and phone-banking. The Bank's corporate and institutional customer managers are its key marketing channel for its corporate finance business. They are responsible for exploring new market opportunities, promoting the Bank's banking products, coordinating and accessing the Bank's bank-wide resources to provide a package of personalised and comprehensive financial services to the Bank's corporate and institutional customers. The Bank's branch outlets offer the physical venue for the Bank to provide services to corporate and institutional customers. Through the Bank's branch outlets, the Bank promotes and sells its products, mainly providing payment and settlement services and SME corporate customer services, and developing the Bank's corporate liabilities business and commission/fee based business.

With the aim to improve customer experience, the Bank also provides its customers with e-banking channels such as the Bank's cash management service system, corporate online banking, customer hotline service centre and mobile phone banking platform, thereby providing greater access for the Bank's customers. The Bank's e-commerce finance platform, which provides corporate clients with financing products such as order financing, guaranteed joint loans and collateralised loans, continued to deepen its involvement in causes relating to "agriculture, farmers and rural areas", promoted the use of credit card bonus points for direct shopping and air ticket booking for business travel, thus realising a rapid development.

The Bank further strengthened innovation for its mobile banking, developed online sales, diversified online functions and delivered smarter and smoother experience. It launched the "ETC Intelligent Mobility" service to facilitate ETC user's application, sign up, activation and query online. Account information could be automatically recognised once the user scanned the bank card, simplifying the transfer processes for customers. The Bank introduced government services, such as social security and provident housing fund services, to provide more convenience. WeChat banking became a key platform for the Bank's business processing, consulting and marketing.

The Bank seeks to provide differentiated products and services to the Bank's important customers to meet their specific banking needs. The Head Office generally coordinates client coverage and marketing efforts for the Bank's largest corporate customers to ensure consistency and quality of service. The Bank's senior management at the headquarters and branch level are often directly involved in and lead in these marketing efforts. The Bank's branches in major cities provide differentiated, high quality, professional and integrated products and services to meet the Bank's customers' specific banking needs. By providing integrated financial solutions to the Bank's customers and improving the Bank's cross-selling synergies among the Bank's products and services, the Bank aims to further increase overall customer satisfaction and optimise value for the Bank's customers.

For SMEs, the Bank has established a specialised and standard marketing system that allows the Bank to further integrate the Bank's resources of products, distribution channels and brands to provide more efficient services with controlled risks.

PERSONAL FINANCE

Overview

As at 30 June 2025, the Group's domestic personal deposits rose to RMB17.63 trillion, an increase of 8.57 per cent. compared to 31 December 2024. The Group's profit before tax derived from personal finance for the years ended 31 December 2022, 2023 and 2024 and for the six months ended 30 June 2024 and 2025 amounted to RMB195,920 million, RMB194,897 million RMB173,489 million, RMB97,946 million and RMB78,734 million, respectively, representing 51.06 per cent., 50.05 per cent. 45.14 per cent., 50.75 per cent. and 43.16 per cent. of the Group's total profit before tax for the same periods.

Key Products and Services

The Bank provides a broad range of products and services including personal deposits, personal loans and other related financial services for its personal finance customers based on their needs. The Bank also provides bank card services and private banking for its personal finance customers. The Bank is committed to providing comprehensive banking services to its personal finance customers and is focused on creating and improving its personal finance product chain and value chain. The Bank sets out below its key personal finance products and services.

Personal deposits

The Bank provides its personal finance customers with a broad range of demand and time deposit services denominated in Renminbi and other foreign currencies. Personal demand deposit products include demand savings deposits and demand pledged deposits.

Personal time deposit products include time savings deposits, education savings deposits and personal notification deposits. Personal deposits provide the Bank with a stable funding source. The Bank enhanced its capability to attract deposits through highly effective products and services, maintaining the steady growth of personal deposits. As at 30 June 2025, domestic personal deposits of the Bank were RMB17,632,774 million, an increase of 8.57 per cent. from 31 December 2024.

Personal loans

The Bank's personal loans are designed to meet the credit requirements of its personal customers. The Bank's personal loan products include residential mortgages, credit card loans, personal consumer loans, personal business loans and other loans. As at 30 June 2025, the total domestic personal loans and advances of the Bank amounted to RMB9,104,372 million, representing an increase of 2.61 per cent. from 31 December 2024. As at 30 June 2025, the NPL ratio for domestic personal loans and advances was 1.10 per cent., an increase of 0.12 per cent. from 31 December 2024.

Residential mortgage loans

The Bank provides residential mortgages to individuals to finance the purchase and construction of their residential properties. Residential mortgages include new home residential mortgages, residential refinancing mortgages, home equity loans to refinance residential property and fixed-rate residential mortgages. As at 30 June 2025, the Group's personal residential mortgages was RMB6,145,498 million, a decrease of 0.68 per cent. from 31 December 2024.

The Bank appraises the value of the residential property regularly and clearly stipulates that the loan cannot be used for securities trading purpose.

Home savings services

In February 2004, the Bank formed Sino-German Bausparkasse Co., Ltd. ("**Sino-German Bausparkasse**") with Bausparkasse Schwaebisch Hall, a German home savings bank. As at 30 June 2025, the Bank held a 75.10

per cent. equity interest in Sino-German Bausparkasse. The Bank's home savings bank products allow the Bank's customers to make scheduled deposits for the purpose of obtaining residential mortgage loans in the future. Sino-German Bausparkasse has improved the Bank's ability to develop more personal housing financing products. Sino-German Bausparkasse achieved steady business development, and the sales of housing savings products reached RMB32,133 million for the six months ended 30 June 2025. As at 30 June 2025, total assets of Sino-German Bausparkasse amounted to RMB47,444 million, and shareholders' equity was RMB3,148 million. Net profit for the six months ended 30 June 2025 was RMB9 million.

Personal consumer loans

The Bank's personal consumer loans primarily consist of personal credit lines and automobile loans which usually have a maturity of up to five years. Personal credit lines are granted for general purposes based on the borrowers' credit history and the value of collateral provided. The Bank's automobile loans are primarily secured by the purchased automobile and residential properties. As at 30 June 2025, the Bank had domestic personal consumer loans of RMB614,194 million, representing 2.24 per cent. of the Group's gross loans and advances to customers.

Other personal loans

The Bank's other personal loan products primarily consist of credit card loans and personal business loans for private business owners involved in various specialised markets, personal agriculture-related loans to farmers on a trial basis in line with the PRC government's policy of supporting economic development of rural areas and other loans including educational loans. The Bank has also continued its offering of personal loan products, including the "Easy Education Loan" for personal education, the "Fortune Loan" for personal finance customers, differentiated credit, personal business loans, the "Hexing loans" for core enterprises upstream and downstream private owner business assistance loans, the "Refurbishment Loan" for home renovations and the "ShanRong loans" personal micro-credit revolving loans for consumption financing needs. The Bank also promoted business development with its self-service personal loans "Quick Loans" online channel. The Bank enriches its product systems such as "Quick Loan for Small and Micro Businesses", "Quick Loan for Personal Business", "Yunong Quick Loan" and "Quick Loan for Transactions", to enhance its ability to meet client needs and improve service efficiency.

Bank card business

The Bank offers a variety of bank card products comprising credit card and debit card to its customers under the registered "Long Card" ("龍卡") brand. As at 30 June 2025, the Bank had issued 129 million credit cards and the number of debit cards issued exceeded 1,263 million. For the six months ended 30 June 2025, the Group's fee and commission income from bank card fees decreased to RMB10,184 million from 10,625 million for the six months ended 30 June 2024, representing a decrease of 4.15 per cent.

Since the Bank is a member of China Unionpay, its customers can complete transactions through ATMs and point-of-sale terminals connected to the China Unionpay network. China Unionpay is responsible for establishing and operating a nationwide, interbank bank card information exchange and transaction network for its members. The Bank is one of the founding members of China Unionpay. The Bank joined the MasterCard network in 1990 and the Visa network in 1991. The Bank's dual-currency debit cards and dual-currency credit cards are also accepted outside of China through its association with the MasterCard and Visa networks. In August 2009, the Bank further joined the JCB international credit card network.

Credit cards

Through the credit card centre in Shanghai established in December 2002, which centrally manages the Bank's credit card business, the Bank seeks to enhance its operational efficiency, improve its risk management and maintain a consistent level of customer service quality. The Bank has also established credit card departments in most of its tier-one branches to manage its operations locally. As approved by the previously-named China Banking Regulatory Commission (which was subsequently renamed CBIRC and in 2023, has been replaced by the NAFR) and accepted by the Shanghai Banking Regulatory Bureau in 2008, the Bank's credit card centre was upgraded to a branch-level sales institution and obtained its business license in 2009.

The Bank's credit cards are accepted through its own network and through the China Unionpay network which are located in the PRC and various other countries and are also accepted overseas through the Bank's association with the Visa and MasterCard networks. The Bank continues to improve its credit card business structure and steadily enhance its service capabilities. It actively expands its young customer base and high-quality customers, make every effort to develop customers for agency salary payment services, and offered a number of new products, such as JOY Card, Bonus Card, MUSE Card and Long Card Credit (Daiba) virtual card, further improving the quality and activeness of customers. The Bank also issues diamond cards, which target high-end customers and issued specialised car-owner credit cards to car owners. The Bank has also launched consumer products including e-Pay Long Card, Tencent e-Pay Long Card, and Family Love Card, credit products such as "Fenqitong", and mobile payment services based on the Internet including Apple Pay, HCE Cloud Pay, and Samsung Pay. The Bank has increased its use of new electronic channels such as mobile phone, WeChat and QR codes to promote the use of its credit card products. The Bank has introduced the Long Card electronic payment wallet and "one-click payment" for cross-border internet purchases. The Bank has also introduced the "Mobile Long Card" mobile app allowing payments to be made with authorised merchants.

The Bank focused on target customers, enhanced the model automation operation capability, strengthened the building of online and offline scenarios, and comprehensively enhanced its digitalised operation capability. The Bank further built the scenario ecology, accelerated the building of three types of business areas, namely airports and high-speed rail stations, urban commercial complexes, and gas stations, by offering favourable interest rates, explored consumption scenarios welcomed by consumers, cooperated with leading companies such as Alipay, TikTok, Baidu, JD and Meituan on joint promotion, card payment and bonus points conversion to help expand domestic demand and promote consumption upgrade. The Bank strived to improve the living standards of the public, increased the support in auto consumption, and provided services to car owners. The Bank launched the "CCB Home Improvement Festival" as a one-stop application platform, and granted loan instalment for housing decoration to families. The Bank continued to improve the anti-fraud models and strategies, enhanced merchant risk monitoring and continuously improved its risk control and compliance management capability.

The Bank enriched credit card product lines to meet the multi-level needs of customers. It launched new products such as Meituan Co-branded Credit Card, Tencent Super VIP Co-branded Credit Card and China Southern Power Grid Co-branded Card and upgraded the CCB-issued MasterCard to a product with green-themed rewards. It launched Yunongtong Credit Card, and developed the "Thousands-of-miles journey" version to provide better services for migrant workers. It deeply engaged in the "Long Card Special Offer 666" brand marketing campaign, launched promotional activities of 12 popular merchants such as JD, Meituan and Ctrip, strengthened scenario construction, enhancing marketing and promotion by relying on the "CCB Lifestyle" platform, and provided more abundant and convenient redemption of reward points. The Bank continued to carry out credit card business to expand domestic demand and boost consumption. Focusing on "benefiting people's livelihood and promoting consumption", the Bank organised the "Long Credit Card 66 Festival" consumption campaign, and cooperated with major internet payment platforms, brand merchants, and leading business districts to launch more than 100 events around common consumption scenarios including "dining, entertainment and shopping", to meet diverse needs of residents. It optimised the product and service system, and rolled out products such as Bilibili Credit Card 2233 (Star Moon Edition), Long Card Auto Card Amex Platinum Credit Card, and Greater Bay Area Credit Card, to young customers, car owners, business professionals, and overseas credit card users. As at 30 June 2025, the cumulative number of credit cards issued by the Bank reached 129 million, with 103 million credit card customers. In the first half of 2025, the volume of credit card transactions totalled RMB1.30 trillion. As at 30 June 2025, the Bank's credit card loan reached RMB1.05 trillion.

Debit cards

The Bank continuously improved the functions and services of debit card products to promote the activity of debit card transactions, continuously pressed ahead with the PBOC's mobile payment demonstration project to provide convenience service, and upgraded the "Long Pay" products and user management. The Bank rolled out new debit card products such as "Yearly Harmony Long Card", "Flourishing Wealth Long Card", and "Panda-themed Long Card". As at 30 June 2025, the Bank had 1,472 million personal settlement accounts, and issued 1,263 million debit cards. In the first half of 2025, the transaction volume of debit cards reached RMB12.12 trillion, and the number of transactions reached 29,752 million.

Private Banking

The Bank provides a broad range private banking products and services and integrated solutions and to its high value customers, including family trust financial advisory services, asset allocation consultancy services, investment immigration, marital property preservation and family wealth inheritance. The Bank has developed its family trust business by coordinating efforts between the parent company and subsidiaries, and continuously improved the "Golden Housekeeper" comprehensive cash management business. The Bank has diversified its value-added services in three major areas, namely asset management, alternative financing and non-financial value-adding services. Drawing on Fintech, the Bank led the market in creating its mobile private bank and launching a mobile version of its private banking services "CCB e-private banking", promoting the building of benchmark private banking centres. Also, the Bank built a product system designed to "help customers structure their assets", and vigorously promoted its wealth advisory services. Additionally, the Bank launched the innovative service of Family Office.

The Bank focused on meeting the needs of high net-worth customers for their wealth management, assets allocation and quality services. It remained committed to professional operation of private banking, steadily expanded its leading edge in terms of family wealth services management, and improved the service system of ultrahigh-net-worth customers such as family offices. It improved the product service management system of private banking, promoted asset allocation services, and strengthened lifetime digital management of products such as optimal introduction and ongoing tracking. It improved the coverage and efficiency of family trust advisory services and launched innovative insurance trust advisory services, outperforming its peers in terms of family wealth management service. It strengthened its presence at locations with inflows of wealth and enhanced its market competitiveness in key regions. It improved digital application of private banking and building of customer service systems, improved professional services of private banking centres, and improved the efficiency of professional services. It promoted team building of private banking investment research experts, wealth management consultants and private client managers, facilitating mega wealth management with professional service capabilities and strong management teams. As at 30 June 2025, the Bank had 248 private banking centres. In the first half of 2025, the private banking customers' financial assets under management reached RMB3.18 trillion, an increase of 14.39 per cent. over the end of 2024. As at 30 June 2025, the Bank had 265.5 thousand private banking customers, an increase of 14.69 per cent. over the end of 2024.

Entrusted housing financing services

The Bank acts as an agent to national housing fund management departments to collect housing provident funds and housing maintenance funds and provide individual housing provident funds mortgages. The Bank is one of the earliest banks and the largest in China approved to engage in the housing provident fund management business. The Bank maintains sound business co-operation with local administrative centres of housing provident funds across China from which it takes deposits as a steady funding source. By implementing national policies on supporting the construction of homes and providing financing to mid-and low-income households, the Bank is able to capture such specialised market opportunities. The Bank has proactively improved its IT system and strengthened electronic channel expansion and product innovation in provident housing funds, in order to provide comprehensive and high-quality housing reform financial services. The Bank applied the "technology + internet" strategy to actively improve the service of the technology system of its entrusted housing finance business. Through innovative financial services, the Bank has launched new products and services including small amount cross-bank payments for housing provident funds, housing provident fund e-channel, housing provident fund co-named card and entrusted housing provident fund withdrawal for repayment of loans, while steadily developing its indemnificatory housing loans business and supporting low-and middle-income residents' housing needs for their own residential purposes.

The Bank continued with the digitalisation of the housing fund management industry and played a positive role in solving the housing problems of residents. It launched housing provident fund deposit business for those flexibly employed in pilot cities and opened an e-CNY channel to improve its housing provident fund contribution services. It increased the size of housing provident fund loans, actively supported borrowers with portfolios of "housing provident fund loans + commercial loans", implemented the initiative to encourage both housing rentals and purchases with housing provident fund, and realised the withdrawal of housing provident fund for online rent payment. As at 30 June 2025, the balance of housing fund deposits of the Bank was RMB1.66 trillion, and the balance of residential mortgage provident fund loans was RMB3.04 trillion.

Marketing

The Head Office generally formulates marketing initiatives and sets marketing guidelines for the Bank's bank-wide personal finance products. The Bank's tier-one branches develop detailed marketing plans to implement these initiatives based on the economic and market conditions of their respective geographical regions. The Bank carried out large-scale marketing campaign titled "Splendid CCB" to promote consumption and benefit people's livelihood, covering scenarios of shopping, tourism, and utility payment, and drove consumer transactions. The Bank conducts its marketing activities mainly through its branch network, which the Bank supplements with specialised sales centres for specific products such as personal wealth management centres and residential mortgage loan centres. It also conducts personal finance product marketing through e-banking channels, such as online banking, telephone banking and mobile phone banking.

The Bank offers different products and services and adopts different marketing strategies to cater for different customer groups' needs. For high value customers, the Bank focuses on building a one-to-one customer manager marketing relationship to develop a more focused marketing strategy for promoting its products. For mass market customers, the Bank adopts a mass marketing strategy focusing on its outlets, taking initiatives in product and service marketing through introduction by its lobby managers, on-site promotion of its products and media advertising campaigns. The Bank also adopts an interactive marketing strategy for its personal finance business, whereby its personal loan department and corporate finance department cooperate to take a proactive approach in exploring business opportunities in residential mortgages while granting real estate development loans. In addition, the Bank focuses on cross-selling its personal finance products such as promoting its credit cards and wealth management cards to its residential mortgages customers. The Bank also sells various loan products to the holders of its wealth management cards and credit cards.

Electronic Channels

In recent years, the Bank strengthened its Fintech innovation and application, shifted from channel-based services to customer-focused operations, and built a brand new "online banking". In this regard, the channels' value contribution was comprehensively improved and the capability of customer services was greatly enhanced. As at 30 June 2025, the size of personal customers of the Bank's online platforms continued to expand with 571 million online personal users. The number of online payment transactions was 31,506 million, an increase of 4.34 per cent. over the same period in 2024, and the corresponding transaction volume amounted to RMB10.53 trillion, maintaining a leading position among payment institutions such as Alipay, JD, Meituan, Douyin and Pinduoduo in terms of market share.

TREASURY AND ASSET MANAGEMENT BUSINESS

The Bank's treasury and asset management business primarily consists of its money market activities, the management of its investment portfolio, treasury transactions on behalf of its customers, bond underwriting and development of treasury products. For the six months ended 30 June 2025, the Group's treasury and asset management business recorded a profit before tax of RMB77,436 million, accounting for 42.44 per cent. of its total profit before tax.

Key products and services

Money market activities

The Bank's money market activities primarily consist of (i) repurchase and reverse repurchase with the PBOC; (ii) borrowings from and loans to other domestic and foreign banks and non-bank financial institutions, often referred to as the interbank money market activities; (iii) purchase of securities under resale agreements, often referred to as repurchase and reverse repurchase transactions via the interbank market, bond repurchase pledge or buy-out, sell-out of RMB-denominated treasury bonds, policy bank bonds and central bank bonds; and (iv) money market transactions with major international banks such as foreign currency fund lending, foreign currency denominated bond repurchase, foreign exchange swap and debt-for-equity swaps on the international financial markets.

The Bank is an active participant in the interbank money market, one of the first market-makers in the interbank market and one of the sixteen Shanghai Interbank Offered Rate quotation banks approved by the PBOC. The Bank has actively responded to market fluctuations, taken initiatives to broaden the financing and investment channels, and managed its RMB and foreign currency positions in a centralised manner to safeguard the Bank's liquidity. The Bank actively participated in the reform of InterBank Offered Rates (IBOR) and was among the best in the interbank Foreign Currency Lending (FCL) Quoting Banks. With regard to its foreign currency money market business, the Bank tracked the monetary policies of US Federal Reserve and market trends to improve the yields of its foreign currency funds and its market influence; it actively innovated domestic third-party foreign currency repurchase business, and successfully issued the Bank's first foreign currency interbank certificates of deposits in the domestic market.

The Bank utilised a combination of money market tools to stabilise liquidity across the Bank. It fulfilled its responsibilities as a large bank, actively carried out repurchase transactions with non-bank institutions under the PBOC swap facilities, and continued to provide liquidity support to small and medium-sized financial institutions. The counterparties further increased, and the transaction volume in the Renminbi money market exceeded RMB200 trillion. The Bank enhanced the capability of proactive liability management, and strengthened the analysis of the movement in interest rates. In the first half of 2025, its transaction volume in the RMB money market ranked top in the market, and the balance of interbank certificates of deposits issued by the Bank amounted to RMB1.72 trillion.

As at 30 June 2025, the Group's deposits and placements with banks and non-bank financial institutions amounted to RMB946,750 million, representing 2.13 per cent. of the Group's total assets. As at 30 June 2025, the deposits and placements from banks and non-bank financial institutions with the Group amounted to RMB 4,308,246 million, representing 10.55 per cent. of the Group's total liabilities.

Investment portfolio management

The Bank's investment portfolio mainly targets bond investment. The Bank classifies its portfolio as: (i) financial assets measured at fair value through profit or loss, (ii) financial assets measured at amortised cost and (iii) financial assets measured at fair value through other comprehensive income. The Bank achieved a reasonable balance between liquidity, security and returns on debt securities investments. With regard to investment in RMB debt securities, the Bank adheres to the principle of value-driven investment, actively serving the real economy, managing a reasonable pace of investment, continuously improving the portfolio structure, and strengthening the business collaboration between the Head Office and branches, in order to maximise returns for the whole bank. With regard to investment in foreign-currency debt securities, the Bank adhered to the principal of value-driven investment, focusing on the balance among security, liquidity and profitability. It strengthened proactive portfolio management, supported construction of major infrastructure projects and provision of services to ensure people's wellbeing with a two-wheel drive of "Investment + Distribution", securing its position as one of the largest underwriters of government bonds in the market. The Bank adhered to the operating principle of "safe and sound operation, value-based investment" and maintained a sound balance of security, liquidity and profitability. Striving to maintain a sound balance of security, liquidity and profitability, the Bank constantly optimised its investment strategies and strengthened proactive management based on market conditions, and effectively supported the implementation of macroeconomic policy and the financing needs of the real economy. In the first half of 2025, the Bank ranked top in the market in terms of subscriptions of government bonds, seeing a year-on-year increase of 93.14%. It stepped up its underwriting efforts for special government bonds to ensure their smooth issuance. As at 30 June 2025, financial assets measured at fair value through profit or loss, financial assets measured at amortised cost and financial assets measured at fair value through other comprehensive income represented 6.34 per cent., 63.03 per cent. and 30.63 per cent. of the Group's financial investment portfolio, respectively.

Proprietary trading

The Bank conducts short-term proprietary trading in order to gain short-term spread income and avoid market risk. Proprietary trading mainly includes treasury bonds, central bank notes, policy bank bonds, short-term debentures issued by large-scale prime enterprises, mid-term notes, foreign exchange trading and precious metal trading. Additionally, the Bank hedges its investment risk through financial derivative trading, which mainly includes interest rate swap contracts and foreign exchange spot, forward, swap and option contracts. Apart from hedging of its risks, the Bank generally does not hold financial derivatives for short-term gain.

Proprietary investment

The Bank manages its investment portfolio to maximise its investment return. The Bank determines the average investment term of its investment portfolio, duration and investment return objective based on its judgment on risk factors such as interest rates, exchange rates and credit risks. The Bank's RMB-denominated securities investments primarily include government bonds, central bank notes, policy financial bonds, commercial bank bonds, short-term debentures, corporate bonds and asset-backed securities. The Bank's foreign currency denominated securities investments are primarily in sovereign bonds, financial institution bonds, corporate bonds and investment grade asset-backed securities.

Treasury transactions on behalf of customers

The Bank's treasury transactions on behalf of its customers mainly include agency foreign exchange derivatives trading, agency precious metal business, bond settlement agency business, agency sale and purchase of foreign exchange and foreign exchange trading. Foreign exchange purchases and sales and foreign exchange trading grew steadily. The Bank improved its service capability of foreign exchange settlement and sales through electronic banking channel, and launched its foreign exchange purchasing project. The Bank also optimised its corporate online banking foreign exchange settlement module for the convenience of its corporate customers.

The Bank continuously implemented refined management and steadily executed the business strategy to constantly promote the high-quality development of its customer-based trading business. It focused on advancing channel optimisation and digitalised operation, consolidated its customer base, actively expanded its overseas institutional investors base, with a steadily increasing number of customers. It actively promoted the concept of interest rate hedging to meet customer needs. It continued to optimise the independently developed "Blue Core Exchange Rate Portfolio Management Platform", taking the lead among its peers in terms of system autonomy and comprehensive function.

The Bank continued to advocate the concept of exchange rate risk neutrality, optimised foreign exchange trading functions of e-channels, actively drove product innovation, and steadily enhanced its customer-related trading service capabilities. In the first half of 2025, the customer related foreign exchange trading volume exceeded RMB1.6 trillion, and active customers of the financial market trading business increased by 14.90 per cent. from the same period last year.

Precious metals and commodities

The Bank realised sound development of the precious metals and commodities business in compliance with regulations. It introduced gold fixed accumulation plan and new trading categories such as apple, naphtha and PX, and increased commodity hedging categories. It actively supported the demand of medical and safety supplies manufacturers for hedging the price of raw materials by reducing their hedging costs, and helped enterprises to resume work and production. The Bank also adjusted its business structure, strengthened digitalised operations and business training, enhanced customer service capabilities in precious metals and commodities business, and improved the protection of customer's rights and interests. The Bank's Precious Metal and Commodity Business Department was officially opened in Shanghai in June 2023. As the first bank in China to specialise in commodity businesses, the Bank actively participated in the building of precious metals and commodities market, supported the development of industrial chains, and assisted customers in using commodity derivatives to enhance their risk management capabilities. At the end of June 2025, the Bank's domestic precious metal assets amounted to RMB329,537 million. Focusing on actual needs of serving the real economy, the Bank guided enterprises and farmers to adopt the concept of risk neutrality, and expanded the varieties of commodity derivative transactions, securing agricultural products worth of RMB6,148 million in the first half of 2025.

Innovation and development of treasury products

The Group carried out platform-based operation, and continuously explored new, intelligent and ecological modes for inclusive finance to comprehensively improve the coverage, availability and satisfaction of inclusive finance services. It diversified the digital product system, realised the rapid customisation of new products on demand, and launched a series of products with new pattern, such as "Quick Loan for Small and Micro Businesses", "Yunong Quick Loan", "Quick Loan for Transactions" and "Quick Loan for Personal Business". It continued to promote "Huidongni", "Huizhuni", and "Huidiantong" service platforms and the "three-in-one" inclusive finance operation and management platform. In the first half of 2025, with "improving the quality and efficiency of serving the real economy" as its major task, the Group continued to strengthen the system featuring integration of commercial and investment banking, RMB and foreign currency services, domestic and overseas business, and strived to provide customers with comprehensive financial solutions. Committed to enhancing the "Five Priorities", it actively supported the development of new quality productive forces, intensified its efforts to provide financial support for the new round of "Two Renewals" (large-scale equipment renewal and trade-ins of consumer goods), implemented the national strategic deployment for major regions, assisted in the construction of modern infrastructure, and further pushed forward high-level opening-up. It actively explored digital, platform-based, comprehensive and ecological construction, and rolled out a series of products and services such as "Digital Supply Chain" and "FITS® e Intelligent".

In order to effectively address financing difficulties for customers engaged in international trade, the Bank continuously improves it product offerings, including conversion of overseas loans to debt securities, export credit, cross-border e+ and cross-border financing, and global financing for financial leasing, incorporating a host of innovation in business processes and risk mitigations. The Bank also continuously improves its service offerings, such as "Bond Connect", direct top-up for IC cards and Subways Go Easy, and simplified the financial service processes and enhanced customer experience by means of technology development and interconnectivity.

Asset management

The Bank has designed and launched various wealth management products according to customer needs to provide wealth management services to customers. The Bank has widened its wealth management product distribution channels and increased its distribution of high yield debt and equity wealth management products. These wealth management products play an important role in securing the Bank's customers, particularly high-end customers. NAMeS, the Bank's asset management system, forms an integrated end-to-end automated framework. The Bank also launched its innovative "Qianyuan" wealth management product and launched its robo-advisor services.

In 2019, the Bank set up the Assets Management Business Committee to coordinate the high-quality development of Group-level assets management business. The first phase of "Mega Assets Manager" system was launched smoothly. In 2019, CCB Wealth Management became the first wealth management subsidiary of commercial banks in China. In recent years, the Bank continued to promote the building of a new system for asset management at the group level, strengthened the integrated and coordinated management within the Group and continued to step up its efforts in key areas, such as investment research, channel sales, asset allocation, internal risk control, investment operation and asset management technology. The Bank also accelerated asset management business model transformation and innovation and strove to build the Bank's third pillar of business development.

The Group included mega wealth management as a strategic priority in the Bank's "14th Five-Year Plan" and focused on building a mega wealth management operational mechanism, i.e., creating a professional transmission chain of "wealth management – asset management – investment banking" and a transmission chain of "investment research – investment advisory – customer service". In 2022, based on the four strategic concepts of "inclusiveness, intelligence, professionalism and dedication", the Group strived to build a first-class wealth management bank featuring "leading domestic position, best customer experience and technology-driven development". The Group continued to deepen its professional services for personal customers, and in the first half of 2025, the number of wealth management customers increased by nearly 4.50 million over the end of 2024.

Asset Custody service

The Bank's offering of asset custodial services is among the most comprehensive in China, including securities investment funds, Qualified Domestic Institutional Investors, Qualified Foreign Institutional Investors, RQFII, social security funds, corporate annuity funds, trust properties, insurance assets, entrusted investment assets of securities companies, basic pension insurance personal account funds, industrial investment funds and banking wealth management products. In 2013, the Bank obtained the qualification to provide custodial service to the first bond index exchange-traded funds ("**ETF**") and cross-border ETF for U.S. stocks in the PRC. The Bank also became one of the first Chinese-funded custodial banks of RQFII from Singapore. The Bank became one of the first batches of banks to conduct agency business for Mainland-Hong Kong mutual recognition of funds operations and was the first to offer "bond transaction plus custodian" services to overseas institutions for direct entry into the interbank bond market.

The Bank actively leveraged its strengths in custody service to support national strategy, promoted business innovation, strengthened risk control, and achieved high-quality development of asset custody business. The Bank provided custody service to the Belt and Road Initiative construction projects of the state-owned asset management platform, actively engaged in the ETF project for reform of Sichuan state-owned enterprises, and facilitated insurance funds investment in the construction of important national infrastructure such as highways and bridges. The number of funds in the Science and Technology Innovation Board under custody of the Bank and the winning rate of its bidding for enterprise annuity custody service for central government-owned enterprises were both higher than those of its peers. It was also one of the first banks to provide custody services to cross-border conversion brokers of the global depository receipt and to funds under the China-Japan ETF Connectivity scheme.

In addition, the Bank cultivated the brand of "CCB Smart Custody" to promote high-quality custody service, and successfully became custodian for the National Green Development Fund, Beijing-Tianjin-Hebei Synergistic Development Industrial Investment Fund and Guangdong Beautiful Countryside Revitalisation Development Fund. The Bank carried out enterprise assets reorganisation service trust custody innovation, and was appointed as the depositary bank of China Depository Receipts with the largest issuing amount. It was also awarded the "Best Digital Assets Custodian in China" by The Asian Banker.

In 2022, the Bank comprehensively improved the capability of value creation of its asset custody services. Empowered by technology and centred on data, the Bank built a new customer service model of "CCB Smart Custody". The Bank was the domestic basic securities custodian bank for two of the first group of listed companies of the China-Switzerland Stock Connect programme and was the only bank in the market that provided custody services for both Global Depositary Receipt depositary banks and cross-border conversion brokers. The Bank helped Kazakhstan Free Finance Global Company become the first financial institution in Central Asia with QFI qualification and made a breakthrough in cooperation in the capital market between China and Kazakhstan. The Bank successfully implemented the custody of Baowu Green Carbon Private Equity Fund, the largest carbon neutral fund in China, won the bid for the custody of "Infrastructure REITs" of Beijing Public Housing Centre, and was among the first group of institutions that had completed the acceptance test of regulators for the third-pillar personal pension system.

In 2023, the Bank was committed to building itself into a leading custodian with strong customer base, advanced systems, leading operations and effective risk control, and the comprehensive contribution of the custody business continued to increase. The Bank's assets under custody exceeded RMB20 trillion for the first time in 2023, seeing an ascending rank among its peers and entering a new stage of business development. The Bank made breakthroughs in custody cooperation in key areas and was designated as a custodian bank for annuity plans of Sinochem and China Rare Earth; it was included in the custodian white list for China Reinsurance Group and China Post Insurance; it became the custodian for Guoxin Mega State-owned Enterprise ETF Fund covering all the three Guoxin Mega State-owned Enterprises indices (sci-tech-lead index, modern energy index and shareholder return index); it also became the custodian for CIBM Direct investment of the National Bank of the Kyrgyz Republic. It boasted robust operation guarantee, and established the Beijing Custody Operation Centre, becoming the only custodian bank in the industry with three operation centres (Beijing, Hefei and Shanghai). It continued to promote the brand building of "Smart Custody", internally optimised the "Smart Custody" system with "smart business, smart operation, smart risk control, and smart data" as its core, and externally promoted the construction of the "Smart Custody" platform, contributing to "Digital Finance". The Bank was awarded the "Best Custody Bank (State-owned Bank) for Public Funds in 25 Years" and "Custody Innovation Award" by China Fund.

The Bank continued to build itself into a leading custodian with strong customer base, advanced systems, leading operations and effective risk control, and actively served the development of capital market. It supported the high-quality development of the mutual fund industry, and acted as custodian for the first batch of floating-rate mutual fund products, outperforming its peers in number of funds. The Bank also successfully acted as custodian for the first batch of Shanghai STAR Market Composite Index ETFs. The Bank intensified its efforts in pension finance, attracting 887 new enterprise annuity custody customers and winning bids for 18 single enterprise annuity plans. Grasping the transformation trend of trust industry, it won over 100 new asset servicing trusts; it acted as custodian for multiple bankruptcy reorganisation trusts to help mitigate financial risks. Additionally, the Bank boosted regional economic transformation and development by providing custody services for dozens of government-guided funds. It enhanced the service functions of its "Smart Custody" platform and developed custody data application platform. With the brand value of "CCB SMART Custody" continuing to appreciate, the Bank was honoured with awards including "Index Ecosystem Yinghua Award" by China Fund and "China's Best Sub Custodian Bank" by Global Finance. At the end of June 2025, the Bank's assets under custody amounted to RMB25.66 trillion, an increase of RMB1.71 trillion or 7.14% over the end of 2024. Notably, insurance funds and mutual funds under custody exceeded RMB8 trillion and RMB4 trillion, respectively, and assets of WMPs from other banks under custody grew by over RMB100 billion, with a growth rate exceeding 80%.

OVERSEAS BUSINESS

As at 30 June 2025, the Bank had 23 major subsidiaries (including 17 integrated operation subsidiaries and six overseas banking subsidiaries) had a total of 549 entities, including 423 domestic ones and 126 overseas ones, covering bank branch operations in Hong Kong, Macau, Taiwan, Singapore, Frankfurt, Johannesburg, Tokyo, Seoul, New York, Sydney, Ho Chi Minh City, Luxembourg, Toronto, London, Zurich, Dubai, Chile, Astana, Labuan, Auckland, etc., and certain subsidiaries operating in Hong Kong, Moscow, Luxembourg, British Virgin Islands, Auckland, Jakarta, San Paulo and Kuala Lumpur, etc., and maintained wholly-owned operating subsidiaries including CCB Asia, CCB Russia, CCB Europe, CCB New Zealand and CCB Malaysia and held 60 per cent. of the total share capital of CCB Indonesia.

As at 30 June 2025, the total assets of the Group's overseas entities were RMB1,971,273 million, representing approximately 4.44 per cent. of the Group's total assets. In May 2015, Chile Branch became the first RMB clearing bank in South America, and the branch officially opened in 2016. In June 2015, Paris Branch, Amsterdam Branch, Barcelona Branch and Milan Branch under CCB Europe were successively opened. Cape Town Branch (under Johannesburg Branch) commenced business in September 2015. London Branch commenced business in October 2015. Zurich Branch was established and designated as the RMB clearing bank in November 2015, and it officially opened in 2016 and Dubai International Financial Centre Branch received its official banking licence and commenced business in November 2015 and Warsaw Branch received its official banking licence in December 2016. CCB Malaysia obtained a commercial banking licence in October 2016. The Bank completed its acquisition of PT Bank Windu Kentjana International Tbk in September 2016, and renamed the entity to PT Bank China Construction Bank Indonesia Tbk. PT Bank China Construction Bank Indonesia Tbk was officially inaugurated in February 2017 and the Warsaw Branch of CCB Europe, CCB Malaysia and CCB Australia Perth Branch officially commenced operations in 2017. In February 2018, the Bank's New Zealand Branch officially opened for business. In March 2019, the Bank's Astana Branch was granted a licence and in June 2019, the Bank's Labuan Branch was granted a licence. In June 2020, Hungary Branch under CCB Europe received its banking license and completed the local registration.

MAJOR SUBSIDIARIES

In 2009, the Bank established the equity investment and strategy cooperation department to coordinate and manage its subsidiaries. Certain of the major subsidiaries of the Bank as at 30 June 2025 are set out below:

Name of subsidiary	Principal activities
CCB Financial Asset Investment Co., Ltd.	Investment
CCB Wealth Management Co., Ltd.	Wealth Management
CCB Financial Leasing Co., Ltd.	Financial Leasing
CCB Brazil Financial Holding – Investimentos e Participações Ltda.	Investment
CCB Trust Co., Ltd.	Trust Business
CCB Life Insurance Co., Ltd.	Insurance
CCB Consumer Finance Co., Ltd	Consumer Finance
CCB Housing Rental Fund (Limited Partnership)	Investment
China Construction Bank (Europe) S.A.	Commercial Banking
PT Bank China Construction Bank Indonesia Tbk	Commercial Banking
CCB Pension Management Co., Ltd.	Pension Management
Sino-German Bausparkasse Co., Ltd.	House Savings
China Construction Bank (Malaysia) Berhad	Commercial Banking
China Construction Bank (New Zealand) Limited	Commercial Banking
China Construction Bank (Russia) Limited	Commercial Banking
Golden Fountain Finance Limited	Investment
CCB Principal Asset Management Co., Ltd.	Fund Management Services
CCB International Group Holdings Limited	Investment
CCB International (Holdings) Limited	Investment
China Construction Bank (Asia) Corporation Limited	Commercial Banking

Integrated Operation Subsidiaries

The Group's integrated operation strategy is to accelerate the development of insurance, wealth management, trust, investment banking, mutual funds, leasing, securities and other non-banking businesses, while developing banking as its core business. The Group endeavours to build an operating framework that covers interconnected markets and complementary businesses, with diversified income and decentralised and controllable risk, and realise customer-oriented functions selection, to provide customers with integrated and diversified financial services.

As at 30 June 2025, the Group owned several domestic and offshore subsidiaries in the non-banking financial sector, including CCB Financial Asset Investment Co., Ltd. ("**CCB Investment**"), CCB Wealth Management Co., Ltd. ("**CCB Wealth Management**"), CCB Financial Leasing Co., Ltd. ("**CCB Financial Leasing**"), CCB Housing Rental Fund (Limited Partnership) ("**CCB Housing Rental Fund**"), CCB Brazil Financial Holding – Investimentos e Participações Ltda. ("**CCB Brazil**"), CCB Trust Co., Ltd. ("**CCB Trust**"), CCB Life Insurance Co., Ltd. ("**CCB Life**"), CCB Consumer Finance Co., Ltd. ("**CCB Consumer**"), CCB Pension Management Co., Ltd. ("**CCB Pension**"), Sino-German Bausparkasse Co., Ltd. ("**Sino-German Bausparkasse**"), CCB Housing Rental Private Fund Management Co., Ltd. ("**CCB Housing**"), Golden Fountain Finance Limited ("**Golden Fountain**"), CCB Principal Asset Management Co., Ltd. ("**CCB Principal Asset Management**"), CCB International Group Holdings Limited ("**CCB International Group**"), CCB International (Holdings) Limited ("**CCB International**"), CCB Futures Co., Ltd. ("**CCB Futures**") and CCB Property & Casualty Insurance Co., Ltd. ("**CCB Property & Casualty**").

The Group set up several banking entities providing professional and differentiated services in specific industries and regions. In 2013, Sino-German Bausparkasse developed its housing credit business and achieved significant results in selling housing savings products. As at 30 June 2025, total assets of Sino-German Bausparkasse were RMB47,444 million.

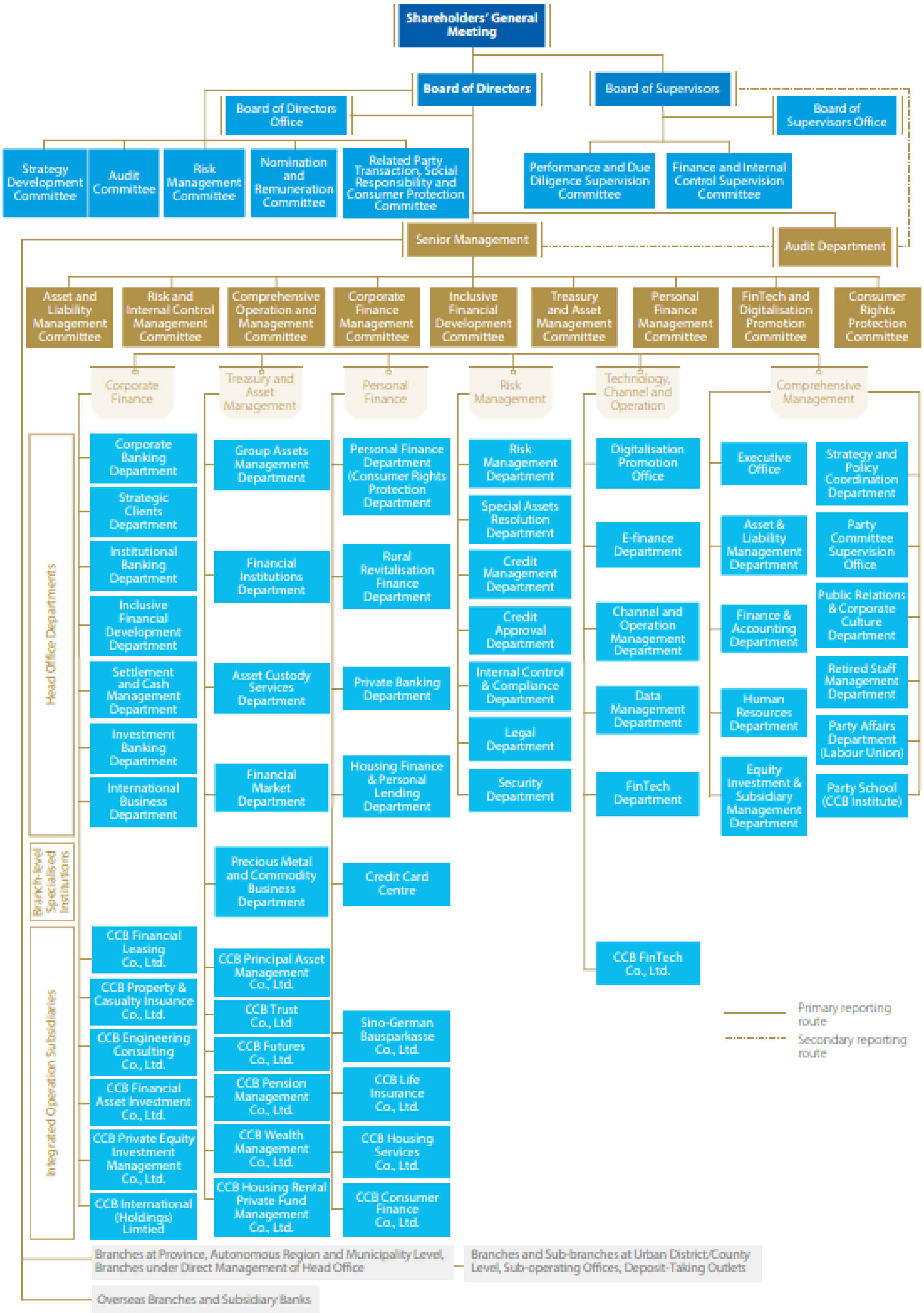
CCB Pension has a registered capital of RMB2.3 billion, of which the Bank, Principal Financial Services Inc. and National Council for Social Security Fund hold 70 per cent., 17.647 per cent. and 12.353 per cent. of its shares, respectively. CCB Pension is mainly engaged in businesses including investment and management of national social security funds, businesses related to management of enterprise annuity funds, entrusted management of pension funds and pension advisory for the above businesses. As at 30 June 2025, the total assets of CCB Pension were RMB4,290 million and the net profit for the six months ended 30 June 2025 was RMB157 million.

As at 30 June 2025, the total assets of the integrated operation subsidiaries were RMB846,856 million, an increase of 0.65 per cent. from 31 December 2024. For these purposes, integrated operation subsidiaries include the following subsidiaries: CCB Financial Leasing, CCB Property & Casualty, CCB Consulting, CCB Investment, CCB Private Equity, CCB International, Sino- German Bausparkasse, CCB Life, CCB Housing, CCB Consumer Finance, CCB Principal Asset Management, CCB Trust, CCB Futures, CCB Pension, CCB Wealth Management, CCB Housing Rental and CCB FinTech. CCB Principal Asset Management made full efforts to promote the development of various businesses, maintained safe and steady operation, and achieved good business performance; as at 30 June 2025, total assets managed by CCB Principal Asset Management were RMB1.43 trillion. CCB Trust stepped up efforts in improving compliance in its operations, actively engaged in innovation-driven development, and delivered strong operating results; as at 30 June 2025, total assets managed by CCB Trust were RMB1.69 trillion, of which the total size of risk disposal service trust, wealth management business and credit asset securitisation business exceeded RMB580.0 billion, continuing to rank top in the industry; total assets of CCB Trust were RMB44,882 million and shareholders' equity was RMB28,886 million. Net profit for the six months ended 30 June 2025 was RMB372 million[9].

[9] The data for CCB Trust includes CCB Housing Rental and CCB Futures.

Organisational Structure

The following chart shows the Bank's organisational structure as at 31 December 2024:



EMPLOYMENT

As at 30 June 2025, the Bank had 373,084 employees. The number of employees with academic qualifications of bachelor's degree or above was 308,633 or 82.72 per cent. In addition, the Bank assumed the expenses of 129,907 retired employees.

RISK MANAGEMENT AND INTERNAL CONTROL

The section headed "Description of the Bank" on pages 142 to 151 of the Base Offering Circular shall be deleted in its entirety and replaced with the following:

OVERVIEW

The Group was committed to the concept of comprehensive risk management. In the first half of 2025, the Group adhered to a comprehensive risk management philosophy featuring full coverage, integration of all processes, group-wide involvement, holistic awareness cultivation, global perspective development, and group-wide governance enhancement. It continued to improve its risk and internal control systems and mechanisms, strengthened coordinated risk control mechanism between parent bank and subsidiaries as well as domestic and overseas operations, and enhanced integrated group-wide risk control capabilities. The Group's management of global and domestic systemically important banks (SIBs) fully complied with regulatory requirements. It rigorously implemented asset quality controls, intensified its centralised collection efforts for inclusive loans and retail loans, and improved the quality and efficiency of non-performing assets resolution, maintaining stable and controllable asset quality. The Group expedited the development of an enterprise-level intelligent risk control system, elevated intelligent risk monitoring and early warning capabilities for detecting customer and business risks, and explored the creation of a group-wide integrated off-site inspection platform to enhance coordinated "online + offline" and "digital + manual" risk control capabilities.

RISK MANAGEMENT FRAMEWORK

The board of directors of the Bank (the "**Board**") fulfils its risk management responsibilities pursuant to the Articles of Association of the Bank and regulatory requirements. The Board and its Risk Management Committee develop risk management strategies, supervise the implementation of such strategies, assess the Group's overall risk profile, regularly review the statements of risk appetite and communicate the Group's risk appetite through relevant policies. Senior management and its Risk and Internal Control Management Committee are responsible for executing risk strategies developed by the Board and organising and implementing comprehensive risk management across the Group.

The Risk Management Department is the lead department responsible for the Group's comprehensive risk management and leads the management of market risk. The Credit Management Department is the lead department responsible for the overall credit risk management and country risk management. The Asset & Liability Management Department is the lead department responsible for the management of liquidity risk and interest rate risk on banking book. The Internal Control & Compliance Department is the lead department responsible for operational risk management. The FinTech Department and Internal Control & Compliance Department jointly promote IT risk management. The Public Relations & Corporate Culture Department and Strategy and Policy Coordination Department are the lead departments responsible for reputational risk and strategic risk management, respectively. Other types of risks are managed by the respective specialised departments.

The Bank continues to optimise its risk governance system for subsidiaries, strengthens collaborative risk governance between the parent bank and subsidiaries as well as integrated risk control, and intensifies see-through management and process management. The Bank specifies the management objectives of subsidiaries for various risks, optimises the risk reporting mechanism and reporting lines, performs risk profiling, and bolsters risk management of key subsidiaries and key businesses, so as to consolidate the bottom line of risk compliance. The Bank continues to press ahead with differentiated and see-through management of overseas operations by carrying out comprehensive risk monitoring, risk profiling and risk warning. It bolsters interest rate risk management of overseas operations and adjusts risk limit management requirements.

CREDIT RISK MANAGEMENT

Credit risk represents the potential loss that may arise from the failure of a debtor or counterparty to meet its obligations or commitment to the Group. The Group reinforced its credit risk management across the board to firmly safeguard the bottom line of preventing systemic financial risks, constantly enhancing its risk operation and management capabilities.

Building a solid foundation for credit risk prevention and control

The Group built a solid foundation for credit risk prevention and control. It continued to press ahead with the optimisation and adjustment of composition of credit assets and effectively implemented the "Five Priorities" in finance, so as to beef up its support for key areas and weak links of the real economy, as well as key national strategies and coordinated regional development. It intensified integrated credit risk prevention and control at the group level, strengthening collaborative checks and balances in key processes. It focused on credit risk management in key areas, to improve the capabilities of forward-looking risk analysis, prevention and mitigation. The Group strictly implemented the Rules on Risk Classification of Financial Assets of Commercial Banks. It took full consideration of the substantive risks, conducted risk classification management in an accurate manner in line with the three-step procedure of "initial classification, identification and approval", so that the asset quality remained stable. It implemented the expected credit losses (ECL) model with high quality, timely made adequate provisions, and maintained strong risk mitigation capacity.

Enhancing risk measurement capabilities

The Group enhanced its risk measurement capabilities. It optimised its dedicated evaluation tool for sci-tech enterprises and enhanced the functionality of its credit rating system to improve the assessment capability of technological elements. It expanded ESG rating coverage to more customers and integrated ESG elements into credit ratings. It also upgraded its customer credit rating models, including those for retail businesses such as scorecards for credit card loans, loans granted to small and micro businesses, and Yunong Quick Loan, to strengthen risk differentiation capabilities of such models.

Optimising the comprehensive financing approval and management mechanism

The Group optimised the comprehensive financing approval and management mechanism. It incorporated both credit businesses and non-credit investment and financing businesses conducted in its financing services for corporate customers into a unified and comprehensive financing approval and management framework, clarifying responsibility boundaries and optimising process design. It clarified the primary and principal responsibilities of customer operation and risk management of the first line of defence and gave full play to the role of professional empowerment, risk control and collaborative services of the second line of defence. It developed an intensive and efficient process for key customers and businesses with high requirements for timeliness, so as to improve its market competitiveness.

Strengthening its special assets resolution

The Group strengthened its special assets resolution. With the effective management and timely disposal of non-performing assets, it sped up transfer of credit funds and contributed to virtuous economic development circulation. It maintained sound risk resolution and disposal capabilities, providing solid support for strategic advancement, operational management, structural optimisation, and profitability enhancement.

Concentration of Credit Risks

In line with regulatory requirements, the Group proactively adopted a series of measures to prevent large exposure concentration risk, including further tightening lending criteria, adjusting business structure, controlling the credit granting pace, revitalising existing credit assets and innovating products etc.

At the end of June 2025, the Group's gross loans to the largest single borrower accounted for 4.06 per cent. of total capital, while those to the top ten customers accounted for 14.69 per cent. of total capital.

Concentration of loans

	As at 30 June	As at 31 December		
	2025	2024	2023	2022
		(%)		
Proportion of loans to the largest single customer	4.06	4.15	4.42	4.50
Proportion of loans to the top ten customers	14.69	15.22	14.87	14.87

The Group's top ten single borrowers and their loans as at the date indicated are as follows:

		As at 30 June 2025	
		Amount	% of total loans
		(In millions of RMB, except percentages)	
	Industry		
Customer A	Transportation, storage and postal services	185,913	0.68
Customer B	Production and supply of electric power, heat, gas and water	74,028	0.27
Customer C	Production and supply of electric power, heat, gas and water	72,000	0.26
Customer D	Finance	62,560	0.23
Customer E	Leasing and commercial services	58,303	0.21
Customer F	Finance	48,856	0.18
Customer G	Transportation, storage and postal services	46,659	0.17
Customer H	Finance	44,165	0.16
Customer I	Mining	43,497	0.16
Customer J	Transportation, storage and postal services	36,993	0.14
Total		672,974	2.46

LIQUIDITY RISK MANAGEMENT

Liquidity risk is the risk that occurs when a commercial bank cannot obtain sufficient funds in time and at a reasonable cost to repay debts when they are due, fulfil other payment obligations, or meet the other funding needs in regular business development.

In the first half of 2025, the Group adhered to its sound and prudent liquidity management strategy, and continued to facilitate the upgrading of liquidity risk management mechanism and system; it analysed changes in internal and external fund situation in a forward-looking manner, effectively identified, measured, monitored and reported liquidity risk, enhanced utilisation of active liability instruments, unblocked market-oriented financing channels, and maintained reasonable liquidity reserve; it also continued to strengthen coordinated liquidity management at the group level, and optimised monitoring and early warning system for liquidity risk, to ensure safety of payment and settlement across the group.

Indicators of liquidity risk management

The following table sets forth the liquidity ratios and loan-to-deposit ratio of the Group as at the dates indicated.

		As at 30 June	**As at 31 December**		
	Regulatory standard	**2025**	**2024**	**2023**	**2022**
		(per cent.)			
Liquidity ratio[1] **RMB**	≥25	84.97	76.55	69.20	62.94
Liquidity ratio[1] **Foreign currency**	≥25	73.33	72.07	77.40	80.23
Loan-to-deposit ratio[2] **RMB**		89.64	89.28	85.12	83.62

Notes:

(1) Calculated by dividing current assets by current liabilities in accordance with the requirements of the former CBIRC.

(2) Calculated on the basis of domestic legal person in accordance with the requirements of the former CBIRC.

The following table sets forth the Group's liquidity coverage ratio and net stable funding ratio (NSFR) of the Group as at the dates indicated.

	Second quarter 2025	**First quarter 2025**	**Fourth quarter 2024**
Liquidity coverage ratio (%)[1]	122.06	124.79	125.73
	30 June 2025	**31 March 2025**	**31 December 2024**
NSFR (%)	131.53	133.87	133.91

Note:

(1) Calculated in accordance with the applicable regulatory requirements, definitions and accounting standards for the period. Each number represents simple arithmetic means of the values for every calendar day in the quarter.

All the liquidity indicators above met the regulatory requirements.

MARKET RISK MANAGEMENT

Market risk is the risk of loss, in respect of the Group's on and off-balance sheet activities, arising from adverse movements in market rates including interest rates, foreign exchange rates, commodity prices and stock prices. Market risk arises from both the Group's trading and non-trading businesses. The market risk management of the Group aims at building a Group-wide comprehensive management system of market risk and investment and trading business, effectively identifying, measuring, monitoring, controlling and reporting market risk; maintaining a competitive net interest spread and return on investment portfolio through effective market risk operation and management; balancing risk and return to further improve market competitiveness of the Bank.

In the first half of 2025, the Group continued to reinforce its market risk management. It formulated the annual risk policy and limit plan for investment and trading business, while monitoring and reporting on limit compliance. It further promoted digital monitoring and risk screening for trading business, driving multi-dimensional upgrades of digital surveillance tools. It cemented the foundation for market risk management of financial institutional business and asset management business by improving risk management systems and advancing system infrastructure development. In response to heightened fluctuation in global financial markets, the Group also intensified impact analysis on investment portfolios.

Value at Risk Analysis

The Bank performs value at risk ("VaR") analysis on its trading portfolio to measure and monitor the potential losses that could occur on risk positions taken, due to movements in market interest rates, foreign exchange rates and other market prices. The Bank calculates the VaRs of its Renminbi and foreign currency trading portfolios on a daily basis (at a confidence level of 99% and with a holding period of one trading day).

The VaR analysis on the Bank's trading book as at the balance sheet date and during the respective periods is as follows:

	2024				2025			
	As at 30 June	Average	Maximum	Minimum	As at 30 June	Average	Maximum	Minimum
	(In millions of RMB)							
VaR of trading portfolio	252	254	321	218	328	309	363	241
Of which:								
- Interest rate risk	34	31	38	22	202	124	213	73
- Foreign exchange risk....	242	243	315	203	281	309	363	246
- Commodity risk	1	1	6	-	1	1	2	-

INTEREST RATE RISK MANAGEMENT

Interest rate risk refers to the risk where the market interest rates, term structure and other factors may experience unfavourable fluctuations which impact the overall profitability and fair value resulting in losses to a bank. The key determinants of the Group's interest rate risk arise from the mismatch between the maturity periods of the assets and liabilities, and inconsistent pricing basis, resulting in re-pricing risk and basis risk.

The Group implements robust and prudent interest rate risk management strategy, seeks to achieve a balance between interest rate risk and profitability, and minimises the adverse impact from interest rate changes on net interest income and economic value. The Group employs a range of methods to measure and analyse interest rate risk on banking book, including repricing gap analysis, sensitivity analysis of net interest income and economic value, duration analysis, stress testing, and economic capital analysis. It actively uses quantitative and pricing facilities for balance sheet, prudently employs interest rate derivative hedging instruments, and performs interest rate risk management and evaluation by applying plan and performance appraisal and internal capital assessment to effectively control the interest rate risk level of business lines, overseas operations and subsidiaries, so that the interest rate risk on banking book is kept within a reasonable range.

In the first half of 2025, the Group continued to track changes in domestic and foreign economic situation, macroeconomic policies, and significant events, reinforced its interest rate risk management, and reasonably responded to market pressures and management challenges. It closely tracked changes in interest rates of deposits, loans and bonds, and continued to optimise the term structure of assets and liabilities to meet regulatory requirements; it bolstered interest rate risk management of overseas operations and adjusted the risk limit management requirements; it optimised internal and external pricing management strategies in a timely manner and prudently assessed interest rate terms of new products. In the first half of 2025, the results of stress testing indicated that the Group's interest rate risk indicators were kept within the limits, and the level of interest rate risk was reasonably under control.

Interest rate sensitivity gap analysis

The analysis of interest rate sensitivity gaps as at the specified dates by the next expected repricing dates or maturity dates (whichever are earlier) is set out below:

	Non-interest-bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years	Total
			(In millions of RMB)			
Interest rate sensitivity gap as at 30 June 2025	520,242	(7,031,848)	8,177,449	(3,488,290)	5,407,306	3,584,859
Accumulated interest rate sensitivity gap as at 30 June 2025		(7,031,848)	1,145,601	(2,342,689)	3,064,617	
Interest rate sensitivity gap as at 31 December 2024	283,083	(3,787,488)	5,734,890	(3,989,529)	5,103,009	3,343,965
Accumulated interest rate sensitivity gap as at 31 December 2024		(3,787,488)	1,947,402	(2,042,127)	3,030,882	

Net interest income sensitivity analysis

The net interest income sensitivity analysis is based on two scenarios. The first assumes that all yield curves rise or fall by 100 basis points in a parallel way, while the interest rates for deposits at the PBOC remain the same; the second assumes that the interest rates for deposits at the PBOC and the demand deposits remain the same, while all the other yield curves rise or fall by 100 basis points in a parallel way.

The interest rate sensitivity of the Group's net interest income as at 31 December 2024 and 30 June 2025 is set out below:

	Change in net interest income			
	Rise by 100 basis points (the interest rates for deposits at the PBOC being constant)	**Fall by 100 basis points (the interest rates for deposits at the PBOC being constant)**	**Rise by 100 basis points (the interest rates for deposits at the PBOC and the demand deposit being constant)**	**Fall by 100 basis points (the interest rates for deposits at the PBOC and the demand deposits being constant**
	(In millions of RMB)			
As at 30 June 2025	(83,706)	83,706	64,545	(64,545)
As at 31 December 2024	(46,805)	46,805	92,363	(92,363)

EXCHANGE RATE RISK MANAGEMENT

Exchange rate risk is the risk of impact of adverse movements in foreign exchange rates on a bank's financial position. The Group is exposed to exchange rate risk primarily because of currency mismatch of the assets and liabilities it holds in currencies other than Renminbi and the positions it takes as a market maker in financial markets. The Group measures and analyses its exchange rate risk by using a combination of methods such as exchange rate risk exposure and stress testing and controls and mitigates risk by matching its assets with liabilities, setting limits, and hedging.

In the first half of 2025, the Group adhered to a prudent and sound exchange rate risk management strategy, paid close attention to the changes in global economic and financial landscapes, and actively responded to fluctuations in the exchange rate market. It strengthened exchange rate risk management for its overseas operations and subsidiaries, enhanced management mechanisms and processes, and continued to improve management quality and efficiency. In the first half of 2025, the Group's exchange rate risk indicators satisfied regulatory requirements. Stress testing results showed that the overall exchange rate risk was under control.

Currency concentrations

The Group's currency concentrations as at 31 December 2024 and 30 June 2025 are set out below:

	As at 30 June 2025				As at 31 December 2024			
	USD (RMB equivalent)	**HKD (RMB equivalent)**	**Others (RMB equivalent)**	**Total**	**USD (RMB equivalent)**	**HKD (RMB equivalent)**	**Others (RMB equivalent)**	**Total**
	(In millions of RMB)							
Spot assets	1,005,271	326,025	517,610	1,848,906	964,301	315,444	411,909	1,691,654
Spot liabilities	(1,164,471)	(556,657)	(282,674)	(2,003,802)	(1,017,588)	(498,078)	(249,136)	(1,764,802)
Forward purchases	3,467,969	499,808	233,396	4,201,173	3,351,341	316,408	234,302	3,911,051
Forward sales	(3,307,679)	(223,279)	(443,608)	(3,974,566)	(3,276,346)	(91,062)	(367,232)	(3,734,640)
Net options position	(26,863)	-	4	(26,859)	(47,118)	-	(829)	(47,947)
Net (short)/long position	(25,773)	45,897	24,728	44,852	(25,410)	42,712	38,014	55,316

Operational Risk Management

Operational risk is the risk of loss resulting from flawed or erroneous internal processes, people and systems, or external events.

The Board assumes the ultimate responsibility for operational risk management. Senior management is responsible for the implementation of operational risk management, with key duties including organising the formulation of basic policies and rules on operational risk management. The operational risk organisational structure comprises business and management departments, operational risk management departments, and audit department.

The Group has formulated basic rules for operational risk management and established an operational risk management system tailored to its business nature, size, complexity and risk profile. Such management framework strengthens the coordinated control of "three lines of defence" and uses operational risk appetite and its transmission as guiding principles. Empowered by operational risk management tools and supported by operational risk culture, staffing, incentives and disciplines, and IT systems, the Group continues to promote identification and assessment, control and mitigation, monitoring and reporting, and capital measurement of operational risks in business products and management activities. It also periodically reviews and optimises the operational risk management framework. In addition, it systematically embeds internal control requirements into the development of policies, processes, and systems related to operation management, implementing internal control measures across business operations, products, and management activities to effectively prevent and control operational risks and reduce losses.

In the first half of 2025, the Group actively benchmarked itself against the Rules on Operational Risk Management of Banking and Insurance Institutions, further improving management mechanisms such as the transmission of operational risk appetite and risk reporting to cement the foundation for operational risk management. It strictly implemented regulatory requirements such as the Capital Rules for Commercial Banks and the Provisions on the Application and Validation of Advanced Capital Measurement Approach by Commercial Banks and improved the measurement system under standardised approach for operational risks, advancing preparatory work for evaluation applications related to the implementation of the standardised approach for operational risks such as self-assessments and external audits. The Group initiated a new round of business impact analysis, so as to constantly refine its business continuity management strategies, identify important business operations, and be well prepared for operational risk exposures. Additionally, it conducted coordinated drills on continuity of important business operations with a focus on its management priorities, to improve emergency awareness and response capabilities among relevant personnel, thus enhancing both effectiveness and quality of such drills.

ANTI-MONEY LAUNDERING

The Group adheres to the concept of assuming social responsibility, fulfilling legal obligations, conducting active and compliant operation, and preventing financial crime, and is always following the risk-based management principle. It strictly implements anti-money laundering ("**AML**") and counter terrorist financing ("**CTF**") regulatory requirements, continuously identifies money laundering and terrorist financing risk, and performs prudent assessment, effective control and whole-process management, in order to earnestly protect customers' legitimate rights and interests and maintain the order of financial market.

The Group strictly implements regulatory requirements for AML and financial sanctions. It strengthens its money laundering risk management capabilities by continuing to enhance the "**risk based**" AML management system, strengthening the fulfilment of its core obligations, pressing ahead with infrastructure development for beneficiaries' information reporting, intensifying monitoring in high-risk areas of money laundering, and actively exploring the application of emerging technologies such as big data, to play its role in preventing money laundering activities and curbing money laundering and related crimes.

REPUTATIONAL RISK MANAGEMENT

In the first half of 2025, adhering to its forward-looking, comprehensive, proactive and effective management principle, the Group continued to improve its reputational risk management system and mechanism, and improved overall efficiency of its reputational risk management. It focused on strengthening source management of reputational risk and further strengthened the reporting, monitoring and early warning of potential negative publicity so as to prevent and mitigate potential reputational risks and make plans for emergencies in advance. It strengthened the working mechanism for emergency response and joint resolution of reputational events and standardised the reporting path and time limit of public opinion information, so as to enhance its capability of quick response to adverse media coverage. In the first half of 2025, the Group steadily improved its reputational risk management standard, and no significant reputational incidents occurred, effectively safeguarding its good corporate image and reputation.

COUNTRY RISK MANAGEMENT

Country risk is the risk of losses in the physical outlets, equipment, facilities or other losses to the Group in a country or a region or other losses the Group suffers as a result of insolvency or refusal of borrowers or debtors in a country or a region to repay their debts to the Group, due to the economic, political, social changes and events in such country or region.

In strict compliance with regulatory requirements, the Group incorporates country risk management into comprehensive risk management system. The Board assumes the ultimate responsibility for monitoring the effectiveness of country risk management, and senior management carries out country risk management policies approved by the Board. The Group manages country risk by applying tools including evaluation and rating, risk limit, data aggregation, stress testing, monitoring and early alert, and emergency responses.

In the first half of 2025, the Group continued to optimise its country risk management in line with the needs of business development to address global economic challenges. It optimised the country risk management system, reviewed country risk ratings, closely monitored country risk exposure, and strengthened country risk early warning and emergency response mechanism. The Group's country risk exposure was mainly concentrated in countries or regions with low or relatively low country risk, and the overall country risk was maintained at a reasonable level.

CONSOLIDATED MANAGEMENT

Consolidated management is the Bank's on-going comprehensive management and control over the corporate governance, capital and finance of the Group and the subsidiaries, which enables the Bank to effectively identify, measure, monitor and control the overall risk profile of the Group.

In the first half of 2025, the Group continued to enhance consolidated management, promoted the integrated management at the group level, and reinforced various aspects of the Group's consolidated management, including risk management, corporate governance and capital management to prevent cross-border and cross-industry business risks, and promote the high quality development of subsidiaries and overseas operations.

The Group continued to streamline its equity hierarchy and pushed for a simple and clear shareholding structure. It improved the transmission and implementation mechanism of its unified risk appetite, deepened the comprehensive risk management, reinforced the risk limit management, and enhanced the synergistic risk control of parent bank and subsidiaries. The Group strengthened the strategic management of subsidiaries, reviewed and optimised the management policy of "One Policy for One Subsidiary". It optimised the corporate governance structure of subsidiaries and standardised authorisation management. It also enhanced monitoring and management of capital adequacy of subsidiaries to push the subsidiaries to constantly meet industry regulatory requirements on capital indicators and maintain a reasonable buffer. It developed a three-year data governance action plan for subsidiaries based on the Group's data governance structure, aiming to drive continuous improvement in their data governance capabilities. It also stepped up its support for sci-tech development at subsidiaries and overseas operations, and continued to promote IT integration at the group level.

INTERNAL AUDIT

The Group's internal audit is committed to evaluating and supervising the improvement of risk management, control and governance processes, promoting value creation, and improving business operation. The internal auditors work in a relatively independent manner and are managed vertically. The department is accountable to and reports to the Board and its audit committee, and also reports to senior management. In addition to the audit department at the head office, the Bank has 29 audit offices at tier-one branches and an overseas audit centre in Hong Kong.

In the first half of 2025, the audit procedures covered businesses such as loans to large and medium-sized enterprises, special assets resolution, inclusive finance, personal loans, finance and accounting management, liabilities, payment and settlement, key compliance matters, related party transactions, asset management, financial institutional business, e-finance, group consolidated management, and FinTech, and covered subsidiaries and overseas operations on a cyclical basis. Through performing study and analysis on the underlying causes of identified issues, the Group continued to expand the breadth and depth of audit supervision, strengthened systematic and fundamental rectification, and constantly upgraded management mechanisms, business processes and internal management, so as to effectively promote the sound development of the Group's operation and management.

INTERNAL CONTROL

The objective of the internal control of the Bank is to reasonably ensure the compliance of operation and management with laws and regulations, the safety of assets, and the truthfulness and completeness of financial reports and related information, improve operational efficiency and effectiveness, and facilitate the successful implementation of development strategies. The Board is responsible for establishing and improving internal controls, implement them effectively, evaluating its effectiveness, and supervising the effective operation of internal control system according to the requirements regarding the standardized system of enterprise internal control. Considering that the purpose of the above risk management and internal control system is to manage rather than eliminate the risk of failing to achieve business objectives, the Board can only reasonably but not absolutely guarantee that the relevant rules can prevent any major misrepresentation or loss. The board of supervisors supervises the establishment and implementation of internal control of the Board. The senior management is responsible for organising and leading the daily operation of internal control.

In 2024, the Bank continued to improve the digital monitoring mechanism, and strengthened support for internal control management tools based on its internal control evaluation system and business compliance platform to enhance the effectiveness of the Bank's internal control management with high-quality and efficient internal control evaluation.

The Board and its audit committee assess the effectiveness of internal control and review the internal control assessment report annually. The assessment conclusion is that, at the end of 2024, there was no material deficiency in the internal control over financial reporting of the Bank, and no material deficiency was detected in the internal control over non-financial reporting. The Board believed that the Bank conducted effective internal control over financial reporting in all major aspects in compliance with the requirements regarding the standardised system of enterprise internal control and other relevant regulations.

The Bank engaged Ernst & Young Hua Ming LLP as the auditor of internal control. The audit opinion on internal control was in line with the Bank's assessment conclusion on the effectiveness of internal control over financial reporting. The disclosure of material deficiency of internal control over non-financial reporting in the audit report of internal control was in line with the disclosure of the internal control assessment report of the Bank.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The section headed "Directors, Supervisors and Senior Management" on pages 152 to 160 of the Base Offering Circular shall be deleted in its entirety and replaced with the following:

General

As of the date of this Offering Circular, the Bank's Board comprised 13 members. There are five independent non-executive directors, five non-executive directors and three executive directors. The Bank's directors are elected at shareholder general meetings for a term of three years, which is renewable upon re-election. The chairman of the Board is elected by simple majority of the Board. Mr. Zhang Jinliang is the Bank's chairman and is responsible for business strategies and overall development of the Bank.

Each of the Bank's directors, supervisors and senior management has disclosed to the Bank at the time of appointment, and in a timely manner for any change in, the number and nature of offices held in public companies or organisations and other significant commitments, the identity of the public companies or organisations and an indication of the time involved.

Some directors and supervisors of the Bank indirectly held H-shares of the Bank via the employee stock incentive plan of the Bank before they assumed their current positions. As at 30 June 2025, Mr Zhang Yi held 9,848 H-shares, Mr. Lin Hong held 15,555 H-shares and Mr. Liu Jun held 12,447 H-shares. Save as disclosed above, none of the directors and supervisors of the Bank had any interests or short positions in the shares, underlying shares and debentures of the Bank or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "**SFO**")).

The following tables set forth information regarding the Bank's directors, supervisors and senior management. The Bank's directors, supervisors and members of senior management all meet the qualification requirements for their respective positions. Their qualifications have been reviewed and approved by the PRC banking regulatory authorities. Non-executive directors holding positions in the corporate shareholders do not receive compensation directly from the Bank.

Directors

The following table sets forth certain information concerning the Bank's directors as at the date of this Offering Circular.

Name	Position
Zhang Jinliang	Chairman, executive director
Zhang Yi	Vice Chairman, executive director
Ji Zhihong	Executive director
Xin Xiaodai	Non-executive director
Liu Fang	Non-executive director
Li Lu	Non-executive director
Li Li	Non-executive director
Dou Hongquan	Non-executive director
William Coen	Independent non-executive director
Leung Kam Chung, Antony	Independent non-executive director
Lord Sassoon	Independent non-executive director
Lin Zhijun	Independent non-executive director

Name	Position
Zhang Weiguo	Independent non-executive director

Notwithstanding the disclosures mentioned in "*Directors, Supervisors and Senior Management – General*" section, no potential conflicts of interest exist between the obligations of the directors named above towards the Bank and their own interests or other obligations. The business address of each of the directors named above is No. 25, Financial Street, Xicheng District, Beijing, China 100033.

Zhang Jinliang

Chairman, executive director

Mr. Zhang has served as chairman of the Board since March 2024 and executive director of the Bank since June 2022. He began to serve as vice chairman of the eighth session of the council of China Society for Finance & Banking from April 2023, and concurrently serves as member of International Advisory Panel of Monetary Authority of Singapore from October 2024, and vice chairman of the ninth session of the council of China Banking Association from November 2024. He served as vice chairman of the Board from June 2022 to March 2024 and as president of the Bank from May 2022 to March 2024. From August 2018 to April 2022, Mr. Zhang served as director and general manager of China Post Group Corporation Limited (previously China Post Group Corporation). From May 2019 to April 2022, Mr. Zhang served as chairman and non-executive director of Postal Savings Bank of China Co., Ltd. From January 2016 to August 2018, Mr. Zhang was executive director of China Everbright Group and executive director and president of China Everbright Bank. From October 2003 to January 2016, Mr. Zhang served successively as deputy general manager of finance and accounting department, head of IT blueprint implementation office, general manager of financial management department, general manager of Beijing Branch, executive director and executive vice president of Bank of China. Mr. Zhang is a certified public accountant and senior accountant. He obtained a Ph.D. degree in Economics from Xiamen University in 1997.

Zhang Yi

Vice Chairman, Executive director

Mr. Zhang has served as vice chairman of the Board of the Bank since July 2024, executive director of the Bank since June 2024, and president of the Bank since May 2024. Mr. Zhang began to concurrently serve as chairman of Sino-German Bausparkasse from January 2025. Mr. Zhang served as executive vice president of Bank of China ("**BOC**") from March 2023 to May 2024 and executive director of BOC from April to May 2024. He served as executive vice president of Agricultural Bank of China from November 2021 to March 2023, and chief financial officer of the Bank from April 2021 to September 2021. Prior to that, Mr. Zhang served as deputy general manager of the Asset & Liability Management Department of the Bank, deputy general manager and general manager of Jiangsu Branch of the Bank, and general manager of the Finance & Accounting Department of the Head Office of the Bank. Mr. Zhang is a senior accountant. He graduated from Southwestern University of Finance and Economics in 1993 with a bachelor's degree, and graduated from Renmin University of China in 2002 with a master's degree in business administration.

Ji Zhihong

Executive director

Mr. Ji has served as executive director of the Bank since June 2023 and executive vice president of the Bank since August 2019. Mr. Ji has begun to serve as the secretary to the Board of the Bank from 18 April 2025. Mr. Ji has served concurrently as chairman of the Council of CCB Housing Rental Fund since November 2022. He served as director-general of the financial market department of the PBOC from August 2013 to May 2019, during which he was concurrently director of the financial market management department of the Shanghai Head Office from August 2013 to May 2016. From September 2012 to August 2013, he was director-general of the research bureau of the PBOC. From April 2010 to September 2012, he was deputy director-general of the monetary policy department of the PBOC. From February 2008 to April 2010, he was deputy director (Deputy Director-General level) of the open market operations department of the PBOC Shanghai Head Office. Mr. Ji is a research fellow. He obtained a master's degree in international finance from the Graduate School of the PBOC (now PBOC School of Finance, Tsinghua University) in 1995 and a PhD degree in national economics from Chinese Academy of Social Sciences in 2005.

Xin Xiaodai

Non-executive director

Ms. Xin has served as director of China Export & Credit Insurance Corporation. From November 2015 to May 2020, Ms. Xin consecutively served as deputy general manager of China-LAC Capacity Cooperation Investment Fund Co., Ltd., and supervisor of Beijing Jiyuan Investment Co., Ltd. From November 2004 to November 2015, she worked in the Monetary Policy Department of the People's Bank of China, consecutively serving as cadre, deputy consultant and director. Ms. Xin is a senior economist. She obtained a master's degree in economics from the department of international economics of Nankai University in 1993 and a Ph.D. degree in economics from the department of economics at The Ohio State University in the United States in 2004.

Liu Fang

Non-executive director

Ms. Liu has served as non-executive director since January 2021. Ms. Liu joined Huijin in 2021. Ms. Liu has served as deputy director-general of the general affairs department (policy and regulation department) and counsel of SAFE from July 2019 to February 2021. From March 2015 to June 2019, Ms. Liu was deputy director-general of the general affairs department (policy and regulation department) of SAFE. From July 1999 to February 2015, Ms. Liu consecutively served as chief staff member and deputy director of the balance of payments department of SAFE, deputy director and director of the general affairs department (policy and regulation department) of SAFE. Ms. Liu graduated from School of International Economics of Renmin University of China with a master's degree in economics in 1999.

Li Lu

Non-executive director

Ms. Li has served as non-executive director of the Bank since March 2023. Ms. Li joined Huijin in 2005. From January 2005 to March 2023, Ms. Li took up posts in Huijin including business manager and deputy senior manager of BOC equity management division of Bank Department, senior manager of research and support division of Banking Institution Management Department I, director of CCB division of Equity Management Department I, and managing director of Equity Management Department I. During her terms of office, Ms. Li worked as deputy general manager of Dongcheng Sub-branch, Beijing Branch, Bank of China Limited from May 2012 to April 2013. Ms. Li obtained a bachelor's degree in economics from Capital University of Economics and Business in 2002, and received her master's degree of Science from University of Surrey in the United Kingdom in 2003.

Li Li

Non-executive director

Ms. Li has served as the vice president (deputy director-general level) of Beijing National Accounting Institute since December 2018. From December 2014 to December 2018, Ms. Li successively served as a discipline inspector and supervisor at the director level and then at the deputy director-general level of the Supervision

Bureau of the Discipline Inspection Office of the Supervision Department of the CPC Central Commission for Discipline Inspection ("**CCDI**") at the Ministry of Finance, a discipline inspector at the deputy director-general level of the Discipline Inspection Office of the CCDI at the Ministry of Finance, and a discipline inspector at the deputy director-general level of the Discipline Inspection and Supervision Office of the CCDI and the National Commission of Supervision at the Ministry of Finance. Ms. Li graduated with a bachelor's degree in metal materials and heat treatment from the department of materials engineering at Xi'an Technological University in 1993.

Dou Hongquan

Non-executive director

Mr. Dou has served as director of China Everbright Group since July 2019, during which he concurrently served as director of China Everbright Bank from October 2019 to July 2020. From November 2011 to July 2019, he consecutively served as full-time supervisor and non- employee representative supervisor of the board of supervisors in CITIC Group, managing director of the office of China Securities Co., Ltd., and vice chairman of China Capital Management Co., Ltd. From September 2001 to November 2011, he served at the board of supervisors of state-owned key financial institutions, during which he served as director-level full-time supervisor of each of China Everbright Group and CITIC Group. From July 1995 to September 2001, he worked in the non-banking department of the People's Bank of China. Mr. Dou is a senior economist and non-practicing member of the Chinese Institute of Certified Public Accountants. He obtained a master's degree in science from the Guanghua School of Management, Peking University in 1995, and a Ph.D. degree in economics from Research Institute of the People's Bank of China in 2005.

William Coen

Independent non-executive director

Mr. Coen has served as independent non-executive director of the Bank since June 2021. Mr. Coen has served as independent non-executive director of Buna, a cross-border payment system in the Arab region, from July 2022, and as member of Global Advisory Board of Mitsubishi UFJ Financial Group, Inc. from October 2021. He currently serves as a member of the Advisory Board of Baton Systems, Inc. since June 2021, and chief regulatory adviser for Suade Labs since April 2021. He served as chairman of the IFRS Advisory Council from February 2020 to February 2025. He has been member of the board of directors of the Toronto Leadership Centre since November 2019 and technical advisor of the International Monetary Fund since July 2019. He served as senior advisor of global financial services of KPMG from 2022 to 2024, secretary general of the Basel Committee on Banking Supervision from 2014 to 2019, deputy secretary general of the Basel Committee on Banking Supervision from 2007 to 2014, and supported BIS Financial Stability Institute from 2003 to 2006. Prior to joining the Basel Committee on Banking Supervision Secretariat in 1999, he consecutively worked with the US Office of Comptroller of the Currency and the US Board of Governors of the Federal Reserve System. Mr. Coen is currently a member of the Bretton Woods Committee and was a member of the Financial Stability Board and its standing committees. He obtained his Bachelor of Science Degree from Manhattan College in 1984 and his Master of Business Administration degree from Fordham University in 1991.

Leung Kam Chung, Antony

Independent non-executive director

Mr. Leung has served as independent non-executive director of the Bank since October 2021. Mr. Leung, former Financial Secretary of the Hong Kong SAR, is chairman of Nan Fung Group in Hong Kong, chairman and co-founder of New Frontier Group, and served as chairman & co-founder of Solomon Learning. In addition, Mr. Leung is chairman of two charity organisations, namely Heifer Hong Kong and Food Angel. Mr. Leung had extensive experience in financial services, including chairman of Greater China Region of Blackstone Group, chairman of Asia for JP Morgan Chase and head of Private Banking for Asia, Investment Banking, Treasury Department and Greater China Region of Citi. Mr. Leung had also served as independent non-executive director of China Merchants Bank, Industrial and Commercial Bank of China, China Mobile (Hong Kong) Limited and American International Assurance (Hong Kong) Limited, international advisor of China Development Bank, chief executive officer of Nan Fung Group in Hong Kong and chairman of Hong Kong Association of Harvard Business School. Other public services that Mr. Leung had engaged in included non-official member of the Executive Council of the Hong Kong SAR, chairman of the Education Commission, chairman of the University Grants Committee, member of the Exchange Fund Advisory Committee, director of Hong Kong Airport Authority and director of Hong Kong Futures Exchange, member of the Preparatory Committee for the Hong Kong Special Administrative Region, member of the First Government Election Committee of the Hong Kong Special Administrative Region and Hong Kong Affairs Advisors. Mr. Leung graduated from the University of Hong Kong in 1973 and attended Harvard Business School's Programme for Management Development and Advanced Management Programme. Mr. Leung was conferred an honorary doctor of law by the Hong Kong University of Science and Technology in 1998.

Lord Sassoon (Lord James Meyer Sassoon)

Independent non-executive director

Lord Sassoon has served as independent non-executive director since October 2023. He began to serve as chairman of the Pilgrim Trust from January 2025. Lord Sassoon is a member of the International Advisory Council of the China Investment Corporation (CIC), president of the China-Britain Business Council (CBBC), chairman of The Sir John Soane's Museum, a trustee emeritus of the British Museum (served as trustee and deputy chairman from 2013 to 2021), and independent non-executive director of Barco NV, Arbuthnot Banking Group PLC, and Arbuthnot Latham & Co., Limited. He formerly served as a member of the Global Advisory Board of Mitsubishi UFJ Financial Group from 2013 to 2021, and a director of Jardine Matheson Holdings Limited and other Jardine group companies from 2013 to 2020. He was chairman of CBBC from 2013 to 2019, and president of the EU China Business Association from 2013 to 2017. He was commercial secretary to the Treasury from 2010 to 2013 and chaired the Financial Action Task Force from 2007 to 2008. He served as a managing director in HM Treasury from 2002 to 2006 with responsibility for Financial Services and Enterprise Policy. During his career, he has had a consistent focus on business relating to Asia, and has participated in the UK-China Economic and Financial Dialogue since 2002. Lord Sassoon joined S.G. Warburg (later UBS Warburg) in 1985, becoming a managing director in 1995. He began his career at KPMG in 1977, qualifying as an associate of the Institute of Chartered Accountants in England and Wales. Lord Sassoon joined the House of Lords in 2010. He was educated at the University of Oxford, where he read philosophy, politics and economics, and obtained his master of arts degree in 1977.

Lin Zhijun

Independent non-executive director

Mr. Lin Zhijun has served as independent non-executive director of the Bank since September 2024. Mr. Lin is the Senior Advisor to the President, Professor and PhD Supervisor of the Macau University of Science and Technology, independent non-executive director of China Everbright Limited and BOCOM International Holdings Company Limited. Previously, he served as independent non-executive director of Sinotruk (Hong Kong) Limited, Dali Foods Group Company Limited, South Manganese Investment Limited (formerly "CITIC Dameng Holdings Limited") and Springland International Holdings Limited. He was also Vice President and Dean of the School of Business of the Macau University of Science and Technology, Professor and Head of the Department of Accountancy and Law at Hong Kong Baptist University, Visiting Professor at the University of Hong Kong, and Associate Professor at the Faculty of Management at the University of Lethbridge, Canada, Associate Professor at College of Economics, Xiamen University. Mr. Lin worked at the Toronto office of an international accounting firm (now known as "Deloitte"). Mr. Lin is a member of the American Institute of Certified Public Accountants, the Chinese Institute of Certified Public Accountants, Chartered Global Management Accountants and the Australian Institute of Certified Management Accountants. Mr. Lin holds a master's degree in economics from Xiamen University, a master of science in business administration from University of Saskatchewan in Canada and a PhD degree in economics (accounting) from Xiamen University.

Zhang Weiguo

Independent non-executive director

Mr. Zhang currently serves as Visiting Professor in Management Practice at Tsinghua University, Distinguished Professor at Shanghai University of Finance and Economics, advisor of the Postdoctoral Research Station of the CSRC, Chairman of the Accounting Professional Advisory Committee of the Shenzhen Stock Exchange, and executive committee member of the International Foundation for Valuing Impacts. Mr. Zhang formerly served as an independent non-executive director of Yonyou Network Technology Co., Ltd from 2018 to 2024. Mr. Zhang was a full-time board member of the International Accounting Standards Board from 2007 to 2017, during which he concurrently served as a member of the International Advisory Committee of CSRC. From 1997 to 2007, Mr. Zhang served as Chief Accountant and Director General of the Department of Accounting and the Department of International Affairs at the CSRC, and member of CSRC's Stock Issuance and Listing Review Committee, Administrative Sanctions Committee and Administrative Reconsideration Committee. Mr. Zhang was a lecturer, associate professor, professor, head of the accounting department, and doctoral advisor at Shanghai University of Finance and Economics from 1985 to 1997. Mr. Zhang served as a member of the first standing committee in charge of accounting, auditing and disclosure at the International Organization of Securities Commissions, a member of the Accounting Standards Committee and the Auditing Standards Committee of the Ministry of Finance, standing director of the Chinese Institute of Certified Public Accountants, and standing director of the China Appraisal Society. Mr. Zhang was awarded Special Government Allowance by the State Council. Mr. Zhang graduated with a PhD degree in economics (accounting) from Shanghai University of Finance and Economics in 1990.

Supervisors[10]

The following table sets forth certain information concerning the Bank's supervisors as at the date of this Offering Circular.

Name	Position
Lin Hong..	Shareholder representative supervisor
Liu Jun...	Employee representative supervisor
Zhao Xijun...	External supervisor
Liu Huan..	External supervisor
Ben Shenglin	External supervisor

Notwithstanding the disclosures mentioned in "*Directors, Supervisors and Senior Management – General*" section, no potential conflicts of interest exist between the obligations of the supervisors named above towards

[10] The Bank has approved the Resolution on Cancellation of the Board of Supervisors at the 2024 annual general meeting. Upon approval of the amendments to the Articles of Association of China Construction Bank Corporation by the National Financial Regulatory Administration, the Bank will cancel the board of supervisors, and the audit committee of the Board will assume the functions and powers of the board of supervisors according to the law.

the Bank and their own interests or other obligations. The business address of each of the supervisors named above is No. 25, Financial Street, Xicheng District, Beijing, China 100033.

Lin Hong

Shareholder representative supervisor

Mr. Lin has served as supervisor of the Bank since December 2021. Mr. Lin has served as general director of Party Committee Supervision Office of the Bank since November 2024, and general manager of the audit department of the Bank since May 2018. Mr. Lin served as leader of the inspection team of China Construction Bank Committee of the Communist Party of China from May 2017 to May 2018, deputy general manager of Jiangxi Branch of the Bank (general manager level) from March 2015 to May 2017, deputy secretary of the discipline inspection committee, deputy general manager of the disciplinary and supervisory department and deputy director of the inspection affairs office (general manager level) of the Bank from March 2007 to March 2015 and deputy general manager of the disciplinary and supervisory department of the Bank from August 2001 to March 2007. Mr. Lin is a senior accountant. He graduated from Jiangxi Finance and Economics College with a bachelor's degree in auditing in 1988 and obtained a PhD degree in industrial economics from Jiangxi University of Finance and Economics in 2008.

Liu Jun

Employee representative supervisor

Mr. Liu has served as supervisor of the Bank since December 2021. Mr. Liu has served as general manager of Shanghai Branch of the Bank since February 2023. He served as chairman of CCB Principal Asset Management from July 2022 to February 2023. He served as general manager of Guangdong Branch of the Bank from December 2014 to March 2022. He served as head of Guangdong Branch of the Bank from November 2014 to December 2014, general manager of Shenzhen Branch of the Bank from April 2011 to November 2014, head of Shenzhen Branch of the Bank from March 2011 to April 2011, deputy general manager of Guangdong Branch of the Bank from September 2008 to March 2011, and assistant general manager of Guangdong Branch of the Bank from June 2006 to September 2008. Mr. Liu graduated from Anhui University with a bachelor's degree in law in 1986 and obtained a master's degree of business administration from Hong Kong Baptist University in 2003.

Zhao Xijun

External supervisor

Mr. Zhao has served as external supervisor of the Bank since June 2019. Mr. Zhao has served as joint dean of the China Capital Market Research Institute, Renmin University of China since 2020. He served as deputy dean of the School of Finance of Renmin University of China from 2005 to 2019, director of international office of Renmin University of China from 2001 to 2005, head of finance department of the School of Finance of Renmin University of China from 1995 to 2001 and a research fellow of the international department of China Securities Regulatory Commission from 1994 to 1995. Mr. Zhao serves as independent non-executive director of China National Foreign Trade Financial & Leasing Co., Ltd. and iFLYTEK Co., Ltd. and external supervisor of Hua Xia Bank Co., Ltd. Mr. Zhao served as independent non-executive director of the Bank from August 2010 to March 2014. Mr. Zhao was a visiting scholar in University of Sherbrooke and McGill University, Canada from 1989 to 1990 and Nijenrode University, Netherlands from 1995 to 1996. Mr. Zhao graduated from Wuhan University with a bachelor's degree in Scientific French in 1985, completed his graduate studies from the finance department of Renmin University of China in 1987, and received his PhD degree from the School of Finance of Renmin University of China in 1999.

Liu Huan

External supervisor

Mr. Liu has served as external supervisor of the Bank since June 2020. Mr. Liu is a counselor of the State Council and a professor of the School of Finance and Taxation of the Central University of Finance and Economics. He served as deputy dean of the School of Taxation, Central University of Finance and Economics from 2006 to 2016, deputy dean of the Department of Taxation, and deputy dean of the School of Finance and Public Administration from 1997 to 2006. From 2004 to 2005, he served as deputy director-general of the Local Taxation Bureau of Beijing Xicheng District and assistant director-general of the Local Taxation Bureau of Beijing. Mr. Liu serves as independent non-executive director of Motic (Xiamen) Electric Group Co., Ltd. and Zhejiang Sunoren Solar Technology Co., Ltd. He is a member of the Standing Committee and deputy director of the Economic Committee of the 11th, 12th and 13th Beijing Municipal Committee of the Chinese People's Political Consultative Conference. He is a visiting professor at School of Economics and Management of Tsinghua University, a visiting professor at the School of Overseas Education of Shanghai Jiaotong University and a supervisor of master's degree in taxation of the University of Chinese Academy of Social Sciences. Mr. Liu is a certified public accountant and graduated from the Central Institute for Fiscal and Finance with a bachelor's degree in economics in 1982.

Ben Shenglin

External supervisor

Mr. Ben has served as external supervisor of the Bank since June 2020. Mr. Ben has served as professor and doctoral supervisor of Zhejiang University since May 2014, executive director of the Institute of International Money, Renmin University of China since January 2014 and co-director since July 2018, dean of Academy of Internet Finance of Zhejiang University since April 2015 and dean of the International Business School of Zhejiang University since October 2018. Mr. Ben had served in senior positions in financial institutions including JPMorgan Chase Bank, HSBC, and ABN AMRO Bank. He currently serves as independent non-executive director of Zhejiang Orient Financial Holdings Group Co., Ltd., Industrial Bank Co., Ltd. and Caitong Securities Co., Ltd. Mr. Ben is a member of the Standing Committee of Zhejiang Provincial Committee of the Chinese People's Political and Consultative Conference and has served in social positions including chairman of the Zhejiang Association of FinTech. Mr. Ben graduated with a bachelor's degree in engineering from Tsinghua University in 1987, a master's degree in business administration from Renmin University of China in 1990, and a PhD degree in economics from Purdue University in 1994.

Senior Management

The following table sets forth certain information concerning the Bank's senior management as at the date of this Offering Circular.

Name	Position
Zhang Yi	President
Ji Zhihong	Executive vice president, Secretary to the Board
Li Jianjiang	Executive vice president and Chief risk officer
Han Jing	Executive vice president
Lei Ming	Executive vice president
Sheng Liurong	Chief financial officer

Notwithstanding the disclosures mentioned in "*Directors, Supervisors and Senior Management – General*" section, no potential conflicts of interest exist between the obligations of the senior managers named above towards the Bank and their own interests or other obligations. The business address of each of the senior managers named above is No. 25, Financial Street, Xicheng District, Beijing, China 100033.

Zhang Yi

President

Mr. Zhang has served as president of the Bank since May 2024. See "*Directors, Supervisors and Senior Management – Directors*" for more details.

Ji Zhihong

Executive vice president, Secretary to the Board

Mr. Ji has served as executive vice president of the Bank since August 2019. See "*Directors, Supervisors and Senior Management – Directors*" for more details.

Li Jianjiang

Executive vice president and Chief risk officer

Mr. Li has served as executive vice president and chief risk office of the Bank since May 2024. He served as general manager of Chongqing Branch of China Development Bank ("**CDB**") from June 2020 to March 2024, deputy general director of the executive office of CDB from May 2018 to June 2020, and deputy general manager of Gansu Branch of CDB from April 2015 to May 2018. Mr. Li is a senior economist. He graduated from China School of Banking and Finance majoring in finance with a bachelor's degree in July 1996.

Han Jing

Executive vice president

Ms. Han served as general manager of Henan Branch of Agricultural Bank of China ("**ABC**") from April 2023 to March 2025. Ms. Han held the positions of head and general manager of the institutional business department of ABC from February 2018 to February 2023, concurrently serving as head of the Shanghai management department during this period. From August 2013 to February 2018, Ms. Han was deputy general manager of the Jiangsu Branch of ABC. Prior to this, Ms. Han served successively as general manager of the corporate business department, general manager of the investment banking department of Jiangsu Branch, general manager of Nantong Branch, and assistant general manager of Jiangsu Branch of ABC. Ms. Han is a senior economist. Ms. Han graduated from Nanjing Agricultural University majoring in agricultural economics and management with a master's degree in agriculture in August 1994.

Lei Ming

Executive vice president

Mr. Lei has served as chairman and executive director of CCB FinTech Co., Ltd. since September 2023. From May 2018 to September 2023, Mr. Lei served as president and executive director of CCB FinTech Co., Ltd. During this period, from December 2018 to May 2024, Mr. Lei concurrently held positions at the CCB Learning Centre as deputy dean of Shanghai Financial Innovation Institute (Shanghai International Finance Institute) and dean of Suzhou FinTech Institute. From April 2016 to May 2018, he served as deputy general manager of the financial markets trading centre of the Bank. From November 2011 to April 2016, he served as deputy general manager of the commodities and futures trading department under the financial market department of the Bank. Prior to that, Mr. Lei held various positions at Shanghai Branch of the Bank, including head of the executive office, general manager of Nanhui Sub-branch, and general manager of the e-banking department. Mr. Lei is a senior economist, and graduated from Tongji University majoring in industrial automation with a master's degree in engineering in 1995.

Sheng Liurong

Chief financial officer

Mr. Sheng has served as chief financial officer of the Bank since November 2022 and has concurrently served as chairman of CCB Principal Asset Management since September 2023. Mr. Sheng served as general manager of asset and liability management department of the Bank from March 2020 to May 2024. Mr. Sheng concurrently served as non-executive director of CCB Financial Leasing from August 2018 to October 2023.He served as head and general manager of the financial market department of the Bank from September 2017 to March 2020, general manager of Xiamen Branch of the Bank from July 2014 to September 2017, deputy general manager of Xiamen Branch of the Bank from October 2003 to July 2014, and head of the preparation team of Chile Branch of the Bank from May 2013 to July 2014. Mr. Sheng is a senior economist. He graduated from Xiamen University with a bachelor's degree in finance in 1986, a master's degree in money and banking in 1990, and obtained a PhD degree in economics from Xiamen University in 1997.

Joint Company Secretaries

Qiu Jicheng

Joint company secretary

Mr. Qiu is of Chinese nationality. He currently serves as general manager of board of directors office of the Bank. Mr. Qiu served as deputy general manager of personal finance department (the department of protection of consumer rights and interests) of the Bank from April 2020 to April 2022. Mr. Qiu served as deputy general manager of legal affairs department of the Bank from August 2018 to April 2020, during which, he served as a member of the Standing Committee of the CPC Municipal Party Committee and vice mayor (temporary) of Ankang City of Shaanxi Province from April 2018 to April 2020, senior manager of the legal affairs department of the Bank from December 2013 to August 2018 respectively. He obtained a bachelor's degree in administrative management in 1993 and a master's degree in economic law in 1996 from China University of Political Science and Law.

Chiu Ming King

Joint company secretary

Mr. Chiu is a Hong Kong resident. He currently serves as the managing director for corporate services at Vistra Corporate Services (HK) Limited. Mr. Chiu has been an associate member of The Chartered Governance Institute in United Kingdom and The Hong Kong Chartered Governance Institute ("**HKCGI**") since 2003 and became a fellow member of the HKCGI since September 2015. Mr. Chiu has been a vice-chairman of the Membership Committee and chairman of Professional Services Panel of HKCGI and a council member of HKCGI since 2020. Mr. Chiu obtained a bachelor of arts from University of Toronto in Canada in June 1999 and received a master of arts in professional accounting and information systems from City University of Hong Kong in November 2003.

Board Committees

The Board delegates certain responsibilities to various committees. The Board has established a strategy development committee, audit committee, risk management committee, nomination and remuneration committee, and related party transaction, social responsibility and consumer protection committee. These committees are constituted by certain directors and report to the Board. Each committee meets at least four times a year.

SUBSTANTIAL SHAREHOLDERS

The section headed "Substantial Shareholders" on page 161 of the Base Offering Circular shall be deleted in its entirety and replaced with the following:

As at 30 June 2025, the Bank had a total of 297,588 ordinary shareholders, of which 36,582 were holders of H-shares and 261,060 were holders of A-shares.

HUIJIN

Central Huijin Investment Ltd. ("**Huijin**") is the controlling shareholder of the Bank. Huijin is a wholly state-owned investment company established in accordance with the "Company Law of the PRC" on 16 December 2003 with the approval of the State Council. Its legal representative is Mr. Zhang Qingsong. Huijin makes equity investments in key state-owned financial institutions as authorised by the State Council, and exercises the contributor's rights and obligations in the Bank up to its contribution on behalf of the state to achieve preservation and appreciation of state-owned financial assets.

Huijin does not engage in any other commercial activities, nor does it interfere with the daily operations of the key state-owned financial institutions in which it holds controlling shares. Systems and controls are in place to manage any conflict of interest that might arise between the interests of Huijin and the interests of the Bank and to ensure that its control is not abused.

As at 30 June 2025, Huijin held approximately 54.61 per cent. of the shares of the Bank, and indirectly held 0.19 per cent. of the shares of the Bank through its subsidiary, Central Huijin Asset Management Co., Ltd.

As at 30 June 2025, there were no other corporate shareholders holding 10 per cent. or more of the shares of the Bank (excluding HKSCC Nominees Limited, which acts as the common nominee for the shares held through the Central Clearing and Settlement System). All transactions and relationships between the Bank and its substantial shareholders are conducted on an arm's length basis and on normal contractual terms. The Bank can operate its business independently of its substantial shareholders

UK TAXATION

The section headed "Taxation" on pages 167 to 171 of the Base Offering Circular shall be supplemented with the following:

UK TAXATION

*The comments below are of a general nature based on current UK tax law as applied in England and Wales and HM Revenue and Customs ("**HMRC**") practice (which may not be binding on HMRC), in each case as at the latest practicable date before the date of this Drawdown Offering Circular, and are not intended to be exhaustive. They assume that there will be no substitution of the London Branch and do not address the consequences of any such substitution (notwithstanding that such substitution may be permitted by the terms and conditions of the Notes). Any holders of Notes who are in doubt as to their own tax position, or who may be subject to tax in a jurisdiction other than the UK, should consult their professional advisers. In particular, holders of Notes should be aware that the tax legislation of any jurisdiction where a holder of Notes is resident or otherwise subject to taxation (as well as the jurisdiction discussed below) may have an impact on the tax consequences of an investment in the Notes including in respect of any income received from the Notes.*

WITHHOLDING TAX ON NOTES WHERE PAYMENTS OF INTEREST HAVE A UK SOURCE (THE "UK NOTES")

References to "interest" in this section mean interest as understood for UK withholding tax purposes. Any redemption premium may be "interest" for these purposes that would be subject to the rules on United Kingdom withholding tax outlined below.

While the UK Notes are and continue to be listed on a recognised stock exchange within the meaning of Section 1005 Income Tax Act 2007 ("**ITA 2007**"), or admitted to trading on a multilateral trading facility operated by a UK, Gibraltar or an EEA regulated recognised stock exchange within the meaning of Sections 987 and 1005 ITA 2007, payments of interest by the London Branch on the UK Notes may be made without withholding or deduction for or on account of UK income tax (the "**Quoted Eurobond Exemption**"). The Hong Kong Stock Exchange and the London Stock Exchange are recognised stock exchanges for these purposes. The UK Notes will qualify for the Quoted Eurobond Exemption if they are officially listed in Hong Kong in accordance with provisions corresponding to those generally applicable in countries in the European Economic Area and are admitted to trading on the Main Board of the Hong Kong Stock Exchange. The UK Notes will also qualify for the Quoted Eurobond Exemption if they are admitted to trading on the International Securities Market, being a multilateral trading facility operated by a UK regulated recognised stock exchange (the London Stock Exchange) for these purposes.

In addition to the Quoted Eurobond Exemption, payments of interest by the London Branch may be made without withholding or deduction for or on account of UK income tax provided that the London Branch is and continues to be a bank within the meaning of Section 991 of the ITA 2007 and the interest on the UK Notes is paid in the ordinary course of its business within the meaning of Section 878 of the ITA 2007.

In all other cases falling outside of the exemptions described above, interest will generally be paid by the London Branch on the UK Notes under deduction of UK income tax and an amount must generally be withheld from payments of interest on account of UK income tax at the basic rate (currently 20 per cent.), subject to any other available exemptions and reliefs under domestic law. However, where an applicable double tax treaty provides for a lower rate of withholding tax (or for no tax to be withheld) in relation to a Noteholder, HMRC can issue a notice to the London Branch to pay interest to the Noteholder without deduction of tax (or for interest to be paid with tax deducted at the rate provided for in the relevant double tax treaty).

WITHHOLDING TAX ON PAYMENTS OF INTEREST ON NOTES ISSUED BY THE BANK WHICH DO NOT HAVE A UK SOURCE

The analysis set out in the above paragraphs applies to payments of interest where such interest has a UK source. In the case of interest which does not have a UK source, payments of interest on the Notes may generally be made without withholding or deduction for or on account of UK income tax.

GENERAL INFORMATION

The section "General Information" on pages 189 to 191 of the Base Offering Circular shall be deleted in its entirety and replaced with the following:

1. Listing

Application will be made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Notes by way of debt issues to Professional Investors only. The issue price of the Notes listed on the Hong Kong Stock Exchange will be expressed as a percentage of the nominal amount of the Notes. The listing of, and permission to deal in, the Notes is expected to be effective on 12 September 2025.

Application will be made to the London Stock Exchange for the Notes to be admitted to trading on the ISM and to be displayed on the SBM. The ISM is not a regulated market for the purposes of UK MiFIR. Such admission to trading is expected to be effective on or immediately following the Issue Date.

2. Authorisation

Pursuant to the Notice on Further Regulating the Issuance of Debt Finance Instruments by Overseas Institutions (Guo Ji Ye Wu Bu [2014] No.222) 《關於進一步規範海外機構負債金融工具發行管理的通知》 (國際業務部[2014] 222 號), the Notice Concerning the Further Strengthening the Foreign Debt Business Management (Jian Zong Han (2014) No. 574)《關於進一步加強海外負債業務管理的通知》（建總函(2014)574 號）, the power of attorney（中國建設銀行股份有限公司授權委託書）issued by the Bank dated 10 April 2018, the power of attorney issued by the Bank dated 26 February 2024, the Approval of the MTN Programme Update of the Hong Kong Branch (Jian Zi Zhai (2017) No. 74)《關於更新香港分行中期票據計劃方案的批覆》（建資債(2017)74 號）, the Notice for Issuance of Overseas Green Bonds《關於組織發行境外綠色債券的通知》in relation to the MTN programme update of the Hong Kong Branch, the Letter for Issuance of the First Tranche Overseas Green Bonds in 2024 of the asset and debt management department of the Bank dated 12 June 2024《資產負債管理部關於組織發行 2024 年度首期境外綠色債券的函》and the approval from Zhang Yi, the president of the Bank, regarding the request for issuance of the Notes, dated 12 August 2025, the issue of the Notes under the Programme has been duly authorised.

3. Legal Entity Identifier

The legal entity identifier of the Bank is 5493001KQW6DM7KEDR62.

4. Clearing Systems

2028 USD Notes have been accepted for clearance through Euroclear and Clearstream. The ISIN and Common Code for the Notes is XS3170555794 and 317055579, respectively.

2030 USD Notes have been accepted for clearance through Euroclear and Clearstream. The ISIN and Common Code for the Notes is XS3170556768 and 317055676, respectively.

CNY Notes have been accepted for clearance through the CMU. The ISIN, Common Code and CMU Instrument Number for the Notes are HK0001186169, 317141793 and BOAKFN25037, respectively.

5. NDRC Approval

Pursuant to the annual foreign debt quota granted by the NDRC to the Bank in 2024 (the "**Quota**"), separate pre-issuance registration with the NDRC with respect to the Notes is not required as the Notes will be issued within the aforesaid Quota, but the Bank is still required to file with the NDRC the requisite information on the issuance of the Notes after the issuance of such Notes. The Bank intends to provide the requisite information on the issuance of the Notes to the NDRC within the time periods prescribed by NDRC Order 56 and any implementation rules or policies as issued by the NDRC from time to time and the terms of the Quota.

6. Litigation

Save as disclosed in this Drawdown Offering Circular (read together with the Base Offering Circular), none of the Issuer or any member of the Group is involved in any governmental, legal or arbitration proceedings (including any proceedings which are pending or threatened) of which the Issuer is aware during the 12 months preceding the date of this Drawdown Offering Circular, which may have, or have had in the recent past, significant effects on the Issuer's ability to meet its obligations to the holders of Notes of the relevant series.

7. No Significant Change

Save as disclosed in this Drawdown Offering Circular (read together with the Base Offering Circular), there has been no significant change in the financial or trading position of the Issuer or of the Group since 30 June 2025 and there has been no material adverse change in the financial position or prospects of the Issuer or of the Group since 31 December 2024.

8. Documents

Copies of the documents listed as (a) to (c) below will be available for viewing on the website of The Stock Exchange of Hong Kong Limited at http://www.hkexnews.hk/index.htm. So long as Notes are outstanding, copies of the documents listed as (d) to (f) below will, when published, be available free of charge from the registered office of the Issuer and, be available for inspection, subject to receipt by the Fiscal Agent from the Bank or the Issuer of the same and upon written request and satisfactory proof of holding and identity, during usual business hours (being 9:00 a.m. (Hong Kong time) to 3:00 p.m. (Hong Kong time) on any weekday (Saturdays, Sundays and public holidays excepted) from the specified office of the Fiscal Agent for the time being at 3/F, CCB Tower,3 Connaught Road Central, Central, Hong Kong.

(a) the constitutional documents of the Bank;

(b) the audited consolidated financial statements of the Group in respect of the financial years ended 31 December 2023 and 2024 (in each case together with the audit report in connection therewith) and the unaudited but reviewed consolidated financial statements of the Group in respect of the six months ended 30 June 2025 (together with the review report in connection therewith);

(c) the most recent annual audited consolidated financial statements of the Bank and the most recently published unaudited consolidated interim financial statements of the Bank (if any);

(d) the Pricing Supplement in relation to each series of Notes;

(e) a copy of the Base Offering Circular together with this Drawdown Offering Circular and any other documents incorporated in the Base Offering Circular; and

(f) the Fiscal Agency Agreement, the Deed of Covenant and the forms of the Global Certificates, the Notes in definitive form, the Receipts, the Coupons and the Talons.

ANNEX I - PRICING SUPPLEMENT FOR THE 2028 USD NOTES

MiFID II product governance/Professional investors and ECPs only target market – Solely for the purposes of 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**"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturers' 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 manufacturers' target market assessment) and determining appropriate distribution channels.

UK MiFIR product governance/Professional investors and ECPs only target market – Solely for the purposes of 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, 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 ("**UK MiFIR**"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any distributor should take into consideration the manufacturers' target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

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 iv to v of the Base Offering Circular, and CMIs (as defined in the Base 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 179 to 181 of the Base Offering Circular.

Pricing Supplement dated 4 September 2025

China Construction Bank Corporation London Branch
(*a branch of China Construction Bank Corporation, which is a joint stock company incorporated in the People's Republic of China with limited liability*)

Issue of U.S.$1,000,000,000 Floating Rate Senior Green Notes due 2028 (the "**Notes**")
under the U.S.$15,000,000,000 Medium Term Note 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 16 May 2025 (the "**Base Offering Circular**"). This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with the Base Offering Circular and the Drawdown Offering Circular dated 4 September 2025 (the "**Drawdown Offering Circular**"). Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of the Base Offering Circular, the Drawdown Offering Circular and this Pricing Supplement. In particular, investors in the Notes should read the section titled "Risk Factors" contained therein, which applies to the issue of Notes described herein.

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.

The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") 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 Hong Kong Stock Exchange is not to be taken as an indication of the commercial merits or credit quality of the Programme, the Notes, the Issuer, the Bank or the Group or quality of disclosure in this document. Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange 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.

Notice to Hong Kong investors: The Issuer confirms that the Notes are intended for purchase by Professional Investors only and will be listed on the Hong Kong Stock Exchange on that basis. Accordingly, the Issuer confirms that the Notes are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.

This document (read together with the Base Offering Circular and the Drawdown 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 Issuer, the Bank and the Group. Each of the Issuer and the Bank accepts full responsibility for the accuracy of the information contained in this document and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

1.	Issuer:		China Construction Bank Corporation London Branch
2.	(i)	Series Number:	87
	(ii)	Tranche Number:	1
3.	Specified Currency or Currencies:		United States dollar ("**U.S.$**" or "**USD**")
4.	Aggregate Nominal Amount:		U.S.$1,000,000,000
5.	(i)	Issue Price:	100 per cent. of the Aggregate Nominal Amount
	(ii)	Net Proceeds:	Approximately U.S.$999,000,000
6.	(i)	Specified Denominations:	U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof
	(ii)	Calculation Amount:	U.S.$1,000
7.	(i)	Issue Date:	11 September 2025
	(ii)	Interest Commencement Date:	Issue Date
8.	Maturity Date:		The Specified Interest Payment Date falling on or nearest to 11 September 2028
9.	Interest Basis:		SOFR Compounded Index + Margin (further particulars specified below)
10.	Redemption/Payment Basis:		Redemption at par

11.	Change of Interest Basis or Redemption/Payment Basis:		Not Applicable
12.	Put/Call Options:		Not Applicable
13.	Listing:		Application will be made to the London Stock Exchange plc for the Notes to be admitted to trading on the International Securities Market (the "**ISM**"). The ISM is not a regulated market for the purposes of UK MiFIR. Such admission to trading is expected to be effective on or immediately following the Issue Date. The Notes are also expected to admitted to the Sustainable Bond Market of the London Stock Exchange plc. Application will be made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Notes by way of debt issues to Professional Investors only. Expected effective listing date of the Notes on the Hong Kong Stock Exchange is 12 September 2025.
14.	Method of distribution:		Syndicated

Provisions relating to Interest (if any) Payable

15.	Fixed Rate Note Provisions		Not Applicable
16.	Floating Rate Note Provisions		Applicable
	(i)	Interest Period(s):	Each period beginning on and including the Interest Commencement Date and ending on but excluding the first Specified Interest Payment Date and each successive period beginning on and including a Specified Interest Payment Date and ending on but excluding the next succeeding Specified Interest Payment Date
	(ii)	Specified Interest Payment Dates:	11 March, 11 June, 11 September and 11 December, in each year, commencing on 11 December 2025 and ending on the Maturity Date, in each case subject to adjustment in accordance with the Business Day Convention set out in (v) below
	(iii)	Interest Period Date:	As defined in the Conditions
	(iv)	Interest Commencement Date:	Issue Date
	(v)	Business Day Convention:	Modified Following Business Day Convention
	(vi)	Business Centre(s) (Condition 5(j)):	New York City
	(vii)	Manner in which the Rate(s) of Interest is/are to be determined if different from the Conditions:	Not Applicable
	(viii)	Party responsible for calculating the Rate(s) of	China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司)

	Interest and/or Interest Amount(s) (if not the Calculation Agent):	
(ix)	ISDA Determination (Condition 5(b)(iii)(A)):	Not Applicable
(x)	Screen Rate Determination (Condition 5(b)(iii)(B)):	Not Applicable
(xi)	Screen Rate Determination (SOFR) (Condition 5(b)(iii)(C)):	Applicable
	• Reference Rate:	SOFR Benchmark – SOFR Compounded Index
	• Compounded SOFR Average Method:	Not Applicable
	• SOFR $\text{Index}_{\text{Start}}$ Start Date:	Five (5) U.S. Government Securities Business Days preceding the first day of the Interest Accrual Period
	• SOFR $\text{Index}_{\text{End}}$ End Date:	Five (5) U.S. Government Securities Business Days preceding the Interest Period Date on which the relevant Interest Accrual Period ends (or in the final Interest Accrual Period, the Maturity Date)
	• Interest Determination Date(s):	The fifth U.S. Government Securities Business Day prior to the last day of each Interest Accrual Period
	• Lookback Days:	Not Applicable
	• SOFR Observation Shift Days:	Five (5) U.S. Government Securities Business Days
	• SOFR Rate Cut-Off Date:	Not Applicable
	• Interest Payment Delay Days:	Not Applicable
	• SOFR Index Unavailable:	Compounded SOFR formula
	• Observation Shift Days:	Five (5) U.S. Government Securities Business Days
(xii)	Margin(s):	+0.50 per cent. per annum
(xiii)	Minimum Rate of Interest:	Not Applicable
(xiv)	Maximum Rate of Interest:	Not Applicable
(xv)	Day Count Fraction (Condition 5(j)):	Actual/360
(xvi)	Fallback provisions, rounding provisions and any other terms relating to the method of calculating interest on Floating Rate	Benchmark Event (SOFR)

	Notes, if different from those set out in the Conditions:	
17.	Zero Coupon Note Provisions:	Not Applicable
18.	Index-Linked Interest Note Provisions:	Not Applicable
19.	Dual Currency Note Provisions:	Not Applicable

Provisions relating to Redemption

20.	Call Option:	Not Applicable
21.	Put Option:	Not Applicable
22.	Final Redemption Amount of each Note:	U.S.$1,000 per Calculation Amount
23.	Early Redemption Amount:	U.S.$1,000 per Calculation Amount
	Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons (Condition 6(c) or, where otherwise specified herein, Condition 6(d) or Condition 6(e)) or an Event of Default (Condition 10) 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

24.	Form of Notes:	Registered Notes: Registered Notes may not be exchanged for Bearer Notes. Global Certificate exchangeable for Certificates in the limited circumstances described in the Global Certificate.
25.	Financial Centre(s) or other special provisions relating to payment dates:	Hong Kong and New York City
26.	Talons for future Coupons or Receipts to be attached to definitive Notes (and dates on which such Talons mature):	Not Applicable
27.	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
28.	Details relating to Instalment Notes:	Not Applicable

	amount of each instalment, date on which each payment is to be made:	
29.	Redenomination, renominalisation and reconventioning provisions:	Not Applicable
30.	Other terms or special conditions:	Not Applicable

Distribution

31.	(i)	If syndicated, names of Managers:	China Construction Bank (Asia) Corporation Limited CCB International Capital Limited China Construction Bank Corporation Singapore Branch China Construction Bank (Europe) S.A. ABCI Capital Limited Agricultural Bank of China Limited Hong Kong Branch Bank of China (Hong Kong) Limited Bank of China Limited London Branch Bank of Communications Co., Ltd. Hong Kong Branch Barclays Bank PLC BOCI Asia Limited BOCOM International Securities Limited China CITIC Bank International Limited China Everbright Bank Co., Ltd., Hong Kong Branch China Galaxy International Securities (Hong Kong) Co., Limited China International Capital Corporation Hong Kong Securities Limited China Minsheng Banking Corp., Ltd. Hong Kong Branch China Securities (International) Corporate Finance Company Limited China Zheshang Bank Co., Ltd. (Hong Kong Branch) Citigroup Global Markets Limited CLSA Limited CMB International Capital Limited CMB Wing Lung Bank Limited DBS Bank Ltd. Deutsche Bank AG, Hong Kong Branch Guotai Junan Securities (Hong Kong) Limited Haitong International Securities Company Limited Huatai Financial Holdings (Hong Kong) Limited ICBC International Securities Limited Industrial and Commercial Bank of China (Asia) Limited Industrial and Commercial Bank of China (Macau) Limited Industrial and Commercial Bank of China Limited, Singapore Branch Industrial Bank Co., Ltd. Hong Kong Branch Lloyds Bank Corporate Markets plc Mizuho Securities Asia Limited Standard Chartered Bank

		The Hongkong and Shanghai Banking Corporation Limited (the "**Managers**")
	(ii) Date of Subscription Agreement:	4 September 2025
	(iii) Stabilisation Manager(s) (if any):	Any of the Managers appointed and acting in its capacity as stabilisation manager (except for China CITIC Bank International Limited)
32.	If non-syndicated, name of the relevant Dealer:	Not Applicable
33.	U.S. Selling Restrictions:	Reg. S Category 1; TEFRA not applicable
34.	Prohibition of Sales to EEA Retail Investors:	Not Applicable
35.	Prohibition of Sales to UK Retail Investors:	Not Applicable
36.	Additional selling restrictions:	Not Applicable
37.	Singapore Sales to Institutional Investors and Accredited Investors only:	Applicable

Yield

38.	Indication of yield:	Not Applicable

Operational Information

39.	ISIN Code:	XS3170555794
40.	Common Code:	317055579
41.	CMU Instrument Number:	Not Applicable
42.	Legal Entity Identifier:	The Legal Entity Identifier of the Bank is 5493001KQW6DM7KEDR62
43.	Any clearing system(s) other than Euroclear/ Clearstream and the CMU and the relevant identification number(s):	Not Applicable
44.	Delivery:	Delivery against payment
45.	Additional Paying Agent(s) (if any):	Not Applicable
46.	Ratings:	A1 by Moody's Investors Service Hong Kong Ltd.
47.	Hong Kong SFC code of conduct:	
	(i) Rebate	Not Applicable
	(ii) Contact email addresses where underlying investor information in relation to omnibus orders should be	ccba_dcm@asia.ccb.com; dcm@ccbintl.com; fmd.dcm@abchina.com; ccbmtn@bochk.com; dcm.emea@uk.bankofchina.com; dcm@bankcomm.com.hk;

		sent:	TMG_Syndicate@cncbinternational.com; DCM.Omnibus@citi.com; bondissuance@cmbwinglungbank.com; ling.chen@icbcasia.com; jackie.jq.chen@icbcasia.com; tiantian.li@icbcasia.com; lisixuan.hester@icbcasia.com; linziying.lavinia@icbcasia.com; qiruixiao.tracy@icbcasia.com; chenwen.emerald@icbcasia.com; SYNHK@sc.com
	(iii)	Marketing and Investor Targeting Strategy	As described in the Drawdown Offering Circular

General

48.	The aggregate nominal amount of Notes issued has been translated into U.S. dollars at the rate of N/A, producing a sum of (for Notes not denominated in U.S. dollars):	Not Applicable
49.	In the case of Registered Notes, specify the location of the office of the Registrar if other than Hong Kong:	Not Applicable
50.	In the case of Bearer Notes, specify the location of the office of the Fiscal Agent if other than London:	Not Applicable
51.	Private Bank Rebate/Commission:	Not Applicable
52.	(i) Date of approval for issuance of Notes obtained:	Pursuant to the Notice on Further Regulating the Issuance of Debt Finance Instruments by Overseas Institutions (Guo Ji Ye Wu Bu [2014] No.222) 《關於進一步規範海外機構負債金融工具發行管理的通知》 (國際業務部[2014] 222 號), the Notice Concerning the Further Strengthening the Foreign Debt Business Management (Jian Zong Han (2014) No. 574) 《關於進一步加強海外負債業務管理的通知》(建總函(2014)574 號), the Approval of the MTN Programme Update of the Hong Kong Branch (Jian Zi Zhai (2017) No. 74)《關於更新香港分行中期票據計劃方案的批覆》（建資債(2017)74號）, in relation to the MTN programme update of the Hong Kong Branch and the confirmation letter from the Bank dated 21 May 2025, Letter for Issuance of the First Tranche Overseas Green Bonds in 2024 of the asset and debt management department of the Bank dated 12 June 2024 《資產負債管理部關於組織發行 2024年度首期境外綠色債券的函》 and the approval from Zhang Yi, the president of the Bank, regarding the request for issuance of the Notes, dated 12 August 2025, the issue of the Notes under the Programme has been duly authorised.

(ii)	Date of any regulatory approval for the issuance of the Notes:	Pursuant to the Enterprise Overseas Debt Borrowing Examination and Registration Certificate (企業借用外債審核登記證明) (發改辦外債[2024] 561號) issued by the NDRC.

Use of Proceeds

The net proceeds of the issue of the Notes will be allocated to finance and/or refinance, in whole or in part, loans to customers involved in, as well as the Bank's own operational activities in Eligible Green Projects which satisfy the green criteria of the Green Eligible Categories, as further described in the sections entitled "*Use of Proceeds*" and "*Green, Social, Sustainability and Sustainability-Linked Bond Framework*" in the Drawdown Offering Circular and in accordance with applicable laws and regulations (including those with respect to the remittance of proceeds into the PRC).

Listing

This Pricing Supplement comprises the final terms required to list the issue of the Notes described herein pursuant to the U.S.$15,000,000,000 Medium Term Note Programme of China Construction Bank Corporation 中國建設銀行股份有限公司 and China Construction Bank Corporation Hong Kong Branch 中國建設銀行股份有限公司香港分行.

Stabilisation

In connection with the issue of the Notes, the Managers named as the Stabilisation Manager(s) (or person(s) 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 price of the Notes at a level higher than that which might otherwise prevail for a limited period after the Issue Date. However, there is no obligation on such Stabilisation Manager(s) to do this. Such stabilising, if commenced, may be discontinued at any time, and must be brought to an end after a limited period. Such stabilising shall be in compliance with all applicable laws, regulations and rules.

Material Adverse Change Statement

Save as disclosed in the Base Offering Circular and the Drawdown Offering Circular, there has been no material adverse change in the financial position or prospects of the Issuer or of the Group since 30 June 2025.

Responsibility

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

Signed on behalf of

CHINA CONSTRUCTION BANK CORPORATION LONDON BRANCH

By:

Duly authorised

Signed on behalf of

CHINA CONSTRUCTION BANK CORPORATION HONG KONG BRANCH
中國建設銀行股份有限公司香港分行

By:

Duly authorised

ANNEX II - PRICING SUPPLEMENT FOR THE 2030 USD NOTES

MiFID II product governance/Professional investors and ECPs only target market – Solely for the purposes of 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**"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturers' 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 manufacturers' target market assessment) and determining appropriate distribution channels.

UK MiFIR product governance/Professional investors and ECPs only target market – Solely for the purposes of 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, 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 ("**UK MiFIR**"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any distributor should take into consideration the manufacturers' target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

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 iv to v of the Base Offering Circular, and CMIs (as defined in the Base 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 179 to 181 of the Base Offering Circular.

Pricing Supplement dated 4 September 2025

China Construction Bank Corporation London Branch
(*a branch of China Construction Bank Corporation, which is a joint stock company incorporated in the People's Republic of China with limited liability*)

Issue of U.S.$500,000,000 Floating Rate Senior Green Notes due 2030 (the "**Notes**")
under the U.S.$15,000,000,000 Medium Term Note 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 16 May 2025 (the "**Base Offering Circular**"). This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with the Base Offering Circular and the Drawdown Offering Circular dated 4 September 2025 (the "**Drawdown Offering Circular**"). Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of the Base Offering Circular, the Drawdown Offering Circular and this Pricing Supplement. In particular, investors in the Notes should read the section titled "Risk Factors" contained therein, which applies to the issue of Notes described herein.

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.

The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") 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 Hong Kong Stock Exchange is not to be taken as an indication of the commercial merits or credit quality of the Programme, the Notes, the Issuer, the Bank or the Group or quality of disclosure in this document. Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange 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.

Notice to Hong Kong investors: The Issuer confirms that the Notes are intended for purchase by Professional Investors only and will be listed on the Hong Kong Stock Exchange on that basis. Accordingly, the Issuer confirms that the Notes are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.

This document (read together with the Base Offering Circular and the Drawdown 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 Issuer, the Bank and the Group. Each of the Issuer and the Bank accepts full responsibility for the accuracy of the information contained in this document and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

1.	Issuer:		China Construction Bank Corporation London Branch
2.	(i)	Series Number:	88
	(ii)	Tranche Number:	1
3.	Specified Currency or Currencies:		United States dollar ("**U.S.$**" or "**USD**")
4.	Aggregate Nominal Amount:		U.S.$500,000,000
5.	(i)	Issue Price:	100 per cent. of the Aggregate Nominal Amount
	(ii)	Net Proceeds:	Approximately U.S.$499,500,000
6.	(i)	Specified Denominations:	U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof
	(ii)	Calculation Amount:	U.S.$1,000
7.	(i)	Issue Date:	11 September 2025
	(ii)	Interest Commencement Date:	Issue Date
8.	Maturity Date:		The Specified Interest Payment Date falling on or nearest to 11 September 2030
9.	Interest Basis:		SOFR Compounded Index + Margin (further particulars specified below)
10.	Redemption/Payment Basis:		Redemption at par

11.	Change of Interest Basis or Redemption/Payment Basis:	Not Applicable
12.	Put/Call Options:	Not Applicable
13.	Listing:	Application will be made to the London Stock Exchange plc for the Notes to be admitted to trading on the International Securities Market (the "**ISM**"). The ISM is not a regulated market for the purposes of UK MiFIR. Such admission to trading is expected to be effective on or immediately following the Issue Date. The Notes are also expected to admitted to the Sustainable Bond Market of the London Stock Exchange plc. Application will be made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Notes by way of debt issues to Professional Investors only. Expected effective listing date of the Notes on the Hong Kong Stock Exchange is 12 September 2025.
14.	Method of distribution:	Syndicated

Provisions relating to Interest (if any) Payable

15.	Fixed Rate Note Provisions		Not Applicable
16.	Floating Rate Note Provisions		Applicable
	(i)	Interest Period(s):	Each period beginning on and including the Interest Commencement Date and ending on but excluding the first Specified Interest Payment Date and each successive period beginning on and including a Specified Interest Payment Date and ending on but excluding the next succeeding Specified Interest Payment Date
	(ii)	Specified Interest Payment Dates:	11 March, 11 June, 11 September and 11 December, in each year, commencing on 11 December 2025 and ending on the Maturity Date, in each case subject to adjustment in accordance with the Business Day Convention set out in (v) below
	(iii)	Interest Period Date:	As defined in the Conditions
	(iv)	Interest Commencement Date:	Issue Date
	(v)	Business Day Convention:	Modified Following Business Day Convention
	(vi)	Business Centre(s) (Condition 5(j)):	New York City
	(vii)	Manner in which the Rate(s) of Interest is/are to be determined if different from the Conditions:	Not Applicable
	(viii)	Party responsible for calculating the Rate(s) of	China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司)

	Interest and/or Interest Amount(s) (if not the Calculation Agent):	
(ix)	ISDA Determination (Condition 5(b)(iii)(A)):	Not Applicable
(x)	Screen Rate Determination (Condition 5(b)(iii)(B)):	Not Applicable
(xi)	Screen Rate Determination (SOFR) (Condition 5(b)(iii)(C)):	Applicable
	• Reference Rate:	SOFR Benchmark – SOFR Compounded Index
	• Compounded SOFR Average Method:	Not Applicable
	• SOFR Index$_{Start}$ Start Date:	Five (5) U.S. Government Securities Business Days preceding the first day of the Interest Accrual Period
	• SOFR Index$_{End}$ End Date:	Five (5) U.S. Government Securities Business Days preceding the Interest Period Date on which the relevant Interest Accrual Period ends (or in the final Interest Accrual Period, the Maturity Date)
	• Interest Determination Date(s):	The fifth U.S. Government Securities Business Day prior to the last day of each Interest Accrual Period
	• Lookback Days:	Not Applicable
	• SOFR Observation Shift Days:	Five (5) U.S. Government Securities Business Days
	• SOFR Rate Cut-Off Date:	Not Applicable
	• Interest Payment Delay Days:	Not Applicable
	• SOFR Index Unavailable:	Compounded SOFR formula
	• Observation Shift Days:	Five (5) U.S. Government Securities Business Days
(xii)	Margin(s):	+0.58 per cent. per annum
(xiii)	Minimum Rate of Interest:	Not Applicable
(xiv)	Maximum Rate of Interest:	Not Applicable
(xv)	Day Count Fraction (Condition 5(j)):	Actual/360
(xvi)	Fallback provisions, rounding provisions and any other terms relating to the method of calculating interest on Floating Rate	Benchmark Event (SOFR)

		Notes, if different from those set out in the Conditions:	
17.	Zero Coupon Note Provisions:		Not Applicable
18.	Index-Linked Interest Note Provisions:		Not Applicable
19.	Dual Currency Note Provisions:		Not Applicable

Provisions relating to Redemption

20.	Call Option:	Not Applicable
21.	Put Option:	Not Applicable
22.	Final Redemption Amount of each Note:	U.S.$1,000 per Calculation Amount
23.	Early Redemption Amount:	U.S.$1,000 per Calculation Amount
	Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons (Condition 6(c) or, where otherwise specified herein, Condition 6(d) or Condition 6(e)) or an Event of Default (Condition 10) 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

24.	Form of Notes:	Registered Notes:
		Registered Notes may not be exchanged for Bearer Notes. Global Certificate exchangeable for Certificates in the limited circumstances described in the Global Certificate.
25.	Financial Centre(s) or other special provisions relating to payment dates:	Hong Kong and New York City
26.	Talons for future Coupons or Receipts to be attached to definitive Notes (and dates on which such Talons mature):	Not Applicable
27.	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
28.	Details relating to Instalment Notes:	Not Applicable

	amount of each instalment, date on which each payment is to be made:		
29.	Redenomination, renominalisation and reconventioning provisions:		Not Applicable
30.	Other terms or special conditions:		Not Applicable

Distribution

31.	(i)	If syndicated, names of Managers:	China Construction Bank (Asia) Corporation Limited CCB International Capital Limited China Construction Bank Corporation Singapore Branch China Construction Bank (Europe) S.A. ABCI Capital Limited Agricultural Bank of China Limited Hong Kong Branch Bank of China (Hong Kong) Limited Bank of China Limited London Branch Bank of Communications Co., Ltd. Hong Kong Branch Barclays Bank PLC BOCI Asia Limited BOCOM International Securities Limited China CITIC Bank International Limited China Everbright Bank Co., Ltd., Hong Kong Branch China Galaxy International Securities (Hong Kong) Co., Limited China International Capital Corporation Hong Kong Securities Limited China Minsheng Banking Corp., Ltd. Hong Kong Branch China Securities (International) Corporate Finance Company Limited China Zheshang Bank Co., Ltd. (Hong Kong Branch) Citigroup Global Markets Limited CLSA Limited CMB International Capital Limited CMB Wing Lung Bank Limited DBS Bank Ltd. Deutsche Bank AG, Hong Kong Branch Guotai Junan Securities (Hong Kong) Limited Haitong International Securities Company Limited Huatai Financial Holdings (Hong Kong) Limited ICBC International Securities Limited Industrial and Commercial Bank of China (Asia) Limited Industrial and Commercial Bank of China (Macau) Limited Industrial and Commercial Bank of China Limited, Singapore Branch Industrial Bank Co., Ltd. Hong Kong Branch Lloyds Bank Corporate Markets plc Mizuho Securities Asia Limited Standard Chartered Bank

			The Hongkong and Shanghai Banking Corporation Limited (the "**Managers**")
	(ii)	Date of Subscription Agreement:	4 September 2025
	(iii)	Stabilisation Manager(s) (if any):	Any of the Managers appointed and acting in its capacity as stabilisation manager (except for China CITIC Bank International Limited)
32.	If non-syndicated, name of the relevant Dealer:		Not Applicable
33.	U.S. Selling Restrictions:		Reg. S Category 1; TEFRA not applicable
34.	Prohibition of Sales to EEA Retail Investors:		Not Applicable
35.	Prohibition of Sales to UK Retail Investors:		Not Applicable
36.	Additional selling restrictions:		Not Applicable
37.	Singapore Sales to Institutional Investors and Accredited Investors only:		Applicable

Yield

38.	Indication of yield:	Not Applicable

Operational Information

39.	ISIN Code:		XS3170556768
40.	Common Code:		317055676
41.	CMU Instrument Number:		Not Applicable
42.	Legal Entity Identifier:		The Legal Entity Identifier of the Bank is 5493001KQW6DM7KEDR62
43.	Any clearing system(s) other than Euroclear/ Clearstream and the CMU and the relevant identification number(s):		Not Applicable
44.	Delivery:		Delivery against payment
45.	Additional Paying Agent(s) (if any):		Not Applicable
46.	Ratings:		A1 by Moody's Investors Service Hong Kong Ltd.
47.	Hong Kong SFC code of conduct:		
	(i)	Rebate	Not Applicable
	(ii)	Contact email addresses where underlying investor information in relation to omnibus orders should be	ccba_dcm@asia.ccb.com; dcm@ccbintl.com; fmd.dcm@abchina.com; ccbmtn@bochk.com; dcm.emea@uk.bankofchina.com; dcm@bankcomm.com.hk;

		sent:	TMG_Syndicate@cncbinternational.com; DCM.Omnibus@citi.com; bondissuance@cmbwinglungbank.com; ling.chen@icbcasia.com; jackie.jq.chen@icbcasia.com; tiantian.li@icbcasia.com; lisixuan.hester@icbcasia.com; linziying.lavinia@icbcasia.com; qiruixiao.tracy@icbcasia.com; chenwen.emerald@icbcasia.com; SYNHK@sc.com
	(iii)	Marketing and Investor Targeting Strategy	As described in the Drawdown Offering Circular

General

48.	The aggregate nominal amount of Notes issued has been translated into U.S. dollars at the rate of N/A, producing a sum of (for Notes not denominated in U.S. dollars):		Not Applicable
49.	In the case of Registered Notes, specify the location of the office of the Registrar if other than Hong Kong:		Not Applicable
50.	In the case of Bearer Notes, specify the location of the office of the Fiscal Agent if other than London:		Not Applicable
51.	Private Bank Rebate/Commission:		Not Applicable
52.	(i)	Date of approval for issuance of Notes obtained:	Pursuant to the Notice on Further Regulating the Issuance of Debt Finance Instruments by Overseas Institutions (Guo Ji Ye Wu Bu [2014] No.222) 《關於進一步規範海外機構負債金融工具發行管理的通知》 (國際業務部[2014] 222 號), the Notice Concerning the Further Strengthening the Foreign Debt Business Management (Jian Zong Han (2014) No. 574) 《關於進一步加強海外負債業務管理的通知》(建總函(2014)574 號), the Approval of the MTN Programme Update of the Hong Kong Branch (Jian Zi Zhai (2017) No. 74)《關於更新香港分行中期票據計劃方案的批覆》（建資債(2017)74號）, in relation to the MTN programme update of the Hong Kong Branch and the confirmation letter from the Bank dated 21 May 2025, Letter for Issuance of the First Tranche Overseas Green Bonds in 2024 of the asset and debt management department of the Bank dated 12 June 2024 《資產負債管理部關於組織發行 2024年度首期境外綠色債券的函》 and the approval from Zhang Yi, the president of the Bank, regarding the request for issuance of the Notes, dated 12 August 2025, the issue of the Notes under the Programme has been duly authorised.

(ii)	Date of any regulatory approval for the issuance of the Notes:	Pursuant to the Enterprise Overseas Debt Borrowing Examination and Registration Certificate (企業借用外債審核登記證明) (發改辦外債[2024] 561號) issued by the NDRC.

Use of Proceeds

The net proceeds of the issue of the Notes will be allocated to finance and/or refinance, in whole or in part, loans to customers involved in, as well as the Bank's own operational activities in Eligible Green Projects which satisfy the green criteria of the Green Eligible Categories, as further described in the sections entitled "*Use of Proceeds*" and "*Green, Social, Sustainability and Sustainability-Linked Bond Framework*" in the Drawdown Offering Circular and in accordance with applicable laws and regulations (including those with respect to the remittance of proceeds into the PRC).

Listing

This Pricing Supplement comprises the final terms required to list the issue of the Notes described herein pursuant to the U.S.$15,000,000,000 Medium Term Note Programme of China Construction Bank Corporation 中國建設銀行股份有限公司 and China Construction Bank Corporation Hong Kong Branch 中國建設銀行股份有限公司香港分行.

Stabilisation

In connection with the issue of the Notes, the Managers named as the Stabilisation Manager(s) (or person(s) 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 price of the Notes at a level higher than that which might otherwise prevail for a limited period after the Issue Date. However, there is no obligation on such Stabilisation Manager(s) to do this. Such stabilising, if commenced, may be discontinued at any time, and must be brought to an end after a limited period. Such stabilising shall be in compliance with all applicable laws, regulations and rules.

Material Adverse Change Statement

Save as disclosed in the Base Offering Circular and the Drawdown Offering Circular, there has been no material adverse change in the financial position or prospects of the Issuer or of the Group since 30 June 2025.

Responsibility

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

Signed on behalf of

CHINA CONSTRUCTION BANK CORPORATION LONDON BRANCH

By:

Duly authorised

Signed on behalf of

CHINA CONSTRUCTION BANK CORPORATION HONG KONG BRANCH
中國建設銀行股份有限公司香港分行

By:

Duly authorised

ANNEX III - PRICING SUPPLEMENT FOR THE CNY NOTES

MiFID II product governance/Professional investors and ECPs only target market – Solely for the purposes of the 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**"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturer'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 target market assessment) and determining appropriate distribution channels.

UK MiFIR product governance/Professional investors and ECPs only target market – Solely for the purposes of 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, 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 ("**UK MiFIR**"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any distributor should take into consideration the manufacturers' target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

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 iv to v of the Base Offering Circular, and CMIs (as defined in the Base 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 179 to 181 of the Base Offering Circular.

Pricing Supplement dated 4 September 2025

China Construction Bank Corporation London Branch
(*a branch of China Construction Bank Corporation, which is a joint stock company incorporated in the People's Republic of China with limited liability*)

Issue of CNY2,000,000,000 1.89 per cent. Senior Green Notes due 2028 (the "**Notes**")
under the U.S.$15,000,000,000 Medium Term Note 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 16 May 2025 (the "**Base Offering Circular**"). This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with the Base Offering Circular and the Drawdown Offering Circular dated 4 September 2025 (the "**Drawdown Offering Circular**"). Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of the Base Offering Circular, the Drawdown Offering Circular and this Pricing Supplement. In particular, investors in the Notes should read the section titled "Risk Factors" contained therein, which applies to the issue of Notes described herein.

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.

The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") 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 Hong Kong Stock Exchange is not to be taken as an indication of the commercial merits or credit quality of the Programme, the Notes, the Issuer, the Bank or the Group or quality of disclosure in this document. Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange 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.

Notice to Hong Kong investors: The Issuer confirms that the Notes are intended for purchase by Professional Investors only and will be listed on the Hong Kong Stock Exchange on that basis. Accordingly, the Issuer confirms that the Notes are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.

This document (read together with the Base Offering Circular and the Drawdown 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 Issuer, the Bank and the Group. Each of the Issuer and the Bank accepts full responsibility for the accuracy of the information contained in this document and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

1.	Issuer:	China Construction Bank Corporation London Branch
2.	(i) Series Number:	89
	(ii) Tranche Number:	1
3.	Specified Currency or Currencies:	Renminbi ("**CNY**")
4.	Aggregate Nominal Amount:	CNY2,000,000,000
5.	(i) Issue Price:	100 per cent. of the Aggregate Nominal Amount
	(ii) Net Proceeds:	Approximately CNY1,998,000,000
6.	(i) Specified Denominations:	CNY1,000,000 and integral multiples of CNY10,000 in excess thereof
	(ii) Calculation Amount:	CNY10,000
7.	(i) Issue Date:	11 September 2025
	(ii) Interest Commencement Date:	Issue Date
8.	Maturity Date:	Interest Payment Date falling on or nearest to 11 September 2028
9.	Interest Basis:	1.89 per cent. Fixed Rate (further particulars specified below)
10.	Redemption/Payment Basis:	Redemption at par
11.	Change of Interest Basis or	Not Applicable

	Redemption/Payment Basis:	
12.	Put/Call Options:	Not Applicable
13.	Listing:	Application will be made to the London Stock Exchange plc for the Notes to be admitted to trading on the International Securities Market (the "**ISM**"). The ISM is not a regulated market for the purposes of UK MiFIR. Such admission to trading is expected to be effective on or immediately following the Issue Date. The Notes are also expected to admitted to the Sustainable Bond Market of the London Stock Exchange plc. Application will be made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Notes by way of debt issues to Professional Investors only. Expected effective listing date of the Notes on the Hong Kong Stock Exchange is 12 September 2025.
14.	Method of distribution:	Syndicated

Provisions relating to Interest (if any) Payable

15.	Fixed Rate Note Provisions:	Applicable
	(i) Rate of Interest:	1.89 per cent. per annum payable semi-annually in arrear
	(ii) Interest Payment Date(s):	11 March and 11 September in each year up to and including the Maturity Date, provided that if any Interest Payment Date falls on a day that is not a Business Day, the Interest Payment 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 the Interest Payment Date shall be brought forward to the immediately preceding Business Day. For these purposes, **Business Day** means a day (other than a Saturday, Sunday or public holiday) on which commercial banks in Hong Kong and London are generally open for business and settlement of Renminbi payments in Hong Kong and London.
	(iii) Fixed Coupon Amount:	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, CNY0.005 being rounded upwards.
	(iv) Broken Amount(s):	Not Applicable
	(v) Day Count Fraction (Condition 5(j)):	Actual/365 (Fixed)

	(vi) Determination Date(s) (Condition 5(j)):	Not Applicable
	(vii) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Calculation Agent):	Not Applicable
	(viii) Other terms relating to the method of calculating interest for Fixed Rate Notes:	Not Applicable
16.	Floating Rate Note Provisions:	Not Applicable
17.	Zero Coupon Note Provisions:	Not Applicable
18.	Index-Linked Interest Note Provisions:	Not Applicable
19.	Dual Currency Note Provisions:	Not Applicable

Provisions relating to Redemption

20.	Call Option:	Not Applicable
21.	Put Option:	Not Applicable
22.	Final Redemption Amount of each Note:	CNY10,000 per Calculation Amount
23.	Early Redemption Amount:	CNY10,000 per Calculation Amount
	Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons (Condition 6(c) or, where otherwise specified herein, Condition 6(d) or Condition 6(e)) or an Event of Default (Condition 10) 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

24.	Form of Notes:	Registered Notes: Registered Notes may not be exchanged for Bearer Notes. Global Certificate exchangeable for Certificates in the limited circumstances described in the Global Certificate
25.	Financial Centre(s) or other special provisions relating to payment dates:	Hong Kong
26.	Talons for future Coupons or Receipts to be attached to definitive Notes (and dates on which such Talons mature):	Not Applicable
27.	Details relating to Partly Paid Notes: amount of each payment comprising	Not Applicable

	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:	
28.	Details relating to Instalment Notes: amount of each instalment, date on which each payment is to be made:	Not Applicable
29.	Redenomination, renominalisation and reconventioning provisions:	Not Applicable
30.	Other terms or special conditions:	Not Applicable

Distribution

31.	(i) If syndicated, names of Managers:	China Construction Bank (Asia) Corporation Limited CCB International Capital Limited China Construction Bank Corporation Singapore Branch China Construction Bank (Europe) S.A. Agricultural Bank of China Limited Hong Kong Branch Bank of China (Hong Kong) Limited Bank of China Limited London Branch Bank of Communications Co., Ltd. Hong Kong Branch China CITIC Bank International Limited China International Capital Corporation Hong Kong Securities Limited CLSA Limited Industrial and Commercial Bank of China (Asia) Limited Industrial Bank Co., Ltd. Hong Kong Branch Standard Chartered Bank The Hongkong and Shanghai Banking Corporation Limited (the "**Managers**")
	(ii) Date of Subscription Agreement:	4 September 2025
	(iii) Stabilisation Manager(s) (if any):	Any of the Managers appointed and acting in its capacity as stabilisation manager (except for China CITIC Bank International Limited)
32.	If non-syndicated, name of the relevant Dealer:	Not Applicable
33.	U.S. Selling Restrictions:	Reg. S Category 1; TEFRA not applicable
34.	Prohibition of Sales to EEA Retail Investors:	Not Applicable
35.	Prohibition of Sales to UK Retail	Not Applicable

	Investors:	
36.	Additional selling restrictions:	Not Applicable
37.	Singapore Sales to Institutional Investors and Accredited Investors only:	Applicable

Yield

38.	Indication of yield:	1.89 per cent. The indication of yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

Operational Information

39.	ISIN Code:	HK0001186169
40.	Common Code:	317141793
41.	CMU Instrument Number:	BOAKFN25037
42.	Legal Entity Identifier:	The Legal Entity Identifier of the Bank is 5493001KQW6DM7KEDR62
43.	Any clearing system(s) other than Euroclear/ Clearstream and the CMU and the relevant identification number(s):	Not Applicable
44.	Delivery:	Delivery against payment
45.	Additional Paying Agent(s) (if any):	Not Applicable
46.	Ratings:	A1 by Moody's Investors Service Hong Kong Ltd.
47.	Hong Kong SFC code of conduct:	
	(i) Rebate	Not Applicable
	(ii) Contact email addresses where underlying investor information in relation to omnibus orders should be sent:	ccba_dcm@asia.ccb.com; dcm@ccbintl.com; fmd.dcm@abchina.com; ccbmtn@bochk.com; dcm.emea@uk.bankofchina.com; dcm@bankcomm.com.hk; TMG_Syndicate@cncbinternational.com; ling.chen@icbcasia.com; jackie.jq.chen@icbcasia.com; tiantian.li@icbcasia.com; lisixuan.hester@icbcasia.com; linziying.lavinia@icbcasia.com; qiruixiao.tracy@icbcasia.com; chenwen.emerald@icbcasia.com; SYNHK@sc.com
	(iii) Marketing and Investor Targeting Strategy	As described in the Drawdown Offering Circular

General

48.	The aggregate nominal amount of	Approximately U.S.$280,112,045

	Notes issued has been translated into U.S. dollars at the rate of U.S.$1.00 = CNY7.14, producing a sum of (for Notes not denominated in U.S. dollars):	
49.	In the case of Registered Notes, specify the location of the office of the Registrar if other than Hong Kong:	Not Applicable
50.	In the case of Bearer Notes, specify the location of the office of the Fiscal Agent if other than London:	Not Applicable
51.	Private Bank Rebate/Commission:	Not Applicable
52.	(i) Date of approval for issuance of Notes obtained:	Pursuant to the Notice on Further Regulating the Issuance of Debt Finance Instruments by Overseas Institutions (Guo Ji Ye Wu Bu [2014] No.222) 《關於進一步規範海外機構負債金融工具發行管理的通知》 (國際業務部[2014] 222 號), the Notice Concerning the Further Strengthening the Foreign Debt Business Management (Jian Zong Han (2014) No. 574) 《關於進一步加強海外負債業務管理的通知》(建總函(2014)574 號), the Approval of the MTN Programme Update of the Hong Kong Branch (Jian Zi Zhai (2017) No. 74)《關於更新香港分行中期票據計劃方案的批覆》（建資債(2017)74 號）, in relation to the MTN programme update of the Hong Kong Branch and the confirmation letter from the Bank dated 21 May 2025, Letter for Issuance of the First Tranche Overseas Green Bonds in 2024 of the asset and debt management department of the Bank dated 12 June 2024 《資產負債管理部關於組織發行 2024 年度首期境外綠色債券的函》 and the approval from Zhang Yi, the president of the Bank, regarding the request for issuance of the Notes, dated 12 August 2025, the issue of the Notes under the Programme has been duly authorised.
	(ii) Date of any regulatory approval for the issuance of the Notes:	Pursuant to the Enterprise Overseas Debt Borrowing Examination and Registration Certificate (企業借用外債審核登記證明) (發改辦外債[2024] 561 號) issued by the NDRC.

Use of Proceeds

The net proceeds of the issue of the Notes will be allocated to finance and/or refinance, in whole or in part, loans to customers involved in, as well as the Bank's own operational activities in Eligible Green Projects which satisfy the green criteria of the Green Eligible Categories, as further described in the sections entitled "*Use of Proceeds*" and "*Green, Social, Sustainability and Sustainability-Linked Bond Framework*" in the

Drawdown Offering Circular and in accordance with applicable laws and regulations (including those with respect to the remittance of proceeds into the PRC).

Listing

This Pricing Supplement comprises the final terms required to list the issue of the Notes described herein pursuant to the U.S.$15,000,000,000 Medium Term Note Programme of China Construction Bank Corporation 中國建設銀行股份有限公司 and China Construction Bank Corporation Hong Kong Branch 中國建設銀行股份有限公司香港分行.

Stabilisation

In connection with the issue of the Notes, the Managers named as the Stabilisation Manager(s) (or person(s) 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 price of the Notes at a level higher than that which might otherwise prevail for a limited period after the Issue Date. However, there is no obligation on such Stabilisation Manager(s) to do this. Such stabilising, if commenced, may be discontinued at any time, and must be brought to an end after a limited period. Such stabilising shall be in compliance with all applicable laws, regulations and rules.

Material Adverse Change Statement

Save as disclosed in the Base Offering Circular and the Drawdown Offering Circular, there has been no material adverse change in the financial position or prospects of the Issuer or of the Group since 30 June 2025.

Responsibility

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

Signed on behalf of

CHINA CONSTRUCTION BANK CORPORATION LONDON BRANCH

By:

Duly authorised

Signed on behalf of

CHINA CONSTRUCTION BANK CORPORATION HONG KONG BRANCH
中國建設銀行股份有限公司香港分行

By:

Duly authorised

ANNEX IV – BASE OFFERING CIRCULAR DATED 16 MAY 2025

IMPORTANT NOTICE

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE ADDRESSEES OUTSIDE OF THE UNITED STATES AND (IN THE CASE OF CATEGORY 2 OF REGULATION S NOTES) ARE NOT U.S. PERSONS.

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

Confirmation of Your Representation: This offering circular is being sent to you at your request, and by accepting the e-mail and accessing the attached document, you shall be deemed to represent to each of China Construction Bank Corporation 中國建設銀行股份有限公司 (the "**Bank**"), China Construction Bank Corporation Hong Kong Branch 中國建設銀行股份有限公司香港分行 (the "**Hong Kong Branch**") or such other branch of the Bank as specified in the relevant Pricing Supplement (a "**Branch Issuer**" and together with the Bank and the Hong Kong Branch, an "**Issuer**") and China Construction Bank (Asia) Corporation Limited (the "**Arranger**") that (1) you and any customers you represent are not and that the e-mail address that you gave us and to which this e-mail has been delivered is not located in the United States, its territories or possessions and (in the case of Category 2 of Regulation S Notes) are not a U.S. person (as defined in Regulation S under the U.S. Securities Act of 1933, as amended (the "**Securities Act**")), and (2) that you consent to delivery of the attached and any amendments or supplements thereto by electronic transmission.

The attached document has been made available to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission and consequently none of the Bank, the Hong Kong Branch, the Issuer, the Arranger, the dealers named herein (the "**Dealers**"), the agents named herein (the "**Agents**") nor their respective affiliates and their respective directors, officers, employees, representatives, agents and each person who controls the Bank, the Hong Kong Branch, the Issuer, an Arranger, a Dealer, an Agent or their respective affiliates accepts any liability or responsibility whatsoever in respect of any discrepancies between the document distributed to you in electronic format and the hard copy version. We will provide a hard copy version to you upon request.

THE SECURITIES 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 AND THE SECURITIES MAY NOT BE OFFERED OR SOLD OR (IN THE CASE OF SECURITIES IN BEARER FORM) DELIVERED WITHIN THE UNITED STATES OR (IN THE CASE OF CATEGORY 2 OF REGULATION S NOTES) TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

Nothing in this electronic transmission constitutes an offer or an invitation by or on behalf of the Bank, the Hong Kong Branch, the Issuer, the Arranger or the Dealers to subscribe for or purchase any of the securities described therein, and access has been limited so that it shall not constitute in the United States or elsewhere directed selling efforts (within the meaning of Regulation S under the Securities Act). If a jurisdiction requires that the offering be made by a licensed broker or dealer and an Arranger or a Dealer or any affiliate of it is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by it or such affiliate on behalf of the Issuer in such jurisdiction.

You are reminded that you have accessed the attached offering circular 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 this document, electronically or otherwise, to any other person. If you have gained access to this transmission contrary to the foregoing restrictions, you are not allowed to purchase any of the securities described in the attached.

Actions that You May Not Take: If you receive this document by e-mail, you should not reply by e-mail to this document, and you may not purchase any securities by doing so. Any reply e-mail communications, including those you generate by using the "Reply" function on your e-mail software, will be ignored or rejected.

YOU ARE NOT AUTHORISED TO AND YOU MAY NOT FORWARD OR DELIVER THE ATTACHED OFFERING CIRCULAR, ELECTRONICALLY OR OTHERWISE, TO ANY OTHER PERSON OR REPRODUCE SUCH OFFERING CIRCULAR IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THE ATTACHED OFFERING CIRCULAR 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.

You are responsible for protecting against viruses and other destructive items. If you receive this document by e-mail, 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 16 May 2025

中国建设银行
China Construction Bank

CHINA CONSTRUCTION BANK CORPORATION
中國建設銀行股份有限公司

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

CHINA CONSTRUCTION BANK CORPORATION HONG KONG BRANCH
中國建設銀行股份有限公司香港分行

U.S.$15,000,000,000

Medium Term Note Programme

Under the Medium Term Note Programme (the "**Programme**"), China Construction Bank Corporation 中國建設銀行股份有限公司 (the "**Bank**") and China Construction Bank Corporation Hong Kong Branch 中國建設銀行股份有限公司香港分行 (the "**Hong Kong Branch**") may from time to time issue medium term notes (the "**Notes**"), subject to compliance with all relevant laws, regulations and directives. This offering circular (this "**Offering Circular**") supersedes the offering circular dated 4 July 2024 and all other offering circulars before such date. Any Notes issued under the Programme on or after the date of this Offering Circular are issued subject to the provisions described herein save for, in the case of the terms and conditions of the Notes, any Notes issued on or after the date of this Offering Circular so as to be consolidated and form a single series with any Series (as defined under "**Terms and Conditions of the Notes**") of Notes issued before the date of this Offering Circular. Under the Programme, the Bank, the Hong Kong Branch or such other branch of the Bank as specified in the relevant Pricing Supplement (a "**Branch Issuer**" and, together with the Bank and the Hong Kong Branch, each an "**Issuer**"), subject to compliance with all relevant laws, regulations and directives, may from time to time issue Notes denominated in any currency agreed between the Issuer and the relevant Dealer (as defined below).

Notes may be issued in bearer or registered form (respectively "**Bearer Notes**" and "**Registered Notes**"). The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed U.S.$15,000,000,000 (or its equivalent in other currencies calculated as described in the Dealer Agreement described herein), subject to increase as described herein.

The Notes may be issued on a continuing basis to 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 by more than one Dealer, be to all Dealers agreeing to subscribe such Notes.

Where applicable for a relevant Tranche of Notes, the Notes will be issued within the relevant annual or otherwise general foreign debt issuance quota granted to the Bank by the National Development and Reform Commission of the PRC (the "**NDRC**") or registration will be completed by the Bank with the NDRC pursuant to 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)) which took effect on 10 February 2023 (as supplemented, amended or replaced from time to time) and any implementation rules or policies as issued by the NDRC from time to time (the "**NDRC Order 56**"). After the issuance of such relevant Tranche of Notes, the Bank intends to provide the requisite information on the issuance of such Notes to the NDRC within the time period as required by the NDRC.

Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and any other terms and conditions not contained herein which are applicable to each Tranche (as defined under "**Terms and Conditions of the Notes**") of Notes will be set out in a pricing supplement (the "**Pricing Supplement**").

Application has been made to The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") for the listing of the Programme on the Hong Kong Stock Exchange under which Notes may be issued 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. This document is for distribution to Professional Investors only.

Notice to Hong Kong investors: Each Issuer confirms that the Notes to be issued under the Programme 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 Hong Kong Stock Exchange, will be listed on the Hong Kong Stock Exchange on that basis. Accordingly, each Issuer confirms that the Notes are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.

The Hong Kong Stock Exchange 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 Offering Circular to Professional Investors only have been reproduced in this Offering Circular. Listing of the Programme or the Notes on the Hong Kong Stock Exchange is not to be taken as an indication of the commercial merits or credit quality of the Programme, the Notes, any Issuer, the Bank, the Hong Kong Branch or the Group or quality of disclosure in this document.

Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange 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 Programme provides that Notes may be listed or admitted to trading, as the case may be, on such other or further stock exchanges or markets as may be agreed between the Issuer and the relevant Dealer. The Issuer may also issue unlisted Notes.

Each Tranche of Notes of each Series (as defined in "**Form of the Notes**") in bearer form will be represented on issue by a temporary global note in bearer form (each a "**Temporary Bearer Global Note**" or "**Temporary Global Note**") or a permanent global note in bearer form (each a "**Permanent Bearer Global Note**" or "**Permanent Global Note**"). Notes in registered form will initially be represented by a global note in registered form (each a "**Registered Global Note**" or "**Global Certificate**" and together with any Temporary Bearer Global Notes and Permanent Bearer Global Notes, the "**Global Notes**" and each a "**Global Note**"). The Registered Global Notes will be registered in the name of, or in the name of a nominee for, one or more clearing systems. The Global Notes may be deposited on the issue date with a common depositary for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream**"). The Global Notes may also be deposited with a sub-custodian for the Hong Kong Monetary Authority (the "**HKMA**"), as operator of the Central Moneymarkets Unit Service, operated by the HKMA (the "**CMU Service**" or "**CMU**"). The provisions governing the exchange of interests in the Global Notes for other Global Notes and definitive Notes are described in "**Form of the Notes**".

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

The Bank has been rated A by Fitch Ratings Ltd. ("**Fitch**"). The Programme has been rated A by Fitch. Notes issued under the Programme may be rated or unrated. Where an issue of a certain series of Notes is rated, its rating will not necessarily be the same as the rating applicable to the Programme and (where applicable) 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, change or withdrawal at any time by the assigning rating agency.

Investing in Notes issued under the Programme involves certain risks and may not be suitable for all investors. Investors should have sufficient knowledge and experience in financial and business matters to evaluate the information contained in this Offering Circular and in the applicable Pricing Supplement and the merits and risks of investing in a particular issue of Notes in the context of their financial position and particular circumstances. Investors also should have the financial capacity to bear the risks associated with an investment in Notes. Investors should not purchase Notes unless they understand and are able to bear risks associated with Notes. See "**Risk Factors**" beginning on page 71 for a discussion of certain factors to be considered in connection with an investment in the Notes.

Arranger and Dealer

China Construction Bank (Asia)

The date of this Offering Circular is 16 May 2025.

IMPORTANT NOTICE

Each of the Issuer, the Hong Kong Branch and the Bank having made all reasonable enquiries confirms that to the best of its knowledge and belief (i) this Offering Circular contains all information with respect to the Issuer, the Hong Kong Branch and the Bank and its subsidiaries taken as a whole (the "**Group**") and to the Notes which is material in the context of the issue and offering of the Notes (including all information required by applicable laws and the information which, according to the particular nature of the Issuer, the Hong Kong Branch, the Bank and of the Notes, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses, and prospects of the Issuer, the Hong Kong Branch and the Group and of the rights attaching to the Notes); (ii) the statements contained herein relating to the Issuer, the Hong Kong Branch, the Bank, the Group and the Notes are in every material respect true and accurate and not misleading and (iii) there are no other facts in relation to the Issuer, the Hong Kong Branch, the Bank, the Group or the Notes, the omission of which would, in the context of the issue and offering of the Notes, make any statement in this Offering Circular misleading in any material aspect.

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 each Issuer, the Hong Kong Branch, the Bank and the Group. Each Issuer, the Hong Kong Branch and the Bank accepts full responsibility for the accuracy of the information contained in this Offering Circular and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

No person is or has been authorised by the Issuer, the Hong Kong Branch or the Bank to give any information or to make any representations other than those contained in this Offering Circular in connection with the Programme or the Notes and, if given or made, such information or representations must not be relied upon as having been authorised by the Issuer, the Hong Kong Branch, the Bank, the Arranger, the Agents or the Dealers or any of their respective directors, officers, employees, agents, representatives or affiliates or any person who controls any of them.

The Arranger, the Agents and the Dealers have not separately verified the information contained in this Offering Circular to the fullest extent permitted by law. None of the Arranger, the Agents or the Dealers or any of their respective directors, officers, employees, agents, representatives or affiliates or any person who controls any of them makes any representation, warranty or undertaking, express or implied, or accepts any responsibility, with respect to the accuracy or completeness of any of the information in this Offering Circular. To the fullest extent permitted by law, none of the Arranger, the Agents or the Dealers or any of their respective directors, officers, employees, agents, representatives or affiliates or any person who controls any of them accepts any responsibility for the contents of this Offering Circular. Each of the Arranger, the Agents and the Dealers or any of their respective directors, officers, employees, agents, representatives or affiliates or any person who controls any of them 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 included or incorporated herein are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Issuer, the Hong Kong Branch, the Bank, the Arranger, the Agents or the Dealers or any of their respective directors, officers, employees, agents, representatives or affiliates or any person who controls any of them that any recipient of this Offering Circular or any such financial statements should purchase the Notes. Each potential purchaser of Notes should determine for itself the relevance of the information contained in this Offering Circular and make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer, the Hong Kong Branch, the Bank and the risks involved. The purchase of Notes by investors should be based upon their investigation, as they deem necessary. None of the Arranger, the Agents nor the Dealers or any of their respective directors, officers, employees, agents, representatives or affiliates or any person who controls any of them undertakes to review the financial condition or affairs of the Issuer, the Hong Kong Branch, the Bank and 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 Arranger or the Dealers or any of their respective directors, officers, employees, agents, representatives or affiliates or any person who controls any of them.

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 the Issuer, the Hong Kong Branch, the Bank, any of the Arranger or the Dealers or any of their respective directors, officers, employees, agents, representatives or affiliates or any person who controls any of them to any person to subscribe for or to purchase any Notes.

Neither the delivery of this Offering Circular or any Pricing Supplement nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained herein concerning the Issuer, the Hong Kong Branch or the Bank is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same. The Arranger, the Agents and the Dealers or any of their respective directors, officers, employees, agents, representatives or affiliates or any person who controls any of them expressly do not undertake to review the financial condition or affairs of the Issuer, the Hong Kong Branch or the Bank during the life of the Programme or to advise any investor in the Notes of any information coming to their attention. Investors should review, *inter alia*, the most recently published documents incorporated by reference into this Offering Circular when deciding whether or not to purchase any Notes.

IN CONNECTION WITH THE ISSUE OF ANY TRANCHE OF NOTES, THE DEALER OR DEALERS (IF ANY) NAMED AS THE STABILISATION MANAGER(S) (OR PERSON(S) 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, STABILISATION MAY NOT NECESSARILY OCCUR. 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 CEASE 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 DATE OF ALLOTMENT OF THE RELEVANT TRANCHE OF NOTES. ANY STABILISATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE RELEVANT STABILISATION MANAGER(S) (OR PERSON(S) ACTING ON BEHALF OF ANY STABILISATION MANAGER(S)) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), and Bearer Notes are subject to U.S. tax law requirements. Subject to certain exceptions, the Notes may not be offered, sold or (in the case of Bearer Notes) delivered within the United States or (in the case of Category 2 of Regulation S Notes) to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act). For a further description of certain restrictions on the offering and sale of the Notes and on distribution of this Offering Circular, see "**Subscription and Sale**" and the applicable Pricing Supplement.

PRIIPs/IMPORTANT – EEA RETAIL INVESTORS – If the Pricing Supplement in respect of any Notes includes a legend entitled "**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 ("**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**"); (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 (as amended, 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.

PRIIPs/IMPORTANT – UK RETAIL INVESTORS – If the Pricing Supplement in respect of any Notes includes a legend entitled "**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 ("**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**"); (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 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.

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 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 Arranger 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 distributor should take into consideration the 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 Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the UK MiFIR Product Governance Rules.

Singapore SFA Product Classification: The Pricing Supplement in respect of any Notes may include a legend entitled "Singapore Securities and Futures Act Product Classification" which will state the product classification of the Notes pursuant to Section 309B(1) of the Securities and Futures Act 2001 of Singapore, as modified or amended from time to time (the "**SFA**"). If applicable, the Issuer will make a determination and provide the appropriate written notification to "relevant persons" in relation to each issue about the classification of the Notes being offered for the purposes of Section 309B(1)(a) and Section 309B(1)(c) of the SFA.

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. The distribution of this Offering Circular or any Pricing Supplement and the offer or sale of Notes may be restricted by law in certain jurisdictions. None of the Issuer, the Hong Kong Branch, the Bank, the Arranger, the Agents or the Dealers or any of their respective directors, officers, employees, agents, representatives or affiliates or any person who controls any of them represents that this Offering Circular or any Pricing Supplement 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, no action has been taken by the Issuer, the Hong Kong Branch, the Bank, the Arranger or the Dealers or any of their respective directors, officers, employees, agents, representatives or affiliates or any person who controls any of them which would permit a public offering of any Notes or distribution of this Offering Circular or any Pricing Supplement 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 Pricing Supplement or 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 the Notes in the United States, the United Kingdom, the European Economic Area, Singapore, Japan, Hong Kong, the People's Republic of China, the United Arab Emirates (excluding the Dubai International Financial Centre), the Dubai International Financial Centre, the Kingdom of Saudi Arabia, the Kingdom of Bahrain and the State of Qatar. See "*Subscription and Sale*" and the relevant Pricing Supplement.

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 the 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 Dealers in respect of each CMI Offering.

Prospective investors who are the directors, employees or major shareholders of the Issuer, a CMI or its group companies would be considered under the SFC Code as having an association ("**Association**") with the Issuer, the CMI or the relevant group company. Prospective investors associated with the Issuer 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 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 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, such prospective investor should indicate when placing an order if it is for a fund or portfolio where the relevant Dealer 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, 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 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 Dealers and/or any other third parties as may be required by the SFC Code, including to the Issuer, 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 audited consolidated financial statements of the Group as at and for the year ended 31 December 2023 (the "**Group 2023 Annual Financial Statements**") and the audited consolidated financial statements of the Group as at and for the year ended 31 December 2024 (the "**Group 2024 Annual Financial Statements**"). The Group 2023 Annual Financial Statements and the Group 2024 Annual Financial Statements, which are included elsewhere in this Offering Circular, were prepared in accordance with the International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**"). From 1 January 2019, the independent auditor of the Bank has been Ernst & Young, Certified Public Accountants, Hong Kong ("**Ernst & Young**").

The selected consolidated financial information of the Group as at and for the year ended 31 December 2022 have been extracted from the Group 2023 Annual Financial Statements contained in the annual report of the Group published by the Bank on the website of the Hong Kong Stock Exchange on 25 April 2024 (the "**2023 Annual Report**"). The selected consolidated financial information of the Group as at and for the years ended 31 December 2023 and 2024 have been extracted from the Group 2024 Annual Financial Statements contained in the annual report of the Group published by the Bank on the website of the Hong Kong Stock Exchange on 25 April 2025 (the "**2024 Annual Report**"). The Group 2023 Annual Financial Statements and the Group 2024 Annual Financial Statements were audited by Ernst & Young.

In particular, in respect of the Group 2023 Annual Financial Statements, the Group has reclassified business segments of certain business of the Bank to reflect changes in regulatory classification requirements. The Group has also adjusted comparative figures for the year 2022 accordingly. Please refer to note 57 of the Group 2023 Annual Financial Statements. The Group has adopted and implemented IFRS 17 Insurance Contracts ("**IFRS 17**") since 1 January 2023 and made retrospective adjustments to the financial statements for the comparative periods in accordance with the transition requirements. As a result, certain comparative financial information as at 31 December 2022 and for the year ended 31 December 2022 included in the Group 2023 Annual Financial Statements has been restated. Under IFRS 17, the Group has reassessed its business models of financial assets held for managing activities related to contracts within the scope of application of IFRS 17 and determined the classification of these financial assets, while also retrospectively adjusting information in comparative periods. On the basis of the measurement of fulfilment cash flows for insurance contract liabilities linked to certain debt investments measured at amortised cost, the Group reassessed its business models for the above financial assets, and reclassified them as debt investments measured at fair value through other comprehensive income. Please refer to note 3 of the Group 2023 Annual Financial Statements for further information, including the impact of the implementation of IFRS 17 on main financial indicators of the comparative periods. In addition, according to the Interim Measures for the Administration of the Gold Leasing Business issued by the People's Bank of China, the Group has adjusted the presentation of its interbank gold leasing business and relevant data of the comparative period accordingly from 2023.

In respect of the Group 2024 Annual Financial Statements, the Group has adopted – "Amendments to IFRS 16 (*Lease Liability Measurement in a Sale and Leaseback Transaction*)", "Amendments to IAS 1 (*Classification of Liabilities as Current or Non-current*)", "Amendments to IAS 1 (*Non-current Liabilities with Covenants*)" and "Amendments to IAS 7 and IFRS 7 (*Supplier Finance Arrangements*)" – the revised IFRS accounting standards for the year ended 31 December 2024. Please refer to note 3 of the Group 2024 Annual Financial Statements.

Investors must therefore exercise caution when making comparisons between such financial data when evaluating the Group's financial condition and results of operations. Please refer to "*Risk Factors – Risks Relating to the Bank's Business – The Group's historical financial information may not be indicative of its current or future results of operations and investors should exercise caution in comparing financial data between years or periods due to changes in accounting standards*".

CERTAIN DEFINITIONS

Unless otherwise specified or the context requires, references herein to the "Bank" refer to China Construction Bank Corporation 中國建設銀行股份有限公司; references to the "Hong Kong Branch" refer to China Construction Bank Corporation Hong Kong Branch 中國建設銀行股份有限公司香港分行; references to the "Issuer" refer to the Bank, the Hong Kong Branch or such other branch of the Bank as specified in the relevant Pricing Supplement as being the issuer of a Series of Notes; references to the "Group" refer to the Bank and its subsidiaries taken as a whole; references herein to "U.S. dollars" and "U.S.$" are to the lawful currency of the United States of America (the "**USA**" or the "**U.S.**"); references to "Hong Kong dollars", "HK dollars" and "HK$" are to the lawful currency of Hong Kong; references to "Renminbi", "RMB" and "CNY" are to the lawful currency of the People's Republic of China (the "**PRC**"); references to "Sterling" and "£" are to the lawful currency of the United Kingdom and references to "EUR", "euro" and "€" are to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended.

The language of this Offering Circular is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

In addition, references to "Hong Kong" are to the Hong Kong Special Administrative Region of the PRC, references to "Macau" are to the Macau Special Administrative Region of the PRC, references to "Mainland China" are to the PRC excluding Hong Kong and Macau and references to "Greater China" are to the PRC including Hong Kong and Macau.

Any discrepancies in any table between totals and sums of the amounts listed are due to rounding.

FORWARD-LOOKING STATEMENTS

The Issuer has included statements in this Offering Circular which contain words or phrases such as "will", "would", "aim", "aimed", "is likely", "are likely", "believe", "expect", "expected to", "will continue", "anticipated", "estimate", "estimating", "intend", "plan", "seeking to", "future", "objective", "should", "can", "could", "may", and similar expressions or variations of such expressions, that are "forward-looking statements". Actual results may differ materially from those suggested by the forward-looking statements due to certain risks or uncertainties associated with the Issuer's or the Bank's expectations with respect to, but not limited to, its ability to successfully implement its strategy, its ability to integrate recent or future mergers or acquisitions into its operations, future levels of non-performing assets and restructured assets, its growth and expansion, the adequacy of its provision for credit and investment losses, technological changes, investment income, its ability to market new products, cash flow projections, the outcome of any legal or regulatory proceedings it is or becomes a party to, the future impact of new accounting standards, its ability to pay dividends, its ability to roll over its short-term funding sources, its exposure to operational, market, credit, interest rate and currency risks and the market acceptance of and demand for internet banking services. These forward-looking statements speak only as of the date of this Offering Circular. The Bank expressly disclaims any obligation or undertaking to update or revise any forward-looking statements contained herein whether as a result of new information, future events or otherwise.

THIRD PARTY INFORMATION

Market data and certain industry forecasts and statistics in this Offering Circular have been obtained from both public and private sources, including market research, publicly available information and industry publications. Although this information is believed to be reliable, it has not been independently verified by the Issuer, the Hong Kong Branch, the Bank, any of the Arranger or the Dealers or any of their respective directors, officers, employees, agents, representatives or affiliates or any person who controls any of them, and none of the Issuer, the Hong Kong Branch, the Bank, any of the Arranger or the Dealers or any of their respective directors, officers, employees, agents, representatives or affiliates or any person who controls any of them make any representation as to the accuracy or completeness of that information. In addition, third party information providers may have obtained information from market participants and such information may not have been independently verified.

TABLE OF CONTENTS

DOCUMENTS INCORPORATED BY REFERENCE

The following documents published or issued from time to time after the date hereof shall be deemed to be incorporated in, and to form part of, this Offering Circular:

(a) the most recently published two years' audited consolidated financial statements of the Bank and the most recently published unaudited but reviewed consolidated interim financial statements of the Bank, together with any audit or review reports prepared in connection therewith and the most recently published unaudited and unreviewed consolidated quarterly financial statements of the Bank; and

(b) all supplements or amendments to this Offering Circular circulated by the Issuer from time to time,

save that any statement contained herein or in a document which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Offering Circular to the extent that a statement contained in any such subsequent document which is deemed to be incorporated by reference herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Offering Circular.

The half-year consolidated interim financial statements of the Group have not been and will not be audited by any independent auditors, and the consolidated quarterly financial statements of the Group have not been and will not be audited or reviewed by any independent auditors, and they should not be relied upon by potential investors to provide the same quality of information associated with information that has been subject to an audit and/or review, as the case may be. None of the Arranger, the Agents or the Dealers or any of their respective directors, officers, employees, agents, representatives or affiliates or any person who controls any of them makes any representation or warranty, express or implied, regarding the accuracy, completeness and sufficiency of such consolidated financial statements of the Group for an assessment of, and potential investors must exercise caution when using such data to evaluate, the Bank's or the Group's financial condition and results of operations. See "*Risk Factors – Risks relating to the Bank's Business – Potential investors should not place undue reliance on the financial information incorporated by reference that is not audited*".

The Issuer will provide, without charge, to each person to whom a copy of this Offering Circular has been delivered, upon the request of such person, a copy of any or all of the documents deemed to be incorporated herein by reference unless such documents have been modified or superseded as specified above. Requests for such documents should be directed to the Issuer at its office, as set out at the end of this Offering Circular. In addition, such documents will be available free of charge from the office of China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司) (the "**Fiscal Agent**") at 3/F, CCB Tower, 3 Connaught Road Central, Central, Hong Kong. Pricing Supplements will only be available for inspection by a holder of such Notes and such holder must produce evidence satisfactory to the Issuer or the relevant Paying Agent as to its holding of Notes and its identity.

If the terms of the Programme are modified or amended in a manner which would make this Offering Circular, as so modified or amended, inaccurate or misleading, a new offering circular will be prepared.

GENERAL DESCRIPTION OF THE PROGRAMME

Under the Programme, the Issuer may from time to time issue Notes denominated in any currency, subject to those matters set out herein. A summary of the terms and conditions of the Programme and the Notes appears below. The applicable terms of any Notes will be agreed between the Issuer and the relevant Dealer prior to the issue of the Notes and will be set out in the Terms and Conditions of the Notes endorsed on, attached to, or incorporated by reference into, the Notes, as modified and supplemented by the applicable Pricing Supplement attached to, or endorsed on, such Notes, as more fully described under "*Form of the Notes*".

This Offering Circular and any supplement hereto will only be valid for Notes issued under the Programme during the period of 12 months from the date of this Offering Circular in an aggregate nominal amount which, when added to the aggregate nominal amount then outstanding of all Notes previously or simultaneously issued under the Programme, does not exceed U.S.$15,000,000,000 or its equivalent in other currencies. For the purpose of calculating the aggregate nominal amount of Notes issued under the Programme from time to time:

(a) the premium of Notes issued at a premium shall be added to their nominal amount;

(b) the nominal amount of Notes issued at a discount as at any time shall equal their nominal amount or, if defined and provided for in the Terms and Conditions of such Notes, their Amortised Face Amount as at such time;

(c) the nominal amount of partly paid Notes as at any time shall equal the amount of subscription moneys paid up as at such time; and

(d) the U.S. dollar equivalent of the nominal amount of Notes denominated in a currency other than U.S. dollars (which, in the case of dual currency Notes, shall be the currency in which the subscription moneys are received by the Issuer) shall be determined on the basis of the spot rate for the sale of the U.S. dollar against the purchase of the relevant currency in the London foreign exchange market quoted by any leading bank selected by the Issuer at any time during the five day period ending on the trade date relating to such Notes.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

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

The selected consolidated financial information as at and for the year ended 31 December 2022 is extracted from the Group 2023 Annual Financial Statements (contained in the 2023 Annual Report); the selected consolidated financial information as at and for the years ended 31 December 2023 and 2024 is extracted from the Group 2024 Annual Financial Statements (contained in the 2024 Annual Report), which were prepared and presented in accordance with IFRS. The Group 2023 Annual Financial Statements and the Group 2024 Annual Financial Statements were audited by Ernst & Young.

The information set out below should be read in conjunction with, and is qualified in its entirety by reference to, the relevant consolidated financial statements of the Group, including the notes thereto, included elsewhere in this Offering Circular.

In particular, in respect of the Group 2023 Annual Financial Statements, the Group has reclassified business segments of certain business of the Bank to reflect changes in regulatory classification requirements. The Group has also adjusted comparative figures for the year 2022 accordingly. Please refer to note 57 of the Group 2023 Annual Financial Statements. The Group has adopted and implemented IFRS 17 since 1 January 2023 and made retrospective adjustments to the financial statements for the comparative periods in accordance with the transition requirements. As a result, certain comparative financial information as at 31 December 2022 and for the year ended 31 December 2022 included in the Group 2023 Annual Financial Statements has been restated. Under IFRS 17, the Group has reassessed its business models of financial assets held for managing activities related to contracts within the scope of application of IFRS 17 and determined the classification of these financial assets, while also retrospectively adjusting information in comparative periods. On the basis of the measurement of fulfilment cash flows for insurance contract liabilities linked to certain debt investments measured at amortised cost, the Group reassessed its business models for the above financial assets, and reclassified them as debt investments measured at fair value through other comprehensive income. Please refer to note 3 of the Group 2023 Annual Financial Statements for further information, including the impact of the implementation of IFRS 17 on main financial indicators of the comparative periods. In addition, according to the Interim Measures for the Administration of the Gold Leasing Business issued by the People's Bank of China, the Group has adjusted the presentation of its interbank gold leasing business and relevant data of the comparative period accordingly from 2023.

In respect of the Group 2024 Annual Financial Statements, the Group has adopted – "Amendments to IFRS 16 (*Lease Liability Measurement in a Sale and Leaseback Transaction*)", "Amendments to IAS 1 (*Classification of Liabilities as Current or Non-current*)", "Amendments to IAS 1(*Non-current Liabilities with Covenants*)" and "Amendments to IAS 7 and IFRS 7 (*Supplier Finance Arrangements*)" – the revised IFRS accounting standards for the year ended 31 December 2024. Please refer to note 3 of the Group 2024 Annual Financial Statements.

Investors must therefore exercise caution when making comparisons between such financial data when evaluating the Group's financial condition and results of operations. Please refer to "*Risk Factors – Risks Relating to the Bank's Business – The Group's historical financial information may not be indicative of its current or future results of operations and investors should exercise caution in comparing financial data between years or periods due to changes in accounting standards.*"

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022, 2023 AND 2024

	As at 31 December		
	2022 (Restated)	2023	2024
	(RMB in millions, unless otherwise stated)		
Assets:			
Cash and deposits with central banks	3,159,296	3,066,058	2,571,361
Deposits with banks and non-bank financial institutions	185,423	148,218	154,532
Precious metals	39,119	59,429	138,433
Placements with banks and non-bank financial institutions	509,786	675,270	672,875
Positive fair value of derivatives	49,308	43,840	108,053
Financial assets held under resale agreements	1,040,847	979,498	622,559
Loans and advances to customers	20,493,042	23,083,377	25,040,400
Financial investments:			
Financial assets measured at fair value through profit or loss	568,097	602,303	612,504
Financial assets measured at amortised cost	5,958,397	6,801,242	7,429,723
Financial assets measured at fair value through other comprehensive income	2,015,818	2,234,731	2,641,736
Long-term equity investments	22,700	20,983	23,560
Fixed assets	157,014	159,948	165,116
Construction in progress	9,971	7,423	4,319
Land use rights	13,225	12,911	12,417
Intangible assets	6,496	6,540	5,830
Goodwill	2,256	2,456	2,522
Deferred tax assets	113,081	121,227	120,485
Other assets	256,835	299,372	244,724
Total assets	**34,600,711**	**38,324,826**	**40,571,149**
Liabilities:			
Borrowings from central banks	774,779	1,155,634	942,594
Deposits from banks and non-bank financial institutions	2,584,271	2,792,066	2,835,885
Placements from banks and non-bank financial institutions	365,760	407,722	479,881
Financial liabilities measured at fair value through profit or loss	289,100	252,179	240,593
Negative fair value of derivatives	46,747	41,868	93,990
Financial assets sold under repurchase agreements	242,676	234,578	739,918
Deposits from customers	25,020,807	27,654,011	28,713,870
Accrued staff costs	49,355	52,568	60,661
Taxes payable	84,169	73,580	40,388
Provisions	50,726	43,344	38,322
Debt securities issued	1,646,870	1,895,735	2,386,595
Deferred tax liabilities	881	1,724	1,525
Other liabilities	568,326	547,743	652,962
Total liabilities	**31,724,467**	**35,152,752**	**37,227,184**
Equity:			
Share capital	250,011	250,011	250,011
Other equity instruments			
Preference shares	59,977	59,977	59,977
Perpetual bonds	79,991	139,991	100,000
Capital reserve	135,653	135,619	135,736
Other comprehensive income	17,403	23,981	57,901
Surplus reserve	337,527	369,906	402,196
General reserve	444,786	496,255	534,591
Retained earnings	1,530,102	1,674,405	1,781,715
Total equity attributable to equity shareholders of the Bank	2,855,450	3,150,145	3,322,127
Non-controlling interests	20,794	21,929	21,838
Total equity	**2,876,244**	**3,172,074**	**3,343,965**
Total liabilities and equity	**34,600,711**	**38,324,826**	**40,571,149**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEARS ENDED 31 DECEMBER 2022, 2023 AND 2024

	For the year ended 31 December		
	2022 (Restated)	2023	2024
	(RMB in millions, unless otherwise stated)		
Interest income	1,170,573	1,247,366	1,241,557
Interest expense	(526,904)	(630,133)	(651,675)
Net interest income	643,669	617,233	589,882
Fee and commission income	130,830	129,906	117,940
Fee and commission expense	(14,745)	(14,160)	(13,012)
Net fee and commission income	116,085	115,746	104,928
Net trading gain	3,632	5,685	4,739
Dividend income	6,135	5,712	6,576
Net (loss)/gain arising from investment securities	(9,062)	(222)	10,878
Net gain on derecognition of financial assets measured at amortised cost	322	946	3,991
Other operating (expense)/income, net:			
– Other operating income	22,800	25,223	29,882
– Other operating expense	(26,071)	(24,708)	(22,306)
Other operating (expense)/income, net	(3,271)	515	7,576
Operating income	757,510	745,615	728,570
Operating expenses	(219,991)	(220,152)	(223,779)
	537,519	525,463	504,791
Credit impairment losses	(154,535)	(136,774)	(120,700)
Other impairment losses	(479)	(463)	(298)
Share of profit of associates and joint ventures	1,194	1,151	584
Profit before tax	383,699	389,377	384,377
Income tax expense	(58,836)	(56,917)	(48,095)
Net profit	**324,863**	**332,460**	**336,282**
Other comprehensive income:			
(1) Other comprehensive income that will not be reclassified to profit or loss			
Remeasurements of post-employment benefit obligations	(275)	(54)	(93)
Fair value changes of equity instruments designated as measured at fair value through other comprehensive income	(211)	153	9,152
Others	33	39	74
Subtotal	(453)	138	9,133
(2) Other comprehensive income that may be reclassified subsequently to profit or loss			
Fair value changes of debt instruments measured at fair value through other comprehensive income	(12,096)	8,256	36,827
Allowances for credit losses of debt instruments measured at fair value through other comprehensive income	3,157	(1,234)	(1,241)
Reclassification adjustments included in profit or loss due to disposals	11	(439)	(2,997)
Net gain on cash flow hedges	485	201	100
Exchange difference on translating foreign operations	8,712	4,115	1,273
Others	(3,114)	(6,424)	(10,270)
Subtotal	(2,845)	4,475	23,692
Other comprehensive income for the year, net of tax	**(3,298)**	**4,613**	**32,825**
Total comprehensive income for the year	**321,565**	**337,073**	**369,107**
Net profit attributable to:			
Equity shareholders of the Bank	324,727	332,653	335,577
Non-controlling interests	136	(193)	705
	324,863	**332,460**	**336,282**
Total comprehensive income attributable to:			
Equity shareholders of the Bank	322,724	339,257	369,504
Non-controlling interests	(1,159)	(2,184)	(397)
	321,565	337,073	369,107
Basic and diluted earnings per share (in RMB)	1.28	1.31	1.31

SUMMARY OF THE PROGRAMME

The following summary does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Offering Circular and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Pricing Supplement. Words and expressions defined in "Form of the Notes" and "Terms and Conditions of the Notes" shall have the same meanings in this summary.

Bank	China Construction Bank Corporation 中國建設銀行股份有限公司
Hong Kong Branch	China Construction Bank Corporation Hong Kong Branch 中國建設銀行股份有限公司香港分行
Issuer	The Bank, the Hong Kong Branch or such branch of the Bank as specified in the relevant Pricing Supplement as being the Issuer of a Series of Notes.
Description	Medium Term Note Programme.
Arranger	China Construction Bank (Asia) Corporation Limited
Dealers	China Construction Bank (Asia) Corporation Limited, and any other Dealers appointed in accordance with the Dealer Agreement.
Certain Restrictions	Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see "*Subscription and Sale*" and the relevant Pricing Supplement) including the following restrictions applicable at the date of this Offering Circular. **Notes having a maturity of less than one year** Notes having a maturity of less than one year will, if the proceeds of the issue are received in the United Kingdom, constitute deposits for the purposes of the prohibition on accepting deposits contained in Section 19 of the Financial Services and Markets Act 2000 unless they are issued to a limited class of professional investors and have a denomination of at least £100,000 or its equivalent, see "*Subscription and Sale*".
Fiscal Agent	China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司)
Registrar and Transfer Agent	China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司)
CMU Lodging and Paying Agent	China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司)
Programme Size	Up to U.S.$15,000,000,000 (or its equivalent in other currencies calculated as described under "*General Description of the Programme*") outstanding at any time. The Bank or the Hong Kong Branch may increase the amount of the Programme in accordance with the terms of the Dealer Agreement.

Distribution	Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.
Currencies	Subject to any applicable legal or regulatory restrictions, any other currency agreed between the Issuer and the relevant Dealer.
Maturities	Such maturities as may be agreed between the Issuer and the relevant Dealer, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer or the relevant Specified Currency.
Issue Price	Notes may be issued on a fully-paid or a partly-paid basis and at an issue price which is at par or at a discount to, or premium over, par.
Form of Notes	The Notes will be issued in bearer or registered form as described in "*Form of the Notes*". Registered Notes will not be exchangeable for Bearer Notes and vice versa.
Fixed Rate Notes	Fixed interest will be payable on such date or dates as may be agreed between the Issuer and the relevant Dealer and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the Dealer.
Floating Rate Notes	Floating Rate Notes will bear interest at a rate determined: (a) by the Calculation Agent in the matter as described in the relevant Pricing Supplement where ISDA Determination is specified in the relevant Pricing Supplement; (b) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service (in relation to Screen Rate Determination for Floating Rate Notes where the Reference Rate is specified as being SOFR Benchmark, please see Condition 5(b)(iii)(C)); or (c) on such other basis as may be agreed between the Issuer and the relevant Dealer. The margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant Dealer for each series of Floating Rate Notes.
Index Linked Notes	Payments of principal in respect of Index Linked Redemption Notes or of interest in respect of Index Linked Interest Notes will be calculated by reference to such index and/or formula or to changes in the prices of securities or commodities or to such other factors as the Issuer and the relevant Dealer may agree.

Other provisions in relation to Floating Rate Notes and Index Linked Interest Notes .	Floating Rate Notes and Index Linked Interest Notes may also have a maximum interest rate, a minimum interest rate or both. Interest on Floating Rate Notes and Index Linked Interest Notes in respect of each Interest Period, as agreed prior to issue by the Issuer and the relevant Dealer, will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, as may be agreed between the Issuer and the relevant Dealer.
Dual Currency Notes . . .	Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in such currencies, and based on such rates of exchange, as the Issuer and the relevant Dealer may agree.
Zero Coupon Notes	Zero Coupon Notes will be offered and sold at a discount to their nominal amount, or offered and sold at their nominal amount and be redeemed at a premium, and will not bear interest.
Redemption	The applicable Pricing Supplement will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than in specified instalments, if applicable, or for taxation reasons, or following an Event of Default) or that such Notes will be redeemable at the option of the Issuer and/or the Noteholders upon giving notice to the Noteholders or the Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the Issuer and the relevant Dealer. The applicable Pricing Supplement may provide that Notes may be redeemable in two or more instalments of such amounts and on such dates as are indicated in the applicable Pricing Supplement. Notes having a maturity of less than one year may be subject to restrictions on their denomination and distribution, see "*Certain Restrictions – Notes having a maturity of less than one year*" above.
Denomination of Notes . .	Notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer save that the minimum denomination of each Note will be such as may be allowed or required from time to time by the central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency. See "*Certain Restrictions*" above.
Taxation	All payments of principal and interest by or on behalf of the Issuer in respect of the Notes, the Receipts and the Coupons will 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 the PRC and, if the Issuer is a branch of the Bank, the jurisdiction where that branch is located, or in each case any political subdivision or any authority therein or thereof having power to tax to which the Issuer becomes subject in respect of payments made by it in respect of the Notes, Receipts and the Coupons, subject as provided in Condition 8. In the event that any such deduction is made, the Issuer will, save in certain limited circumstances provided in Condition 8, be required to pay additional amounts to cover the amounts so deducted.

Events of Default	Events of Default for the Notes are set out in Condition 10.
Cross Acceleration	The terms of the Notes will contain a cross-acceleration provision as further described in Condition 10(c).
Status of the Notes	The Notes and the Receipts and the Coupons relating to them will constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer, ranking *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, at all times rank at least equally with all other unsecured and unsubordinated indebtedness and monetary obligations of the Issuer, present and future.
Listing	Application has been made to the Hong Kong Stock Exchange for the listing of the Programme on the Hong Kong Stock Exchange under which Notes may be issued to Professional Investors only during the 12-month period after the date of this Offering Circular. Separate application may be made for the listing of, and permission to deal in, the Notes on the Hong Kong Stock Exchange. Notes listed on the Hong Kong Stock Exchange are required to have a denomination of at least HK$500,000 (or its equivalent in other currencies). The Notes may also be listed on the Hong Kong Stock Exchange and on such other stock exchange(s) as may be agreed between the Issuer and the relevant Dealer in relation to each Series. 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).
Ratings	Tranches of Notes will be rated or unrated. Where a Tranche 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, revision, reduction or withdrawal at any time by the assigning rating agency.
Governing Law	The Notes, the Receipts, the Coupons and the Talons and any non-contractual obligations arising out of or in connection with them will be governed by, and shall be construed in accordance with, English law.
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 may be brought in such courts.

Selling Restrictions	There are restrictions on the offer, sale and transfer of the Notes in the United States, the United Kingdom, the European Economic Area, Singapore, Japan, Hong Kong, the PRC, the United Arab Emirates (excluding the Dubai International Financial Centre), the Dubai International Financial Centre, the Kingdom of Saudi Arabia, the Kingdom of Bahrain and the State of Qatar and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes. See "*Subscription and Sale*" and the relevant Pricing Supplement.
United States Selling Restrictions	Regulation S, Category 1 or 2, as specified in the applicable Pricing Supplement. Whether TEFRA C or D rules apply or whether TEFRA is not applicable will be specified in the applicable Pricing Supplement.
Clearing Systems	The CMU Service, Euroclear, Clearstream and/or any other clearing system as specified in the applicable Pricing Supplement. See "*Form of the Notes*".

FORM OF THE NOTES

The Notes of each Series will be in either bearer form, with or without interest coupons attached, or registered form, without interest coupons attached.

BEARER NOTES

Each Tranche of Bearer Notes will be in bearer form and will be initially issued in the form of a Temporary Bearer Global Note or, if so specified in the applicable Pricing Supplement, a Permanent Bearer Global Note which, in either case, will be delivered on or prior to the original issue date of the Tranche to either (i) a common depositary (the "**Common Depositary**") for, Euroclear and Clearstream or (ii) a sub-custodian for the CMU Service.

Whilst any Bearer Note is represented by a Temporary Bearer Global Note, payments of principal, interest (if any) and any other amount payable in respect of the Notes due prior to the Exchange Date (as defined below) will be made against presentation of the Temporary Bearer Global Note only to the extent that certification (in a form to be provided) to the effect that the beneficial owners of interests in such Bearer Note are not U.S. persons or persons who have purchased for resale to any U.S. person, as required by U.S. Treasury regulations, has been received by Euroclear and/or Clearstream and/or the CMU Lodging and Paying Agent and (in the case of a Temporary Bearer Global Note delivered to a Common Depositary for Euroclear and Clearstream) Euroclear and/or Clearstream, as applicable, has given a like certification (based on the certifications it has received) to the Principal Paying Agent (as defined in "*Terms and Conditions of the Notes*"). On and after the date (the "**Exchange Date**") which is 40 days after a Temporary Bearer Global Note is issued, interests in such Temporary Bearer Global Note will be exchangeable (free of charge) upon a request as described therein either for (a) interests in a Permanent Bearer Global Note of the same Series or (b) for definitive Bearer Notes of the same Series with, where applicable, receipts, interest coupons and talons attached (as indicated in the applicable Pricing Supplement and subject, in the case of definitive Bearer Notes, to such notice period as is specified in the applicable Pricing Supplement), in each case against certification of beneficial ownership as described above unless such certification has already been given, provided that the purchasers in the United States and certain U.S. persons will not be able to receive definitive Bearer Notes. The holder of a Temporary Bearer Global Note will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the Temporary Bearer Global Note for an interest in a Permanent Bearer Global Note or for definitive Bearer Notes is improperly withheld or refused.

Payments of principal, interest (if any) or any other amounts on a Permanent Bearer Global Note will be made through Euroclear and/or Clearstream against presentation or surrender (as the case may be) of the Permanent Bearer Global Note without any requirement for certification.

In respect of a Bearer Global Note held through the CMU Service, 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 Bearer Global Note are credited as being held with the CMU Service 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. For these purposes, a notification from the CMU Service shall be conclusive evidence of the records of the CMU Service (save in the case of manifest error). Save in the case of final payment, no presentation of the relevant Bearer Global Note shall be required for such purpose.

The applicable Pricing Supplement will specify that a Permanent Bearer Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Bearer Notes with, where applicable, receipts, interest coupons and talons attached upon either (a) not less than 60 days' written notice (i), in the case of Notes held by a Common Depositary for Euroclear and Clearstream, from Euroclear and/or Clearstream (acting on the instructions of any holder of an interest in such Permanent Bearer Global Note) to the Principal Paying Agent as described therein or (ii), in the case of Notes held through a sub-custodian for the CMU Service, from the relevant account holders therein to the CMU

Lodging and Paying Agent as described therein or (b) only upon the occurrence of an Exchange Event. For these purposes, "**Exchange Event**" means the Issuer has been notified that both Euroclear and Clearstream have, or in the case of Notes cleared through the CMU Service, the CMU Service has, been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so. The Issuer will promptly give notice to Noteholders in accordance with Condition 14 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, (a) in the case of Notes held by a Common Depositary for Euroclear and Clearstream, Euroclear and/or Clearstream (acting on the instructions of any holder of an interest in such Permanent Bearer Global Note) or, (b) in the case of Notes held through a sub-custodian for the CMU Service, the relevant account holders therein, may give notice to the Principal Paying Agent or, as the case may be, the CMU Lodging and Paying Agent requesting exchange.

The following legend will appear on all Bearer Notes which have an original maturity of more than 365 days and on all receipts and interest coupons relating to such Notes:

"**ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE.**"

The sections referred to provide that United States holders, with certain exceptions, will not be entitled to deduct any loss on Bearer Notes, receipts or interest coupons and will not be entitled to capital gains treatment of any gain on any sale, disposition, redemption or payment of principal in respect of such Notes, receipts or interest coupons.

Notes which are represented by a Bearer Global Note will only be transferable in accordance with the rules and procedures for the time being of Euroclear, Clearstream or the CMU Service, as the case may be.

REGISTERED NOTES

The Registered Notes of each Tranche offered and sold in reliance on Regulation S, which will be sold to outside the United States, will initially be represented by a global note in registered form (a "**Registered Global Note**", together with any Bearer Global Note, the "**Global Notes**"). Prior to expiry of the distribution compliance period (as defined in Regulation S), if any, applicable to each Tranche of Category 2 of Regulation S Notes, beneficial interests in a Registered Global Note may not be offered or sold to, or for the account or benefit of, a U.S. person and may not be held otherwise than through Euroclear, Clearstream or the CMU Service and such Registered Global Note will bear a legend regarding such restrictions on transfer.

Registered Global Notes will be deposited with a Common Depositary for, and registered in the name of a common nominee of, Euroclear, Clearstream and/or deposited with a sub-custodian for the CMU Service (if applicable), as specified in the applicable Pricing Supplement. Persons holding beneficial interests in Registered Global Notes will be entitled or required, as the case may be, under the circumstances described below, to receive physical delivery of definitive Notes in fully registered form.

Payments of principal, interest or any other amount in respect of the Registered Notes in definitive form will, in the absence of provision to the contrary, be made to the person shown on the Register (as defined in Condition 1) as the registered holder of the Registered Global Notes. None of the Issuer, the Bank, the Hong Kong Branch, the Fiscal Agent, any Paying Agent or the Registrar will have any responsibility or liability for any aspect of the records relating to or payments or deliveries made on account of beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Payments of principal, interest or any other amount in respect of the Registered Notes in definitive form will, in the absence of provision to the contrary, be made to the persons shown on the Register on the relevant Record Date (as defined in Condition 7(b)(ii)) immediately preceding the due date for payment in the manner provided in that Condition.

Interests in a Registered Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Registered Notes without receipts, interest coupons or talons attached only upon the occurrence of an Exchange Event. For these purposes, "**Exchange Event**" means the Issuer has been notified that both Euroclear and Clearstream and, in the case of Notes cleared through the CMU Service, the CMU Service have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so. The Issuer will promptly give notice to Noteholders in accordance with Condition 14 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, (a) in the case of Notes registered in the name of a nominee for a Common Depositary for Euroclear and Clearstream (acting on the instructions of any holder of an interest in such Registered Global Note) and/or, (b) in the case of Notes held through a sub-custodian for the CMU Service, the relevant account holders therein may give notice to the Registrar or the CMU Lodging and Paying Agent, as the case may be, requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iii) above, the Issuer may also give notice to the Registrar requesting exchange. Any such exchange shall occur not later than ten days after the date of receipt of the first relevant notice by the Registrar or the CMU Lodging and Paying Agent, as the case may be.

TRANSFER OF INTERESTS

Interests in a Registered Global Note may, subject to compliance with all applicable restrictions, be transferred to a person who wishes to hold such interest in another Registered Global Note. No beneficial owner of an interest in a Registered Global Note will be able to transfer such interest, except in accordance with the applicable procedures of Euroclear, Clearstream and the CMU Service, in each case to the extent applicable.

GENERAL

Pursuant to the Fiscal Agency Agreement (as defined under "*Terms and Conditions of the Notes*"), the Principal Paying Agent or, as the case may be, the CMU Lodging and Paying Agent shall arrange that, where a further Tranche of Notes is issued which is intended to form a single Series with an existing Tranche of Notes, the Notes of such further Tranche shall be assigned a common code and ISIN and, where applicable, a CMU instrument number which are different from the common code, CMU instrument number and ISIN assigned to Notes of any other Tranche of the same Series until at least the expiry of the distribution compliance period (as defined in Regulation S under the Securities Act), if any, applicable to the Notes of such Tranche.

For so long as any of the Notes is represented by a Global Note held on behalf of Euroclear and/or Clearstream or the CMU Service, each person (other than Euroclear and/or Clearstream or the CMU Service) who is for the time being shown in the records of Euroclear or of Clearstream or the CMU Service as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear and/or Clearstream or the CMU Service as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Bank, the Fiscal Agent and their agents as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purposes the bearer of the relevant Bearer Global Note or the registered holder of the relevant Registered Global Note shall be treated by the Issuer, the Bank, the Fiscal Agent and their agents as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions "Noteholder" and "holder of Notes" and related expressions shall be construed accordingly.

Notwithstanding the above, if a Note (whether in global or definitive form) is held through the CMU Service, any payment that is made in respect of such Note shall be made at the direction of the bearer or the registered holder to the person(s) for whose account(s) interests in such Note are credited as being held with the CMU Service in accordance with the CMU Rules (as defined in the Fiscal Agency Agreement) at the relevant time.

Any reference herein to Euroclear and/or Clearstream and/or the CMU Service shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Pricing Supplement.

A Note may be accelerated by the holder thereof in certain circumstances described in Condition 10. Holders of interests in such Global Note credited to their accounts with Euroclear, Clearstream and/or the CMU Service, as the case may be, may elect to proceed directly against the Issuer and the Bank on the basis of statements of account provided by Euroclear, Clearstream and/or the CMU Service on and subject to the terms of a deed of covenant (the "**Deed of Covenant**") dated 6 May 2022 and executed by the Bank and the Hong Kong Branch.

If the applicable Pricing Supplement specifies any modification to the Terms and Conditions of the Notes as described herein, it is envisaged that, to the extent that such modification relates only to Conditions 1, 5, 6 (except Condition 6(c)), 7, 12 or 14 (insofar as such Notes are not listed or admitted to trade on any stock exchange), they will not necessitate the preparation of a supplement to this Offering Circular. If the Terms and Conditions of the Notes of any Series are to be modified in any other respect, a supplement to this Offering Circular will be prepared, if appropriate.

FORM OF PRICING SUPPLEMENT

The Pricing Supplement that will be issued in respect of each Tranche of Notes will be substantially in the following form, duly supplemented (if necessary), amended (if necessary) and completed to reflect the particular terms of the relevant Notes and their issue.

[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**"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. 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 eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook ("**COBS**") and professional clients only, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**UK MiFIR**"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. 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 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.]

[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 ("**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**"); (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.]

[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 ("**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 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 Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA.] Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended) 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.]

[In connection with Section 309B of the Securities and Futures Act 2001 (2020 Revised Edition) 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 Recommendations on Investment Products). *(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.)*]

[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 iv to v 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 179 to 181 of the Offering Circular.]

Pricing Supplement dated [•]

China Construction Bank Corporation 中國建設銀行股份有限公司/
China Construction Bank Corporation Hong Kong Branch
中國建設銀行股份有限公司香港分行/[specify other foreign branch]

([a branch of China Construction Bank Corporation, which is] a joint stock company incorporated in the People's Republic of China with limited liability)

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes] (the "**Notes**") under the U.S.$15,000,000,000 Medium Term Note Programme (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 16 May 2025 (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 the Offering Circular[, the supplemental Offering Circular dated [•]] and this Pricing Supplement. In particular, investors in the Notes should read the section titled "*Risk Factors*" contained therein which applies to the issue of Notes described herein.

[*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 pricing supplement 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. In particular, investors in the Notes should read the section titled "*Risk Factors*" contained therein which apply to the issue of Notes described herein.]

[*The following language applies if the Notes are to be listed on The Stock Exchange of Hong Kong Limited.*

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.

The Stock Exchange of Hong Kong Limited (the Hong Kong Stock Exchange) 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 Hong Kong Stock Exchange is not to be taken as an indication of the commercial merits or credit quality of the Programme, the Notes, the Issuer, the Bank or the Group or quality of disclosure in this document. Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange 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.

Notice to Hong Kong investors: The Issuer confirms that the Notes are intended for purchase by Professional Investors only and will be listed on the Hong Kong Stock Exchange on that basis. Accordingly, the Issuer confirms that the Notes are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.

This document (read together with the Offering Circular dated 16 May 2025 [and the supplemental Offering Circular dated [•]]) 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 Issuer, the Bank and the Group. Each of the Issuer and the Bank accepts full responsibility for the accuracy of the information contained in this document and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement herein misleading.]

[*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 must be £100,000 or its equivalent in any other currency.*]

1.	Issuer:		[China Construction Bank Corporation 中國建設銀行股份有限公司/China Construction Bank Corporation Hong Kong Branch 中國建設銀行股份有限公司香港分行/[*specify other foreign branch as Issuer*]]
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[1]:		[•]
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*)]
6.	(i)	Specified Denominations[2]:	[•]
	(ii)	Calculation Amount[3]:	[•]
7.	(i)	Issue Date:	[•]
	(i)	Interest Commencement Date:	[*Specify/Issue Date/Not Applicable*]

1 If the specified currency is Hong Kong dollars, the relevant Notes may be subject to Hong Kong stamp duty. Hong Kong tax advice should be sought before issuance.

2 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".

3 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 with CNY0.05 or above rounded upwards/HK$0.01 with HK$0.005 or above rounded upwards]."

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] [*If the Maturity Date is less than one year from the Issue Date and either (a) the issue proceeds are received by the Issuer in the United Kingdom, or (b) the activity of issuing the Notes is carried on from an establishment maintained by the Issuer in the United Kingdom, (i) the Notes must have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be sold only to "professional investors" or (ii) another applicable exemption from section 19 of the FSMA must be available.*]]
9.	Interest Basis:	[[•] per cent. Fixed Rate] [*[EURIBOR/HIBOR/CNH HIBOR/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 Basis 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 Option] [Call Option] [(further particulars specified below)]
13.	Listing:	[Hong Kong/Singapore/Other (*specify*)/None]

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

14.	Method of distribution:		[Syndicated/Non-syndicated]

Provisions relating to Interest (if any) Payable

15.	Fixed Rate Note Provisions		[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs 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(s):	[•] 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*][7]
	(v)	Day Count Fraction (Condition 5(j)):	[30/360/Actual/Actual-ISDA/Actual/Actual-ICMA/Actual/ 365(Fixed)[8]/*specify other*] (*Day count fraction should be Actual/Actual-ICMA for all fixed rate issues other than those denominated in U.S. dollars, Renminbi or Hong Kong dollars*)
	(vi)	Determination Date(s) (Condition 5(j)):	[Not applicable/give details][9]
	(vii)	Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Calculation Agent):	[Not applicable/give details]

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 See Footnote 3.

7 See Footnote 3.

8 Applicable to Renminbi and Hong Kong dollar denominated Fixed Rate Notes.

9 Only to be completed for an issue where the Day Count Fraction is Actual/Actual-ICM

	(viii) Other terms relating to the method of calculating interest for Fixed Rate Notes:	[Not applicable/give details]
16.	Floating Rate Note Provisions	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i) Interest Period(s):	[•]
	(ii) Specified Interest Payment Dates:	[•] *(Not applicable unless different from the Interest Payment Date(s))*
	(iii) Interest Period Date:	[•] *(Not applicable unless different from the Interest Payment Date)*
	(iv) Interest Commencement 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)):	[Not Applicable/*give details*]
	(vii) Manner in which the Rate(s) of Interest is/are to be determined if different from the Conditions:	[*Specify*] (*Where different interest provisions are specified, consider adjusting or disapplying the Screen Rate Determination provisions in Condition 5(b)(iii) and including replacement provisions describing the manner in which the Rate of Interest and Interest Amount is to be determined*)
	(viii) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the Calculation Agent):	[•]
	(ix) ISDA Determination (Condition 5(b)(iii)(A)):	[*Specify – including the ISDA Definitions*]
	(x) Screen Rate Determination (Condition 5(b)(iii)(B)):	
	• Reference Rate:	EURIBOR/HIBOR/CNH HIBOR, *Specify 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*]
•	Relevant Screen Page:	[*For example, EURIBOR 01*]
•	Relevant Time:	[*For example, 11.00 a.m. Brussels time*]]
•	Relevant Financial Centre:	[*For example, Euro-zone (where Euro-zone means the region comprised of the countries whose lawful currency is the euro*]

(xi) Screen Rate Determination (SOFR) (Condition 5(b)(iii)(C))

•	Reference Rate:	SOFR Benchmark – [Simple SOFR Average/Compounded SOFR Average/SOFR Compounded Index]
•	Compounded SOFR Average Method:	[Not Applicable/SOFR Observation Lag/SOFR Observation Shift/SOFR Payment Delay/SOFR Lockout – *used for Compounded SOFR Average only*]
•	SOFR Index$_{Start}$ Start Date:	[Not Applicable]/[[•] U.S. Government Securities Business Days – *used for SOFR Compounded Index only*]
•	SOFR Index$_{End}$ End Date:	[Not Applicable]/[[•] U.S. Government Securities Business Days – *used for SOFR Compounded Index only*]
•	Interest Determination Date(s):	[The [•] U.S. Government Securities Business Day prior to the Interest Period Date on which each Interest Accrual Period ends – *only applicable in the case of Simple SOFR Average/SOFR Observation Lag/SOFR Observation Shift/ SOFR Lockout/SOFR Compounded Index*] [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 – *only applicable in the case of SOFR Payment Delay*]
•	Lookback Days:	[[•] U.S. Government Securities Business Days – *used for SOFR Lag only*]/[Not Applicable]
•	SOFR Observation Shift Days:	[[•] U.S. Government Securities Business Days – *used for the SOFR Observation Shift or SOFR Compounded Index only*]/[Not Applicable]

	• SOFR Rate Cut-Off Date:	[The date falling [•] Business Days prior to the end of each Interest Accrual Period, the Maturity Date or the date fixed for redemption, as applicable – *used for only Simple SOFR Average (if applicable), Compounded SOFR Average – SOFR Payment Delay or SOFR Lockout only*]/[Not Applicable]
	• Interest Payment Delay Days:	[•] Business Days – *used for SOFR Payment Delay only*]/[Not Applicable]
	• SOFR Index Unavailable:	[Not Applicable/Compounded SOFR formula]
	• Observation Shift Days:	[[•] U.S. Government Securities Business Days – *used for SOFR Index Unavailable only*]/[Not Applicable]
	(xii) Margin(s):	[+/-][•] per cent. per annum
	(xiii) Minimum Rate of Interest:	[•] per cent. per annum
	(xiv) Maximum Rate of Interest:	[•] per cent. per annum
	(xv) Day Count Fraction (Condition 5(j)):	[•]
	(xvi) Fallback provisions, rounding provisions 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 Event/Benchmark Event (SOFR)/specify if fallback provisions different from those set out in the Conditions]
17.	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:	[•]
18.	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 Exchange (if not the Calculation Agent):	[•]
	(iii)	Provisions for determining Coupon where calculation by reference to Index and/or Formula and/or other variable:	[•]
	(iv)	Provisions for determining Coupon where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted:	[•]
	(v)	Interest Determination Date(s):	[•]
	(vi)	Interest Accrual Period(s):	[•]
	(vii)	Specified Interest Payment Dates:	[•] (*Not applicable unless different from the Interest Payment Date(s)*)
	(viii)	Business Day Convention:	[Floating Rate Business Day Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/Other (*give details*)]
	(ix)	Business Centre(s):	[•]
	(x)	Minimum Rate of Interest:	[•] per cent. per annum
	(xi)	Maximum Rate of Interest:	[•] per cent. per annum
	(xii)	Day Count Fraction (Condition 5(j)):	[•]
19.	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 responsible for calculating the Rate(s) of Exchange (if not the Calculation 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

20.	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:	[•]
21.	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:	[•]
22.	Final Redemption Amount of each Note	[•] per Calculation Amount

23.	Early Redemption Amount	[•]
	Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons (Condition 6(c) or, where otherwise specified herein, Condition 6(d) or Condition 6(e)) or an Event of Default (Condition 10) 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

24.	Form of Notes:	Bearer Notes: [*delete as appropriate*] [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for definitive Notes on [•] days' notice/at any time/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 on [•] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note][10] [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.] Registered Notes: [Registered Notes may not be exchanged for Bearer Notes. Global Certificate exchangeable for Certificates in the limited circumstances described in the Global Certificate.]
25.	Additional Financial Centre(s) or other special provisions relating to payment dates:	[Not Applicable/give details. *Note that this paragraph relates to the date and place of payment, and not interest period end dates, to which items 16(v) and 18(ix) relate*]

10 If the Global Note is exchangeable for definitives at the option of the holder, the Notes shall be tradable 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.

26.	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*]
27.	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*]
28.	Details relating to Instalment Notes: amount of each instalment, date on which each payment is to be made:	[Not Applicable/*give details*]
29.	Redenomination, renominalisation and reconventioning provisions:	[Not Applicable/The provisions annexed to this Pricing Supplement apply]
30.	Other terms or special conditions:	[Not Applicable/*give details*][11]

Distribution

31.	(i) If syndicated, names of Managers:	[Not Applicable/*give name*]
	(i) Date of Subscription Agreement:	[•]
	(ii) Stabilisation Manager(s) (if any):	[Not Applicable/*give name*]
32.	If non-syndicated, name of the relevant Dealer:	[Not Applicable/*give name and address*]
33.	U.S. Selling Restrictions:	Reg. S Category [1/2]; [TEFRA C/TEFRA D/TEFRA Not Applicable]

11 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.

34.	Prohibition of Sales to EEA Retail Investors:	[Applicable/Not Applicable] *(If the Notes clearly do not constitute "packaged" products, "Not Applicable" should be specified. If the Notes may constitute "packaged" products and no KID will be prepared in the EEA, "Applicable" should be specified.)*
35.	Prohibition of Sales to UK Retail Investors:	[Applicable/Not Applicable] *(If the Notes clearly do not constitute "packaged" products, "Not Applicable" should be specified. If the Notes may constitute "packaged" products and no KID will be prepared in the UK, "Applicable" should be specified.)*
36.	Singapore Sales to Institutional Investors and Accredited Investors only:	[Applicable/Not Applicable]
37.	Additional selling restrictions:	[Not Applicable/*give details*]

Yield

38.	Indication of yield:	[•]

Operational Information

39.	ISIN Code:	[•]
40.	Common Code:	[•]
41.	CMU Instrument Number:	[•]
42.	Legal Entity Identifier:	[•]
43.	Any clearing system(s) other than Euroclear/Clearstream and the CMU and the relevant identification number(s):	[Not Applicable/*give name(s) and number(s)*]
44.	Delivery:	Delivery [against/free of] payment
45.	Additional Paying Agent(s) (if any):	[•]
46.	Ratings:	[•]

47. Hong Kong SFC code of conduct:

(i)	Rebate	[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]
(ii)	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 – OCs to provide*]/[Not Applicable]
(iii)	Marketing and Investor Targeting Strategy	[*if different from the programme OC*]

General

48.	The aggregate nominal amount of Notes issued has been translated into U.S. dollars at the rate of [•], producing a sum of (for Notes not denominated in U.S. dollars):	[Not Applicable/U.S.$[•]]
49.	In the case of Registered Notes, specify the location of the office of the Registrar if other than Hong Kong:	[Not Applicable]
50.	In the case of Bearer Notes, specify the location of the office of the Fiscal Agent if other than London:	[Not Applicable]
51.	Private Bank Rebate/Commission:	[Applicable/Not Applicable]
52.	(i) [Date of [Board] approval for issuance of Notes obtained:]	[•] *(N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes)*
	(i) Date of any regulatory approval for the issuance of the Notes:	[NDRC Registration Certificate dated [•]/Not Applicable/ *specify other applicable regulatory approvals*]

[Use of Proceeds

Give details if different from the **Use of Proceeds** section in the Offering Circular.]

[Listing

This Pricing Supplement comprises the final terms required to list the issue of the Notes described herein pursuant to the U.S.$15,000,000,000 Medium Term Note Programme of China Construction Bank Corporation 中國建設銀行股份有限公司 and China Construction Bank Corporation Hong Kong Branch 中國建設銀行股份有限公司香港分行.]

[Stabilisation

In connection with the issue of any Tranche of Notes, the Managers or Dealer(s) (if any) named as the Stabilisation Manager(s) (or person(s) 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 price of the Notes of the series at a level higher than that which might otherwise prevail for a limited period after the issue date of the relevant Tranche of Notes. However, there is no obligation on such Stabilisation Manager(s) to do this. Such stabilising, if commenced, may be discontinued at any time, and must be brought to an end after a limited period. Such stabilising shall be in compliance with all applicable laws, regulations and rules.]

Material Adverse Change Statement

[Except as disclosed in this document, there/There][12] has been no significant change in the financial or trading position of the Issuer or of the Group since [•] and no material adverse change in the financial position or prospects of the Issuer or of the Group since [•].]

Responsibility

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

[*The following signature block is to be signed if the Issuer is not the Hong Kong Branch.*]

[Signed on behalf of **CHINA CONSTRUCTION BANK CORPORATION [, Branch]**:

By:

Duly authorised]

Signed on behalf of

CHINA CONSTRUCTION BANK CORPORATION HONG KONG BRANCH
中國建設銀行股份有限公司香港分行

By:

Duly authorised

12 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.

TERMS AND CONDITIONS OF THE NOTES

*The following is the text of the terms and conditions that, 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) or the Global Certificate representing 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 Supplements. 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 the issuer specified hereon (the "**Issuer**") and are issued pursuant to a fiscal agency agreement (as amended, restated or supplemented as at the Issue Date, the "**Fiscal Agency Agreement**") dated 4 July 2024 which has been entered into in relation to the Notes between China Construction Bank Corporation (the "**Bank**") (on behalf of itself and on behalf of any of its branches other than the Hong Kong Branch (as defined below)), China Construction Bank Corporation Hong Kong Branch (the "**Hong Kong Branch**"), China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司) as fiscal agent, CMU lodging and paying agent and the other agents named in it and with the benefit of a Deed of Covenant (as amended, restated or supplemented as at the Issue Date, the "**Deed of Covenant**") dated 6 May 2022 executed by the Bank (on behalf of itself and on behalf of any of its branches other than the Hong Kong Branch) and the Hong Kong Branch in relation to the Notes. The fiscal agent, the CMU lodging and paying agent, the other paying agents, the registrar, the transfer agent(s) and the calculation agent(s) for the time being (if any) are referred to below respectively as the "Fiscal Agent", the "CMU Lodging and Paying Agent", the "Paying Agents" (which expression shall include the Fiscal Agent and the CMU Lodging and Paying Agent), the "Registrar", the "Transfer Agents" (which expression shall include the Registrar) and the "Calculation Agent(s)" (such Fiscal Agent, CMU Lodging and Paying Agent, Paying Agents, Registrar and Transfer Agent(s) being together referred to as the "**Agents**"). For the purposes of these terms and conditions (the "**Conditions**"), all references to the Fiscal Agent shall, with respect to a Series of Notes to be held in the CMU, be deemed to be a reference to the CMU Lodging and Paying Agent and all such references shall be construed accordingly. Copies of the Fiscal Agency Agreement and the Deed of Covenant are available for inspection during usual business hours at the specified offices of the Paying Agents.

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 are entitled to the benefit of and are deemed to have notice of all the provisions of the Fiscal Agency Agreement applicable to them.

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

If specified hereon that the Issuer is the Hong Kong Branch or such other branch of the Bank, notwithstanding that the Issuer is not a separate and independent legal person of the Bank, any obligations of the Bank under these Conditions shall be construed subject to, and in accordance with, applicable law.

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 hereon.

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 Basis and Redemption/Payment Basis shown hereon.

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 are represented by registered certificates ("**Certificates**") and, save as provided in Condition 2(c), each Certificate shall represent 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 register that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Fiscal 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 representing 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 hereon, 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) (Closed Periods), 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 representing 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 Issuer), duly completed and executed and any other evidence as the Registrar or Transfer Agent may reasonably require to prove the title of the transferor and the authority of the individuals that have executed the form of transfer. In the case of a transfer of part only of a holding of Registered Notes represented 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 Register will be made subject to such reasonable regulations as the Issuer and the Registrar may from time to time prescribe (the initial such regulations being set out in Schedule 5 to the Fiscal Agency Agreement). The regulations may be changed by the Issuer, with the prior written approval of the Registrar and, to the extent reasonably expected to be prejudicial to the interests of the Noteholders, 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 represented 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. New Certificates shall only be issued against surrender of the existing Certificates to a Registrar or any other 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 representing the enlarged holding shall only be issued against surrender of the Certificate representing 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 three 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 Registrar or any other Transfer Agent (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 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 or Sunday, on which banks are open for business in the place of the specified office of the Registrar or the relevant other Transfer Agent (as the case may be).

(e) **Transfers Free of Charge:** Transfers of Notes and Certificates on registration, transfer, exercise of an option or partial redemption 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 and/or security and/or pre- funding as the Issuer, the Registrar or the relevant other Transfer Agent may require) in respect of taxes or charges.

(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 (and including) the due date for redemption of, or payment of any Instalment Amount in respect of, that Note, (ii) during the period of 15 days ending on (and including) any date on which Notes may be redeemed by the Issuer at its option pursuant to Condition 6 or (iii) during the period of seven 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 Issuer 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, at all times rank at least equally with all other unsecured and unsubordinated indebtedness and monetary obligations of the Issuer, present and future.

4. OTHER COVENANTS

Where the NDRC Order 56 and/or the PBOC Circular applies to the Tranche of Notes to be issued, each of the Issuer and/or the Bank undertakes to provide or cause to be provided the requisite information and documents in connection with such Tranche of Notes to the NDRC, PBOC and/or SAFE within the prescribed timeframe after the relevant Issue Date in accordance with the NDRC Order 56 and/or the PBOC Circular.

In these Conditions:

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

"**NDRC Order 56**" 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)) effective from 10 February 2023 (as supplemented, amended or replaced from time to time) and any implementation rules or policies as issued by the NDRC from time to time;

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

"**PBOC Circular**" means the Macro-Prudential Management of Cross-Border Financing in Full Aperture(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) issued by the PBOC and which came into effect on 12 January 2017, and any implementation rules as issued by the PBOC from time to time; and

"**SAFE**" means the State Administration of Foreign Exchange or its local counterparts.

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 by the Calculation Agent in accordance with Condition 5(h). Such Interest Payment Date(s) is/are either shown hereon as Specified Interest Payment Dates or, if no Specified Interest Payment Date(s) is/are shown hereon, "**Interest Payment Date**" shall mean each date which falls the number of months or other period shown hereon 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 by the Calculation Agent in the manner specified hereon and the provisions below relating to either ISDA Determination or Screen Rate Determination shall apply, depending upon which is specified hereon.

(A) *ISDA Determination for Floating Rate Notes*

Where ISDA Determination is specified hereon 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 in the manner as described in the applicable Pricing Supplement.

(B) *Screen Rate Determination for Floating Rate Notes (other than Floating Rate Notes which specify the Reference Rate as SOFR)*

(1) Where Screen Rate Determination is specified hereon as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period will, subject as provided below, be either:

(I) the offered quotation; or

(II) 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 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 as of 2.30 p.m. (in the case of CNH HIBOR) on the Interest Determination Date in question 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.

If the Reference Rate from time to time in respect of Floating Rate Notes is specified hereon as being other than EURIBOR, HIBOR or CNH HIBOR, the Rate of Interest in respect of such Notes will be determined as provided hereon;

(2) if the Relevant Screen Page is not available or if sub-paragraph (x)(1) applies and no such offered quotation appears on the Relevant Screen Page or if sub-paragraph (x)(2) above applies and fewer than three such offered quotations appear on the Relevant Screen Page in each case as at the time specified above, subject as provided below, the Calculation Agent shall request, if the Reference Rate is EURIBOR, the principal Euro-zone office of each of the Reference Banks or, if the Reference Rate is HIBOR or CNH HIBOR, the principal Hong Kong office of each of the Reference Banks, to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate and, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) or, if the Reference Rate is HIBOR, at approximately 11.00 a.m. (Hong Kong time) or, if the Reference Rate is CNH HIBOR, at approximately 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 as of 2.30 p.m. on the Interest Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Rate of Interest for such Interest Accrual Period shall be the arithmetic mean of such offered quotations as determined by the Calculation Agent; and

(3) if paragraph (y) above applies and the Calculation Agent determines that fewer than two Reference Banks are providing offered quotations, subject as provided below, the Rate of Interest shall be the arithmetic mean of the rates per annum (expressed as a percentage) as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any two or more of them, at which such banks were offered, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) or, if the Reference Rate is HIBOR, at approximately 11.00 a.m. (Hong Kong time) or, if the Reference Rate is CNH HIBOR, at approximately 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 as of 2.30 p.m. on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market or, if the Reference Rate is HIBOR or CNH HIBOR, the Hong Kong inter-bank market, as the case may be, or, if fewer than two of the Reference Banks provide the Calculation Agent with such offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) or, if the Reference Rate is HIBOR, at approximately 11.00 a.m. (Hong Kong time) or, if the Reference Rate is CNH HIBOR, at approximately 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 as of 2.30 p.m. on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Issuer suitable for such purpose) informs the Calculation Agent it is quoting to leading banks in, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market or, if the Reference Rate is HIBOR or CNH HIBOR, the Hong Kong inter-bank market, as the case may be, provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be 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).

(C) *Screen Rate Determination for Floating Rate Notes where the Reference Rate is specified as being SOFR Benchmark*

If Screen Rate Determination is specified in the relevant 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 applicable to the Floating Rate Notes for each Interest Accrual Period will, subject as provided below, be equal to the sum of the relevant SOFR Benchmark plus or minus (as specified in the relevant Pricing Supplement) the Margin (if any), 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 SOFR Average or SOFR Compounded Index (as specified in the relevant Pricing Supplement), as follows (subject in each case to Condition 5(b)(v)):

x. If Simple SOFR Average ("**Simple SOFR Average**") is specified in the relevant 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 day during such Interest Accrual Period, as calculated by the Calculation Agent, and where, if applicable and as specified in the relevant Pricing Supplement, the SOFR reference rate on the SOFR Rate Cut-Off Date shall be used for the days in the relevant Interest Accrual Period from (and including) the SOFR Rate Cut-Off Date to (but excluding) the Interest Period Date on which such Interest Accrual Period ends.

y. If Compounded SOFR Average ("**Compounded SOFR Average**") is specified in the relevant 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 Observation Lag, SOFR Payment Delay or SOFR Lockout is specified in the relevant Pricing Supplement to determine Compounded SOFR Average) or SOFR Observation Period (where SOFR Observation Shift is specified as applicable in the relevant Pricing Supplement to determine Compounded SOFR Average).

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

i. SOFR Observation Lag:

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

with the resulting percentage being rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, with 0.000005% being rounded upwards (e.g., 9.876541% (or 0.09876541) being rounded down to 9.87654% (or 0.0987654) and 9.876545% (or 0.09876545) being rounded up to 9.87655% (or 0.0987655)) and where:

"**$SOFR_{i\text{-}xUSBD}$**" 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 relevant Pricing Supplement;

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

"**d_o**" for any Interest Accrual Period, 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 d_o, representing each relevant U.S. Government Securities Business Day in chronological order 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) in the relevant Interest Accrual Period, 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.

ii. 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% being rounded upwards (e.g., 9.876541% (or 0.09876541) being rounded down to 9.87654% (or 0.0987654) and 9.876545% (or 0.09876545) being rounded up to 9.87655% (or 0.0987655)) 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 each Interest Accrual Period, the period from (and including) the date falling the number of SOFR Observation Shift Days prior to the first day of the relevant Interest Accrual

Period 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;

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

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

"$\mathbf{d_o}$" for any SOFR Observation Period, 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 d_o, representing each U.S. Government Securities Business Day in chronological order 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

"$\mathbf{n_i}$" for any U.S. Government Securities Business Day(i) in the relevant SOFR Observation Period, 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.

iii. 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% being rounded upwards (e.g., 9.876541% (or 0.09876541) being rounded down to 9.87654% (or 0.0987654) and 9.876545% (or 0.09876545) being rounded up to 9.87655% (or 0.0987655)) and where:

"$\mathbf{SOFR_i}$" 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 date falling 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 the relevant date for redemption, as applicable;

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

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

"$\mathbf{d_o}$" for any Interest Accrual Period, 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 d_o, representing each relevant U.S. Government Securities Business Day in chronological order 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

"$\mathbf{n_i}$" for any U.S. Government Securities Business Day(i) in the relevant Interest Accrual Period, 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 SOFR Average with respect to the final Interest Accrual Period where SOFR Payment Delay is specified in the relevant 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 date for redemption, as applicable, shall be the SOFR reference rate in respect of such SOFR Rate Cut-Off Date.

iv. SOFR Lockout:

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

with the resulting percentage being rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, with 0.000005% being rounded upwards (e.g., 9.876541% (or 0.09876541) being rounded down to 9.87654% (or 0.0987654) and 9.876545% (or 0.09876545) being rounded up to 9.87655% (or 0.0987655)) and where:

"$\mathbf{SOFR_i}$" 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 on which such Interest Accrual Period ends 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;

"$\mathbf{d_o}$" for any Interest Accrual Period, 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 d_o, 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

"$\mathbf{n_i}$" for any U.S. Government Securities Business Day(i) in the relevant Interest Accrual Period, 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, with respect to any 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)(v) shall apply;

"**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 SOFR Compounded Index ("**SOFR Compounded Index**") is specified as applicable in the relevant 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% being rounded upwards (e.g., 9.876541% (or 0.09876541) being rounded down to 9.87654% (or 0.0987654) and 9.876545% (or 0.09876545) being rounded up to 9.87655% (or 0.0987655)) and where:

"**SOFR Index**", with respect to any U.S. Government Securities Business Day, means:

(a) the SOFR Index value as published at the SOFR Administrator's Website on or about 3:00 p.m. (New York time) on such U.S. Government Securities Business Day (the "**SOFR Index**

Determination Time"); **provided that** in the event that the value originally published by the SOFR Administrator at or about 3:00 p.m. (New York time) on any U.S. Government Securities Business Day is subsequently corrected and such corrected value is published by the SOFR Administrator on the original date of publication, then such corrected value, instead of the value that was originally published, shall be deemed the SOFR Index value as of the SOFR Index Determination Time in relation to such U.S. Government Securities Business Day; and

(b) if a SOFR Index value does not so appear as specified in (a) above of this definition, then:

(i) if a Benchmark Event (as defined in Condition 5(b)(v)(D)) and its related Benchmark Replacement Date (as defined in Condition 5(b)(v)(D)) have not occurred with respect to SOFR, then SOFR Compounded Index shall be the rate determined pursuant to the "**SOFR Index Unavailable**" provisions in Condition 5(b)(iii)(D); or

(ii) if a Benchmark Event and its related Benchmark Replacement Date have occurred with respect to SOFR, then SOFR Compounded Index shall be the rate determined pursuant to Condition 5(b)(v).

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

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

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

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

"**SOFR Observation Period**" means, in respect of an Interest Accrual Period, the period from (and including) the date which is the number of SOFR Observation Shift Days preceding the first date 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 which is the number of SOFR Observation Shift Days preceding the Interest Period Date on which such Interest Accrual Period ends (or in the final Interest Accrual Period, the Maturity Date).

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

"**SOFR Administrator**" means the Federal Reserve Bank of New York or any successor administrator of the SOFR Index value and Secured Overnight Financing Rate;

"**SOFR Administrator's Website**" means the website of the SOFR Administrator (currently being, https://apps.newyorkfed.org/markets/autorates/sofr-avg-ind), or any successor source;

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

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

"**SOFR Rate Cut-Off Date**" has the meaning given in the relevant Pricing Supplement; and

"**U.S. Government Securities Business Day**" or "**USBD**" 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.

(D) *SOFR Index Unavailable*

If a SOFR Index value is not published on the relevant Interest Determination Date and a Benchmark Event (as defined in Condition 5(b)(v)(D)) and its related Benchmark Replacement Date (as defined in Condition 5(b)(v)(D)) has not occurred with respect to SOFR, then the SOFR Index shall be calculated in accordance with the Compounded SOFR formula and the related definitions as set out below in this Condition 5(b)(iii)(D):

"**Compounded SOFR**" means, for the applicable Interest Accrual Period for which the SOFR Index is not available, the rate of return on a daily compounded interest investment during the relevant Observation Period (with the daily SOFR reference rate as the reference rate for the calculation of interest) and calculated by the Calculation Agent in accordance with the following formula, and the resulting percentage will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, 0.000005% being rounded upwards (e.g., 9.876541% (or 0.09876541) being rounded down to 9.87654% (or 0.0987654) and 9.876545% (or 0.09876545) being rounded up to 9.87655% (or 0.0987655)):

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

where:

"$\mathbf{d_c}$" means the number of calendar days in the relevant Observation Period.

"$\mathbf{d_o}$" means the number of U.S. Government Securities Business Days in the relevant Observation Period.

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

"$\mathbf{n_i}$" for any U.S. Government Securities Business Day(i) in the relevant Observation Period, 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(i).

"$\mathbf{SOFR_i}$" for any U.S. Government Securities Business Day(i) in the relevant Observation Period, is equal to SOFR in respect of that U.S. Government Securities Business Day(i).

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

"**Observation Period**" means, in respect of each Interest Accrual Period, the period from (and including) the date falling a number of U.S. Government Securities Business Days equal to the Observation Shift Days preceding the first date in such Interest Accrual Period to (but excluding) the date falling a number of U.S. Government Securities Business Days equal to the number of Observation Shift Days preceding the Interest Period Date on which such Interest Accrual Period ends.

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

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

"**SOFR**" means, with respect to any U.S. Government Securities Business Day:

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

(b) if the rate specified in (a) above does not appear, the SOFR 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.

"**SOFR Administrator**" means the Federal Reserve Bank of New York or any successor administrator of the SOFR Index value and Secured Overnight Financing Rate.

"**SOFR Administrator's Website**" means the website of the SOFR Administrator (currently being, https://apps.newyorkfed.org/markets/autorates/sofr-avg-ind), or any successor source.

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

"**U.S. Government Securities Business Day**" means any day other than 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) *Benchmark Replacement for Floating Rate Notes (other than Floating Rate Notes which specify the Reference Rate as SOFR)*: In addition, notwithstanding the provisions of this Condition 5(b), if the Issuer determines that a Benchmark Event has occurred in relation to the relevant Reference Rate specified hereon when any Rate of Interest (or the relevant component part thereof) remains to be determined by such Reference Rate, then the following provisions shall apply:

(A) the Issuer shall use all reasonable endeavours to appoint, as soon as reasonably practicable, an Independent Adviser to determine (acting in a reasonable manner), no later than five Business Days prior to the relevant Interest Determination Date relating to the next succeeding Interest Accrual Period (the "**IA Determination Cut-off Date**"), a Successor Rate or, alternatively, if there is no Successor Rate, an Alternative Reference Rate for the purposes of determining the Rate of Interest (or the relevant component part thereof) applicable to the Notes;

(B) if the Issuer (acting in a reasonable manner) is unable to appoint an Independent Adviser, or the Independent Adviser appointed by it fails to determine a Successor Rate or an Alternative Reference Rate prior to the IA Determination Cut-off Date, the Issuer (acting in a reasonable manner) may determine a Successor Rate or, if there is no Successor Rate, an Alternative Reference Rate;

(C) if a Successor Rate or, failing which, an Alternative Reference Rate (as applicable) is determined in accordance with the preceding provisions, such Successor Rate or, failing which, an Alternative Reference Rate (as applicable) shall be the Reference Rate for each of the future Interest Accrual Periods (subject to the subsequent operation of, and to adjustment as provided in, this Condition 5(b)(iv)); provided, however, that if sub-paragraph (B) applies and the Issuer (acting in a reasonable manner) is unable to or does not determine a Successor Rate or an Alternative Reference Rate prior to the relevant Interest Determination Date, the Rate of Interest applicable to the next succeeding Interest Accrual Period shall be equal to the Rate of Interest last determined in relation to the Notes in respect of the preceding Interest Accrual Period (or alternatively, if there has not been a first Interest Payment Date, the rate of interest shall be the initial Rate of Interest) (subject, where applicable, to substituting the Margin, Maximum Rate of Interest or Minimum Rate of Interest that applied to such preceding Interest Accrual Period for the Margin, Maximum Rate of Interest or Minimum Rate of Interest that is to be applied to the relevant Interest Accrual Period); for the avoidance of doubt, the proviso in this sub-paragraph (C) shall apply to the relevant Interest Accrual Period only and any subsequent Interest Accrual Periods are subject to the subsequent operation of, and to adjustment as provided in, this Condition 5(b)(iv));

(D) if the Independent Adviser or the Issuer (acting in a reasonable manner) determines a Successor Rate or, failing which, an Alternative Reference Rate (as applicable) in accordance with the above provisions, the Independent Adviser or the Issuer (acting in good faith and in a commercially reasonable manner) (as applicable), may also specify changes to these Conditions, including but not limited to the Day Count Fraction, Relevant Screen Page, Business Day Convention, business days, Interest Determination Date and/or the definition of Reference Rate applicable to the Notes, and the method for determining the fallback rate in relation to the Notes, if such changes are necessary to ensure the proper operation of such Successor Rate, Alternative Reference Rate and/or Adjustment Spread (as applicable). If the Independent Adviser (in consultation with the Issuer) or the Issuer (acting in a reasonable manner) (as applicable), determines that an Adjustment Spread is required to be applied to the Successor Rate or the Alternative Reference Rate (as applicable) and determines the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Adjustment Spread shall be applied to the Successor Rate or the Alternative Reference Rate (as applicable). If the Independent Adviser or the Issuer (acting in a reasonable manner) (as applicable) is unable to determine the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Successor Rate or Alternative Reference Rate (as applicable) will apply without an Adjustment Spread. For the avoidance of doubt, the Fiscal Agent shall, at the direction and expense of the Issuer, effect such consequential amendments to the Fiscal Agency Agreement and these Conditions as may be required in order to give effect to this Condition 5(b)(iv). Noteholder or Couponholder consent shall not be required in connection with effecting the Successor Rate or Alternative Reference Rate (as applicable) or such other changes, including for the execution of any documents or other steps by the Fiscal Agent (if required); and

(E) the Issuer shall promptly, following the determination of any Successor Rate or Alternative Reference Rate (as applicable), give notice thereof to the Fiscal Agent, Noteholders and Couponholders, which shall specify the effective date(s) for such Successor Rate or Alternative Reference Rate (as applicable) and any consequential changes made to these Conditions,

provided that the determination of any Successor Rate or Alternative Reference Rate, and any other related changes to the Notes, shall be made in accordance with applicable law.

(v) *Benchmark Replacement (SOFR)*: The following provisions shall apply if Benchmark Event (SOFR) is specified as applicable in the relevant 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 Fiscal Agency Agreement and these Conditions as may be required to give effect to this Condition 5(b)(v). Noteholders' 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 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)(v), 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 Conditions 5(b)(iii)(C) and 5(b)(v):

"**Benchmark**" means, initially, the relevant SOFR Benchmark specified in the relevant 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 SOFR 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; or

(ii) 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; or

(ii) 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) that 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 determines 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;

"**Reference Time**" with respect to any determination of the Benchmark means (1) if the Benchmark is the SOFR Benchmark, the SOFR Determination Time (where Simple SOFR Average or Compounded SOFR Average is specified in the relevant Pricing Supplement) or SOFR Index Determination Time (where SOFR Compounded Index is specified in the relevant 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.

(vi) *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 by the Calculation Agent in the manner specified hereon and interest will accrue by reference to an index or formula as specified hereon.

(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 by the Calculation Agent in the manner specified hereon.

(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 hereon.

(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 hereon (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 hereon, 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 halves being rounded up), (y) all figures shall be rounded to seven significant figures (with halves being rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with halves 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 hereon, 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, 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 (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) in all other cases, 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 5 but no publication of the Rate of Interest or the Interest Amount so calculated need be made. 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 and the Noteholders.

(j) **Definitions:** In these Conditions (other than in Conditions 5(b)(iii)(C) and 5(b)(v)), unless the context otherwise requires, the following defined terms shall have the meanings set out below:

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

(i) in the case of a Successor Rate, is formally recommended in relation to the replacement of the Reference Rate with the Successor Rate by any Relevant Nominating Body; or

(ii) in the case of a Successor Rate for which no such recommendation has been made or in the case of an Alternative Reference Rate, the Independent Adviser (in consultation with the Issuer) or the Issuer (acting in a reasonable manner) (as applicable) determines is recognised or acknowledged as being in customary market usage in international debt capital markets transactions which reference the Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Reference Rate (as applicable); or

(iii) if the Independent Adviser (in consultation with the Issuer) or the Issuer (acting in a reasonable manner) (as applicable) determines that no such customary market usage is recognised or acknowledged, the Independent Adviser (in consultation with the Issuer) or the Issuer in its discretion (as applicable), determines (acting in a reasonable manner) to be appropriate, having regard to the objective, so far as is reasonably practicable in the circumstances and solely for the purposes of this sub-paragraph (iii) only, of reducing or eliminating any economic prejudice or benefit (as the case may be) to the Noteholders and Couponholders.

"**Alternative Reference Rate**" means the rate that the Independent Adviser or the Issuer (as applicable) determines has replaced the relevant Reference Rate in customary market usage in the international debt capital markets for the purposes of determining rates of interest in respect of bonds denominated in the Specified Currency and of a comparable duration to the relevant Interest Period, or, if the Independent Adviser or the Issuer (as applicable) determines that there is no such rate, such other rate as the Independent Adviser or the Issuer (as applicable) determines in its discretion (acting in a reasonable manner) is most comparable to the relevant Reference Rate;

"**Benchmark Event**" means, in respect of a Reference Rate:

(i) such Reference Rate ceasing to be published for a period of at least five Business Days or ceasing to exist;

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

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

(iv) a public statement by the supervisor of the administrator of such Reference Rate that means such Reference Rate will be prohibited from being used either generally or in respect of the Notes or that its use will be subject to restrictions or adverse consequences;

(v) a public statement by the supervisor of the administrator of such Reference Rate that, in the view of such supervisor, such Reference Rate is no longer representative of an underlying market or the methodology to calculate such Reference Rate has materially changed; or

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

provided that in the case of sub-paragraphs (ii), (iii) and (iv) of this definition, the Benchmark Event shall occur on the date of the cessation of publication of such Reference Rate, the discontinuation of such Reference Rate, or the prohibition of use of such Reference Rate, as the case may be, and not the date of the relevant public statement.

"**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 in euro, a 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 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 specified hereon, 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.

"**Calculation Amount**" means the amount by reference to which the Interest Amount, Final Redemption Amount, Early Redemption Amount and Optional Redemption Amount are calculated as specified hereon.

"**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 hereon, 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 hereon, the actual number of days in the Calculation Period divided by 365;

(iii) if "**Actual/365 (Sterling)**" is specified hereon, 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 hereon, the actual number of days in the Calculation Period divided by 360;

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

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

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 D_1 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 D_1 is greater than 29, in which case D_2 will be 30.

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

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

where:

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

"$\mathbf{Y_2}$" 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 D_1 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 D_2 will be 30.

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

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

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 D_1 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 D_2 will be 30.

(viii) if "**Actual/Actual – ICMA**" is specified hereon,

(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 (1) the number of days in such Determination Period and (2) 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:

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

(2) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (I) the number of days in such Determination Period and (II) 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; and

"**Determination Date**" means the date(s) specified as such hereon 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.

"**Independent Adviser**" means an independent financial institution of international repute or other independent financial adviser of recognised standing and with appropriate expertise, in each case appointed by the Issuer at its own expense.

"**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 hereon, shall mean the Fixed Coupon Amount or Broken Amount specified hereon 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 hereon.

"**Interest Determination Date**" means, with respect to a Rate of Interest and Interest Accrual Period, the date specified as such hereon or, if none is so specified, (i) the first day of such Interest Accrual Period if the Specified Currency is Sterling, 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 not Sterling, euro, Hong Kong dollars, 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 provided that in this definition, "**Business Day**" shall mean a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in London or Hong Kong (as the case may be).

"**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 hereon.

"**Interest Period Date**" means each Interest Payment Date unless otherwise specified hereon.

"**Rate of Interest**" means the rate of interest payable from time to time in respect of the Notes and that is either specified or calculated in accordance with the provisions hereon.

"**Reference Banks**" means, in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone inter-bank market and, in the case of a determination of HIBOR, the principal Hong Kong office of four major banks in the Hong Kong inter-bank market and, in the case of a determination of CNH HIBOR, the principal Hong Kong office of four major banks dealing in Chinese Yuan in the Hong Kong inter-bank market, in each case selected by the Calculation Agent or as specified hereon.

"**Reference Rate**" means the rate specified as such hereon. "**Relevant Nominating Body**" means, in respect of a reference rate:

(i) the central bank for the currency to which the reference rate relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the reference rate; 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 reference rate relates, (b) any central bank or other supervisory authority which is responsible for supervising the administrator of the reference rate, (c) a group of the aforementioned central banks or other supervisory authorities, or (d) the Financial Stability Board or any part thereof.

"**Relevant Screen Page**" means such page, section, caption, column or other part of a particular information service as may be specified hereon or such other page, section, caption, column or other part as may replace it on that information service or such other information service, in each case, as may be nominated by the person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Reference Rate.

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

"**Successor Rate**" means the rate that the Independent Adviser or the Issuer (as applicable) determines is a successor to or replacement of the Reference Rate which is formally recommended by any Relevant Nominating Body.

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

Calculation Agent: The Issuer shall procure that there shall at all times be one or more Calculation Agents if provision is made for it or them hereon and for so long as any Note is outstanding (as defined in the Fiscal Agency Agreement). 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 the 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 hereon. 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 hereon at its Final Redemption Amount (which, unless otherwise provided, is its nominal amount) or, in the case of a Note falling within Condition 6(a)(i), 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 hereon.

(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 hereon, 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) (as applicable) 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 subparagraph (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 hereon.

(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) or Condition 6(d) or upon it becoming due and payable as provided in Condition 10, shall be the Final Redemption Amount unless otherwise specified hereon.

(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 Note) or at any time (if this Note is neither a Floating Rate Note nor an Index Linked Note), on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable) at their Early Redemption Amount (as described in Condition 6(b) above) (together with interest accrued to the date fixed for redemption), if (i) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 8 as a result of any change in, or amendment to, the laws or regulations of a Tax Jurisdiction (as defined in Condition 8) or any political subdivision or any authority thereof or therein having power to tax, 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 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 certificate signed by two authorised signatories of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment.

(d) **Redemption at the Option of the Issuer:** If Call Option is specified hereon, the Issuer may, on giving not less than 15 nor more than 30 days' irrevocable notice to the Noteholders (or such other notice period as may be specified hereon) 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 hereon (which may be the Early Redemption Amount (as described in Condition 6(b) above)), together with interest accrued to 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 hereon and no greater than the Maximum Redemption Amount to be redeemed specified hereon.

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.

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 hereon, the Issuer shall, at the option of the holder of any such Note, upon the holder of such Note giving not less than 15 nor more than 30 days' notice to the Issuer (or such other notice period as may be specified hereon) redeem such Note on the Optional Redemption Date(s) at its Optional Redemption Amount specified hereon (which may be the Early Redemption Amount (as described in Condition 6(b) above)), together with interest accrued to 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 representing such Note(s) with the Registrar or any other Transfer Agent at its specified office, together with a duly completed option exercise notice (an "**Exercise Notice**") in the form obtainable from any Paying Agent, the Registrar or any other 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 Fiscal 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 6 and the provisions specified hereon.

(g) **Purchases:** The Issuer, the Bank and its Subsidiaries 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. Such Notes may, at the option of the Issuer, be held, reissued, resold or surrendered to the Fiscal Agent for cancellation.

(h) **Cancellation:** All Notes purchased by or on behalf of the Issuer, the Bank or any of its 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 representing 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:**

(i) In relation to Bearer Notes not held in the CMU, 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 relative 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)(ii)), as the case may be:

(A) in the case of Notes denominated in a currency other than Renminbi, at the specified office of any Paying Agent outside the United States by a cheque payable in the relevant currency drawn on, or, at the option of the holder, by transfer to an account denominated in such currency with, a bank; and

(B) 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, "**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 T2 or, in the case of Renminbi, in Hong Kong.

(ii) In relation to Bearer Notes held in the CMU, payments of principal and interest in respect of Bearer Notes held in the CMU will be made 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 Agency Agreement) at the relevant time.

(b) **Registered Notes:**

(i) In relation to Registered Notes not held in the CMU, 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 Condition 7(b)(iii) below.

(ii) In relation to Registered Notes not held in the CMU, 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 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**") and in the manner provided in Condition 7(b)(iii) below.

(iii) Payments of principal or interest, as the case may be, on each Registered Note shall be made:

(A) in the case of a currency other than Renminbi, in the relevant currency by cheque drawn on a bank and mailed to the holder (or to the first named of joint holders) of such Note at its address appearing in the Register. Upon application by the holder to the specified office of the Registrar or any Transfer Agent before the Record Date, such payment of interest may be made by transfer to an account in the relevant currency maintained by the payee with a bank; and

(B) in the case of Renminbi, by transfer to the registered account of the Noteholder.

In this Condition 7(b)(iii), "**registered account**" means the Renminbi account maintained by or on behalf of the Noteholder with a bank in Hong Kong, details of which appear on the Register at the close of business on the fifth business day before the due date for payment.

(iv) In relation to Registered Notes held in the CMU, payments of principal and interest in respect of Registered Notes held in the CMU will be made to 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.

(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 any applicable fiscal or other laws, regulations and directives in Hong Kong or any other place of payment, but without prejudice to the provisions of Condition 8 and 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 and the Transfer Agents initially appointed by the Issuer and their respective specified offices are listed below. The Fiscal Agent, the CMU Lodging and Paying Agent, the Paying Agents, the Registrar and the Transfer Agents appointed under the Fiscal Agency Agreement and any Calculation Agent(s) appointed in respect of any Notes act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Noteholder or Couponholder. The Issuer reserves 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, the Registrar, any Transfer Agent or the Calculation Agent(s) and to appoint additional or other Paying Agents or Transfer Agents, in each case in accordance with the Fiscal Agency Agreement, provided that the Issuer shall at all times maintain (i) a Fiscal Agent, (ii) a Registrar in relation to Registered Notes outside the United Kingdom, (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 the Conditions so require and (vi) 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), such 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 relevant 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 or Certificate representing 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 or Certificate representing 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 or a Sunday) on which banks and foreign exchange markets are open for business in Hong Kong and the relevant place of presentation (if presentation and/or surrender of such Note, Receipt or Coupon is required) in such jurisdictions as shall be specified as "Financial Centres" hereon and:

(i) (in the case of a payment in a currency other than euro or 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 Renminbi) on which commercial banks and foreign exchange markets in Hong Kong are open for business and settlement of Renminbi payments; or

(iii) (in the case of a payment in euro) which is a TARGET Business Day.

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 a Tax Jurisdiction or any political subdivision or any authority therein or thereof having power to tax to which the Issuer becomes subject in respect of payments made by it in respect of the Notes, Receipts and the Coupons, unless such withholding or deduction is required by law. In that event, the Issuer shall pay such additional amounts as shall result in receipt by the Noteholders and Couponholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable with respect to any Note, Receipt or Coupon:

(a) **Other connection:** 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 relevant Tax Jurisdiction other than the mere holding of the Note, Receipt or Coupon; or

(b) **Lawful avoidance of withholding:** to, or to a third party on behalf of, a holder who would not be liable for or subject to such withholding or deduction by making a declaration of identity, non-residence or other similar claim for exemption to the relevant tax authority if, after having been requested to make such a declaration or claim, such holder fails to do so within any applicable period prescribed by such relevant tax authority; or

(c) **Presentation more than 30 days after the Relevant Date:** presented (or in respect of which the Certificate representing 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:

(i) "**Relevant Date**" in respect of any Note, Receipt or Coupon means whichever is the later of (a) the date on which payment in question first becomes due and (b) if the full amount payable has not been paid on or prior to such due date, the date on which the full amount has been paid and notice to that effect has been given to the Noteholders; and

(ii) "**Tax Jurisdiction**" means (A) the PRC and, (B) if the Issuer is a branch of the Bank, the jurisdiction where that branch is located, or in each case any political subdivision or any authority therein or thereof having power to tax.

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.

For the avoidance of doubt, the Issuer's obligation to pay additional amounts in respect of taxes, duties, assessments and other governmental charges will not apply to (a) any estate, inheritance, gift, sales, transfer, personal property or any similar tax, duty, assessment or other governmental charge or (b) any tax, duty, assessment or other governmental charge which is payable otherwise than by deduction or withholding from payments of principal of, or interest on the Notes, the Receipts or the Coupons; provided that the Issuer shall pay all stamp or other taxes, duties, assessments or other governmental charges, if any, which may be imposed by the Tax Jurisdiction or any political subdivision thereof or any taxing authority thereof or therein, with respect to the Fiscal Agency Agreement or as a consequence of the issuance of the Notes, the Receipts or the Coupons.

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 (each an "**Event of Default**") occurs and is continuing, any Noteholder may give notice to the Issuer at the specified office of the Fiscal Agent that any Note held by it is and shall immediately become, due and payable at the Early Redemption Amount of such Note together with accrued interest (if any) to the date of payment without further formality:

(a) **Non-Payment:** The Issuer fails to pay the principal of or any interest on any of the Notes when due and such failure continues for a period of 30 days; or

(b) **Breach of Other Obligations:** The Issuer does not perform or comply with any one or more of its other obligations in the Notes which default continues for a period of 45 days after written notice of such default shall have been given to the Issuer by the Fiscal Agent at its specified office by any Noteholder; or

(c) **Cross-Acceleration:** Any other present or future Public External Indebtedness of the Bank or any of its Subsidiaries becomes due and payable prior to its stated maturity by reason of any default, event of default or the like (howsoever described) in respect of the terms thereof, or any such Public External Indebtedness is not paid when due or, as the case may be, within any applicable grace period, provided that the aggregate amount of the relevant Public External Indebtedness 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 (on the basis of the middle spot rate for the relevant currency against the U.S. dollar as quoted by any leading bank of the day of which this paragraph operates); or

(d) **Insolvency:** The Bank or any of its Material Subsidiaries is insolvent or bankrupt or unable to pay its debts, stops or suspends payment of all or a material part of its debts, proposes or makes any agreement for the deferral, rescheduling or other readjustment 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 a material part of the debts of the Bank or any of its Material Subsidiaries; or

(e) **Winding-up:** An order is made or an effective resolution passed for the winding-up or dissolution or administration of the Bank or any of its Material Subsidiaries, or the Bank ceases to carry on all or a material 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 of the Noteholders, or (ii) in the case of a Material Subsidiary of the Bank, whereby the undertaking and assets of the Material Subsidiary are transferred to or otherwise vested in the Bank or another of its Subsidiaries; or

(f) **Illegality:** It is or will become unlawful for the Issuer to perform or comply with any one or more of its obligations under any of the Notes.

In these Conditions:

"**Material Subsidiary**" means a Subsidiary of the Bank whose total assets or total revenue as at the date at which its latest audited financial statements were prepared or, as the case may be, for the financial period to which these audited financial statements relate, account for 5 per cent. or more of the consolidated assets or consolidated revenue of the Bank as at such date or for such period. If a Material Subsidiary transfers all of its assets and business to another Subsidiary of the Bank, the transferee shall become a Material Subsidiary and the transferor shall cease to be a Material Subsidiary on completion of such transfer.

"**Public External Indebtedness**" means any indebtedness of the Bank (or, for the purposes of Condition 10, any Subsidiary), or any guarantee or indemnity by the Bank of indebtedness, for money borrowed which, (i) is in the form of or represented by any bond, note, debenture, debenture stock, loan stock, certificate or other instrument which is issued outside the People's Republic of China (for the purposes hereof not including the Hong Kong and Macau Special Administrative Regions or Taiwan) ("**PRC**") and is, or is capable of being listed, quoted or traded on any stock exchange or in any securities market (including, without limitation, any over-the-counter market) outside the PRC (without regard, however, to whether or not such instruments are sold through public offerings or private placements); and (ii) has an original maturity of more than 365 days.

"**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.

None of the Agents shall be required to take any steps to ascertain whether any Event of Default has occurred and none of them shall be responsible or liable to the Noteholders, the Issuer or any other person for any loss arising from any failure to do so.

11. MEETINGS OF NOTEHOLDERS, MODIFICATION AND WAIVER

(a) **Meetings of Noteholders:** The Fiscal Agency Agreement contains provisions for convening meetings of Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution 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 more than 50 per cent. 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 and/or Maximum Rate of Interest, Instalment Amount or Redemption Amount is shown hereon, to reduce any such Minimum and/or Maximum Rate of Interest, Instalment Amount or Redemption Amount, (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 an Extraordinary Resolution, in which case the necessary quorum shall be two or more persons holding or representing not less than $66^2/_3$ 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 Fiscal Agency Agreement provides that a resolution in writing signed by or on behalf of the Noteholders of not less than 90 per cent. in nominal amount of the Notes outstanding 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.

(b) **Modification of Fiscal Agency Agreement:** The Bank and the Issuer shall only permit any modification of, or any waiver or authorisation of any breach or proposed breach of or any failure to comply with, the Fiscal Agency Agreement, if:

(i) to do so could not be expected to be prejudicial to the interests of the Noteholders; or

(ii) such modification is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of the law.

12. REPLACEMENT OF NOTES, CERTIFICATES, RECEIPTS, COUPONS AND TALONS

If a Note, Certificate, Receipt, Coupon or Talon is lost, stolen, mutilated, defaced 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 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 that 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 or Couponholders create and issue further securities having the same terms and conditions as the Notes (except for the first payment of interest and if applicable, the timing for notification to the NDRC, PBOC and/or SAFE and save that for the avoidance of doubt, references in these Conditions to "**Issue Date**" shall be the first issue date of the Notes) and so that the same shall be consolidated and form a single series with such Notes, and references in these Conditions to "**Notes**" shall be construed accordingly.

14. NOTICES

Notices to the holders of Registered Notes shall be mailed to them at their respective addresses in the 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. 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 (which is expected to be the Asian Wall Street Journal). 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 first date on which publication is made, as provided above.

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. CURRENCY INDEMNITY

Any amount received or recovered in a currency other than the currency in which payment under the relevant Note, Coupon or Receipt is due (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the insolvency, winding-up or dissolution of the Issuer or otherwise) by any Noteholder or Couponholder in respect of any sum expressed to be due to it from the Issuer shall only constitute a discharge to the Issuer, as the case may be, to the extent of the amount in the currency of payment under the relevant Note, Coupon or Receipt that the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If the amount received or recovered is less than the amount expressed to be due to the recipient under any Note, Coupon or Receipt, the Issuer shall indemnify it against any loss sustained by it as a result. In any event, the Issuer shall indemnify the recipient against the cost of making any such purchase. For the purposes of this Condition, it shall be sufficient for the Noteholder or Couponholder, as the case may be, to demonstrate that it would have suffered a loss had an actual purchase been made. These indemnities constitute a separate and independent obligation from the Issuer's other obligations, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Noteholder or Couponholder and shall continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note, Coupon or Receipt or any other judgment or order.

17. 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 ("**Proceedings**") may be brought in such courts. The Issuer irrevocably submits to the exclusive jurisdiction of the courts of Hong Kong and waives any objection to the Proceedings in such courts on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum.

(c) **Waiver of Immunity:** The Issuer further irrevocably agrees that no immunity (to the extent that it may now or hereafter exist, whether on the grounds of sovereignty or otherwise) from any Proceedings or from execution of judgment shall be claimed by or on behalf of it or with respect to its assets, any such immunity being irrevocably waived by the Issuer, and the Issuer irrevocably consents generally in respect of any such Proceedings to the giving of any relief or the issue of any process in connection with any such Proceedings including, without limitation, the making, enforcement or execution against any property whatsoever of any order or judgment which may be made or given in such Proceedings.

USE OF PROCEEDS

Unless otherwise specified in the Pricing Supplement, the net proceeds of each issue of the Notes will be applied by the Issuer for its funding and general corporate purposes.

RISK FACTORS

Investors should carefully consider, together with all other information contained in this Offering Circular, the risks and uncertainties described below. The business, financial condition or results of operations of the Issuer, the Bank and the Group may be adversely affected by any of these risks. The risks described below are not the only ones relevant to the Issuer, the Bank, the Group or the Notes. The Issuer and the Bank believe the risks described below represent the principal risks inherent when considering an investment in the Notes. Additional risks and uncertainties not presently known to the Issuer or the Bank, or which the Issuer or the Bank currently deems 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 Issuer and the Bank are not in a position to express a view on the likelihood of any such contingency occurring.

Neither the Issuer nor the Bank represents that the statements below regarding the risk factors of holding any Notes are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Offering Circular and reach their own views prior to making any investment decision.

This Offering Circular also contains forward-looking statements that involve risks and uncertainties. The Bank's actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the considerations described below and elsewhere in this Offering Circular.

RISKS RELATING TO THE BANK'S BUSINESS

Uncertainties and instability in global market conditions could adversely affect the Bank's business, financial condition and results of operations

The Group has been, and in the future will continue to be, materially affected by geo-political, economic and market conditions, including factors such as the liquidity of the global financial markets, the level and volatility of debt and equity prices, interest rates, currency and commodities prices, investor sentiment, inflation, and the availability and cost of capital and credit.

Global economic fluctuations have had significant impacts on the global economy and on the Group. Since 2020, the general economic outlook in major economies such as Europe, the United States, Japan, and the PRC has remained challenging due to lower global economic growth prospects, higher government fiscal deficits and public debt, and continued inflationary pressure.

Moreover, the ongoing political gridlock in the United States about government spending and debt levels, the conflict between Russia and Ukraine, the effective economic sanctions on Russia, geopolitical tensions and conflicts in various countries in the Middle East including the Israeli-Palestinian conflict, and the impact of climate risks due to global warming may also result in additional adverse impacts on the global economy and markets, which may in turn have a material adverse effect on the Group's business, financial condition and results of operations.

The outlook for the world economy and financial markets remains uncertain due to geopolitical uncertainty. Although the Bank's exposure to the regions experiencing geopolitical tensions and conflicts is limited, the current crisis has the potential to escalate further and this could result in elevated geopolitical instability, trade restrictions, disruptions to global supply chains, increases in energy prices with knock-on global inflationary impacts, and a potential downturn in the global economy. Furthermore, the latest escalating trade dispute in 2025 between the United States and other major economies could result in significant adverse impacts, including a slowdown in global economic growth, higher inflation, reduced trade flows and business investment, and downside risks for equity, bond, and commodity prices. The continuing tensions between the PRC and the United States, including ongoing trade disputes and deterioration in diplomatic relations, have contributed to increased market volatility, weakened consumer confidence and diminished expectations for economic growth around the world. Some of these tensions have manifested themselves through actions taken and sanctions imposed by the governments of the United States and the PRC in recent years. The United States has imposed a range of sanctions and trade restrictions to target Chinese persons and companies in a number of sectors, focusing on entities the United States believes are involved in human rights violations, information technology and communications equipment and services, and military activities, among others. In response, the PRC has announced a number of sanctions and trade restrictions that target or provide authority to target foreign officials and companies, including those in the United States. Moreover, the trade tensions between the European Union ("**EU**") and China have grown following the EU's decision to impose tariffs on selected PRC industries, potentially adversely affecting economic relations and altering market dynamics between the two regions.

Investors should be aware that there is a recent history of financial crises and boom-bust cycles in multiple markets in both emerging and developed economies which leads to risks for all financial institutions, including the Group. In addition, the Group remains subject to the risks posed by the indirect economic effect of the global credit crisis, some of which cannot be anticipated and the vast majority of which are not under its control. The Group also remains subject to counterparty risk arising from financial institutions that may fail or are otherwise unable to meet their obligations under their contractual commitment to the Group. If there is another global or regional financial crisis or a downturn in the economic condition of the Group's primary markets, this would likely have a material adverse effect on the Group's business, financial condition and results of operations.

The Bank has a concentration of credit exposure to certain customers and certain sectors

As at 31 December 2024, the Bank's corporate loans and advances to the domestic (i) transportation, storage and postal services industries; (ii) leasing and commercial services industries; (iii) manufacturing industry; (iv) production and supply of electric power, heat, gas and water industries; (v) wholesale and retail trade industries; and (vi) real estate industries accounted for 9.26 per cent., 10.14 per cent., 8.42 per cent., 6.21 per cent., 5.40 per cent. and 3.52 per cent. of the Bank's gross loans and advances excluding accrued interest, respectively. If any of these industries in which the Bank's loans are highly concentrated experiences a significant downturn, the Bank's asset quality, business, financial condition and results of operations may be adversely affected, which in turn may negatively affect its ability to service the Notes and to satisfy its other obligations under the Notes. Any significant or extended downturn in any of these sectors may reduce the borrowing activities in these sectors, as well as increase the level of the Bank's impaired loans and related provisions for impaired loans, any of which could in turn reduce its net profit and adversely affect its business, financial condition and results of operations.

The Bank is also exposed to the fluctuations of the real estate market through its extension of personal residential mortgage loans and individual commercial property mortgage loans. The Bank's real estate related loans mainly include both corporate real estate loans and personal residential mortgage loans. As at 31 December 2024, corporate real estate loans amounted to RMB908,380 million, representing 3.52 per cent. of the Group's gross loans and advances excluding accrued interest, and its corresponding non-performing loan ("**NPL**") ratio was 4.79 per cent. As at 31 December 2024, personal residential mortgages amounted to RMB6,187,858 million, representing 23.94 per cent. of the Group's gross loans and advances to customers and its corresponding NPL ratio was 0.63 per cent. Notwithstanding prudential measures the Bank has put in place to maintain a portfolio of high quality real estate loans with sustainable growth, including imposing stringent standards for the acceptance of new customers for personal residential mortgage loans, the PRC real estate market is subject to volatility and property prices have experienced significant fluctuations in recent years. In the event that PRC real estate prices experience a significant prolonged decline, the Bank's asset quality will likely be negatively affected. In recent years, the PRC government has been imposing and may continue to impose various economic measures with an aim of cooling the overheated real estate market in the PRC, including strengthened supervision over PRC real estate developers, some of which have experienced tightened cashflow, difficulty in refinancing or even default in their loan obligations, which would affect relevant segments of the economy and may in turn affect the Bank's business and operation. As a result of cooling measures, the PRC real estate sector experienced a significant slowdown, precipitating a financial crisis within the sector and leading to widespread defaults by several real estate developers. This situation has in turn adversely affected property prices and transaction volumes, resulting in an oversupply of both residential and commercial properties. In response, the PRC government has recently implemented a series of measures, such as lowering the interest rate on residential mortgage loans, easing house purchase restrictions in certain cities and adjusting land supply, to stimulate the PRC real estate market, particularly in response to challenges such as high levels of debt among property developers and cooling property sales. However, there is no assurance that such measures could achieve their intended outcomes. Any of the above developments or a combination thereof may adversely affect the Bank's asset quality, business, financial condition and results of operations, which in turn may negatively affect its ability to service the Notes and to satisfy its other obligations under the Notes.

In accordance with national policies aimed at limiting the over-development of certain industries with excess capacity, including the iron and steel, cement, electrolytic aluminium, plate glass and shipbuilding industries, the Bank carefully manages its exposure to these industries and has adopted a strict policy towards extending loans to these industries in order to reduce its loan exposure and risks associated with loans to these high-risk industries. Notwithstanding the credit measures the Bank has put in place, in the event the PRC government issues policies to further restrict such industries or there is deterioration in the production and operation of the Bank's customers from industries with overcapacity, the quality of the Bank's loans could suffer, which could in turn have an adverse effect on its business, financial position and results of operations, and may negatively affect its ability to service the Notes and to satisfy its other obligations under the Notes.

Since 2012, with the aim of reinforcing the risk management of loans to local government financing vehicles ("**LGFV**"), the PRC State Council (the "**State Council**"), the National Administration of Financial Regulation（國家金融監督管理總局）(the "**NAFR**") and the People's Bank of China (the "**PBOC**"), along with several other PRC regulatory authorities, have promulgated a series of notices, guidelines and other regulatory documents to direct PRC banks and other financial institutions to further optimise and strengthen their risk management measures regarding their loans to LGFV. The Bank has adopted a series of measures such as imposing stringent controls on granting loans to LGFV and strengthening credit related policies to manage and control the risks associated with loans to LGFV. Unfavourable developments in macroeconomic conditions, adverse changes to state policies, the financial condition of local governments and other factors may adversely affect the debt repayments of these financing platforms, which may in turn adversely affect the Bank's asset quality, financial condition and results of operations. Such developments may negatively affect its ability to service the Notes and to satisfy its other obligations under the Notes.

While the Bank introduced heightened criteria in 2009 to manage the risks associated with LGFV loans, including stricter requirements for guarantees, it cannot be assured that these loans will not default in the event of macroeconomic instability or other policy changes introduced by the PRC government. Given their importance to the composition of the Bank's loan portfolio, the default of any portion of such loans for any reason may affect its loan quality and will adversely affect its business, financial position and results of operations. Such developments may negatively affect its ability to service the Notes and to satisfy its other obligations under the Notes. As at 31 December 2024, the Group's gross loans and advances to customers stood at RMB25.84 trillion, an increase of RMB1.98 trillion or 8.30 per cent. from 31 December 2023, mainly due to the increase in domestic loans of the Bank; its NPL ratio for gross loans and advances (excluding accrued interest) as at 31 December 2024 was 1.34 per cent., representing a decrease of 0.03 per cent. as compared to the corresponding ratio as at 31 December 2023. As at 31 December 2024, the NPL ratio for corporate loans and advances was 1.65 per cent., representing a decrease of 0.23 per cent. from 31 December 2023, and the NPL ratio for personal loans and advances was 0.98 per cent., representing an increase of 0.32 per cent. from 31 December 2023. The NPL ratio for overseas operations and subsidiaries as at 31 December 2024 was 2.20 per cent., representing a decrease of 0.29 per cent. from 31 December 2023. The NPL ratio for credit card loans as at 31 December 2024 was 2.22 per cent., representing an increase of 0.56 per cent. from 31 December 2023.

The Bank may be unable to realise the full value of the collateral or guarantees securing the Bank's loan portfolio

As at 31 December 2024, the balances of the Group's unsecured loans, guaranteed loans, loans secured by property and other immovable assets and other pledged loans were RMB11,712,918 million, RMB3,244,331 million, RMB9,198,171 million and RMB1,638,297 million, respectively, accounting for 45.33 per cent., 12.55 per cent., 35.59 per cent. and 6.34 per cent. of the Group's gross loans and advances to customers, respectively. If there is substantial deterioration in the business condition of a borrower which adversely affects the borrower's ability to repay, the Bank may not be able to recover the amounts lent under credit loans, which will in turn adversely affect the Bank's financial position and results of operations, and may negatively affect the Bank's ability to service the Notes and to satisfy its other obligations under the Notes. Guaranteed loans are loans that are guaranteed by affiliates of the borrower or other third parties. Notwithstanding the fact that such loans are guaranteed, the Bank's exposure to the guarantor is generally unsecured and if the financial position of the guarantor deteriorates significantly, its ability to recover such loans will correspondingly deteriorate. Furthermore, the guarantee provided by such guarantor may be determined by the court as invalid if the guarantor fails to comply with certain laws and regulations in the PRC, including the "***PRC Civil Code***", "***Interpretation of Supreme People's Court on Application of the Security System under the PRC Civil Code***" and "***Interpretation of the Supreme People's Court on the Application of Real Right Part of the PRC Civil Code (I)***". A significant percentage of the Bank's loan portfolio is secured by collateral, consisting mainly of domestic assets such as properties, land use rights and securities. The value of the collateral is generally higher than the amount loaned but such value is affected by factors the Bank cannot control including those affecting the PRC economy. If the PRC economy deteriorates, it could result in a decrease in the value of the collateral which will lead to the reduction of the amount of the loan that can be recovered. In addition, the procedures for liquidating or otherwise realising the value of collateral of borrowers in China may be protracted, and the enforcement process in China may be difficult. According to the Provisions of the Supreme People's Court on Sealing up, Distraining and Freezing Property in Civil Enforcement by People's Court, effective from 1 January 2005 and amended in December 2008 and December 2020, the court may seal up residential premises that are necessary to the person subject to enforcement and his dependents for living, but shall not auction, sell or use it to pay a debt. As a result, it may be difficult and time-consuming for banks to take control of or liquidate the collateral securing NPLs. Accordingly, if a borrower fails to repay and if the Bank is not able to timely realise the entire or sufficient part of the value of collateral, pledged assets or guarantees, the Bank's asset quality, business, financial condition and results of operations may be adversely affected, which in turn may negatively affect the Bank's ability to service the Notes and to satisfy its other obligations under the Notes.

The Bank may not be able to maintain or reduce its current NPL ratio

The Bank's results of operations have been negatively affected by its NPLs, which may continue to affect the Bank's current and future business performance. As at 31 December 2024, the amount of the Group's NPLs for gross loans and advances to customers (excluding accrued interest) was RMB344,691 million and the NPL ratio was 1.34 per cent., representing a decrease of 0.03 per cent. as compared to the corresponding ratio as at 31 December 2023. As at 31 December 2024, the NPL ratio for corporate loans and advances was 1.65 per cent., representing a decrease of 0.23 per cent. from 31 December 2023, and the NPL ratio for personal loans and advances was 0.98 per cent., representing an increase of 0.32 per cent. from 31 December 2023. The NPL ratio for overseas operations and subsidiaries as at 31 December 2024 was 2.20 per cent., representing a decrease of 0.29 per cent. from 31 December 2023. The NPL ratio for credit card loans as at 31 December 2024 was 2.22 per cent., representing an increase of 0.56 per cent. from 31 December 2023.

It cannot be assured that the Bank will be able to reduce or even maintain the same level of asset quality in the future. This is because the quality of the Bank's loan portfolio is affected by factors which the Bank is unable to control, including any adverse changes to the PRC economic structure and any deterioration in the PRC's economy or the global economy. Adverse changes in the economic environment in the PRC or globally as well as force majeure events including natural disasters or outbreak of diseases may all have a negative impact on the ability of the Bank's customers to repay the loans. Factors such as deterioration in the credit conditions of the Bank's customers and trading partners, decline in both residential and commercial property prices, low market confidence in and very low demand for China real estate, an increase in the unemployment rate in China and the deterioration in the profitability of corporate borrowers will also lead to a reduction in the quality of the Bank's assets. All of these factors can lead to an increase in the Bank's NPL ratio, which will correspondingly adversely affect its business, financial condition and results of operations, and may negatively affect the Bank's ability to service the Notes and to satisfy its other obligations under the Notes. See also "*Risk Factors – Risks relating to the Bank's Business – Uncertainties and instability in global market conditions could adversely affect the Bank's business, financial condition and results of operations*".

The Bank's allowance for impairment losses may not be adequate to cover future actual losses to its loan portfolio

As at 31 December 2024, the Group's allowance for impairment losses on loans and advances to customers measured at amortised cost was RMB802,894 million, representing an increase of RMB24,671 million from 31 December 2023, and the ratio of its allowance for impairment losses to total assets was 1.98 per cent., representing a decrease of 0.05 per cent. from 31 December 2023. The amount of the allowance for impairment losses to loans is based on the Bank's current assessment of and expectations concerning various factors that may affect the quality of its loan portfolio. These factors include, among other things, the borrowers' financial condition, repayment ability and repayment intention, the realisable value of any collateral and the likelihood of support from guarantors, as well as the PRC's economy, macroeconomic policies, interest rates, inflation, exchange rates and legal and regulatory environment. The above-mentioned factors are beyond the Bank's control. If the Bank's assessment of and expectations concerning these factors differ from actual developments in the future, or if the quality of its loan portfolio deteriorates, its 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 adversely affect its business, financial condition and results of operations and, in turn, may negatively affect the Bank's ability to service the Notes and to satisfy its other obligations under the Notes.

The expanding range of products and services exposes the Bank to new risks

The Bank has expanded and intends to continue to expand the range of its products and services. As at 31 December 2024, the Group had 35 overseas entities and 24 major subsidiaries with a total of 549 entities, including 420 domestic ones and 129 overseas ones, covering 26 countries and regions including bank branch operations in Hong Kong, Macau, Taiwan, Singapore, Frankfurt, Johannesburg, Tokyo, Seoul, New York, Sydney, Ho Chi Minh City, Luxembourg, Toronto, London, Zurich, Dubai, Chile, Astana, Labuan, Auckland, and certain subsidiaries operating in Hong Kong, London, Moscow, Luxembourg, British Virgin Islands, Auckland, Jakarta, San Paulo and Kuala Lumpur. The Bank also maintained wholly-owned operating subsidiaries including CCB Asia, CCB London, CCB Russia, CCB Europe, CCB New Zealand and CCB Malaysia and held 60 per cent. of the total share capital of CCB Indonesia. Expansion of its business activities exposes the Bank to a number of risks and challenges, including the following:

- the Bank may have limited or no experience in certain new business activities or geographies and may not be able, or may take a relatively long period, to compete effectively in these areas;
- the Bank may not be able to devote sufficient resources or management capacity to certain new business activities or geographies;

- there is no guarantee that the new business activities will meet the Bank's expectations of their profitability;
- the Bank may not be able to hire new personnel or retrain existing personnel who are able to conduct new business activities; and
- the Bank may not be able to continually add to the capability of its risk management and information technology systems to support a broader range of activities.

If the Bank is not able to achieve the intended results in these new business areas, its business, financial condition and results of operations may be adversely affected, which in turn may negatively affect the Bank's ability to service the Notes and to satisfy its other obligations under the Notes. In addition, if the Bank fails to promptly identify and expand into new areas of business to meet the increasing demand for certain products and services, it may fail to maintain its market share or lose some of its existing customers to its competitors.

Furthermore, the Bank's international expansion into multiple jurisdictions exposes the Bank to a variety of new regulatory and business challenges and risks and has increased the complexity of its risks in a number of areas, including currency risk, interest rate risk, credit risk, regulatory and compliance risk, reputational risk, operational risk and data privacy risk. If the Bank is unable to manage the risks resulting from its international expansion, its reputation, business, financial condition and results of operations may be adversely affected, which in turn may negatively affect the Bank's ability to service the Notes and to satisfy its other obligations under the Notes.

The Bank is subject to liquidity risk

The Bank regularly monitors the gap between its assets and liabilities for various maturities in order to assess its liquidity risk for different periods. As at 31 December 2024, the loan-to-deposit ratio of the Group was 89.28 per cent., which increased as compared to a loan-to-deposit ratio of 85.12 per cent. as at 31 December 2023. Customer deposits have historically been the main source of the Bank's funding. Generally, the Bank's short-term customer deposits have not been withdrawn upon maturity and have represented a stable source of funding. However, it cannot be assured that this will continue to be the case. If a substantial portion of the Bank's depositors withdraw their demand deposits or do not roll over their time deposits upon maturity, the Bank may have no choice but to seek other sources of funding to meet its funding requirements. It cannot be assured that the Bank can find alternative sources of financing based on normal commercial terms when necessary. Furthermore, the Bank's ability to obtain additional funds may also be affected by other factors including factors that the Bank may find difficult to control or be totally incapable of controlling, such as the deterioration of overall market conditions, severe disturbance to the financial market or a bleak outlook for industries where it has substantial credit exposure. Any of these factors could result in adverse effects on the Bank's liquidity, business, financial position and results of operations, which in turn may negatively affect the Bank's ability to service the Notes and to satisfy its other obligations under the Notes.

The adoption of the PRC deposit insurance scheme may adversely affect the Bank's deposit-taking business and financial position.

The "***Deposit Insurance Regulation***" formulated by the State Council came into effect on 1 May 2015 (the "**Deposit Insurance Regulation**"), and it has resulted in the formal establishment of a deposit insurance scheme in the PRC. The Deposit Insurance Regulation requires that the commercial banks and other deposit-taking banking financial institutions established in the PRC shall take out deposit insurance and pay deposit insurance premiums to relevant deposit insurance fund management institutions, with such premiums to be used as deposit insurance funds to compensate depositors in the event of the liquidation or similar event of any PRC bank. Under the Deposit Insurance Regulation scheme, deposit insurance has a coverage limit, and the maximum amount of coverage is RMB500,000.

The deposit insurance premiums to be paid by the Bank in accordance with the Deposit Insurance Regulation and other relevant laws and regulations will increase the Bank's operating costs and capital requirements. Furthermore, the Deposit Insurance Regulation scheme may increase competition among PRC banks for deposits as some depositors may consider spreading out their deposits with different PRC banks. This may result in deposits currently held with the Bank being transferred by depositors to other PRC banks as well as the Bank needing to offer higher interest rates to retain existing depositors and attract new depositors, which may have an adverse effect on the Bank's business, financial position and operating results.

The Bank is subject to credit risks with respect to certain off-balance sheet commitments and guarantees

In the ordinary course of the Bank's business, the Bank makes commitments and guarantees which are not reflected as liabilities on its balance sheet, including providing bank acceptances, guarantees, letters of credit and other credit commitments. As at 31 December 2024, the balance of the Group's credit commitments was RMB3,964,451 million, representing an increase of RMB134,212 million as compared to RMB3,830,239 million as at 31 December 2023. The Bank is subject to credit risks on its commitments and guarantees because certain of its commitments and guarantees may need to be fulfilled as a result of the Bank's customers' default. If the Bank is not able to obtain payment from its customers in respect of these commitments and guarantees or enforce its contracts with them, the Bank's business, financial condition and results of operations may be adversely affected, which in turn may negatively affect the Bank's ability to service the Notes and to satisfy its other obligations under the Notes.

The Bank is subject to risks associated with its hedging activities and other derivative transactions

The Bank has entered into derivative transactions for hedging purposes as well as conducted derivative transactions on behalf of its customers. Accordingly, the Bank faces market and operational risks associated with these transactions. At present, the regulation of China's derivative market remains in the development stage and requires further improvement and this increases the risks of the derivative transactions the Bank enters into. Further, the Bank's ability to monitor, analyse and report these transactions is limited by its information technology. Accordingly, the Bank's business, financial position and results of operations may be adversely affected given the volatility of the prices of these derivatives, which in turn may negatively affect the Bank's ability to service the Notes and to satisfy its other obligations under the Notes.

The Bank's risk management and internal control policies and procedures may not be effective in completely managing and avoiding all of its risks

In recent years, the Bank has achieved progress in terms of risk management by improving its policies and procedures. However, as the Bank's business continues to develop, the Bank's risk management and internal control policies may not be able to effectively reduce and mitigate all types of risks, including unexpected risks and those of which the Bank is unaware of. In addition, the Bank's risk management capabilities are limited by the information, tools and technologies available to the Bank. Furthermore, the Bank's ability to control market risk and liquidity risk is constrained by the current PRC laws and regulations that restrict the types of financial instruments and investments the Bank may hold. If the Bank is unable to effectively implement the enhanced risk management and internal control policies and procedures, or if the intended results of such policies and procedures are not achieved in a timely manner, its asset quality, business, financial condition and results of operations may be adversely affected, which in turn may negatively affect the Bank's ability to service the Notes and to satisfy its other obligations under the Notes.

The Bank's business is highly dependent on the proper functioning and improvement of its information technology systems as well as the integration of new emerging technologies

The Bank's business is highly dependent on the ability of its information technology systems to accurately process large numbers of transactions across numerous markets and products in a timely manner. The proper functioning of the Bank's financial control, risk management, accounting, customer service and other data processing systems, together with the communication networks between the Bank's various branch outlets and its main data processing centre, is critical to its business and its ability to compete effectively. By integrating new emerging technologies such as artificial intelligence ("**AI**"), the Bank aims to enhance the efficiency and security of its operations. The Bank's data centres provide backup data that could be used in the event of a system breakdown or a failure of the Bank's primary systems, and have established alternative communications networks where available. However, the Bank does not operate all of its backup systems on a real-time basis and it cannot be assured that the Bank's business activities would not be substantially disrupted if there was a partial or complete failure of any of these primary information technology systems or communications networks. Such failures could be caused by, among other things, software flaws, computer virus attacks, cyber attacks or conversion errors due to system upgrading. In addition, any security breach caused by unauthorised access to information or systems, or intentional destruction or loss or corruption of data, software, hardware or other computer equipment, could have an adverse effect on the Bank's business, financial condition and results of operations, which in turn may negatively affect the Bank's ability to service the Notes and to satisfy its other obligations under the Notes.

The Bank's ability to remain competitive will depend in part on its ability to upgrade its information technology systems on a timely and cost-effective basis and its capacity to adopt new emerging technologies such as AI to enhance customer services. In addition, the information available to and received by the Bank through its existing information technology systems may not be timely or sufficient for the Bank to manage risks and plan for, and respond to, market changes and other developments in its current operating environment. As a result, the Bank is making and intends to continue making investments to improve or upgrade its information technology systems and integrating AI to optimise operations and deliver personalised experiences. Any substantial failure to improve or upgrade the Bank's information technology systems effectively or on a timely basis or lag in utilising AI could adversely affect its competitiveness, business, financial condition and results of operations, which in turn may negatively affect the Bank's ability to service the Notes and to satisfy its other obligations under the Notes.

The Bank's business generates and processes a large amount of data, and any improper use or disclosure of such data could subject the Bank to significant reputational, financial, legal, and operational consequences, and deter current and potential customers from using its services

The Bank's business generates and processes a large quantity of personal and transaction data. The Bank face risks inherent in handling large volumes of data and in protecting the security of such data. In particular, the Bank faces a number of challenges relating to data from transactions and other activities on its platforms, including:

- protecting the data in and hosted on the Bank's system, including against attacks on its system by outside parties or fraudulent behaviour by its employees;
- addressing concerns related to privacy and sharing, safety, security, and other factors; and
- complying with applicable laws, rules, and regulations relating to the collection, use, retention, disclosure, or security of personal information, including any requests from regulatory and government authorities relating to such data.

Any systems failure or security breach or lapse that result in the release of user data could harm the Bank's reputation and brand and, consequently, its business, in addition to exposing it to potential legal liability. Any failure, or perceived failure, by the Bank to comply with its privacy policies or with any regulatory requirements or privacy protection-related laws, rules, and regulations could result in proceedings or actions against it by governmental entities or others. These proceedings or actions may subject the Bank to significant penalties and negative publicity, require the Bank to change its business practices, increase its costs, and severely disrupt its business.

The Bank is subject to domestic and international laws relating to the collection, use, retention, security, and transfer of personally identifiable information, with respect to its customers and employees. In many cases, these laws do not only apply to third-party transactions, but may also restrict transfers of personally identifiable information among the Bank and its international subsidiaries. The adoption of new emerging technologies, including AI, may introduce additional risks and responsibilities in relation to data governance. Several jurisdictions have passed laws in this area, and other jurisdictions are considering imposing additional restrictions. These laws continue to develop and may vary from jurisdiction to jurisdiction. Complying with emerging and changing international requirements may cause the Bank to incur substantial costs or require it to change its business practices, and failure to comply with any data protection laws could subject the Bank to significant penalties and negative publicity and severely disrupt its operations.

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

The Bank may suffer from economic loss, penalties from regulatory institutions and severe damage to its reputation as a result of fraud or other misconduct committed by the Bank's employees or third parties. Types of misconduct conducted by the Bank's employees in the past include, among other things, theft, embezzlement or misappropriation of customers' funds, mishandling of deposits-taking business and settlement of payment transactions, improper extensions of credit, improper accounting, fraud and the giving or acceptance of bribes. Types of misconduct by third parties which may affect the Bank include, among other things, fraud, theft, robbery and certain armed crimes. In addition, the Bank's employees may commit errors that could subject the Bank to financial claims as well as regulatory actions. While the Bank is constantly strengthening its inspection efforts and increasing its precautionary measures to prevent misconduct by employees and third parties, given the Bank's significant number of branch outlets, it cannot be assured that the Bank can identify and prevent all fraudulent behaviours of misconduct or that the preventive measures the Bank has adopted will be effective in every circumstance. It cannot be assured that any fraud or other misconduct committed by the Bank's employees or third parties, whether involving past acts that have gone undetected or future acts, will not have an adverse effect on the Bank's business, financial condition and results of operations, which in turn may negatively affect the Bank's ability to service the Notes and to satisfy its other obligations under the Notes.

The Bank may not be able to detect money laundering and other illegal or improper activities fully or on a timely basis, which could expose it to additional liability and harm its business or reputation

The Bank is required to comply with applicable anti-money-laundering, anti-terrorism laws and other regulations in the PRC, Hong Kong and other jurisdictions where the Bank has operations. These laws and regulations require the Bank, among other things, to adopt and enforce "**know your customer**" policies and procedures and to report suspicious and large transactions to the applicable regulatory authorities in different jurisdictions. While the Bank has adopted policies and procedures aimed at detecting and preventing the use of its banking network for money laundering activities or by terrorists and terrorist-related organisations and individuals generally, such policies and procedures may not completely eliminate instances where the Bank may be used by other parties to engage in money laundering or other illegal or improper activities. To the extent the Bank fails to fully comply with applicable laws and regulations, the relevant government agencies to whom the Bank reports have the power and authority to impose fines and other penalties on the Bank, which could harm its business and reputation, which in turn may negatively affect the Bank's ability to service the Notes and to satisfy its other obligations under the Notes.

The Bank does not possess the relevant land use right certificates or building ownership certificates for some of the properties it holds, and it is subject to risks that its leases over certain properties may not be renewed

The Bank leases a significant number of properties in the PRC, primarily as business premises for its branch outlets. It cannot be assured that all lessors of the Bank's leased business premises have the relevant land use right certificates or building ownership certificates. As a result, third parties may be able to challenge the validity of the Bank's leases. In addition, it cannot be assured that the Bank will be able to renew its leases on acceptable terms upon their expiration. If any of the Bank's leases were terminated as a result of challenges by third parties or failure of the lessors to renew them upon expiration, the Bank may be forced to relocate affected branch outlets and, if it fails to find suitable replacement sites on acceptable terms, its business, financial condition and results of operations may be adversely affected. This may negatively affect the Bank's ability to service the Notes and to satisfy its other obligations under the Notes.

In addition, the Bank may occupy certain parcels of land and buildings for which it does not have the relevant land use right certificates or building ownership certificates. The Bank will apply for the relevant land use rights and building ownership certificates if the Bank does not yet hold such land use rights certificates or building ownership certificates. However, it cannot be assured that the Bank's ownership rights will not be adversely affected in respect of any parcels of land or buildings for which the Bank is unable to obtain the relevant certificates.

The Group's historical financial information may not be indicative of its current or future results of operations and investors should exercise caution in comparing financial data between years or periods due to changes in accounting standards

The historical financial information of the Group is sometimes adjusted or restated to address subsequent changes in accounting standards, the Group's accounting policies and/or applicable laws and regulations with retrospective impact on the Group's financial reporting, correction of an error recorded in the previous period or to reflect the comments provided by the Group's independent auditors during the course of their audit or review in subsequent financial periods. There can be no assurance that the historical financial information were or will be indicative of what the Group's results of operations, financial condition or cash flow will be in the future or that financial information is comparable on a year-to-year or period-to-period basis. In particular, in respect of the Group 2024 Annual Financial Statements, the Group adopted – "Amendments to IFRS 16 (*Lease Liability Measurement in a Sale and Leaseback Transaction*)", "Amendments to IAS 1 (*Classification of Liabilities as Current or Non-current*)", "Amendments to IAS 1 (*Non-current Liabilities with Covenants*)" and "Amendments to IAS 7 and IFRS 7 (*Supplier Finance Arrangements*)" – the revised IFRS accounting standards for the year ended 31 December 2024. Please refer to note 3 of the Group 2024 Annual Financial Statements. Investors must therefore exercise caution when making comparisons between such financial data when evaluating the Group's financial condition and results of operations.

Potential investors should not place undue reliance on the financial information incorporated by reference that is not audited

This Offering Circular incorporates the most recently published unaudited but reviewed consolidated interim financial statements of the Bank, together with any review reports prepared in connection therewith, as well as the most recently published unaudited and unreviewed consolidated quarterly financial statements of the Bank. Please see "*Documents Incorporated by Reference*" for more details. The Bank publishes its consolidated quarterly reports in respect of the three months ended 31 March and 30 September of each financial year. A copy of the quarterly reports can be found on the website of the Hong Kong Stock Exchange.

The consolidated interim financial statements of the Group have not been and will not be audited by the Bank's independent auditors and were and are expected to be prepared in accordance with International Accounting Standard No.34 – Interim Financial Reporting, the consolidated quarterly financial statements have not been and will not be audited or reviewed by the Bank's independent auditors and were and are expected to be prepared under IFRS, and such financial statements 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, as the case may be. None of the Arranger, the Agents or the Dealers or any of their respective directors, officers, employees, agents, representatives or affiliates or any person who controls any of them makes any representation or warranty, express or implied, regarding the accuracy, completeness and sufficiency of such consolidated financial statements of the Group for an assessment of, and potential investors should exercise caution when using such data to evaluate the Bank's financial condition and results of operations. The half-year or quarterly financial information should not be taken as an indication of the expected financial condition or results of operations of the Bank for the relevant full financial year.

The Bank may face situations where it cannot meet the capital adequacy requirements imposed by the relevant PRC regulators or as a globally systemically important bank ("G-SIB") pursuant to the Third Basel Capital Accord ("Basel III") and total loss-absorbing capacity ("TLAC") standard

According to the "***Administrative Measures for the Capital of Commercial Banks (Provisional)***" (the "**NAFR Capital Regulations**") formulated by the previously-named China Banking Regulatory Commission (which was subsequently renamed CBIRC and in 2023, has been replaced by the NAFR) to implement the Basel III in June 2012 and effected on 1 January 2013, the capital adequacy ratio of different tiers of a commercial bank shall not be lower than the following minimum requirements at any point in time: (i) the core tier 1 capital adequacy ratio shall not be lower than 5 per cent.; (ii) the tier 1 capital adequacy ratio shall not be lower than 6 per cent.; (iii) the capital adequacy ratio shall not be lower than 8 per cent.; (iv) the capital conservation buffer shall not be lower than 2.5 per cent.; and (v) the countercyclical buffer shall not be lower than 0 to 2.5 per cent. In addition, the Bank as a domestic systemically important bank will also be required to maintain a further 1 per cent. capital surcharge above prevailing core tier 1 capital requirements. Since January 2013, the Bank has calculated its capital adequacy ratio in accordance with these measures.

In 2017, the Basel Committee released the final framework for Basel III reform, which reconstituted the measurement rules for risk-weighted assets, and the NAFR revised its NAFR Capital Regulations. Accordingly, the Bank promoted the transformation of its risk-weighted assets measurement system against the final framework, so as to meet regulatory standards.

On 26 October 2023, the NAFR published the "***Regulation Governing Capital of Commercial Banks***" (the "**New NAFR Capital Regulations**") which became effective on 1 January 2024 and the NAFR Capital Regulations ceased to have effect on the same day. Based on the current situation of China's banking industry and the latest international regulatory reform, the NAFR made a number of amendments to the NAFR Capital Regulations, including the elimination of specific quantitative requirements for counter-cyclical capital and globally or domestically systemically important institutions, which would be separately stipulated by the PBOC and the NAFR. The New NAFR Capital Regulations focuses on five aspects, including building a differentiated capital supervision system, comprehensively revising the rules for measuring risk-weighted assets, ensuring the applicability and prudence of risk weights, strengthening supervision and inspection, and improving the information disclosure standards, so as to further improve the rules for capital supervision of commercial banks, strengthen the risk management level of banks, and enhance the quality and efficiency of their services.

As at 31 December 2024, the Group's capital adequacy ratio, Tier 1 ratio and Common Equity Tier 1 ratio, calculated in accordance with the New NAFR Capital Regulations, were 19.69 per cent., 15.21 per cent. and 14.48 per cent. respectively, meeting the regulatory requirements[13].

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13 The Group calculates relevant data and indicators in accordance with relevant rules in the New NAFR Capital Regulations from 1 January 2024, while data as of 31 December 2023 are still calculated in accordance with relevant rules in the NAFR Capital Regulations. Please refer to note 62(8) of the Group 2024 Annual Financial Statements for details of composition of capital.

In order to support a 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 tier 1 capital or share or perpetual securities that can contribute towards additional tier 1 capital or any debt securities that can contribute towards additional tier 1 capital or tier 2 capital. In 2024, the Bank completed the issuance of RMB135 billion domestic tier 2 bonds. The proceeds has all been used to replenish the Bank's tier 2 capital.

Furthermore, the Financial Stability Board has identified the Bank as a G-SIB since November 2017. As a G-SIB, the Bank is required to satisfy heightened capital adequacy ratios pursuant to Basel III and TLAC standard. Pursuant to the PBOC, the CBIRC and the Ministry of Finance of China – Administrative Measures on the Total Loss-absorbing Capacity of Global Systemically Important Banks (Order No. 6 [2021]), the Bank will be required to meet the external TLAC risk-weighted ratio of no less than 16 per cent. and the external TLAC leverage ratio of no less than 6 per cent. by no later than 1 January 2025 and the external TLAC risk-weighted ratio of no less than 18 per cent. and the external TLAC leverage ratio of no less than 6.75 per cent. by no later than 1 January 2028. The Group has updated its recovery and resolution plans, and has made continuous improvements in areas such as TLAC, large exposures, and effective risk data aggregation and risk reporting, so as to meet the additional regulatory requirements for G-SIB. In 2024, the Bank completed the issuance of RMB50 billion domestic non-capital TLAC bonds and the proceeds had all been used to improve the Bank's total loss-absorbing capacity.

Although the Bank has already implemented medium to long term capital management policies to strengthen capital management and its capability to maintain growth, some regulatory developments may affect the Bank's ability to continually comply with capital adequacy requirements, including the decline in asset quality, the decline in value of its investments, the raising of minimum capital adequacy ratios by the NAFR and the changes in calculations of capital adequacy ratios by the NAFR.

The Bank's capital-raising ability may be restricted by the Bank's future business, financial and operational results, the Bank's credit rating, necessary regulatory approvals, overall market conditions including PRC and global economic, political and other conditions at the time of any capital raising.

If the Bank fails to meet the capital adequacy requirements, the NAFR may require the Bank to take corrective measures, including, for example, restricting the growth of its loans and other assets or restricting its declaration or distribution of dividends. These measures could adversely affect the Bank's reputation, business, financial condition and results of operations, which in turn may negatively affect the Bank's ability to service the Notes and to satisfy its other obligations under the Notes.

The Bank is exposed to systemic risk resulting from failures by banks, other financial institutions and corporates

Within the financial services industry, the default of any institution or corporate could lead to defaults by other institutions. Concerns about, or a default by, one institution could lead to significant liquidity problems, losses or defaults by other institutions as the commercial soundness of many financial institutions may be closely correlated as a result of their credit, trading, clearing or other relationships. This risk is sometimes referred to as "**systemic risk**", and may adversely affect financial intermediaries, such as clearing agencies, clearing houses, banks, securities firms, other financial institutions and exchanges with whom the Bank interacts on a daily basis. In turn, the actual or perceived soundness of these institutions could have an adverse effect on the Bank's ability to raise new funding, including regulatory capital, and could have a material impact on the Bank's financial condition and results of operations.

The financial markets turmoil with the collapse of Silicon Valley Bank, followed by Signature Bank and First Republic Bank in the United States and the crisis of Credit Suisse, has resulted in higher uncertainty in the financial services industry and has prompted questions about the viability of other financial services firms with the tightening of credit controls and liquidity for banks and possibility of broader systemic risk. In addition, the actions of government regulators and central banks to the financial markets turmoil, including the intervention of Swiss authorities in response to the collapse of Credit Suisse, has caused market participants to question how regulators and central banks will exercise resolution authority powers with respect to financial institutions or respond in the event of further turbulence or crisis in financial markets. As a result, there is greater uncertainty about the ability of financial institutions to raise regulatory capital, which could increase the Bank's cost of capital, or require the Bank to utilise different methods of raising regulatory capital than the Bank has used in the past, and could have a material impact on the Bank's financial condition and results of operations.

The Bank may not manage risks associated with the replacement of benchmark indices effectively

For several years, global regulators and central banks have been driving international efforts to reform key benchmark interest rates and indices; in particular interbank offered rates ("**IBORs**") such as the London Interbank Offered Rate ("**LIBOR**"). This has resulted in significant changes to the methodology and operation of certain benchmarks and indices, the adoption of alternative risk-free rates ("**RFRs**"), the discontinuation of certain reference rates (including LIBOR), and the introduction of implementing legislation and regulations.

Following the United Kingdom Financial Conduct Authority ("**FCA**") announcement on 27 July 2017 where FCA announced that it would no longer persuade or compel banks to submit rates for the calculation of the LIBOR benchmark after 2021, the national working groups for the impacted currencies were tasked with providing guidance and support to financial and non-financial firms to help them facilitate an orderly transition of the relevant LIBORs to their chosen RFRs. The transition away from LIBOR has been completed as of September 2024.

The discontinuation of certain key IBORs such as LIBOR, the adoption of RFRs by the market, and the development of RFR products by the Bank, introduce a number of risks for the Bank, its clients, and the financial services industry. In particular, as products linked to RFRs are relatively new in the market, market conventions and practices for RFRs have a limited history and may continue to evolve over time, potentially resulting in additional risks and liabilities for the Group.

If any of these risks materialise, it could have a material adverse effect on the Bank's business, financial condition, results of operations, prospects and customers.

The Bank is subject to certain operational requirements as well as guidelines set by the PRC banking regulatory authorities. The Bank is also subject to the supervision and inspection of domestic regulators and overseas regulators in jurisdictions where it operates

The Bank is subject to regular and irregular supervision and inspection by China's regulatory institutions, including the PRC Ministry of Finance (the "**MOF**"), the PBOC, the NAFR, the China Securities Regulatory Commission (the "**CSRC**"), the State Administration of Taxation (the "**SAT**"), the State Administration of Industry & Commerce (the "**SAIC**"), the State Administration of Foreign Exchange (the "**SAFE**") and the National Audit Office (the "**NAO**").

The Bank is subject to certain operational requirements and guidelines set by the PRC banking regulatory authorities. It cannot be assured that the Bank will be able to meet these operational requirements and guidelines in the future at all times, or that no sanction will be imposed on the Bank in the future if the Bank fails to do so. If sanctions are imposed on the Bank for the breaches of these or other operational requirements and guidelines, its business, financial condition and results of operations may be adversely affected, which in turn may negatively affect the Bank's ability to service the Notes and to satisfy its other obligations under the Notes.

Furthermore, the Bank may also be subject to inspection and supervision of overseas regulatory institutions in overseas jurisdictions where it operates. The Bank's overseas branches, subsidiaries and representative offices must follow local laws, regulations and the regulatory requirements of relevant local regulatory institutions of their respective jurisdictions. It cannot be assured that the Bank's overseas branches, subsidiaries and representative offices will be able to meet the applicable laws and regulatory requirements at all times. If the Bank is not able to meet these requirements, there may be an adverse impact on the Bank's business in these jurisdictions. Some of these inspections have led to penalties and other sanctions imposed on the Bank as a result of non-compliance. Although none of the penalties and sanctions imposed on the Bank have had a material adverse impact on the Bank's operations, financial position, and business performance, it cannot be assured that future inspections by regulatory institutions will not result in penalties or sanctions which may adversely affect the Bank's operations, reputation, business, financial position and results of operations, which in turn may negatively affect the Bank's ability to service the Notes and to satisfy its other obligations under the Notes.

The Bank or the Bank's customers may be subject to OFAC or other penalties if they are determined to have violated any OFAC regulations or similar sanctions

The United States imposes a range of economic sanctions against certain foreign countries, terrorists, international narcotics traffickers and those engaged in activities related to the proliferation of weapons of mass destruction. The U.S. sanctions are intended to advance certain U.S. foreign policy and national interests, such as discouraging certain countries from acquiring weapons of mass destruction or engaging in human rights abuses. The U.S. Department of the Treasury's Office of Foreign Assets Control ("**OFAC**") is the principal government agency charged with administering and enforcing U.S. economic sanctions programmes. These economic sanctions, as administered by OFAC, generally apply to U.S. entities and, in certain cases, to foreign affiliates of U.S. entities, or to transactions that involve, in some manner, U.S. products or otherwise come within the jurisdiction of the United States. The United Nations Security Council, the European Union, the United Kingdom, the PRC and other governments and international or regional organisations also administer similar economic sanctions. The Bank does not believe that any of the Group's activities are subject to these sanctions. In addition, the Bank may from time to time engage in business activities in countries or with entities that are the subject of certain sanctions. Notwithstanding that such business activities may not themselves be subject to sanctions, the Bank may face secondary sanctions if it is determined to be providing material support to countries or entities or involving specific sectors of certain countries that are the subject of sanctions. If the Bank engages in any prohibited transactions by any means, or if it is otherwise determined that any of the Bank's transactions violated OFAC-administered or other sanctions regulations, the Bank could be subject to penalties, and the Bank's reputation and ability to conduct future business in the United States or with U.S. entities, or in other affected jurisdictions, could be affected, which may materially and adversely affect its business, financial condition and results of operations. 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.

Any force majeure events, including occurrence of natural disasters or outbreaks of contagious diseases (such as COVID-19) may have an adverse effect on the Bank's business operations, financial condition and results of operations

Any force majeure events, such as the occurrence of natural disasters or outbreaks of health epidemics and contagious diseases, including but not limited to the COVID-19 outbreak, all variants of the avian influenza, severe acute respiratory syndrome ("**SARS**"), Middle East Respiratory Syndrome ("**MERS**"), Ebola virus, and swine flu caused by H1N1 virus ("**H1N1 Flu**"), may adversely affect the Bank's business, financial condition and results of operations. Possible force majeure events may give rise to additional costs to be borne by the Bank and have adverse effects on the quality of the Bank's assets, business, financial condition 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, financial condition and results of operations.

Please also refer to *"Risk Factors – Risks Relating to the Bank's Business – Uncertainties and instability in global market conditions could adversely affect the Bank's business, financial condition and results of operations*". Any of these factors could have a material adverse effect on the Group's financial condition, business and results of operation. In addition, any future occurrence of severe natural disasters in China or elsewhere may adversely affect PRC's economy or the global economy and in turn the Bank's business. There is no guarantee that any future occurrence of natural disasters or outbreak of any avian influenza, SARS, MERS, Ebola virus, H1N1 Flu, COVID-19 or other epidemics, or the measures taken by the PRC government or other countries in response to such future outbreak of epidemics, will not seriously interrupt the Bank's operations or those of the Bank's customers, which may have an adverse effect on the Bank's business, financial condition and results of operations.

Failure by the Bank to meet its environmental, social and governance ("ESG") or corporate social responsibility ("CSR") targets may have an adverse effect on the Bank's performance, reputation, business, financial condition and results of operations

The Bank takes its corporate social responsibilities seriously and seeks to serve the public, promote livelihoods, and become a low-carbon and environmentally friendly bank for sustainable development. In line with its philosophy, the Bank has issued several series of ESG related notes (the "**ESG Notes**") under the Programme, including green notes, sustainability-linked notes and transition notes. In addition, the Bank has also increased its credit supply in the area of green finance, to among others provide financial services for energy security and low-carbon transformation.

In respect of the Bank's ESG Notes and green finance credit and loans, the Bank may have agreed to obligations relating to reporting and disclosure, environmental and social targets and specified use of proceeds. Furthermore, the Bank also publishes its CSR reports annually, which sets out the Bank's implementation strategies, targets and goals (such as emission reduction goals, energy conservation goals, waste reduction goals and water conservation goals) and proposed business processes and standards, with respect to ESG and CSR. Any failure by the Bank to meet any of the targets, strategies, goals, processes and standards mentioned above, or any failure by the Bank to satisfy investor or other stakeholder expectations or standards in the execution of its ESG strategies, may affect the value and/or trading of the ESG Notes, and more widely affect the Bank's current and future business performance, results of operations and reputation. These may in turn negatively affect the Bank's ability to service the Notes and to satisfy its other obligations under the Notes.

In addition, the Bank is subject to a variety of risks, including reputational risk, associated with ESG matters. Adverse incidents with respect to ESG activities could impact the Bank's reputation and relationships with investors, all of which could adversely affect its business and results of operations. The Bank's expectations, estimates and aspirational statements regarding ESG matters, including the potential environmental impacts of its projects and initiatives, involve known and unknown risks, uncertainties and other factors beyond the Bank's control that could cause the actual results to be different from such expectations, estimates and aspirational statements. As a result, there can be no assurance that the Bank's ESG initiatives, including the use of proceeds from the Notes and any further issuances of green notes, will not be subject to heightened scrutiny or public commentary in the future. Such scrutiny or public commentary could adversely affect the Bank's reputation, business, financial condition and results of operations and, in particular, could create legal and reputational risks.

RISKS RELATING TO THE PRC BANKING INDUSTRY

The highly competitive nature of the PRC banking industry could adversely affect the Bank's profitability

The PRC banking industry is intensely competitive. The Bank competes primarily with other domestic commercial banks and financial institutions, as well as foreign-invested financial institutions. These commercial banks and financial institutions compete with the Bank for substantially the same loans, deposits and fees from customers.

Following the removal of regulatory restrictions on their geographical presence, customer base and operating licence in China in December 2006 as part of China's WTO accession commitments, the Bank has experienced increased challenges from foreign-invested commercial banks. Furthermore, the "Mainland and Hong Kong Closer Economic Partnership Arrangement", which permits smaller Hong Kong banks to operate in China, the rapid development of new competitors such as Alipay and WeChat Pay, and the emergence of new technologies such as new digital currencies in the PRC have also increased the competition in China's banking industry.

The increased competitive pressures resulting from the above and other factors may adversely affect the Bank's business and prospects, as well as the Bank's business, financial condition and results of operations by, among other things:

- reducing the Bank's market share in its principal products and services;
- affecting the growth of the Bank's loan portfolio or deposit base and other products and services;
- decreasing the Bank's interest income or increasing its interest expense, thereby decreasing its net interest margin;
- reducing the Bank's fee and commission income;
- increasing the Bank's non-interest expenses, such as marketing expenses;
- reducing the Bank's asset quality; and
- increasing the turnover of senior management and qualified professional personnel.

The Bank may not always be able to maintain its competitive advantage or successfully compete in all the business areas in which it currently operates or intends to operate in the future. The adverse developments described above may negatively affect the Bank's ability to service the Notes and to satisfy its other obligations under the Notes.

The Bank may also face competition for funds from other forms of investment alternatives as the PRC capital market continues to develop. For example, as the PRC capital market continues to develop and become a more viable and attractive investment alternative, the Bank's deposit customers may elect to transfer their funds into bonds, equities and other capital market instruments, which may reduce the Bank's deposit base and adversely affect the Bank's business, financial condition and results of operations. This may negatively affect the Bank's ability to service the Notes and to satisfy its other obligations under the Notes.

The Bank's business is inherently subject to market fluctuations and general economic conditions, particularly in the PRC

The Bank's business is inherently subject to global capital market fluctuations and general economic conditions. Global market factors and the volatility and strength of the capital markets all affect the business and economic environment and, ultimately, the Bank's business. In particular, uncertain economic conditions, volatility and disruptions in global capital markets, such as those that occurred in late 2008 and 2009 during the global financial crisis, can have a material adverse effect on the Bank. The economic recovery since the global financial crisis has been slow, with economic growth rates in major economies remaining persistently lower than pre-crisis levels, due to the rise in inflation in major economies, the escalating tensions between the PRC and the United States, the ongoing concerns about European sovereign debt levels, the military conflict between Russia and Ukraine and the conflict in Middle East region. Please also refer to "*Risk Factors – Risks Relating to the Bank's Business – Uncertainties and instability in global market conditions could adversely affect the Bank's business, financial condition and results of operations*".

Furthermore, uncertainties in the PRC's economies may also adversely affect the Bank's business, financial condition and results of operations in many ways, including, among others:

- during a period of economic slowdown, there is a greater likelihood that more of the 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 NPLs, allowances for impairment losses and write-offs;
- the increased regulation and supervision by 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;
- the value of the Bank's investments in the domestic and international equity and debt securities markets may significantly decline;
- the Bank's ability to raise additional capital on favourable terms, or at all, could be adversely affected;
- 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;
- the ongoing property market slowdown and deterioration of export trade growth may further adversely affect economic growth; and
- increased fiscal policy support may not be sufficient to boost overall domestic demand and business investment.

Any potential market and economic downturns, economic slowdown or geopolitical uncertainties in the PRC, its neighbouring countries or regions or the rest of the world may exacerbate the risks relating to the PRC capital markets. In addition, global economic uncertainty and the slowdown in PRC economic growth have precipitated, and may continue to raise the possibility of, fiscal, monetary, regulatory and other governmental actions. It cannot be predicted whether or when such actions may occur, nor can it be predicted what ultimate impact, if any, such actions or any other governmental actions could have on the Bank's business, results of operations and financial condition. There can be no assurance that the PRC's economy or the global economy will continue to improve or maintain sustainable growth. If further economic downturn occurs or continues, the Bank's business, financial condition and results of operations could be materially and adversely affected.

The Bank's businesses are highly regulated which may be adversely affected by future regulatory changes

The Bank's businesses are highly regulated which may be adversely affected by future regulatory changes. The Bank's business and operations are directly affected by changes in the PRC's policies, laws and regulations relating to the banking industry, such as those affecting the extent to which the Bank can engage in specific businesses as well as changes in other governmental policies. 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 adversely affect the Bank's business, financial condition and result of operations nor can the Bank assure investors that it will be able to adapt to all such changes on a timely basis. For example, in recent years, the PRC government has announced a number of supply-side structural reforms, including the reforms to improve the corporate governance of small and medium-sized enterprises ("**SMEs**") to reduce systemic financial risks and credit risk and to increase lending activities to SMEs while effectively controlling risks, to achieve a healthy economic growth.

The Bank has participated in such supply-side structural reforms, including the development of Guangdong-Hong Kong-Macau Greater Bay Area and Free Trade Zones, SMEs financing and debt-to-equity swap reforms.

As COVID-19 hampered business activities in the world, including China, the former China Banking and Insurance Regulatory Commission (the "**CBIRC**", which has been replaced by NAFR)) promulgated a series of measures to relax credit controls and increase financial support to SMEs to combat the challenges arising from COVID-19. In particular, it has encouraged banking institutions to increase lending to SMEs by lowering loan rates and increasing the amounts these enterprises could borrow. However, SMEs are more vulnerable to fluctuations in the macroeconomy and the adverse impact brought by major economic crisis or regulatory changes. In addition, these enterprises may not be able to provide reliable information necessary for the Bank to assess the credit risks involved. In the absence of accurate assessment of the relevant credit risks, the non-performing loans of the Bank may increase significantly if a large number of its SMEs clients are affected by major economic crisis or regulatory changes. As a result, this may have an impact on the Bank's overall risk profile and quality of the loan portfolio, which could in turn materially and adversely affect its business, financial condition and results of operations. Separately, there can be no assurance that the policies, laws and regulations governing the PRC banking industry, in particular those relating to loans to SMEs (e.g. incentive policies to encourage lending to SMEs), 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. For instance, as the World Health Organisation has in May 2023 declared that COVID-19 is no longer a global health emergency, the NAFR may start to unwind support measures for SMEs, which could lead to a tightening of credit controls and an increase in default risks for SMEs.

In addition, the Bank may be entrusted to administer banking business. For example, on 24 May 2019, the Bank announced that it has accepted the entrustment of Baoshang Bank to take its business into custody. Under the custodian period of one year, the Bank had assisted Baoshang Bank in the reform of its corporate governance and risk management and in its business operations. There is no assurance that the policies implemented by the PRC regulators and the Bank's participation in them will not affect the Bank's business, financial condition and result of operations or that the Bank will be able to make proper adjustment(s) to its business operations according to the changes in the financial regulatory policies, monetary policies and structural-side reforms.

Furthermore, in 2022, the PBOC circulated for public consultation a draft Financial Stability Law of the People's Republic of China(中華人民共和國金融穩定法(草案徵求意見稿)(the "**Financial Stability Law**"), which aims to provide a comprehensive plan for addressing systemic risks to China's financial system. As the Financial Stability Law has not been promulgated, its actual impact on the Bank's business and operations remains unknown. However, as a leading commercial bank in China, it is highly possible that the Bank will be required to comply with the Financial Stability Law upon its enactment, and there is no assurance that the compliance with the Financial Stability Law will not affect the Bank's business, financial condition and result of operations.

In addition, there may be uncertainties regarding the interpretation and application of new policies, laws and regulations, which may result in penalties and restrictions on the Bank's activities and could also have a significant impact on the Bank's business. The adverse developments described above may negatively affect the Bank's ability to service the Notes and to satisfy its other obligations under the Notes.

The growth rate of the PRC banking market may not be sustainable

The Bank expects the banking market in the PRC to expand as a result of anticipated growth in the PRC economy, increases in household wealth, continued social welfare improvement, demographic changes and the opening of the PRC banking market to foreign participants. However, the prospective impact on the PRC banking industry of certain trends and events, such as the pace of economic growth in the PRC and the ongoing reform of the social welfare system is currently not clear. Consequently, it cannot be assured that the growth and development of the PRC banking market will be sustainable.

Fluctuations in interest rates may adversely affect the Bank's lending business and its financial condition

As with most commercial banks, the Bank's results of operations depend to a great extent on the Bank's net interest income. For the year ended 31 December 2024, net interest income represented 80.96 per cent. of the Group's operating income. Fluctuations in interest rates could affect the Bank's financial condition and profitability in different ways. For example, a decrease in interest rates may reduce the Bank's interest income and yields from interest-earning assets. An increase in interest rates may decrease the value of the Bank's investment in debt securities portfolio and raise the Bank's funding costs. In addition, an increase in interest rates may reduce overall demand for loans, and, accordingly, reduce the Bank's origination of new loans, as well as increase the risk of customer default. Fluctuations in interest rate will also affect the market value of and return on derivative financial instruments and may result in a gap between the Bank's interest rate sensitive assets and interest rate sensitive liabilities.

Interest rate spread may also be affected by the PBOC's reserve requirement ratio for commercial banks. The reserve requirement refers to the amount of funds that banks must hold in reserve against deposits made by their customers. The PBOC may further adjust the reserve requirement ratio or revise its calculation basis in the future. Increases in the bank reserve requirement ratio or expansion of the calculation basis of the reserve requirement may negatively impact the amount of funds available for loans to businesses by the Bank and other commercial banks in China and therefore may adversely affect the Bank's ability to earn interest income, which in turn may negatively affect the Bank's ability to service the Notes and to satisfy its other obligations under the Notes.

In addition, increasing competition in the banking industry and further deregulation of interest rates by the PBOC may result in higher fluctuations in market interest rates. If the interest rates the Bank pays for its deposits increase to a greater extent than the interest rates it receives for its loans, the Bank's net interest margin will narrow, leading to a reduction in its net interest income. Increases in interest rates might also affect borrowers' financial condition and hence their ability to repay loans. As a result, fluctuations in interest rates may adversely affect the Bank's lending operations, financial condition and results of operations, which in turn may negatively affect the Bank's ability to service the Notes and to satisfy its other obligations under the Notes.

PRC regulations impose limitations on the types of investments the Bank may make and, as a result, the Bank has limited abilities to seek optimal investment returns, to diversify its investment portfolio and to hedge the risks of its Renminbi-denominated assets

As a result of the PRC regulatory restrictions, substantially all of the Renminbi-denominated investment assets of PRC commercial banks are concentrated in the limited types of investments permitted by PRC law. These permitted investments mainly include PRC treasury bonds, financial debt securities issued by PRC policy banks, notes issued by the PBOC, and subordinated bonds. These restrictions on the Bank's ability to diversify its investment portfolio limit its ability to seek an optimal return. The restrictions also expose the Bank to significantly greater risk of investment loss in the event a particular type of investment the Bank holds suffers a decrease in value. For example, a general increase in interest rates may result in a significant decline in the value of the fixed income debt securities held by the Bank. In addition, due to the limited availability of hedging tools, the Bank's ability to manage market and credit risks associated with Renminbi-denominated assets is limited, and any resulting decline in the value of its Renminbi-denominated assets will adversely affect the Bank's financial condition and results of operations. This may negatively affect the Bank's ability to service the Notes and to satisfy its other obligations under the Notes.

The Bank's results of operations may be adversely affected if the PBOC further expedites the deregulation of interest rates

In recent years, the PBOC has adopted reform measures to liberalise China's interest rate regime. For example, in 2002, the PBOC substantially liberalised interest rates for foreign currency-denominated loans and deposits. In October 2004, the PBOC eliminated restrictions in respect of the maximum interest rate for RMB-denominated loans and the minimum interest rate for RMB-denominated deposits. In June 2012, the PBOC lowered the one-year Renminbi benchmark deposit and loan interest rates each by 0.25 per cent. At the same time, the PBOC also adjusted the upper limit of the floating range for deposit interest rates and the lower limit of the floating range for loan interest rates.

As of 8 June 2012, RMB denominated deposits could not be set above 110 per cent. of the relevant PBOC benchmark rate. On 25 October 2013, the PBOC introduced a new prime lending rate, officially known as the "**loan prime rate**", which is based on a weighted average of lending rates from nine commercial banks. In 2015, the PBOC made consecutive interest rates cuts and removed the deposit interest rate ceiling, giving rise to greater competition among banks and general shrinking of returns in the bond and monetary markets. Deposit interest rate ceilings were replaced by a market pricing self-regulatory and coordination mechanism comprised of PRC financial institutions, known as the Self-Regulatory Mechanism for the Pricing of Market-Oriented Interest Rates (市場利率定價自律機制). On 17 August 2019, the PBOC issued Bulletin [2019] No. 15, reforming and improving the loan prime rate calculation mechanism, further liberalising the interest rate system. The PBOC may further liberalise the existing interest rate restrictions on RMB-denominated loans and deposits. If the existing regulations are substantially liberalised or eliminated, competition in China's banking industry will likely intensify as China's commercial banks seek to offer more attractive interest rates to customers. Further adjustments by the PBOC to the benchmark interest rates or liberalisation by the PBOC may result in the narrowing of the spread in the average interest rates between RMB-denominated loans and RMB-denominated deposits, thereby adversely affecting the Bank's business, financial condition and results of operations, which in turn may negatively affect the Bank's ability to service the Notes and to satisfy its other obligations under the Notes.

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

National credit information databases developed by the PBOC have been in operation since January 2006. However, as the information infrastructure in China is still under development and there remains limitations on the availability of information, national credit information databases are generally under-developed and are not able to provide complete credit information on many of the Bank's credit applicants. Therefore, the Bank's assessment of the credit risk associated with a particular customer may not be based on complete, accurate or reliable information, and the Bank's ability to effectively manage the Bank's credit risk may be adversely affected. This may negatively affect the Bank's ability to service the Notes and to satisfy its other obligations under the Notes.

Certain facts and statistics and information relating to the Bank and the Group are derived from publications not independently verified by the Bank, the Arranger, the Dealers or any of their respective directors, officers, employees, agents, representatives, affiliates or advisers or any person who controls any of them

Certain facts and statistics in this Offering Circular relating to the PRC, its economy and its banking industry are derived from various official and publicly available sources generally believed to be reliable. While the Bank has taken reasonable care to ensure that the facts and statistics or information relating to the Bank and the Group presented are accurately extracted from such sources, such facts, statistics and information have not been independently verified by the Bank, the Arranger, the Dealers or any of their respective directors, officers, employees, agents, representatives, affiliates or advisers or any person who controls any of them and, therefore, none of them makes any representation as to the accuracy of such facts and statistics or information, which may not be consistent with other information compiled within or outside the PRC and may not be complete or up-to-date.

Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice or other reasons, the statistics herein may be inaccurate or may not be comparable from period to period or to statistics produced for other economies and should not be unduly relied upon.

RISKS RELATING TO THE PRC

PRC economic, political and social conditions and government policies could affect the Bank's financial condition and results of operations

A substantial majority of the Bank's businesses, assets and operations are in China. Accordingly, the Bank's financial condition, results of operations and business prospects are, to a significant degree, subject to the economic, political and legal developments in China. The PRC economy has been transitioning from a planned economy to a more market-oriented economy. In recent years, the PRC government has implemented a series of measures emphasising market forces for economic reform, the reduction of state ownership of productive assets and the establishment of sound corporate governance in business enterprises. However, a large portion of productive assets in China remain owned by the PRC government. The PRC government retains the power to implement macroeconomic policies affecting the PRC economy and continues to play a significant role in regulating industrial development, allocating resources, setting monetary policy, implementing measures on production, pricing, management and taxation and providing preferential treatment to particular industries or companies. These measures are aimed at benefiting the overall economy of the PRC, but some of the measures may have negative effects on certain industries, including the commercial banking industry. For example, the Bank'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.

Any failure to complete the relevant filing and/registration under the NDRC Order 56 (as defined below) within the prescribed time frames may have adverse consequences for the relevant Issuer and/or the investors of the Notes

On 5 January 2023, NDRC issued 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))(as supplemented, amended or replaced from time to time) and any implementation rules or policies as issued by the NDRC from time to time (the "**NDRC Order 56**"), which became effective on 10 February 2023. As confirmed by the Bank, the foreign debt registration certificate (Fa Gai Ban Wai Zhai [2024] No. 561, "**Certificate**") has already been obtained by the Bank under the NDRC Order 56 and the Issuer can rely on the Certificate to issue the Notes. Under the NDRC Order 56, the Bank shall, (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 Certificate with respect to the relevant Notes in accordance with the NDRC Order 56, (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 Order 56 mentions some legal consequences of non-compliance with the pre-issuance registration requirement. For example, if the enterprise borrows foreign debt in violation of the NDRC Order 56, 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 according to the seriousness of the circumstances, and if any intermediary agency knows or should have known that an enterprise is borrowing foreign debt in violation of the relevant provision of the NDRC Order 56 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-issuance 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 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 Order 56 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 Order 56 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 Order 56 and any implementation rules or policies as issued by the NDRC from time to time.

While the NDRC Order 56 has set out the legal consequences for debtors and involved professional parties in cases of non-compliance of the NDRC Order 56, the NDRC Order 56 is silent on whether any such non-compliance would affect the validity and enforceability of the Notes. There is no assurance that the failure to comply with the NDRC Order 56 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.

Interpretation of PRC laws and regulations may affect the Bank and the Noteholders

The Bank is organised under the laws of the PRC. The PRC legal system is based on written statutes. Since 1979, the PRC government has promulgated laws and regulations dealing with economic matters, such as foreign investment, corporate organisation and governance, commerce, taxation and trade, with a view towards developing a comprehensive system of commercial law. Many of these laws and regulations continue to evolve and these laws and regulations may be subject to different interpretation and enforcement. In addition, although there is a large volume of published court decisions and such court decisions may be cited for reference, they are not binding on subsequent cases and have limited precedential value unless the Supreme People's Court otherwise provides interpretations. As such, the interpretation and implementation of PRC laws and regulations may have impact on the legal protections and remedies that are available to the Bank and the Noteholders.

Additional procedures may be required in effecting service of legal process and enforcing judgments against the Bank and its directors and officers

The Bank is a company incorporated under the laws of the PRC, and substantially all of its assets and its subsidiaries are located in the PRC. In addition, most of the Bank's directors and officers reside within the PRC, and the assets of its directors and officers may be located within the PRC. As a result, additional procedures may be required to effect service of process outside of the PRC upon most of the Bank's directors and officers and for the Noteholders to effect service of process against the Bank's assets or its directors and officers in the PRC in order to seek recognition and enforcement for foreign judgments in the PRC.

The recognition and enforcement of foreign judgments are provided for under the PRC Civil Procedures Law. PRC courts may recognise and enforce foreign judgments in accordance with the requirements of the PRC Civil Procedures Law and other applicable laws and regulations based either on treaties between China and the country where the judgment is made or on principles of reciprocity between jurisdictions. The PRC has not entered into treaties or arrangements providing for the recognition and enforcement of judgments made by courts of the United States, the United Kingdom, Japan or most other Western countries. In addition, according to the PRC Civil Procedures Law, courts in the PRC will not enforce a foreign judgment against the Bank or its directors and officers if they decide that the judgment violates the basic principles of PRC law or national sovereignty, security or public interest. Hence, it is uncertain whether and on what basis a PRC court would enforce a judgment rendered by a court in any of these jurisdictions.

The Bank is affected by the PRC government's restrictions on currency conversion and future fluctuations in exchange rates

The Bank receives a substantial majority of its revenues in RMB, 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 demands for foreign currencies.

The exchange rates of the RMB against the U.S. dollar and other currencies are in constant fluctuation and influenced by, among other things, the changes in Chinese and international political and economic conditions. Since 1994, China had implemented a single and managed floating exchange rate regime based on market supply and demand to determine the exchange rate of RMB with reference to the exchange rate determined by the PBOC based on the interbank exchange rates and the prevailing rate of the international financial market on the previous business day. On 21 July 2005, the PRC government adopted a more flexible market-based and managed floating exchange rate regime with reference to a basket of currencies. Under the new system, the exchange rate of RMB was allowed to fluctuate within a regulated band. In addition, a market maker system was introduced to the interbank spot foreign exchange market. In July 2008, China continued to deepen its exchange rate regime reform to implement a managed floating exchange rate system based on market supply and demand. Given the domestic and overseas economic developments, in June 2010, the PBOC decided to proceed further with reform of the RMB exchange rate regime, improve the flexibility of the RMB exchange rate and widen the daily trading band for the U.S.$/RMB exchange rate in April 2012 and in March 2014. In 2017, the RMB depreciated as against the U.S. dollar and continued to fluctuate in 2018 and early 2019. Against the backdrop of uncertain trade and global economy, the PBOC authorised the China Foreign Exchange Trade System and National Interbank Funding Centre on 8 August 2019 to publish the central parity rate of the RMB as against the U.S. dollar in the interbank exchange market, which was U.S.$1.00 to RMB7.0039. That was the first time the value of the RMB as against the U.S. dollar fell below RMB7.00 per U.S. dollar since 2008. The value of RMB against the U.S. dollar and other currencies may fluctuate and is affected by, among other factors, changes in international and national political and economic conditions and the foreign exchange policy adopted by the PRC government. The PRC government may in the future implement other exchange rate reforms.

The Bank is also currently required to obtain the approval of SAFE before converting significant sums of foreign currencies into RMB. All of these factors could adversely affect the Bank's business, financial condition, results of operations and compliance with capital adequacy ratios and operational ratios, which in turn may negatively affect the Bank's ability to service the Notes and to satisfy its other obligations under the Notes.

RISKS RELATING TO THE NOTES

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:

(i) 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 to this Offering Circular or any Pricing Supplement;

(ii) 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;

(iii) 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;

(iv) understand thoroughly the terms of the relevant Notes and be familiar with the behaviour of any relevant indices and financial markets; and

(v) 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.

Certain Series of Notes may be complex financial instruments. Sophisticated investors generally do not purchase complex financial instruments as standalone investments but rather purchase such complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to the overall portfolios. A potential investor should not invest in such Notes unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how such 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.

The Notes are subordinated to all secured debt of each of the Issuer and the Bank

Each tranche of Notes will be unsecured and will rank at least equally with all other unsecured and unsubordinated indebtedness (except for creditors whose claims are preferred by laws and rank ahead of the holders of the Notes) that each of the Issuer and the Bank has issued or may issue. Payments under the Notes are effectively subordinated to all secured debt of each of the Issuer and the Bank to the extent of the value of the assets securing such debt.

As a result of such security interests given to the Issuer's and the Bank's secured lenders, in the event of a bankruptcy, liquidation, dissolution, reorganisation or similar proceeding involving the Issuer and the Bank, the affected assets of the Issuer and the Bank may not be used to pay the Noteholders until after:

- all secured claims against the affected entity have been fully paid; and

- if the affected entity is a subsidiary of the Bank, all other claims against such subsidiary, including trade payables, have been fully paid.

In the event that the Issuer (where the Issuer is the Hong Kong Branch or other such branch of the Bank) fails to fully perform its obligations under the Notes, performance by the Bank of such obligations may be subject to registration or verification of the PRC government authorities

According to the Law of the People's Republic of China on Commercial Banks (中華人民共和國商業銀行法) and the circular issued by the PBOC named "Reply on the Issues Regarding the Civil Liabilities of the Branches of Commercial Banks" (關於對商業銀行分支機構民事責任問題的覆函), in the event that a branch of a commercial bank fails to fully perform the obligations to the extent of the assets of the branch, such commercial bank shall fulfil such obligations to the extent that the branch has failed to perform them.

Therefore, in the event the Issuer (where the Issuer is the Hong Kong Branch or other such branch of the Bank) is unable to or does not perform its obligations under the Notes, the Bank will assume all obligations of the Issuer with respect to the payments under the Notes. The remittance of funds outside the PRC by the Bank in order to perform these obligations may be subject to registration or verification of the SAFE.

Regulation of benchmarks may lead to future reforms or discontinuation

Interest rates and indices which are deemed to be or used as "benchmarks" (including the euro interbank offered rate ("**EURIBOR**")) have been subject to significant regulatory scrutiny and legislative intervention in recent years. This relates not only to creation and administration of benchmarks, but, also, to the use of a benchmark rate.

In the EU, for example, Regulation (EU) No. 2016/1011, as amended (the "**EU Benchmarks Regulation**") applies to the provisions of, contribution of input data to, and the use of, a benchmark within the EU, subject to certain transitional. Similarly, Regulation (EU) 2016/1011 as it forms part of domestic law by virtue of the EUWA, as amended (the "**UK Benchmarks Regulation**") applies to the provision of, contribution of input data to and the use of a benchmark in the UK, subject to certain transitional provisions. Legalisation such as the EU Benchmarks Regulation and/or the UK Benchmarks Regulation, as applicable could have a material impact on any Notes linked to or referencing a benchmark – for example, if the methodology or other terms of the benchmark are changed in the future in order to comply with the requirements of the EU Benchmarks Regulation and/or the UK Benchmarks Regulation and/or other similar legislation, as applicable, or if a critical benchmark is discontinued or is determined to be by a regulator to be "no longer representative". Such factors could, among other things, have the effect of reducing or increasing the rate or level or may affect the volatility of the published rate or level of the relevant benchmark. They may also have the effect of discouraging market participants from continuing to administer or contribute to certain "benchmarks," trigger changes in the rules or methodologies used in certain "benchmarks" or lead to the discontinuance or unavailability of quotes of certain "benchmarks".

Although EURIBOR has subsequently been reformed in order to comply with the terms of the Benchmark Regulation, it remains uncertain as to how long it will continue in its current form, or whether it will be further reformed or replaced with the Euro short-term rate or an alternative benchmark. The elimination of EURIBOR or any other benchmark, or changes in the manner of administration of any benchmark, could require or result in an adjustment to the interest calculation provisions of the Conditions (as further described in Condition 5(b)(iv) (*Benchmark Replacement for Floating Rate Notes (other than Floating Rate Notes which specify the Reference Rate as SOFR)*), or result in adverse consequences to holders of any Notes linked to such benchmark (including Floating Rate Notes whose interest rates are linked to EURIBOR or any other such benchmark that is subject to reform). Furthermore, even prior to the implementation of any changes, uncertainty as to the nature of alternative reference rates and as to potential changes to such benchmark may adversely affect such benchmark during the term of the relevant Notes, the return on the relevant Notes and the trading market for securities (including the Notes) based on the same benchmark.

The administrator of SOFR or any related indices may make changes that could change the value of SOFR or any related index, or discontinue SOFR or any related index

The Federal Reserve or the Bank of New York (or their successors) as administrators of SOFR (and the SOFR Compounded Index) may make methodological or other changes that could change the value of these risk-free rates and/or indices, including changes related to the method by which such risk-free rate is calculated, eligibility criteria applicable to the transactions used to calculate SOFR, or timing related to the publication of SOFR or any related indices. In addition, the administrator may alter, discontinue or suspend calculation or dissemination of SOFR or any related index (in which case a fallback method of determining the interest rate on the Notes will apply). The administrator has no obligation to consider the interests of Noteholders when calculating, adjusting, converting, revising or discontinuing any such risk-free rate.

Interest rate "fallback" arrangements may lead to Notes performing differently or the effective application of a "fixed rate"

If a relevant benchmark (including any page on which such benchmark may be published (or any other successor service)) becomes unavailable or a Benchmark Event (each as defined in the Terms and Conditions of the Notes) occurs, the Terms and Conditions of the Notes provide for certain fallback arrangements. Such an event may be deemed to have occurred prior to the issue date for a Series of Notes. Such fallback arrangements include the possibility that the rate of interest could be set by reference to a successor rate or an alternative rate and that such successor rate or alternative reference rate may be adjusted (if required) in accordance with the recommendation of a relevant governmental body or in order to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as applicable) to investors arising out of the replacement of the relevant benchmark, although the application of such adjustments to the Notes may not achieve this objective.

Any such changes may result in the Notes performing differently (which may include payment of a lower interest rate) than if the original benchmark continued to apply. It is also possible that such an event may be deemed to have occurred prior to the issue date for a Series of Notes. Moreover, due to the uncertainty concerning the availability of successor rates and alternative reference rates and the involvement of an Independent Adviser (as defined in the Terms and Conditions of the Notes) in certain circumstances the relevant fallback provisions may not operate as intended at the relevant time. Additionally, in certain circumstances the ultimate fallback of interest for a particular Interest Period may result in the rate of interest for the last preceding Interest Period being used, which may result in the effective application of a fixed rate for Floating Rate Notes based on the rate which was last observed on the Relevant Screen Page. Any such consequences could have a material adverse effect on the value of and return on any such Notes.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the EU Benchmarks Regulation and the UK Benchmarks Regulation reforms or arising from the possible cessation or reform of certain reference rates in making any investment decision with respect to any Notes linked to or referencing a benchmark.

Methodologies for the calculation of risk-free rates (including overnight rates or forward-looking rates) as reference rates for Floating Rate Notes may vary and may evolve

Risk-free rates, including those such as the Secured Overnight Financing Rate ("**SOFR**") as reference rates for Eurobonds, have become more commonly used as benchmark rates for bonds in recent years. Most of the rates are backwards-looking, but the methodologies to calculate the risk-free rates are not uniform. Such different methodologies may result in slightly different interest amounts being determined in respect of otherwise similar securities.

The Issuer may in the future also issue Notes referencing SOFR or the SOFR Compounded Index that differ materially in terms of interest determination when compared with any previous Notes issued by it under this Programme. Such variations could result in reduced liquidity or increased volatility, or might otherwise affect the market price of any Notes that reference a risk-free rate issued under this Programme from time to time.

In addition, investors should carefully consider how any mismatch between applicable conventions for the use of reference rates 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 such risk-free rates.

Investors should consider these matters when making their investment decision with respect to any Notes which reference SOFR or any related indices.

It is not possible to calculate interest rates in advance for Notes which reference SOFR or any related index

Interest on Notes which reference a backwards-looking risk-free rate is only capable of being determined immediately prior to the relevant Interest Payment Date. It may therefore be difficult for investors in Notes which reference such risk-free rates reliably to estimate the amount of interest which will be payable on such Notes.

Further, in contrast to Notes linked to interbank offered rates, if Notes referencing backwards-looking rates become due and payable as a result of an Event of Default under Condition 10 (Events of Default), or are otherwise redeemed early on a date which is not an Interest Payment Date, the final Rate of Interest payable in respect of such Notes shall be determined by reference to a shortened period ending immediately prior to the date on which the Notes become due and payable or are scheduled for redemption.

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 (as defined in FIRO) (including bank branches and subsidiaries operating in Hong Kong and the holding company of a within scope financial institution) in Hong Kong which may be designated by the relevant resolution authorities, which may include the Bank to the extent of its licensed activities in Hong Kong. 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 (including bank branches and subsidiaries operating in Hong Kong and the holding company of a within scope financial institution) in Hong Kong. In particular, 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 may become subject to and bound by the FIRO. The implementation of FIRO remains untested and certain details relating to FIRO have been and 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.

An active trading market for the Notes may not develop

The Dealers are not obliged to make a market in any Tranche of Notes and any such market making, if commenced, may be discontinued at any time at the sole discretion of the Dealers. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. In addition, even if a market develops for the Notes, it may not be liquid and the holders of the Notes may encounter difficulties in selling these Notes. Such lack of liquidity may result in investors suffering losses on the Notes in secondary resales regardless of the performance of the Bank. In addition, to the extent that the Bank is not able to obtain or maintain a listing and quotation of any Tranche of Notes that are listed on the Hong Kong Stock Exchange or any other stock exchange, the sustainability and liquidity of such Notes may be adversely affected.

There could be conflicts of interest arising out of the different roles played by the Bank and its subsidiaries, and the Bank's other activities may affect the value of the Notes

The Bank's subsidiary is appointed as the Arranger and Dealer for the Programme. The Bank or its subsidiaries may also issue other competing financial products which may affect the value of the Notes. Investors should also note that potential and actual conflicts of interest may arise from the different roles played by the Bank and its subsidiaries in connection with the Notes and the economic interests in each role may be adverse to the investors' interests in the Notes. Although the Bank has internal control policies and procedures to minimise any potential conflict of interest, the Bank owes no duty to investors to avoid such conflicts.

Investors shall be aware of the effect of change of law

The Terms and Conditions of the Notes are based on English law. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practices after the date of this Offering Circular.

Credit ratings may not reflect all risks and any credit rating of the Notes may be downgraded or withdrawn

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. In May 2017, Moody's Investors Service ("**Moody's**") downgraded China's sovereign credit rating from Aa3 to A1 and later adjusted the outlook to negative in December 2023. Further, in April 2025, Fitch downgraded the long-term foreign-currency issuer default rating of the PRC to "A (Stable)" from "A+ (Negative)", reflecting Fitch's expectations of a continued weakening of China's public finances and a rapidly rising public debt trajectory during the country's economic transition. As a result, each of Moody's and Fitch has changed their respective rating outcomes on a number of PRC issuers, including but not limited to government-owned corporate entities and subsidiaries. There can be no assurance that similarly adverse ratings developments may not occur in the future. If any further adverse ratings developments occur, the Bank's ratings could be adversely affected. 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.

Each Tranche of Notes may be rated or unrated, as specified in the applicable Pricing Supplement. The rating represents the opinion of the relevant rating agency and its assessment of the ability of the Issuer to perform their respective obligations under the Notes, and credit risks in determining the likelihood that payments will be made when due under the Notes. A rating is not a recommendation to buy, sell or hold securities. The rating can be lowered or withdrawn at any time. The Issuer is not obligated to inform holders of the Notes if a rating is lowered or withdrawn. A reduction or withdrawal of a rating may adversely affect the market price of the Notes.

Investors shall pay attention to any modifications and waivers

The Terms and Conditions of the Notes 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.

The Terms and Conditions of the Notes 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. The Terms and Conditions of the Notes also provide that the Issuer may permit a modification of, or a waiver or authorisation of any breach or proposed breach of or a failure to comply with, the Fiscal Agency Agreement, if to do so could not reasonably be expected to be prejudicial to the interests of the Noteholders.

The Terms and Conditions of the Notes also provide that the Issuer may permit or agree to (i) any modification of any of the provisions of the Fiscal Agency Agreement that is of a formal, minor or technical nature or is made to correct a manifest error, and (ii) any other modification (except as mentioned in the Fiscal Agency Agreement) and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Fiscal Agency Agreement, that is in the opinion of the parties to the Fiscal Agency Agreement, not materially prejudicial to the interests of the Noteholders.

The Notes may be represented by Global Notes and holders of a beneficial interest in a Global Note 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. Such Global Notes 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, 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, investors will be able to trade their beneficial interests only through the Clearing Systems. While the Notes are represented by one or more Global Notes, 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 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. Holders of beneficial interests in the Global Notes 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 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. In relation to any issue of Notes in registered form, definitive Certificates will only be issued 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.

There are risks related to the structure of a particular issue of Notes

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

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 will generally 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 those times, an investor would generally 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:

(i) the market price of such Notes may be volatile;

(ii) they may receive no interest;

(iii) the payment of principal or interest may occur at a different time or in a different currency than expected;

(iv) the amount of principal payable at redemption may be less than the nominal amount of such Notes or even zero;

(v) a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;

(vi) if a Relevant Factor is applied to the 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

(vii) 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.

Partly-paid Notes

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.

Variable rate Notes with a multiplier or other leverage factor

Notes with variable interest rates can be volatile investments. 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

Inverse Floating Rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as 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.

Fixed/Floating Rate Notes

Fixed/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/Floating Rate Notes may be less favourable than 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 then-prevailing rates on its Notes.

Notes issued at a substantial discount or premium

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.

If the Issuer does not satisfy its obligations under the Notes, Noteholders' remedies will be limited

Payment of principal of the Notes may be accelerated only in the event of certain events involving the Issuer's bankruptcy, winding-up or dissolution or similar events or otherwise if certain conditions have been satisfied. See "**Terms and Conditions of the Notes – Events of Default**".

Investment in the Notes is subject to risks related 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.

An active secondary market in respect of the Notes may never be established or may be illiquid and this would adversely affect the value at which an investor could sell his Notes.

Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are 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.

Exchange rate risks and exchange controls

The Issuer will pay principal and interest (where applicable) 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 Investor'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/or (iii) 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 and/or principal than expected, or no interest or principal.

Interest rate risks

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

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

Under the PRC Enterprise Income Tax Law which took effect on 1 January 2008 and was later amended on 24 February 2017 and 29 December 2018, and its implementation rules which took effect on 1 January 2008 and was later amended on 23 April 2019, any gain realised on the transfer of the Notes by non-resident enterprise holders may be subject to enterprise income tax if such gain is regarded as income derived from sources within the PRC. However, there remains uncertainty as to whether the gain realised from the transfer of the Notes would be treated as income derived from sources within the PRC and be subject to PRC tax. This will depend on how the PRC tax authorities interpret, apply or enforce the PRC Enterprise Income Tax Law and its implementation rules. According to the arrangement between the PRC and Hong Kong for the avoidance of double taxation, residents of Hong Kong, including enterprise holders and individual holders, will not be subject to PRC tax on any capital gains derived from a sale or exchange of the Notes.

Therefore, if non-resident enterprise holders are required to pay PRC income tax on gains on the transfer of the Notes (such enterprise income tax is currently levied at the rate of 10 per cent. of the gross proceeds, unless there is an applicable tax treaty between PRC and the jurisdiction in which such non-resident enterprise holders of the Notes reside that reduces or exempts the relevant tax), the value of their investment in the Notes may be materially and adversely affected.

RISKS RELATING TO RENMINBI-DENOMINATED NOTES

Notes denominated in RMB (the "**RMB Notes**") may be issued under the Programme. RMB Notes contain particular risks for potential investors, including:

Renminbi is not freely convertible; there are significant restrictions on remittance of Renminbi into or out of the PRC which may adversely affect the liquidity of RMB 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, despite significant reduction over the years by the PRC government of control over trade transactions involving import and export of goods and services as well as other frequent routine foreign exchange transaction. These transactions are known as current account items. Currently, participating banks in various countries, including Singapore, Hong Kong and Taiwan have been permitted to engage in the settlement of RMB trade transactions. However, remittance of Renminbi by foreign investors into the PRC for purposes such as capital contributions, known as capital account items, is generally only permitted upon obtaining specific approvals from the relevant authorities on a case-by-case basis and subject to a strict monitoring system. Regulations in the PRC on the remittance of Renminbi into the PRC for settlement of capital account items are developing gradually.

On 7 April 2011, SAFE promulgated the "**Circular on Issues Concerning the Capital Account Items in connection with Cross-Border Renminbi**" (the "**SAFE Circular**"), which became effective on 1 May 2011. According to the SAFE Circular, in the event that foreign investors intend to use Renminbi (including offshore Renminbi and onshore Renminbi held in the capital accounts of non-PRC residents) to make contribution to an onshore enterprise or make payment for the transfer of equity interest of an onshore enterprise by a PRC resident, such onshore enterprise shall be required to submit the prior written consent of the relevant Ministry of Commerce ("**MOFCOM**") to the relevant local branch of SAFE of such onshore enterprise and register for a foreign invested enterprise status. Further, the SAFE Circular clarifies that foreign debts borrowed, and foreign guarantee provided, by an onshore entity (including a financial institution) in Renminbi shall, in principle, be regulated under the current PRC foreign debt and foreign guarantee regime.

On 13 October 2011, the PBOC promulgated the "**Administrative Measures on Renminbi Settlement of 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**") as part of the implementation of the PBOC's detailed foreign direct investment ("**FDI**") accounts administration system. The system covers almost all aspects in relation to FDI, including capital injections, payments for the acquisition of PRC domestic enterprises, repatriation of dividends and other distributions, as well as Renminbi denominated cross-border loans. Under the PBOC RMB FDI Measures, special approval for FDI and shareholder loans from the PBOC, which was previously required, is no longer necessary. In some cases however, post-event filing with the PBOC is still necessary. On 14 June 2012, the PBOC further issued the implementing rules for the PBOC RMB FDI Measures, which provides more detailed rules relating to cross-border Renminbi direct investments and settlement. On 5 July 2013, the PBOC promulgated the Circular on Policies related to Simplifying and Improving Cross-border Renminbi Business Procedures(關於簡化跨境人民幣業務流程和完善有關政策的通知)(the "**2013 PBOC Circular**"), which sought to improve the efficiency of the cross-border Renminbi settlement process. For example, where automatic fund remittance occurs, the bank can debit the amount into the relevant account first and subsequently verify the relevant transaction. The PBOC further issued the Circular on the Relevant Issues on Renminbi Settlement of Investment in Onshore Financial Institutions by Foreign Investors(關於境外投資者投資境內金融機構人民幣結算有關事項的通知)on 23 September 2013, which provides further details for using Renminbi to invest in a financial institution domiciled in the PRC.

On 3 December 2013, the MOFCOM promulgated the "**Circular on Issues in relation to Cross-border Renminbi Foreign Direct Investment**"(商務部關於跨境人民幣直接投資有關問題的公告)(the "**MOFCOM Circular**"), which became effective on 1 January 2014, to further facilitate FDI by simplifying and streamlining the applicable regulatory framework. Pursuant to the MOFCOM Circular, written approval from the appropriate office of MOFCOM and/or its local counterparts specifying "**Renminbi Foreign Direct Investment**" and the amount of capital contribution is required for each FDI. Unlike previous MOFCOM regulations on FDI, the MOFCOM Circular has also removed the approval requirement for foreign investors who intend to change the currency of their existing capital contribution from a foreign currency to Renminbi. In addition, the MOFCOM Circular clearly prohibits FDI funds from being used for any investments in securities and financial derivatives (except for investments in PRC listed companies by strategic investors) or for entrustment loans in the PRC.

The reforms which are being introduced and will be introduced in the Shanghai Free Trade Zone (the "**Shanghai FTZ**") aim to upgrade cross-border trade, liberalise foreign exchange control, improve convenient cross-border use of Renminbi and promote the internationalisation of Renminbi. However, given the infancy stage of the Shanghai FTZ, how the reforms will be implemented and whether (and if so when) the reforms will be rolled out throughout China remain uncertain.

To support the development of the Shanghai FTZ, the Shanghai Head Office of the PBOC issued the Circular on Supporting the Expanded Cross-border Utilisation of Renminbi in the Shanghai FTZ(關於支持中國(上海)自由貿易試驗區擴大人民幣跨境使用的通知)(the "**PBOC Shanghai FTZ Circular**") on 20 February 2014, which allows banks in Shanghai to settle FDI based on a foreign investor's instruction. In respect of FDI in industries that are not on the "**negative list**" of the Shanghai FTZ, the MOFCOM approval previously required is replaced by a filing. However, the application of the Shanghai FTZ Circular is limited to the Shanghai FTZ.

On 31 December 2020, Notice on Further Optimizing the Cross-border RMB Policy to Support the Stabilization 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 promulgated to enhance the role of cross-border RMB business in serving the real economy and facilitating trade and investment.

Although the Renminbi has been added to the Special Drawing Rights basket created by the International Monetary Fund, there is no assurance that the PRC government will continue to liberalise control over cross-border remittances of RMB in the future 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 outside the PRC. In the event that funds cannot be repatriated outside the PRC in Renminbi, this may affect the overall availability of Renminbi outside the PRC and the ability of the Issuer to source Renminbi to finance its obligations under RMB Notes.

There is only limited availability of Renminbi outside the PRC, which may affect the liquidity of RMB Notes and the Issuer's ability to source Renminbi outside the PRC to service such RMB 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. Currently, licensed banks in Singapore and Hong Kong may offer limited Renminbi denominated banking services to Singapore residents, Hong Kong residents and specified business customers. The PBOC has also established Renminbi clearing and settlement mechanism for participating banks in various countries, through settlement agreements on the clearing of Renminbi business with financial institutions in a number of financial centres and cities (each, a "**Renminbi Clearing Bank**") and these Renminbi Clearing Banks have been permitted to engage in the settlement of Renminbi trade transactions.

However, the current size of Renminbi denominated financial assets outside the PRC is limited. Renminbi business participating banks do not have direct Renminbi liquidity support from the PBOC. The relevant RMB Clearing Bank only has access to onshore liquidity support from the PBOC for the purpose of squaring open positions of participating banks for limited types of transactions, including open positions resulting from conversion services for corporations relating to cross border trade settlement. The relevant RMB Clearing Bank is not obliged to square for participating banks any open positions as a result of other foreign exchange transactions or conversion services and the participating banks will need to source Renminbi from outside the PRC to square such open positions.

The offshore Renminbi market 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 agreements 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 Notes. To the extent the Issuer is required to source Renminbi outside the PRC to service the Renminbi Notes, there is no assurance that the Issuer will be able to source such Renminbi on satisfactory terms, if at all.

Investment in RMB 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 and by many other factors. In August 2015, the PBOC implemented changes to the way it calculates the midpoint against the U.S. Dollar to take into account market-maker quotes before announcing the daily midpoint. This change, among others that may be implemented, may increase the volatility in the value of the Renminbi against other currencies. All payments of interest and principal with respect to RMB Notes will be made in Renminbi unless otherwise specified. As a result, the value of these Renminbi payments in U.S. dollar terms may vary with the prevailing exchange rates in the marketplace. If the value of Renminbi depreciates against the U.S. dollar or other foreign currencies, the value of investment in U.S. dollar or other applicable foreign currency terms will decline.

An investment in RMB Notes is subject to interest rate risks

The PRC government has gradually liberalised the regulation of interest rates in recent years. Further liberalisation may increase interest rate volatility. The RMB Notes may carry a fixed interest rate. Consequently, the trading price of such RMB Notes will vary with fluctuations in interest rates. If a holder of RMB Notes tries to sell any RMB Notes before their maturity, they may receive an offer that is less than the amount invested.

Payments in respect of RMB Notes will only be made to investors in the manner specified in the terms and conditions of the relevant Notes

Investors may be required to provide certifications and other information (including Renminbi account information) in order to be allowed to receive payments in Renminbi in accordance with the Renminbi clearing and settlement system for participating banks in Hong Kong. All Renminbi payments to investors in respect of the Renminbi Notes will be made solely (i) for so long as the Renminbi Notes are represented by global certificates held with the common depositary for Euroclear and Clearstream or any alternative clearing system, by transfer to a Renminbi bank account maintained in Hong Kong in accordance with prevailing Euroclear and/or Clearstream rules and procedures, or (ii) for so long as the Renminbi Notes are in definitive form, by transfer to a Renminbi bank account maintained in Hong Kong in accordance with prevailing rules and regulations. Other than described in the Terms and Conditions of the Notes, the Issuer cannot be required to make payment by any other means (including in any other currency or in bank notes, by cheque or draft or by transfer to a bank account in the PRC).

CAPITALISATION

The following table sets forth the Bank's capitalisation and indebtedness as at 31 December 2024. For additional information, see the Bank's financial statements and notes thereto incorporated by reference into this Offering Circular.

This table should be read in conjunction with the audited consolidated financial statements as at and for the year ended 31 December 2024 of the Bank and related notes thereto, which are included elsewhere in this Offering Circular.

	As at 31 December 2024
	(audited)
	(RMB in millions)
Total liabilities[1]	37,227,184
Equity	
Share capital	250,011
Other equity instruments	
– Preference Shares	59,977
– Perpetual Bonds	100,000
Capital reserve	135,736
Other comprehensive income	57,901
Surplus reserve	402,196
General reserve	534,591
Retained earnings	1,781,715
Total equity attributable to equity shareholders of the Bank	3,322,127
Non-controlling interests	21,838
Total equity	3,343,965
Total capitalisation[2]	40,571,149

Notes:

(1) Total liabilities include borrowings from central banks, deposits from banks and non-bank financial institutions, placements from banks and non-bank financial institutions, financial liabilities measured at fair value through profit or loss, negative fair value of derivatives, financial assets sold under repurchase agreements, deposits from customers, accrued staff costs, taxes payable, provisions, debt securities issued, deferred tax liabilities and other liabilities.

(2) Total capitalisation equals the sum of total liabilities and total equity.

Save as disclosed in this Offering Circular, there has not been any material adverse change in the Bank's capitalisation and indebtedness since 31 December 2024.

DESCRIPTION OF THE HONG KONG BRANCH

BUSINESS ACTIVITIES

The Hong Kong Branch was established in 1995. It was the first and one of the largest overseas branches of the Bank outside Mainland China. Today the Hong Kong Branch, specialising in wholesale banking business, offers a wide range of products in syndication and structured finance, offshore RMB business, international payments and settlements, trade finance, treasury business, structured deposit, financial advisory services and certain other banking service. As at 31 December 2024, its amount of gross loans and advances to customers was HK$95,206 million. As at the same date, its amount of total deposits from customers was HK$133,004 million, and its amount of total assets was HK$239,637 million. For the year ended 31 December 2024, it generated HK$1,453 million of net interest income and HK$104 million of net fee and commission income.

The Hong Kong Branch offers a wide range of corporate and commercial banking products and services in Hong Kong. The Hong Kong Branch provides services including conventional transactional, foreign exchange, loans, investments and RMB services, while corporate and commercial banking includes a wide variety of products and services in trade financing, working capital and trade lending, foreign exchange and investment banking.

The Hong Kong Branch receives extensive support from the Bank in terms of funding, settlement, information technology (IT) and client resources. The wide-ranging collaboration between the Hong Kong Branch and the Bank enables the Hong Kong Branch to better serve its customers, maximise cross selling efforts, expand its product range and capture the emerging business opportunities in Hong Kong and the PRC.

The Hong Kong Branch does not have any employees. The personnel team of China Construction Bank (Asia) Corporation Limited ("**CCBA**") currently performs functions and provides services and support to both the Hong Kong Branch and CCBA. CCBA receives fees from the Hong Kong Branch in exchange for such services and support, determined on an arm's length basis.

HONG KONG BANKING INDUSTRY REGULATORY REGIME

The banking industry in Hong Kong is regulated under the provisions of the Banking Ordinance (Cap. 155) of Hong Kong (the "**Banking Ordinance**") and subject to the powers and functions ascribed by the Banking Ordinance to the HKMA. The Banking Ordinance provides that only banks which have been granted a banking license ("**license**") by the HKMA may carry on 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 the 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. The HKMA supervises licensed banks through, *inter alia*, a regular information gathering process, the main features of which are as follows:

- each licensed bank must submit a monthly return to the 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, unless the HKMA permits returns to be made at less frequent intervals;

- the 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 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 the HKMA may require. The HKMA may also require a report by a licensed bank's auditors (approved by the 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 the 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 the HKMA immediately of their likelihood of becoming unable to meet their obligations;

- the HKMA may direct a licensed bank to appoint an auditor to report to the 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 the HKMA may reasonably require; and

- the 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 the HKMA on a regular basis.

In addition, the Hong Kong Branch is also subject to The Financial Institutions (Resolution) Ordinance (Cap 628) of Hong Kong. Please refer to the risk factor "*Risk Factors – Risks Relating to the Notes – The Financial Institutions (Resolution) Ordinance may adversely affect the Notes*" for further information.

DESCRIPTION OF THE BANK

OVERVIEW

The Bank is a leading commercial bank in China providing a comprehensive range of banking products and financial services. The Bank was incorporated as a joint stock company in the PRC on 17 September 2004 and its Unified Social Credit Code is 911100001000044477. The registered address of the Bank is No. 25, Finance Street, Xicheng District, Beijing 100033, China and its telephone number is +86 10 6621 5533. As at 31 December 2024, the Bank had 250,010,977,486 ordinary shares outstanding. Headquartered in Beijing, the Bank provides convenient and quality banking services to its customers through an extensive network comprised of nationwide branches, self-service facilities and an electronic banking service platform.

The Bank operates principally in mainland China with branches in all provinces, autonomous regions and municipalities directly under the central government, and several subsidiaries located in mainland China. The Bank's principal business activities include corporate finance business, personal finance business, treasury and asset management business and others. Within the Bank's corporate finance business, the Bank offers a broad range of products and services to corporations, government agencies and financial institutions, including corporate loans, trade financing, deposit taking, wealth management services, agency services, financial consulting and advisory services, cash management services, remittance and settlement services, guarantee services and investment banking services.

The Bank provides a broad range of personal finance products and services under well recognised brands, including personal loans, deposit taking and wealth management services, card business, remittance services and agency services. The Bank's treasury operations include inter-bank deposit and placement transactions, repurchase and resale transactions, and investments in debt securities. It also trades in derivatives and foreign currencies for its own account. The treasury carries out customer-driven derivatives, foreign currency and precious metal trading and custody services. The Bank's treasury operations also include the management of the Group's overall liquidity position, including the issuance of debt securities.

Leveraging its vast resources and geographic advantages in the Chinese domestic market, the Bank is committed to providing a world-wide banking and financial services platform to service the overseas banking needs of its domestic corporate and personal finance customers and the domestic banking needs of its overseas corporate and personal finance customers seeking to trade with or invest in China. The Group adheres to a positive and steady international operation and overseas development strategy, leading to a steady expansion of its overseas network. As at 31 December 2024, the Group had a total of 14,750 operating entities. The Bank had a total of 14,201 operating entities consisting of 14,166 domestic entities including the Head Office, two branch-level specialised entities, 37 tier-one branches, 362 tier-two branches, 13,751 sub-branches, 13 outlets under the sub-branches and 35 overseas entities. As at 31 December 2024, the Bank had 24 major subsidiaries with a total of 549 entities, including 420 domestic ones and 129 overseas ones, covering bank branch operations in Hong Kong, Macau, Taiwan, Singapore, Frankfurt, Johannesburg, Tokyo, Seoul, New York, Sydney, Ho Chi Minh City, Luxembourg, Toronto, London, Zurich, Dubai, Chile, Astana, Labuan, Auckland, etc., and certain subsidiaries operating in Hong Kong, London, Moscow, Luxembourg, British Virgin Islands, Auckland, Jakarta, San Paulo and Kuala Lumpur, etc., and maintained wholly-owned operating subsidiaries including CCB Asia, CCB London, CCB Russia, CCB Europe, CCB New Zealand and CCB Malaysia and held 60 per cent. of the total share capital of CCB Indonesia.

As at 31 December 2024, the Group's total assets, total liabilities, and total equity were RMB40,571,149 million (including net loans and advances to customers of RMB25,040,400 million), RMB37,227,184 million (including deposits from customers of RMB28,713,870 million) and RMB3,343,965 million, respectively. For the year ended 31 December 2024, the Group's net interest income was RMB589,882 million, representing a decrease of 4.43 per cent. over the same period in 2023, and the profit before tax was RMB384,377 million, representing a decrease of 1.28 per cent. over the same period in 2023.

The NPL ratio of the Group as at 31 December 2024 was 1.34 per cent., representing a decrease of 0.03 per cent. as compared to the corresponding ratio as at 31 December 2023. As at 31 December 2024, the NPL ratio for domestic corporate loans and advances was 1.65 per cent., a decrease of 0.23 per cent. from 31 December 2023, and the NPL ratio for personal loans and advances was 0.98 per cent., an increase of 0.32 per cent. from 31 December 2023. As at 31 December 2024, the NPL ratio for overseas operations and subsidiaries was 2.20 per cent., representing a decrease of 0.29 per cent. from 31 December 2023. The NPL ratio for credit card loans as at 31 December 2024 was 2.22 per cent., representing an increase of 0.56 per cent. from 31 December 2023.

The Group adheres to a robust and prudent capital management strategy, continues to strengthen capital constraints and incentives and further promotes intensive and refined capital management to continuously improve the efficiency of capital use. The Group relies both on internal capital accumulation and external capital replenishment, and maintains a capital adequacy level that is constantly above the regulatory requirements and among the highest in the industry. In 2024, the Group steadily carried out external capital replenishment, continued to deepen the transformation towards more intensive use of capital and refined management, and advanced the high-quality implementation of the new capital rules. As at 31 December 2024, the Group's capital adequacy ratio, Tier 1 ratio and Common Equity Tier 1 ratio, which were calculated in accordance with the New NAFR Capital Regulations, were 19.69 per cent., 15.21 per cent. and 14.48 per cent., respectively, all in compliance with the regulatory requirements[14].

The Group maintained a stable market position and its core indicators and market capitalisation continued to be in the leading position among its peers. The Group formulated the Transformation and Development Plan of China Construction Bank in 2014, which proposed to accelerate transformation towards a comprehensive banking group, multi-functional service, intensive development, an innovative bank and a smart bank. In accordance with the requirements of enhancing capability to serve national development, to prevent financial risks and to participate in international competition, the Group specified seven key points of transformation, including promoting operation and management of assets and liabilities on a consolidated basis, consolidating and developing wholesale business, accelerating the development of retail business, improving the quality of electronic banking business, enhancing asset management business for customers in an all-round way, strengthening the competitiveness of subsidiaries and accelerating the expansion of international business and overseas operations. By deepening reform of system and mechanism, strengthening risk management and control, enhancing IT support and big data usage capacity, the Group strives to build the best value creation bank.

In recent years, the Group, adhering to the new finance concept of inclusiveness, openness and sharing, took the lead in digital transformation, took digitalised operation as the breakthrough point to implement the "Three Major Strategies" of house rental, inclusive finance and FinTech. The Group places its focus on key areas of national economy and people's livelihood, such as smart government affairs, rural revitalisation, green development, elderly care and healthcare, consumer finance, mega wealth management, FinTech, and county-level business expansion.

In 2022, 2023 and 2024, the Group received numerous awards from various domestic and international institutions including the "Best Retail Bank in Asian Pacific 2024", "Best Retail Bank in China 2024" and "Best Mega-Retail Bank in China" from Singapore magazine The Asian Banker, "Best Bank for Sci-Tech Innovation Financial Service Outstanding Cases of Rural Revitalisation for Large Banks" from Financial News, the "Best Sub-Custodian Bank in China 2024", "Best Investment Bank in China 2024" and "Best Bank for Renminbi Internationalization 2024" from US magazine Global Finance, "Outstanding Responsible Enterprise of the Year" for the 16th China CSR Annual Forum" from Southern Weekend, "Second in in Top 1000 World Banks Ranking 2024" from the UK magazine The

14 The Group calculates relevant data and indicators in accordance with relevant rules in the New NAFR Capital Regulations from 1 January 2024, while data as of 31 December 2023 are still calculated in accordance with relevant rules in the NAFR Capital Regulations. Please refer to note 62(8) of the Group 2024 Annual Financial Statements for details of composition of capital.

Banker, "Second in Top 500 Banking Brands" from the UK consulting company Brand Finance, and "2024 Outstanding Pension Finance Cases in China's Financial Industry – "Jianyang'an" pension finance brand construction of CCB" from China Finance. In addition, the Group has won numerous awards from major domestic and foreign media organisations for its achievements in fields including corporate governance, corporate social responsibility, risk management, corporate credit, retail business, investment custodial business, underwriting of debt securities, credit card business, housing finance and information technology.

OVERVIEW OF CHINA'S BANKING INDUSTRY

In 2024, the global economy experienced a period of subdued growth, with major economies displaying divergent performance. While inflationary pressures in major developed economies have generally subsided, inflation has shown signs of rebounding since the onset of the interest rate cut cycle. China has intensified macro-control efforts, and implemented proactive fiscal policies and supportive monetary policies. The national economy has maintained overall stability with new progress made in high-quality development, effectively boosting social confidence. China's GDP grew by 5 per cent. year on year, and the new economy and new growth drivers have achieved relatively rapid growth. Domestic financial markets in China were stable. Total financial assets grew reasonably, with loan rates declining notably and credit structure continuously improving. At the end of 2024, aggregate financing scale and broad money (M2) increased by 8.0 per cent. and 7.3 per cent. year-on-year respectively. Interest rates in money market declined, while market transactions remained stable and orderly. The issuance rates of bonds declined, while the volume of issuance increased. Stock market experienced heightened activity, with active trading in foreign exchange market, and substantial increase in gold trading volume. In 2024, the banking industry witnessed a steady growth in total assets, with profit performance aligning with expectations. Asset quality remained robust overall, and key indicators such as liquidity indicators remained stable.

Financial regulation has been comprehensively reinforced, and financial reforms and opening-up initiatives have been progressively deepened. The PBOC moderately lowered the required reserve ratio for financial institutions and the rediscount rate, enabling the cost of financing to the real economy to remain stable with a slight dip; the decline in the loan prime rate (LPR) and the reduction of interest rates on existing residential mortgages have led to a continuous drop in the yield of bank loans. The fee rate reform in mutual funds and insurance sectors continued to advance, guiding the wealth management business of banking industry to start a new stage of high-quality development.

The Group stayed committed to prudent operations and innovation driven development, focused on serving the real economy, and continued to enhance internal control over risks to deliver solid results. In 2024, the Group upheld core values while embracing innovation, advanced with unwavering dedication, consistently enhanced the quality of development, achieved balanced and stable growth in assets and liabilities, maintained strength in key performance indicators, implemented effective and orderly risk management, and delivered operating results in line with expectations.

THE BANK'S COMPETITIVE STRENGTHS

The Bank believes its strengths, as set out below, provide a stable and effective platform through which it will be able to maintain its competitive advantage in China's banking industry:

Large Customer Base and Established Relationships

The Bank has a quality corporate customer base and large personal finance customer base. The Group continued to optimise its customer structure. As at 31 December 2024, the number of personal customers reached 770 million, an increase of more than 13 million compared to 31 December 2023. As at 31 December 2024, the number of private banking customers increased to 231,500, representing an increase of 8.81 per cent. compared to the year ended 31 December 2023, and the amount of such private banking customers' assets under management with the Bank amounted to RMB2.78 trillion, representing an increase of 10.31 per cent. as compared to 31 December 2023.

Extensive Distribution Network and a Diversified Service Channel

The Bank has an extensive distribution network. Through its branches, customer self-service equipment, specialised service entities across the country and an electronic banking service platform, the Bank provides customers with convenient and high-quality banking services. As at 31 December 2024, the Group had a total of 14,750 operating entities. The Bank had a total of 14,201 operating entities consisting of 14,166 domestic entities including the head office, two branch-level specialised entities, 37 tier-one branches, 362 tier-two branches, 13,751 sub-branches, 13 outlets under the sub-branches and 35 overseas entities. As at 31 December 2024, the Bank had 24 major subsidiaries (including 17 integrated operation subsidiaries and seven overseas banking subsidiaries) with a total of 549 entities, including 420 domestic ones and 129 overseas ones. As at 31 December 2024, the Bank had more than 14,000 outlets that were able to provide inclusive finance services, with more than 22,000 inclusive finance specialists, as well as over 2,880 featured inclusive finance outlets in operation. The Bank also continued to streamline its self-service network, which comprised ATMs and self-service banks, including off-premise self-service banks. As at the same date, the Bank also had smart teller machines, supporting both retail and corporate banking services. The Bank's extensive distribution network and diversified service channels provide it with the competitive measures and resources for sustainable development.

Leading Positions in Key Products and Services, Pioneering New Product and Service Development and Implementing Fintech Strategy

To be in line with the Bank's objective of establishing an "innovative bank", the Bank continuously improves its product innovation capability, vigorously supporting transformation and development. In 2018, the Bank organised the "Inaugural Innovation Marathon" and increased efforts in innovation to further deepen the "Three Major Strategies" of house rental, inclusive finance and Fintech, while exploring the options for building a long-term CCB-specific innovation and incubation mechanism. Through the "Benevolence Religious Affairs" comprehensive service platform, the Bank provides one-stop comprehensive services in relation to religious affairs. "Jianrongzhihe", an AI-assisted comprehensive service platform for business matchmaking among enterprises, has created a new model for business development. The blockchain trade finance platform has enabled the online end-to-end processing of domestic letters of credit, forfeiting, international factoring and logistics finance. The end-to-end support system for the underwriting and distribution of bonds enables the Bank to further strengthen its enterprise-level management and systemic end-to-end management and control of bond underwriting and distribution business. The Bank launched the "Cloud Tax Loan" to connect with the tax data systems of the State Taxation Administration and provincial tax authorities, enabling the Bank to more accurately match its products and services with the demands of small and micro enterprises and entrepreneurs and more accurately manage their risks. The "Long Fortune" personal wealth management platform created a new retail model by integrating financial and technological resources. Family offices have been created as part of its private banking business to provide comprehensive services for customers with assets of over RMB500 million, including family wealth management and inheritance, family governance, family business management on a going concern basis and social charity. A young customer service system had been put in place to attract young customers.

The Bank focused on creating an environment of innovation for all employees and continued to actively promote the "Inaugural Innovation Marathon", the building of a crowd-creation platform and the construction of a product pedigree to optimise the management mechanism and strengthen management foundation. In 2024, the Group continued to improve its FinTech capabilities and built autonomous and controllable digital technology innovation system. It deepened data governance and effectively used data elements to expand the scope of financial services. It optimised the layout of physical channels and pressed ahead with intensive operation and process upgrades of complex businesses at outlets. It built a digital ecosystem, ramped up the "Binary Stars" network traffic value operation, implemented innovative applications of e-CNY in various scenarios, improved service experience and lowered operating costs, to empower the Group's high-quality business development through digital capabilities.

The Bank carried out innovation of merger and acquisition ("**M&A**") loans, supported the economic transformation and upgrading as well as the resolution of overcapacity, and improved its capability to support enterprise M&A. The Bank integrated its resources to push forward comprehensive financial service schemes for strategic group clients, offering comprehensive financial service solutions tailored for them. The Bank initiated service mode innovation of bank medical cards, establishing a more mature mode that was able to meet customers' needs with existing technical conditions. Based upon big data technology, the Bank launched "Xinyidai" for small and micro businesses, refining the small and micro businesses big data credit product system. The Bank offered cross-bank smart money collection and integrated cross-bank money collection channels, smoothing the process as well as presenting various choices of signing and authorising. By introducing the "Suixinyong" application, the Bank realised functions such as over-the-air issuing, off-line card transaction, inquiring, electronic cash recharging and industry application recharging, featuring convenient card activation and secure transaction. The Bank formulated comprehensive service solutions to housing reform finance and initiated new operations for provident housing fund loans, providing one-stop services for individual housing loan of housing provident fund (combined) customers. The Bank launched Long Card Cloud QuickPass to migrate the security management function of mobile payment from mobile hardware to Cloud platform, realising quick and secure mobile payment of simulated IC cards. The Bank launched market member bond lending, carrying forward bond lending transactions with market members. The Bank presented three brands comprising "Jiandantong, Jianpiaotong and Jianxintong", to provide financing services for companies contracted with foreign projects as well as those exporting whole set equipment. The Bank introduced WeChat-based "E Shenche" and "E Jiesuan" to adapt to the fast-growing Internet financial needs, and strengthened the Group's internal cooperation by collaborating with CCB Pension to provide an all-round solution for pension insurance fund business. As at 31 December 2024, the Bank's official account on WeChat named "CCB Customer Service" had over 45 million followers.

As part of the "Three Major Strategies", the Bank has been actively exploring the comprehensive house rental financial solutions, to implement the positioning of "Houses are for living in, not for speculation" and help people realise their dreams of having a home. In 2018, the Bank launched the house leasing cloud platform to increase the supply of long-term housing units from governments and enterprises, becoming China's largest transparent house leasing service platform. The Bank built "Jianrong Jiayuan" community for long-term house leasing. The Bank has also established CCB Housing Services, the first housing service company in the banking industry, to facilitate the building of house leasing market, and is the first to launch house leasing price indices. The Bank is committed to building a smart ecosystem to create greater social empowerment. Anchoring on its house leasing service platform, the Bank has established platforms for smart community services, senior care, and public education, and connected these platforms to empower the public and deliver combining financial and non-financial services. In 2022, the Bank established CCB Housing Rental Fund (Limited Partnership) ("**CCB Housing Rental Fund**") to explore a new pattern of real estate development that encourages both housing rentals and purchases through acquiring existing assets such as residential buildings owned by real estate enterprises, commercial properties and low-cost rental land projects and transforming such assets into rental housing. CCB Housing Rental Fund signed acquisition contracts for 31 projects with asset size and cumulative investment size of RMB16,250 million and RMB9,037 million respectively. At the end of 2024, the Bank's loans for corporate housing rental business were RMB346,190 million. It supported more than 1,600 housing rental enterprises and provided loan services for more than 700 government-subsidised rental housing projects. These projects could provide approximately 28,900 long-term rental apartments to the market. The housing rental scenarios continued to create financial value, which cumulatively brought in over 16 million new personal customers at the Group level.

Since 2018, the Bank took the lead in making inclusive finance a bank-wide strategy, made comprehensive arrangements, and formulated a three-year plan for the inclusive finance strategy. It leveraged fintech to build inclusive finance with "CCB features" while adhering to the innovation-driven development strategy. For example, the Bank released "CCB – Xinhua Inclusive Finance – Small and Micro Enterprise Index", the first inclusive financial index and evaluation index in the banking industry that has gained national influence. In addition, the Bank launched the "CCB Huidongni" app as a one-stop service platform for small and micro enterprises. It used internal and external data to accurately align its products and services with the customer needs, formed a new type of bank-enterprise communication mode to realise the bilateral interaction between the Bank and its customers, and enhanced customers' sense of gaining in comprehensive service experience. As at 31 December 2024, the "CCB Huidongni" app has attracted 410 million visits and been downloaded more than 42.56 million times. It had 24.51 million registered individual users and 14.14 million certified enterprise users with an increase of 1.97 million users over 2023.

Further, in 2018, the Bank issued its Fintech strategic plan, aiming at promoting the reform of Fintech innovation system, implementing Fintech to improve the management of operation security, so as to boost business innovation and development. The Bank promoted the implementation of Fintech strategy, constructed a dual-driven Fintech foundation of technology and data, and created a Fintech business system that promoted the combination of smart finance and smart ecosystem. The Bank also established CCB FinTech Co., Ltd. ("**CCB FinTech**") as the Bank enhanced efforts in making Fintech a driving force. The Bank strengthened the establishment of platforms and application of business scenarios for new technologies, such as AI, big data and blockchain, built a collaborative integrated R&D platform and an enterprise-level R&D ecosystem, and promoted the transformation of Fintech R&D model. Since the roll-out of the FinTech strategy in 2018, the Bank has upheld the principle of scitech self-reliance and self-improvement, continuously explored market-oriented reform, and became the first large state-owned commercial bank to establish a FinTech company, i.e., CCB FinTech, which focused on serving the main responsibilities and primary businesses of the Group, engaged in software research and development of the Group, and was responsible for the R&D quality and efficiency. It accelerated the digital and intelligent transformation of the Group by transforming technical tools and improving technical capabilities. As at 31 December 2024, total assets of CCB FinTech were RMB6,706 million, and shareholders' equity was RMB1,419 million. Net profit in 2024 was RMB3 million.

Over the years, the Bank continued to increase investment in Fintech innovation and has further unleashed Fintech efficiency, with coordinated efforts in research and development, infrastructure construction and system operation and maintenance. In 2022 the Group drove digitalised operation through innovation and deepened its Fintech strategy. The Group released the Master Plan for Building a Digital CCB (2022-2025), which laid out the development direction and overall roadmap for digitalised operation. Through three major upgrades of management model, service model and culture development, the Group promoted digital transformation with characteristics of "agile response, full access and good experience". Taking digitalised operation as an important foundation and tool, the Group focused on enhancing the effectiveness of digitalised operation through both data-based business and business-based data, thus gradually realising the ecological operation modelling, business process automation and intelligent risk control and compliance, so as to attract potential customers and facilitate the realisation of principal business goals. The Group continuously improved its ecological scenario-based system with mobile banking and "CCB Lifestyle" platform as the core and accelerated the building of "three major middle platforms" in terms of business, data and technology. The Group actively carried out product innovation around the "Three Major Strategies" and key business areas to stimulate high-quality development momentum.

The Group continued to advance the construction of digital infrastructure. It improved the framework of "Multi-Zone, Multi-Region, Multi-Technology Stack and Multi-Chip" architecture, continued to build the high-performance computing service platform, and transformed the "CCB Cloud" computing power system to general and intelligent multilevel. At the end of 2024, CCB Cloud's computing power scale reached 507.72 PFlops, an increase of 9.58 per cent. over 2023, of which the proportion of new computing power such as graphics processing units (GPU) accounted for more than 23.39 per cent., maintaining a leading position among its peers in overall computing power and service capabilities. The Information Technology – Cloud Computing – Reference architecture, the core basic national standard on cloud computing field, prepared under the leading of the Bank, was approved and released. The "Financial Industry-Cloud Construction and Application Practice" project was awarded the first prize of "2023 Financial Technology Development Award" by the PBOC. The Group deepened the construction of FLMs. It released 100 billion-level FLMs, built a system comprising large language models (LLMs), text-to-image large models, multimodal LLMs and LLMs for code. It strengthened the training, inference and operation capabilities of FLMs on the AI platform, and fully empowered 193 internal application scenarios. It optimised retrieval augmented generation application model to support financial analysis for credit approval. As a result, the time required to generate a customer financial analysis report was shortened from several hours to minute-level. The Bank improved the productisation of financial image recognition, intelligent search and recommendation and intelligent voice. The coverage of requirements supported by financial image recognition product has increased from 80 per cent. to 90 per cent. It expanded real-time acquisition, analysis and service conversion of transaction data on the big data platform, to effectively support 571 business scenarios such as regulatory compliance, precise marketing, anti-gambling and anti-fraud, and financial market. As a result, the efficiency of marketing data analysis and decision-making improved dramatically, with time required shortened from four hours to 20 seconds. It continued to advance the construction of value exploration and application capabilities regarding data elements. It built multi-in-one graph analysis capabilities such as 100 billion-level batch graph analysis, online graph query and streaming graph calculation, supporting multi-scenario business applications such as credit fund takeover, fund flow analysis, customer multidimensional relationship analysis, anti-gambling and anti-fraud, and enabled chain-based exploration of industrial chain and supply chain, precise marketing and customer expansion, dynamic capture of abnormal suspicious transactions and intelligent early warnings.

At the end of 2024, the number of FinTech personnel of the Group was 16,365, accounting for 4.34 per cent. of its total headcount. The Group's FinTech investments were RMB24,433 million, accounting for 3.35 per cent. of operating income. The Group had been granted a total of 3,550 FinTech patents, an increase of 1,382 over 2023, including 2,438 invention patents.

Advanced Financial Management Capabilities and Financial Controls

The Bank is one of the first domestic banks to establish a resource allocation and performance evaluation assessment system on the basis of an economic value-added approach. The Bank has further centralised its financial management and promoted an overall cost control system, while increasing the Bank's research efforts on strategic cost management. In addition, the Bank followed the successful experience of leading global banks and developed an internal fund transfer pricing ("**FTP**") system, an enterprise resource planning ("**ERP**") system and a management accounting system.

The Bank believes that its advanced financial management capabilities and sound financial controls have allowed the Bank to implement development strategies effectively, optimise resource allocation and improve overall operating efficiency.

Effective Strategic Co-operation

The Bank's strategic investor, Temasek Holdings (Private) Limited, has shared its experience with the Bank in relation to SMEs' business operation, human resource management, money market trading and other areas. The Bank has cooperated with Bank of America Corporation, in a number of areas including personal finance business, risk management, corporate governance, information technology and human resources.

Environmental Protection and Green Finance

The Bank actively promoted green development initiatives. Firstly, the Bank proactively participated in cooperation on green finance. The Bank has led the Special Committee for Green Credit of China Banking Association since 2018, helping the domestic banking industry to promote the development of green credit business. It was among the first to join the "Green Investment Principles for the Belt and Road Initiative". Secondly, the Bank strove to promote the development of green finance, and made active contributions to reducing greenhouse gas emissions. The Bank increased its green credit, continued to promote business development in its traditional areas of strength including green transportation and green energy, and actively expanded new green areas. It proactively expanded its energy efficiency credit business, and sped up the promotion of green credit products such as "energy conservation loan", "carbon finance", "construction loans for sponge cities" and "construction loans for comprehensive utility tunnels".

The Group proactively implemented the Strategic Plan for Green Finance Development (2022-2025), advanced the carbon peaking and carbon neutrality action plan, and integrated the concept of green and sustainable development into operation management and strategic decision-making, so as to create a diversified service system covering various types of businesses such as green loans, green bonds, green funds and green leasing.

The Group is committed to promoting the development of green finance to a new level. As at 31 December 2024, the Bank's green loans amounted to RMB4.70 trillion, an increase of RMB814,973 million or 20.99 per cent. over the previous year. The Bank continued to consolidate the responsible investment system of the proprietary bond investment portfolio, and channelled more funds into key areas that contribute to green and sustainable development of the real economy and high-quality issuers with outstanding ESG performance. By the end of 2024, the Bank had invested more than RMB200 billion bonds in green sectors, and the average external ESG rating of issuers within the bond investment portfolio had consistently exceeded market average level.

The Bank focused on investment and financing needs of green and low-carbon transformation, and innovated diversified green financing channels. In 2024, the Bank issued RMB20 billion green finance bonds in the domestic market, and US$1 billion green bonds and RMB2 billion offshore Renminbi blue bonds in the overseas market. In 2024, the Bank underwrote 112 batches of green and sustainability bonds issued onshore and offshore, with an issuance size of RMB186,390 million. Specifically, it underwrote seven green asset securitisation projects, with an issuance size of RMB13,767 million.

It actively promoted the development of green investment and financing business of its subsidiaries to extensively support and foster green industries. The balance of green leasing assets of CCB Financial Leasing was RMB43,390 million, accounting for 59.58 per cent. of its general leasing business, up nearly 4.4 percentage points over 2023. CCB Investment made investment of RMB31.2 billion cumulatively in green areas to support green and low-carbon transformation of traditional industries, the construction of new energy systems and the development of green and low-carbon supply chains. CCB Principal Asset Management made equity investment of RMB26,328 million cumulatively in multiple industries such as clean energy, energy conservation and environmental protection, and infrastructure green upgrading. The balance of green business of CCB Wealth Management was RMB24,972 million, an increase of RMB7,224 million or 40.70 per cent. over 2023.

Experienced Management Team, Vocational Education Model and Professional Talent Cultivation

The Bank's Chairman, Mr. Zhang Jinliang, and other senior management team members, have extensive management experience in the banking and financial sector in China. Under their leadership, the Group achieved steady growth in operating performance with stable and balanced core indicator. For the years ended 31 December 2022, 2023, and 2024, the Group's return on average assets[15] were 1.00 per cent.,

15 Calculated by dividing net profit by average of total assets at the beginning and end of the year.

0.91 per cent. and 0.85 per cent., respectively. For the years ended 31 December 2022, 2023, and 2024, the Group's return on average equity were 12.30 per cent., 11.56 per cent., and 10.69 per cent. respectively.

To enhance financial innovation in vocational education model, the Bank established the CCB Learning Centre (International Institution), an integrated education and training institution that combines industry, academia and research. The centre is committed to building a first-class professional talent training base, a first-class professional research high-end think tank and a first-class integration platform for industry and education incubation. With the help of technological advancements, the CCB Learning Centre (International Institution) integrates the training centres or training venues of all levels of the Bank, the network training platform of the head office and branches, domestic and foreign cooperative schools, teachers, teaching materials, courses, lectures and training research results into an organic ecosystem, creating a lifelong learning ecosystem of interconnectivity, mutual use and sharing for employees. As the decision-making "brain" of the management, the CCB Learning Centre (International Institution) continuously focuses on the major issues affecting macroeconomic, management, the "three strategies", New Finance and other fields, providing theoretical support and practical solutions for the major strategies of the Bank, contributing the wisdom of CCB to the social pain points, and demonstrating the original mission and political responsibility of a state-owned bank. In 2021, CCB was selected as a "national integration of industry and education enterprise", and the CCB Learning Centre (International Institution) was honoured with the first place in the 2021 China enterprise benchmark learning platform and the China demonstrative enterprise university.

To cultivate leadership skills, the Bank established a cultivation system and formed a three-level leadership advancement training system for "outlet managers – sub-branch managers – tier-two branch managers". This system focuses on the work reality and training needs of outlet managers, sub-branch managers, and tier-two branch managers. It implements the training demand plans through the scientific and efficient training operation structure, and helps employees establish the concept of lifelong learning and improve professional skills and ability to cope with new businesses and challenges.

In 2024, the Group organised 40,839 on-site training sessions with a total enrolment of 1.96 million participants and 27.13 million hours of training. A total of 375,600 people took part in online training (including learning through online platforms) for 66.40 million hours. The proportion of those who participated in on-site and online training sessions reached 99.51 per cent. of all staff members.

THE BANK'S PRINCIPAL BUSINESS ACTIVITIES

The Bank's principal businesses activities include corporate finance, personal finance, treasury and asset management business and others.

The following tables set forth, for the periods indicated, the profit before tax of each of the Bank's major business segments:

	Year ended 31 December 2022(1)		Year ended 31 December 2023(1)		Year ended 31 December 2024	
	Amount	% of total	Amount	% of total	Amount	% of total
	(In millions of RMB, except percentages)					
Corporate finance business	73,979	19.28	75,030	19.27	101,144	26.31
Personal finance business	195,920	51.06	194,897	50.05	173,489	45.14
Treasury and asset management business	113,677	29.63	116,206	29.84	102,009	26.54
Others	123	0.03	3,244	0.84	7,735	2.01
Profit before tax	383,699	100.00	389,377	100.00	384,377	100.00

Note:

(1) In respect of the Group 2023 Annual Financial Statements, the Group has reclassified business segments of certain businesses of the Bank to reflect changes in regulatory classification requirements. The Group has also adjusted comparative figures for the year 2022 accordingly. Please refer to Note 57 of the Group 2023 Annual Financial Statements.

CORPORATE FINANCE

Overview

For the years ended 31 December 2022, 2023 and 2024, the Group's corporate finance operations represented 19.28 per cent., 19.27 per cent. and 26.31 per cent. respectively, of its profit before tax. The Bank offers a broad range of corporate finance products and services for corporations, government agencies and financial institutions. As at 31 December 2024, the Group had RMB14,434,401 million of domestic corporate loans and advances, representing 55.86 per cent. of the Group's gross loans and advances to customers, RMB1,631,752 million of domestic discounted bills outstanding, representing 6.31 per cent. of the Group's gross loans and advances to customers, and RMB11,442,643 million of domestic corporate deposits, representing 39.85 per cent. of the Group's total deposits from customers.

Key Products and Services

Corporate loans products

Corporate loans have historically been the largest component of the Group's loan portfolio. As at 31 December 2024, the Group's domestic corporate loans and advances amounted to RMB14,434,401 million, representing an increase of 9.14 per cent. compared to 31 December 2023. The Group's corporate loan products mainly comprise medium to long-term loans and short-term loans. As at 31 December 2024, the Group's domestic medium to long-term loans and short-term loans amounted to RMB10,420,026 million and RMB4,014,375 million, representing 40.32 per cent. and 15.54 per cent., respectively, of the Group's gross loans and advances to customers.

Infrastructure loans

The Bank provides various infrastructure loan products to meet the funding requirements relating to the construction and expansion of its customers' infrastructure projects. The continuing expansion of the PRC economy has led to an increase in the number of new large-scale infrastructure projects which have resulted in an increased demand for infrastructure loans.

Working capital loans

The Bank offers working capital loans primarily to provide liquidity for the Bank's customers' regular business production and operational turnover needs and for their temporary funding needs. The Bank's working capital loans are mainly granted to its high-quality customers to supplement their infrastructure loans. The Bank also provides working capital loans to SMEs.

Syndicated loans

The Bank has provided to customers various syndicated loan products including, among others, direct external syndicated loans, internal syndicated loans and transferable syndicated loan products. The Bank has maintained strong growth in its syndicated loan businesses.

Other corporate loan products

The Bank offers various other corporate loan products, including trade finance facilities, supply-chain financing, M&A financing and property development loans. In March 2009, the Bank became one of the first commercial banks in China approved to undertake M&A financing business pursuant to the Guidelines to M&A Loan Risk Management of Commercial Banks issued by the previously-named China Banking Regulatory Commission (which was subsequently renamed CBIRC and in 2023, has been replaced by the NAFR) and the Bank was one of the first to launch corporate M&A financing products aimed to facilitate the financing needs of the Bank's customers' M&A transactions by providing a comprehensive set of financial resources. As at 31 December 2024, the Group had provided 183,300 chain customers in the industrial chains of 6,071 core enterprises with a total of RMB1.24 trillion supply chain financing support on a cumulative basis.

The expansion of loans to SMEs is an important measure of the Bank to realise its strategic transformation of corporate finance business. As at 31 December 2024, the inclusive finance loans amounted to RMB3.41 trillion, an increase of RMB691,230 million as compared to 31 December 2023; the number of inclusive finance loan borrowers reached 3.36 million, an increase of 185,100 as compared to 31 December 2023. The agriculture-related loans increased by 8.16 per cent. over 2023 to RMB3.33 trillion, and the number of agriculture-related loans borrowers was 3,777,400. As at 31 December 2024, the balance of green loans granted by the Bank was RMB4.70 trillion, representing an increase of 20.99 per cent. as compared to 31 December 2023.

Discounted bills

Discounted bills are bank acceptance bills and commercial acceptance bills with a remaining maturity of less than six months purchased by the Bank from its customers at a discount. The Bank provides discounted bills as part of its comprehensive financing solution for its corporate customers. As at 31 December 2024, the Group had outstanding domestic discounted bills of RMB1,631,752 million, an increase of RMB526,965 million compared to 31 December 2023.

Corporate deposit products

In accordance with interest rate policies issued by the PBOC, the Bank offers a variety of time and demand deposit products to its corporate and institutional customers. In addition, the Bank also accepts negotiated deposits from customers including insurance companies, the National Social Security Fund and the Postal Savings Bank of China, whereby interest rates and other conditions can be separately negotiated. As at 31 December 2024, the Group's domestic corporate deposits amounted to RMB11,442,643 million, a decline of 3.51 per cent. compared to 31 December 2023.

Commission/fee based products and services

The Bank provides its corporate customers with a broad range of commission/fee-based products and services. The Group's net fee and commission income for the year ended 31 December 2024 was RMB104,928 million, a decrease of 9.35 per cent. compared to the same period last year.

Agency services

The Bank acts as an agent at the request of its clients in providing payment disbursement, collection, settlement, clearance and other agency services to corporations and government agencies. The key products and services the Bank provides include agency treasury settlement, agency premium collection and payment and entrusted loans. The Bank also acts as payroll agent as well as the agent to collect utilities, telecommunication and taxes payment and surcharges. In addition, in terms of the number of budget units it served, the volume of agency disbursement and related fee income, the Bank continued to be the market leader. The Bank is a major correspondent bank for China Development Bank. The Bank also distributes products and services on behalf of insurance companies and securities firms and provides payment and fee collection services to public utility and telecommunications companies. In addition, the Bank provides entrusted lending services to its corporate customers. The Bank charges a fee for providing entrusted lending services and does not take the credit risk with respect to these loans. In addition to generating fee income, the Bank's agency services also help the Bank develop and enhance its relationships with its customers.

Institutional business

The Bank echoed the trend of digital government development and consolidated the "digitalised, scenario based, platform-based and integrated" business model. As at 31 December 2024, deposits from institutional customers amounted to RMB6.70 trillion, an increase of RMB561,211 million over 2023, fully leveraged the role of corporate deposits as the "stabilising ballast" to ensure steady growth and stable deposits.

The Bank actively expanded scenario integration of government affairs and financial service. It empowered the building of a primary-level governance system, created a host of platforms for smart village affairs, supervision of rural collective assets management (including funds, properties and resources) and rural property transactions, serving 134,800 primary-level government customers. It contributed to the efficiency improvement of "processing one item efficiently" by sharing resources of outlets channels to the public, served over 30 million users, and built the "Government Affairs Hall for the Public". The government affairs services payment system had been connected to 1,282 government platforms, with a total transaction amount of RMB346,403 million. It entered into systematic cooperation with 29 provincial judicial and legal units, and provided fund supervision and management services for more than 1,800 judicial, procuratorial, and public security organs with the "Smart Judicial and Legal Services" platform. It relied on the "CCB Smart Campus Application" platform to build multiple application scenarios covering daily life, information and education services, with 47,223 corporate customers and 24.59 million personal customers on the platform. It relied on the "CCB Smart Healthcare Application" platform to build a new customer operation and management model in the medical and healthcare ecosystem, with 1,464 corporate customers and 9.94 million personal customers activating a total of 23.70 million electronic medical insurance certificates. It conducted tiered and categorised operation and management focusing on four key customer groups in trade unions, charity, religion and pension, thus forming a new financial ecosystem of social organisation customers. It relied on the "Elderly Care Platform" to innovate the service model of supervising the prepaid funds scenario for elderly care institutions, ensuring the safety of the elderly's funds and their legitimate rights and interests, assisting the civil affairs department in strengthening supervision and management, and enhancing the social credibility of elderly care service institutions.

Investment banking business

The Bank conducts investment banking business through the investment banking department at the Head Office and branch levels as well as its subsidiary, CCB International Capital Limited, providing customers with financial service packages such as asset-based securitisation business, financial advisory service, equity financing service and debt financing service. The Bank's substantial customer base, extensive marketing network, strong funding capability and research and development strength lay a foundation for the development of its investment banking business.

Adhering to the principle of "market-oriented, customer-centred", the Bank was committed to providing customers in different industries and at different stages of development with integrated financial services of "commercial bank + investment bank". It continued to increase investment banking support for major strategies and key areas by means of bonds, financial advisory, mergers and acquisitions, funds, equity investment and financing, and asset securitisation to provide targeted services for the real economy. By the end of 2024, the underwritten debt financing instruments for non-financial enterprises of the Bank amounted to RMB329,849 million, broadening the financing channels for real economy enterprises. It completed 216 merger and acquisition projects and provided financing support amounting to RMB63.7 billion, effectively supporting the adjustment and upgrading of industrial structure and the optimal allocation of resources. It invested in the China Integrated Circuit Industry Investment Fund and the Green Development Fund, to support technology-based enterprises and green development. In July 2024, the Bank completed the payment of the first contribution of RMB1,075 million to China Integrated Circuit Industry Investment Fund Phase III Co., Ltd. In July 2024, the Bank completed the second payment of the second contribution of RMB1.0 billion to National Green Development Fund Co., Ltd.

Asset-backed securitisation business

The Bank was among the first commercial banks approved to undertake asset-backed securitisation business. In 2005, the Bank issued the first residential mortgage-backed securities in China with a size of RMB3.0 billion. The Bank has developed a specialised information system for its securitisation products and the Bank has extensive experience in the development of securitisation products and the execution of such transactions. In 2018, the Bank actively cooperated with the National Development and Reform Commission to jointly promote and establish the National Development Fund for Strategic Industries.

The Bank actively utilised asset securitisation products to serve the demands of the real economy for revitalising existing assets, reducing debt and enhancing efficiency. It led the underwriting of the first water supply fee revenue rights asset-backed commercial paper (ABCP) in China and the first continuing type real estate investment trusts (REITs) in the interbank market. It also participated in underwriting the first green building REITs in China and the first highway REITs in the interbank market. It was committed to implementing the "Five Priorities", underwriting China's first green Asset-Backed Note (ABN) in the water supply industry, the first ABN for smart construction concept and sci-tech innovation intellectual property, the first structural and central state-owned enterprise intellectual property asset-backed sci-tech innovation note, as well as multiple securitisation products serving the inclusive finance sector.

The Bank gave full play to the positive role of asset securitisation in revitalising existing credit assets and optimising credit structure, and continued to improve the disposal efficiency of non-performing asset securitisation. The Bank issued four small and micro businesses loan asset-backed securities with an issuance size of RMB47,999 million and a principal of RMB47,999 million. It issued three nonperforming small and micro businesses asset-backed securities with an issuance size of RMB1,115 million and a principal of RMB11,343 million. It issued five non-performing asset-backed securities of residential mortgages with an issuance size of RMB6,790 million and a principal of RMB17,014 million. It issued three non-performing credit card asset-backed securities with an issuance size of RMB1,184 million and a principal of RMB8,918 million. It also issued two non-performing asset-backed securities of personal consumer loans with an issuance size of RMB261 million and a principal of RMB2,007 million.

Financial advisory service

The Bank's financial advisory business refers to its provision of consultation, analysis and solution design services to customers in respect of investment and financing, capital operation, asset management, debt management and corporate diagnosis based on the customers' requirements with an aim to assist them in reducing financing cost, increasing funding utilisation efficiency and optimising financial management. Furthermore, the Bank focused on providing its customers with product portfolios consisting of both investment banking and commercial banking products. In 2009, the Bank took the industry lead in launching Financial Total Solutions ("**FITS**"), a comprehensive financial solution also known as "Feichi". Depending on different situations and financial needs, FITS combines products and services such as traditional commercial banking, new investment banking, various funds and bank wealth management programmes in order to provide comprehensive and diversified financial services plans. In 2020, the Bank completed the improvement and upgrade of the ecosystem of "FITS@ 6+1" smart investment banking, pressed ahead with inclusive finance by providing free access to intelligent financial advisory service system named "FITS@ e Intelligent" for 19,000 small- and micro-sized enterprises. In 2022, the Bank strengthened market influence and cohesion of the "FITS e+" investor alliance platform, which had been certified as a FinTech product issued by the National Financial Technology Certification Centre (Beijing). It continued to upgrade the service capabilities of the three customer platforms, i.e., "FITS e Intelligent", "FITS e+" and "FITS Wits", providing customised think tank services for customers in key areas such as strategic planning, operation management, and investment and financing decisions. The cumulative number of registered users has exceeded 1.5 million, and the quality and efficiency of customer service have been significantly enhanced. The Bank was awarded "Best Investment Bank in China" and the "Best Debt Bank in Asia-Pacific" by the Global Finance.

Equity financing service

Through CCB International and the Bank's overseas branches and subsidiaries, the Bank provides enterprises with equity financing services such as listing sponsorship and underwriting services for their overseas capital markets IPOs and refinancing services and strategic investor introduction services in Hong Kong and Singapore. The Bank also cooperates with the Bank's business partners, including domestic and overseas securities companies to provide equity financing related services, such as domestic and overseas listing guidance, sponsorship, underwriting and financial advisory services.

Debt financing service

The Bank provides composite bond financing services for clients including short-term debentures, and mid-term notes. The Bank is an active underwriter in the domestic bond market and it is also a Class A underwriter in the MOF treasury bond underwriting syndicate. It also focused on the investment and financing needs of transformation, and innovated diversified green financing channels. In 2024, the Bank underwrote 112 batches of green and sustainability bonds issued onshore and offshore, with an issuance size of RMB186,390 million. Specifically, it underwrote seven green asset securitisation projects, with an issuance size of RMB13,767 million.

Customer base

The Bank's prime corporate and personal customers from its commercial banking business have formed a solid customer base for developing its investment banking business through the years. Most domestic PRC conglomerates and top-quality corporates have established extensive and close business relationships with the Bank. The Bank believes that there remains potential for its investment banking business in the areas of bond financing, equity financing, asset securitisation, financial advisory, wealth management and trust services. The Bank also proactively strives to provide equity financing and equity investment services to SMEs that present promising growth. The Bank's personal finance customers, especially its high net worth and high-end clients, will also help the Bank expand its wealth management business and ensure the successful offering of its wealth management products.

Marketing

The Bank's major marketing model for the investment banking business involves cooperation between the Head Office, domestic and overseas offices and different business lines. A key strategy of the Bank's bank-wide marketing efforts is to combine the marketing efforts of the investment banking business and commercial banking business.

International business

The Bank offers international settlement products and services including import letters of credit, export letters of credit, import collection, export collection, outward remittance, inward remittance and guarantees. The Bank has been approved by the PBOC as the Hong Kong dollar settlement bank and approved by the China Foreign Exchange Trade System as the U.S. dollar agency settlement bank in the interbank foreign currency markets. The Bank was one of the first PRC banks to provide cross-border trade RMB settlement services and this pioneer status has allowed it to be one of the market leaders of this service.

In 2015, the Bank successfully issued RMB1 billion offshore RMB bonds in London, which was the first RMB bond product listed on the London Stock Exchange. In 2016, the Bank further expanded its RMB clearing network, as the Bank became the RMB clearing bank in Switzerland and Chile after becoming the RMB clearing bank in London. These cross-border RMB operations performed well, with the Bank's three RMB clearing branches in London, Switzerland and Chile showing steady development. RMB Qualified Foreign Institutional Investors ("**RQFII**"), RMB Qualified Domestic Institutional Investors and Mainland-Hong Kong mutual recognition of funds operations continued to grow. The Bank took the lead in establishing a blockchain trade finance platform in the industry and the Bank's

AI-assisted documents review project became the first successful application of its kind in the industry. It also innovated "cross-border e-payment", an online payment tool and met e-commerce customers' needs for cross-border payment through virtual bank cards.

The Bank steadily enhanced its ability to participate in international competition and contributed to the new development pattern of "dual circulation" where domestic and foreign markets can boost each other. "CCB Match Plus" platform had held 300 cross-border matchmaking events for nearly 30,000 enterprises in 40 countries and regions. In 2024, the Bank's annual supply of trade finance reached RMB2.15 trillion, and international balance of payment reached US$1.56 trillion.

The "Cross-border Quick Loan" series of products provided financing support of RMB37,355 million for small and micro foreign trade enterprises. The Bank prudently pressed ahead with Renminbi internationalisation and was awarded the "Best Bank for Renminbi Internationalization 2024" by the Global Finance. The annual cross-border Renminbi settlement volume exceeded RMB5 trillion; and CCB London Branch continued to be the largest Renminbi clearing bank outside Asia with a cumulative clearing amount of over RMB126 trillion. It has held the "CCB Global B2B Matchmaking Festival" for three consecutive years, and, focusing on supporting high-quality "going global", attracting investment, and the coordinated development of trade, it organised multiple cross-border matchmaking events to facilitate unimpeded global economic and trade exchanges. Following the philosophy of "Financing Service + Intelligent Support", the Bank has supported the "Belt and Road" projects amounting over US$60 billion via products and services including export credit, cross-border project financing, cross-border merger and acquisition loans, and Project Factoring (Jiandantong, Jianpiaotong and Jianxintong).

Settlement and cash management business

The Bank was one of the first domestic commercial banks to provide cash management services for its corporate clients. In recent years, the Bank's cash management services expanded rapidly as the Bank introduced various new cash management products, providing services including account settlement services, fees receipt and payment services, liquidity management services, investment and financing management services, information and reporting services, industry-focused solutions and online banking services. The Bank has a range of cash management products and tailor-made industry specific cash management solutions for multinational corporations, large and medium sized enterprises, government agencies and financial institutions. The Bank's settlement and cash management business continued to grow steadily. The Bank launched its innovative "Huishibao – comprehensive service platform for high-end corporate settlement" and built "Jianguanyi", a multi-level fund supervision model, to meet treasury management needs of customers in specialised markets, fund supervision and other areas. In addition, through its internet and other electronic channels, as well as its customer-oriented branch network, the Bank has been able to provide comprehensive cash management services to its customers. The Bank's electronic bill business has also developed rapidly, and the electronic tax payment service brought more convenience to customers.

In 2019, as the PBOC's approval is no longer required for the opening of corporate bank accounts, the Bank created "Zhangyixing" brand to improve the convenience and efficiency of account opening service, and the number of corporate RMB accounts grew rapidly. The Bank also enhanced its management over corporate settlement accounts as well as payment and settlement, and carefully prevented new types of cybercrimes. It accelerated the mobile deployment in services such as "Yudaotongda", collection and payment of bills, and iteratively upgraded its global cash management product system, continuously improving the contribution of cash management to the Bank.

The Bank practiced the concept of "payment for the people" and strived to improve the quality and efficiency of corporate settlement account services. It promoted the scenario-based application of key products, innovated the first "Professional Employment Platform" among domestic peers, strived to build the "Fund Supervision Plus" service ecosystem, upgraded the C-community consumption scenario services of "Huishibao", and comprehensively enhanced its capability to serve the national strategy and the real economy as well as to improve people's livelihood. The Bank actively pressed ahead with pilot projects of integrating RMB and foreign currency account systems, upgraded the global cash management service system and launched SWIFT-AMH (Alliance Message Hub) services for several large and medium-sized multinational enterprise groups, continuously enhancing the integrated operation capacity of domestic and foreign currencies.

The Bank deeply engaged in its services with long-tail corporate customers. In 2024, it had 1.71 million new long-tail corporate customers, with an average daily deposit of RMB1.06 trillion of all long-tail corporate customers. It sold 1.38 million product packages for new account-opening customers.

The Bank introduced innovative services of corporate treasury information system, to provide system support for group-level enterprises to accelerate treasury system building and implement financial digital transformation, and enriched the treasury's service functions on the Bank side and optimised the experience of Bank-corporate Direct Connections services, with the number of corporate treasury customers increasing by 381 in 2024. The agency service for migrant worker wage payment had 205,200 contracted corporate customers, and 47.49 million payments were made by the Bank's payroll services for migrant workers, amounting to RMB372,720 million, benefiting 18.45 million migrant workers.

At the end of 2024, the number of the Bank's corporate customers reached 11.68 million, an increase of 860,800 over 2023. The Bank had 16.29 million corporate Renminbi settlement accounts, an increase of 1,190,200 over 2023.

Customer Base

As a leading provider of capital for some of the key industries in China such as infrastructure, energy, transportation and telecommunication, the Bank has maintained close relationships with leading corporations in industries that are strategically important to China's economy and with major government agencies and financial institutions.

The Bank has focused and will continue to focus on customers in industries strategically important to China's economy. Most of these large companies in China's strategic industries are state-owned enterprises or state-controlled joint stock companies. As at 31 December 2024, loans to strategic emerging industries were RMB2.84 trillion, an increase of RMB596,993 per cent. or 26.63 per cent. over 2023.

Private enterprises have become important customers to the Bank, as in recent years, they have experienced significant growth in China and have become a major sector in China's economy. As at 31 December 2024, loans to private enterprises were RMB5.99 trillion, an increase of 11.01 per cent. compared to 31 December 2023. The Bank also focuses on expanding its range of high-quality SME customers.

Marketing

Based on its customer-focused philosophy, the Bank employs both industry-wide and localised marketing strategies tailored to specific regions, customers and products. The Head Office formulates its overall corporate business development based on industry, geographical region, customer and product considerations. The Bank's tier-one branches then develop detailed marketing plans according to these guidelines tailored to local market needs.

The Bank's corporate finance marketing channel primarily involves corporate and institutional customer managers, branch outlets and electronic banking channels which include online banking and phone-banking. The Bank's corporate and institutional customer managers are its key marketing channel for its corporate finance business. They are responsible for exploring new market opportunities, promoting the Bank's banking products, coordinating and accessing the Bank's bank-wide resources to provide a package of personalised and comprehensive financial services to the Bank's corporate and institutional customers. The Bank's branch outlets offer the physical venue for the Bank to provide services to corporate and institutional customers. Through the Bank's branch outlets, the Bank promotes and sells its products, mainly providing payment and settlement services and SME corporate customer services, and developing the Bank's corporate liabilities business and commission/fee based business.

With the aim to improve customer experience, the Bank also provides its customers with e-banking channels such as the Bank's cash management service system, corporate online banking, customer hotline service centre and mobile phone banking platform, thereby providing greater access for the Bank's customers. The Bank's e-commerce finance platform, which provides corporate clients with financing products such as order financing, guaranteed joint loans and collateralised loans, continued to deepen its involvement in causes relating to "agriculture, farmers and rural areas", promoted the use of credit card bonus points for direct shopping and air ticket booking for business travel, thus realising a rapid development.

The Bank further strengthened innovation for its mobile banking, developed online sales, diversified online functions and delivered smarter and smoother experience. It launched the "ETC Intelligent Mobility" service to facilitate ETC user's application, sign up, activation and query online. Account information could be automatically recognised once the user scanned the bank card, simplifying the transfer processes for customers. The Bank introduced government services, such as social security and provident housing fund services, to provide more convenience. WeChat banking became a key platform for the Bank's business processing, consulting and marketing.

The Bank seeks to provide differentiated products and services to the Bank's important customers to meet their specific banking needs. The Head Office generally coordinates client coverage and marketing efforts for the Bank's largest corporate customers to ensure consistency and quality of service. The Bank's senior management at the headquarters and branch level are often directly involved in and lead in these marketing efforts. The Bank's branches in major cities provide differentiated, high quality, professional and integrated products and services to meet the Bank's customers' specific banking needs. By providing integrated financial solutions to the Bank's customers and improving the Bank's cross-selling synergies among the Bank's products and services, the Bank aims to further increase overall customer satisfaction and optimise value for the Bank's customers.

For SMEs, the Bank has established a specialised and standard marketing system that allows the Bank to further integrate the Bank's resources of products, distribution channels and brands to provide more efficient services with controlled risks.

PERSONAL FINANCE

Overview

As at 31 December 2024, the Group's domestic personal deposits rose to RMB16.24 trillion, an increase of 9.26 per cent. compared to 31 December 2023. The Group's profit before tax derived from personal finance for the years ended 31 December 2022, 2023 and 2024 amounted to RMB195,920 million, RMB194,897 million and RMB173,489 million respectively, representing 51.06 per cent., 50.05 per cent. and 45.14 per cent. of the Group's total profit before tax for the same periods.

Key Products and Services

The Bank provides a broad range of products and services including personal deposits, personal loans and other related financial services for its personal finance customers based on their needs. The Bank also provides bank card services and private banking for its personal finance customers. The Bank is committed to providing comprehensive banking services to its personal finance customers and is focused on creating and improving its personal finance product chain and value chain. The Bank sets out below its key personal finance products and services.

Personal deposits

The Bank provides its personal finance customers with a broad range of demand and time deposit services denominated in Renminbi and other foreign currencies. Personal demand deposit products include demand savings deposits and demand pledged deposits.

Personal time deposit products include time savings deposits, education savings deposits and personal notification deposits. Personal deposits provide the Bank with a stable funding source. The Bank enhanced its capability to attract deposits through highly effective products and services, maintaining the steady growth of personal deposits. As at 31 December 2024, domestic personal deposits of the Bank were RMB16,241,285 million, an increase of 9.26 per cent. from 31 December 2023.

Personal loans

The Bank's personal loans are designed to meet the credit requirements of its personal customers. The Bank's personal loan products include residential mortgages, credit card loans, personal consumer loans, personal business loans and other loans. As at 31 December 2024, the total domestic personal loans and advances of the Bank amounted to RMB8,872,595 million, representing an increase of 2.27 per cent. from 31 December 2023. As at 31 December 2024, the NPL ratio for domestic personal loans and advances was 0.98 per cent., an increase of 0.32 per cent. from 31 December 2023.

Residential mortgage loans

The Bank provides residential mortgages to individuals to finance the purchase and construction of their residential properties. Residential mortgages include new home residential mortgages, residential refinancing mortgages, home equity loans to refinance residential property and fixed-rate residential mortgages. As at 31 December 2024, the Group's personal residential mortgages was RMB6,187,858 million, a decrease of 3.11 per cent. from 31 December 2023.

The Bank appraises the value of the residential property regularly and clearly stipulates that the loan cannot be used for securities trading purpose.

Home savings services

In February 2004, the Bank formed Sino-German Bausparkasse Co., Ltd. ("**Sino-German Bausparkasse**") with Bausparkasse Schwaebisch Hall, a German home savings bank. As at 31 December 2024, the Bank held a 75.10 per cent. equity interest in Sino-German Bausparkasse. The Bank's home savings bank products allow the Bank's customers to make scheduled deposits for the purpose of obtaining residential mortgage loans in the future. Sino-German Bausparkasse has improved the Bank's ability to develop more personal housing financing products. Sino-German Bausparkasse achieved steady business development, and the sales of housing savings products reached RMB46,221 million for the year ended 31 December 2024. As at 31 December 2024, total assets of Sino-German Bausparkasse amounted to RMB41,445 million, and shareholders' equity was RMB3,139 million. Net profit in 2024 was RMB82 million.

Personal consumer loans

The Bank's personal consumer loans primarily consist of personal credit lines and automobile loans which usually have a maturity of up to five years. Personal credit lines are granted for general purposes based on the borrowers' credit history and the value of collateral provided. The Bank's automobile loans are primarily secured by the purchased automobile and residential properties. As at 31 December 2024, the Bank had domestic personal consumer loans of RMB527,895 million, representing 2.04 per cent. of the Group's gross loans and advances to customers.

Other personal loans

The Bank's other personal loan products primarily consist of credit card loans and personal business loans for private business owners involved in various specialised markets, personal agriculture-related loans to farmers on a trial basis in line with the PRC government's policy of supporting economic development of rural areas and other loans including educational loans. The Bank has also continued its offering of personal loan products, including the "Easy Education Loan" for personal education, the "Fortune Loan" for personal finance customers, differentiated credit, personal business loans, the "Hexing loans" for core enterprises upstream and downstream private owner business assistance loans, the "Refurbishment Loan" for home renovations and the "ShanRong loans" personal micro-credit revolving loans for consumption financing needs. The Bank also promoted business development with its self-service personal loans "Quick Loans" online channel. The Bank enriches its product systems such as "Quick Loan for Small and Micro Businesses", "Quick Loan for Personal Business", "Yunong Quick Loan" and "Quick Loan for Transactions", to enhance its ability to meet client needs and improve service efficiency.

Bank card business

The Bank offers a variety of bank card products comprising credit card and debit card to its customers under the registered "Long Card" ("龍卡") brand. As at 31 December 2024, the Bank had issued 129 million credit cards and the number of debit cards issued exceeded 1,232 million. For the year ended 31 December 2024, the Group's fee and commission income from bank card fees increased to RMB21,074 million from RMB21,071 million for the year ended 31 December 2023, representing an increase of 0.01 per cent.

Since the Bank is a member of China Unionpay, its customers can complete transactions through ATMs and point-of-sale terminals connected to the China Unionpay network. China Unionpay is responsible for establishing and operating a nationwide, interbank bank card information exchange and transaction network for its members. The Bank is one of the founding members of China Unionpay. The Bank joined the MasterCard network in 1990 and the Visa network in 1991. The Bank's dual-currency debit cards and dual-currency credit cards are also accepted outside of China through its association with the MasterCard and Visa networks. In August 2009, the Bank further joined the JCB international credit card network.

Credit cards

Through the credit card centre in Shanghai established in December 2002, which centrally manages the Bank's credit card business, the Bank seeks to enhance its operational efficiency, improve its risk management and maintain a consistent level of customer service quality. The Bank has also established credit card departments in most of its tier-one branches to manage its operations locally. As approved by the previously-named China Banking Regulatory Commission (which was subsequently renamed CBIRC and in 2023, has been replaced by the NAFR) and accepted by the Shanghai Banking Regulatory Bureau in 2008, the Bank's credit card centre was upgraded to a branch-level sales institution and obtained its business license in 2009. As at 31 December 2024, the Bank had issued 129 million credit cards, with 103 million credit card customers. The transaction volume of credit cards totalled RMB2.80 trillion in 2024. As at 31 December 2024, the Bank's credit card loan reached RMB1.07 trillion.

The Bank's credit cards are accepted through its own network and through the China Unionpay network which are located in the PRC and various other countries and are also accepted overseas through the Bank's association with the Visa and MasterCard networks. The Bank continues to improve its credit card business structure and steadily enhance its service capabilities. It actively expands its young customer base and high-quality customers, make every effort to develop customers for agency salary payment services, and offered a number of new products, such as JOY Card, Bonus Card, MUSE Card and Long Card Credit (Daiba) virtual card, further improving the quality and activeness of customers. The Bank also issues diamond cards, which target high-end customers and issued specialised car-owner credit cards to car owners. The Bank has also launched consumer products including e-Pay Long Card, Tencent e-Pay Long Card, and Family Love Card, credit products such as "Fenqitong", and mobile payment services based on the Internet including Apple Pay, HCE Cloud Pay, and Samsung Pay. The Bank has increased its use of new electronic channels such as mobile phone, WeChat and QR codes to promote the use of its credit card products. The Bank has introduced the Long Card electronic payment wallet and "one-click payment" for cross-border internet purchases. The Bank has also introduced the "Mobile Long Card" mobile app allowing payments to be made with authorised merchants.

The Bank focused on target customers, enhanced the model automation operation capability, strengthened the building of online and offline scenarios, and comprehensively enhanced its digitalised operation capability. The Bank further built the scenario ecology, accelerated the building of three types of business areas, namely airports and high-speed rail stations, urban commercial complexes, and gas stations, by offering favourable interest rates, explored consumption scenarios welcomed by consumers, cooperated with leading companies such as Alipay, TikTok, Baidu, JD and Meituan on joint promotion, card payment and bonus points conversion to help expand domestic demand and promote consumption upgrade. The Bank strived to improve the living standards of the public, increased the support in auto consumption, and provided services to car owners. The Bank launched the "CCB Home Improvement Festival" as a one-stop application platform, and granted loan instalment for housing decoration to families. The Bank continued to improve the anti-fraud models and strategies, enhanced merchant risk monitoring and continuously improved its risk control and compliance management capability.

The Bank enriched credit card product lines to meet the multi-level needs of customers. It launched new products such as Meituan Co-branded Credit Card, Tencent Super VIP Co-branded Credit Card and China Southern Power Grid Co-branded Card and upgraded the CCB-issued MasterCard to a product with green-themed rewards. It launched Yunongtong Credit Card, and developed the "Thousands-of-miles journey" version to provide better services for migrant workers. It deeply engaged in the "Long Card Special Offer 666" brand marketing campaign, launched promotional activities of 12 popular merchants such as JD, Meituan and Ctrip, strengthened scenario construction, enhancing marketing and promotion by relying on the "CCB Lifestyle" platform, and provided more abundant and convenient redemption of reward points.

Debit cards

The Bank continuously improved the functions and services of debit card products to promote the activity of debit card transactions, continuously pressed ahead with the PBOC's mobile payment demonstration project to provide convenience service, and upgraded the "Long Pay" products and user management. As at 31 December 2024, the number of debit cards issued exceeded 1,232 million. In 2024, the transaction volume of debit cards was RMB24.14 trillion, and the number of transactions reached 59,871 million.

Private Banking

The Bank provides a broad range private banking products and services and integrated solutions and to its high value customers, including family trust financial advisory services, asset allocation consultancy services, investment immigration, marital property preservation and family wealth inheritance. The Bank has developed its family trust business by coordinating efforts between the parent company and subsidiaries, and continuously improved the "Golden Housekeeper" comprehensive cash management business. The Bank has diversified its value-added services in three major areas, namely asset management, alternative financing and non-financial value-adding services. Drawing on Fintech, the Bank led the market in creating its mobile private bank and launching a mobile version of its private banking services "CCB e-private banking", promoting the building of benchmark private banking centres. Also, the Bank built a product system designed to "help customers structure their assets", and vigorously promoted its wealth advisory services. Additionally, the Bank launched the innovative service of Family Office.

The Bank focused on meeting the needs of high net-worth customers for their wealth management, assets allocation and quality services. It remained committed to professional operation of private banking, steadily expanded its leading edge in terms of family wealth services management, and improved the service system of ultrahigh-net-worth customers such as family offices. It improved the product service management system of private banking, promoted asset allocation services, and strengthened lifetime digital management of products such as optimal introduction and ongoing tracking. It improved the coverage and efficiency of family trust advisory services and launched innovative insurance trust advisory services, outperforming its peers in terms of family wealth management service. It strengthened its presence at locations with inflows of wealth and enhanced its market competitiveness in key regions. It improved digital application of private banking and building of customer service systems, improved professional services of private banking centres, and improved the efficiency of professional services. It promoted team building of private banking investment research experts, wealth management consultants and private client managers, facilitating mega wealth management with professional service capabilities and strong management teams. At the end of 2024, the Bank had 248 private banking centres. The private banking customers' financial assets under management reached RMB2.78 trillion, an increase of 10.31 per cent. over 2023; the Bank had 231,500 private banking customers, up 8.81 per cent. over 2023. The Bank was awarded the "China's Best for Family Office" by the Euromoney, the "Wealth Planning and Asset Management Service Award of the Year", the "Family Trust Service Award of the Year" and the "China's Best Wealth Management Technology Implementation Award" by The Asian Banker, the "Best Private Bank in mainland China" by Wealth, among other things.

Entrusted housing financing services

The Bank acts as an agent to national housing fund management departments to collect housing provident funds and housing maintenance funds and provide individual housing provident funds mortgages. The Bank is one of the earliest banks and the largest in China approved to engage in the housing provident fund management business. The Bank maintains sound business co-operation with local administrative centres of housing provident funds across China from which it takes deposits as a steady funding source. By implementing national policies on supporting the construction of homes and providing financing to mid- and low-income households, the Bank is able to capture such specialised market opportunities. The Bank has proactively improved its IT system and strengthened electronic channel expansion and product innovation in provident housing funds, in order to provide comprehensive and high-quality housing reform financial services. The Bank applied the "technology + internet" strategy to actively improve the service of the technology system of its entrusted housing finance business. Through innovative financial services, the Bank has launched new products and services including small amount cross-bank payments for housing provident funds, housing provident fund e-channel, housing provident fund co-named card and entrusted housing provident fund withdrawal for repayment of loans, while steadily developing its indemnificatory housing loans business and supporting low-and middle-income residents' housing needs for their own residential purposes.

The Bank continued with the digitalisation of the housing fund management industry and played a positive role in solving the housing problems of residents. It launched housing provident fund deposit business for those flexibly employed in pilot cities and opened an e-CNY channel to improve its housing provident fund contribution services. It increased the size of housing provident fund loans, actively supported borrowers with portfolios of "housing provident fund loans + commercial loans", implemented the initiative to encourage both housing rentals and purchases with housing provident fund, and realised the withdrawal of housing provident fund for online rent payment. As at 31 December 2024, the balance of housing fund deposits of the Bank was RMB1.54 trillion, and the balance of personal housing provident fund loans was RMB3.04 trillion, maintaining the leading market position.

Marketing

The Head Office generally formulates marketing initiatives and sets marketing guidelines for the Bank's bank-wide personal finance products. The Bank's tier-one branches develop detailed marketing plans to implement these initiatives based on the economic and market conditions of their respective geographical regions. The Bank carried out large-scale marketing campaign titled "Splendid CCB" to promote consumption and benefit people's livelihood, covering scenarios of shopping, tourism, and utility payment, and drove consumer transactions. The Bank conducts its marketing activities mainly through its branch network, which the Bank supplements with specialised sales centres for specific products such as personal wealth management centres and residential mortgage loan centres. It also conducts personal finance product marketing through e-banking channels, such as online banking, telephone banking and mobile phone banking.

The Bank offers different products and services and adopts different marketing strategies to cater for different customer groups' needs. For high value customers, the Bank focuses on building a one-to-one customer manager marketing relationship to develop a more focused marketing strategy for promoting its products. For mass market customers, the Bank adopts a mass marketing strategy focusing on its outlets, taking initiatives in product and service marketing through introduction by its lobby managers, on-site promotion of its products and media advertising campaigns. The Bank also adopts an interactive marketing strategy for its personal finance business, whereby its personal loan department and corporate finance department cooperate to take a proactive approach in exploring business opportunities in residential mortgages while granting real estate development loans. In addition, the Bank focuses on cross-selling its personal finance products such as promoting its credit cards and wealth management cards to its residential mortgages customers. The Bank also sells various loan products to the holders of its wealth management cards and credit cards.

Electronic Channels

In recent years, the Bank strengthened its Fintech innovation and application, shifted from channel-based services to customer-focused operations, and built a brand new "online banking". In this regard, the channels' value contribution was comprehensively improved and the capability of customer services was greatly enhanced. As at 31 December 2024, the size of personal customers of the Bank's online platforms continued to expand with 563 million online personal users. The number of online payment transactions was 63,353 million, an increase of 1.68 per cent. over 2023, and the corresponding transaction volume amounted to RMB21.27 trillion. The number of card-linked fast payment users was 471 million, ranking first among its peers in payment institutions such as Alipay, JD.com, Meituan, Douyin, and Pinduoduo.

TREASURY AND ASSET MANAGEMENT BUSINESS

The Bank's treasury and asset management business primarily consists of its money market activities, the management of its investment portfolio, treasury transactions on behalf of its customers, bond underwriting and development of treasury products. For the year ended 31 December 2024, the Group's treasury and asset management business recorded a profit before tax of RMB102,009 million, accounting for 26.54 per cent. of its total profit before tax.

Key products and services

Money market activities

The Bank's money market activities primarily consist of (i) repurchase and reverse repurchase with the PBOC; (ii) borrowings from and loans to other domestic and foreign banks and non-bank financial institutions, often referred to as the interbank money market activities; (iii) purchase of securities under resale agreements, often referred to as repurchase and reverse repurchase transactions via the interbank market, bond repurchase pledge or buy-out, sell-out of RMB-denominated treasury bonds, policy bank bonds and central bank bonds; and (iv) money market transactions with major international banks such as foreign currency fund lending, foreign currency denominated bond repurchase, foreign exchange swap and debt-for-equity swaps on the international financial markets.

The Bank is an active participant in the interbank money market, one of the first market-makers in the interbank market and one of the sixteen Shanghai Interbank Offered Rate quotation banks approved by the PBOC. The Bank has actively responded to market fluctuations, taken initiatives to broaden the financing and investment channels, and managed its RMB and foreign currency positions in a centralised manner to safeguard the Bank's liquidity. The Bank actively participated in the reform of InterBank Offered Rates (IBOR) and was among the best in the interbank Foreign Currency Lending (FCL) Quoting Banks. With regard to its foreign currency money market business, the Bank tracked the monetary policies of US Federal Reserve and market trends to improve the yields of its foreign currency funds and its market influence; it actively innovated domestic third-party foreign currency repurchase business, and successfully issued the Bank's first foreign currency interbank certificates of deposits in the domestic market.

The Bank utilised a combination of money market tools to stabilise liquidity across the Bank. It fulfilled its responsibilities as a large bank, actively carried out repurchase transactions with non-bank institutions under the PBOC swap facilities, and continued to provide liquidity support to small and medium-sized financial institutions. The counterparties further increased, and the transaction volume in the Renminbi money market exceeded RMB200 trillion. The Bank enhanced the capability of proactive liability management, and strengthened the analysis of the movement in interest rates. The balance of interbank certificates of deposits issued by the Bank maintained growth, reaching RMB1.25 trillion at the end of 2024. The Bank ranked first in terms of the transaction volume of interbank foreign currency lending.

As at 31 December 2024, the Group's deposits and placements with banks and non-bank financial institutions amounted to RMB827,407 million, representing 2.04 per cent. of the Group's total assets. As at 31 December 2024, the deposits and placements from banks and non-bank financial institutions with the Group amounted to RMB3,315,766 million, representing 8.91 per cent. of the Group's total liabilities.

Investment portfolio management

The Bank's investment portfolio mainly targets bond investment. The Bank classifies its portfolio as: (i) financial assets measured at fair value through profit or loss, (ii) financial assets measured at amortised cost and (iii) financial assets measured at fair value through other comprehensive income. The Bank achieved a reasonable balance between liquidity, security and returns on debt securities investments. With regard to investment in RMB debt securities, the Bank adheres to the principle of value-driven investment, actively serving the real economy, managing a reasonable pace of investment, continuously improving the portfolio structure, and strengthening the business collaboration between the Head Office and branches, in order to maximise returns for the whole bank. With regard to investment in foreign-currency debt securities, the Bank adhered to the principal of value-driven investment, focusing on the balance among security, liquidity and profitability. It strengthened proactive portfolio management, supported construction of major infrastructure projects and provision of services to ensure people's wellbeing with a two-wheel drive of "Investment + Distribution", securing its position as one of the largest underwriters of government bonds in the market. The Bank adhered to the operating principle of "safe and sound operation, value-based investment" and maintained a sound balance of security, liquidity and profitability. It actively grasped the trend of interest rates, supported the financing needs of the real economy and the implementation of major national strategies, and actively participated in the underwriting and investment of trillions of additionally issued PRC treasury bonds and special refinancing local government bonds, with the underwriting volume of government bonds exceeding RMB2 trillion. As at 31 December 2024, financial assets measured at fair value through profit or loss, financial assets measured at amortised cost and financial assets measured at fair value through other comprehensive income represented 5.73 per cent., 69.54 per cent. and 24.73 per cent. of the Group's financial investment portfolio, respectively.

Proprietary trading

The Bank conducts short-term proprietary trading in order to gain short-term spread income and avoid market risk. Proprietary trading mainly includes treasury bonds, central bank notes, policy bank bonds, short-term debentures issued by large-scale prime enterprises, mid-term notes, foreign exchange trading and precious metal trading. Additionally, the Bank hedges its investment risk through financial derivative trading, which mainly includes interest rate swap contracts and foreign exchange spot, forward, swap and option contracts. Apart from hedging of its risks, the Bank generally does not hold financial derivatives for short-term gain.

Proprietary investment

The Bank manages its investment portfolio to maximise its investment return. The Bank determines the average investment term of its investment portfolio, duration and investment return objective based on its judgment on risk factors such as interest rates, exchange rates and credit risks. The Bank's RMB-denominated securities investments primarily include government bonds, central bank notes, policy financial bonds, commercial bank bonds, short-term debentures, corporate bonds and asset-backed securities. The Bank's foreign currency denominated securities investments are primarily in sovereign bonds, financial institution bonds, corporate bonds and investment grade asset-backed securities.

Treasury transactions on behalf of customers

The Bank's treasury transactions on behalf of its customers mainly include agency foreign exchange derivatives trading, agency precious metal business, bond settlement agency business, agency sale and purchase of foreign exchange and foreign exchange trading. Foreign exchange purchases and sales and foreign exchange trading grew steadily. The Bank improved its service capability of foreign exchange settlement and sales through electronic banking channel, and launched its foreign exchange purchasing project. The Bank also optimised its corporate online banking foreign exchange settlement module for the convenience of its corporate customers.

The Bank continuously implemented refined management and steadily executed the business strategy to constantly promote the high-quality development of its customer-based trading business. It focused on advancing channel optimisation and digitalised operation, consolidated its customer base, actively expanded its overseas institutional investors base, with a steadily increasing number of customers. It actively promoted the concept of interest rate hedging to meet customer needs. It continued to optimise the independently developed "Blue Core Exchange Rate Portfolio Management Platform", taking the lead among its peers in terms of system autonomy and comprehensive function.

In 2024, the Bank continued to advocate the concept of exchange rate risk neutrality, optimised the foreign exchange trading function of online banking, and launched "Foreign Exchange Trading Hall", a panoramic view of foreign exchange business. It integrated "We Trade" products into the inclusive business ecosystem, and continued to improve product and service capabilities. In 2024, the customer-related foreign exchange transactions exceeded RMB3 trillion, and active customers of the financial market trading business increased more than 11 per cent. over 2023.

Precious metals and commodities

The Bank realised sound development of the precious metals and commodities business in compliance with regulations. It introduced gold fixed accumulation plan and new trading categories such as apple, naphtha and PX, and increased commodity hedging categories. It actively supported the demand of medical and safety supplies manufacturers for hedging the price of raw materials by reducing their hedging costs, and helped enterprises to resume work and production. The Bank also adjusted its business structure, strengthened digitalised operations and business training, enhanced customer service capabilities in precious metals and commodities business, and improved the protection of customer's rights and interests. The Bank's Precious Metal and Commodity Business Department was officially opened in Shanghai in June 2023. As the first bank in China to specialise in commodity businesses, the Bank actively participated in the building of precious metals and commodities market, supported the development of industrial chains, and assisted customers in using commodity derivatives to enhance their risk management capabilities. In 2024, it secured agricultural products worth RMB9,105 million accumulatively, benefiting 943 agricultural enterprises. It was committed to orderly supply of precious metals leasing business. At the end of 2024, domestic precious metal assets amounted to RMB242,860 million.

Innovation and development of treasury products

The Group carried out platform-based operation, and continuously explored new, intelligent and ecological modes for inclusive finance to comprehensively improve the coverage, availability and satisfaction of inclusive finance services. It diversified the digital product system, realised the rapid customisation of new products on demand, and launched a series of products with new pattern, such as "Quick Loan for Small and Micro Businesses", "Yunong Quick Loan", "Quick Loan for Transactions" and "Quick Loan for Personal Business". It continued to promote "Huidongni", "Huizhuni", and "Huidiantong" service platforms and the "three-in-one" inclusive finance operation and management platform. In 2024, with "improving the quality and efficiency of serving the real economy" as its major task, the Bank continued to enhance the building of customer and product service system, and strove to provide customers with comprehensive and integrated financial solutions in line with its service mode of "ecosystems + industrial and supply chains + industrial and business clusters". Committed to developing the "Five Priorities", it actively supported the development of new quality productive forces, intensified its efforts with financial support in the "Two Renewals", implemented national major regional strategic deployment, assisted in the construction of modern infrastructure, and further drove high-level opening-up. It actively explored digitalised, platform-based, comprehensive and ecological construction, and rolled out a series of high-quality products and services such as "Digital Supply Chain", "Smart Judicial and Legal Services", "FITS® e Intelligent", "Cross-border Quick Loan" and "Multi-bank Fund Management System for Engineering Projects".

In order to effectively address financing difficulties for customers engaged in international trade, the Bank continuously improves it product offerings, including conversion of overseas loans to debt securities, export credit, cross-border e+ and cross-border financing, and global financing for financial leasing, incorporating a host of innovation in business processes and risk mitigations. The Bank also continuously improves its service offerings, such as "Bond Connect", direct top-up for IC cards and Subways Go Easy, and simplified the financial service processes and enhanced customer experience by means of technology development and interconnectivity.

Asset management

The Bank has designed and launched various wealth management products according to customer needs to provide wealth management services to customers. The Bank has widened its wealth management product distribution channels and increased its distribution of high yield debt and equity wealth management products. These wealth management products play an important role in securing the Bank's customers, particularly high-end customers. NAMeS, the Bank's asset management system, forms an integrated end-to-end automated framework. The Bank also launched its innovative "Qianyuan" wealth management product and launched its robo-advisor services.

In 2019, the Bank set up the Assets Management Business Committee to coordinate the high-quality development of Group-level assets management business. The first phase of "Mega Assets Manager" system was launched smoothly. In 2019, CCB Wealth Management became the first wealth management subsidiary of commercial banks in China. In recent years, the Bank continued to promote the building of a new system for asset management at the group level, strengthened the integrated and coordinated management within the Group and continued to step up its efforts in key areas, such as investment research, channel sales, asset allocation, internal risk control, investment operation and asset management technology. The Bank also accelerated asset management business model transformation and innovation and strove to build the Bank's third pillar of business development.

The Group included mega wealth management as a strategic priority in the Bank's "14th Five-Year Plan" and focused on building a mega wealth management operational mechanism, i.e., creating a professional transmission chain of "wealth management – asset management – investment banking" and a transmission chain of "investment research – investment advisory – customer service". In 2022, based on the four strategic concepts of "inclusiveness, intelligence, professionalism and dedication", the Group strived to build a first-class wealth management bank featuring "leading domestic position, best customer experience and technology-driven development". The Group continued to deepen its professional services for personal customers, and in 2024, the number of wealth management customers increased by 7.10 million over 2023, a year-on-year increase of 2.11 million.

Asset Custody service

The Bank's offering of asset custodial services is among the most comprehensive in China, including securities investment funds, Qualified Domestic Institutional Investors, Qualified Foreign Institutional Investors, RQFII, social security funds, corporate annuity funds, trust properties, insurance assets, entrusted investment assets of securities companies, basic pension insurance personal account funds, industrial investment funds and banking wealth management products. In 2013, the Bank obtained the qualification to provide custodial service to the first bond index exchange-traded funds ("**ETF**") and cross-border ETF for U.S. stocks in the PRC. The Bank also became one of the first Chinese-funded custodial banks of RQFII from Singapore. The Bank became one of the first batches of banks to conduct agency business for Mainland-Hong Kong mutual recognition of funds operations and was the first to offer "bond transaction plus custodian" services to overseas institutions for direct entry into the interbank bond market.

The Bank actively leveraged its strengths in custody service to support national strategy, promoted business innovation, strengthened risk control, and achieved high-quality development of asset custody business. The Bank provided custody service to the Belt and Road Initiative construction projects of the state-owned asset management platform, actively engaged in the ETF project for reform of Sichuan state-owned enterprises, and facilitated insurance funds investment in the construction of important national infrastructure such as highways and bridges. The number of funds in the Science and Technology Innovation Board under custody of the Bank and the winning rate of its bidding for enterprise annuity custody service for central government-owned enterprises were both higher than those of its peers. It was also one of the first banks to provide custody services to cross-border conversion brokers of the global depository receipt and to funds under the China-Japan ETF Connectivity scheme.

In addition, the Bank cultivated the brand of "CCB Smart Custody" to promote high-quality custody service, and successfully became custodian for the National Green Development Fund, Beijing-Tianjin-Hebei Synergistic Development Industrial Investment Fund and Guangdong Beautiful Countryside Revitalisation Development Fund. The Bank carried out enterprise assets reorganisation service trust custody innovation, and was appointed as the depositary bank of China Depository Receipts with the largest issuing amount. It was also awarded the "Best Digital Assets Custodian in China" by The Asian Banker.

In 2022, the Bank comprehensively improved the capability of value creation of its asset custody services. Empowered by technology and centred on data, the Bank built a new customer service model of "CCB Smart Custody". The Bank was the domestic basic securities custodian bank for two of the first group of listed companies of the China-Switzerland Stock Connect programme and was the only bank in the market that provided custody services for both Global Depositary Receipt depositary banks and cross-border conversion brokers. The Bank helped Kazakhstan Free Finance Global Company become the first financial institution in Central Asia with QFI qualification and made a breakthrough in cooperation in the capital market between China and Kazakhstan. The Bank successfully implemented the custody of Baowu Green Carbon Private Equity Fund, the largest carbon neutral fund in China, won the bid for the custody of "Infrastructure REITs" of Beijing Public Housing Centre, and was among the first group of institutions that had completed the acceptance test of regulators for the third-pillar personal pension system.

In 2023, the Bank was committed to building itself into a leading custodian with strong customer base, advanced systems, leading operations and effective risk control, and the comprehensive contribution of the custody business continued to increase. The Bank's assets under custody exceeded RMB20 trillion for the first time in 2023, seeing an ascending rank among its peers and entering a new stage of business development. The Bank made breakthroughs in custody cooperation in key areas and was designated as a custodian bank for annuity plans of Sinochem and China Rare Earth; it was included in the custodian white list for China Reinsurance Group and China Post Insurance; it became the custodian for Guoxin Mega State-owned Enterprise ETF Fund covering all the three Guoxin Mega State-owned Enterprises indices (sci-tech-lead index, modern energy index and shareholder return index); it also became the custodian for CIBM Direct investment of the National Bank of the Kyrgyz Republic. It boasted robust operation guarantee, and established the Beijing Custody Operation Centre, becoming the only custodian bank in the industry with three operation centres (Beijing, Hefei and Shanghai). It continued to promote the brand building of "Smart Custody", internally optimised the "Smart Custody" system with "smart business, smart operation, smart risk control, and smart data" as its core, and externally promoted the construction of the "Smart Custody" platform, contributing to "Digital Finance". The Bank was awarded the "Best Custody Bank (State-owned Bank) for Public Funds in 25 Years" and "Custody Innovation Award" by China Fund.

In 2024, the Bank strove to build itself into a leading custodian with strong customer base, advanced systems, leading operations and effective risk control. It focused on key custody products, with the insurance assets, mutual funds and trust under custody exceeding RMB7.5 trillion, RMB3.5 trillion and RMB3 trillion, respectively. It deepened the services of pension finance. The number of pension custody customers increased by 54.09 per cent. over 2023. The supplementary pension security management products in key industries ranked first in the industry in terms of custody size and bid-winning number. It sped up the transformation of digital finance, improved the service functions of the "Smart Custody" platform, serving various asset management institutions, and conducted custody data governance to enhance the capacity of empowering business development through data. It promoted the development of green finance, with over 200 green products under custody, and the custody size amounted to RMB167,323 million, an increase of 20.03 per cent. over 2023. By strengthening its risk prevention and control system, the Bank obtained unqualified internal control assurance reports issued by international institutions for 17 consecutive years. The Bank was awarded the "Excellent ETF Custodian" by China Fund, the "ETF Golden Bull Ecosystem Excellent Custodian (Bank)" by China Securities Journal and "Best Sub-Custodian Bank in China" by the Global Finance. As at 31 December 2024, the Bank's assets under custody amounted to RMB23.95 trillion, an increase of RMB3.07 trillion or 14.69 per cent. over 2023.

OVERSEAS BUSINESS

As at 31 December 2024, the Bank had 24 major subsidiaries (including 17 integrated operation subsidiaries and seven overseas banking subsidiaries) with a total of 549 entities, including 420 domestic ones and 129 overseas ones, covering bank branch operations in Hong Kong, Macau, Taiwan, Singapore, Frankfurt, Johannesburg, Tokyo, Seoul, New York, Sydney, Ho Chi Minh City, Luxembourg, Toronto, London, Zurich, Dubai, Chile, Astana, Labuan, Auckland, etc., and certain subsidiaries operating in Hong Kong, London, Moscow, Luxembourg, British Virgin Islands, Auckland, Jakarta, San Paulo and Kuala Lumpur, etc., and maintained wholly-owned operating subsidiaries including CCB Asia, CCB London, CCB Russia, CCB Europe, CCB New Zealand and CCB Malaysia and held 60 per cent. of the total share capital of CCB Indonesia.

As at 31 December 2024, the total assets of the Group's overseas entities were RMB1,793,173 million, representing approximately 4.42 per cent. of the Group's total assets. In May 2015, Chile Branch became the first RMB clearing bank in South America, and the branch officially opened in 2016. In June 2015, Paris Branch, Amsterdam Branch, Barcelona Branch and Milan Branch under CCB Europe were successively opened. Cape Town Branch (under Johannesburg Branch) commenced business in September 2015. London Branch commenced business in October 2015. Zurich Branch was established and designated as the RMB clearing bank in November 2015, and it officially opened in 2016 and Dubai International Financial Centre Branch received its official banking licence and commenced business in November 2015 and Warsaw Branch received its official banking licence in December 2016. CCB Malaysia obtained a commercial banking licence in October 2016. The Bank completed its acquisition of PT Bank Windu Kentjana International Tbk in September 2016, and renamed the entity to PT Bank China Construction Bank Indonesia Tbk. PT Bank China Construction Bank Indonesia Tbk was officially inaugurated in February 2017 and the Warsaw Branch of CCB Europe, CCB Malaysia and CCB Australia Perth Branch officially commenced operations in 2017. In February 2018, the Bank's New Zealand Branch officially opened for business. In March 2019, the Bank's Astana Branch was granted a licence and in June 2019, the Bank's Labuan Branch was granted a licence. In June 2020, Hungary Branch under CCB Europe received its banking license and completed the local registration.

MAJOR SUBSIDIARIES

In 2009, the Bank established the equity investment and strategy cooperation department to coordinate and manage its subsidiaries. Certain of the major subsidiaries of the Bank as at 31 December 2024 are set out below:

Name of subsidiary	Principal activities
CCB Financial Asset Investment Co., Ltd.	Investment
CCB Wealth Management Co., Ltd.	Wealth Management
CCB Financial Leasing Co., Ltd.	Financial Leasing
CCB Brazil Financial Holding – Investimentos e Participações Ltda.	Investment
CCB Trust Co., Ltd.	Trust Business
CCB Life Insurance Co., Ltd.	Insurance
CCB Consumer Finance Co., Ltd	Consumer Finance
CCB Housing Rental Fund (Limited Partnership)	Investment
China Construction Bank (Europe) S.A.	Commercial Banking
China Construction Bank (London) Limited	Commercial Banking
PT Bank China Construction Bank Indonesia Tbk	Commercial Banking
CCB Pension Management Co., Ltd.	Pension Management
Sino-German Bausparkasse Co., Ltd.	House Savings
China Construction Bank (Malaysia) Berhad	Commercial Banking
China Construction Bank (New Zealand) Limited	Commercial Banking
China Construction Bank (Russia) Limited	Commercial Banking
Golden Fountain Finance Limited	Investment
CCB Principal Asset Management Co., Ltd.	Fund Management Services
CCB International Group Holdings Limited	Investment
CCB International (Holdings) Limited	Investment
China Construction Bank (Asia) Corporation Limited	Commercial Banking

Integrated Operation Subsidiaries

The Group's integrated operation strategy is to accelerate the development of insurance, wealth management, trust, investment banking, mutual funds, leasing, securities and other non-banking businesses, while developing banking as its core business. The Group endeavours to build an operating framework that covers interconnected markets and complementary businesses, with diversified income and decentralised and controllable risk, and realise customer-oriented functions selection, to provide customers with integrated and diversified financial services.

As at 31 December 2024, the Group owned several domestic and offshore subsidiaries in the non-banking financial sector, including CCB Financial Asset Investment Co., Ltd. ("**CCB Investment**"), CCB Wealth Management Co., Ltd. ("**CCB Wealth Management**"), CCB Financial Leasing Co., Ltd. ("**CCB Financial Leasing**"), CCB Housing Rental Fund (Limited Partnership) ("**CCB Housing Rental**

Fund"), CCB Brazil Financial Holding – Investimentos e Participações Ltda. ("**CCB Brazil**"), CCB Trust Co., Ltd. ("**CCB Trust**"), CCB Life Insurance Co., Ltd. ("**CCB Life**"), CCB Consumer Finance Co., Ltd. ("**CCB Consumer**"), CCB Pension Management Co., Ltd. ("**CCB Pension**"), Sino-German Bausparkasse Co., Ltd. ("**Sino-German Bausparkasse**"), CCB Housing Rental Private Fund Management Co., Ltd. ("**CCB Housing**"), Golden Fountain Finance Limited ("**Golden Fountain**"), CCB Principal Asset Management Co., Ltd. ("**CCB Principal Asset Management**"), CCB International Group Holdings Limited ("**CCB International Group**"), CCB International (Holdings) Limited ("**CCB International**"), CCB Futures Co., Ltd. ("**CCB Futures**") and CCB Property & Casualty Insurance Co., Ltd. ("**CCB Property & Casualty**").

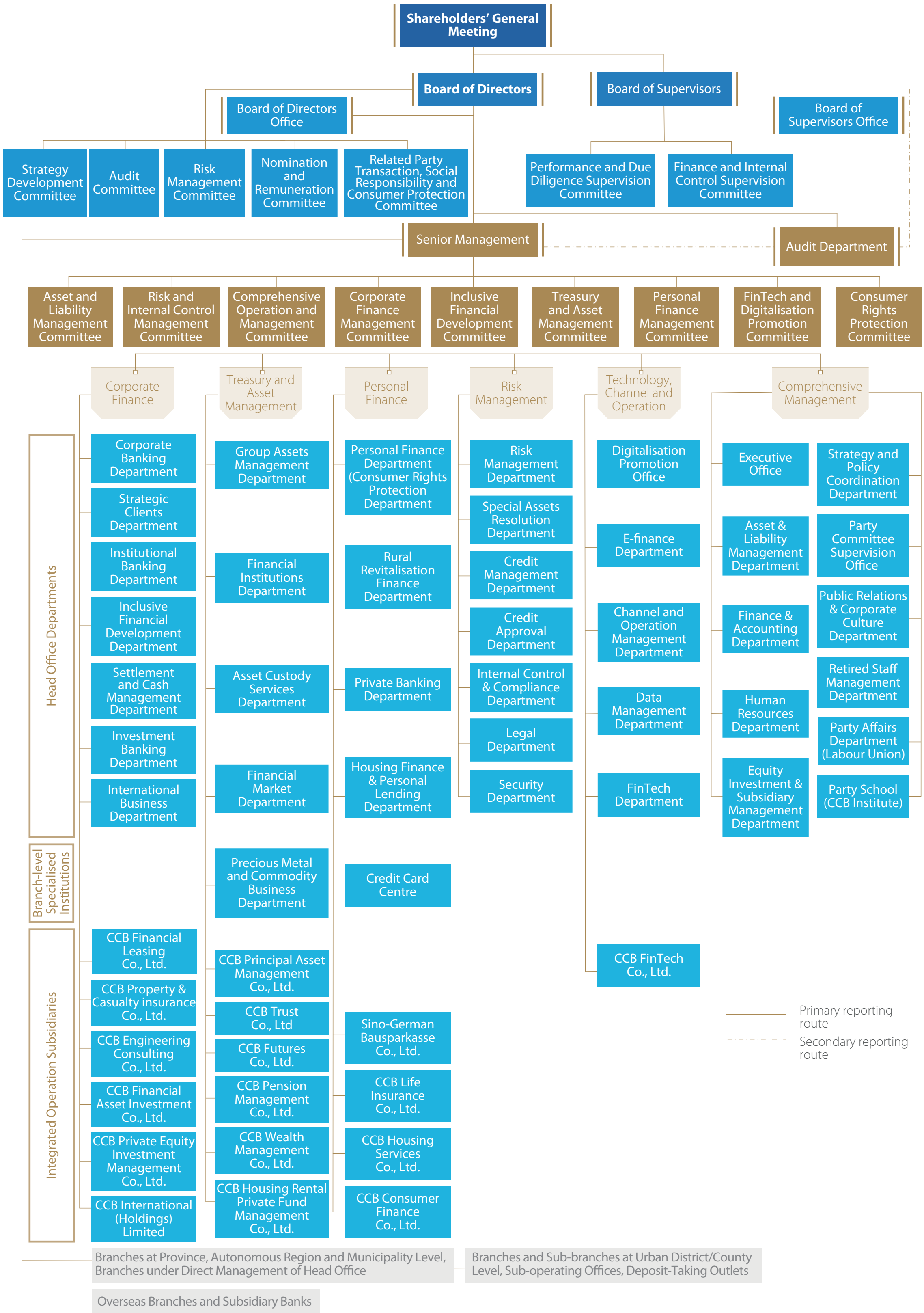
The Group set up several banking entities providing professional and differentiated services in specific industries and regions. In 2013, Sino-German Bausparkasse developed its housing credit business and achieved significant results in selling housing savings products. As at 31 December 2024, total assets of Sino-German Bausparkasse were RMB41,445 million.

CCB Pension has a registered capital of RMB2.3 billion, of which the Bank, Principal Financial Services Inc. and National Council for Social Security Fund hold 70 per cent., 17.647 per cent. and 12.353 per cent. of its shares, respectively. CCB Pension is mainly engaged in businesses including investment and management of national social security funds, businesses related to management of enterprise annuity funds, entrusted management of pension funds and pension advisory for the above businesses. As at 31 December 2024, the total assets of CCB Pension were RMB4,167 million and the net profit for the year ended 31 December 2024 was RMB293 million.

As at 31 December 2024, the total assets of the integrated operation subsidiaries were RMB841,416 million, an increase of 3.05 per cent. from 31 December 2023. For these purposes, integrated operation subsidiaries include the following subsidiaries: CCB Financial Leasing, CCB Property & Casualty, CCB Consulting, CCB Investment, CCB Private Equity, CCB International, Sino- German Bausparkasse, CCB Life, CCB Housing, CCB Consumer Finance, CCB Principal Asset Management, CCB Trust, CCB Futures, CCB Pension, CCB Wealth Management, CCB Housing Rental and CCB FinTech. CCB Principal Asset Management made full efforts to promote the development of various businesses, maintained safe and steady operation, and achieved good business performance; as at 31 December 2024, total assets managed by CCB Principal Asset Management were RMB1.45 trillion. CCB Trust stepped up efforts in improving compliance in its operations, actively engaged in innovation-driven development, and delivered strong operating results; as at 31 December 2024, total assets managed by CCB Trust were RMB1.47 trillion, of which the total size of risk disposal service trust, wealth management business and credit asset securitisation business exceeded RMB500 billion; total assets of CCB Trust were RMB45,968 million and shareholders' equity was RMB28,708 million. Net profit in 2024 was RMB543 million.

Organisational Structure

The following chart shows the Bank's organisational structure as at 31 December 2024:



EMPLOYMENT

As at 31 December 2024, the Bank had 376,847 employees. The number of employees with academic qualifications of bachelor's degree or above was 309,001 or 82.00 per cent. In addition, the Bank assumed the expenses of 125,275 retired employees.

RECENT DEVELOPMENTS

Redemption of the U.S.$2,000,000,000 Tier 2 Dated Capital Bonds due 2023 (the "2023 Tier 2 Capital Bonds")

On 8 May 2025, the Bank issued a redemption notice in relation to its 2023 Tier 2 Capital Bonds. Pursuant to the terms and conditions of the 2023 Tier 2 Capital Bonds, the Bank has notified the holders of the 2023 Tier 2 Capital Bonds of its exercise of the option to redeem all the 2023 Tier 2 Capital Bonds on 24 June 2025 (the "**Call Date**"). The Bank has obtained the Letter in Response to the Request of China Construction Bank Corporation on the Proposed Redemption of the Overseas Tier 2 Capital Bonds of 2020 issued by NFRA, and no objections were raised by the NFRA for the Bank to redeem the 2023 Tier 2 Capital Bonds. The redemption conditions of the 2023 Tier 2 Capital Bonds have been satisfied. Upon completion of the redemption of the 2023 Tier 2 Capital Bonds on the Call Date, there will be no outstanding of the 2023 Tier 2 Capital Bonds in issue. The Bank will subsequently make an application to Hong Kong Stock Exchange for the withdrawal of the listing of the 2023 Tier 2 Capital Bonds.

Issuance of the Domestic Tier-2 Capital Bonds (First Tranche) (Bond Connect) in 2025 in the China Interbank Bond Market

With the consideration and approval of the 2024 first extraordinary general meeting of the Bank held on 29 April 2024, and as approved by the relevant regulatory authorities, the Bank completed the issuance of RMB40 billion Tier-2 Capital Bonds (First Tranche) (Bond Connect) of the Bank (the "**2025 Tier-2 Bonds**") in the China Interbank Bond Market on 27 March 2025. The Bonds are fixed rate bonds with a term of ten years, coupon rate of 2.07 per cent., and the issuer shall have a conditional redemption right at the end of the fifth year. The funds raised from the issuance of the 2025 Tier-2 Bonds will be used to replenish the Bank's tier-2 capital in accordance with the applicable laws and the approvals from the regulatory authorities.

Proposed Issuance of A Shares to MOF

On 30 March 2025, the board of directors of the Bank and the board of supervisors of the Bank considered and approved the proposal for the Bank to issue A shares to specific target, namely the MOF (the "**A-share Issuance**"), so as to further consolidate the capital foundation for sound and stable operation and development, continuously improve the quality and efficiency of serving the real economy, and enhance comprehensive competitiveness, risk resilience, and sustainable profitability. On 22 April 2025, the 2025 first extraordinary general meeting of the Bank the 2025 first A shareholders' class meeting, the 2025 first H shareholders' class meeting considered and approved the A-share Issuance. The total amount of proceeds to be raised from the A-share Issuance shall not exceed RMB105.0 billion (inclusive), which will be entirely used to replenish the common equity tier-1 capital of the Bank after deducting relevant issuance expenses. The scale of the proceeds shall be subject to the issuance plan finally approved by the relevant regulatory authorities. The Bank has executed share subscription agreement with conditions with the MOF on 30 March 2025. The completion of the A-share Issuance is subject to the approval and/or registration of relevant regulatory authorities, in conjunction with market conditions and the Bank's specific situation.

Highlights of the First Quarter Results of 2025

The unaudited consolidated results of the Bank for the three months ended 31 March 2025 was published on 29 April 2025 (the "**First Quarter Results 2025**").

The First Quarter Results 2025 have not been and will not be audited or reviewed by any independent auditors, and they should not be relied upon by potential investors to provide the same quality of information associated with information that has been subject to an audit and/or review, as the case may be. None of the Arranger, the Agents or the Dealers or any of their respective directors, officers, employees, agents, representatives or affiliates or any person who controls any of them makes any representation or warranty, express or implied, regarding the accuracy, completeness and sufficiency of such consolidated financial statements of the Group for an assessment of, and potential investors must exercise caution when using such data to evaluate, the Bank's or the Group's financial condition and results of operations. The First Quarter Results 2025 should not be taken as an indication of the expected financial condition or results of operations of the Bank for the full financial year of 2025. See "*Risk Factors – Risks relating to the Bank's Business – Potential investors should not place undue reliance on the financial information incorporated by reference that is not audited*".

Selected items from the Consolidated Statement of Financial Position

As at 31 March 2025, the Group's total assets were RMB42.79 trillion, an increase of approximately 5.48 per cent. compared to 31 December 2024. As at 31 March 2025, the gross loans and advances to customers were RMB27.02 trillion, an increase of approximately 4.55 per cent. compared to 31 December 2024. As at 31 March 2025, the financial investments were RMB11.31 trillion, an increase of approximately 5.83 per cent. compared to 31 December 2024.

As at 31 March 2025, the Group's total liabilities were RMB39.38 trillion, an increase of approximately 5.79 per cent. compared to 31 December 2024. The deposits from customers were RMB30.43 trillion, an increase of approximately 5.99 per cent. compared to 31 December 2024.

As at 31 March 2025, the Group's total equity was RMB3.41 trillion, an increase of approximately 2.01 per cent. compared to 31 December 2024, of which the total equity attributable to equity shareholders of the Bank was RMB3.39 trillion, an increase of 2.01 per cent. compared to 31 December 2024. As at 31 March 2025, the Bank's share capital was RMB250,011 million.

As at 31 March 2025, the Group's non-performing loans were RMB358,136 million in accordance with the five-category loan classification standard. The non-performing loan ratio was 1.33 per cent., a decrease of 0.01 percentage points from 31 December 2024. The ratio of allowances to non-performing loans was 236.81 per cent. and the ratio of allowances to total loans was 3.14 per cent.

Selected items from the Consolidated Statement of Comprehensive Income

For the three months ended 31 March 2025, the Group's net profit decreased by 3.64 per cent. compared to the three months ended 31 March 2024, to RMB83,742 million, of which the net profit attributable to equity shareholders of the Bank decreased by 3.99 per cent. compared to the three months ended 31 March 2024 to RMB83,351 million. The annualised return on average assets and the annualised return on average equity were 0.80 per cent. and 10.42 per cent., respectively. The net interest income decreased by 5.21 per cent. compared to the three months ended 31 March 2024, to RMB141,923 million. The net interest margin was 1.41 per cent. For the three months ended 31 March 2025, the net fee and commission income decreased by 4.63 per cent. compared to the three months ended 31 March 2024, to RMB37,460 million.

The operating expenses decreased by RMB507 million compared to the three months ended 31 March 2024, to RMB44,278 million. Impairment losses were RMB48,137 million. The income tax expenses decreased by RMB5,563 million compared to the three months ended 31 March 2024 to RMB9,837 million and the effective income tax rate was 10.51 per cent.

Selected Capital Adequacy Indicators

As at 31 March 2025, the Group's total capital ratio, Tier 1 ratio and Common Equity Tier 1 ratio and leverage ratio, which were calculated in accordance with the New NAFR Capital Regulations, were 19.15 per cent., 14.67 per cent. and 13.98 per cent. and 7.52 per cent., respectively, all in compliance with regulatory requirements. The Group's liquidity coverage ratio for the first quarter of 2025 was 124.79 per cent., meeting regulatory requirements.

RISK MANAGEMENT AND INTERNAL CONTROL

OVERVIEW

The Group was committed to the concept of comprehensive risk management. It continued to improve its comprehensive, proactive, intelligent and modern risk management system, promoted its integrated risk management and control and unified credit risk management, and strengthened risk governance of overseas operations, subsidiaries and grass-roots institutions. It steadily elevated its ability to prevent financial risks and ensures that various risks are under overall control.

The Group beefed up its efforts in "comprehensive risk management". It dug into the overall and key issues of improving the risk internal control system, and optimised checks and balances and coordination mechanism of "three lines of defence". It improved the corporate comprehensive financing management system, promoted the building of a unified credit management system for personal customers, and enhanced emerging risk management. The Group bolstered "proactive risk management". It strengthened cross-cycle management of asset quality, intensified risk prevention and mitigation in key areas, upgraded its significant risks reporting system, implemented the "One Policy for One Subsidiary" management for subsidiaries, and continued to carry out comprehensive risk monitoring, risk profiling and risk warning of overseas operations. The Group also reinforced "intelligent risk management". Leveraging on technologies such as big data and artificial intelligence, it expedited its development of projects such as enterprise-level risk management platform, propelled the integration of digital risk control tools into its business processes, and advanced risk information sharing. The Group also updated its recovery and resolution plans on an annual basis, and made continuous improvements in areas such as total loss-absorbing capacity, large exposures, and effective risk data aggregation and risk reporting, so as to meet the additional regulatory requirements for systemically important banks.

RISK MANAGEMENT FRAMEWORK

The board of directors of the Bank (the "**Board**") performs risk management responsibilities pursuant to the Bank's Articles of Association and regulatory requirements. The Risk Management Committee under the Board is responsible for developing risk management strategies, supervising the implementation, and assessing the overall risk profile, regularly reviewing the statements of risk appetite and transmitting the risk appetite through relevant policies. The board of supervisors of the Bank (the "**Board of Supervisors**") supervises the building of comprehensive risk management system, as well as the performance of the Board and senior management in discharging their comprehensive risk management responsibilities. Senior management and its Risk and Internal Control Management Committee are responsible for implementing risk strategies developed by the Board and organising comprehensive risk management work across the Group.

Risk Management Department is the lead department responsible for the Group's comprehensive risk management and leads market risk management. Credit Management Department is the lead department responsible for credit risk management and country risk management. Asset & Liability Management Department is the lead department responsible for liquidity risk management and interest rate risk management of banking book. Internal Control & Compliance Department is the lead department responsible for operational risk management. FinTech Department and Internal Control & Compliance Department jointly promote IT risk management. Public Relations & Corporate Culture Department and Strategy and Policy Coordination Department are the lead departments responsible for reputational risk management and strategic risk management, respectively. Other specialised departments are responsible for other respective risks.

The Bank continued to optimise its risk governance system for subsidiaries, strengthened collaborative risk governance between the parent bank and subsidiaries, integrated risk control, and intensified see-through management and process management. It specified management objectives of subsidiaries for various risks, optimised risk reporting mechanism and reporting lines, performed risk profiling, and bolstered risk management of key subsidiaries and key businesses, so as to consolidate the bottom line of risk compliance.

CREDIT RISK MANAGEMENT

Credit risk represents the potential loss that may arise from the failure of a debtor or counterparty to meet its obligations or commitment to the Group. The Group stayed committed to proactive management and control of credit risk, and effectively promote resolution of risks in key areas. As such, the overall credit risk maintained stable and controllable in 2024. The Bank's credit risk management aims at establishing credit risk management processes that are aligned with the nature, scale, and complexity of businesses, effectively identifying, measuring, controlling, monitoring, and reporting the credit risk, keeping the credit risk within the limits that the Bank could bear, and realising risk-adjusted revenue maximisation.

Deepening integrated credit risk management

The Group deepened its integrated credit risk management. It continued to press ahead with the adjustment of composition of credit assets, and focused on the "Five Priorities" and key areas of the real economy to enhance its capability to provide high-quality financial services for major strategies, key areas and weak links. It increased its efforts in whole-process management and control of credit risks, and elevated the efficiency of risk control over key processes. It bolstered risk prevention and resolution for key areas, forming an all-encompassing matrix-style risk management mechanism. It upgraded its unified credit risk monitoring mechanism, adhered to the "customer-centred" concept in coordinated management, and enhanced collaborative risk prevention and control between the parent bank and subsidiaries. The Group implemented the Rules on Risk Classification of Financial Assets of Commercial Banks. It took full consideration of the substantive risks, conducted risk classification management in a strict and accurate manner in line with the three step procedure of "initial classification, identification and approval", and the asset quality remained stable. It adhered to the high-quality implementation of expected credit losses method, timely made adequate provisions, and maintained strong risk mitigation capacity.

Enhancing risk measurement capabilities

The Group enhanced its risk measurement capabilities. It rolled out an evaluation tool specially for sci-tech enterprises and an upgraded customer rating model across the bank to support the rapid development of technology finance. It promoted the building of the ESG evaluation system for corporate customers to support the high-quality development of green finance. It optimised the rating model for small business customers, and reinforced its risk control of non-retail inclusive finance customers in a forward-looking manner, to support the steady development of inclusive finance. The Group pressed ahead with the building of the online business risk scanning and detection (RSD) system, empowered branches to develop, launch, transplant and reuse regional differentiated characteristic rules, and bolstered proactive risk control. It continued to improve the application of scorecard tool in the retail business segment, covering Quick Loan for Small and Micro Businesses, Yunong Quick Loan, qualified revolving retail loan, and special instalment services, and put customer risk assessment in place.

Strengthening the resolution of special assets and value management of non-performing assets

The Group strengthened its special assets resolution. It expedited risk mitigation and disposal, and enhanced its non-performing asset disposal capacity, quality and efficiency. With the effective management and timely disposal of non-performing assets, the Group sped up the flow of credit funds and the virtuous economic development circulation, and provided solid support for bank-wide strategy implementation, operation management and control, structural adjustment and efficiency enhancement.

Concentration of Credit Risks

In line with regulatory requirements, the Group proactively adopted a series of measures to prevent large exposure concentration risk, including further tightening lending criteria, adjusting business structure, controlling the credit granting pace, revitalising existing credit assets and innovating products etc.

At the end of 2024, the Group's gross loans to the largest single borrower accounted for 4.15 per cent. of total capital after regulatory adjustments, while those to top ten customers accounted for 15.22 per cent. of total capital after regulatory adjustments.

Concentration of loans

	As at 31 December		
	2024	2023	2022
		(%)	
Proportion of loans to the largest single customer	4.15	4.42	4.50
Proportion of loans to the top ten customers	15.22	14.87	14.87

The Group's top ten single borrowers and their loans as at the date indicated are as follows:

		As at 31 December 2024	
		Amount	% of total loans
		(In millions of RMB, except percentages)	
	Industry		
Customer A	Transportation, storage and postal services	178,711	0.69
Customer B	Production and supply of electric power, heat, gas and water	95,981	0.37
Customer C	Production and supply of electric power, heat, gas and water	75,540	0.29
Customer D	Finance	66,600	0.26
Customer E	Leasing and commercial services	51,857	0.20
Customer F.	Transportation, storage and postal services	41,834	0.16
Customer G	Mining	40,497	0.16
Customer H	Transportation, storage and postal services	35,512	0.14
Customer I	Finance	34,512	0.14
Customer J	Finance	34,150	0.13
Total		655,087	2.54

LIQUIDITY RISK MANAGEMENT

Liquidity risk is the risk that occurs when a commercial bank cannot obtain sufficient funds in time and at a reasonable cost to repay debts when they are due, fulfil other payment obligations, or meet the other funding needs in regular business development.

The Board reviews and approves liquidity risk strategy and risk appetite, and assumes the ultimate responsibility for liquidity risk management. Senior management carries out liquidity risk strategy set by the Board and organises the implementation of liquidity risk management activities. The board of supervisors supervises and evaluates the performance of the Board and senior management in liquidity risk management. Asset & Liability Management Department leads the Group's liquidity risk management and performs various duties in liquidity risk management together with business management departments and branches. Each subsidiary assumes the primary responsibility for its own liquidity risk management.

The Group adheres to a liquidity risk management strategy featuring prudence, decentralisation, coordination and diversification. The objective for liquidity risk management is to establish and improve a liquidity risk management system that can fully identify, accurately measure, continuously monitor, and effectively control liquidity risk, effectively balance the return on and security of funds, and safeguard the steady operation across the bank. In light of regulatory requirements, external macro environment, and its business development, the Group formulates approaches for liquidity risk identification, measurement and monitoring, sets out risk limit management criteria, carries out daily liquidity management, periodically conducts stress testing at the group level, and reviews and assesses contingency plans.

In 2024, the Group adhered to the principle of robustness and prudence, responded to changes in internal and external fund situation in a forward-looking manner, carefully arranged the total amount and structure of funding sources and utilisation, and optimised the allocation of assets and liabilities. It gave full play to the buffering role of liquidity reserve, improved its financing strategies, and elevated the diversification and stability of financing sources. It continued to advance the iteration of liquidity management system, and improved the autonomy, intelligence and timeliness of IT systems. In addition, it also proactively fulfilled its obligations as a major state-owned bank, and played its roles as a market "**stabiliser**" and a policy "**transmitter**".

Indicators of liquidity risk management

The following table sets forth the liquidity ratios and loan-to-deposit ratio of the Group as at the dates indicated.

	As at 31 December			
	Regulatory standard	2024	2023	2022
		(per cent.)		
Liquidity ratio[1] **RMB**	≥25	76.55	69.20	62.94
Liquidity ratio[1] **Foreign currency**	≥25	72.07	77.40	80.23
Loan-to-deposit ratio[2] **RMB**		89.28	85.12	83.62

Notes:

(1) Calculated by dividing current assets by current liabilities in accordance with the requirements of the former CBIRC.

(2) Calculated on the basis of domestic legal person in accordance with the requirements of the former CBIRC.

The following table sets forth the Group's liquidity coverage ratio and net stable funding ratio (NSFR) of the Group as at the dates indicated.

	Fourth quarter 2024
Liquidity coverage ratio (%)[1]	125.73

	31 December 2024
NSFR (%)	133.91

Note:

(1) Calculated in accordance with the applicable regulatory requirements, definitions and accounting standards for the period. Each number represents simple arithmetic means of the values for every calendar day in the quarter.

All the liquidity indicators above met the regulatory requirements.

MARKET RISK MANAGEMENT

Market risk is the risk of loss, in respect of the Group's on and off-balance sheet activities, arising from adverse movements in market rates including interest rates, foreign exchange rates, commodity prices and stock prices. Market risk arises from both the Group's trading and non-trading businesses. The market risk management of the Group aims at building a Group-wide comprehensive management system of market risk and investment and trading business, effectively identifying, measuring, monitoring, controlling and reporting market risk; maintaining a competitive net interest spread and return on investment portfolio through effective market risk operation and management; balancing risk and return to further improve market competitiveness of the Bank.

The Group has been constantly improving market risk management system. The Market Risk Management Department is responsible for leading the establishment of market risk management policies and rules, developing the market risk measurement tools, monitoring and reporting the trading market risk and related daily work. The Asset and Liability Management Department is responsible for managing non-trading interest rate risk, exchange rate risk and the size and structure of the assets and liabilities in response to structural market risk. The Financial Market Department manages the Bank's RMB and foreign currency investment portfolios, conducts proprietary and customer-driven transactions, as well as implementing market risk management policies and rules. The Audit Department is responsible for regularly performing independent audits of the reliability and effectiveness of the processes constituting the risk management system.

In 2024, the Group continued to reinforce its market risk management. It formulated the annual risk policy and limit plan for investment and trading business, and improved the limit management mechanism. It developed detailed rules of new product risk assessment for the financial market business and financial institutional business, and rolled out a new product risk assessment system, enabling online operation of the risk assessment process. It optimised the system for debenture investment eligibility, approval and list management, and conducted special stress testing on bonds in a targeted manner. The Group enhanced digital monitoring and risk screening for trading business, launched on-site investigation on derivatives business in key branches, and refined risk management mechanism of financial institutional business and asset management business. It also optimised the new standardised approach for market risk and the counterparty credit risk measurement module, and completed the building of relevant systems of measurement and rules.

Value at Risk Analysis

The Bank divides its on- and off-balance sheet assets and liabilities into trading book and banking book. The Bank performs value at risk ("**VaR**") analysis on its trading portfolio to measure and monitor the potential losses that could occur on risk positions taken, due to movements in market interest rates, foreign exchange rates and other market prices. The Bank calculates the VaRs of its RMB and foreign currency trading portfolios on a daily basis (at a confidence level of 99 per cent. and with a holding period of one trading day).

The VaR analysis on the Bank's trading book as at the balance sheet date and during the respective periods is as follows:

	2023				2024			
	As at 31 December	Average	Maximum	Minimum	As at 31 December	Average	Maximum	Minimum
	(In millions of RMB)							
VaR of trading portfolio								
Of which:	272	265	427	176	300	265	331	199
– Interest rate risk	22	43	68	22	75	37	88	22
– Foreign exchange risk	269	257	427	154	311	261	343	201
– Commodity risk	1	1	10	–	1	1	6	–

INTEREST RATE RISK MANAGEMENT

Interest rate risk refers to the risk where the market interest rates, term structure and other factors may experience unfavourable fluctuations which impact the overall profitability and fair value resulting in losses to a bank. The key determinants of the Group's interest rate risk arise from the mismatch between the maturity periods of the assets and liabilities, and inconsistent pricing basis, resulting in re-pricing risk and basis risk.

The Group implemented robust and prudent interest rate risk management strategy, sought to achieve a balance between interest rate risk and profitability, and minimised the adverse impact from interest rate changes on net interest income and economic value. The Group employed a range of methods to measure and analysed interest rate risk on banking book, including repricing gap analysis, sensitivity analysis of net interest income and economic value, duration analysis, stress testing, and economic capital analysis. It actively used quantitative and pricing tools for balance sheet, prudently employed interest rate derivative hedging instruments, and performed interest rate risk management and evaluation by applying plan and performance appraisal and internal capital assessment to effectively control the interest rate risk level of business lines, overseas operations and subsidiaries, so that the interest rate risk on banking book was kept within a reasonable range.

In 2024, the Group paid close attention to domestic and foreign economic situation and significant changes in macro policies and financial market, continued to reinforce interest rate risk management, and reasonably responded to market pressures and management challenges. It closely tracked changes in interest rates of deposits, loans and bonds, and strengthened monitoring and management of structural changes in the maturities of various assets and liabilities. It bolstered interest rate risk management of overseas operations and adjusted the risk limit management requirements. It also optimised internal and external pricing management strategies and prudently assessed interest rate terms of new products. In 2024, the results of stress testing indicated that the Group's interest rate risk indicators were kept within the limits, and the level of interest rate risk was under control.

Interest rate sensitivity gap analysis

The analysis of interest rate sensitivity gaps as at the specified dates by the next expected repricing dates or maturity dates (whichever are earlier) is set out below:

	Non-interest-bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years	Total
			(In millions of RMB)			
Interest rate sensitivity gap as at 31 December 2023	256,960	(4,133,890)	6,172,381	(3,989,543)	4,866,166	3,172,074
Accumulated interest rate sensitivity gap as at 31 December 2023		(4,133,890)	2,038,491	(1,951,052)	2,915,114	
Interest rate sensitivity gap as at 31 December 2024	283,083	(3,787,488)	5,734,890	(3,989,529)	5,103,009	3,343,965
Accumulated interest rate sensitivity gap as at 31 December 2024		(3,787,488)	1,947,402	(2,042,127)	3,030,882	

Net interest income sensitivity analysis

The net interest income sensitivity analysis is based on two scenarios. The first assumes that all yield curves rise or fall by 100 basis points in a parallel way, while the interest rates for deposits at the PBOC remain the same; the second assumes that the interest rates for deposits at the PBOC and the demand deposits remain the same, while all the other yield curves rise or fall by 100 basis points in a parallel way.

The interest rate sensitivity of the Group's net interest income as at 31 December 2023 and 2024 is set out below:

	Change in net interest income			
	Rise by 100 basis points (the interest rates for deposits at the PBOC being constant)	Fall by 100 basis points (the interest rates for deposits at the PBOC being constant)	Rise by 100 basis points (the interest rates for deposits at the PBOC and the demand deposit being constant)	Fall by 100 basis points (the interest rates for deposits at the PBOC and the demand deposits being constant
	(In millions of RMB)			
As at 31 December 2023	(51,907)	51,907	89,293	(89,293)
As at 31 December 2024	(46,805)	46,805	92,363	(92,363)

EXCHANGE RATE RISK MANAGEMENT

Exchange rate risk is the risk of impact of adverse movements in foreign exchange rates on a bank's financial position. The Group is exposed to exchange rate risk primarily because of the currency mismatch of the assets and liabilities it holds in currencies other than RMB and the positions it takes as a market maker in the financial markets. The Group measures and analyses its exchange rate risk by using a combination of methods such as exchange rate risk exposure and stress testing, controls and mitigates its risk by matching its assets and liabilities, setting limits, and hedging.

In 2024, the Group adhered to its prudent and sound strategy for exchange rate risk management and paid continuous attention to the changes in international financial landscapes and major currencies exchange rates. It implemented the New NAFR Capital Regulations and other related policies, revised measurement rules for exchange rate risk exposure, optimised the application of exchange rate risk management system, and enhanced the quality and efficiency of risk management. In 2024, the Group's exchange rate risk indicators satisfied regulatory requirements, and stress testing results showed that the overall exchange rate risk was under control.

Currency concentrations

The Group's currency concentrations as at 31 December 2023 and 2024 are set out below:

	As at 31 December 2023				As at 31 December 2024			
	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	Total	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	Total
	(In millions of RMB)							
Spot assets	1,056,484	332,056	443,799	1,832,339	964,301	315,444	411,909	1,691,654
Spot liabilities	(1,089,924)	(441,868)	(282,838)	(1,814,630)	(1,017,588)	(498,078)	(249,136)	(1,764,802)
Forward purchases	1,873,971	210,735	105,261	2,189,967	3,351,341	316,408	234,302	3,911,051
Forward sales	(1,870,891)	(65,420)	(237,857)	(2,174,168)	(3,276,346)	(91,062)	(367,232)	(3,734,640)
Net options position	(12,457)	(1)	(32)	(12,490)	(47,118)	–	(829)	(47,947)
Net (short)/long position	(42,817)	35,502	28,333	21,018	(25,410)	42,712	38,014	55,316

Operational Risk Management

Operational risk is the risk of loss resulting from flawed or erroneous internal processes, people and systems, or external events.

In 2024, the Group actively benchmarked itself against regulatory requirements such as Basel III, the New NAFR Capital Regulations, and the Rules on Operational Risk Management of Banking and Insurance Institutions and effectively enhanced its operational risk management.

The Group revised its policies on operational risk management, improved the top-level design, and further promoted the application of risk management tools such as operational risk loss data, key risk indicators and operational risk self-assessment. It further polished up its management mechanism such as operational risk reporting, and promoted regulatory assessment and validation related work pursuant to new standardised approach for operational risk in an orderly manner, so as to comprehensively enhance refined management. It continued to strengthen business continuity management, improved rules and regulations, focused on developing emergency plans and organizing emergency drills, consolidated management foundation, so as to enhance operational resilience.

The Group continued to improve its staff behaviour management system, so as to promote staff compliance and standardised operations. It established and improved its staff behaviour management framework, clarified the code of conduct for employees, and conducted inspections of abnormal behaviours. It cared for its employees and guided them to correctly develop and practise the compliance concept. In 2024, the Bank organised audits on risk prevention and control of criminal cases and dynamic audits on key operational risk items related to employees, with focuses on risk prevention and control of criminal cases, staff behaviour management and noncompliance.

ANTI-MONEY LAUNDERING

The Group adheres to the concept of assuming social responsibility, fulfilling legal obligations, conducting active and compliant operation, and preventing financial crime, and is always following the risk-based management principle. It strictly implements anti-money laundering ("**AML**") and counter terrorist financing ("**CTF**") regulatory requirements, continuously identifies money laundering and terrorist financing risk, and performs prudent assessment, effective control and whole-process management, in order to earnestly protect customers' legitimate rights and interests and maintain the order of financial market.

The Group strictly adhered to AML and financial sanctions regulatory requirements, comprehensively implemented a "**risk-based**" management approach, and continuously strengthened its money laundering risk management capabilities through ongoing enhancement of AML framework, optimisation of system infrastructure, and robust fulfilment of core obligations. These efforts ensured that AML mechanisms effectively fulfil their critical role in preventing money laundering activities and combating related financial crimes.

REPUTATIONAL RISK MANAGEMENT

In 2024, the Group adhered to the forward-looking, comprehensive, proactive and effective principle of reputational risk management, strengthened source management of reputational risk, deployed risk screening on a regular basis, and prevented and mitigated potential risks with emergency plans. It strengthened the working mechanism for emergency response and joint resolution, and continued to enhance its capability in joint resolution of negative news coverage. In 2024, no significant reputational incidents occurred, effectively safeguarding the Group's good corporate image and reputation.

COUNTRY RISK MANAGEMENT

Country risk is the risk of losses in the physical outlets, equipment, facilities or other losses to the Group in a country or a region or other losses the Group suffers as a result of insolvency or refusal of borrowers or debtors in a country or a region to repay their debts to the Group, due to the economic, political, social changes and events in such country or region.

In 2024, the Group continued to optimise its country risk management in line with the needs of business development to address global economic challenges. It optimised the country risk management system, reviewed country risk ratings, and carried out country risk assessment. It closely monitored country risk exposure, conducted country risk stress testing, and strengthened country risk early warning and emergency response mechanism. The Group's country risk exposure was mainly concentrated in countries or regions with low or relatively low country risk, and the overall country risk was maintained at a reasonable level.

CONSOLIDATED MANAGEMENT

Consolidated management is the Bank's on-going comprehensive management and control over the corporate governance, capital and finance of the Group and the subsidiaries, which enables the Bank to effectively identify, measure, monitor and control the overall risk profile of the Group.

In 2024, the Group continued to enhance consolidated management, reinforced various aspects of the Group's consolidated management, including corporate governance, risk management and capital management, and prevented cross-border and cross industry business risks, and promoted the high-quality development of subsidiaries.

The Group promoted the integrated management at the group level, and strengthened business integration of the parent bank and subsidiaries on the basis of incorporating subsidiaries into the Group's business segment operation and management system. It continued to streamline equity hierarchy of the Group, and improved see through management ability of subsidiaries at all levels. It intensified comprehensive risk management of subsidiaries, improved the transmission and implementation mechanism of its unified risk appetite, and advanced unified credit risk management across the group. It continued to press ahead with the implementation of the "customer-centred" comprehensive financing management mechanism to strengthen integrated and collaborative risk control. It enhanced monitoring and management of capital adequacy of subsidiaries to push the subsidiaries to constantly meet industry regulatory requirements on capital indicators and maintain a reasonable buffer. The Group enhanced its data governance and application capabilities, and promoted subsidiaries to improve their data governance systems, enhance the informatisation level, and elevate the quality and efficiency of data reporting. It continued to promote IT integration at the group level, and strengthened support for sci-tech development at subsidiaries.

INTERNAL AUDIT

The Bank's internal audit department is committed to evaluating and supervising the improvement of risk management, control and governance processes, promoting value creation and improving business operation. The internal auditors work in a relatively independent manner and are managed vertically. It is responsible to and reports to the Board and its audit committee, and also reports to the board of supervisors and senior management. In addition to the audit department at the head office, the Bank has 29 audit offices at tier-one branches and an overseas audit centre in Hong Kong.

Focusing on the goal of "supporting strategy implementation, strengthening governance, preventing risks and promoting development", the internal audit department continues to deepen and improve its coordinated and agile audit mechanisms to cover all relevant aspects, highlight key areas and tackle many similar problems in other areas with one typical audit finding, and covers auditable units of all business segments with its audit procedures. In 2024, the audit procedures covered businesses such as loans to large and medium-sized enterprises, special assets resolution, inclusive finance, personal loans, financial and accounting management, liabilities, payment and settlement, key compliance matters, financial market trading business and market risk management, off-balance sheet business, e-finance, credit card, foreign exchange, group consolidated management, and FinTech, and covered subsidiaries and overseas institutions on a cyclical basis. The internal audit department performed study and analysis on the underlying causes of identified issues, strengthened systematic and fundamental rectification, and continued to upgrade management mechanisms, business processes and internal management, so as to effectively promote the sound development of the Group's operation and management.

INTERNAL CONTROL

The objective of the internal control of the Bank is to reasonably ensure the compliance of operation and management with laws and regulations, the safety of assets, and the truthfulness and completeness of financial reports and related information, improve operational efficiency and effectiveness, and facilitate the successful implementation of development strategies. The Board is responsible for establishing and improving internal controls, implement them effectively, evaluating its effectiveness, and supervising the effective operation of internal control system according to the requirements regarding the standardized system of enterprise internal control. Considering that the purpose of the above risk management and internal control system is to manage rather than eliminate the risk of failing to achieve business objectives, the Board can only reasonably but not absolutely guarantee that the relevant rules can prevent any major misrepresentation or loss. The board of supervisors supervises the establishment and implementation of internal control of the Board. The senior management is responsible for organising and leading the daily operation of internal control.

In 2024, the Bank continued to improve the digital monitoring mechanism, and strengthened support for internal control management tools based on its internal control evaluation system and business compliance platform to enhance the effectiveness of the Bank's internal control management with high-quality and efficient internal control evaluation.

The Board and its audit committee assess the effectiveness of internal control and review the internal control assessment report annually. The assessment conclusion is that, at the end of 2024, there was no material deficiency in the internal control over financial reporting of the Bank, and no material deficiency was detected in the internal control over non-financial reporting. The Board believed that the Bank conducted effective internal control over financial reporting in all major aspects in compliance with the requirements regarding the standardised system of enterprise internal control and other relevant regulations.

The Bank engaged Ernst & Young Hua Ming LLP as the auditor of internal control. The audit opinion on internal control was in line with the Bank's assessment conclusion on the effectiveness of internal control over financial reporting. The disclosure of material deficiency of internal control over non-financial reporting in the audit report of internal control was in line with the disclosure of the internal control assessment report of the Bank.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

General

As of the date of this Offering Circular, the Bank's Board comprised 13 members. There are six independent non-executive directors, four non-executive directors and three executive directors. The Bank's directors are elected at shareholder general meetings for a term of three years, which is renewable upon re-election. The chairman of the Board is elected by simple majority of the Board. Mr. Zhang Jinliang is the Bank's chairman and is responsible for business strategies and overall development of the Bank.

Each of the Bank's directors, supervisors and senior management has disclosed to the Bank at the time of appointment, and in a timely manner for any change in, the number and nature of offices held in public companies or organisations and other significant commitments, the identity of the public companies or organisations and an indication of the time involved.

As at 31 December 2024, some of the directors, supervisors and senior executives of the Bank indirectly held H-shares of the Bank via the employee stock incentive plan before they assumed their current positions. Mr Zhang Yi held 9,848 H-shares, Mr. Lin Hong held 15,555 H-shares, Mr. Liu Jun held 12,447 H-shares and Mr. Sheng Liurong held 17,521 H-shares. Save as disclosed above, as at 31 December 2024, none of the directors, supervisors and senior executives of the Bank had any interests or short positions in the shares, underlying shares and debentures of the Bank or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "**SFO**")).

The following tables set forth information regarding the Bank's directors, supervisors and senior management. The Bank's directors, supervisors and members of senior management all meet the qualification requirements for their respective positions. Their qualifications have been reviewed and approved by the PRC banking regulatory authorities. Non-executive directors holding positions in the corporate shareholders do not receive compensation directly from the Bank.

Directors

The following table sets forth certain information concerning the Bank's directors as at the date of this Offering Circular.

Name	Position
Zhang Jinliang	Chairman, executive director
Zhang Yi	Vice Chairman, executive director
Ji Zhihong	Executive director
Tian Bo	Non-executive director
Xia Yang	Non-executive director
Liu Fang	Non-executive director
Li Lu	Non-executive director
Graeme Wheeler	Independent non-executive director
Michel Madelain	Independent non-executive director
William Coen	Independent non-executive director
Leung Kam Chung, Antony	Independent non-executive director
Lord Sassoon	Independent non-executive director
Lin Zhijun	Independent non-executive director

Notwithstanding the disclosures mentioned in "*Directors, Supervisors and Senior Management – General*" section, no potential conflicts of interest exist between the obligations of the directors named above towards the Bank and their own interests or other obligations. The business address of each of the directors named above is No. 25, Financial Street, Xicheng District, Beijing, China 100033.

Zhang Jinliang

Chairman, executive director

Mr. Zhang has served as chairman of the Board since March 2024 and executive director of the Bank since June 2022. He began to serve as vice chairman of the eighth session of the council of China Society for Finance & Banking from April 2023, and concurrently serves as member of International Advisory Panel of Monetary Authority of Singapore from October 2024, and vice chairman of the ninth session of the council of China Banking Association from November 2024. He served as vice chairman of the Board from June 2022 to March 2024 and as president of the Bank from May 2022 to March 2024. From August 2018 to April 2022, Mr. Zhang served as director and general manager of China Post Group Corporation Limited (previously China Post Group Corporation). From May 2019 to April 2022, Mr. Zhang served as chairman and non-executive director of Postal Savings Bank of China Co., Ltd. From January 2016 to August 2018, Mr. Zhang was executive director of China Everbright Group and executive director and president of China Everbright Bank. From October 2003 to January 2016, Mr. Zhang served successively as deputy general manager of finance and accounting department, head of IT blueprint implementation office, general manager of financial management department, general manager of Beijing Branch, executive director and executive vice president of Bank of China. Mr. Zhang is a certified public accountant and senior accountant. He obtained a Ph.D. degree in Economics from Xiamen University in 1997.

Zhang Yi

Vice Chairman, Executive director

Mr. Zhang has served as vice chairman of the Board of the Bank since July 2024, executive director of the Bank since June 2024, and president of the Bank since May 2024. Mr. Zhang began to concurrently serve as chairman of Sino-German Bausparkasse from January 2025. Mr. Zhang served as executive vice president of Bank of China ("**BOC**") from March 2023 to May 2024 and executive director of BOC from April to May 2024. He served as executive vice president of Agricultural Bank of China from November 2021 to March 2023, and chief financial officer of the Bank from April 2021 to September 2021. Prior to that, Mr. Zhang served as deputy general manager of the Asset & Liability Management Department of the Bank, deputy general manager and general manager of Jiangsu Branch of the Bank, and general manager of the Finance & Accounting Department of the Head Office of the Bank. Mr. Zhang is a senior accountant. He graduated from Southwestern University of Finance and Economics in 1993 with a bachelor's degree, and graduated from Renmin University of China in 2002 with a master's degree in business administration.

Ji Zhihong

Executive director

Mr. Ji has served as executive director of the Bank since June 2023 and executive vice president of the Bank since August 2019. Mr. Ji has begun to serve as the secretary to the Board of the Bank from 18 April 2025. Mr. Ji has served concurrently as chairman of the Council of CCB Housing Rental Fund since November 2022. He served as director-general of the financial market department of the PBOC from August 2013 to May 2019, during which he was concurrently director of the financial market management department of the Shanghai Head Office from August 2013 to May 2016. From September 2012 to August 2013, he was director-general of the research bureau of the PBOC. From April 2010 to September 2012, he was deputy director-general of the monetary policy department of the PBOC. From February 2008 to April 2010, he was deputy director (Deputy Director-General level) of the open market operations department of the PBOC Shanghai Head Office. Mr. Ji is a research fellow. He obtained a master's degree in international finance from the Graduate School of the PBOC (now PBOC School of Finance, Tsinghua University) in 1995 and a PhD degree in national economics from Chinese Academy of Social Sciences in 2005.

Tian Bo

Non-executive director

Mr. Tian has served as a non-executive director of the Bank since August 2019. Mr. Tian joined Huijin in 2019. From March 2006 to August 2019, Mr. Tian worked consecutively as division head of banking business department, division head and assistant general manager of corporate banking department, deputy general manager of trade finance department and deputy general manager of transaction banking department of BOC. From February 2016 to February 2018, Mr. Tian also served as a member of the Standing Committee of the CPC Municipal Committee and Vice Mayor of Fangchenggang City of Guangxi Zhuang Autonomous Region. From July 1994 to March 2006, Mr. Tian worked at Beijing Branch of ICBC and head office of China Minsheng Bank. Mr. Tian graduated from Beijing College of Finance and Trade with a bachelor's degree in finance in 1994 and obtained a master's degree in Management from the Capital University of Economics and Business in 2004.

Xia Yang

Non-executive director

Mr. Xia has served as a non-executive director of the Bank since August 2019. Mr. Xia joined Huijin in 2019. From August 1997 to September 2019, Mr. Xia worked in Hua Xia Bank, and consecutively served in various positions including general manager of asset custody department, general manager of Jinan Branch, general manager of Hefei Branch, deputy general manager and chief disciplinary officer of Hangzhou Branch, deputy general manager and chief disciplinary officer of Wenzhou Branch. From December 1988 to August 1997, Mr. Xia worked for Zhejiang Branch of ICBC and Hangzhou Branch of China Merchants Bank. Mr. Xia is a senior economist and accountant. Mr. Xia graduated from Nanjing University with a bachelor's degree in human and animal physiology in 1988; he graduated from Nanjing University with a PhD degree in management sciences and engineering in 2018.

Liu Fang

Non-executive director

Ms. Liu has served as non-executive director since January 2021. Ms. Liu joined Huijin in 2021. Ms. Liu has served as deputy director-general of the general affairs department (policy and regulation department) and counsel of SAFE from July 2019 to February 2021. From March 2015 to June 2019, Ms. Liu was deputy director-general of the general affairs department (policy and regulation department) of SAFE. From July 1999 to February 2015, Ms. Liu consecutively served as chief staff member and deputy director of the balance of payments department of SAFE, deputy director and director of the general affairs department (policy and regulation department) of SAFE. Ms. Liu graduated from School of International Economics of Renmin University of China with a master's degree in economics in 1999.

Li Lu

Non-executive director

Ms. Li has served as non-executive director of the Bank since March 2023. Ms. Li joined Huijin in 2005. From January 2005 to March 2023, Ms. Li took up posts in Huijin including business manager and deputy senior manager of BOC equity management division of Bank Department, senior manager of research and support division of Banking Institution Management Department I, director of CCB division of Equity Management Department I, and managing director of Equity Management Department I. During her terms of office, Ms. Li worked as deputy general manager of Dongcheng Sub-branch, Beijing Branch, Bank of China Limited from May 2012 to April 2013. Ms. Li obtained a bachelor's degree in economics from Capital University of Economics and Business in 2002, and received her master's degree of Science from University of Surrey in the United Kingdom in 2003.

Graeme Wheeler

Independent non-executive director

Mr. Wheeler has served as independent non-executive director of the Bank since October 2019. Mr. Wheeler has served as independent non-executive director of Rendeavour, a company building cities in Africa, from June 2024, and non-executive director of Thyssen-Bornemisza Group since 2017. He served as governor of Reserve Bank of New Zealand from 2012 to 2017, non-executive director of Thyssen-Bornemisza Group and co-founder of Privatisation Analysis and Consulting Ltd. from 2010 to 2012, managing director responsible for operations of World Bank from 2006 to 2010, vice president and treasurer of World Bank from 2001 to 2006, director of financial products and services department of World Bank from 1997 to 2001, treasurer of New Zealand Debt Management Office and deputy secretary to New Zealand Treasury from 1993 to 1997, director of Macroeconomic Policy of New Zealand Treasury from 1990 to 1993, economic and financial counsellor of New Zealand Delegation to the OECD, Paris, from 1984 to 1990 and an advisor in the New Zealand Treasury from 1973 to 1984. Mr. Wheeler was awarded Companion of the New Zealand Order of Merit in 2018. Mr. Wheeler obtained his master's degree of commerce in economics from University of Auckland in 1972.

Michel Madelain

Independent non-executive director

Mr. Madelain has served as independent non-executive director of the Bank since January 2020. Mr. Madelain has served as managing director of the IFRS Foundation since September 2024. Mr. Madelain served as a member of the Supervisory Board of La Banque Postale in France from April 2018 to October 2024. From January 2018 to December 2023, he was trustee of the IFRS Foundation. In that capacity he chaired the Nominating Committee and played an active role in the setting up of the new sustainability board, the ISSB and the consolidation of existing standard setters in the UK and the United States of America with the IFRS Foundation. From June 2016 to December 2018, he was vice chairman of Moody's Investors Service ("**MIS**"). Concurrently, he served as chairman of Moody's European Boards and was a member of MIS US Board. From May 2008 to June 2016, he was president and chief operating officer of MIS, having previously assumed a number of positions in Europe and the USA with MIS from 1994 to May 2008. Under his leadership were launched Moody's first initiatives to support the green bond markets through research and assessments. From May 1980 to May 1994, he worked with Ernst & Young in Belgium and France and was promoted to the partnership in 1989. Mr. Madelain is a Qualified Chartered Accountant of France. He obtained a master's degree in management from Kellogg Graduate School of Management of Northwestern University (USA) and a bachelor's degree in business administration from the Ecole Supérieure de Commerce de Rouen, France.

William Coen

Independent non-executive director

Mr. Coen has served as independent non-executive director of the Bank since June 2021. Mr. Coen has served as independent non-executive director of Buna, a cross-border payment system in the Arab region, from July 2022, and as member of Global Advisory Board of Mitsubishi UFJ Financial Group, Inc. from October 2021. He currently serves as a member of the Advisory Board of Baton Systems, Inc. since June 2021, and chief regulatory adviser for Suade Labs since April 2021. He has been chairman of the IFRS Advisory Council from February 2020, member of the board of directors of the Toronto Leadership Centre since November 2019 and technical advisor of the International Monetary Fund since July 2019. He served as senior advisor of global financial services of KPMG from 2022 to 2024, secretary general of the Basel Committee on Banking Supervision from 2014 to 2019, deputy secretary general of the Basel Committee on Banking Supervision from 2007 to 2014, and supported BIS Financial Stability Institute from 2003 to 2006. Prior to joining the Basel Committee on Banking Supervision Secretariat in 1999, he consecutively worked with the US Office of Comptroller of the Currency and the US Board of Governors of the Federal Reserve System. Mr. Coen is currently a member of the Bretton Woods Committee and was a member of the Financial Stability Board and its standing committees. He obtained his Bachelor of Science Degree from Manhattan College in 1984 and his Master of Business Administration degree from Fordham University in 1991.

Leung Kam Chung, Antony

Independent non-executive director

Mr. Leung has served as independent non-executive director of the Bank since October 2021. Mr. Leung, former Financial Secretary of the Hong Kong SAR, is chairman of Nan Fung Group in Hong Kong, chairman and co-founder of New Frontier Group, and served as chairman & co-founder of Solomon Learning. In addition, Mr. Leung is chairman of two charity organisations, namely Heifer Hong Kong and Food Angel. Mr. Leung had extensive experience in financial services, including chairman of Greater China Region of Blackstone Group, chairman of Asia for JP Morgan Chase and head of Private Banking for Asia, Investment Banking, Treasury Department and Greater China Region of Citi. Mr. Leung had also served as independent non-executive director of China Merchants Bank, Industrial and Commercial Bank of China, China Mobile (Hong Kong) Limited and American International Assurance (Hong Kong) Limited, international advisor of China Development Bank, chief executive officer of Nan Fung Group in Hong Kong and chairman of Hong Kong Association of Harvard Business School. Other public services that Mr. Leung had engaged in included non-official member of the Executive Council of the Hong Kong SAR, chairman of the Education Commission, chairman of the University Grants Committee, member of the Exchange Fund Advisory Committee, director of Hong Kong Airport Authority and director of Hong Kong Futures Exchange, member of the Preparatory Committee for the Hong Kong Special Administrative Region, member of the First Government Election Committee of the Hong Kong Special Administrative Region and Hong Kong Affairs Advisors. Mr. Leung graduated from the University of Hong Kong in 1973 and attended Harvard Business School's Programme for Management Development and Advanced Management Programme. Mr. Leung was conferred an honorary doctor of law by the Hong Kong University of Science and Technology in 1998.

Lord Sassoon (Lord James Meyer Sassoon)

Independent non-executive director

Lord Sassoon has served as independent non-executive director since October 2023. Lord Sassoon is a member of the International Advisory Council of the China Investment Corporation (CIC), president of the China-Britain Business Council (CBBC), chairman of The Sir John Soane's Museum, a trustee emeritus of the British Museum (served as trustee and deputy chairman from 2013 to 2021), and independent non-executive director of Barco NV, Arbuthnot Banking Group PLC, and Arbuthnot Latham & Co., Limited. He formerly served as a member of the Global Advisory Board of Mitsubishi UFJ Financial Group from 2013 to 2021, and a director of Jardine Matheson Holdings Limited and other Jardine group companies from 2013 to 2020. He was chairman of CBBC from 2013 to 2019, and president of the EU China Business Association from 2013 to 2017. He was commercial secretary to the Treasury from 2010 to 2013 and chaired the Financial Action Task Force from 2007 to 2008. He served as a managing director in HM Treasury from 2002 to 2006 with responsibility for Financial Services and Enterprise Policy. During his career, he has had a consistent focus on business relating to Asia, and has participated in the UK-China Economic and Financial Dialogue since 2002. Lord Sassoon joined S.G. Warburg (later UBS Warburg) in 1985, becoming a managing director in 1995. He began his career at KPMG in 1977, qualifying as an associate of the Institute of Chartered Accountants in England and Wales. Lord Sassoon joined the House of Lords in 2010. He was educated at the University of Oxford, where he read philosophy, politics and economics, and obtained his master of arts degree in 1977.

Lin Zhijun

Independent non-executive director

Mr. Lin Zhijun has served as independent non-executive director of the Bank since September 2024. Mr. Lin is the Senior Advisor to the President, Professor and PhD Supervisor of the Macau University of Science and Technology, independent non-executive director of China Everbright Limited and BOCOM International Holdings Company Limited. Previously, he served as independent non-executive director of Sinotruk (Hong Kong) Limited, Dali Foods Group Company Limited, South Manganese Investment Limited (formerly "CITIC Dameng Holdings Limited") and Springland International Holdings Limited. He was also Vice President and Dean of the School of Business of the Macau University of Science and Technology, Professor and Head of the Department of Accountancy and Law at Hong Kong Baptist University, Visiting Professor at the University of Hong Kong, and Associate Professor at the Faculty of Management at the University of Lethbridge, Canada, Associate Professor at College of Economics, Xiamen University. Mr. Lin worked at the Toronto office of an international accounting firm (now known as "Deloitte"). Mr. Lin is a member of the American Institute of Certified Public Accountants, the Chinese Institute of Certified Public Accountants, Chartered Global Management Accountants and the Australian Institute of Certified Management Accountants. Mr. Lin holds a master's degree in economics from Xiamen University, a master of science in business administration from University of Saskatchewan in Canada and a PhD degree in economics (accounting) from Xiamen University.

Supervisors[16]

The following table sets forth certain information concerning the Bank's supervisors as at the date of this Offering Circular.

Name	Position
Lin Hong	Shareholder representative supervisor
Liu Jun	Employee representative supervisor
Zhao Xijun.	External supervisor
Liu Huan	External supervisor
Ben Shenglin	External supervisor

Notwithstanding the disclosures mentioned in "*Directors, Supervisors and Senior Management – General*" section, no potential conflicts of interest exist between the obligations of the supervisors named above towards the Bank and their own interests or other obligations. The business address of each of the supervisors named above is No. 25, Financial Street, Xicheng District, Beijing, China 100033.

Lin Hong

Shareholder representative supervisor

Mr. Lin has served as supervisor of the Bank since December 2021. Mr. Lin has served as general director of Party Committee Supervision Office of the Bank since November 2024, and general manager of the audit department of the Bank since May 2018. Mr. Lin served as leader of the inspection team of China Construction Bank Committee of the Communist Party of China from May 2017 to May 2018, deputy general manager of Jiangxi Branch of the Bank (general manager level) from March 2015 to May 2017, deputy secretary of the discipline inspection committee, deputy general manager of the disciplinary and supervisory department and deputy director of the inspection affairs office (general manager level) of the Bank from March 2007 to March 2015 and deputy general manager of the disciplinary and supervisory department of the Bank from August 2001 to March 2007. Mr. Lin is a

16 On 29 April 2025, the Board of the Bank resolved to submit the proposal on cancelling the board of supervisors to the shareholders' general meeting for approval.

senior accountant. He graduated from Jiangxi Finance and Economics College with a bachelor's degree in auditing in 1988 and obtained a PhD degree in industrial economics from Jiangxi University of Finance and Economics in 2008.

Liu Jun

Employee representative supervisor

Mr. Liu has served as supervisor of the Bank since December 2021. Mr. Liu has served as general manager of Shanghai Branch of the Bank since February 2023. He served as chairman of CCB Principal Asset Management from July 2022 to February 2023. He served as general manager of Guangdong Branch of the Bank from December 2014 to March 2022. He served as head of Guangdong Branch of the Bank from November 2014 to December 2014, general manager of Shenzhen Branch of the Bank from April 2011 to November 2014, head of Shenzhen Branch of the Bank from March 2011 to April 2011, deputy general manager of Guangdong Branch of the Bank from September 2008 to March 2011, and assistant general manager of Guangdong Branch of the Bank from June 2006 to September 2008. Mr. Liu graduated from Anhui University with a bachelor's degree in law in 1986 and obtained a master's degree of business administration from Hong Kong Baptist University in 2003.

Zhao Xijun

External supervisor

Mr. Zhao has served as external supervisor of the Bank since June 2019. Mr. Zhao has served as joint dean of the China Capital Market Research Institute, Renmin University of China since 2020. He served as deputy dean of the School of Finance of Renmin University of China from 2005 to 2019, director of international office of Renmin University of China from 2001 to 2005, head of finance department of the School of Finance of Renmin University of China from 1995 to 2001 and a research fellow of the international department of China Securities Regulatory Commission from 1994 to 1995. Mr. Zhao serves as independent non-executive director of China National Foreign Trade Financial & Leasing Co., Ltd. and iFLYTEK Co., Ltd. and external supervisor of Hua Xia Bank Co., Ltd. Mr. Zhao served as independent non-executive director of the Bank from August 2010 to March 2014. Mr. Zhao was a visiting scholar in University of Sherbrooke and McGill University, Canada from 1989 to 1990 and Nijenrode University, Netherlands from 1995 to 1996. Mr. Zhao graduated from Wuhan University with a bachelor's degree in Scientific French in 1985, completed his graduate studies from the finance department of Renmin University of China in 1987, and received his PhD degree from the School of Finance of Renmin University of China in 1999.

Liu Huan

External supervisor

Mr. Liu has served as external supervisor of the Bank since June 2020. Mr. Liu is a counselor of the State Council and a professor of the School of Finance and Taxation of the Central University of Finance and Economics. He served as deputy dean of the School of Taxation, Central University of Finance and Economics from 2006 to 2016, deputy dean of the Department of Taxation, and deputy dean of the School of Finance and Public Administration from 1997 to 2006. From 2004 to 2005, he served as deputy director-general of the Local Taxation Bureau of Beijing Xicheng District and assistant director-general of the Local Taxation Bureau of Beijing. Mr. Liu serves as independent non-executive director of Motic (Xiamen) Electric Group Co., Ltd. and Zhejiang Sunoren Solar Technology Co., Ltd. He is a member of the Standing Committee and deputy director of the Economic Committee of the 11th, 12th and 13th Beijing Municipal Committee of the Chinese People's Political Consultative Conference. He is a visiting professor at School of Economics and Management of Tsinghua University, a visiting professor at the School of Overseas Education of Shanghai Jiaotong University and a supervisor of master's degree in taxation of the University of Chinese Academy of Social Sciences. Mr. Liu is a certified public accountant and graduated from the Central Institute for Fiscal and Finance with a bachelor's degree in economics in 1982.

Ben Shenglin

External supervisor

Mr. Ben has served as external supervisor of the Bank since June 2020. Mr. Ben has served as professor and doctoral supervisor of Zhejiang University since May 2014, executive director of the Institute of International Money, Renmin University of China since January 2014 and co-director since July 2018, dean of Academy of Internet Finance of Zhejiang University since April 2015 and dean of the International Business School of Zhejiang University since October 2018. Mr. Ben had served in senior positions in financial institutions including JPMorgan Chase Bank, HSBC, and ABN AMRO Bank. He currently serves as independent non-executive director of Zhejiang Orient Financial Holdings Group Co., Ltd., Industrial Bank Co., Ltd. and Caitong Securities Co., Ltd. Mr. Ben is a member of the Standing Committee of Zhejiang Provincial Committee of the Chinese People's Political and Consultative Conference and has served in social positions including chairman of the Zhejiang Association of FinTech. Mr. Ben graduated with a bachelor's degree in engineering from Tsinghua University in 1987, a master's degree in business administration from Renmin University of China in 1990, and a PhD degree in economics from Purdue University in 1994.

Senior Management

The following table sets forth certain information concerning the Bank's senior management as at the date of this Offering Circular.

Name	Position
Zhang Yi	President
Ji Zhihong	Executive vice president, Secretary to the Board
Li Jianjiang	Executive vice president and Chief risk officer
Sheng Liurong	Chief financial officer

Notwithstanding the disclosures mentioned in "*Directors, Supervisors and Senior Management – General*" section, no potential conflicts of interest exist between the obligations of the senior managers named above towards the Bank and their own interests or other obligations. The business address of each of the senior managers named above is No. 25, Financial Street, Xicheng District, Beijing, China 100033.

Zhang Yi

President

Mr. Zhang has served as president of the Bank since May 2024. See "*Directors, Supervisors and Senior Management – Directors*" for more details.

Ji Zhihong

Executive vice president, Secretary to the Board

Mr. Ji has served as executive vice president of the Bank since August 2019. See "*Directors, Supervisors and Senior Management – Directors*" for more details.

Li Jianjiang

Executive vice president and Chief risk officer

Mr. Li has served as executive vice president and chief risk office of the Bank since May 2024. He served as general manager of Chongqing Branch of China Development Bank ("**CDB**") from June 2020 to March 2024, deputy general director of the executive office of CDB from May 2018 to June 2020, and deputy general manager of Gansu Branch of CDB from April 2015 to May 2018. Mr. Li is a senior economist. He graduated from China School of Banking and Finance majoring in finance with a bachelor's degree in July 1996.

Sheng Liurong

Chief financial officer

Mr. Sheng has served as chief financial officer of the Bank since November 2022 and has concurrently served as chairman of CCB Principal Asset Management since September 2023. Mr. Sheng served as general manager of asset and liability management department of the Bank from March 2020 to May 2024. Mr. Sheng concurrently served as non-executive director of CCB Financial Leasing from August 2018 to October 2023.He served as head and general manager of the financial market department of the Bank from September 2017 to March 2020, general manager of Xiamen Branch of the Bank from July 2014 to September 2017, deputy general manager of Xiamen Branch of the Bank from October 2003 to July 2014, and head of the preparation team of Chile Branch of the Bank from May 2013 to July 2014. Mr. Sheng is a senior economist. He graduated from Xiamen University with a bachelor's degree in finance in 1986, a master's degree in money and banking in 1990, and obtained a PhD degree in economics from Xiamen University in 1997.

Joint Company Secretaries

Qiu Jicheng

Joint company secretary

Mr. Qiu is of Chinese nationality. He currently serves as general manager of board of directors office of the Bank. Mr. Qiu served as deputy general manager of personal finance department (the department of protection of consumer rights and interests) of the Bank from April 2020 to April 2022. Mr. Qiu served as deputy general manager of legal affairs department of the Bank from August 2018 to April 2020, during which, he served as a member of the Standing Committee of the CPC Municipal Party Committee and vice mayor (temporary) of Ankang City of Shaanxi Province from April 2018 to April 2020, senior manager of the legal affairs department of the Bank from December 2013 to August 2018 respectively. He obtained a bachelor's degree in administrative management in 1993 and a master's degree in economic law in 1996 from China University of Political Science and Law.

Chiu Ming King

Joint company secretary

Mr. Chiu is a Hong Kong resident. He currently serves as the managing director for corporate services at Vistra Corporate Services (HK) Limited. Mr. Chiu has been an associate member of The Chartered Governance Institute in United Kingdom and The Hong Kong Chartered Governance Institute ("**HKCGI**") since 2003 and became a fellow member of the HKCGI since September 2015. Mr. Chiu has been a vice-chairman of the Membership Committee and chairman of Professional Services Panel of HKCGI and a council member of HKCGI since 2020. Mr. Chiu obtained a bachelor of arts from University of Toronto in Canada in June 1999 and received a master of arts in professional accounting and information systems from City University of Hong Kong in November 2003.

Board Committees

The Board delegates certain responsibilities to various committees. The Board has established a strategy development committee, audit committee, risk management committee, nomination and remuneration committee, and related party transaction, social responsibility and consumer protection committee. These committees are constituted by certain directors and report to the Board. Each committee meets at least four times a year.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2024, the Bank had a total of 293,174 ordinary shareholders, of which 37,378 were holders of H-shares and 255,796 were holders of A-shares.

HUIJIN

Central Huijin Investment Ltd. ("**Huijin**") is the controlling shareholder of the Bank. Huijin is a wholly state-owned investment company established in accordance with the "Company Law of the PRC" on 16 December 2003 with the approval of the State Council. Its legal representative is Mr. Zhang Qingsong. Huijin makes equity investments in key state-owned financial institutions as authorised by the State Council, and exercises the contributor's rights and obligations in the Bank up to its contribution on behalf of the state to achieve preservation and appreciation of state-owned financial assets.

Huijin does not engage in any other commercial activities, nor does it interfere with the daily operations of the key state-owned financial institutions in which it holds controlling shares. Systems and controls are in place to manage any conflict of interest that might arise between the interests of Huijin and the interests of the Bank and to ensure that its control is not abused.

As at 31 December 2024, Huijin held approximately 57.14 per cent. of the shares of the Bank, and indirectly held 0.20 per cent. of the shares of the Bank through its subsidiary, Central Huijin Asset Management Co., Ltd.

As at 31 December 2024, there were no other corporate shareholders holding 10 per cent. or more of the shares of the Bank (excluding HKSCC Nominees Limited, which acts as the common nominee for the shares held through the Central Clearing and Settlement System). All transactions and relationships between the Bank and its substantial shareholders are conducted on an arm's length basis and on normal contractual terms. The Bank can operate its business independently of its substantial shareholders.

BOOK-ENTRY CLEARANCE SYSTEMS

The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of Euroclear, Clearstream or CMU (together, the "**Clearing Systems**") currently in effect. The information in this section concerning the Clearing Systems has been obtained from sources that the Issuer, the Hong Kong Branch and the Bank believes to be reliable, but none of the Issuer, the Hong Kong Branch, the Bank or any Dealer 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. None the Issuer, the Hong Kong Branch, the Bank or any other party to the Fiscal 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.

BOOK-ENTRY SYSTEMS

Euroclear and Clearstream

Euroclear and Clearstream each holds securities for its customers and facilitates the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders. Euroclear and Clearstream provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream also deal with domestic securities markets in several countries through established depositary and custodial relationships. Euroclear and Clearstream have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

Euroclear and Clearstream customers are world-wide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear and Clearstream is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system.

CMU

The CMU Service 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 as "**CMU Instruments**") which are specified in the reference manual relating to the operation of the CMU issued by the HKMA to CMU Members, as amended from time to time (the "**CMU Reference Manual**") as capable of being held within the CMU Service. The CMU Service 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 Service is open to financial institutions regulated by Hong Kong Monetary Authority, 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 Service will hold that interest through the respective accounts which Euroclear and Clearstream each have with the CMU Service.

Transfers of Notes Represented by Registered Global Notes

Transfers of any interests in Notes represented by a Registered Global Note within Euroclear, Clearstream and the CMU Service will be effected in accordance with the customary rules and operating procedures of the relevant Clearing System. Euroclear, Clearstream and the CMU Service have each published rules and operating procedures designed to facilitate transfers of beneficial interests in Registered Global Notes among accountholders of Euroclear, Clearstream and the CMU Service. However, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or changed at any time. None of the Issuer, the Hong Kong Branch, the Bank, the Paying Agents, the Registrar and the Dealers will be responsible for any performance by Euroclear, Clearstream or the CMU Service or their respective accountholders of their respective obligations under the rules and procedures governing their operations and none of them will have any liability for any aspect of the records relating to or payments made on account of beneficial interests in the Notes represented by Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial interests.

REGULATION AND SUPERVISION IN THE PRC

The banking industry is heavily regulated in the PRC, with the NAFR and the PBOC acting as the principal regulatory authorities. The NAFR is primarily responsible for, among the others, supervising and regulating banking and insurance institutions, and the PBOC, as the central bank of the PRC, is primarily responsible for formulating and implementing monetary policies. The applicable laws and regulations governing activities in the PRC's banking industry consist principally of the PRC PBOC Law, the PRC Commercial Banking Law, the Law of PRC on Supervision and Administration of Banking Sector, and the rules and regulations promulgated thereunder.

PRINCIPAL REGULATORS

Prior to April 2003, the PBOC acted as both the PRC's central bank and the principal supervisor and regulator of the banking industry in the PRC. In April 2003, CBRC was established to serve as the primary banking industry regulator and it assumed the majority of bank regulatory functions from the PBOC. The PBOC retained its role as the central bank but now has a smaller role in the regulation of banking institutions. In April 2018, CBRC and China Insurance Regulatory Commission were merged as China Banking and Insurance Regulatory Commission, covering the regulation of banking and insurance sectors in the PRC. In this Offering Circular, we still use the term of "CBRC" in the context of regulations, rules and actions issued or taken by CBRC before April 2018. On 18 May 2023, the NAFR was established on the basis of CBIRC and the functions and powers of CBIRC was taken over by NAFR.

NAFR

Functions and Powers

The NAFR is the primary supervisory authority responsible for the regulation of banking institutions operating in the PRC, including branches and representative offices established by foreign financial institutions in the banking sector in the PRC.

According to the Law of PRC on Supervision and Administration of Banking Sector, the main responsibilities of the NAFR in relation to banking regulation include:

(1) formulating and promulgating rules and regulations governing banking institutions and their business activities;

(2) reviewing and approving the establishment, change, dissolution and business scope of banking institutions, as well as granting banking licences for commercial banks, their branches and subsidiaries, branches and representative offices of foreign banks in the PRC;

(3) regulating the business activities of banking institutions, including the products and services they offer;

(4) setting qualification requirements for, and approving or overseeing the nomination of, directors and senior management personnel of banking institutions;

(5) setting guidelines and standards for internal controls, risk exposure and corporate governance of, and disclosure requirements for, banking institutions;

(6) conducting on-site inspection and off-site surveillance of the business activities and risk exposure status of banking institutions;

(7) monitoring the financial condition of banking institutions, including establishing standards or requirements for capital adequacy, asset quality and other financial metrics;

(8) imposing corrective and punitive measures for violations of applicable banking regulations;

(9) formulating prudential regulation principles of banking sector in accordance with laws and administrative regulations;

(10) working with authorities (including the PBOC and the MOF);

(11) to establish emergency disposal mechanisms and to deal with any emergencies in the banking sector;

(12) guiding and conducting surveillance on the activities of banking self-disciplinary organisations; and

(13) carrying out international communication and cooperation activities related to supervisions of the banking sector.

Examination and Supervision

The NAFR, through its head office in Beijing and offices in each province, provincial-level municipality and autonomous region, monitors the operations of commercial banks and their branches through on-site inspections and off-site surveillance. On-site inspections generally include visiting the banks' premises, interviewing bank employees, senior management and directors, as well as reviewing documents and materials maintained by the banks. The NAFR also conducts off-site surveillance by reviewing financial and other reports regularly submitted by the banks. Off-site surveillance generally includes the surveillance of 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 a regulation, the NAFR has the power to issue corrective and punitive measures, including imposition of fines, suspension of certain business activities, restrictions on distributions of dividends and other income and asset transfers, closure of the institution and other penalties.

PBOC

As the central bank of the PRC, the PBOC is responsible for formulating and implementing monetary policies and maintaining the stability of the financial markets. According to the PRC PBOC Law, the PBOC is empowered to do the following:

(1) drafting and enforcing relevant rules and regulations that are related to fulfilling its functions;

(2) formulating and implementing monetary policy in accordance with law;

(3) issuing the Renminbi and administering its circulation;

(4) regulating the inter-bank lending market and the inter-bank bond market;

(5) implementing foreign exchange management, supervising inter-bank foreign exchange market;

(6) supervising and regulating gold market;

(7) holding and managing the state foreign exchange and gold reserves;

(8) managing the State treasury as fiscal agent;

(9) making payment and settlement rules in collaboration with relevant departments and ensuring normal operation of the payment and settlement systems;

(10) providing guidance to anti-money laundering work in the financial sector and monitoring money-laundering related suspicious fund movement;

(11) developing statistics system for the financial industry and responsible for the consolidation of financial statistics as well as the conduct of economic analysis and forecast; and

(12) participating in international financial activities at the capacity of the central bank.

OTHER REGULATORY AUTHORITIES

In addition to the NAFR and the PBOC, commercial banks in the PRC are also subject to the supervision and regulation by other regulatory authorities including, among others, the SAFE and CSRC. For example, in conducting foreign exchange business, banks are subject to the regulation of SAFE; and in dealing with securities-related matters such as distributing securities investment funds or acting as the custodians of investment assets of securities institutional investors, banks are subject to the regulation of CSRC.

REGULATIONS REGARDING CAPITAL ADEQUACY

Capital Adequacy Guidelines

In June 2012, the CBRC issued the NAFR Capital Regulations regulating capital adequacy ratios ("**CAR**") of PRC commercial banks, which was replaced by the New NAFR Capital Regulations issued by NAFR on 26 October 2023 and effective from 1 January 2024. The NAFR Capital Regulations and the New NAFR Capital Regulations, which are intended to reflect the Basel III regulatory capital requirements, set out minimum CAR requirements for commercial banks and provide detailed guidelines on the calculation of "capital" and "risk-weighted assets". The overall CAR requirements are 11.5 per cent. for systematically important commercial banks and 10.5 per cent. for other commercial banks. Commercial banks in the PRC are required to have a CAR of not less than 8 per cent., Tier 1 CAR of not less than 6 per cent. and Core Tier 1 CAR of not less than 5 per cent. The CARs are calculated in accordance with the NAFR Capital Regulations and the New NAFR Capital Regulations as follows:

$$\text{Capital Adequacy Ratio} = \frac{\text{Total Capital} - \text{deductions from corresponding capital instruments}}{\text{Risk-weighted Assets}} \times 100 \text{ per cent.}$$

$$\text{Tier 1 Capital Adequacy Ratio} = \frac{\text{Tier 1 Capital} - \text{deductions from corresponding capital instruments}}{\text{Risk-weighted Assets}} \times 100 \text{ per cent.}$$

$$\text{Core Tier 1 Capital Adequacy Ratio} = \frac{\text{Core Tier 1 Capital} - \text{deductions from corresponding capital instruments}}{\text{Risk-weighted Assets}} \times 100 \text{ per cent.}$$

On 29 November 2012, the CBRC further released the Guiding Opinion on Commercial Banks' Innovation on Capital Instruments (the "**2012 Guiding Opinions**"), setting out the general principles of the innovation of capital instruments of commercial banks and criteria of qualified capital instruments. On 22 November 2019, the 2012 Guiding Opinions was abolished by the CBIRC and was superseded by the (Revised) Guiding Opinions on Innovation of Capital Instruments of Commercial Banks issued by the CBIRC(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)(the "**2019 Guiding Opinions**").

TAXATION

The statements herein regarding taxation are based on the laws in force as at the date of this document and are subject to any changes in law occurring after such date, which changes could be made on a retroactive basis. The following summary does not purport to be a comprehensive description of all of 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 the tax consequences applicable to all categories of investors, some of which (such as dealers or certain professional investors) may be subject to special rules. Investors should consult their own tax advisers regarding the tax consequences of an investment in the Notes.

PRC

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" or "non-resident Noteholders" in this section. In considering whether to invest in the Notes, potential purchasers should consult their individual tax advisors 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.

Pursuant to the Enterprise Income Tax Law effective on 1 January 2008 and amended on 24 February 2017 and 29 December 2018, and the PRC Individual Income Tax Law, as amended on 30 June 2011 and 31 August 2018, and their implementation regulations, an income tax is imposed on payment of interest by way of withholding in respect of debt securities, issued by PRC enterprises to non-resident Noteholders, including non-resident enterprises and non-resident individuals.

On 23 March 2016, the Ministry of Finance and the State Administration of Taxation ("**SAT**") issued the Circular of Full Implementation of Business Tax to VAT Reform (《關於全面推開營業稅改徵增值稅試點的通知》)(Caishui [2016] No. 36, "**Circular 36**") which confirms that business tax was replaced by VAT from 1 May 2016. Since then, the income derived from the provision of financial services which attracted business tax will be entirely replaced by, and subject to, VAT.

According to Circular 36, the entities and individuals providing the services within China shall be subject to VAT. The services are treated as being provided within China where either the service provider or the service recipient is located in China, but where the services are sold by offshore entities or individuals to onshore entities or individuals and such services purely take place outside the PRC, they should not be deemed as services sold within the territory of China. The services subject to VAT include the provision of financial services such as the provision of loans. It is further clarified under Circular 36 that the "loans" refers to the activity of lending capital for another's use and receiving the interest income thereon. Based on the definition of "loans" under Circular 36, the issuance of Notes is likely to be treated as the holders of the Notes providing loans to the Issuer.

(I) In the event that the Issuer is the Bank's head office (the "Head Office") or the onshore branch of the Bank

In the event that the Issuer is the Head Office or the onshore branch of the Bank, the Head Office or the onshore branch of the Bank will be subject to withholding PRC income tax on the payment of interest of the Notes to non-resident Noteholders. The current rates of such income tax are 20 per cent. (for non-resident individuals) and 10 per cent. (for non-resident enterprises) of the gross amount of the interest, in each case, unless a lower rate is available under an applicable tax treaty. For example, the tax so charged on interests paid on the Notes to non-resident Noteholders who, or which are residents of Hong Kong (including enterprise holders and individual holders) as defined under the arrangement between the mainland China and Hong Kong for purpose of the avoidance of double taxation will be 7 per cent. of the gross amount of the interest pursuant to such arrangement. Further, given that the Head Office and/or the onshore branch of the Bank located in the PRC, the holders of the Notes would be regarded as providing the financial services within

China and consequently, the holders of the Notes shall be subject to VAT at the rate of 6 per cent. when receiving the interest payments under the Notes. Given that the Issuer pays interest income to Noteholders who are located outside of the PRC, the Issuer, acting as the obligatory withholder in accordance with applicable law, shall withhold VAT and local levies from the payment of interest income to Noteholders who are located outside of the PRC. 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*".

Under the Enterprise Income Tax Law and its implementation rules, any gains realised on the transfer of the Notes by holders who are deemed as non-resident enterprises may be subject to PRC enterprise income tax if such gains are regarded as income derived from sources within the PRC. There remains uncertainty as to whether the gains realised on the transfer of the Notes would be treated as incomes derived from sources within the PRC and be subject to PRC enterprise income tax. If such gains are subject to PRC income tax, the 10 per cent. enterprise income tax rate and 20 per cent. individual income tax rate will apply respectively unless there is an applicable tax treaty or arrangement that reduces or exempts such income tax. The taxable income will be the balance of the total income obtained from the transfer of the Notes minus all costs and expenses that are permitted under PRC tax laws to be deducted from the income. According to an arrangement between the mainland China and Hong Kong for avoidance of double taxation, Noteholders who are Hong Kong residents, including both enterprise holders and individual holders, will be exempted from PRC income tax on capital gains derived from a sale or exchange of the Notes.

(II) In the event that the Issuer is the Hong Kong Branch or other overseas branch of the Bank

In the event that the Issuer is the Hong Kong Branch or other offshore branch of the Bank, the Issuer is not obliged to withhold PRC income tax at the rate up to 10 per cent. (for non-resident enterprises) or 20 per cent. (for non-resident individuals) on the payments of interest made by it to non-resident Noteholders provided that the payments are made outside of the territory of PRC. However, this is subject to the interpretation by the PRC tax authorities. If the PRC tax authorities take an interpretation that the interest on the Notes payable by the Issuer is treated as income sourced from the PRC, a withholding tax may be imposed on such interest and the Issuer will 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*".

In the case of issuance of Notes by the Hong Kong Branch or other offshore branch of the Bank, Circular 36 does not apply if the provision of loans by individuals or entities located outside the PRC takes place outside the PRC. Neither the Hong Kong Branch or other offshore branch of the Bank nor the holders of the Notes are located in the PRC and if the provision of loans takes place outside the PRC, then no VAT is payable on interest payments under the Notes. This is, however, subject to the interpretation of Circular 36 by the relevant authority.

If the Head Office shall perform the obligation of paying interest of the Notes in the event and only when the Issuer fails to perform its obligations of paying the interest of the Notes, the Head Office will be obliged to withhold PRC income tax at a rate of 10 per cent. (for non-resident enterprises) or 20 per cent. (for non-resident individuals) (unless a lower rate is available under an applicable tax treaty) and PRC VAT tax at the rate of 6 per cent. of the interest component of the amount payable by the Head Office to the Noteholders if the PRC tax authority views such component as an interest income arising within the territory of the PRC.

Non-resident Noteholders will not be subject to the PRC tax on any capital gains derived from a sale or exchange of Notes consummated outside the PRC between non-resident Noteholders, except however, if such capital gains are determined as income sourced in China, accordingly such capital gains would be subject to the rate of 10 per cent. (for non-resident enterprises) or 20 per cent. (for non-resident individuals) of PRC withholding tax unless there is a lower tax rate applicable.

According to an arrangement between the mainland China and Hong Kong for the avoidance of double taxation, Noteholders who are Hong Kong residents, including both enterprise holders and individual holders, will be exempted from PRC income tax on capital gains derived from a sale or exchange of the Notes. There is uncertainty as to whether gains realized on the transfer of the Notes by individual holders who are not PRC citizens or residents will be treated as income sourced within the PRC which as a result will be subject to PRC individual income tax.

Where a holder of the Notes who is an entity or individual located outside of the PRC resells the Notes to an entity or individual located outside of the PRC and derives any gain, since neither the service provider nor the service recipient is located in the PRC, theoretically VAT prescribed under Circular 36 does not apply and the Issuer does not have the obligation to withhold the VAT or the local levies. However, there is uncertainty as to the applicability of VAT if either the seller or buyer of Notes is located inside the PRC.

The above statements on VAT may be subject to further change upon the issuance of further clarification rules and/or different interpretation by the competent tax authority. There is uncertainty as to the application of Circular 36.

Pursuant to the EIT Law and the VAT reform detailed above, the Issuer shall withhold EIT, (should such tax apply) from the payments of interest in respect of the Notes for any non-PRC Noteholder and the Issuer shall withhold VAT (should such tax apply) from the payments of interest in respect of the Notes for any Noteholders located outside of the PRC. However, in the event that the Issuer is required to make such a deduction or withholding (whether by way of EIT or VAT otherwise), the Issuer has agreed to pay such additional amounts as will result in receipt by the Noteholders of such amounts after such withholding or deduction as would have been received by them had no such withholding or deduction been required. For more information, see "*Terms and Conditions of the Notes – Condition 8 (Taxation)*".

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 assessable 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:

(i) 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;

(ii) 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;

(iii) 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

(iv) 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).

Where the Hong Kong Branch is the Issuer, 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 authorized 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 Hong Kong Branch as the Issuer 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 and 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, with effect from 1 January 2024, pursuant to various foreign-sourced income exemption legislation in Hong Kong (the "**FSIE Amendments**"), certain specified foreign-sourced income (including interest, dividend, disposal gain or intellectual property income, in each case, arising in or derived from a territory outside Hong Kong) accrued to an MNE entity (as defined in the FSIE Amendments) 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 FSIE Amendments also provide 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:

(i) 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

(ii) 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 Issuer on the issue of Bearer Notes at a rate of 3 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:

(i) 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

(ii) such Registered Notes constitute loan capital (as defined in the SDO).

With effect from 17 November 2023, if 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 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.

United States FATCA Tax Provisions

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, as amended, commonly known as FATCA, a "foreign financial institution" (as defined by FATCA) 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 the People's Republic of China) have entered into, or have agreed in substance to, intergovernmental agreements with the United States 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 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. 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 Notes.

PRC CURRENCY CONTROLS

REMITTANCE OF RENMINBI INTO AND OUTSIDE THE PRC

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 items refer to any transaction for international receipts and payments involving goods, services, earnings and other frequent transfers.

Since July 2009, the PRC has commenced a pilot scheme pursuant to which Renminbi may be used for settlement of imports and exports of goods 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. In June 2010, July 2011 and February 2012 respectively, the PRC government promulgated the Circular on Issues concerning the Expansion of the Scope of the Pilot Programme of Renminbi Settlement of Cross-Border Trades, the Circular on Expanding the Regions of Cross-border Trade Renminbi Settlement and the Notice on Matters Relevant to the Administration of Enterprises Engaged in Renminbi Settlement of Export Trade in Goods, Circulars with regard to the expansion of designated cities and offshore jurisdictions implementing the pilot Renminbi settlement scheme for cross-border trades. Pursuant to these circulars (i) Renminbi settlement of imports and exports of goods and of services and other current account items became permissible, (ii) the list of designated pilot districts was expanded to cover 20 provinces and cities, (iii) the restriction on designated offshore districts has been uplifted, and (iv) any enterprise qualified for the export and import business is permitted to use Renminbi as settlement currency for exports of goods, provided that the relevant provincial government has submitted to the PBOC and five other PRC authorities (the "**Six Authorities**") a list of key enterprises subject to supervision and the Six Authorities have verified and signed off such list (the "**Supervision List**"). On 8 May 2012, the PBOC issued a notice stating that the Six Authorities had jointly verified and announced a Supervision List and as a result any enterprise qualified for the export and import business is permitted to use Renminbi as settlement currency for exports.

On 5 July 2013, the PBOC promulgated the *Circular on Policies related to Simplifying and Improving Cross-border Renminbi Business Procedures*(關於簡化跨境人民幣業務流程和完善有關政策的通知)(銀發[2013]168號), which, in particular, simplifies the procedures for cross-border Renminbi trade settlement under current account items. For example, PRC banks may conduct settlement for the PRC enterprises (excluding those on the Supervision List) upon the PRC enterprises presenting the payment instruction. PRC banks may also allow the PRC enterprises to make/receive payments under current account items prior to the relevant PRC bank's verification of underlying transactions (noting that verification of underlying transactions is usually a precondition for cross-border remittance).

On 23 October 2019, the SAFE promulgated the *Notice by the State Administration of Foreign Exchange of Simplifying Foreign Exchange Accounts*(國家外匯管理局關於精簡外匯帳戶的通知，匯發[2019]29號) which became effective on 1 February 2020. SAFE has decided to review and integrate certain foreign exchange accounts and further reduce the types of accounts in order to further intensify the reform of foreign exchange administration, simplify the relevant business operating procedures, and facilitate true and compliant foreign exchange transactions by banks, enterprises and other market participants. For example, "Current accounts – foreign currency cash account" and "current accounts – foreign exchange account under current accounts of overseas institutions" are included in "current accounts – foreign exchange settlement account".

On the same day, the SAFE issued the Notice by the State Administration of Foreign Exchange of Further Facilitating Cross-border Trade and Investment(國家外匯管理局關於進一步促進跨境貿易投資便利化的通知，匯發[2019]28號), based on which, for the revenue obtained by an enterprise from trade in goods, the enterprise may, on its own, decide whether to open a to-be-inspected account for export revenue ("**to-be-inspected account**"). If an enterprise has not opened a to-be-inspected account, the examined revenue from trade in goods by the bank in accordance with the existing provisions may be directly deposited into the foreign exchange account under current accounts or used for foreign exchange settlement.

On 28 August 2020, the SAFE issued the Notice of the State Administration of Foreign Exchange on Issuing the Guidelines for Foreign Exchange Business of Current Account (2020 Edition)(國家外匯管理局關於印發《經常項目外匯業務指引(2020年版)》的通知，匯發[2020]14號), (the "**SAFE Current Account Guidelines**") in order to integrate and simplify then existing laws and regulations regarding foreign exchange transactions under current account items. The SAFE Current Account Guidelines do not create substantial amendments to existing laws and regulations.

The foregoing measures and circulars will be subject to interpretation and application by the relevant PRC authorities. Local authorities may adopt different practises in applying these circulars 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.

Settlements for 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 item payments including proceeds from liquidation, transfer of shares, reduction of capital, interest and principal repayment to foreign investors in a foreign currency. That said, the relevant PRC authorities may approve a foreign entity to make a capital contribution or a 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 a registration and verification process with the relevant PRC authorities before such Renminbi remittances. Some restrictions on the use of certain capital account items have been relaxed. Pursuant to the Notice on Further Optimizing Cross-border Renminbi Policies to Support the Stabilization 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，銀發[2020]330號), effective on 4 April 2021, foreign-invested enterprises became allowed to reinvest capital account Renminbi denominated income into investment projects in the PRC.

On 7 April 2011, SAFE promulgated the SAFE Circular, which became effective on 1 May 2011. According to the SAFE Circular, in the event that foreign investors intend to use Renminbi (including offshore Renminbi and onshore Renminbi held in the capital accounts of non-PRC residents) to make contribution to an onshore enterprise or make payment for the transfer of equity interest of an onshore enterprise by a PRC resident, such onshore enterprise shall be required to submit the prior written consent of the relevant MOFCOM to the relevant local branches of SAFE of such onshore enterprise and register for a foreign invested enterprise status. Further, the SAFE Circular clarifies that the foreign debts borrowed, and the foreign guarantee provided, by an onshore entity (including a financial institution) in Renminbi shall, in principle, be regulated under the current PRC foreign debt and foreign guarantee regime.

On 12 October 2011, MOFCOM promulgated the Notice on Issues concerning Cross-border Direct Investment in RMB (the "**2011 MOFCOM Notice**"). In accordance with the 2011 MOFCOM Notice, MOFCOM and its local counterparts are authorised to approve RMB FDI in accordance with existing

PRC laws and regulations regarding foreign investment, with the following exceptions which require the preliminary approval by the provincial counterpart of MOFCOM and the consent of MOFCOM: (i) RMB FDI with the capital contribution in Renminbi of RMB300 million or more; (ii) RMB FDI in financing guarantee, financing lease, micro financing or auction industries; (iii) RMB FDI in foreign invested investment companies, venture capital or equity investment enterprises; or (iv) RMB FDI in cement, iron & steel, electrolytic aluminium, shipbuilding or other policy sensitive sectors. In addition, RMB FDI in real estate sector is allowed following the existing rules and regulations of foreign investment in real estate, although Renminbi foreign debt remains unavailable to foreign invested real estate enterprises. The proceeds of RMB FDI may not be used towards investment in securities, financial derivatives or entrustment loans in the PRC, except for investments in PRC domestic listed companies through private placements or share transfers by agreement under the PRC strategic investment regime.

On 13 October 2011, the PBOC promulgated the PBOC RMB FDI Measures as amended in May 2015, pursuant to which, PBOC special approval for RMB FDI and shareholder loans which was required by an earlier circular of the PBOC is no longer necessary. The PBOC RMB FDI Measures provide that, among others, foreign invested enterprises are required to conduct registrations with the local branch of the PBOC within ten working days after obtaining the business licenses for the purpose of Renminbi settlement, and a foreign investor is allowed to open Renminbi special accounts for designated usage in relation to making equity investment in a PRC enterprise or receiving Renminbi proceeds from distribution (dividends or otherwise) by its PRC subsidiaries. The PBOC RMB FDI Measures also state that the foreign debt quota of a foreign invested enterprise constitutes its Renminbi debt and foreign currency debt from its offshore shareholders, offshore affiliates and offshore financial institutions, and a foreign invested enterprise may open a Renminbi account to receive its Renminbi proceeds borrowed offshore by submitting the Renminbi loan contract to the commercial bank and make repayments of principal of and interest on such debt in Renminbi by submitting certain documents as required to the commercial bank.

On 19 November 2012, SAFE promulgated the Circular of Further Improving and Adjusting Foreign Exchange Administration Policies on Foreign Direct Investment(國家外匯管理局關於進一步改進和調整直接投資外匯管理政策的通知，(匯發[2012]59號))(the "**SAFE Circular on FDI**"), which became effective on 17 December 2012 and was later amended on 4 May 2015. According to the SAFE Circular on FDI, SAFE removes or adjusts certain administrative licensing items with regard to foreign exchange administration over direct investments to promote investment, including, but not limited to, the abrogation of SAFE approval for opening of and payment into foreign exchange accounts under direct investment accounts, the abrogation of SAFE approval for reinvestment with legal income generated within the PRC of foreign investors, the simplification of the administration of foreign exchange reinvestments by foreign investment companies, and the abrogation of SAFE approval for purchase and external payment of foreign exchange under direct investment accounts.

On 3 December 2013, the MOFCOM promulgated the MOFCOM Circular, which became effective on 1 January 2014, to further facilitate FDI by simplifying and streamlining the applicable regulatory framework. The MOFCOM Circular replaced the 2011 MOFCOM Notice. Pursuant to the MOFCOM Circular, written approval from the appropriate office of MOFCOM and/or its local counterparts specifying "Renminbi Foreign Direct Investment" and the amount of capital contribution is required for each FDI. Compared with the 2011 MOFCOM Notice, the MOFCOM Circular no longer contains the requirements for central level MOFCOM approvals for investments of RMB300 million or above, or in certain industries, such as financial guarantee, financial leasing, micro-credit, auction, foreign invested investment companies, venture capital and equity investment vehicles, cement, iron and steel, electrolyse aluminium, ship building and other industries under the state macro regulation. Unlike the 2011 MOFCOM Notice, the MOFCOM Circular has also removed the approval requirement for foreign investors who intend to change the currency of their existing capital contribution from a foreign currency to Renminbi. In addition, the MOFCOM Circular also clearly prohibits FDI funds from being used for any investments in securities and financial derivatives (except for investments in PRC listed companies by strategic investors) or for entrustment loans in the PRC.

On 30 March 2015, SAFE promulgated the Notices of Reformation on Administration of Settlement of Capital Foreign Exchange of Foreign-invested Enterprises(關於改革外商投資外匯資本金結匯管理方式的通知(匯發[2015]19號)), which became effective on 1 June 2015. In order to further deepen the reform of the foreign exchange administration system, better satisfy and facilitate the needs of foreign-invested enterprises for business and capital operation, the SAFE has decided to reform the management approach regarding the settlement of the foreign exchange capital of foreign-invested enterprises nationwide on the basis of summarising the pilot experience of certain regions in the early days. The key points of this notice set out as the following:

- the foreign exchange capital of foreign-invested enterprises shall be subject to the discretional foreign exchange settlement;
- the capital in Renminbi obtained by foreign-invested enterprises from the discretionary settlement of foreign exchange capital shall be managed under the account pending for foreign exchange settlement payment;
- the use of capital by foreign-invested enterprises shall follow the principles of authenticity and self-use within the business scope of enterprises;
- facilitating foreign-invested enterprises in carrying out domestic equity investment with the capital obtained from foreign exchange settlement;
- further standardising the administration of payment by the capital obtained by foreign exchange settlement;
- administration of the settlement and use of the capital in other foreign exchange accounts under direct investment; and
- further strengthening the ex-post regulation as well as investigation on and punishment against violations by the foreign exchange bureaus.

Previously, Renminbi may only be converted for capital account expenses once the prior approval of the SAFE had been obtained. However, according to the Circular of the SAFE on Further Simplifying and Improving the Foreign Exchange Administration Policies of Foreign Direct Investment(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(匯發[2015]13號))issued on 28 February 2015, the SAFE authorised some qualified local banks in the PRC to carry out foreign exchange procedures in relation to inbound and outbound investment from 1 June 2015.

On 26 January 2017, the SAFE issued the Notice on Further Promoting the Reform of Foreign Exchange Administration and Improving the Examination of Authenticity and Compliance(國家外匯管理局關於進一步推進外匯管理改革完善真實合規性審核政策的通知(匯發[2017]3號))to further advance the reform of foreign exchange administration, such as:

- settlement of domestic foreign exchange loans are allowed for export trade in goods. A domestic institution shall repay loans with the foreign exchange funds received from export trade in goods, rather than, in principle, purchased foreign exchange;
- a debtor may directly or indirectly repatriate the funds under guarantee and use them domestically by, among others, granting loans and making equity investment domestically. Where a bank performs its guarantee obligation under overseas loans with domestic guarantee, relevant foreign exchange settlement and sale shall be managed as the bank's own foreign exchange settlement and sale;

- the deposits absorbed by a domestic bank through its principal international foreign exchange account and allowed to be used domestically are no more than 100 per cent. of the average daily deposit balance in the previous six months as opposed to the former 50 per cent. The funds used domestically are not included in the bank's outstanding short-term external debt quota;

- allowing foreign exchange settlement in the domestic foreign exchange accounts of overseas institutions within pilot free trade zones: Where funds are repatriated and used domestically after settlement, a domestic bank shall, under the relevant provisions on cross-border transactions, handle such funds by examining the valid commercial documents and vouchers of domestic institutions and domestic individuals; and

- where a domestic institution grants overseas loans, the total of the balance of overseas loans granted in domestic currency and the balance of overseas loans granted in foreign currency shall not exceed 30 per cent. of owner's equity in the audited financial statements of the previous year.

Since September 2015, qualified multinational enterprise groups can extend Renminbi-denominated loans to, or borrow Renminbi-denominated loans from, eligible offshore member entities within the same group by leveraging the cash pooling arrangements. The Renminbi funds will be placed in a special deposit account and may not be used to invest in stocks, financial derivatives, or non-self-use real estate assets, or purchase wealth management products or extend loans to enterprises outside the group.

The securities markets, specifically the Renminbi Qualified Foreign Institutional Investor ("**RQFII**") regime and the China Interbank Bond Market ("**CIBM**"), have been further liberalised for foreign investors. The PBOC has relaxed the quota control for RQFII, initiated a bond market mutual access scheme between mainland and Hong Kong to allow eligible investors to invest in CIBM and has also expanded the list of foreign investors eligible to directly invest in CIBM, removed quota restriction, and granted more flexibility for the settlement agents to provide the relevant institutions with more trading facilities (for example, in relation to derivatives for hedging foreign exchange risk).

The interbank foreign exchange market is also opening up. In 2018, CFETS further relaxed qualifications, application materials and the procedures for foreign participating banks (which needs to have a relatively large scale of Renminbi purchase and sale business and international influence) to access the inter-bank foreign exchange market.

On 23 October 2019, the SAFE promulgated *Notice by the State Administration of Foreign Exchange of Simplifying Foreign Exchange Accounts*(國家外匯管理局關於精簡外匯帳戶的通知,匯發[2019]29號) which became effective on 1 February 2020, according to which, several measures were taken to intensify, for example, "Capital accounts – special account for domestic reinvestment" is included in "capital accounts – foreign exchange capital account".

On the same day, the SAFE issued *Notice by the State Administration of Foreign Exchange of Further Facilitating Cross-border Trade and Investment*(國家外匯管理局關於進一步促進跨境貿易投資便利化的通知,匯發[2019]28號) in order to further promote the reform of "simplification of administrative procedures and decentralization of powers, combination of decentralization and appropriate control, and optimization of services". It cancelled restrictions on the use of funds in domestic asset realization accounts for foreign exchange settlement and restrictions on the number of opened foreign exchange accounts under capital accounts.

Recent reforms introduced were aimed at controlling the remittance of Renminbi for payment of transactions categorised as capital account items. There is no assurance that the PRC government will continue to gradually liberalise the control over Renminbi payments of capital account item transactions in the future. The relevant regulations are relatively new and 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.

SUBSCRIPTION AND SALE

DEALER AGREEMENT

Subject to the terms and on the conditions contained in the dealer agreement dated 4 July 2024 (such Dealer Agreement as modified and/or supplemented and/or restated from time to time, the "**Dealer Agreement**") made between the Bank, the Hong Kong Branch, the Arranger and the Permanent Dealer, the Notes will be offered on a continuous basis by the Issuer to the Permanent Dealer. 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 the Issuer through the Dealers, acting as agents of the Issuer. The 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 will reimburse the Arranger for certain of their expenses incurred in connection with the establishment and update of the Programme and the Dealers for certain of their activities in connection with the Programme. The commissions in respect of an issue of Notes on a syndicated basis will be stated in the relevant subscription agreement.

The Issuer will indemnify the Dealers against certain liabilities in connection with the offer and sale of the Notes. The 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.

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the Stabilisation Manager(s) (or person(s) 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, stabilisation may not necessarily occur. 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 cease 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 date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilisation Manager(s) (or person(s) acting on behalf of any Stabilisation Manager(s)) in accordance with all applicable laws and rules. Any loss or profit sustained as a consequence of any such over-allotment or stabilisation shall be for the account of the relevant Dealers.

The Arranger, the Dealers and 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**"). The Arranger, the Dealers or any of their respective affiliates may have, from time to time, performed, and may in the future perform, various Banking Services or Transactions with or for the Issuer and/or its affiliates for which they have received, or will receive, fees and expenses and may, from time to time, engage in transactions with and perform services for the Issuer and/or its affiliates in the ordinary course of the Issuer's or their business.

In the ordinary course of their various business activities, the Arranger, 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, the Bank or the Hong Kong Branch, including the Notes and could adversely affect the trading price and liquidity of the relevant Notes. The Arranger, 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, the Bank or the Hong Kong Branch and may recommend to their clients that they acquire long and/or short positions in the Notes or other financial instruments of the Issuer, the Bank or the Hong Kong Branch.

In connection with each Tranche of Notes issued under the Programme, the Dealers or certain of their affiliates or affiliates of the Issuer may purchase Notes and be allocated Notes for asset management and/or proprietary purposes but not with a view to distribution. Further, the Dealers and/or their respective affiliates or affiliates of the Issuer may act as investors and place orders, receive allocations and purchase and trade Notes for their own account (without a view to distributing such Notes) and such orders and/or allocations and/or trades 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 Bank, the Hong Kong Branch, the Arranger, the Dealers and/or their respective affiliates, or affiliates of the Issuer as investors 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. If such transactions occur, the trading price and liquidity of such Notes may be impacted.

Furthermore, it is possible that a significant proportion of a Series of the Notes may be initially allocated to, and subsequently held by, a limited number of investors. If this is the case, the trading price and liquidity of trading in such Notes may be constrained. The Issuer, the Bank, the Hong Kong Branch and the Dealers are under no obligation to disclose the extent of the distribution of the Notes amongst individual investors, otherwise than in accordance with any applicable legal or regulatory requirements.

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 Dealers in respect of each CMI Offering.

Prospective investors who are the directors, employees or major shareholders of the Issuer, a CMI or its group companies would be considered under the SFC Code as having an Association with the 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 Issuer or any CMI (including its group companies) and inform the relevant Dealers 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 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 Dealers 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 Dealer(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:

(a) The name of each underlying investor;

(b) A unique identification number for each investor;

(c) Whether an underlying investor has any "Associations" (as used in the SFC Code);

(d) Whether any underlying investor order is a "Proprietary Order" (as used in the SFC Code);

(e) 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 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 Dealers 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 Dealers with such evidence within the timeline requested.

UNITED STATES

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that:

(a) 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, in certain circumstances, to, or for the account or benefit of, U.S. persons) except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the Securities Act.

(b) Bearer Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Bearer Notes will be issued in accordance with the provisions of U.S. Treasury Regulation or section 1.163-5(c)(2)(i)(D), unless the relevant Pricing Supplement specifies that Notes will be issued in accordance with the provision of U.S. Treasury Regulation or section 1.163-5(c)(2)(i)(C). The applicable Pricing Supplement will identify whether TEFRA C rules or TEFRA D rules apply or whether TEFRA is not applicable.

(c) In connection with any Notes which are offered or sold outside the United States in reliance on exemption from the registration requirements of the Securities Act provided under Category 1 of Regulation S ("**Category 1 of Regulation S Notes**"), 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, and 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. In addition, until 40 days after the commencement of the offering of any identifiable tranche of such Notes, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act. Each Dealer has represented, and each further Dealer appointed under the Programme will be required to, represent that it has not entered and agrees that it will not enter into any contractual arrangement with any distributor (as such term is defined in Regulation S) with respect to the distribution or delivery of the Notes, except with its affiliates or with the prior written consent of the Issuer.

(d) In connection with any Notes which are offered or sold outside the United States in reliance on an exemption from the registration requirements of the Securities Act provided under Category 2 of Regulation S ("**Category 2 of Regulation S Notes**"), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has offered, sold and delivered, and it will offer, sell or deliver such Category 2 of Regulation S Notes (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution 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 has further agreed, and each further Dealer appointed under the Programme will be required to agree, that, at or prior to confirmation of sale of Category 2 of Regulation S Notes, it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases any Category 2 of Regulation S Notes from it during the distribution compliance period a confirmation or notice setting forth the restrictions on offers and sales of the Category 2 of Regulation S Notes within the United States or to, or for the account or benefit of, U.S. persons. Each Dealer has represented, and each further Dealer appointed under the Programme will be required to, represent that it has not entered and agrees that it will not enter into any contractual arrangement with any distributor (as such term is defined in Regulation S) with respect to the distribution or delivery of the Notes, except with its affiliates or with the prior written consent of the Issuer.

(e) Until 40 days after the commencement of the offering of any Series of Notes, an offer or sale of such Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

PROHIBITION OF SALES TO UK RETAIL INVESTORS

Unless the Pricing Supplement in respect of any Notes specifies "Prohibition of Sales to UK Retail Investors" as "Not Applicable", 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 United Kingdom. For the purposes of this provision:

(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 European Union (Withdrawal) Act 2018 ("**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 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 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.

If the Pricing Supplement in respect of any Notes specifies "Prohibition of Sales to UK Retail Investors" as "Not Applicable", 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 the United Kingdom except that it may make an offer of such Notes to the public in the United Kingdom:

(a) if the Pricing Supplement in relation to the Notes specifies that an offer of those Notes may be made other than pursuant to section 86 of the FSMA (a "**Public Offer**"), following the date of publication of a prospectus in relation to such Notes which either (i) has been approved by the Financial Conduct Authority, or (ii) is to be treated as if it had been approved by the Financial Conduct Authority in accordance with the transitional provision in Regulation 74 of the Prospectus (Amendment etc.) (EU Exit) Regulations 2019, provided that any such prospectus has subsequently been completed by the Pricing Supplement contemplating such Public Offer, in the period beginning and ending on the dates specified in such prospectus or Pricing Supplement, as applicable and the Issuer has consented in writing to its use for the purpose of that Public Offer;

(b) at any time to any legal entity which is a qualified investor as defined in Article 2 of the UK Prospectus Regulation;

(c) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in Article 2 of the UK Prospectus Regulation) in the United Kingdom subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(d) at any time in any other circumstances falling within section 86 of the FSMA,

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 section 85 of the FSMA or supplement a prospectus pursuant to Article 23 of the UK Prospectus Regulation.

For the purposes of this provision, the expression an "**offer of Notes to the public**" in relation to any Notes 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 "**UK Prospectus Regulation**" means Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA.

SELLING RESTRICTIONS ADDRESSING ADDITIONAL UNITED KINGDOM SECURITIES LAWS

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree that, except as permitted by the relevant subscription agreement:

(a) in relation to any Notes which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) 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 Acts 2000 (the "**FSMA**") by the Issuer;

(b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an 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

(c) 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 United Kingdom.

PROHIBITION OF SALES TO EEA RETAIL INVESTORS

Unless the Pricing Supplement in respect of any Notes specifies "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", 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 European Economic Area. For the purposes of this provision:

(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 Directive 2014/65/EU (as amended, "**MiFID II**"); or

(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 the Prospectus Regulation (as defined below); 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.

If the Pricing Supplement in respect of any Notes specifies "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", in relation to each Member State of the European Economic Area, 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 Member State except that it may make an offer of such Notes to the public in that Member 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 Member 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 Member State or, where appropriate, approved in another Member State and notified to the competent authority in that Member 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 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 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 Member 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.

SINGAPORE

If the Pricing Supplement in respect of any Notes specifies "Singapore Sales to Institutional Investors and Accredited Investors only" as "Applicable", 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, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it has not offered or sold any Notes or caused such Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell such Notes or cause such 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 such 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 (2020 Revised Edition) of Singapore, as modified or amended from time to time (the "**SFA**")) pursuant to Section 274 of the SFA, or (ii) to an accredited investor (as defined in Section 4A of the SFA) pursuant to and in accordance with the conditions specified in Section 275 of the SFA.

If the Pricing Supplement in respect of any Notes specifies "Singapore Sales to Institutional Investors and Accredited Investors only" as "Not Applicable", 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, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it has not offered or sold any Notes or caused such Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell such Notes or cause such 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 such Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the SFA pursuant to Section 274 of the SFA), (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

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 "**FIEA**"). 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 offer or sell any Notes in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

HONG KONG

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(a) 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 (i) to "professional investors" as defined in the SFO and any rules made under the SFO, or (ii) 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

(b) 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.

PEOPLE'S REPUBLIC OF CHINA

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 or indirectly, in the People's Republic of China (for such purposes, not including the Hong Kong Special Administrative Region and Macau Special Administrative Region of the People's Republic of China or Taiwan), except as permitted by the securities laws of the People's Republic of China.

UNITED ARAB EMIRATES (EXCLUDING THE DUBAI INTERNATIONAL FINANCIAL CENTRE)

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Notes to be issued under the Programme have not been and will not be offered, sold or publicly promoted or advertised by it in the United Arab Emirates other than in compliance with any laws applicable in the United Arab Emirates governing the issue, offering and sale of securities.

DUBAI INTERNATIONAL FINANCIAL CENTRE

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 and will not offer the Notes to be issued under the Programme to any person in the Dubai International Financial Centre unless such offer is:

(a) an "Exempt Offer" in accordance with the Markets Rules (MKT) Module of the Dubai Financial Services Authority rulebook; and

(b) made only to persons who meet the Professional Client criteria set out in Rule 2.3.3 of the Conduct of Business Module of the Dubai Financial Services Authority rulebook.

KINGDOM OF SAUDI ARABIA

No action has been or will be taken in the Kingdom of Saudi Arabia that would permit a public offering of the Notes. Any investor in the Kingdom of Saudi Arabia or who is a Saudi person (a "**Saudi Investor**") who acquires any Notes pursuant to an offering should note that the offer of Notes is a private placement under Article 10 and/or Article 11 of the "Offers of Securities Regulations" as issued by the Board of the Capital Market Authority resolution number 2-11-2004 dated 4 October 2004 and amended by the Board of the Capital Market Authority resolution number 1-28-2008 dated 18 August 2008 (the "**KSA Regulations**") through a person authorised by the Capital Market Authority ("**CMA**") to carry on the securities activity of arranging and following a notification to the CMA under the KSA Regulations.

The Notes may thus not be advertised, offered or sold to any person in the Kingdom of Saudi Arabia other than to "Sophisticated Investors" under Article 10 of the KSA Regulations or by way of a limited offer under Article 11 of the KSA Regulations. Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that any offer of Notes to a Saudi Investor will be made in compliance with the KSA Regulations.

Each offer of Notes shall not therefore constitute a "public offer" pursuant to the KSA Regulations, but is subject to the restrictions on secondary market activity under Article 17 of the KSA Regulations. Any Saudi Investor who has acquired Notes pursuant to a private placement under Article 10 and/or Article 11 of the KSA Regulations may not offer or sell those Notes to any person unless the offer or sale is made through an authorised person appropriately licensed by the Saudi Arabian Capital Market Authority and: (a) the Notes are offered or sold to a Sophisticated Investor; (b) the price to be paid for the Notes in any one transaction is equal to or exceeds Saudi Riyal 1 million or an equivalent amount; or (c) the offer or sale is otherwise in compliance with Article 17 of the KSA Regulations.

KINGDOM OF BAHRAIN

Each Dealer has represented and agreed, and each Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold, and will not offer or sell, any Notes except on a private placement basis to persons in the Kingdom of Bahrain who are "accredited investors"

For this purpose, an "accredited investor" means:

(a) an individual holding financial assets (either singly or jointly with a spouse) of U.S.$1,000,000 or more;

(b) a company, partnership, trust or other commercial undertaking which has financial assets available for investment of not less than U.S.$1,000,000; or

(c) a government, supranational organisation, central bank or other national monetary authority or a state organisation whose main activity is to invest in financial instruments (such as a state pension fund).

STATE OF QATAR

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 delivered, and will not offer, sell or deliver, directly or indirectly, any Notes in the State of Qatar, including the Qatar Financial Centre, except (a) in compliance with all applicable laws and regulations of the State of Qatar, including the Qatar Financial Centre, and (b) through persons or corporate entities authorised and licensed to provide investment advice and/or engage in brokerage activity and/or trade in respect of foreign securities in the State of Qatar.

GENERAL

Each Dealer has agreed and each further Dealers appointed under the Programme will be required to agree that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Offering Circular and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and none of the Issuer and any other Dealer shall have any responsibility therefor.

None of the Issuer and any of the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction that would permit a public offering of any of the Notes, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating any such sale.

With regard to each Tranche, the relevant Dealer will be required to comply with any additional restrictions agreed between the Issuer and the relevant Dealer and set out in the applicable Pricing Supplement.

GENERAL INFORMATION

AUTHORISATION

1. Pursuant to the Notice on Further Regulating the Issuance of Debt Finance Instruments by Overseas Institutions (Guo Ji Ye Wu Bu [2014] No.222)(《關於進一步規範海外機構負債金融工具發行管理的通知》(國際業務部[2014]222號)), the Notice Concerning the Further Strengthening the Foreign Debt Business Management (Jian Zong Han (2014) No. 574)《關於進一步加強海外負債業務管理的通知》(建總函(2014)574號), the power of attorney (中國建設銀行股份有限公司授權委託書) issued by the Bank dated 10 April 2018, the power of attorney issued by the Bank dated 26 February 2024, the Approval of the MTN Programme Update of the Hong Kong Branch (Jian Zi Zhai (2017) No. 74)《關於更新香港分行中期票據計劃方案的批覆》(建資債(2017)74號), the Notice for Issuance of Overseas Green Bonds《關於組織發行境外綠色債券的通知》in relation to the MTN programme update of the Hong Kong Branch and the request for Instructions on the Recent Issuance of Medium and Long-term Overseas Bonds approved by Zhang Yi, the president of the Bank, dated 9 April 2025, the establishment and update of the Programme and the issue of the Notes thereunder have been duly authorised.

LISTING

2. Application has been made to the Hong Kong Stock Exchange for the listing of the Programme under which Notes may be issued to Professional Investors only during the 12-month period after the date of this Offering Circular. Separate application may be made for the listing of, and permission to deal in, the Notes on the Hong Kong Stock Exchange. The issue price of listed Notes on the Hong Kong Stock Exchange will be expressed as a percentage of their nominal amount.

NDRC APPROVAL

3. The Notes will be issued in accordance with either (i) the pre-issuance filing and registration with the NDRC to obtain the Enterprise Foreign Debt Examination and Registration Certificate (企業借用外債審核登記證明) prior to the issuance of the Notes under the Programme pursuant to the NDRC Order 56, or (ii) the then applicable annual foreign debt quota granted by the NDRC to the Bank for any issuance of the Notes pursuant to the NDRC Order 56.

4. In the case of (i), the Bank will make a pre-issuance registration with the NDRC, followed by post-issuance filings with the NDRC within the prescribed time following issuance of the Notes. In the case of (ii), the Bank is able to rely on such annual foreign debt quota granted by the NDRC and is not required to make any pre-issuance registration for issuance of the Notes within the annual foreign debt quota with the NDRC. However, the Bank will be required to make post-issuance filings with the NDRC within the prescribed time following issuance of the Notes and to provide the requisite information on the issuance of such Notes to the NDRC within the time period as required by the NDRC in accordance with the NDRC Order 56.

CLEARING SYSTEMS

5. The Notes to be issued under the Programme have been accepted for clearance through Euroclear and Clearstream. The appropriate Common Code and ISIN for each Tranche of Notes allocated by Euroclear and Clearstream will be specified in the applicable Pricing Supplement. The Issuer may also apply to have Notes accepted for clearance through the CMU Service. The relevant CMU instrument number will be specified in the applicable Pricing Supplement. If the Notes are to clear through an additional or alternative clearing system the appropriate information will be specified in the applicable Pricing Supplement.

6. The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels. The address of Clearstream, is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg. The address of the CMU Service is 55th Floor, Two International Finance Centre, 8 Finance Street, Central, Hong Kong.

LEGAL ENTITY IDENTIFIER

7. The legal entity identifier of the Bank is 5493001KQW6DM7KEDR62.

NO MATERIAL ADVERSE CHANGE

8. Save as disclosed in this Offering Circular, there has been no material adverse change in the financial or trading position of the Bank or of the Group since 31 December 2024 and there has been no material adverse change in the financial position or prospects of the Bank or of the Group since 31 December 2024.

LITIGATION

9. Save as disclosed in this Offering Circular, neither the Issuer nor any member of the Group is involved in any legal or arbitration proceedings (including any proceedings which are pending or threatened of which the Issuer is aware) which may have or have had in the 12 months preceding the date of this document a significant effect on the financial position of the Issuer or the Group.

INDEPENDENT AUDITORS

10. The independent auditor of the Bank is Ernst & Young, which is a Certified Public Accountant under The Hong Kong Institute of Certified Public Accountants.

11. The audited consolidated financial statements of the Group as at and for the years ended 31 December 2023 and 2024, which are included elsewhere in this Offering Circular, have been audited by Ernst & Young, independent auditor.

DOCUMENTS

12. So long as Notes are capable of being issued under the Programme, copies of the following documents (in the case of the documents specified in paragraphs (i) to (v) below, subject to receipt by the Fiscal Agent from the Bank or the Issuer of the same) will, when published, be available (upon written request and satisfactory proof of holding and identity), during usual business hours (being 9:00 a.m. (Hong Kong time) to 3:00 p.m. (Hong Kong time) on any weekday (Saturdays, Sundays and public holidays excepted), for inspection at the principal place of business of the Issuer for the time being at 28/F, CCB Tower, 3 Connaught Road Central, Central, Hong Kong and from the specified office of the Fiscal Agent for the time being at 3/F, CCB Tower, 3 Connaught Road Central, Central, Hong Kong:

    (i) the constitutional documents of the Bank;

    (ii) the audited consolidated financial statements of the Group in respect of the financial years ended 31 December 2023 and 2024 (in each case together with the audit report in connection therewith). The Bank currently prepares audited consolidated accounts on an annual basis;

    (iii) the most recent annual audited consolidated financial statements of the Bank and the most recently published unaudited consolidated interim financial statements of the Bank (if any);

    (iv) a copy of this Offering Circular together with any supplement to this Offering Circular and any other documents incorporated herein or therein; and

(v) any future offering circulars, prospectuses, information memoranda and supplements including Pricing Supplements (save that a Pricing Supplement will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the Issuer and the Paying Agent as to its holding of Notes and identity) to this Offering Circular and any other documents incorporated herein or therein by reference; and

(vi) the Fiscal Agency Agreement, the Deed of Covenant and the forms of the Global Notes, the Notes in definitive form, the Receipts, the Coupons and the Talons.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Note:

(1) The independent auditor's reports on the Group's consolidated financial statements for the year ended 31 December 2023 set out herein are reproduced from the annual report of the Group published on 25 April 2024 (the "**2023 Annual Report**"). The independent auditor's report on the Group's consolidated financial statements for the year ended 31 December 2024 set out herein are reproduced from the annual report of the Group published on 25 April 2025 (the "**2024 Annual Report**"). Page references referred to in the abovenamed reports refer to pages set out in the 2023 Annual Report or the 2024 Annual Report. These independent auditor's reports and the consolidated financial statements have not been specifically prepared for inclusion in this Offering Circular.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of China Construction Bank Corporation

(Established in the People's Republic of China with limited liability)

OPINION

We have audited the consolidated financial statements of China Construction Bank Corporation (the "Bank") and its subsidiaries (the "Group") set out on pages 227 to 365, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and relevant notes to the consolidated financial statements, including material accounting policy information.

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

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional 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 consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Expected credit losses for loans and advances to customers measured at amortised cost	
The Group determines and measures expected credit losses for loans and advances to customers measured at amortised cost, in accordance with IFRS 9 *Financial Instruments*. Significant judgments and assumptions are involved in the measurement of expected credit losses, for example: • Significant increase in credit risk - Criteria for determining whether significant increase in credit risk has occurred are highly judgmental, and may have a significant impact on expected credit losses for loans and advances to customers measured at amortised cost with longer outstanding maturities; • Models and parameters - Complex models, numerous inputs and parameters, including probability of default, loss given default, exposure at default, and risk grouping, are used to measure expected credit losses, involving plenty of management judgments and assumptions; • Forward-looking information – Macroeconomic forecasts are developed, and impacts on expected credit losses are considered for multiple probability-weighted economic scenarios; • Whether financial assets are credit-impaired - The determination of credit impairment requires consideration of multiple factors, and measurement of expected credit losses depends on estimates of future cash flows. As at 31 December 2023, loans and advances to customers measured at amortised cost amounted to RMB22,706,195 million, accounting for 59.25% of total assets. Allowances for impairment losses of such loans and advances totalled RMB778,223 million. As the measurement of expected credit losses involves many significant judgments and assumptions, we consider expected credit losses for loans and advances to customers measured at amortised cost a key audit matter. *Relevant disclosures are included in Note 4(3), Note 4(26)(b), Note 25 and Note 62(1) to the financial statements.*	We evaluated and tested the design and operating effectiveness of key controls over credit granting, post approval credit management, loan credit rating system, collateral management as well as management, implementation and monitoring of expected credit losses approach, including relevant data quality and information systems. We adopted a risk-based sampling approach in our loan review procedures, focusing on loans granted to industries affected by macroeconomic changes and to real estate enterprises with bond defaults and negative news coverage. We assessed the debtors' repayment capacity and evaluated the Group's judgment in rating loans, taking into consideration post-lending inspection reports, debtors' financial information, collateral valuation reports and other available information. With the support of our modelling specialists, we evaluated and tested the expected credit loss model, key parameters, and management's significant judgments and assumptions, mainly focusing on the following aspects: (1) Expected credit loss model: • Taking into account macroeconomic changes, industry risk factors, and results of validation, reassessment and optimisation of ECL model, we assessed the reasonableness of ECL model methodology and related parameters, including probability of default, loss given default, exposure at default, risk grouping, and whether there had been a significant increase in credit risk; • We assessed the forward-looking information used by management to determine expected credit losses, including the forecasts of macroeconomic variables and the assumptions and weightings of multiple macroeconomic scenarios; • We performed back-testing and assessed the reasonableness of management's determination of credit impairment. For credit-impaired loans and advances, we analysed the amount, timing and probability of management's estimated future cash flows, especially recoverable cash flows from collaterals. (2) Design and operating effectiveness of key controls: • With the support of our IT audit specialists, we evaluated and tested the data and processes used to determine expected credit losses, including loan business data, internal credit rating data, macroeconomic data, as well as the computational logic, inputs and system interfaces of the impairment assessment system; • We evaluated and tested key controls over the management, implementation and monitoring of expected credit losses approach, including approval of management system, important policies and models, key parameters and their adjustments, ongoing monitoring of model performance, model validation, monitoring and parameter calibration. We evaluated and tested the design and operating effectiveness of internal controls related to disclosures of credit risk exposures and expected credit losses.

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Consolidation assessment and disclosures of structured entities	
The Group holds interests in many different structured entities as a result of its business activities in asset management and asset securitisation. Such interests in structured entities include wealth management products("WMPs"), asset management plans, trust plans, funds, and asset-backed securities. As at 31 December 2023, the balance of unconsolidated structured entities initiated by the Group totalled RMB4,713,947 million. The Group needs to comprehensively consider the power it possesses, its exposure to variable returns, and its ability to use its power to affect returns to determine whether it has control over such structured entities, and therefore whether it should include them in the scope of consolidation. The assessment of the Group's control over structured entities involves significant judgements on factors such as the purpose and design of structured entities, the Group's ability to direct relevant activities, direct and indirect beneficial interests and returns, performance fees, and benefits received or losses incurred from providing credit enhancement or liquidity support. Comprehensive analysis of these factors and concluding on whether the Group has control involve significant management judgements and estimates. In view of the materiality and the complexity of management judgements, we consider consolidation assessment and disclosures of structured entities a key audit matter. *Relevant disclosures are included in Note 4(1), Note 4(26)(f) and Note 28 to the financial statements.*	We evaluated and tested the design and operating effectiveness of key controls over the Group's assessment of whether it controls a structured entity. We assessed the Group's analysis and conclusions on whether it controls structured entities based on the Group's analysis on its power over these structured entities, the magnitude and variability of the variable returns from its involvement with structured entities and linkage between these two matters on the basis of comprehensive consideration of all relevant facts and circumstances. We analysed whether the Group has legal or constructive obligations to ultimately absorb losses from structured entities through inspection of contractual documents, which included examining, on a sampling basis, whether the Group has provided liquidity support or credit enhancement to structured entities initiated by itself, such as wealth management products. We evaluated and tested the design and operating effectiveness of internal controls related to disclosures of unconsolidated structured entities.
Valuation of financial instruments	
The fair values of the Group's financial instruments measured at fair value are determined either by active market quotes or valuation techniques. Valuation techniques are used to determine the fair value of financial instruments that do not have quoted prices in active markets, such as investments in unlisted equity, private fund investments and certain debt investments. These techniques may involve the use of significant unobservable inputs requiring assumptions and estimates based on management's subjective judgements. Valuation results can vary significantly under different valuation techniques or assumptions. As at 31 December 2023, the carrying amount of the Group's financial assets measured at fair value totalled RMB3,985,661 million, accounting for 10.40% of total assets. Given the higher uncertainty in valuation results, financial instruments whose fair value measurement involves significant unobservable inputs are categorised as level 3 within the fair value hierarchy. As at 31 December 2023, RMB171,891 million or 4.31% of financial assets measured at fair value were categorised as Level 3. Given the materiality of the balance and the significant judgements involved in fair value measurement of Level 3 financial instruments, we consider valuation of financial instruments a key audit matter. *Relevant disclosures are included in Note 4(3), Note 4(26)(c), Note 23, Note 25, Note 26 and Note 62(5) to the consolidated financial statements.*	We evaluated and tested the design and operating effectiveness of key controls over the valuation of financial instruments. We selected samples to perform audit procedures and evaluated the appropriateness of valuation techniques, inputs, assumptions and comparable companies adopted by CCB, including comparison with valuation techniques commonly used in the market by industry peers, validation of observable inputs using external market data, and comparison with valuation results calculated using various pricing sources. For financial instruments whose valuations were calculated using significant unobservable inputs, as in the case of investments in unlisted equity, private fund investments and certain debt investments, we involved our valuation specialists to assess the valuation model for such financial instruments, performed independent valuations on selected samples and compared the valuation results with those of the Group. We evaluated and tested the design and operating effectiveness of internal controls related to disclosures of fair value.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The directors of the Bank are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

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

The engagement partner on the audit resulting in this independent auditor's report is *Choi Kam Cheong, Geoffrey*.

Ernst & Young

Certified Public Accountants

Hong Kong

28 March 2024

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2023 (EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

	Note	2023	2022 (Restated)
Interest income		**1,247,366**	1,170,573
Interest expense		**(630,133)**	(526,904)
Net interest income	6	**617,233**	643,669
Fee and commission income		**129,906**	130,830
Fee and commission expense		**(14,160)**	(14,745)
Net fee and commission income	7	**115,746**	116,085
Net trading gain	8	**5,685**	3,632
Dividend income	9	**5,712**	6,135
Net loss arising from investment securities	10	**(222)**	(9,062)
Net gain on derecognition of financial assets measured at amortised cost	11	**946**	322
Other operating income/(expense), net:			
– Other operating income		**25,223**	22,800
– Other operating expense		**(24,708)**	(26,071)
Other operating income/(expense), net	12	**515**	(3,271)
Operating income		**745,615**	757,510
Operating expenses	13	**(220,152)**	(219,991)
		525,463	537,519
Credit impairment losses	14	**(136,774)**	(154,535)
Other impairment losses	15	**(463)**	(479)
Share of profits of associates and joint ventures		**1,151**	1,194
Profit before tax		**389,377**	383,699
Income tax expense	18	**(56,917)**	(58,836)
Net profit		**332,460**	324,863

The notes on pages 235 to 365 form part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2023 (EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

	Note	2023	2022 (Restated)
Other comprehensive income:			
(1) Other comprehensive income that will not be reclassified to profit or loss			
Remeasurements of post-employment benefit obligations		**(54)**	(275)
Fair value changes of equity instruments designated as measured at fair value through other comprehensive income		**153**	(211)
Others		**39**	33
Subtotal		**138**	(453)
(2) Other comprehensive income that may be reclassified subsequently to profit or loss			
Fair value changes of debt instruments measured at fair value through other comprehensive income		**8,256**	(12,096)
Allowances for credit losses of debt instruments measured at fair value through other comprehensive income		**(1,234)**	3,157
Reclassification adjustments included in profit or loss due to disposals		**(439)**	11
Net gain on cash flow hedges		**201**	485
Exchange difference on translating foreign operations		**4,115**	8,712
Others		**(6,424)**	(3,114)
Subtotal		**4,475**	(2,845)
Other comprehensive income for the year, net of tax		**4,613**	(3,298)
Total comprehensive income for the year		**337,073**	321,565
Net profit attributable to:			
Equity shareholders of the Bank		**332,653**	324,727
Non-controlling interests		**(193)**	136
		332,460	324,863
Total comprehensive income attributable to:			
Equity shareholders of the Bank		**339,257**	322,724
Non-controlling interests		**(2,184)**	(1,159)
		337,073	321,565
Basic and diluted earnings per share (in RMB yuan)	19	**1.31**	1.28

The notes on pages 235 to 365 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2023 (EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

	Note	31 December 2023	31 December 2022 (Restated)
Assets:			
Cash and deposits with central banks	20	**3,066,058**	3,159,296
Deposits with banks and non-bank financial institutions	21	**148,218**	185,423
Precious metals		**59,429**	39,119
Placements with banks and non-bank financial institutions	22	**675,270**	509,786
Positive fair value of derivatives	23	**43,840**	49,308
Financial assets held under resale agreements	24	**979,498**	1,040,847
Loans and advances to customers	25	**23,083,377**	20,493,042
Financial investments	26		
Financial assets measured at fair value through profit or loss		**602,303**	568,097
Financial assets measured at amortised cost		**6,801,242**	5,958,397
Financial assets measured at fair value through other comprehensive income		**2,234,731**	2,015,818
Long-term equity investments	27	**20,983**	22,700
Fixed assets	29	**159,948**	157,014
Construction in progress	30	**7,423**	9,971
Land use rights	31	**12,911**	13,225
Intangible assets	32	**6,540**	6,496
Goodwill	33	**2,456**	2,256
Deferred tax assets	34	**121,227**	113,081
Other assets	35	**299,372**	256,835
Total assets		**38,324,826**	34,600,711
Liabilities:			
Borrowings from central banks	37	**1,155,634**	774,779
Deposits from banks and non-bank financial institutions	38	**2,792,066**	2,584,271
Placements from banks and non-bank financial institutions	39	**407,722**	365,760
Financial liabilities measured at fair value through profit or loss	40	**252,179**	289,100
Negative fair value of derivatives	23	**41,868**	46,747
Financial assets sold under repurchase agreements	41	**234,578**	242,676
Deposits from customers	42	**27,654,011**	25,020,807
Accrued staff costs	43	**52,568**	49,355
Taxes payable	44	**73,580**	84,169
Provisions	45	**43,344**	50,726
Debt securities issued	46	**1,895,735**	1,646,870
Deferred tax liabilities	34	**1,724**	881
Other liabilities	47	**547,743**	568,326
Total liabilities		**35,152,752**	31,724,467

The notes on pages 235 to 365 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2023 (EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

	Note	31 December 2023	31 December 2022 (Restated)
Equity:			
Share capital	48	**250,011**	250,011
Other equity instruments	49		
Preference shares		**59,977**	59,977
Perpetual bonds		**139,991**	79,991
Capital reserve	50	**135,619**	135,653
Other comprehensive income	51	**23,981**	17,403
Surplus reserve	52	**369,906**	337,527
General reserve	53	**496,255**	444,786
Retained earnings	54	**1,674,405**	1,530,102
Total equity attributable to equity shareholders of the Bank		**3,150,145**	2,855,450
Non-controlling interests		**21,929**	20,794
Total equity		**3,172,074**	2,876,244
Total liabilities and equity		**38,324,826**	34,600,711

Approved and authorised for issue by the Board of Directors on 28 March 2024.

Zhang Jinliang	**Kenneth Patrick Chung**	**William Coen**
Chairman and executive director	*Independent non-executive director*	*Independent non-executive director*

The notes on pages 235 to 365 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2023 (EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

	Attributable to equity shareholders of the Bank									
		Other equity instruments								
	Share capital	Preference shares	Perpetual bonds	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Non-controlling interests	Total equity
As at 31 December 2022	250,011	59,977	79,991	135,653	20,793	337,527	444,786	1,527,995	22,027	2,878,760
Change in accounting policy (Note 3)	–	–	–	–	(3,390)	–	–	2,107	(1,233)	(2,516)
As at 1 January 2023	250,011	59,977	79,991	135,653	17,403	337,527	444,786	1,530,102	20,794	2,876,244
Movements during the year	–	–	60,000	(34)	6,578	32,379	51,469	144,303	1,135	295,830
(1) Total comprehensive income for the year	–	–	–	–	6,604	–	–	332,653	(2,184)	337,073
(2) Changes in share capital										
i Capital injection/(deduction) by other equity instruments holder	–	–	60,000	(13)	–	–	–	–	1,999	61,986
ii Establishment of subsidiaries	–	–	–	–	–	–	–	–	1,429	1,429
iii Acquisition of subsidiaries	–	–	–	–	–	–	–	–	92	92
(3) Profit distribution										
i Appropriation to surplus reserve	–	–	–	–	–	32,379	–	(32,379)	–	–
ii Appropriation to general reserve	–	–	–	–	–	–	53,633	(53,633)	–	–
iii Dividends to ordinary shareholders	–	–	–	–	–	–	–	(97,254)	–	(97,254)
iv Dividends to other equity instruments holders	–	–	–	–	–	–	–	(5,110)	–	(5,110)
v Dividends to non-controlling interests holders	–	–	–	–	–	–	–	–	(201)	(201)
(4) Internal transfer within owner's equity										
i Other comprehensive income transferred to retained earnings	–	–	–	–	(26)	–	–	26	–	–
(5) Others	–	–	–	(21)	–	–	(2,164)	–	–	(2,185)
As at 31 December 2023	250,011	59,977	139,991	135,619	23,981	369,906	496,255	1,674,405	21,929	3,172,074

The notes on pages 235 to 365 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022 (EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

	Attributable to equity shareholders of the Bank									
		Other equity instruments								
	Share capital	Preference shares	Perpetual bonds	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Non-controlling interests	Total equity
As at 31 December 2021	250,011	59,977	39,991	134,925	21,338	305,571	381,621	1,394,797	25,891	2,614,122
Change in accounting policy (Note 3)	–	–	–	–	(1,932)	–	–	1,241	(665)	(1,356)
As at 1 January 2022	250,011	59,977	39,991	134,925	19,406	305,571	381,621	1,396,038	25,226	2,612,766
Movements during the year	–	–	40,000	728	(2,003)	31,956	63,165	134,064	(4,432)	263,478
(1) Total comprehensive income for the year	–	–	–	–	(2,003)	–	–	324,727	(1,159)	321,565
(2) Changes in share capital										
i Capital injection/(deduction) by other equity instruments holder	–	–	40,000	(9)	–	–	–	–	(3,335)	36,656
ii Acquisition of subsidiaries	–	–	–	–	–	–	–	–	32	32
iii Change in shareholdings in subsidiaries	–	–	–	737	–	–	–	–	462	1,199
(3) Profit distribution										
i Appropriation to surplus reserve	–	–	–	–	–	31,956	–	(31,956)	–	–
ii Appropriation to general reserve	–	–	–	–	–	–	63,165	(63,165)	–	–
iii Dividends to ordinary shareholders	–	–	–	–	–	–	–	(91,004)	–	(91,004)
iv Dividends to other equity instruments holders	–	–	–	–	–	–	–	(4,538)	–	(4,538)
v Dividends to non-controlling interests holders	–	–	–	–	–	–	–	–	(432)	(432)
As at 31 December 2022 (Restated)	250,011	59,977	79,991	135,653	17,403	337,527	444,786	1,530,102	20,794	2,876,244

The notes on pages 235 to 365 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2023 (EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

	Note	2023	2022 (Restated)
Cash flows from operating activities:			
Profit before tax		**389,377**	383,699
Adjustments for:			
– Credit impairment losses	14	**136,774**	154,535
– Other impairment losses	15	**463**	479
– Depreciation and amortisation		**29,081**	28,482
– Interest income from impaired financial assets		**(5,491)**	(5,021)
– Revaluation loss on financial instruments measured at fair value through profit or loss		**3,615**	12,422
– Share of profits of associates and joint ventures		**(1,151)**	(1,194)
– Dividend income	9	**(5,712)**	(6,135)
– Unrealised foreign exchange (gain)/loss		**(278)**	2,869
– Interest expense on bonds issued		**26,394**	23,981
– Interest income from investment securities and net income from disposal		**(277,869)**	(247,003)
– Net gain on disposal of fixed assets and other long-term assets		**(299)**	(251)
		294,904	346,863
Changes in operating assets:			
Net increase in deposits with central banks and with banks and non-bank financial institutions		**(111,364)**	(152,657)
Net increase in placements with banks and non-bank financial institutions		**(136,228)**	(175,859)
Net decrease/(increase) in financial assets held under resale agreements		**61,463**	(490,627)
Net increase in loans and advances to customers		**(2,704,137)**	(2,371,221)
Net decrease/(increase) in financial assets held for trading purposes		**12,956**	(17,420)
Net (increase)/decrease in other operating assets		**(83,767)**	63,684
		(2,961,077)	(3,144,100)
Changes in operating liabilities:			
Net increase in borrowings from central banks		**376,760**	86,362
Net increase in deposits from customers and from banks and non-bank financial institutions		**2,774,550**	3,155,433
Net increase in placements from banks and non-bank financial institutions		**34,091**	41,405
Net (decrease)/increase in financial liabilities measured at fair value through profit or loss		**(37,045)**	71,010
Net (decrease)/increase in financial assets sold under repurchase agreements		**(9,008)**	207,137
Net increase in certificates of deposit issued		**211,835**	213,154
Income tax paid		**(76,965)**	(79,283)
Net increase in other operating liabilities		**34,805**	80,438
		3,309,023	3,775,656
Net cash from operating activities		**642,850**	978,419

The notes on pages 235 to 365 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2023 (EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

	Note	2023	2022 (Restated)
Cash flows from investing activities:			
Proceeds from sales and redemption of financial investments		**1,923,430**	1,795,566
Interest and dividends received		**268,039**	251,007
Proceeds from disposal of fixed assets and other long-term assets		**4,312**	3,743
Purchase of investment securities		**(2,990,814)**	(2,674,813)
Acquisition of subsidiaries, associates and joint ventures		**(1,128)**	(3,420)
Purchase of fixed assets and other long-term assets		**(25,093)**	(23,751)
Net cash used in investing activities		**(821,254)**	(651,668)
Cash flows from financing activities:			
Issue of bonds		**148,642**	145,495
Proceeds from issuance of other equity instruments		**59,987**	39,991
Cash received from subsidiaries' capital injection by non-controlling interests holders		**3,428**	–
Dividends paid		**(102,565)**	(95,855)
Repayment of borrowings		**(122,748)**	(62,388)
Interest paid on bonds issued		**(26,113)**	(22,369)
Cash payment for redemption of other equity instruments held by non-controlling interests		**–**	(3,335)
Cash payment for other financing activities		**(7,958)**	(7,964)
Net cash used in financing activities		**(47,327)**	(6,425)
Effect of exchange rate changes on cash and cash equivalents		**7,542**	17,726
Net (decrease)/increase in cash and cash equivalents		**(218,189)**	338,052
Cash and cash equivalents as at 1 January	55	**1,143,652**	805,600
Cash and cash equivalents as at 31 December	55	**925,463**	1,143,652
Cash flows from operating activities include:			
Interest received, excluding interest income from investment securities		**954,466**	900,690
Interest paid, excluding interest expense on bonds issued		**(560,213)**	(445,991)

The notes on pages 235 to 365 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

1 Company information

The history of China Construction Bank Corporation (the "Bank") dates back to 1954, which was previously known as the People's Construction Bank of China when it was established. It was responsible for the management and distribution of government funds for construction and infrastructure related projects under the state economic plan. The People's Construction Bank of China gradually evolved into a comprehensive commercial bank following the takeover of the Bank's function of granting policy loans by China Development Bank in 1994. In 1996, the People's Construction Bank of China changed its name to China Construction Bank ("the former CCB"). On 17 September 2004, China Construction Bank Corporation was established in the People's Republic of China (the "PRC") as a result of a separation procedure undertaken by its predecessor, China Construction Bank. In October 2005 and September 2007, the Bank's H shares and A shares were listed on the Hong Kong Stock Exchange (Stock Code: 939) and the Shanghai Stock Exchange (Stock Code: 601939), successively. As at 31 December 2023, the Bank issued the total ordinary share capital of RMB250,011 million, with a par value of RMB1.00 per share.

The Bank obtained its finance permit No.B0004H111000001 from the China Banking Regulatory Commission ("CBRC") (In 2023, the regulator was renamed the National Administration of Financial Regulation, hereinafter referred to as the "NFRA") of the PRC. The Bank obtained its unified social credit code No.911100001000044477 from the Beijing Administration for Industry and Commerce. The registered office of the Bank is located at No.25, Finance Street, Xicheng District, Beijing, the PRC.

The principal activities of the Bank and its subsidiaries (collectively the "Group") are the provision of corporate finance business, personal finance business, treasury and asset management business and others. The Group mainly operates in the Chinese mainland and also has a number of overseas branches and subsidiaries. For the purpose of these financial statements, the Chinese mainland refers to the PRC excluding the Hong Kong Special Administrative Region of the PRC ("Hong Kong"), the Macau Special Administrative Region of the PRC ("Macau") and Taiwan. Overseas refers to countries and regions other than the Chinese mainland.

The Bank is under the supervision of the banking regulators empowered by the State Council of the PRC (the "State Council"). The overseas financial institutions of the Bank are required to comply with the regulatory requirements of their respective local jurisdictions. Central Huijin Investment Ltd. ("Huijin"), a wholly-owned subsidiary of China Investment Corporation ("CIC"), exercises its rights and obligations as an investor in accordance with laws on behalf of the PRC government.

These financial statements were authorised for issue by the Board of Directors of the Bank on 28 March 2024.

2 Basis of preparation

The Group uses the calendar year as the accounting year, which is from 1 January to 31 December.

These financial statements comprise the Bank and its subsidiaries and the Group's interests in associates and joint ventures.

(1) Basis of measurement

These financial statements have been prepared on the historical cost basis except that: (i) financial instruments at fair value through profit or loss are measured at fair value; (ii) derivatives are measured at fair value; (iii) financial assets measured at fair value through other comprehensive income are measured at fair value; (iv) non-current assets or disposal groups held for sale are measured at the lower of carrying amount and fair value less costs to sell; and (v) certain non-financial assets are measured at revalued amount. The measurement basis of major assets and liabilities is further explained in Note 4.

(2) Functional and presentation currency

These financial statements are presented in RMB, unless otherwise stated, rounded to the nearest million. RMB is the functional currency of the domestic operations of the Group. The functional currencies of overseas operations are determined in accordance with the primary economic environment in which they operate, and are translated into RMB for the preparation of these financial statements according to Note 4(2)(b).

(3) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from those presented using these estimates and assumptions.

The estimates and associated assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Judgements that have a significant impact on the financial statements and estimates that are very likely to result in material adjustments in the subsequent period are discussed in Note 4(26).

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

3 Statement of Compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB"). These financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622), and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The Group has adopted the following new standards and amendments from the current year.

(1)	IFRS 17	*Insurance Contracts*
(2)	Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*
(3)	Amendments to IAS 8	*Definition of Accounting Estimates*
(4)	Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
(5)	Amendments to IAS 12	*International Tax Reform Pillar Two Model Rule*

The International Accounting Standards Board issued the IFRS 17 *Insurance Contracts* ("IFRS 17") in 2017. Since 1 January 2023, the Group has implemented IFRS 17.

The Group has implemented new financial instruments standard from 1 January 2018. Under IFRS 17, as at 1 January 2023, the Group reassessed its business models of financial assets held for managing activities related to contracts within the scope of application of IFRS 17 and determined the classification of these financial assets, while also retrospectively adjusting information in the comparative periods. On the basis of the measurement of fulfilment cash flows for insurance contract liabilities linked to certain debt investments measured at amortised cost, the Group reassessed its business models for the above financial assets, and reclassified them as debt investments measured at fair value through other comprehensive income.

The Group has summarized the impact of the implementation of IFRS 17 on main financial indicators of the comparative periods as follows:

	Before accounting policy change 31 December 2022	**Impact of IFRS 17 implementation**	**After accounting policy change 31 December 2022**
Financial assets measured at amortised cost	5,992,582	(34,185)	5,958,397
Financial assets measured at fair value through other comprehensive income	1,979,851	35,967	2,015,818
Total assets	34,601,917	(1,106)	34,600,811
Total liabilities	31,723,157	1,410	31,724,567
Total equity attributable to equity shareholders of the Bank	2,856,733	(1,283)	2,855,450
Non-controlling interests	22,027	(1,233)	20,794

	Before accounting policy change 2022	**Impact of IFRS 17 implementation**	**After accounting policy change 2022**
Operating income	758,155	(645)	757,510
Operating expenses	(222,314)	2,323	(219,991)
Net profit	323,166	1,697	324,863
Other comprehensive income	(441)	(2,857)	(3,298)

The amendments to IAS12 introduce a temporary mandatory exemption from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development ("OECD"). The Pillar Two legislations have been enacted or substantively enacted by 31 December 2023 in certain jurisdictions in which the Group operates, and such legislations will successively become effective from 1 January 2024. The Group has adopted the amendments to IAS12 and the temporary mandatory exemptions.

Except for the matters described above, significant accounting policies adopted by the Group for 2023 financial statements are consistent with those applied in the preparation of the Group's annual financial statements for the year ended 31 December 2022.

4 Significant accounting policies and accounting estimates

(1) Consolidated financial statements

(a) Business combinations

The consideration transferred by the acquirer for the acquisition and the identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition by acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill in accordance with the accounting policies set out in Note 4(10). If the consideration is less than the fair value of the identifiable net assets of the acquiree in the case of a bargain purchase, the difference is recognised in profit or loss.

Acquisition date mentioned above is the date on which the Group effectively obtains control of the acquiree.

(b) Subsidiaries and non-controlling interests

Subsidiaries are all entities (including structured entities) over which the Bank has control. The Bank controls an entity when the Bank has the power over the entity, and is exposed to, or has rights to variable returns from its involvement with the entity, and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Bank. They are deconsolidated from the date that control ceases.

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements.

For the separate financial statements of the Bank, investments in subsidiaries are accounted for at cost. At initial recognition, investment in subsidiaries is measured at the cost of acquisition determined at the acquisition date when the subsidiaries are acquired through business combination or when the capital is injected into the subsidiaries set up by the Group. Impairment losses on investments in subsidiaries are accounted for in accordance with the accounting policies as set out in Note 4(13).

The financial results and performance of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. When preparing the consolidated financial statements, the Bank makes necessary adjustments on the accounting period and accounting policies of subsidiaries to comply with those of the Bank.

Intragroup balances and transactions, and any profits or losses arising from intragroup transactions are eliminated in full in preparing the consolidated financial statements.

The portion of a subsidiary's net assets that is attributable to equity interests that are not owned by the Bank, whether directly or indirectly through subsidiaries, is treated as non-controlling interests and presented as "non-controlling interests" in the consolidated statement of financial position within total equity. The portion of net profit or loss and other comprehensive income of subsidiaries for the year attributable to non-controlling interests is separately presented in the consolidated statement of comprehensive income as a component of the Group's net profit and other comprehensive income.

4 Significant accounting policies and accounting estimates (continued)

(1) Consolidated financial statements (continued)

(c) Associates and joint arrangements

An associate is an enterprise in which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policy decisions.

Joint arrangement is an arrangement of which two or more parties have joint control. The classification of a joint arrangement as a joint operation or a joint venture depends upon the rights and obligations of the parties to the arrangement. Joint control is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing the control. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures.

Investments in associates or joint ventures are accounted for using the equity method in the consolidated financial statements and are initially recorded at acquisition cost, and adjusted thereafter for the post acquisition change in the Group's share of net assets of the associates or joint ventures. The Group's share of the post-acquisition, post-tax results of the associates or joint ventures for the year is recognised in the consolidated statement of comprehensive income. The Group's interest in associates or joint ventures is included from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

Profits and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's interest in the associates or joint ventures.

The Group discontinues recognising its share of net losses of the associates or joint ventures after the carrying amount of investments in associates and joint ventures together with any long-term interests that in substance form part of the Group's net investment in the associates or joint ventures are reduced to zero, except to the extent that the Group has incurred legal or constructive obligations to assume additional losses. Where the associates or joint ventures realise net profits subsequently, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

(2) Translation of foreign currencies

(a) Translation of foreign currency transactions

Foreign currency transactions are, on initial recognition, translated into the functional currency at the spot exchange rates at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are translated into the functional currency at the spot exchange rates at that date. The resulting exchange differences are recognised in profit or loss. 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 transaction dates. 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; exchange differences are recognised in profit or loss, except for the differences arising from the translation of equity instruments designated at fair value through other comprehensive income, which are recognised in other comprehensive income.

(b) Translation of financial statements denominated in foreign currencies

Foreign currency financial statements of overseas operations are translated into RMB for the preparation of consolidated financial statements. At the end of each reporting period, the assets and liabilities in the financial statements denominated in foreign currencies are translated into RMB at the spot exchange rates ruling at that date. All items within equity except for retained earnings are translated at the exchange rates ruling at the dates of the initial transactions. Income and expenses in the statement of comprehensive income are translated at the weighted average exchange rates for the year. Foreign exchange differences arising from foreign operations are recognised in "other comprehensive income" in equity in the statement of financial position. The impact of changes in exchange rates on cash and cash equivalents is presented separately in the cash flow statement.

4 Significant accounting policies and accounting estimates (continued)

(3) Financial instruments

(a) Classification

The Group classifies financial instruments into different categories based on the business model used to manage financial assets and contractual cash flow characteristics or the purposes for which the liabilities were incurred. The categories are: financial assets measured at amortised cost, financial assets measured at fair value through other comprehensive income ("FVOCI"), financial assets and liabilities measured at fair value through profit or loss ("FVPL"), and other financial liabilities.

The Group's business model for managing financial assets refers to how the Group manages its financial assets in order to generate cash flows. That is, the business model determines whether cash flows of financial assets managed by the Group will result from collecting contractual cash flows, selling financial assets or both. Factors considered by the Group in determining the business model for a group of financial assets include past experience on how the cash flows for these assets were collected, how the performance of those assets is evaluated and reported to key management personnel, how risks are assessed and managed and how managers of the business are compensated.

The characteristics of the contractual cash flows of financial assets refer to the cash flow attributes agreed in the contract of financial instruments that reflect the economic characteristics of the underlying financial assets, that is, the contractual cash flows generated by the underlying financial assets on a specific date solely payments of principal and interest on the principal amount outstanding. The principal is the fair value of the financial asset at initial recognition, but its amount may change over the life of the financial asset (for example, if there are repayments of principal); interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time, and for other basic lending risks, and costs, as well as a profit margin.

Financial assets measured at amortised cost

Financial assets are classified as financial assets measured at amortised cost if both of the following conditions are met and they are not designated as FVPL: (i) the assets are managed within a business model whose objective is to hold assets in order to collect contractual cash flows; and (ii) the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at fair value through other comprehensive income (FVOCI)

Financial assets measured at FVOCI include debt instruments measured at FVOCI and equity instrument designated as measured at FVOCI.

Financial assets are classified as financial assets measured at FVOCI if both of the following conditions are met and they are not designated as FVPL: (i) the assets are managed within a business model whose objective is achieved by collecting contractual cash flows and selling financial assets; and (ii) the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

At inception, the Group may designate non-trading equity instruments as financial assets measured at FVOCI, and recognise dividend income in accordance with the relevant policies specified in Note 4(20)(c). Once the designation is made, it cannot be revoked.

Financial assets and liabilities measured at fair value through profit or loss (FVPL)

The Group classifies the financial assets other than financial assets measured at amortised cost and FVOCI as financial assets measured at FVPL.

Financial assets measured at FVPL include those held for trading purposes, those designated as measured at FVPL, those could not pass the solely payments of principal and interest ("SPPI") test and the equity investments which are not designated as measured at FVOCI.

Financial liabilities measured at FVPL include negative fair value of derivatives, and those designated as measured at FVPL.

Financial assets or financial liabilities are classified as held for trading if they are: (i) acquired or incurred principally for the purpose of selling or repurchasing it in the near term; (ii) part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or (iii) a derivative (except for a derivative that is a designated and effective hedging instruments or a financial guarantee contract).

At initial recognition, the Group may designate financial assets as financial assets measured at FVPL if the designation can eliminate or significantly reduce accounting mismatch. Once the designation is made, it cannot be revoked.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

4 Significant accounting policies and accounting estimates (continued)

(3) Financial instruments (continued)

(a) *Classification (continued)*

Financial assets and liabilities measured at fair value through profit or loss (FVPL) (continued)

Financial liabilities are designated as measured at FVPL upon initial recognition when: (i) the designation can eliminate or significantly reduce accounting mismatch; or (ii) the formal written file of the Group's risk management or investment strategy have clearly stated that the financial liability portfolio, or the portfolio of financial assets and financial liabilities, are managed, evaluated and reported to key management personnel on the basis of fair value. Once the designation is made, it cannot be revoked.

Other financial liabilities

Other financial liabilities are financial liabilities other than those measured at FVPL and mainly comprise borrowings from central banks, deposits and placements from banks and non-bank financial institutions, financial assets sold under repurchase agreements, deposits from customers and debt securities issued.

(b) *Derivatives and hedge accounting*

The Group uses derivatives to hedge its exposure to foreign exchange and interest rate risks. Derivatives are recognised at fair value at the trade date upon initial recognition, and subsequently measured at fair value. The positive fair value is recognised as an asset while the negative fair value is recognised as a liability.

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated and qualified as a hedging instrument, and if so, the nature of the item being hedged. For derivatives not designated or qualified as hedging instruments, including those that are intended to provide effective economic hedges of specific interest rate and foreign exchange risks, but not qualified for hedge accounting, changes in fair value of these derivatives are recognised in the consolidated statement of comprehensive income.

The Group documents, at inception, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. The Group assesses the hedge effectiveness both at hedge inception and on an ongoing basis.

(i) Fair value hedge

Fair value hedge is a hedge of the exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect profit or loss.

Changes in fair value of hedging instruments qualifying as fair value hedges are recorded in profit or loss, together with changes in fair value of the hedged item attributable to the hedged risk. The net difference is recognised as ineffectiveness in profit or loss.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity. If the hedged item is de-recognised, the unamortised carrying value adjustment is recognised immediately in the profit or loss.

(ii) Cash flow hedge

Cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability (such as all or some future interest payments on variable rate debt) or a highly probable forecast transaction, and could ultimately affect the profit or loss.

For cash flow hedges, the effective portion of the change in the fair value of the hedging instrument is recognised in other comprehensive income. The ineffective portion of the change in the fair value of the hedging instrument is recognised directly in profit or loss.

The cumulative gains or losses in other comprehensive income are reclassified to profit or loss in the same periods when the hedged item affects profit or loss.

When a hedging instrument expires or is sold, or the hedge designation is revoked or when a hedge no longer meets the criteria for hedge accounting, if the hedged future cash flows are still expected to occur, the amount previously recognized in other comprehensive income shall remain until the forecast transaction ultimately occurs or until the hedged expected cash flows affect profit or loss, before being transferred out. If the hedged future cash flows are no longer expected to occur, the amount of accumulated cash flow hedge reserves shall be reclassified from other comprehensive income to profit or loss.

4 Significant accounting policies and accounting estimates (continued)

(3) Financial instruments (continued)

(c) Embedded derivatives

An embedded derivative is a component of a hybrid contract that also includes a non-derivative host. If a hybrid contract contains a host that is a financial asset, the embedded derivative shall not be separated from the host and shall be classified and measured as a whole.

If a hybrid contract contains a host that is not a financial asset, an embedded derivative shall be separated from the host and accounted for as a derivative if, and only if: (i) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host; (ii) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and (iii) the hybrid contract is not measured at FVPL. The Group could choose to measure the separated derivative at FVPL, or designate the entire hybrid contract as at FVPL.

(d) Recognition and derecognition

All financial assets and financial liabilities are recognised in the statement of financial position, when and only when, the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset if the part being considered for derecognition meets one of the following conditions: (i) the contractual rights to receive the cash flows from the financial asset expire; (ii) the contractual rights to receive the cash flows of the financial asset have been transferred and the Group transfers substantially all the risks and rewards of ownership of the financial asset; or the Group has neither transferred nor retained substantially all the risks and rewards of ownership of the transferred financial asset, but has given up control of the financial asset; or (iii) the Group retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to the eventual recipient in an agreement meets all the conditions of transfer of cash flows and transfers substantially all the risks and rewards of ownership of the financial asset or the Group has neither transferred nor retained substantially all the risks and rewards of ownership of the transferred financial assets, but has given up control of the financial asset.

When a financial asset is derecognised, the difference between the carrying amount of the financial asset derecognised and the consideration received, as well as the cumulative changes in fair value previously recognised in equity, is recognised in profit or loss.

When a financial asset is transferred, and if the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, but retains control, the Group continues to recognise the financial asset to the extent of its continuing involvement in the financial asset.

The financial liability is derecognised only when: (i) the underlying present obligation specified in the contracts is discharged, cancelled or expired, or (ii) an agreement between the Group and an existing lender to replace the original financial liability with a new financial liability with substantially different terms, or a substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and recognition of a new financial liability.

The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

A regular way purchase or sale of financial assets is recognised and derecognised using trade date accounting. A 'regular way purchase or sale' refers to the purchase or sale of a financial asset where the terms of the contract necessitate delivery of the asset within the time frame typically established by regulations or convention in the relevant marketplace. The trade date is the date that the Group commits itself to purchase or sell a financial asset.

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

4 Significant accounting policies and accounting estimates (continued)

(3) Financial instruments (continued)

(e) Measurement

Financial instruments are measured initially at fair value plus or minus, in the case of a financial instrument not measured at FVPL, transaction costs that are directly attributable to the acquisition or issue of the instrument. Transaction costs for financial instruments measured at FVPL are expensed immediately.

Subsequent to initial recognition, the Group measures different categories of financial assets at amortised cost, FVOCI or FVPL respectively. Financial liabilities other than those measured at FVPL are measured at amortised cost using the effective interest method.

Financial assets measured at FVPL

Gains and losses from changes in fair value of financial assets measured at FVPL are recognised in profit or loss.

Financial liabilities measured at FVPL

Financial liabilities measured at FVPL are measured at fair value, where the gains or losses arose are recognised in profit or loss. For the financial liabilities designated as measured at FVPL, the gains or losses are accounted for in accordance with the following requirements: (i) the amount of changes in fair value of the financial liabilities arising from changes in the Group's own credit risk should be included in other comprehensive income; (ii) other changes in fair value of the financial liabilities are recognised in profit or loss. If the treatment of the impact of changes in the financial liabilities' own credit risk will create or enlarge the accounting mismatch in profit or loss in accordance with (i), the Group shall recognise the entire gain or loss of the financial liabilities (including the amount of the impact of changes in its own credit risk) in profit or loss. When the financial liabilities designated as measured at FVPL is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from other comprehensive income to retained earnings.

Financial assets measured at FVOCI

The impairment losses, foreign exchange gains or losses and interest income calculated using effective interest method of financial assets measured at FVOCI are recognised in profit or loss. Other changes of carrying amount are recognised in other comprehensive income.

When the debt instruments measured at FVOCI are sold, gains or losses on disposal are recognised in profit or loss. Gains or losses on disposal include reclassification to profit or loss from other comprehensive income. For equity investments designated as measured at FVOCI, once the designation is made, changes in fair value are recognised in other comprehensive income and are not subsequently reclassified to profit or loss (the changes in fair value are recognised in retained earnings on disposal). Dividends, when representing a return on such investments, continue to be recognised in profit or loss when the Group's right to receive payments is established.

Financial assets measured at amortised cost

The amortised cost of a financial asset should be measured at the amount initially recognised after the following adjustments: (i) deducting the repaid principal; (ii) adding or subtracting the cumulative amortisation using the effective interest method of any difference between that amount initially recognised and the maturity amount; (iii) the loss provision for the accumulated accrual.

For financial assets measured at amortised cost, a gain or loss is recognised in profit or loss when the financial asset is derecognised or impaired, or amortised.

Effective interest rate

The effective interest rate is the rate that exactly discount estimated future cash payments or receipts through the expected life of the financial asset to the carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance). The calculation does not consider expected credit losses but includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate.

The Group determines interest income based on the gross carrying amount of financial assets multiplied by the effective interest rate, except (i) for purchased or originated credit impaired financial assets, the interest income shall be determined by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition; (ii) for financial assets that are not purchased or originated credit impaired financial assets but subsequently have become credit impaired financial assets, the interest income shall be determined by applying the effective interest rate to the amortised cost of the financial asset in subsequent reporting periods. If the financial instrument is no longer credit-impaired due to the improvement of its credit risk in the subsequent period, and this improvement can be objectively related to an event that occurs after the application of the above provisions, interest income should be recalculated using the effective interest rate multiplied by the gross carrying amount of the financial assets.

4 Significant accounting policies and accounting estimates (continued)

(3) Financial instruments (continued)

(e) *Measurement (continued)*

Effective interest rate (continued)

Credit-adjusted effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial asset to the amortised cost of a financial asset that is a purchased or originated credit-impaired financial asset. When calculating the credit-adjusted effective interest rate, an entity shall estimate the expected cash flows by considering all contractual terms of the financial asset (for example, prepayment, extension, call and similar options) and initial expected credit losses.

(f) *Impairment*

At the end of the reporting period, the Group performs impairment assessment and recognises loss provisions based on expected credit loss on debt instruments measured at amortised cost and FVOCI, as well as loan commitments and financial guarantee contracts.

The expected credit loss refers to the weighted average of the credit losses of financial instruments that are weighted by the risk of default. Credit loss refers to the difference between all contractual cash flows receivable in accordance with the contract and all cash flows expected to be received discounted at the original effective interest rate by the Group, that is, the present value of all cash shortages. Among them, credit-impaired financial assets that have been purchased or originated by the Group shall be discounted according to the credit-adjusted effective interest rate of the financial assets.

The Group's method of measuring expected credit losses of financial instruments reflects the following elements: (i) an unbiased and probability-weighted average amount that is determined by evaluating a range of possible outcomes; (ii) the time value of money; (iii) the reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions, and forecasts of future economic conditions.

At the end of each reporting period, the Group measures the expected credit losses ("ECL") of financial instruments at different stages and recognises its loss provision and its changes in the following cases: the financial instrument is in Stage 1 if the credit risk of the financial instrument has not increased significantly since the initial recognition, and the Group measures its loss provision based on the amount of expected credit loss of the financial instrument in the next 12 months; the financial instrument is in Stage 2 if the credit risk of the financial instrument has increased significantly since the initial recognition but are not yet credit-impaired and the Group measures its loss provision based on the amount of lifetime expected credit loss of the financial instrument; the financial instrument is in Stage 3 if the financial instrument has been credit impaired, and the Group measures its loss provision based on the amount of lifetime expected credit loss of the financial instrument. Regardless of whether the Group's assessment of credit losses is based on a single financial instrument or a combination of financial instruments, the increase or reversal of the loss provision resulting therefrom should be included in profit or loss as an impairment loss or gain.

For debt instruments measured at FVOCI, the Group recognises the allowance of impairment in other comprehensive income and impairment losses or gains in profit or loss, which should not change the book value of the financial assets set out in the statement of financial position.

For loss provision measured at the amount equivalent to the lifetime expected credit loss of the financial instrument previously, if, at the end of the current reporting period, the financial instrument is no longer having significant increase in credit risk since the initial recognition, the Group measures its loss provision based on the amount of its expected credit losses for the next 12 months, and recognises the resulting reversal of the loss provision as an impairment gain in profit or loss.

For financial assets that have been considered as purchased or originated credit impaired, the Group only recognises cumulative changes in lifetime expected credit losses after initial recognition at the end of the reporting period as loss provision. At the end of each reporting period, the Group recognises the amount of the change in lifetime expected credit losses as an impairment loss or gain in profit or loss.

(g) *Write-offs*

When the Group determines that a loan has no reasonable prospect of recovery after the Group has completed all the necessary legal or other proceedings, the loan is written off against its allowance for impairment losses. If in a subsequent period the loan written off is recovered, the amount recovered will be recognised in profit or loss through credit impairment losses.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

4 Significant accounting policies and accounting estimates (continued)

(3) Financial instruments (continued)

(h) Modification of contracts

If the renegotiation or modification of a contract between the Group and a counterparty does not result in derecognition of the financial assets, but leads to changes in contractual cash flows, the Group recalculates the gross carrying amount of the financial asset and the related gain or loss is recognised in profit or loss. The recalculated gross carrying amount of the financial asset is determined based on the present value of the renegotiated or modified contractual cash flows discounted at the financial asset's original effective interest rate. The Group assesses whether a significant increase in credit risk has occurred, by comparing the risk of a default occurring under revised terms as at the end of the reporting period with that as at the date of initial recognition under original terms.

(i) Fair value measurement

If there is an active market for a financial instrument, then the fair value of that financial instrument is determined based on quoted price from an active market without any deduction for transaction costs that may occur on future sales or disposals. A quoted price is from an active market where price information is readily and regularly available from an exchange, dealer, industry group or pricing service agency and that price information represents actual and regularly occurring orderly transactions.

If a quoted market price is not available, the fair value of the financial instruments is estimated using valuation techniques. Valuation techniques applied include the price used by market participants in an orderly transaction, reference to the fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. The Group selects valuation techniques that are commonly accepted by market participants for pricing the instruments and these techniques have been demonstrated to provide reliable estimates of prices obtained in actual market transactions. Periodically, the Group reviews the valuation techniques and tests them for validity.

(j) Offsets

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position when the Group has a legally enforceable right to offset the recognised amounts and the transactions are intended to be settled on a net basis or by realising the asset and settling the liability simultaneously.

(k) Securitisations

The Group securitises certain loans, which generally involves the sale of these assets to structured entities, which in turn issue securities to investors. Interests in the securitised financial assets may be retained in the form of credit enhancement or subordinated tranches, or other residual interests ("retained interests"). Gains or losses on securitisation are the difference between the carrying amount of the derecognised financial assets and the consideration received (including retained interest) which is recognised in profit or loss.

(l) Financial assets held under resale agreements and financial assets sold under repurchase agreements

Financial assets held under resale agreements are transactions where the Group acquires financial assets which will be resold at a predetermined price at a future date under resale agreements. Financial assets sold under repurchase agreements are transactions where the Group sells financial assets which will be repurchased at a predetermined price at a future date under repurchase agreements.

The cash paid or received is recognised as financial assets held under resale agreements or sold under repurchase agreements in the statement of financial position. Assets held under resale agreements are not recognised. Assets sold under repurchase agreements continue to be recognised in the statement of financial position.

The differences between the purchase and resale considerations, and that between the sale and repurchase considerations, are amortised over the period of the respective transaction using the effective interest method and are included in interest income and interest expenses respectively.

(4) Precious metals

Precious metals comprise gold and other precious metals. Precious metals acquired by the Group for trading purposes are initially recognised at fair value at the date of acquisition and subsequently measured at fair value less cost to sell. The changes in fair value less cost to sell are recognised in profit or loss. Precious metals that are not acquired by the Group principally for trading purpose are carried at lower of cost and net realisable value.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

4 Significant accounting policies and accounting estimates (continued)

(5) Fixed assets and Construction in progress

Fixed assets are assets held by the Group for the conduct of business and are expected to be used for more than one year. Construction in progress is transferred to fixed assets when ready for its intended use.

(a) Cost

Fixed assets are initially recognised at cost, except for the fixed assets and construction in progress obtained from the former CCB by the Bank which were recognised at the revalued amount as cost on the date of restructuring. The cost of a purchased fixed asset comprises the purchase price, related taxes, and any directly attributable expenditures for bringing the asset to working condition for its intended use. The cost of a self-constructed fixed asset comprises those expenditures necessarily incurred for bringing the asset to working condition for its intended use.

Where the individual components of an item of fixed assets have different useful lives or provide benefits to the Group in different patterns thus necessitating use of different depreciation rates or methods, they are recognised as separate fixed assets.

Subsequent costs, including the cost of replacing part of an item of fixed assets, are recognised in the carrying amount of the item if the recognition criteria are satisfied, and the carrying amount of the replaced part is derecognised. Expenditures relating to ordinary maintenance of fixed assets are recognised in profit or loss as incurred.

The cost of construction in progress is determined based on actual construction expenditures, which include all necessary construction expenses and other related expenses incurred during construction.

(b) Depreciation and impairment

Depreciation is calculated to write off through profit or loss the cost of items of fixed assets, less their estimated residual value, if any, using the straight-line method over their estimated useful lives. Impaired fixed assets are depreciated net of accumulated allowance for impairment losses.

The estimated useful lives, net residual value rates and annual depreciation rates of respective fixed assets are as follows:

Types of assets	Estimated useful lives	Estimated net residual value rates	Annual depreciation rates
Bank premises	8-50 years	0%–5%	1.9%–12.5%
Equipment	2-20 years	0%–5%	4.8%–50.0%
Aircraft and vessels	20-25 years	5%	3.8%-4.8%
Others	2-20 years	0%–5%	4.8%–50.0%

The Group reviews the estimated useful life and estimated net residual value rates of a fixed asset and the depreciation method applied at least once a financial year.

Impairment losses on fixed assets are accounted for in accordance with the accounting policies as set out in Note 4(13).

(c) Disposal

Gains or losses arising from the retirement or disposal of a fixed asset are determined as the difference between the net disposal proceeds and the carrying amount of the fixed asset and are recognised in profit or loss on the date of retirement or disposal.

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

4 Significant accounting policies and accounting estimates (continued)

(6) Lease

Identification of leases

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Group assesses whether, throughout the period of use, the customer has both of the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset.

Assessment of the lease term

The lease term is the non-cancellable period of a lease for which the Group has the right to use an underlying asset. If the Group has an option to extend the lease, that is, the Group has the right to extend the lease, and is reasonably certain to exercise that option, the lease term also includes periods covered by an option to extend the lease. If the Group has an option to terminate the lease, that is, the Group has the right to terminate the lease, but is reasonably certain not to exercise that option, the lease term includes periods covered by an option to terminate the lease. The Group reassesses whether it is reasonably certain to exercise an extension option, purchase option, or not to exercise a termination option, upon the occurrence of either a significant event or a significant change in the circumstances that is within the control of the Group and affects whether the Group is reasonably certain to exercise an option not previously included in its determination of the lease term.

As lessee

The Group recognises lease liabilities and right-of-use assets, except for short-term leases and leases of low-value assets.

Right-of-use assets

The right-of-use assets of the Group mainly include bank premises and other equipment.

At the commencement date of the lease, the Group recognises a right-of-use asset. Right-of-use assets are initially measured at cost.The cost of the right-of-use asset comprises: (i) the amount of the initial measurement of the lease liability; (ii) any lease payments made at or before the commencement date of the lease less any lease incentives received; (iii) any initial direct cost incurred; and (iv) an estimate of costs incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease. The right-of-use assets are depreciated on a straight-line basis subsequently by the Group. If the Group is reasonably certain that the ownership of the underlying asset will be transferred to the Group at the end of the lease term, the Group depreciates the asset from the commencement date to the end of the useful life of the asset. Otherwise, the Group depreciates the assets from the commencement date to the earlier of the end of the useful life of the asset or the end of the lease term.

The Group remeasures the lease liability at the present value of the changed lease payments and adjusts the carrying amount of the right-of-use assets accordingly. When the carrying amount of the right-of-use asset is reduced to zero, and there is a further reduction in the measurement of the lease liability, the Group recognises the remaining amount of the remeasurement in profit or loss.

Lease liabilities

At the commencement date of the lease, the Group measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease.

In calculating the present value of the lease payments, the Group uses the interest rate implicit in the lease as the discount rate. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate. The Group calculates the interest expenses of the lease liability in each period during the lease term using the constant periodic rate of interest, and recognises such interest expenses in profit or loss, except those in the costs of the related asset as required. Variable lease payments that are not included in the measurement of the lease liabilities are recognised in profit or loss as incurred, except those in the costs of the related asset as required.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. The Group remeasures the lease liability by discounting the revised lease payments using a revised discount rate if either: (i) there is a change in the in-substance fixed lease payments; (ii) there is a change in the amounts expected to be payable under a residual value guarantee; (iii) there is a change in future lease payments resulting from a change in an index or a rate used to determine those payments; (iv) there is a change in the assessment of an option to purchase, extend or terminate the underlying asset, assessed in the context of a purchase option.

4 Significant accounting policies and accounting estimates (continued)

(6) Lease (continued)

***As lessee** (continued)*

Short-term leases and leases of low-value assets

The Group considers a lease that, at the commencement date of the lease, has a lease term of 12 months or less, and does not contain any purchase option as a short-term lease; and a lease of the individual underlying asset with low value, when new, as a lease of low-value assets.The Group recognises lease payments on short-term leases and leases of low-value assets in the costs of the related asset or profit or loss on a straight-line basis over the lease term.

Lease modifications

Lease modification is a change in the scope of a lease, the consideration or the term for a lease, that was not part of the original terms and conditions of the lease, for example, adding or terminating the right to use one or more underlying assets, or extending or shortening the contractual lease term.

The Group accounts for a lease modification as a separate lease if both:

(a) the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

(b) the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, at the effective date of the lease modification the Group remeasures the lease liability by discounting the revised lease payments using a revised discount rate. The revised discount rate is determined as the interest rate implicit in the lease for the remainder of the lease term, or the lessee's incremental borrowing rate at the effective date of the modification, if the interest rate implicit in the lease cannot be readily determined.

For a lease modification that is not accounted for as a separate lease, the Group accounts for the remeasurement of the lease liability by:

(a) decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease for lease modifications that decrease the scope or term of the lease, and recognising the gain or loss relating to the partial or full termination of the lease in profit or loss; or

(b) making a corresponding adjustment to the right-of-use asset for all other lease modifications.

Lessee's incremental borrowing rate

If the interest rate implicit in the lease cannot be readily determined, the Group measures the lease liability at the present value of the lease payments discounted using the lessee's incremental borrowing rate. According to the economic environment, the Group takes the observable interest rate as the reference basis for determining the incremental borrowing rate, then adjusts the observable interest rate based on its own circumstances, underlying assets, lease terms and amounts of lease liabilities to determine the applicable incremental borrowing rate.

As lessor

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset, except that a lease is classified as an operating lease at the inception date. The Group, as an intermediate lessor, classifies the sublease by reference to the right-of-use asset arising from the head lease.

As lessor of a finance lease

At the commencement date of the lease, the Group recognises finance lease payments receivable and derecognises finance lease assets. The Group presents lease payments receivable at an amount equal to the net investment in the lease for the initial measurement. The net investment in the lease is the sum of any unguaranteed residual value accruing to the lessor and at the commencement date of the lease the lease payments receivable by a lessor under a finance lease discounted at the interest rate implicit in the lease, including the initial direct costs.

The Group recognises interest income over the lease term, based on a pattern reflecting a constant periodic rate of return on its net investment in the lease. Variable lease payments received by the Group that are not included in the measurement of the net investment in the lease are recognised in profit or loss as incurred.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

4 Significant accounting policies and accounting estimates (continued)

(6) Lease (continued)

***As lessor** (continued)*

As lessor of a finance lease (continued)

The Group accounts for a modification to a finance lease as a separate lease if both:

(a) the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

(b) the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a modification to a finance lease that is not accounted for as a separate lease, the Group accounts for the modification as follows:

(a) if the lease would have been classified as an operating lease had the modification been in effect at the inception date, the Group accounts for the lease modification as a new lease from the effective date of the modification, and measures the carrying amount of the underlying asset as the net investment in the lease immediately before the effective date of the lease modification; or

(b) if the lease would have been classified as a finance lease had the modification been in effect at the inception date, the Group accounts for the lease modification in accordance with the requirements in Note 4(3) on the contract modifications or re-negotiation.

As lessor of an operating lease

Rent income under an operating lease is recognised on a straight-line basis over the lease term, through profit or loss. The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

Sale and leaseback transactions

As lessor

If the transfer of an asset satisfies the requirements to be accounted for as a sale of the asset, the Group, as a lessor, accounts for the purchase of the asset and for the lease applying the accounting requirements set forth; and if the transfer of an asset does not satisfy the requirements to be accounted for as a sale of the asset, the Group, as a lessor, does not recognise the transferred asset and recognises a financial asset equal to the transfer proceeds. The Group accounts for the financial asset applying Note 4(3).

(7) Investment properties

Investment properties are properties held to earn rental income and/or for capital appreciation. Investment properties include land use rights leased out, land use rights held for transfer upon capital appreciation, and buildings leased out.

An investment property is measured initially at cost. If the economic benefits relating to an investment property will probably flow in and the cost can be reliably measured, subsequent costs incurred for the property are included in the cost of the investment property. Otherwise, subsequent costs are recognised in profit or loss as incurred.

The Group adopts the cost model for subsequent measurement of investment properties. Depreciation is calculated using the straight-line method to write off to profit or loss the cost of investment properties, less their estimated residual value, if any, over their estimated useful lives. Impaired investment properties are depreciated net of accumulated impairment losses.

The estimated useful life, estimated net residual value rate and annual depreciation rate of the Group's investment properties are as follows:

Types of assets	Estimated useful life	Estimated net residual value rate	Annual depreciation rate
Premises	30-35 years	3%–5%	2.8%–3.2%
Others	5-8 years	0%–3%	12.5%–19.4%

The amortisation period of land use rights is shown in Note 4(8).

4 Significant accounting policies and accounting estimates (continued)

(8) Land use rights

Land use rights are initially recognised at cost. The land use rights obtained from the former CCB by the Bank on the date of restructuring were recorded at the revalued amount. The cost of the land use rights is amortised on a straight-line basis over their authorised useful lives, and charged to the profit or loss. Impaired land use rights are amortised net of accumulated allowance for impairment losses.

Impairment losses on land use rights are accounted for in accordance with the accounting policies as set out in Note 4(13).

(9) Intangible assets

Software and other intangible assets are initially recognised at cost. The cost less estimated residual values, if any, of the intangible assets is amortised on a straight-line basis over their useful lives, and charged to profit or loss. The useful lives of intangible assets are determined based on contracts, legal requirements or the period over which future economic benefits can be realised. Impaired intangible assets are amortised net of accumulated allowance for impairment losses.

Impairment losses on intangible assets are accounted for in accordance with the accounting policies as set out in Note 4(13).

The Group classifies the expenditures on an internal research and development project into expenditure on the research phase and expenditure on the development phase. Expenditure on the research phase is recognised in profit or loss as incurred. Expenditure on the development phase is capitalised only when the Group can demonstrate all of the following: (i) the technical feasibility of completing the intangible asset so that it will be available for use or sale; (ii) the intention to complete the intangible asset and use or sell it; (iii) how the intangible asset will generate probable future economic benefits (among other things, the Group can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset); (iv) the availability of adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset; and (v) the ability to measure reliably the expenditure attributable to the intangible asset during the development phase. Expenditure on the development phase which does not meet these above criteria is recognised in profit or loss when incurred.

(10) Goodwill

Goodwill represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets. Goodwill is not amortised. Goodwill arising from a business combination is allocated to each cash-generating unit ("CGU") or group of CGUs, that is expected to benefit from the synergies of the combination. The Group performs an impairment test on goodwill at least annually.

Any excess of the Group's interest in the net fair value of the acquiree's identifiable net assets over the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree is recognised immediately in profit or loss.

On disposal of the related CGU or group of CGUs, any attributable amount of goodwill net of allowances for impairment losses, if any, is included in the calculation of the profit or loss on disposal.

Impairment loss on goodwill is accounted for in accordance with the accounting policies as set out in Note 4(13).

(11) Repossessed assets

To recover impaired loans and advances, the Group may go through court proceedings or have debtors, guarantors or a third person voluntarily hand over the rights of ownership of the assets. Repossessed assets in the form of financial assets are recognised and presented as the appropriate class of financial assets based on the business models and contractual cash flow characteristics, and repossessed assets that are not financial assets are recognised and reported in "other assets" in the balance sheet when the Group intends to achieve an orderly realisation of the impaired assets and the Group is no longer seeking repayment from the borrower.

The Group measures repossessed assets in the form of financial assets at fair value upon initial recognition, and records any taxes payable, advance payment for litigation fees, tax arrears and other transaction costs incurred to obtain repossessed assets in profit or loss or into the initial book value, respectively, depending on the type of financial assets. Repossessed assets that are not financial assets are initially recognised at the fair value of the rights given up by creditors, and the Group records any taxes payable, advance payment for litigation fees, tax arrears and other transaction costs incurred to obtain the repossessed assets into the book value of repossessed assets.

Repossessed assets that are not financial assets are recognised at book value less allowances for impairment losses measured in accordance with the accounting policies as set out in Note 4(13).

4 Significant accounting policies and accounting estimates (continued)

(12) Non-current assets or disposal groups held for sale

The Group classifies a non-current asset or disposal group as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. An asset or disposal group is classified as held for sale if the following criteria are simultaneously met: it must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets or disposal groups and the sale must be highly probable, i.e., the Group has passed a resolution on a plan to sell the asset or disposal group and obtained a firm purchase commitment with the sale expected to be completed within one year. (The Group has obtained approval from relevant authority or regulators where relevant regulations require such approval before the sale can be made.) If the Group loses control over the subsidiary due to the sale of its investments in the subsidiary, when the criteria are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale, it shall classify its investments in the subsidiary as held for sale in the standalone financial statements, and all assets and liabilities of that subsidiary as held for sale in the consolidated financial statements.

The Group shall recognise an impairment loss for any initial or subsequent write-down of non-current asset or disposal group held for sale (except financial assets, deferred tax assets, etc.) to fair value less costs to sell and record it in profit or loss of the current period and recognise an impairment provision for held for sale asset or disposal group. Non-current asset or disposal group held for sale are not subject to depreciation or amortisation and are not accounted for using the equity method.

(13) Allowances for impairment losses on assets

The Group determines the impairment of long-term equity investments and non-financial assets such as fixed assets, construction in progress, right-of-use assets and intangible assets, using the following methods:

The Group assesses at the end of the reporting period whether there is any indication that assets may be impaired. If any indication exists that an asset may be impaired, the Group estimates the recoverable amount of the asset.

If there is any indication that an asset may be impaired and it is not possible to estimate the recoverable amount of an individual asset, the Group determines the recoverable amount of the CGU to which the asset belongs.

CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash flows from other assets or groups of assets.

The recoverable amount of an asset (or CGU, group of CGUs) is the higher of its fair value less costs of disposal and the present value of the expected future cash flows. The Group considers all relevant factors in estimating the present value of future cash flows, such as the expected future cash flows, the useful life and the discount rate.

(a) Impairment test for CGU containing goodwill

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to the CGU or group of CGUs that is expected to benefit from the synergies of the combination.

A CGU or group of CGUs to which goodwill has been allocated is tested for impairment by the Group at least annually, or whenever there is an indication that the CGU or group of CGUs are impaired, by comparing the carrying amount of the CGU or group of CGUs, including the goodwill, with the recoverable amount of the CGU or group of CGUs. At the time of impairment testing of a CGU or group of CGUs to which goodwill has been allocated, there may be an indication of an impairment of an asset within the CGU or group of CGUs containing the goodwill. In such circumstances, the Group tests the asset for impairment first, and recognises any impairment loss for that asset before testing for impairment on the CGU or group of CGUs containing the goodwill. Similarly, there may be an indication of an impairment of a CGU within a group of CGUs containing the goodwill. In such circumstances, the Group tests the CGU for impairment first, and recognises any impairment loss for that CGU, before testing for impairment the group of CGUs to which the goodwill is allocated.

(b) Impairment loss

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is recognised as an impairment loss and charged to profit or loss.

For a CGU or a group of CGUs, the amount of impairment loss firstly reduces the carrying amount of any goodwill allocated to the CGU or group of CGUs, and then reduces the carrying amount of other assets (other than goodwill) within the CGU or group of CGUs, pro rata on the basis of the carrying amount of each asset.

4 Significant accounting policies and accounting estimates (continued)

(13) Allowances for impairment losses on assets (continued)

(c) Reversing an impairment loss

If, in a subsequent period, the amount of impairment loss of the non-financial asset except for goodwill decreases and the decrease can be linked objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss. A reversal of impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior periods.

An impairment loss in respect of goodwill is not reversed.

(14) Employee benefits

Employee benefits are all forms of consideration given and compensations incurred by the Group in exchange for services rendered by employees or the termination of the employment relationship. Except for termination benefits, employee benefits are recognised as a liability in the period in which the associated services are rendered by its employees, with a corresponding increase in cost of relevant assets or the expenses in profit or loss. Where payment or settlement is deferred and the effect of discount would be material, these amounts are stated at their present values in the statement of financial position.

(a) Post-employment benefits

The Group divides post-employment benefit plans into defined contribution plans and defined benefit plans. Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions. Defined benefit plans are post-employment benefit plans other than defined contribution plans. For defined contribution plans, the Group pays contributions to basic retirement insurance, annuity scheme and unemployment insurance for the employees during the reporting period, while defined benefit plans are mainly supplementary retirement benefits.

Defined contribution retirement schemes

Pursuant to the relevant laws and regulations in the PRC, employees in the Chinese mainland have joined defined contribution retirement schemes for the employees arranged by local government labour and security authorities. The Group makes contributions to the retirement schemes at the applicable rates based on the amounts stipulated by the local government organisations. The contributions are charged to profit or loss on an accrual basis. When employees retire, the local government labour and security authorities are responsible for the payment of the basic retirement benefits to the retired employees.

Annuity contributions

In addition to the statutory provision contributions, the Bank's employees have joined the annuity scheme set up by the Bank under "CCBC Annuity Scheme" (the "scheme") in accordance with state enterprise annuity regulations. The Bank has made annuity contributions in proportion to its employees' gross wages, which are expensed in profit or loss when the contributions are made.

Supplementary retirement benefits

The Group pays supplementary retirement benefits for its employees in the Chinese mainland who retired on or before 31 December 2003 in addition to the contributions made to statutory insurance schemes. Such supplementary retirement benefits are defined benefit plans.

The Group's obligations in respect of supplementary retirement benefits are calculated by estimating the amount of obligations that the Group is committed to pay to the employees after their retirement using actuarial techniques. At the end of each reporting period, such obligations are discounted with interest yield of government bonds with similar duration. The service cost and net interest from the supplementary retirement benefits are recognised in profit or loss, and the remeasurements are recognised in other comprehensive income.

The liability recognised in the statement of financial position in respect of supplementary retirement benefits is the present value of supplementary retirement benefit obligations at the end of the reporting period less the fair value of plan assets.

(b) Termination benefits

Where the Group terminates the employment relationship with employees before the end of the employment contracts or provides compensation as an offer to encourage employees to accept voluntary redundancy, a provision is recognised for the compensation arising from termination of employment relationship, through profit or loss. The Group is required to recognise termination benefits at the earlier of when it can no longer withdraw an offer of those benefits and when it recognises any related restructuring costs.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

4 Significant accounting policies and accounting estimates (continued)

(14) Employee benefits (continued)

(c) Early retirement expenses

The Group recognises the present value of all its liabilities to employees who voluntarily agreed to retire early. The early retirement benefit payments are made by the Group from the date of early retirement to the regulated retirement date. Differences arising from changes in assumptions and estimates of the present value of the liabilities are recognised in profit or loss as incurred.

(d) Staff incentive plan

As approved by the Board of Directors, for the purposes of providing incentives and rewards to eligible employees for their past services, the Group awards a specified amount of staff compensation to the staff incentive plan independently managed by a designated staff committee for those eligible participating employees. The Group recognises its contribution to the plan when it has a present legal or constructive obligation to make such payment and a reliable estimate of the obligation can be made.

(15) Insurance contracts

The Group identifies portfolios of insurance contracts as contracts subject to similar risks and are managed together. The Group further divides portfolios of insurance contracts into groups of insurance contracts and uses groups of insurance contracts as units of account. The Group's approaches for insurance contract measurement include the general measurement model, the special measurement approach ("variable fee approach") for groups of insurance contracts with direct participation features, and the simplified approach ("premium allocation approach").

General measurement model

The Group measures insurance contract liabilities on the initial recognition of a group of insurance contracts at the total of fulfilment cash flows and contractual service margin.

On initial recognition of a group of insurance contracts, the Group measures the total of: the fulfilment cash flows; the cash flows related to asset for insurance acquisition cash flows, and any other asset or liability derecognised at that date; cash flows arising from the contracts in the group at that date. If the total represents a net cash inflow, the Group recognises that as a contractual service margin; if it represents a net cash outflow, the Group recognises that as a loss in profit or loss of the period.

The insurance contract liability is subsequently measured by the Group at the end of the reporting period at the total of the liability for remaining coverage and the liability for incurred claims.

For insurance contracts without direct participation features, the carrying amount of the contractual service margin of a group of contracts at the end of the reporting period are determined as the carrying amount at the start of the period after required adjustments.

The Group rationally determines the coverage units of the group of contracts in each period of the coverage period based on the pattern of provision of insurance contract services, and recognises insurance revenue accordingly over the current and future periods by amortizing the adjusted carrying amount of the contractual service margin.

Variable fee approach

The Group adopts the variable fee approach for insurance contracts with direct participation features. The Group estimates the fulfilment cash flows of the groups of insurance contracts with direct participation features at the difference between the fair value of the underlying items and the variable fee. For insurance contracts with direct participation features, the carrying amount of the contractual service margin of a group of contracts at the end of the reporting period equals the carrying amount at the start of the reporting period after required adjustments. For the group of insurance contracts with direct participation features for which the Group holds the underlying items, the Group makes the accounting policy choice of disaggregating insurance finance income or expenses for the period between profit or loss and other comprehensive income.

Premium allocation approach

For insurance contracts meeting criteria, the Group may simplify the measurement of a group of insurance contracts adopting the premium allocation approach ("PAA"). Adopting the premium allocation approach, on initial recognition, the carrying amount of the liability for remaining coverage is the premiums received, minus any insurance acquisition cash flows at that date, and minus (or plus) any amount arising from the derecognition at that date of any asset for insurance acquisition cash flows and any other related asset or liability. At the end of the reporting period, the carrying amount of the liability for remaining coverage is the carrying amount at the start of the reporting period plus the premiums received in the period, minus insurance acquisition cash flows in the period, plus any amounts relating to the amortisation of insurance acquisition cash flows recognised as insurance service expenses and any adjustment to a financing component in the period, minus the amount recognised as insurance revenue for services provided in that period, and minus any investment component paid or transferred to the liability for incurred claims in the period.

4 Significant accounting policies and accounting estimates (continued)

(16) Provisions and contingent liabilities

A provision is recognised in the statement of financial position if, as the result of a past event, the Group has a present legal or constructive obligation that can be reliably estimated and it is probable that an outflow of economic benefits will be required to settle the obligation. A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Factors pertaining to a contingency such as the risks, uncertainties and time value of money are taken into account as a whole in reaching the best estimate. Where the effect of the time value of money is material, the best estimate is determined by discounting the related future cash outflows.

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.

(17) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. A financial instrument issued is an equity instrument if, and only if, both conditions (i) and (ii) below are met: (i) The financial instrument includes no contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Group; and (ii) If the financial instrument will or may be settled in the Group's own equity instruments, it is a non-derivative instrument that includes no contractual obligations for the Group to deliver a variable number of its own equity instruments; or a derivative that will be settled only by the Group exchanging a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

(18) Financial guarantee contracts and loan commitments

A financial guarantee contract is a contract that requires the issuer 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 terms of a debt instrument.

Financial guarantee contracts are initially recognised at fair value on the date the guarantee was given. Subsequent to initial recognition, the Group's liabilities under such guarantees are measured at the higher of the initial amount, less amortisation of guarantee fees, and the best estimate of the loss provisions required to settle the guarantee. Any increase in the liability relating to guarantees is recognised in profit or loss.

The impairment allowance of loan commitments provided by the Group is measured by ECL. The Group has not provided any commitment to provide loans at a below-market interest rate, or that can be settled net in cash or by delivering or issuing another financial instrument.

For loan commitments and financial guarantee contracts, the loss allowance is recognised as a provision. However, for contracts that include both a loan and an undrawn commitment and the Group cannot separately identify the ECL on the undrawn commitment component from those on the loan component, the ECL on the undrawn commitment are recognised together with the loss allowance for the loan. To the extent that the combined allowance for ECL exceed the gross carrying amount of the loan, the ECL are recognised as a provision.

(19) Fiduciary and custody business

Asset custody business refers to a fee-based business of the Group, as an independent third party, enters into custody contracts with trustors, managers, or trustees in accordance with laws and regulations, maintains entrusted assets in accordance with the contracts, discharges rights and obligations as agreed in the custody contracts, provides custody services, and charges fiduciary and custody fees. The Group fulfills its fiduciary obligations and collects relevant fees in accordance with these contracts, and does not take up any risks and rewards related to the assets under custody, which are recorded as off-balance sheet items.

The Group conducts entrusted lending business, whereby it enters into entrusted loan agreements with customers. Under the terms of these agreements, the customers provide funding (the "entrusted funds") to the Group, and the Group grants loans (the "entrusted loans") to third parties according to the instructions of the customers. As the Group does not assume the risks and rewards of the entrusted loans and the corresponding entrusted funds, entrusted loans and funds are recorded as off-balance sheet items at their principal amounts and no allowance for impairment losses are made for these entrusted loans.

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

4 Significant accounting policies and accounting estimates (continued)

(20) Revenue recognition

(a) Interest income

Interest income for debt instruments measured at amortised cost and fair value through other comprehensive income is recognised in profit or loss based on effective interest method. Interest income includes the amortisation of any discount or premium or other differences between the initial carrying amount of an interest-earning instrument and its amount at maturity calculated on an effective interest basis. The effective interest method is a method of calculating the amortised cost of financial assets and liabilities and of allocating the interest income and interest expense over the relevant period.

(b) Fee and commission income

Fee and commission income is recognised when the performance obligation is satisfied. For those services that are provided over a period of time, fee and commission income is accrued in accordance with the terms and conditions of the service agreement. For other services, fee and commission income is recognised when the transactions are completed.

(c) Dividend income

Dividend income from equity investments is recognised in profit or loss on the date when the Group's right to receive payment is established.

(21) Income tax

Current income tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantially enacted at the end of each reporting period, and any adjustment to tax payable in respect of previous periods. Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax also arises from unused tax losses and unused tax credits. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax losses and unused tax credits can be utilised.

Current income tax and movements in deferred tax balances are recognised in profit or loss except to the extent that they relate to items recognised in equity, in which case the relevant amounts of tax are recognised in equity, respectively.

At the end of each reporting period, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled according to the requirements of tax laws. The Group also considers the possibility of realisation and the settlement of deferred tax assets and deferred tax liabilities in the calculation.

Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if the Group has the legally enforceable right to offset current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity. Otherwise, the balances of deferred tax assets and deferred tax liabilities, and movements therein, are presented separately from each other and are not offset.

(22) Cash equivalents

Cash equivalents are short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(23) Profit distribution

Proposed dividends which are declared and approved after the end of each reporting period 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 reporting period in the note to the financial statements. Dividends payable are recognised as liabilities in the period in which they are approved.

4 Significant accounting policies and accounting estimates (continued)

(24) Related parties

If the Group has the power, directly or indirectly, to control, jointly control or exercise significant influence over another party, or vice versa, or where the Group and one or more parties are subject to common control or joint control from another party, they are considered to be related parties. Related parties may be individuals or enterprises. The Group's related parties include but are not limited to the following:

(a) the Bank's parents;

(b) the Bank's subsidiaries;

(c) other entities which are controlled by the Bank's parents;

(d) an investor who has joint control over the Group;

(e) an investor who can exercise significant influence over the Group;

(f) an associate of the Group;

(g) a joint venture of the Group;

(h) principal individual investors of the Group, and close family members of such individuals (principal individual investors are the individual investors who have the power, directly or indirectly, to control, jointly control or exercise significant influence over another party);

(i) key management personnel of the Group and close family members of such individuals (key management personnel represent those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director of that entity);

(j) key management personnel of the Bank's parents and close family members of such individuals;

(k) other entities that are controlled or jointly controlled by the Group's principal individual investors, key management personnel, or close family members of such individuals;

(l) a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group; and

(m) joint ventures and their subsidiaries, or associates and their subsidiaries, of other member units (including parent companies and subsidiaries) of the Bank's corporate group, joint ventures and their subsidiaries, or associates and their subsidiaries, of companies that exercise joint control over the Bank, joint ventures and their subsidiaries of the companies that have a significant influence on the Bank, subsidiaries of joint ventures, and subsidiaries of associates.

(25) Operating segments

The identification of operating segments of the Group is on the basis of internal reports that are regularly reviewed by the Group's chief operating decision makers in order to allocate resources to the segment and assess its performance. On the basis of the operating segments, the Group identifies the reportable segments, using a combination of factors including products and services, geographical areas, regulatory environments, which management has chosen for organisation. The operating segments that meet the specified criteria have been aggregated, and the operating segments that meet quantitative thresholds have been reported separately.

The amount reported for each operating segment item is the measure reported to the chief operating decision makers for the purposes of allocating resources to the segment and assessing its performance. Segment information is prepared in conformity with the accounting policies adopted for preparing and presenting the financial statements of the Group.

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

4 Significant accounting policies and accounting estimates (continued)

(26) Significant accounting estimates and judgements

(a) Classification of financial assets

The Group's significant judgments in determining the classification of financial assets include the analysis of business models and contractual cash flow characteristics.

The Group determines the business model for the management of financial assets at the level of portfolios and considers the factors such as how the asset's performance is evaluated and reported to key management personnel, the risks affecting the performance of financial assets and the way in which financial assets are managed, and how managers of the business are compensated.

In assessing whether the contractual cash flows of financial assets are consistent with the basic lending arrangement, the Group uses the following key judgements: whether the principals may change because of the changes of time distribution or amount over the life due to reasons such as prepayment; whether the interest includes only the consideration for the time value of money, for credit risk, for other basic lending risks and costs, as well as a profit margin. For example, whether the amount prepaid reflects only the principal that has not yet been paid and the interest based on the outstanding principal, as well as reasonable compensation paid for the early termination of the contract.

(b) Measurement of expected credit losses

The measurement of expected credit loss for the investment in financial assets measured at amortised cost and debt instruments measured at FVOCI is an area that requires the use of complex models and significant assumptions about future macroeconomic conditions and credit behaviour (e.g. the likelihood of default by customers and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring expected credit losses is further detailed in Note 62(1).

A number of significant judgements are required in applying the accounting requirements for measuring expected credit losses, such as:

- Determining criteria for significant increase and credit-impaired in credit risk;
- Choosing appropriate models and assumptions for the measurement of expected credit losses;
- Determining the forward-looking information and weightings for different types of products when measuring expected credit losses; and
- Establishing groups of financial instruments with similar risk characteristics for the purpose of measuring expected credit losses.

Detailed information about the judgements and estimates made by the Group in the above areas is set out in Note 62(1) Credit risk.

(c) Fair value of financial instruments

The fair value of financial instruments that are traded in an active market is based on their quoted market prices in an active market at the valuation date. A quoted market price is a price from an active market where price information is readily and regularly available from an exchange or from a dealer quotation and where this price information represents actual and recurring orderly transactions.

For all other financial instruments, the Group determines fair values using valuation techniques which include discounted cash flow models, as well as other types of valuation model. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, foreign currency exchange rates, credit spreads and the liquidity premium. Where discounted cash flow techniques are used, estimated cash flows are based on management's best estimates and the discount rate used is a market rate at the end of each reporting period applicable for an instrument with similar terms and conditions. Where other pricing models are used, inputs are based on the maximising observable market data at the end of each reporting period. However, where market data is not available, the Group needs to make the best estimates on such unobservable market inputs.

The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants in an orderly transaction.

4 Significant accounting policies and accounting estimates (continued)

(26) Significant accounting estimates and judgements (continued)

(d) Income taxes

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The Group carefully evaluates the tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations. Deferred tax assets are recognised for tax losses not yet used and temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profits will be available against which the unused tax credits can be utilised, management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax assets to be recovered.

(e) Employee retirement benefit obligations

The Group has established liabilities in connection with benefits paid to certain retired employees. The amounts of employee benefit expense and liabilities are dependent on assumptions used in calculating such amounts. These assumptions include discount rates, pension benefit inflation rates, medical benefit inflation rates, and other factors. While management believes that its assumptions are appropriate, differences in actual experience or changes in assumptions may affect the Group's other comprehensive income and liability related to its employee retirement benefit obligations.

(f) Scope of consolidation

The Group has taken into consideration all facts and circumstances in the assessment of whether the Group, as an investor, controls the investee. The principle of control includes three elements: (i) power over the investee; (ii) exposure, or rights, to variable returns from involvement with the investee; and (iii) the ability to use power over the investee to affect the amount of the investor's returns. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

5 Taxation

The Group's main applicable taxes and tax rates are as follows:

Value added tax ("VAT")

Pursuant to the 'Circular on the Comprehensive Plan for Levying VAT in place of Business Tax' (Cai Shui [2016] No.36) jointly issued by the Ministry of Finance ("MOF") and the State Administration of Taxation, business tax that used to be levied on taxable income of the Bank and its subsidiaries in the Chinese mainland was replaced by VAT from 1 May 2016, and the main VAT rate is 6%.

City construction tax

City construction tax is calculated as 1% to 7% of VAT.

Education surcharge

Education surcharge is calculated as 3% of VAT.

Local education surcharge

Local education surcharge is calculated as 2% of VAT.

Income tax

The predominant income tax rate that is applicable to the Bank and its subsidiaries in the Chinese mainland is 25%. Taxation on overseas operations is charged at the relevant local rates. Tax paid on overseas operations is deducted to the extent allowed under the relevant income tax laws of the PRC.

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

6 Net interest income

	2023	2022
Interest income arising from:		
Deposits with central banks	45,636	39,177
Deposits with banks and non-bank financial institutions	5,907	4,496
Placements with banks and non-bank financial institutions	19,771	9,721
Financial assets held under resale agreements	19,611	15,024
Financial investments	278,524	256,242
Loans and advances to customers		
– Corporate loans and advances	492,292	440,574
– Personal loans and advances	373,291	395,123
– Discounted bills	12,334	10,216
Total	1,247,366	1,170,573
Interest expense arising from:		
Borrowings from central banks	(23,785)	(20,470)
Deposits from banks and non-bank financial institutions	(63,187)	(48,330)
Placements from banks and non-bank financial institutions	(17,692)	(8,477)
Financial assets sold under repurchase agreements	(2,962)	(1,520)
Debt securities issued	(54,504)	(45,857)
Deposits from customers		
– Corporate deposits	(215,040)	(178,832)
– Personal deposits	(252,963)	(223,418)
Total	(630,133)	(526,904)
Net interest income	617,233	643,669

(1) Interest income from impaired financial assets is listed as follows:

	2023	2022
Impaired loans and advances	5,058	4,844
Other impaired financial assets	433	177
Total	5,491	5,021

(2) Interest expense on financial liabilities with maturity over five years mainly represented the interest expense on debt securities issued.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

7 Net fee and commission income

	2023	2022
Fee and commission income		
Settlement and clearing fees	**37,637**	36,567
Bank card fees	**21,071**	17,098
Agency service fees	**18,894**	19,231
Commission on trust and fiduciary activities	**18,389**	17,738
Consultancy and advisory fees	**10,892**	10,731
Wealth management service fees	**10,680**	16,185
Others	**12,343**	13,280
Total	**129,906**	130,830
Fee and commission expense		
Bank card transaction fees	**(6,593)**	(6,288)
Inter-bank transaction fees	**(1,245)**	(1,151)
Others	**(6,322)**	(7,306)
Total	**(14,160)**	(14,745)
Net fee and commission income	**115,746**	116,085

8 Net trading gain

	2023	2022
Debt securities	**4,134**	2,407
Derivatives	**1,360**	1,030
Equity investments	**(57)**	(111)
Others	**248**	306
Total	**5,685**	3,632

9 Dividend income

	2023	2022
Dividend income from equity investments measured at fair value through profit or loss	**5,701**	6,117
Dividend income from equity investments measured at fair value through other comprehensive income	**11**	18
Total	**5,712**	6,135

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

10 Net loss arising from investment securities

	2023	2022
Net loss related to financial liabilities designated as measured at fair value through profit or loss	**(8,865)**	(10,930)
Net gain related to other financial assets and liabilities measured at fair value through profit or loss	**7,158**	1,693
Net gain related to financial assets measured at fair value through other comprehensive income	**1,375**	79
Others	**110**	96
Total	**(222)**	(9,062)

11 Net gain on derecognition of financial assets measured at amortised cost

For the year ended 31 December 2023, a net gain on derecognition of financial assets measured at amortised cost mainly attributes to the Group's issuance of asset-backed securities, which led to net gains of RMB911 million arising from derecognition of loans and advances to customers (for the year ended 31 December 2022: no gain).

12 Other operating income/(expense), net

	2023	2022
Other operating income		
Insurance related income	**4,783**	4,448
Foreign exchange gains	**3,247**	495
Rental income	**7,402**	6,049
Others	**9,791**	11,808
Total	**25,223**	22,800
Other operating expense		
Insurance related costs	**(13,502)**	(12,432)
Others	**(11,206)**	(13,639)
Total	**(24,708)**	(26,071)
Other operating income/(expense), net	**515**	(3,271)

Foreign exchange gains or losses includes gains and losses in connection with the translation of foreign currency denominated monetary assets and liabilities, and net realised and unrealised gains and losses on foreign exchange derivatives (including those foreign exchange swaps, foreign exchange options and cross currency swaps entered into in order to economically hedge positions in foreign currency assets).

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

13 Operating expenses

	2023	2022
Staff costs		
– Salaries, bonuses, allowances and subsidies	84,618	83,386
– Defined contribution plans	16,319	15,351
– Housing funds	7,915	7,478
– Union running costs and employee education costs	3,389	3,262
– Early retirement benefits	5	5
– Compensation to employees for termination of employment relationship	9	3
– Others	15,768	15,670
	128,023	125,155
Premises and equipment expenses		
– Depreciation charges	21,289	21,939
– Rent and property management expenses	4,167	4,054
– Maintenance	2,594	2,925
– Utilities	1,997	1,879
– Others	2,403	2,761
	32,450	33,558
Taxes and surcharges	8,476	8,154
Amortisation expenses	3,495	3,140
Other general and administrative expenses	47,708	49,984
Total	220,152	219,991

In 2023, the Group's operating expenses related to actual research and development activities amounted to RMB7,191 million (2022: RMB7,453 million).

14 Credit impairment losses

	2023	2022
Loans and advances to customers	144,682	139,741
Financial investments		
– Financial assets measured at amortised cost	(7,468)	1,869
– Financial assets measured at fair value through other comprehensive income	(374)	2,157
Off-balance sheet credit business	(6,109)	6,184
Others	6,043	4,584
Total	136,774	154,535

15 Other impairment losses

	2023	2022
Other impairment losses	463	479

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

16 Directors' and supervisors' emoluments

The aggregate of the emoluments before individual income tax of directors and supervisors who held office during the year is as follows:

	2023				
	Fees RMB'000	Remuneration paid RMB'000	Contributions to defined contribution retirement schemes RMB'000	Other benefits in kind (Note (v)) RMB'000	Total (Note (i)) RMB'000
Executive directors					
Zhang Jinliang (Notes (ii) & (vi))	–	673	63	147	883
Ji Zhihong (Notes (ii) & (vi))	–	605	63	143	811
Non-executive directors					
Tian Bo (Note (iii))	–	–	–	–	–
Xia Yang (Note (iii))	–	–	–	–	–
Shao Min (Note (iii))	–	–	–	–	–
Liu Fang (Note (iii))	–	–	–	–	–
Li Lu (Notes (ii) & (iii))	–	–	–	–	–
Independent non-executive directors					
Kenneth Patrick Chung	440	–	–	–	440
Graeme Wheeler	440	–	–	–	440
Michel Madelain	430	–	–	–	430
William Coen	390	–	–	–	390
Leung Kam Chung, Antony	410	–	–	–	410
Lord Sassoon (Note (ii))	98	–	–	–	98
Supervisors					
Lin Hong (Note (vi))	–	1,232	63	225	1,520
Liu Jun (Note (iv))	50	–	–	–	50
Zhao Xijun	290	–	–	–	290
Liu Huan	270	–	–	–	270
Ben Shenglin	250	–	–	–	250
Former executive directors					
Tian Guoli (Notes (ii) & (vi))	–	673	63	147	883
Cui Yong (Notes (ii) & (vi))	–	605	63	143	811
Former non-executive directors					
Xu Jiandong (Notes (ii) & (iii))	–	–	–	–	–
Former independent non-executive directors					
Malcolm Christopher McCarthy (Note (ii))	205	–	–	–	205
Former supervisors					
Wang Yongqing (Notes (ii) &(vi))	–	504	47	110	661
Wang Yi (Notes (ii) &(iv))	17	–	–	–	17
	3,290	4,292	362	915	8,859

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

16 Directors' and supervisors' emoluments (continued)

	2022			
	Annual remuneration payable (Allowances) RMB'000	Employer's contribution to social insurances, enterprise annuity, supplemental medical insurance and housing funds RMB'000	Other monetary income RMB'000	Total RMB'000
Executive directors				
Tian Guoli (Notes (ii) & (vi))	926	217	–	1,143
Zhang Jinliang (Notes (ii) & (vi))	617	141	–	758
Non-executive directors				
Xu Jiandong (Notes (ii) & (iii))	–	–	–	–
Tian Bo (Note (iii))	–	–	–	–
Xia Yang (Note (iii))	–	–	–	–
Shao Min (Note (iii))	–	–	–	–
Liu Fang (Note (iii))	–	–	–	–
Li Lu (Notes (ii) & (iii))	–	–	–	–
Independent non-executive directors				
Malcolm Christopher McCarthy	410	–	–	410
Kenneth Patrick Chung	440	–	–	440
Graeme Wheeler	440	–	–	440
Michel Madelain	420	–	–	420
William Coen	390	–	–	390
Leung Kam Chung, Antony	410	–	–	410
Supervisors				
Wang Yongqing (Notes (ii) & (vi))	926	217	–	1,143
Lin Hong (Note (vi))	2,201	269	–	2,470
Wang Yi (Notes (ii) & (iv))	50	–	–	50
Liu Jun (Note (iv))	50	–	–	50
Zhao Xijun	290	–	–	290
Liu Huan	260	–	–	260
Ben Shenglin	250	–	–	250
Former executive directors				
Wang Jiang (Note (vi))	232	57	–	289
Former non-executive directors				
Zhang Qi (Note (iii))	–	–	–	–
Former supervisors				
Yang Fenglai (Note (vi))	2,018	229	–	2,247
Deng Aibing (Note (iv))	46	–	–	46
	10,376	1,130	–	11,506

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

16 Directors' and supervisors' emoluments (continued)

Notes:

(i) The amounts of emoluments for the year ended 31 December 2023 in respect of the services rendered by the directors and supervisors are subject to the approval of the Annual General Meeting.

(ii) Upon election of the Board and approval of the NFRA, Mr. Zhang Jinliang began to serve as chairman of the Board from March 2024 and ceased to serve as vice chairman of the Board from March 2024.

Upon election at the 2022 annual general meeting of the Bank and approval of the NFRA, Lord Sassoon began to serve as independent non-executive director of the Bank from October 2023. Upon election at the 2023 first extraordinary general meeting of the Bank and approval of the NFRA, Mr. Cui Yong and Mr. Ji Zhihong began to serve as executive directors of the Bank since June 2023. Upon election at the 2022 first extraordinary general meeting of the Bank and approval of the former CBIRC, Ms. Li Lu began to serve as non-executive director of the Bank from March 2023.

By reason of age, Mr. Tian Guoli ceased to serve as chairman and executive director of the Bank from March 2024. Due to change of job, Mr. Cui Yong ceased to serve as executive director of the Bank from January 2024. Due to expiration of term of office, Mr. Xu Jiandong ceased to serve as non-executive director of the Bank and Sir Malcolm Christopher McCarthy ceased to serve as independent non-executive director of the Bank from June 2023.

By reason of age, Mr. Wang Yongqing ceased to serve as chairman of the board of supervisors and shareholder representative supervisor of the Bank from October 2023. By reason of age, Mr. Wang Yi ceased to serve as employee representative supervisor of the Bank from April 2023.

(iii) The Bank did not need to pay the emoluments of non-executive directors appointed by Huijin for the services rendered in 2023 and 2022.

(iv) The amounts only included fees for their services as supervisors.

(v) Other benefits in kind included the Bank's contributions to medical fund, housing fund and other social insurances, which are payable to labour and security authorities based on the lower of certain percentage of the salaries and allowance or the prescribed upper limits as required by the relevant regulations issued by the government authorities. Other benefits also included the Bank's contribution to its own corporate annuity plan (which was set up in accordance with the relevant policies issued by the government authorities) and supplementary medical insurance.

(vi) The total compensation package for these directors and supervisors for the year ended 31 December 2023 has not yet been finalised in accordance with regulations of the PRC relevant authorities. The amount of the compensation not provided for is not expected to have a significant impact on the Group's financial statements for the year ended 31 December 2023. The final compensation will be disclosed in a separate announcement when determined.

(vii) The total compensation package for certain directors and supervisors for the year ended 31 December 2022 had not been finalised in accordance with regulations of the PRC relevant authorities as at the date that the 2022 financial statements were published. The aforesaid total compensation package for the directors and supervisors for the year ended 31 December 2022 was the final amount.

(viii) From 2015 onwards, remuneration of the Bank's leaders administered by central authorities has been paid in accordance with relevant policies relating to the central remuneration reform.

None of the directors and supervisors received any inducements or compensation for loss of office, or waived any emoluments during the years ended 31 December 2023 and 2022.

17 Individuals with highest emoluments

The five highest paid employees of the Group are all market-making personnel responsible for asset management business of the Bank's subsidiaries or personnel from the Bank's overseas entities. Their emoluments were determined based on prevailing market rates in respective countries (regions) where the subsidiaries are located. None of the five individuals with the highest emoluments are directors or supervisors whose emoluments are disclosed in Note 16. The aggregate of the emoluments before individual income tax of the five highest paid individuals during the year is as follows:

	2023 RMB'000	2022 RMB'000
Salaries and allowance	**14,366**	8,865
Variable compensation	**19,367**	28,632
Contributions to defined contribution retirement schemes	**2,249**	473
Other benefits in kind	**1,225**	2,054
Total	**37,207**	40,024

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(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

17 Individuals with highest emoluments (continued)

The numbers of these individuals whose emoluments before individual income tax are within the following bands is set out below:

	2023	2022
RMB6,000,001 – RMB6,500,000	**1**	–
RMB6,500,001 – RMB7,000,000	**1**	–
RMB7,000,001 – RMB7,500,000	**–**	1
RMB7,500,001 – RMB8,000,000	**2**	3
RMB8,000,001 – RMB8,500,000	**1**	–
RMB8,500,001 – RMB9,000,000	**–**	–
RMB9,000,001 – RMB9,500,000	**–**	–
RMB9,500,001 – RMB10,000,000	**–**	1

None of these individuals received any inducements or compensation for loss of office, or waived any emoluments during the years ended 31 December 2023 and 2022.

18 Income tax expense

(1) Income tax expense

	2023	2022
Current tax	**66,370**	77,397
– The Chinese mainland	**63,246**	75,509
– Hong Kong	**1,294**	1,055
– Other countries and regions	**1,830**	833
Adjustments for prior years	**(375)**	(456)
Deferred tax	**(9,078)**	(18,105)
Total	**56,917**	58,836

The provisions for income taxes for the Chinese mainland and Hong Kong are calculated at 25% and 16.5% of the estimated taxable income from the Chinese mainland and Hong Kong operations, respectively. Taxation for other overseas operations is charged at the appropriate current rates of taxation ruling in the relevant tax jurisdictions.

(2) Reconciliation between income tax expense and accounting profit

	Note	**2023**	2022
Profit before tax		**389,377**	383,699
Income tax calculated at the 25% statutory tax rate		**97,344**	95,925
Effects of different applicable rates of tax prevailing in other countries/regions		**(767)**	(1,070)
Non-deductible expenses	(a)	**19,078**	19,222
Non-taxable income	(b)	**(58,363)**	(54,785)
Adjustments on income tax for prior years which affect profit or loss		**(375)**	(456)
Income tax expense		**56,917**	58,836

(a) Non-deductible expenses primarily include non-deductible losses resulting from write-offs and impairment losses.

(b) Non-taxable income primarily includes interest income from PRC government bonds and local government bonds.

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(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

19 Earnings per share

Basic earnings per share for the years ended 31 December 2023 and 2022 have been computed by dividing the net profit attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the years.

For the purpose of calculating basic earnings per share, dividends on non-cumulative preference shares declared in respect of the period and the perpetual bond interest paid in the period should be deducted from the amount attributable to equity shareholders of the Bank.

The conversion feature of preference shares are considered to be contingently issuable ordinary shares. The triggering events of conversion did not occur for the years ended 31 December 2023 and 2022, therefore the conversion feature of preference shares has no effect on the basic and diluted earnings per share calculations.

	2023	2022
Net profit attributable to equity shareholders of the Bank	**332,653**	324,727
Less: Profit for the year attributable to other equity instruments holders of the Bank	**(5,110)**	(4,538)
Net profit attributable to ordinary shareholders of the Bank	**327,543**	320,189
Weighted average number of ordinary shares (in millions of shares)	**250,011**	250,011
Basic earnings per share attributable to ordinary shareholders of the Bank (in RMB yuan)	**1.31**	1.28
Diluted earnings per share attributable to ordinary shareholders of the Bank (in RMB yuan)	**1.31**	1.28

20 Cash and deposits with central banks

	Note	**31 December 2023**	31 December 2022
Cash		**45,682**	47,534
Deposits with central banks			
– Statutory deposit reserves	(1)	**2,425,965**	2,305,301
– Surplus deposit reserves	(2)	**552,063**	771,473
– Fiscal deposits and others		**41,042**	33,725
Accrued interest		**1,306**	1,263
Total		**3,066,058**	3,159,296

(1) The Group places statutory deposit reserves with the People's Bank of China ("PBC") and overseas central banks where it has operations. The statutory deposit reserves are not available for use in the Group's daily business.

As at the end of the reporting period, the Bank's statutory deposit reserve rates in the Chinese mainland were as follows:

	31 December 2023	31 December 2022
Reserve rate for RMB deposits	**9.00%**	9.50%
Reserve rate for foreign currency deposits	**4.00%**	6.00%

The statutory RMB deposit reserve rates applicable to domestic subsidiaries of the Group are determined by the PBC.

The amounts of statutory deposit reserves placed with the central banks of overseas countries and regions are determined by local jurisdictions.

(2) The surplus deposit reserve maintained with the PBC is mainly for the purpose of clearing.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

21 Deposits with banks and non-bank financial institutions

(1) Analysed by type of counterparties

	31 December 2023	31 December 2022
Banks	131,935	177,083
Non-bank financial institutions	16,064	7,618
Accrued interest	379	1,060
Gross balances	148,378	185,761
Allowances for impairment losses (Note 36)	(160)	(338)
Net balances	148,218	185,423

(2) Analysed by geographical sectors

	31 December 2023	31 December 2022
The Chinese mainland	111,430	152,478
Overseas	36,569	32,223
Accrued interest	379	1,060
Gross balances	148,378	185,761
Allowances for impairment losses (Note 36)	(160)	(338)
Net balances	148,218	185,423

As at 31 December 2023 and 2022, all of the Group's and the Bank's deposits with banks and non-bank financial institutions were designated as Stage 1. For the years ended 31 December 2023 and 2022, neither the book values nor the impairment allowances had any migrations between stages.

22 Placements with banks and non-bank financial institutions

(1) Analysed by type of counterparties

	31 December 2023	31 December 2022
Banks	408,117	319,239
Non-bank financial institutions	263,148	188,823
Accrued interest	4,956	2,657
Gross balances	676,221	510,719
Allowances for impairment losses (Note 36)	(951)	(933)
Net balances	675,270	509,786

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(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

22 Placements with banks and non-bank financial institutions (continued)

(2) Analysed by geographical sectors

	31 December 2023	31 December 2022
The Chinese mainland	473,888	356,745
Overseas	197,377	151,317
Accrued interest	4,956	2,657
Gross balances	676,221	510,719
Allowances for impairment losses (Note 36)	(951)	(933)
Net balances	675,270	509,786

As at 31 December 2023 and 2022, all of the Group's placements with banks and non-bank financial institutions were designated as Stage 1. For the years ended 31 December 2023 and 2022, the book value and the impairment loss allowances did not involve transfers between stages.

23 Derivatives and hedge accounting

(1) Analysed by type of contracts

		31 December 2023			31 December 2022		
	Note	Notional amounts	Assets	Liabilities	Notional amounts	Assets	Liabilities
Interest rate contracts		1,352,192	10,490	7,957	654,559	7,202	4,312
Exchange rate contracts		3,711,837	31,425	27,568	2,685,521	40,119	38,820
Other contracts	(a)	192,081	1,925	6,343	127,641	1,987	3,615
Total		5,256,110	43,840	41,868	3,467,721	49,308	46,747

(2) Analysed by counterparty credit risk-weighted assets

	Note	31 December 2023	31 December 2022
Counterparty credit default risk-weighted assets			
– Interest rate contracts		7,690	6,479
– Exchange rate contracts		57,042	50,168
– Other contracts	(a)	17,867	14,869
Subtotal		82,599	71,516
Risk-weighted assets for credit valuation adjustment		21,582	16,952
Total		104,181	88,468

The notional amounts of derivatives only represent the unsettled transaction volume as at the end of the reporting period, instead of the amount of risk assets. Since 1 January 2013, the Group has adopted Capital Rules for Commercial Banks (Provisional) and other related policies. According to the rules set out by the NFRA, the counterparty credit risk-weighted assets include risk-weighted assets for credit valuation adjustments which are calculated based on counterparty conditions and maturity characteristics and include back-to-back client-driven transactions. From 1 January 2019, the Group measures default risk-weighted assets for derivatives counterparties in accordance with the *Rules on Measuring Derivative Counterparty Default Risk Assets*.

(a) Other contracts mainly consist of precious metals and commodity contracts.

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

23 Derivatives and hedge accounting (continued)

(3) Hedge accounting

The following designated hedging instruments are included in the derivatives disclosed above.

		31 December 2023			31 December 2022		
	Note	Notional amounts	Assets	Liabilities	Notional amounts	Assets	Liabilities
Fair value hedges	(a)						
Interest rate swaps		52,093	1,340	254	52,664	2,147	1,290
Cross currency swaps		–	–	–	2,403	5	17
Cash flow hedges	(b)						
Foreign exchange swaps		28,536	250	254	18,394	76	72
Cross currency swaps		1,000	–	13	–	–	–
Interest rate swaps		3,199	130	–	3,105	210	–
Total		84,828	1,720	521	76,566	2,438	1,379

(a) *Fair value hedges*

The Group uses interest rate swaps and cross currency swaps to hedge against changes in fair value of loans and advances to customers, financial assets measured at fair value through other comprehensive income, placements from banks and non-bank financial institutions, financial assets sold under repurchase agreements, deposits from customers, and debt securities issued arising from changes in interest rates and exchange rates.

Net (losses)/gains on fair value hedges are as follows:

	2023	2022
Hedging instruments	(458)	1,166
Hedged items	466	(1,139)

The gain and loss arising from the ineffective portion of fair value hedges was immaterial for the years ended 31 December 2023 and 2022.

(b) *Cash flow hedges*

The Group uses foreign exchange swaps, cross currency swaps and interest rate swaps to hedge against exposures to cash flow variability primarily from foreign exchange and interest rate risks on placements with banks and non-bank financial institutions, loans and advances to customers, borrowings from central banks, placements from banks and non-bank financial institutions, deposits from customers, and debt securities issued. The maturities of hedging instruments and hedged items are both within five years.

For the year ended 31 December 2023, the Group's net gain from the cash flow hedges of RMB201 million was recognised in other comprehensive income (for the year ended 31 December 2022: net gain from cash flow hedges of RMB485 million), and the gain and loss arising from the ineffective portion of cash flow hedges was immaterial.

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(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

24 Financial assets held under resale agreements

Financial assets held under resale agreements analysed by underlying assets are shown as follows:

	31 December 2023	31 December 2022
Debt securities		
– Government bonds	**363,187**	413,548
– Debt securities issued by policy banks, banks and non-bank financial institutions	**547,054**	562,011
– Corporate bonds	**12**	–
Subtotal	**910,253**	975,559
Discounted bills	**68,930**	64,964
Accrued interest	**477**	530
Total	**979,660**	1,041,053
Allowances for impairment losses (Note 36)	**(162)**	(206)
Net balances	**979,498**	1,040,847

As at 31 December 2023 and 2022, the Group's financial assets held under resale agreements were all designated as Stage 1. For the years ended 2023 and 2022, the book value and the impairment loss allowances do not involve the transfer between stages.

25 Loans and advances to customers

(1) Analysed by measurement

	Note	**31 December 2023**	31 December 2022
Gross loans and advances to customers measured at amortised cost		**22,706,195**	20,099,484
Less: allowances for impairment losses		**(778,223)**	(704,088)
Net loans and advances to customers measured at amortised cost	(a)	**21,927,972**	19,395,396
Loans and advances to customers measured at fair value through other comprehensive income	(b)	**1,104,787**	1,048,651
Accrued interest		**50,618**	48,995
Total		**23,083,377**	20,493,042

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

25 Loans and advances to customers (continued)

(1) Analysed by measurement (continued)

(a) Loans and advances to customers measured at amortised cost

	31 December 2023	31 December 2022
Corporate loans and advances		
– Loans	**13,832,726**	11,653,882
– Finance leases	**104,871**	118,290
	13,937,597	11,772,172
Personal loans and advances		
– Residential mortgages	**6,452,948**	6,547,659
– Personal consumer loans	**431,758**	301,416
– Personal business loans	**777,481**	415,344
– Credit cards	**1,000,424**	928,101
– Others	**105,987**	134,792
	8,768,598	8,327,312
Gross loans and advances to customers measured at amortised cost	**22,706,195**	20,099,484
Stage 1 – allowances for impairment losses	**(363,424)**	(339,557)
Stage 2 – allowances for impairment losses	**(190,295)**	(176,141)
Stage 3 – allowances for impairment losses	**(224,504)**	(188,390)
Allowances for impairment losses at amortised cost (Note 36)	**(778,223)**	(704,088)
Net loans and advances to customers measured at amortised cost	**21,927,972**	19,395,396

(b) Loans and advances to customers measured at fair value through other comprehensive income

	31 December 2023	31 December 2022
Discounted bills	**1,104,787**	1,048,651

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(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

25 Loans and advances to customers (continued)

(2) Analysed by assessment method of expected credit losses

	31 December 2023			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Gross loans and advances to customers measured at amortised cost	**21,602,943**	**777,996**	**325,256**	**22,706,195**
Less: allowances for impairment losses	**(363,424)**	**(190,295)**	**(224,504)**	**(778,223)**
Carrying amount of loans and advances to customers measured at amortised cost	**21,239,519**	**587,701**	**100,752**	**21,927,972**
Provision percentage for loans and advances to customers measured at amortised cost	**1.68%**	**24.46%**	**69.02%**	**3.43%**
Carrying amount of loans and advances to customers measured at fair value through other comprehensive income	**1,092,093**	**12,694**	**–**	**1,104,787**
Allowances for impairment losses on loans and advances to customers measured at fair value through other comprehensive income	**(1,431)**	**(461)**	**–**	**(1,892)**

	31 December 2022			
	Stage 1	Stage 2	Stage 3	Total
Gross loans and advances to customers measured at amortised cost	19,126,560	680,099	292,825	20,099,484
Less: allowances for impairment losses	(339,557)	(176,141)	(188,390)	(704,088)
Carrying amount of loans and advances to customers measured at amortised cost	18,787,003	503,958	104,435	19,395,396
Provision percentage for loans and advances to customers measured at amortised cost	1.78%	25.90%	64.34%	3.50%
Carrying amount of loans and advances to customers measured at fair value through other comprehensive income	1,038,161	10,490	–	1,048,651
Allowances for impairment losses on loans and advances to customers measured at fair value through other comprehensive income	(2,610)	(553)	–	(3,163)

For loans and advances to customers designated as Stages 1 and Stage 2 as well as personal loans and advances, and corporate loans and advances under portfolio management designated as Stage 3, the Group assessed ECL using risk parameter modelling approach that incorporated relevant parameters such as Probability of Default ("PD"), Loss Given Default ("LGD") or Exposure at Default ("EAD"). For other corporate loans and advances and discounted bills designated as Stage 3, management calculated ECL using the discounted cash flow method on expected recoverable cash flows.

The segmentation of the loans mentioned above is defined in Note 4(3)(f).

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(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

25 Loans and advances to customers (continued)

(3) Movements of allowances for impairment losses

		2023			
	Note	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
As at 1 January 2023		**339,557**	**176,141**	**188,390**	**704,088**
Transfers:					
Transfers in/(out) to Stage 1		**19,259**	**(18,402)**	**(857)**	**–**
Transfers in/(out) to Stage 2		**(12,464)**	**19,608**	**(7,144)**	**–**
Transfers in/(out) to Stage 3		**(5,474)**	**(22,661)**	**28,135**	**–**
Newly originated or purchased financial assets		**168,995**	**–**	**–**	**168,995**
Transfer out/repayment	(a)	**(131,700)**	**(30,202)**	**(50,438)**	**(212,340)**
Remeasurements	(b)	**(14,749)**	**65,811**	**103,654**	**154,716**
Write-offs		**–**	**–**	**(53,389)**	**(53,389)**
Recoveries of loans and advances written off		**–**	**–**	**16,153**	**16,153**
As at 31 December 2023		**363,424**	**190,295**	**224,504**	**778,223**

		2022			
	Note	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2022		310,207	154,465	172,666	637,338
Transfers:					
Transfers in/(out) to Stage 1		16,596	(16,120)	(476)	–
Transfers in/(out) to Stage 2		(8,324)	14,805	(6,481)	–
Transfers in/(out) to Stage 3		(4,035)	(22,533)	26,568	–
Newly originated or purchased financial assets		154,797	–	–	154,797
Transfer out/repayment	(a)	(120,384)	(29,647)	(52,014)	(202,045)
Remeasurements	(b)	(9,300)	75,171	84,033	149,904
Write-offs		–	–	(51,434)	(51,434)
Recoveries of loans and advances written off		–	–	15,528	15,528
As at 31 December 2022		339,557	176,141	188,390	704,088

(a) Transfer out/repayment refers to transfer of creditor's rights, securitisation of assets, debt-to-equity swaps and reversal of loss provision due to repayment of debts in the form of other assets, as well as repayment of loans.

(b) Remeasurements comprise the impact of changes in PD, LGD, and EAD; changes in model assumptions and methodologies; loss provisions change due to stage-transfer; unwinding of discount; and the impact of exchange rate changes, etc.

The loss provisions disclosed above are for loans and advances to customers measured at amortised cost.

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

25 Loans and advances to customers (continued)

(3) Movements of allowances for impairment losses (continued)

For the year ended 31 December 2023, the changes of gross carrying amounts of loans and advances to customers with a significant impact on the Group's impairment allowance were mainly resulted from the credit business in the Chinese mainland, including:

For the year ended 31 December 2023, the gross carrying amount of domestic branches corporate loans and advances to customers transferred from Stage 1 to Stage 2 was RMB219,751 million (for the year ended 31 December 2022: RMB165,437 million). The gross carrying amount of loans transferred from Stage 2 to Stage 3 was RMB51,037 million (for the year ended 31 December 2022: RMB51,923 million). The gross carrying amount of loans transferred from Stage 2 to Stage 1 was RMB49,822 million (for the year ended 31 December 2022: RMB47,495 million). The changes of impairment allowances resulting from loans transferred from Stage 1 to Stage 3, and Stage 3 to Stage 1 and Stage 2 was not significant (for the year ended 31 December 2022: not significant). For the year ended 31 December 2023, the changes of impairment allowances resulting from stage-transfer of domestic branches personal loans and advances to customers were not significant (for the year ended 31 December 2022: not significant).

For the year ended 31 December 2023, the gross carrying amount of the loans of which impairment allowances were transferred from Stage 3 to Stage 2, and from Stage 3 or Stage 2 to Stage 1, due to the modification of contractual cash flows of domestic branches which did not result in derecognition was not significant (for the year ended 31 December 2022: not significant).

(4) Overdue loans analysed by overdue period

	31 December 2023				
	Overdue within three months	**Overdue between three months and one year**	**Overdue between one year and three years**	**Overdue over three years**	**Total**
Unsecured loans	**26,263**	**35,112**	**8,945**	**1,814**	**72,134**
Guaranteed loans	**12,863**	**19,777**	**29,155**	**4,525**	**66,320**
Loans secured by property and other immovable assets	**40,554**	**38,668**	**28,012**	**6,752**	**113,986**
Other pledged loans	**3,945**	**1,493**	**6,558**	**1,420**	**13,416**
Total	**83,625**	**95,050**	**72,670**	**14,511**	**265,856**
As a percentage of gross loans and advances to customers	**0.35%**	**0.40%**	**0.31%**	**0.06%**	**1.12%**

	31 December 2022				
	Overdue within three months	Overdue between three months and one year	Overdue between one year and three years	Overdue over three years	Total
Unsecured loans	23,342	19,039	9,643	1,785	53,809
Guaranteed loans	16,446	13,246	21,106	4,079	54,877
Loans secured by property and other immovable assets	43,931	30,768	21,018	4,602	100,319
Other pledged loans	4,278	1,701	3,176	652	9,807
Total	87,997	64,754	54,943	11,118	218,812
As a percentage of gross loans and advances to customers	0.41%	0.31%	0.26%	0.05%	1.03%

Overdue loans represent loans of which the whole or part of the principal or interest is overdue for 1 day or more.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

25 Loans and advances to customers (continued)

(5) Packaged disposal of non-performing loans

For the year ended 31 December 2023, the Group's total amount of non-performing loans sold through packaged disposal to external asset management companies was RMB3,568 million (for the year ended 31 December 2022: RMB3,052 million).

(6) Write-offs

According to the Group's Write-offs policy, it is required to continue to recover the bad debts that are written off. For the year ended 31 December 2023, the amount of loans and advances to customers that the Group has written off under litigation-related condition but still under enforcement was RMB15,829 million (for the year ended 31 December 2022: RMB15,655 million).

26 Financial investments

(1) Analysed by measurement

	Note	**31 December 2023**	31 December 2022
Financial assets measured at fair value through profit or loss	(a)	**602,303**	568,097
Financial assets measured at amortised cost	(b)	**6,801,242**	5,958,397
Financial assets measured at fair value through other comprehensive income	(c)	**2,234,731**	2,015,818
Total		**9,638,276**	8,542,312

(a) Financial assets measured at fair value through profit or loss

Analysed by nature

	Note	**31 December 2023**	31 December 2022
Held-for-trading purposes			
– Debt securities	(i)	**127,985**	140,689
– Equity instruments and funds	(ii)	**1,463**	1,007
		129,448	141,696
Others			
– Credit investments	(iii)	**80,747**	58,796
– Debt securities	(iv)	**153,567**	140,547
– Funds and others	(v)	**238,541**	227,058
		472,855	426,401
Total		**602,303**	568,097

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(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

26 Financial investments (continued)

(1) Analysed by measurement (continued)

(a) *Financial assets measured at fair value through profit or loss* (continued)

Analysed by type of issuers

Held-for-trading purposes

(i) Debt securities

	31 December 2023	31 December 2022
Government	**20,369**	16,227
Central banks	**8,074**	7,453
Policy banks	**26,398**	23,612
Banks and non-bank financial institutions	**57,698**	38,997
Enterprises	**15,446**	54,400
Total	**127,985**	140,689
Listed (Note)	**118,880**	129,534
– of which in Hong Kong	**849**	622
Unlisted	**9,105**	11,155
Total	**127,985**	140,689

Note: Debt securities traded on the China Domestic Interbank Bond Market are classified as "Listed".

(ii) Equity instruments and funds

	31 December 2023	31 December 2022
Banks and non-bank financial institutions	**1,114**	796
Enterprises	**349**	211
Total	**1,463**	1,007
Listed	**374**	281
– of which in Hong Kong	**209**	89
Unlisted	**1,089**	726
Total	**1,463**	1,007

Others

(iii) Credit investments

	31 December 2023	31 December 2022
Banks and non-bank financial institutions	**54,349**	34,008
Enterprises	**26,398**	24,788
Total	**80,747**	58,796
Unlisted	**80,747**	58,796
Total	**80,747**	58,796

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

26 Financial investments (continued)

(1) Analysed by measurement (continued)

(a) *Financial assets measured at fair value through profit or loss (continued)*

Analysed by type of issuers (continued)

Others (continued)

(iv) Debt securities

	31 December 2023	31 December 2022
Policy banks	**18,701**	11,353
Banks and non-bank financial institutions	**134,494**	126,889
Enterprises	**372**	2,305
Total	**153,567**	140,547
Listed (Note)	**153,481**	138,442
– of which in Hong Kong	**74**	29
Unlisted	**86**	2,105
Total	**153,567**	140,547

Note: Debt securities traded on the China Domestic Interbank Bond Market are classified as "Listed".

(v) Funds and others

	31 December 2023	31 December 2022
Banks and non-bank financial institutions	**102,301**	84,083
Enterprises	**136,240**	142,975
Total	**238,541**	227,058
Listed	**31,367**	36,791
– of which in Hong Kong	**1,599**	1,394
Unlisted	**207,174**	190,267
Total	**238,541**	227,058

There was no significant limitation on the ability of the Group to dispose of financial assets measured at FVPL.

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(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

26 Financial investments (continued)

(1) Analysed by measurement (continued)

(b) Financial assets measured at amortised cost

Analysed by type of issuers

	31 December 2023	31 December 2022
Government	**5,925,826**	5,146,501
Central banks	**3,127**	–
Policy banks	**345,103**	330,983
Banks and non-bank financial institutions	**192,626**	152,202
Enterprises	**222,407**	236,337
Special government bond	**49,200**	49,200
Subtotal	**6,738,289**	5,915,223
Accrued interest	**87,799**	78,042
Gross balances	**6,826,088**	5,993,265
Allowances for impairment losses		
– Stage 1	**(11,716)**	(17,768)
– Stage 2	**(80)**	(199)
– Stage 3	**(13,050)**	(16,901)
Subtotal	**(24,846)**	(34,868)
Net balances	**6,801,242**	5,958,397
Listed (Note)	**6,664,047**	5,845,229
– of which in Hong Kong	**3,682**	5,994
Unlisted	**137,195**	113,168
Total	**6,801,242**	5,958,397
Market value of listed bonds	**6,911,734**	5,997,213

Note: Debt securities traded on the China Domestic Interbank Bond Market are classified as "Listed".

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

26 Financial investments (continued)

(1) Analysed by measurement (continued)

(c) Financial assets measured at fair value through other comprehensive income

Analysed by nature

	Note	31 December 2023	31 December 2022
Debt securities	(i)	**2,224,783**	2,008,371
Equity instruments	(ii)	**9,948**	7,447
Total		**2,234,731**	2,015,818

Analysed by type of issuers

(i) Debt securities

	31 December 2023	31 December 2022
Government	**1,310,050**	1,235,685
Central banks	**31,937**	40,064
Policy banks	**482,236**	430,348
Banks and non-bank financial institutions	**229,794**	137,231
Enterprises	**112,312**	116,483
Accumulated change of fair value charged in other comprehensive income	**33,072**	22,935
Subtotal	**2,199,401**	1,982,746
Accrued interest	**25,382**	25,625
Total	**2,224,783**	2,008,371
Listed (Note)	**2,102,571**	1,907,491
– of which in Hong Kong	**71,707**	61,905
Unlisted	**122,212**	100,880
Total	**2,224,783**	2,008,371

Note: Debt securities traded on the China Domestic Interbank Bond Market are classified as "Listed".

(ii) The Group designates certain non-trading equity investments as financial assets measured at fair value through other comprehensive income. For the year ended 31 December 2023, dividend income from such equity investments was RMB11 million (for the year ended 31 December 2022: RMB18 million). The value of equity investments disposed of was RMB46 million (for the year ended 31 December 2022: Nil) and the cumulative gains transferred into retained earnings from other comprehensive income after disposal was RMB26 million (for the year ended 31 December 2022: Nil).

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(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

26 Financial investments (continued)

(2) Movements of allowances for impairment losses

(a) Financial assets measured at amortised cost

		2023			
	Note	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
As at 1 January 2023		**17,768**	**199**	**16,901**	**34,868**
Transfers:					
Transfers in/(out) to Stage 1		**–**	**–**	**–**	**–**
Transfers in/(out) to Stage 2		**(7)**	**7**	**–**	**–**
Transfers in/(out) to Stage 3		**–**	**–**	**–**	**–**
Newly originated or purchased financial assets		**1,642**	**–**	**–**	**1,642**
Financial assets derecognised during the year		**(2,485)**	**(172)**	**(3,425)**	**(6,082)**
Remeasurements	(i)	**(5,202)**	**46**	**1,197**	**(3,959)**
Write-offs		**–**	**–**	**(1,623)**	**(1,623)**
As at 31 December 2023		**11,716**	**80**	**13,050**	**24,846**

		2022			
	Note	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2022		17,734	1,427	15,064	34,225
Transfers:					
Transfers in/(out) to Stage 1		–	–	–	–
Transfers in/(out) to Stage 2		(60)	60	–	–
Transfers in/(out) to Stage 3		(34)	(610)	644	–
Newly originated or purchased financial assets		3,104	–	–	3,104
Financial assets derecognised during the year		(2,287)	(699)	(306)	(3,292)
Remeasurements	(i)	(689)	21	3,385	2,717
Write-offs		–	–	(1,886)	(1,886)
As at 31 December 2022		17,768	199	16,901	34,868

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

26 Financial investments (continued)

(2) Movements of allowances for impairment losses (continued)

(b) Financial assets measured at fair value through other comprehensive income

	Note	2023			
		Stage 1	**Stage 2**	**Stage 3**	**Total**
As at 1 January 2023		**5,558**	**42**	**372**	**5,972**
Transfers:					
Transfers in/(out) to Stage 1		**–**	**–**	**–**	**–**
Transfers in/(out) to Stage 2		**–**	**–**	**–**	**–**
Transfers in/(out) to Stage 3		**–**	**(45)**	**45**	**–**
Newly originated or purchased financial assets		**1,941**	**–**	**–**	**1,941**
Financial assets derecognised during the year		**(1,858)**	**(3)**	**(6)**	**(1,867)**
Remeasurements	(i)	**(622)**	**23**	**174**	**(425)**
Write-offs		**–**	**–**	**(213)**	**(213)**
As at 31 December 2023		**5,019**	**17**	**372**	**5,408**

	Note	2022			
		Stage 1	Stage 2	Stage 3	Total
As at 1 January 2022		3,643	101	70	3,814
Transfers:					
Transfers in/(out) to Stage 1		3	(3)	–	–
Transfers in/(out) to Stage 2		–	–	–	–
Transfers in/(out) to Stage 3		–	(56)	56	–
Newly originated or purchased financial assets		2,503	–	–	2,503
Financial assets derecognised during the year		(1,153)	(20)	(70)	(1,243)
Remeasurements	(i)	562	20	316	898
As at 31 December 2022		5,558	42	372	5,972

(i) Remeasurements mainly consist of updates to PD, LGD, and EAD, as well as provisioning/reversal of loss provisions for financial investments due to migration between stages.

As at 31 December 2023, the Group's financial assets measured at amortised cost with carrying amount of RMB14,427 million (as at 31 December 2022: RMB19,768 million) and financial assets measured at fair value through other comprehensive income with carrying amount of RMB54 million (as at 31 December 2022: RMB175 million) were impaired and classified as Stage 3, financial assets measured at amortised cost with carrying amount of RMB462 million (as at 31 December 2022: RMB1,273 million) and financial assets measured at fair value through other comprehensive income with carrying amount of RMB549 million (as at 31 December 2022: RMB467 million) were classified as Stage 2, and the remaining financial assets measured at amortised cost and financial assets measured at fair value through other comprehensive income were classified as Stage 1.

For the year ended 31 December 2023, the increase in the Group's Stage 1 financial assets due to newly originated or purchased financial assets amounted to RMB2,127,112 million (for the year ended 31 December 2022: RMB1,822,360 million), the decrease in Stage 1 financial assets due to derecognition amounted to RMB1,080,730 million (for the year ended 31 December 2022: RMB961,497 million), and there were no significant changes in the balances of financial assets classified as Stage 2 and 3. Both the amounts of financial assets transferred between stages and the amounts of financial assets with modifications of contractual cash flows that did not result in a derecognition were not significant.

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27 Long-term equity investments

(1) Investments in subsidiaries

(a) Investment balance

	Note	31 December 2023	31 December 2022
CCB Financial Asset Investment Co., Ltd. ("CCB Investment")		**27,000**	27,000
CCB Wealth Management Co., Ltd. ("CCB Wealth Management")		**15,000**	15,000
CCB Financial Leasing Co., Ltd. ("CCB Financial Leasing")		**11,163**	11,163
CCB House Rental Fund (Limited Partnership) ("CCB House Rental Fund")	(i)	**10,000**	5,000
CCB Brazil Financial Holding – Investimentos e Participações Ltda.		**9,542**	9,542
CCB Trust Co., Ltd. ("CCB Trust")		**7,429**	7,429
CCB Life Insurance Co., Ltd. ("CCB Life")		**6,962**	6,962
CCB Consumer Finance Co., Ltd. ("CCB Consumer Finance")	(ii)	**6,000**	–
China Construction Bank (Europe) S.A. ("CCB Europe")		**4,406**	4,406
China Construction Bank (London) Limited ("CCB London")	(iii)	**2,861**	2,861
PT Bank China Construction Bank Indonesia Tbk ("CCB Indonesia")		**2,215**	2,215
CCB Pension Management Co., Ltd. ("CCB Pension")		**1,610**	1,610
Sino-German Bausparkasse Co., Ltd. ("Sino-German Bausparkasse")		**1,502**	1,502
China Construction Bank (Malaysia) Berhad ("CCB Malaysia")		**1,334**	1,334
China Construction Bank (New Zealand) Limited ("CCB New Zealand")		**976**	976
China Construction Bank (Russia) Limited Liability Company ("CCB Russia")		**851**	851
Golden Fountain Finance Limited ("Golden Fountain")		**676**	676
CCB Principal Asset Management Co., Ltd. ("CCB Principal Asset Management")		**130**	130
CCB International Group Holdings Limited ("CCBIG")		**–**	–
Subtotal		**109,657**	98,657
Less: Allowance for impairment losses		**(8,672)**	(8,672)
Total		**100,985**	89,985

(i) In 2023, the Bank added RMB5 billion to the CCB House Rental Fund. As at 31 December 2023, the Bank had invested RMB10 billion in the fund.

(ii) In 2023, CCB Consumer Finance completed registration and opened its business. As at 31 December 2023, the Bank had completed a capital contribution of RMB6 billion.

(iii) The Group steadily pressed ahead with business integration of its London entities.

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27 Long-term equity investments (continued)

(1) Investments in subsidiaries (continued)

(b) Except for CCB Indonesia, the major subsidiaries of the Group are unlisted enterprises, details of the investments in subsidiaries are as follows:

Name of company	Principal place of business	Particulars of issued and paid-up capital	Kind of legal entity	Principal activities	% of ownership directly held by the Bank	% of ownership indirectly held by the Bank	% of voting rights held by the Bank	Method of investment
CCB Investment	Beijing, the PRC	RMB27,000 million	Company with Limited Liability	Investment	100%	–	100%	Establishment
CCB Wealth Management	Shenzhen, the PRC	RMB15,000 million	Company with Limited Liability	Wealth Management	100%	–	100%	Establishment
CCB Financial Leasing	Beijing, the PRC	RMB11,000 million	Company with Limited Liability	Financial Leasing	100%	–	100%	Establishment
CCB House Rental Fund	Beijing, the PRC	RMB10,000 million	Limited Partnership	Investment	99.99%	0.01%	100%	Establishment
CCB Brazil Financial Holding – Investimentos e Participações Ltda.	Sao Paulo, Brazil	R$4,281 million	Company with Limited Liability	Investment	99.99%	0.01%	100%	Acquisition
CCB Trust	Anhui, the PRC	RMB10,500 million	Company with Limited Liability	Trust business	67%	–	67%	Acquisition
CCB Life	Shanghai, the PRC	RMB7,120 million	Company Limited by Shares	Insurance	51%	–	51%	Acquisition
CCB Consumer Finance	Beijing, the PRC	RMB7,200 million	Company with Limited Liability	Consumer Finance	83.33%	–	83.33%	Establishment
CCB Europe	Luxembourg	EUR550 million	Company with Limited Liability	Commercial Banking	100%	–	100%	Establishment
CCB London	London, United Kingdom	US$200 million RMB1,500 million	Company with Limited Liability	Commercial Banking	100%	–	100%	Establishment
CCB Indonesia	Jakarta, Indonesia	IDR3,791,973 million	Company Limited by Shares	Commercial Banking	60%	–	60%	Acquisition
CCB Pension	Beijing, the PRC	RMB2,300 million	Company with Limited Liability	Pension Management	70%	–	70%	Establishment
Sino-German Bausparkasse	Tianjin, the PRC	RMB2,000 million	Company with Limited Liability	House savings	75.10%	–	75.10%	Establishment
CCB Malaysia	Kuala Lumpur, Malaysia	MYR823 million	Company with Limited Liability	Commercial Banking	100%	–	100%	Establishment
CCB New Zealand	Auckland, New Zealand	NZD199 million	Company with Limited Liability	Commercial Banking	100%	–	100%	Establishment
CCB Russia	Moscow, Russia	RUB4,200 million	Company with Limited Liability	Commercial Banking	100%	–	100%	Establishment

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(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

27 Long-term equity investments (continued)

(1) Investments in subsidiaries (continued)

(b) Except for CCB Indonesia, the major subsidiaries of the Group are unlisted enterprises, details of the investments in subsidiaries are as follows: (continued)

Name of company	Principal place of business	Particulars of issued and paid-up capital	Kind of legal entity	Principal activities	% of ownership directly held by the Bank	% of ownership indirectly held by the Bank	% of voting rights held by the Bank	Method of investment
Golden Fountain	British Virgin Islands	US$50,000	Company with Limited Liability	Investment	100%	–	100%	Acquisition
CCB Principal Asset Management	Beijing, the PRC	RMB200 million	Company with Limited Liability	Fund management services	65%	–	65%	Establishment
CCBIG	Hong Kong, the PRC	HK$1	Company with Limited Liability	Investment	100%	–	100%	Establishment
CCB International (Holdings) Limited ("CCB International")	Hong Kong, the PRC	US$601 million	Company with Limited Liability	Investment	–	100%	100%	Acquisition
China Construction Bank (Asia) Corporation Limited ("CCB Asia")	Hong Kong, the PRC	HK$6,511 million RMB17,600 million	Company Limited by Shares	Commercial Banking	–	100%	100%	Acquisition
China Construction Bank (Brasil) Banco Múltiplo S/A. ("CCB Brasil") (i)	Sao Paulo, Brazil	R$2,957 million	Company Limited by Shares	Commercial Banking	–	100%	100%	Acquisition

(i) Please refer to Note 64 for post-balance sheet developments of the Group's equity transfer of CCB Brasil.

(c) As at 31 December 2023, the amount of the non-controlling interests of the subsidiaries was immaterial to the Group.

(2) Interests in associates and joint ventures

(a) The movements of the Group's interests in associates and joint ventures are as follows:

	2023	2022
As at 1 January	**22,700**	18,875
Increase in capital during the year	**1,128**	3,420
Decrease in capital during the year	**(2,484)**	(551)
Share of profits	**1,151**	1,194
Cash dividend receivable	**(520)**	(603)
Accrual of allowances for impairment losses (Note 36)	**–**	(44)
Effect of exchange difference and others	**(992)**	409
As at 31 December	**20,983**	22,700

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

27 Long-term equity investments (continued)

(2) Interests in associates and joint ventures (continued)

(b) *Details of the interests in major associates and joint ventures are as follows:*

Name of Company	Principal place of business	Particulars of issued and paid-up capital	Principal activities	% of ownership held	% of Voting held	Total assets at year end	Total liabilities at year end	Revenue for the year	Net profit for the year
Guoxin Jianyuan Equity Investment Fund (Chengdu) Partnership (Limited Partnership)	Chengdu, the PRC	RMB13,852 million	Equity investment	50.00%	50.00%	12,515	2	1,479	1,387
Jianyuan Infrastructure Equity Investment Fund (Tianjin) Partnership (Limited Partnership)	Tianjin, the PRC	RMB3,500 million	Equity investment	48.57%	40.00%	4,258	–	150	150
National Green Development Fund Co., Ltd.	Shanghai, the PRC	RMB23,275 million	Investment	9.04%	9.04%	23,844	182	332	130
Diamond String Limited	Hong Kong, the PRC	HK$10,000	Property investment	50.00%	50.00%	1,686	1,664	205	17
Guomin Pension & Insurance Co., Ltd	Beijing, the PRC	RMB11,150 million	Insurance	8.97%	8.97%	21,422	9,870	1,902	315

28 Structured entities

(1) Unconsolidated structured entities

Unconsolidated structured entities of the Group include wealth management products, asset management plans, trust plans, funds and asset-backed securities held for investment purposes, and non-principal guaranteed wealth management products, trust plans and funds, which are issued or established by the Group for providing wealth management services to customers and earning management fees, commissions and custodian fees in return.

As at 31 December 2023 and 2022, the assets recognised for the Group's interests in the unconsolidated structured entities above included related investment and management fee, commission and custodian fee receivables accrued. Relevant carrying amounts and maximum risk exposures were as follows:

	31 December 2023	31 December 2022
Financial investments		
Financial assets measured at fair value through profit or loss	**170,525**	130,468
Financial assets measured at amortised cost	**7,789**	15,425
Financial assets measured at fair value through other comprehensive income	**2,317**	187
Long-term equity investments	**14,257**	15,394
Other assets	**3,498**	3,444
Total	**198,386**	164,918

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28 Structured entities (continued)

(1) Unconsolidated structured entities (continued)

For the years ended 31 December 2023 and 2022, gains and losses from the Group's unconsolidated structured entities were as follows:

	2023	2022
Interest income	**658**	957
Fee and commission income	**11,563**	16,432
Net trading gain	**121**	282
Dividend income	**1,364**	1,468
Net gain/(loss) arising from investment securities	**1,734**	(243)
Share of profits of associates and joint ventures	**1,153**	818
Total	**16,593**	19,714

As at 31 December 2023, the balance of unconsolidated structured entities initiated by the Group totalled RMB4,713,947 million (as at 31 December 2022: RMB4,890,726 million). In 2023, average daily balance of purchase and resale agreements with structured entities related to non-principal guaranteed WMPs issued by the Group was RMB2,085 million. As at 31 December 2023, the balance of these transactions was nil. These transactions had been conducted in accordance with market price or general commercial terms and conditions, and the gains or losses from such transactions had no significant impact on the Group.

(2) Consolidated structured entities

Structured entities included into the Group's scope of consolidation consisted mainly of asset management plans and trust plans invested by the Group.

29 Fixed assets

	Bank premises	**Equipment**	**Aircraft and vessels**	**Others**	**Total**
Cost/Deemed cost					
As at 1 January 2023	**148,047**	**53,693**	**43,231**	**49,825**	**294,796**
Additions	**238**	**4,247**	**11,755**	**2,800**	**19,040**
Transfer in (Note 30)	**2,261**	**33**	**–**	**1,962**	**4,256**
Other movements	**(96)**	**(6,195)**	**(3,498)**	**(1,684)**	**(11,473)**
As at 31 December 2023	**150,450**	**51,778**	**51,488**	**52,903**	**306,619**
Accumulated depreciation					
As at 1 January 2023	**(57,412)**	**(37,014)**	**(8,759)**	**(33,327)**	**(136,512)**
Charge for the year	**(4,943)**	**(5,654)**	**(2,294)**	**(4,500)**	**(17,391)**
Other movements	**208**	**6,071**	**740**	**1,680**	**8,699**
As at 31 December 2023	**(62,147)**	**(36,597)**	**(10,313)**	**(36,147)**	**(145,204)**
Allowances for impairment losses (Note 36)					
As at 1 January 2023	**(392)**	**–**	**(875)**	**(3)**	**(1,270)**
Charge for the year	**(3)**	**–**	**(222)**	**–**	**(225)**
Other movements	**1**	**–**	**27**	**–**	**28**
As at 31 December 2023	**(394)**	**–**	**(1,070)**	**(3)**	**(1,467)**
Net carrying value					
As at 1 January 2023	**90,243**	**16,679**	**33,597**	**16,495**	**157,014**
As at 31 December 2023	**87,909**	**15,181**	**40,105**	**16,753**	**159,948**

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29 Fixed assets (continued)

	Bank premises	Equipment	Aircraft and vessels	Others	Total
Cost/Deemed cost					
As at 1 January 2022	146,606	56,232	35,529	47,048	285,415
Additions	327	4,354	8,551	3,489	16,721
Transfer in (Note 30)	1,720	70	–	1,667	3,457
Other movements	(606)	(6,963)	(849)	(2,379)	(10,797)
As at 31 December 2022	148,047	53,693	43,231	49,825	294,796
Accumulated depreciation					
As at 1 January 2022	(52,501)	(37,661)	(7,082)	(30,683)	(127,927)
Charge for the year	(5,036)	(5,906)	(2,144)	(4,563)	(17,649)
Other movements	125	6,553	467	1,919	9,064
As at 31 December 2022	(57,412)	(37,014)	(8,759)	(33,327)	(136,512)
Allowances for impairment losses (Note 36)					
As at 1 January 2022	(390)	–	(397)	(3)	(790)
Charge for the year	(4)	–	(440)	–	(444)
Other movements	2	–	(38)	–	(36)
As at 31 December 2022	(392)	–	(875)	(3)	(1,270)
Net carrying value					
As at 1 January 2022	93,715	18,571	28,050	16,362	156,698
As at 31 December 2022	90,243	16,679	33,597	16,495	157,014

Notes:

(1) Other movements include disposals, retirements and exchange differences of fixed assets.

(2) As at 31 December 2023, the ownership documentation for the Group's bank premises with a net carrying value of RMB7,623 million (as at 31 December 2022: RMB6,587 million) was being finalised. However, management took the view that the aforesaid matter would not affect the Group's rights to these assets, nor would it have any significant impact on the Group's business operation.

30 Construction in progress

	2023	2022
Cost/Deemed cost		
As at 1 January	**9,971**	11,628
Additions	**2,180**	2,407
Transfer into fixed assets (Note 29)	**(4,256)**	(3,457)
Other movements	**(472)**	(607)
As at 31 December	**7,423**	9,971
Net carrying value		
As at 1 January	**9,971**	11,628
As at 31 December	**7,423**	9,971

Other movements include exchange differences.

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31 Land use rights

	2023	2022
Cost/Deemed cost		
As at 1 January	22,743	22,692
Additions	213	166
Other movements	(53)	(115)
As at 31 December	22,903	22,743
Amortisation		
As at 1 January	(9,385)	(8,927)
Charge for the year	(529)	(528)
Other movements	55	70
As at 31 December	(9,859)	(9,385)
Allowances for impairment losses (Note 36)		
As at 1 January	(133)	(135)
Other movements	–	2
As at 31 December	(133)	(133)
Net carrying value		
As at 1 January	13,225	13,630
As at 31 December	12,911	13,225

Other movements include exchange differences.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

32 Intangible assets

	Software	Others	Total
Cost/Deemed cost			
As at 1 January 2023	18,899	922	19,821
Additions	2,458	13	2,471
Other movements	(281)	(231)	(512)
As at 31 December 2023	21,076	704	21,780
Amortisation			
As at 1 January 2023	(12,814)	(502)	(13,316)
Charge for the year	(2,186)	(56)	(2,242)
Other movements	153	174	327
As at 31 December 2023	(14,847)	(384)	(15,231)
Allowances for impairment losses(Note 36)			
As at 1 January 2023	–	(9)	(9)
Additions	–	–	–
Other movements	–	–	–
As at 31 December 2023	–	(9)	(9)
Net carrying value			
As at 1 January 2023	6,085	411	6,496
As at 31 December 2023	6,229	311	6,540

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32 Intangible assets (continued)

	Software	Others	Total
Cost/Deemed cost			
As at 1 January 2022	16,175	1,033	17,208
Additions	2,829	4	2,833
Other movements	(105)	(115)	(220)
As at 31 December 2022	18,899	922	19,821
Amortisation			
As at 1 January 2022	(10,904)	(437)	(11,341)
Charge for the year	(1,980)	(94)	(2,074)
Other movements	70	29	99
As at 31 December 2022	(12,814)	(502)	(13,316)
Allowances for impairment losses (Note 36)			
As at 1 January 2022	–	(9)	(9)
Additions	–	–	–
Other movements	–	–	–
As at 31 December 2022	–	(9)	(9)
Net carrying value			
As at 1 January 2022	5,271	587	5,858
As at 31 December 2022	6,085	411	6,496

Other movements include exchange differences.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

33 Goodwill

(1) The goodwill is mainly attributable to the expected synergies arising from the acquisition of CCB Asia, CCB Brasil and CCB Indonesia. The movements of the goodwill are as follows:

	2023	2022
As at 1 January	**2,256**	2,141
Additions through acquisitions	**136**	–
Effect of exchange difference	**66**	115
Allowances for impairment losses (Note 36)	**(2)**	–
As at 31 December	**2,456**	2,256

(2) Impairment test for CGU containing goodwill

The Group calculated the recoverable amounts of CGUs (including goodwill) in accordance with accounting policies. The Group estimated present values of future cash flows of CGUs using expected future cash flow projections based on financial forecasts approved by management. The average growth rates used by the Group were consistent with the forecasts in industry reports, while the discount rates reflected specific risks relating to relevant segments. The Group estimated net amounts of fair value less costs of disposal based on net assets within the CGUs.

As at 31 December 2023, the Group's goodwill impairment provision amounted to RMB409 million (as at 31 December 2022: RMB365 million), mainly due to goodwill impairment of CCB Brasil CGU.

34 Deferred tax

	31 December 2023	31 December 2022
Deferred tax assets	**121,227**	113,081
Deferred tax liabilities	**(1,724)**	(881)
Total	**119,503**	112,200

(1) Analysed by nature

	31 December 2023		31 December 2022	
	Deductible/ (taxable) temporary differences	**Deferred tax assets/ (liabilities)**	Deductible/ (taxable) temporary differences	Deferred tax assets/ (liabilities)
Deferred tax assets				
– Fair value adjustments	**(27,233)**	**(6,922)**	(20,960)	(5,441)
– Allowances for impairment losses	**530,101**	**132,164**	488,577	121,917
– Employee benefits	**21,424**	**5,318**	20,603	5,111
– Others	**(27,268)**	**(9,333)**	(25,920)	(8,506)
Total	**497,024**	**121,227**	462,300	113,081
Deferred tax liabilities				
– Fair value adjustments	**(4,545)**	**(961)**	(2,646)	(475)
– Others	**(4,515)**	**(763)**	(2,468)	(406)
Total	**(9,060)**	**(1,724)**	(5,114)	(881)

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(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

34 Deferred tax (continued)

(2) Movements of deferred tax

	Fair value adjustments	Allowances for impairment losses	Employee benefits	Others	Total
As at 1 January 2023	**(5,916)**	**121,917**	**5,111**	**(8,912)**	**112,200**
Recognised in profit or loss	**(192)**	**10,247**	**207**	**(1,184)**	**9,078**
Recognised in other comprehensive income	**(1,775)**	**–**	**–**	**–**	**(1,775)**
As at 31 December 2023	**(7,883)**	**132,164**	**5,318**	**(10,096)**	**119,503**
As at 1 January 2022	(13,303)	107,959	4,538	(8,629)	90,565
Recognised in profit or loss	3,857	13,958	573	(283)	18,105
Recognised in other comprehensive income	3,530	–	–	–	3,530
As at 31 December 2022	(5,916)	121,917	5,111	(8,912)	112,200

The Group did not have significant unrecognised deferred tax as at the end of the reporting period.

35 Other assets

	Note	31 December 2023	31 December 2022
Repossessed assets	(1)		
– Buildings		**1,093**	1,181
– Land use rights		**20**	24
– Others		**9**	239
		1,122	1,444
Assets held for sale	(2)	**29,278**	–
Right-of-use assets	(3)	**25,968**	25,972
Clearing and settlement accounts		**25,659**	9,386
Fee and commission receivables		**22,626**	20,721
Insurance related assets	(4)	**13,153**	11,578
Investment properties		**13,100**	8,659
Leasehold improvements		**4,146**	3,327
Deferred expenses		**1,773**	2,161
Others		**175,523**	183,259
Gross balance		**312,348**	266,507
Allowances for impairment losses (Note 36)			
– Repossessed assets		**(735)**	(891)
– Others		**(12,241)**	(8,781)
		(12,976)	(9,672)
Net balance		**299,372**	256,835

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

35 Other assets (continued)

(1) For the year ended 31 December 2023, the original cost of repossessed assets disposed of by the Group amounted to RMB151 million (for the year ended 31 December 2022: RMB166 million). The Group intends to dispose of repossessed assets through various methods including auction, competitive bidding and transfer.

(2) Assets/liabilities held for sale

As at 31 December 2023, the assets and liabilities classified as held for sale refers to assets and liabilities held by CCB Brazil Financial Holding – Investimentos e Participações Ltda., a subsidiary of the Group, which has entered into a share sale and purchase agreement with Bank of China Limited ("BOC") in relation to the transfer of shares in CCB Brasil. The closing of the relevant transaction is subject to the satisfaction of all prerequisites as set out in the share sale and purchase agreement.

As at 31 December 2023, the carrying amounts of assets held for sale and liabilities held for sale were as follows:

	31 December 2023
Financial assets held under resale agreements	2,931
Loans and advances to customers	14,035
Deferred tax assets	968
Other	11,344
Total assets held for sale	29,278
Placements from banks and non-bank financial institutions	4,601
Financial assets sold under repurchase agreements	7,657
Deposits from customers	8,461
Debt securities issued	1,206
Other	5,878
Total liabilities held for sale	27,803
Cumulative other comprehensive income related to held for sale assets and liabilities	(263)

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(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

35 Other assets (continued)

(3) Right-of-use assets

	Bank premises	Others	Total
Cost			
As at 1 January 2023	**47,694**	**142**	**47,836**
Additions	**9,212**	**439**	**9,651**
Other movements	**(7,266)**	**(431)**	**(7,697)**
As at 31 December 2023	**49,640**	**150**	**49,790**
Accumulated depreciation			
As at 1 January 2023	**(21,769)**	**(95)**	**(21,864)**
Charge for the year	**(7,794)**	**(43)**	**(7,837)**
Other movements	**5,833**	**46**	**5,879**
As at 31 December 2023	**(23,730)**	**(92)**	**(23,822)**
Allowances for impairment losses (Note 36)			
As at 1 January 2023	**–**	**–**	**–**
Charge for the year	**(250)**	**–**	**(250)**
As at 31 December 2023	**(250)**	**–**	**(250)**
Net carrying value			
As at 1 January 2023	**25,925**	**47**	**25,972**
As at 31 December 2023	**25,660**	**58**	**25,718**

	Bank premises	Others	Total
Cost			
As at 1 January 2022	43,543	98	43,641
Additions	8,651	54	8,705
Other movements	(4,500)	(10)	(4,510)
As at 31 December 2022	47,694	142	47,836
Accumulated depreciation			
As at 1 January 2022	(17,174)	(51)	(17,225)
Charge for the year	(7,707)	(54)	(7,761)
Other movements	3,112	10	3,122
As at 31 December 2022	(21,769)	(95)	(21,864)
Net carrying value			
As at 1 January 2022	26,369	47	26,416
As at 31 December 2022	25,925	47	25,972

Other movements include exchange differences.

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(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

35 Other assets (continued)

(4) Insurance related assets

The total for groups of insurance contracts issued and reinsurance contracts that are assets as follows:

	31 December 2023	31 December 2022
Insurance contracts issued		
– Insurance contracts issued not applying the premium allocation approach	28	30
– Insurance contracts issued applying the premium allocation approach	–	–
Subtotal	28	30
Reinsurance contracts held		
– Reinsurance contracts held not applying the premium allocation approach	11,994	10,731
– Reinsurance contracts held applying the premium allocation approach	1,131	817
Subtotal	13,125	11,548
Total	13,153	11,578

36 Movements of allowances for impairment losses

		2023				
	Note	As at 1 January	(Reversal)/ charge for the year	Transfer in/(out)	Write-offs and others	As at 31 December
Deposits with banks and non-bank financial institutions	21	338	(183)	5	–	160
Precious metals		5	(4)	–	–	1
Placements with banks and non-bank financial institutions	22	933	15	3	–	951
Financial assets held under resale agreements	24	206	(44)	–	–	162
Loans and advances to customers measured at amortised cost	25	704,088	145,953	(18,429)	(53,389)	778,223
Financial assets measured at amortised cost	26(2)(a)	34,868	(7,468)	(931)	(1,623)	24,846
Long-term equity investments	27	44	–	–	–	44
Fixed assets	29	1,270	225	23	(51)	1,467
Land use rights	31	133	–	–	–	133
Intangible assets	32	9	–	–	–	9
Goodwill	33	365	2	42	–	409
Other assets	35	9,672	6,452	(5)	(3,143)	12,976
Total		751,931	144,948	(19,292)	(58,206)	819,381

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(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

36 Movements of allowances for impairment losses (continued)

		2022				
	Note	As at 1 January	Charge/ (reversal) for the year	Transfer in/(out)	Write-offs and others	As at 31 December
Deposits with banks and non-bank financial institutions	21	125	213	–	–	338
Precious metals		13	(8)	–	–	5
Placements with banks and non-bank financial institutions	22	492	422	19	–	933
Financial assets held under resale agreements	24	92	114	–	–	206
Loans and advances to customers measured at amortised cost	25	637,338	137,694	(19,510)	(51,434)	704,088
Financial assets measured at amortised cost	26(2)(a)	34,225	1,869	660	(1,886)	34,868
Long-term equity investments	27	–	44	–	–	44
Fixed assets	29	790	444	38	(2)	1,270
Land use rights	31	135	–	–	(2)	133
Intangible assets	32	9	–	–	–	9
Goodwill	33	321	–	44	–	365
Other assets	35	6,650	5,197	52	(2,227)	9,672
Total		680,190	145,989	(18,697)	(55,551)	751,931

Transfer in/(out) includes exchange differences.

37 Borrowings from central banks

	31 December 2023	31 December 2022
The Chinese mainland	**1,076,813**	732,001
Overseas	**68,183**	34,882
Accrued interest	**10,638**	7,896
Total	**1,155,634**	774,779

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(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

38 Deposits from banks and non-bank financial institutions

(1) Analysed by type of counterparties

	31 December 2023	31 December 2022
Banks	**307,642**	243,754
Non-bank financial institutions	**2,467,534**	2,326,601
Accrued interest	**16,890**	13,916
Total	**2,792,066**	2,584,271

(2) Analysed by geographical sectors

	31 December 2023	31 December 2022
The Chinese mainland	**2,650,649**	2,422,967
Overseas	**124,527**	147,388
Accrued interest	**16,890**	13,916
Total	**2,792,066**	2,584,271

39 Placements from banks and non-bank financial institutions

(1) Analysed by type of counterparties

	31 December 2023	31 December 2022
Banks	**379,252**	328,899
Non-bank financial institutions	**24,546**	34,747
Accrued interest	**3,924**	2,114
Total	**407,722**	365,760

(2) Analysed by geographical sectors

	31 December 2023	31 December 2022
The Chinese mainland	**136,631**	157,209
Overseas	**267,167**	206,437
Accrued interest	**3,924**	2,114
Total	**407,722**	365,760

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

40 Financial liabilities measured at fair value through profit or loss

	31 December 2023	31 December 2022
Financial liabilities related to precious metals	12,218	14,239
Structured financial instruments	239,961	274,861
Total	252,179	289,100

The structured financial instruments of the Group's financial liabilities measured at fair value through profit or loss are designated as financial liabilities measured at fair value through profit or loss. As at the end of the reporting period, the difference between the fair value of these financial liabilities and the contractual payables at maturity was not material. The amounts of changes in the fair value of these financial liabilities that were attributable to changes in credit risk were considered not significant during the year presented and cumulatively as at 31 December 2023 and 2022.

41 Financial assets sold under repurchase agreements

Financial assets sold under repurchase agreements by underlying assets are shown as follows:

	31 December 2023	31 December 2022
Debt securities		
– Government bonds	212,452	229,422
– Debt securities issued by policy banks, banks and non-bank financial institutions	16,909	7,480
– Corporate bonds	3,405	5,012
Subtotal	232,766	241,914
Discounted bills	1,440	585
Accrued interest	372	177
Total	234,578	242,676

42 Deposits from customers

	31 December 2023	31 December 2022
Demand deposits		
– Corporate customers	6,559,979	6,726,781
– Personal customers	5,582,096	5,456,284
Subtotal	12,142,075	12,183,065
Time deposits (including call deposits)		
– Corporate customers	5,602,122	4,647,535
– Personal customers	9,479,107	7,790,643
Subtotal	15,081,229	12,438,178
Accrued interest	430,707	399,564
Total	27,654,011	25,020,807

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(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

42 Deposits from customers (continued)

Deposits from customers include:

	31 December 2023	31 December 2022
(1) Pledged deposits		
– Deposits for acceptance	**163,527**	187,434
– Deposits for guarantee	**32,856**	35,996
– Deposits for letter of credit	**42,944**	22,923
– Others	**143,019**	162,252
Total	**382,346**	408,605
(2) Outward remittance and remittance payables	**15,577**	19,576

43 Accrued staff costs

	Note	2023			
		As at 1 January	Increased	Decreased	As at 31 December
Salaries, bonuses, allowances and subsidies		**33,632**	**85,432**	**(81,903)**	**37,161**
Housing funds		**282**	**7,997**	**(7,975)**	**304**
Union running costs and employee education costs		**8,113**	**3,421**	**(2,802)**	**8,732**
Post-employment benefits	(1)	**799**	**16,550**	**(16,460)**	**889**
Early retirement benefits		**858**	**10**	**(75)**	**793**
Compensation to employees for termination of employment relationship		**–**	**11**	**(11)**	**–**
Others	(2)	**5,671**	**15,907**	**(16,889)**	**4,689**
Total		**49,355**	**129,328**	**(126,115)**	**52,568**

	Note	2022			
		As at 1 January	Increased	Decreased	As at 31 December
Salaries, bonuses, allowances and subsidies		27,716	84,349	(78,433)	33,632
Housing funds		308	7,567	(7,593)	282
Union running costs and employee education costs		6,907	3,302	(2,096)	8,113
Post-employment benefits	(1)	637	15,861	(15,699)	799
Early retirement benefits		918	12	(72)	858
Compensation to employees for termination of employment relationship		–	7	(7)	–
Others	(2)	4,512	15,815	(14,656)	5,671
Total		40,998	126,913	(118,556)	49,355

The Group had no overdue balance of accrued staff costs as at the end of the reporting period.

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(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

43 Accrued staff costs (continued)

(1) Post-employment benefits

(a) *Defined contribution plans*

	2023			
	As at 1 January	Increased	Decreased	As at 31 December
Basic pension insurance	**485**	**10,072**	**(10,025)**	**532**
Unemployment insurance	**51**	**351**	**(338)**	**64**
Annuity contribution	**872**	**6,073**	**(6,078)**	**867**
Total	**1,408**	**16,496**	**(16,441)**	**1,463**

	2022			
	As at 1 January	Increased	Decreased	As at 31 December
Basic pension insurance	732	9,460	(9,707)	485
Unemployment insurance	45	313	(307)	51
Annuity contribution	721	5,776	(5,625)	872
Total	1,498	15,549	(15,639)	1,408

There were no contributions into the Group's basic retirement insurance and annuity scheme that had been forfeited and that could be used to deduct contributions payable by the Group according to the above plans.

(b) *Defined benefit plans – Supplementary retirement benefits*

The Group's obligations in respect of the supplementary retirement benefits as at the end of the reporting period were calculated using the projected unit credit method and reviewed by an external independent actuary, Towers Watson Management Consulting (ShenZhen) Co., Ltd.

	Present value of defined benefit plan obligations		Fair value of plan assets		Net assets of defined benefit plans	
	2023	2022	**2023**	2022	**2023**	2022
As at 1 January	**4,685**	5,083	**5,294**	5,944	**(609)**	(861)
Cost of the net defined benefit liability in profit or loss						
– *Interest costs*	**119**	134	**138**	157	**(19)**	(23)
Remeasurements of the defined benefit liability in other comprehensive income						
– *Actuarial losses/(gains)*	**7**	(37)	**–**	–	**7**	(37)
– *Returns on plan assets*	**–**	–	**(47)**	(312)	**47**	312
Other changes						
– *Benefits paid*	**(468)**	(495)	**(468)**	(495)	**–**	–
As at 31 December	**4,343**	4,685	**4,917**	5,294	**(574)**	(609)

Interest cost was recognised in operating expenses.

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43 Accrued staff costs (continued)

(1) Post-employment benefits (continued)

(b) Defined benefit plans – Supplementary retirement benefits (continued)

(i) Principal actuarial assumptions of the Group as at the end of the reporting period were as follows:

	31 December 2023	31 December 2022
Discount rate	**2.50%**	2.75%
Health care cost increase rate	**7.00%**	7.00%
Average expected future lifetime of eligible employees	**10.4 years**	10.2 years

Mortality assumptions are based on China Life Insurance Mortality Table (2010-2013). The Table published historical statistics in China.

(ii) The sensitivity analysis of the present value of supplementary retirement benefit obligations to changes in the weighted principal assumption is:

	Impact on present value of supplementary retirement benefit obligations	
	Increase in assumption by 0.25%	**Decrease in assumption by 0.25%**
Discount rate	**(83)**	**87**
Health care cost increase rate	**36**	**(34)**

(iii) As at 31 December 2023, the weighted average duration of supplementary retirement benefit obligations of the Group was 7.8 years (as at 31 December 2022: 7.8 years).

(iv) Plan assets of the Group are as follows:

	31 December 2023	31 December 2022
Cash and cash equivalents	**975**	621
Equity instruments	**691**	474
Debt instruments and others	**3,251**	4,199
Total	**4,917**	5,294

(2) Accrued staff costs – others mainly include employee welfare, medical insurance, maternity insurance and employment injury insurance.

44 Taxes payable

	31 December 2023	31 December 2022
Income tax	**61,036**	71,077
Value added tax	**10,240**	10,591
Others	**2,304**	2,501
Total	**73,580**	84,169

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45 Provisions

	Note	**31 December 2023**	31 December 2022
Expected credit losses on the off-balance sheet credit business	(1)	**34,600**	40,742
Expected losses from other businesses	(2)	**8,744**	9,984
Total		**43,344**	50,726

(1) Movements of the provisions – expected credit losses on the off-balance sheet credit business:

		2023			
	Note	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
As at 1 January 2023		**33,557**	**5,587**	**1,598**	**40,742**
Transfers:					
Transfers in/(out) to Stage 1		**530**	**(529)**	**(1)**	**–**
Transfers in/(out) to Stage 2		**(145)**	**154**	**(9)**	**–**
Transfers in/(out) to Stage 3		**(10)**	**(2)**	**12**	**–**
Newly originated		**14,712**	**–**	**–**	**14,712**
Decreased		**(19,426)**	**(4,116)**	**(824)**	**(24,366)**
Remeasurements	(a)	**(833)**	**3,688**	**657**	**3,512**
As at 31 December 2023		**28,385**	**4,782**	**1,433**	**34,600**

		2022			
	Note	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2022		28,193	5,620	702	34,515
Transfers:					
Transfers in/(out) to Stage 1		473	(471)	(2)	–
Transfers in/(out) to Stage 2		(85)	131	(46)	–
Transfers in/(out) to Stage 3		(2)	(402)	404	–
Newly originated		23,964	–	–	23,964
Decreased		(15,279)	(4,248)	(306)	(19,833)
Remeasurements	(a)	(3,707)	4,957	846	2,096
As at 31 December 2022		33,557	5,587	1,598	40,742

(a) Remeasurements comprise the impact of changes in PD, LGD, and EAD; changes in model assumptions and methodologies; changes in allowance for impairment losses due to stage-transfer; and the impact of exchange rate changes.

(2) Other businesses include off-balance sheet businesses other than the off-balance sheet credit business, outstanding litigations and the precious metal leasing business.

46 Debt securities issued

	Note	**31 December 2023**	31 December 2022
Certificates of deposit issued	(1)	**1,242,136**	1,023,084
Bonds issued	(2)	**141,430**	154,396
Subordinated bonds issued	(3)	**11,998**	7,999
Eligible Tier 2 capital bonds issued	(4)	**491,427**	453,197
Accrued interest		**8,744**	8,194
Total		**1,895,735**	1,646,870

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46 Debt securities issued (continued)

(1) Certificates of deposit issued were mainly issued by the head office, overseas branches, CCB Europe, CCB New Zealand and CCB International.

(2) Bonds issued

Issue date	Maturity date	Interest rate per annum	Issue place	Currency	31 December 2023	31 December 2022
18/11/2014	18/11/2024	4.08%	Taiwan	RMB	599	600
08/06/2018	08/06/2023	3M LIBOR+0.83%	Hong Kong	USD	–	4,140
19/06/2018	19/06/2023	4.01%	Auckland	NZD	–	439
12/07/2018	12/07/2023	3M LIBOR+1.25%	Hong Kong	USD	–	2,760
21/08/2018	19/06/2023	4.005%	Auckland	NZD	–	154
16/05/2019	16/05/2024	3.50%	Hong Kong	USD	3,337	2,962
16/05/2019	16/05/2029	3.88%	Hong Kong	USD	1,422	1,380
26/08/2019	26/08/2024	3.40%	The Chinese mainland	RMB	3,000	3,000
11/09/2019	16/05/2024	3.50%	Hong Kong	USD	1,635	1,937
24/10/2019	24/10/2024	SOFR+1.03161%	Hong Kong	USD	4,765	4,616
22/11/2019	22/11/2024	2.393%	Auckland	NZD	382	373
16/03/2020	15/03/2023	2.68%	The Chinese mainland	RMB	–	7,000
16/03/2020	15/03/2025	2.75%	The Chinese mainland	RMB	5,000	5,000
21/07/2020	21/07/2025	1.99%	Hong Kong	USD	3,213	3,073
25/09/2020	25/09/2023	0.954%	Auckland	NZD	–	658
28/09/2020	28/09/2025	1.78%	Hong Kong	USD	1,422	1,380
28/09/2020	28/09/2030	2.55%	Hong Kong	USD	711	690
27/10/2020	29/10/2023	3.50%	The Chinese mainland	RMB	–	20,000
03/11/2020	05/11/2023	3.70%	The Chinese mainland	RMB	–	2,600
26/01/2021	26/01/2024	3.30%	The Chinese mainland	RMB	20,000	20,000
02/02/2021	04/02/2024	3.65%	The Chinese mainland	RMB	2,240	2,240
07/04/2021	12/04/2024	3.55%	The Chinese mainland	RMB	2,200	2,200
22/04/2021	22/04/2023	2.85%	Singapore	RMB	–	1,997
22/04/2021	22/04/2024	0.043%	Luxembourg	EUR	6,279	5,909
22/04/2021	22/04/2024	0.86%	Hong Kong	USD	4,266	4,140
22/04/2021	22/04/2026	1.46%	Hong Kong	USD	3,910	3,795
27/05/2021	01/06/2024	3.33%	The Chinese mainland	RMB	1,950	1,950
28/06/2021	28/06/2024	0.06%	Luxembourg	EUR	6,279	5,909
22/07/2021	22/07/2026	1.80%	Hong Kong	USD	3,272	3,276
15/09/2021	15/09/2026	1.60%	Hong Kong	USD	2,489	2,446
29/09/2021	29/09/2026	1.50%	Hong Kong	USD	4,979	4,825
21/12/2021	21/12/2024	SOFR+0.50%	Hong Kong	USD	3,551	3,443
17/05/2022	17/05/2025	3.125%	Hong Kong	USD	7,110	6,900
17/05/2022	17/05/2024	3.40%	United Kingdom	RMB	998	1,000
23/05/2022	25/05/2025	2.60%	The Chinese mainland	RMB	10,000	10,000
13/06/2022	13/06/2024	2.85%	Singapore	SGD	1,886	1,795
12/12/2022	14/12/2025	2.92%	The Chinese mainland	RMB	10,000	10,000
09/02/2023	09/02/2026	3M New Zealand benchmark interest rate +1.10%	Auckland	NZD	1,011	–
22/03/2023	24/03/2026	2.80%	The Chinese mainland	RMB	10,000	–
31/05/2023	31/05/2025	2.80%	United Kingdom	RMB	1,996	–
02/11/2023	02/11/2027	3M New Zealand benchmark interest rate +1.20%	Auckland	NZD	674	–
24/11/2023	24/11/2026	4.08%	Luxembourg	EUR	785	–
30/11/2023	30/11/2026	4.00%	Luxembourg	EUR	2,355	–
30/11/2023	30/11/2026	SOFR+0.65%	Dubai	USD	4,266	–
30/11/2023	30/11/2026	5.00%	Hong Kong	USD	3,555	–
Total nominal value					141,537	154,587
Less: Unamortised issuance costs					(107)	(191)
Carrying value					141,430	154,396

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46 Debt securities issued (continued)

(3) Subordinated bonds issued

The carrying value of the Group's subordinated bonds issued upon the approval of the PBC and the NFRA is as follows:

Issue date	Maturity date	Interest rate per annum	Currency	Note	31 December 2023	31 December 2022
28/01/2021	01/02/2031	4.30%	RMB	(a)	**6,000**	6,000
18/03/2022	22/03/2032	3.70%	RMB	(b)	**2,000**	2,000
13/09/2023	14/09/2033	3.45%	RMB	(c)	**4,000**	–
Total nominal value					**12,000**	8,000
Less: Unamortised issuance cost					**(2)**	(1)
Carrying value					**11,998**	7,999

(a) The Group has an option to redeem part or all of the bonds on 1 February 2026, subject to registration from the PBC and the NFRA.

(b) The Group has an option to redeem part or all of the bonds on 22 March 2027, subject to registration from the PBC and the NFRA.

(c) The Group has an option to redeem part or all of the bonds on 14 September 2028, subject to registration from the PBC and the NFRA.

(4) Eligible Tier 2 capital bonds issued

Issue date	Maturity date	Interest rate per annum	Currency	Note	31 December 2023	31 December 2022
18/08/2014	18/08/2029	5.98%	RMB	(a)	**20,000**	20,000
25/09/2018	25/09/2028	4.86%	RMB	(b)	**–**	43,000
29/10/2018	29/10/2028	4.70%	RMB	(c)	**–**	40,000
27/02/2019	27/02/2029	4.25%	USD	(d)	**13,124**	12,765
24/06/2020	24/06/2030	2.45%	USD	(e)	**14,219**	13,800
10/09/2020	14/09/2030	4.20%	RMB	(f)	**65,000**	65,000
06/08/2021	10/08/2031	3.45%	RMB	(g)	**65,000**	65,000
06/08/2021	10/08/2036	3.80%	RMB	(h)	**15,000**	15,000
05/11/2021	09/11/2031	3.60%	RMB	(i)	**35,000**	35,000
05/11/2021	09/11/2036	3.80%	RMB	(j)	**10,000**	10,000
10/12/2021	14/12/2031	3.48%	RMB	(k)	**12,000**	12,000
10/12/2021	14/12/2036	3.74%	RMB	(l)	**8,000**	8,000
13/01/2022	21/01/2032	2.85%	USD	(m)	**14,219**	13,800
15/06/2022	17/06/2032	3.45%	RMB	(n)	**45,000**	45,000
15/06/2022	17/06/2037	3.65%	RMB	(o)	**15,000**	15,000
03/11/2022	07/11/2032	3.00%	RMB	(p)	**25,000**	25,000
03/11/2022	07/11/2037	3.34%	RMB	(q)	**15,000**	15,000
24/03/2023	28/03/2033	3.49%	RMB	(r)	**5,000**	–
24/03/2023	28/03/2038	3.61%	RMB	(s)	**15,000**	–
24/10/2023	26/10/2033	3.45%	RMB	(t)	**45,000**	–
24/10/2023	26/10/2038	3.53%	RMB	(u)	**15,000**	–
14/11/2023	16/11/2033	3.30%	RMB	(v)	**25,000**	–
14/11/2023	16/11/2038	3.42%	RMB	(w)	**15,000**	–
Total nominal value					**491,562**	453,365
Less: Unamortised issuance cost					**(135)**	(168)
Carrying value					**491,427**	453,197

46 Debt securities issued (continued)

(4) Eligible Tier 2 capital bonds issued (continued)

(a) The Group has an option to redeem the bonds on 18 August 2024, subject to approval from the relevant authority. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down the entire principal of the bonds when a regulatory triggering event occurs. Any accumulated unpaid interest will not be paid either.

(b) The Group has chosen to exercise the option to redeem all the bonds on 25 September 2023.

(c) The Group has chosen to exercise the option to redeem all the bonds on 29 October 2023.

(d) The Group has an option to redeem the bonds on 27 February 2024, subject to approval from the relevant authority. If they are not redeemed by the Group, the interest rate will be reset on 27 February 2024 and increase by 1.88% on the basis of the five-year USD treasury benchmark applicable on the interest reset date. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down the entire principal of the bonds when a regulatory triggering event occurs. Any accumulated unpaid interest will not be paid either.

(e) The Group has an option to redeem the bonds on 24 June 2025, subject to approval from the relevant authority. If they are not redeemed by the Group, the interest rate will be reset on 24 June 2025 and increase by 2.15% on the basis of the five-year USD treasury benchmark applicable on the interest reset date. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down the entire principal of the bonds when a regulatory triggering event occurs. Any accumulated unpaid interest will not be paid either.

(f) The Group has an option to redeem the bonds on 14 September 2025, subject to approval from the relevant authority. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down the entire principal of the bonds when a regulatory triggering event occurs. Any accumulated unpaid interest will not be paid either.

(g) The Group has an option to redeem the bonds on 10 August 2026, subject to approval from the relevant authority. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down the entire principal of the bonds when a regulatory triggering event occurs. Any accumulated unpaid interest will not be paid either.

(h) The Group has an option to redeem the bonds on 10 August 2031, subject to approval from the relevant authority. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down the entire principal of the bonds when a regulatory triggering event occurs. Any accumulated unpaid interest will not be paid either.

(i) The Group has an option to redeem the bonds on 9 November 2026, subject to approval from the relevant authority. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down the entire principal of the bonds when a regulatory triggering event occurs. Any accumulated unpaid interest will not be paid either.

(j) The Group has an option to redeem the bonds on 9 November 2031, subject to approval from the relevant authority. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down the entire principal of the bonds when a regulatory triggering event occurs. Any accumulated unpaid interest will not be paid either.

(k) The Group has an option to redeem the bonds on 14 December 2026, subject to approval from the relevant authority. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down the entire principal of the bonds when a regulatory triggering event occurs. Any accumulated unpaid interest will not be paid either.

(l) The Group has an option to redeem the bonds on 14 December 2031, subject to approval from the relevant authority. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down the entire principal of the bonds when a regulatory triggering event occurs. Any accumulated unpaid interest will not be paid either.

(m) The Group has an option to redeem the bonds on 21 January 2027, subject to approval from the relevant authority. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down the entire principal of the bonds when a regulatory triggering event occurs. Any accumulated unpaid interest will not be paid either.

(n) The Group has an option to redeem the bonds on 17 June 2027, subject to approval from the relevant authority. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down the entire principal of the bonds when a regulatory triggering event occurs. Any accumulated unpaid interest will not be paid either.

(o) The Group has an option to redeem the bonds on 17 June 2032, subject to approval from the relevant authority. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down the entire principal of the bonds when a regulatory triggering event occurs. Any accumulated unpaid interest will not be paid either.

(p) The Group has an option to redeem the bonds on 7 November 2027, subject to approval from the relevant authority. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down the entire principal of the bonds when a regulatory triggering event occurs. Any accumulated unpaid interest will not be paid either.

(q) The Group has an option to redeem the bonds on 7 November 2032, subject to approval from the relevant authority. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down the entire principal of the bonds when a regulatory triggering event occurs. Any accumulated unpaid interest will not be paid either.

(r) The Group has an option to redeem the bonds on 28 March 2028, subject to approval from the relevant authority. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down the entire principal of the bonds when a regulatory triggering event occurs. Any accumulated unpaid interest will not be paid either.

(s) The Group has an option to redeem the bonds on 28 March 2033 subject to approval from the relevant authority. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down the entire principal of the bonds when a regulatory triggering event occurs. Any accumulated unpaid interest will not be paid either.

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

46 Debt securities issued (continued)

(4) Eligible Tier 2 capital bonds issued (continued)

(t) The Group has an option to redeem the bonds on 26 October 2028 subject to approval from the relevant authority. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down the entire principal of the bonds when a regulatory triggering event occurs. Any accumulated unpaid interest will not be paid either.

(u) The Group has an option to redeem the bonds on 26 October 2033 subject to approval from the relevant authority. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down the entire principal of the bonds when a regulatory triggering event occurs. Any accumulated unpaid interest will not be paid either.

(v) The Group has an option to redeem the bonds on 16 November 2028 subject to approval from the relevant authority. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down the entire principal of the bonds when a regulatory triggering event occurs. Any accumulated unpaid interest will not be paid either.

(w) The Group has an option to redeem the bonds on 16 November 2033, subject to approval from the relevant authority. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down the entire principal of the bonds when a regulatory triggering event occurs. Any accumulated unpaid interest will not be paid either.

47 Other liabilities

	Note	**31 December 2023**	31 December 2022
Insurance related liabilities	(1)	**252,327**	232,874
Liabilities held for sale	(2)	**27,803**	–
Payment and collection clearance accounts		**25,830**	33,086
Lease liabilities	(3)	**24,216**	23,733
Deferred income		**17,053**	17,128
Accrued expenses advance		**8,916**	8,431
Dormant accounts		**8,195**	8,922
Clearing and settlement accounts		**5,980**	33,458
Capital expenditure payable		**5,587**	5,920
Cash pledged and rental prepayments		**3,697**	4,830
Others		**168,139**	199,944
Total		**547,743**	568,326

(1) Insurance related liabilities

The total for groups of insurance contracts issued and reinsurance contracts that are liabilities as follows:

	31 December 2023	31 December 2022
Insurance contracts issued		
– Insurance contracts issued not applying the premium allocation approach	**250,524**	231,088
– Insurance contracts issued applying the premium allocation approach	**1,803**	1,782
Subtotal	**252,327**	232,870
Reinsurance contracts held		
– Reinsurance contracts held not applying the premium allocation approach	**–**	–
– Reinsurance contracts held applying the premium allocation approach	**–**	4
Subtotal	**–**	4
Total	**252,327**	232,874

(2) For information on liabilities held for sale, please refer to Note 35(2).

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

47 Other liabilities (continued)

(3) Lease liabilities

Maturity analysis – undiscounted analysis

	31 December 2023	31 December 2022
Within one year	**6,705**	6,837
Between one year and five years	**14,565**	14,554
More than five years	**6,244**	6,647
Total undiscounted lease liabilities	**27,514**	28,038
Lease liabilities	**24,216**	23,733

48 Share capital

	31 December 2023	31 December 2022
Listed in Hong Kong (H shares)	**240,417**	240,417
Listed in the Chinese mainland (A shares)	**9,594**	9,594
Total	**250,011**	250,011

All H and A shares are ordinary shares, have a par value of RMB1 per share and rank pari passu with the same rights and benefits.

49 Other equity instruments

(1) Preference shares

(a) Preference shares outstanding as at the end of the reporting period

Financial instrument outstanding	Issuance date	Classification	Year-end dividend rate	Issuance price	Quantity (million shares)	Currency	Total amount	Maturity date	Redemption/ conversion
2017 Domestic Preference Shares	21 December 2017	Equity instruments	3.57%	100 per share	600	RMB	60,000	No maturity date	None
Less: Issuance fee							(23)		
Carrying amount							59,977		

(b) The key terms

Dividend

The nominal dividend rate of the Domestic Preference Shares is adjusted on a phase-by-phase basis. It is the sum of the benchmark rate plus the fixed interest spread, and is adjusted every five years. The fixed interest spread is determined as the nominal dividend rate set for issuance less the benchmark rate at the time of issuance, and will not be subject to future adjustments. The dividends for domestic preference shares are non-cumulative. The Bank has the right to cancel dividend distribution on Domestic Preference Shares, and the cancellation does not constitute a default event. The Bank may, at its discretion, use the cancelled dividends to repay other indebtedness due and payable. If the Bank cancels all or part of the dividends on the Domestic Preference Shares, the Bank shall make no profit distribution to shareholders holding ordinary shares from the day after the cancellation proposal is adopted by the General Shareholders' Meeting to the day when full distribution of dividends is resumed. The cancellation of dividends on Domestic Preference Shares will not constitute other restrictions to the Bank except for the distribution of dividends to ordinary shareholders.

The dividends on the Domestic Preference Shares are distributed annually.

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

49 Other equity instruments (continued)

(1) Preference shares (continued)

(b) *The key terms (continued)*

Redemption

The Bank may, subject to the NFRA's approval and compliance with the redemption preconditions, redeem in whole or in part of the Domestic Preference Shares after at least five years from the completion date of the issuance (i.e., 27 December 2017). The redemption period begins from the first day of the redemption and ends on the day when all Domestic Preference Shares are redeemed or converted. The redemption price of the Domestic Preference Shares shall be their issue price plus any dividends accrued but unpaid in the current period.

Compulsory conversion of preference shares

If an Additional Tier 1 Capital Instrument Trigger Event occurs, i.e., the Core Tier 1 Capital Adequacy Ratio of the Bank has fallen to 5.125% or below, the Bank has the right to, without prior consent from the shareholders of the domestic preference shares and as agreed, convert all or part of the domestic preference shares issued and outstanding to ordinary A shares, to restore the Bank's Core Tier 1 Capital Adequacy Ratio to above the trigger point (i.e., 5.125%). In the case of partial conversion, the domestic preference shares shall be subject to the same proportion and conditions of conversion. Once domestic preference shares are converted to ordinary A shares, they shall not be converted back to preference shares under any circumstances.

When a Tier 2 Capital Instrument Trigger Event occurs, the Bank has the right to, without prior consent of the shareholders of the Domestic Preference Shares and as agreed, convert all the Domestic Preference Shares issued and outstanding to ordinary A shares. Once Domestic Preference Shares are converted to ordinary A shares, they shall not be converted back to preference shares under any circumstances. A Tier 2 Capital Instrument Trigger Event is the earlier of the following two scenarios: (i) the NFRA having decided that without a conversion or write-off of the Bank's capital, the Bank would become non-viable; and (ii) the relevant authorities having decided that a public sector injection of capital or equivalent support is necessary, without which the Bank would become non-viable. When the compulsory conversion of preference shares occurs, the Bank shall report to the NFRA for approval and decision, and perform the announcement obligation according to the regulations of the Securities Law and China Securities Regulatory Commission ("CSRC").

The Bank classified preference shares issued as an equity instrument and presented as an equity item on the statement of financial position. Capital raised from the issuance of the above preference shares, after deduction of the expenses relating to the issuance, was wholly used to replenish the Bank's additional tier 1 capital and to increase its capital adequacy ratios.

(c) *Changes in preference shares outstanding*

	1 January 2023		Increase/(Decrease)		31 December 2023	
Financial instrument outstanding	**Quantity (million shares)**	**Carrying value**	**Quantity (million shares)**	**Carrying value**	**Quantity (million shares)**	**Carrying value**
2017 Domestic Preference Shares	600	59,977	–	–	600	59,977
Total	600	59,977	–	–	600	59,977

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

49 Other equity instruments (continued)

(2) Perpetual bonds

(a) Perpetual bonds outstanding at the end of the year

Financial instrument outstanding	Issuance date	Classification	Year-end interest rate	Issuance price	Quantity (million units)	Currency	Total amount	Maturity date	Redemption/ write-down conditions
2019 Undated Additional Tier 1 Capital Bonds	13 November 2019	Equity instruments	4.22%	100 per unit	400	RMB	40,000	No Maturity date	None
2022 Undated Additional Tier 1 Capital Bonds	29 August 2022	Equity instruments	3.20%	100 per unit	400	RMB	40,000	No maturity date	None
2023 Undated Additional Tier 1 Capital Bonds (Series 1)	14 July 2023	Equity instruments	3.29%	100 per unit	300	RMB	30,000	No maturity date	None
2023 Undated Additional Tier 1 Capital Bonds (Series 2)	22 September 2023	Equity instruments	3.37%	100 per unit	300	RMB	30,000	No maturity date	None
Less: Issuance fee							(9)		
Carrying amount							139,991		

(b) The key terms

Distribution rate and distribution payment

The distribution rate of the Undated Additional Tier 1 Capital Bonds (or "the Bonds") will be adjusted at defined intervals, with a distribution rate adjustment period every 5 years since the payment settlement date. In any distribution rate adjusted period, the distribution payments on the Bonds will be made at a prescribed fixed distribution rate. The distribution rate is determined by a benchmark rate plus a fixed interest spread.

The Bank shall have the right to cancel, in whole or in part, distributions on the Bonds and any such cancellation shall not constitute an event of default. When exercising such right, the Bank will take into full consideration the interest of the holders of the Bonds. The Bank may, at its sole discretion, use the proceeds from the cancelled distributions to meet other obligations as they fall due. In the case of cancelling any distributions on the Bonds, no matter in whole or in part, the Bank shall not make any distribution to the ordinary shareholders from the next day following the resolution being approved by the general shareholders meeting, until its decision to resume the distribution payments in whole to the holders of the Bonds. The distributions on the Bonds are non-cumulative, namely, upon cancellation, any amount of distribution unpaid to the holders of the Bonds in the applicable period will not accumulate or compound to the subsequent distribution period thereafter.

The distributions of the Bonds will be payable annually.

Conditional redemption rights of the Bank

From the fifth anniversary since the issuance of the Bonds, the Bank may redeem whole or part of the Bonds on each distribution payment date (including the fifth distribution payment date since the issuance). If, after the issuance, the Bonds no longer qualify as Additional Tier 1 Capital as a result of an unforeseeable change or amendment to relevant provisions of supervisory regulations, the Bank may redeem the whole but not part of the Bonds.

The exercise of the Bank's redemption right shall be subject to the consent of the NFRA and the satisfaction of the following preconditions: (i) the Bank shall use capital instruments of the same or better quality to replace the instruments to be redeemed, and such replacement shall only be carried out at conditions which are sustainable for the income capacity; (ii) or the capital position of the Bank after the redemption right is exercised will remain well above the regulatory capital requirements stipulated by the NFRA.

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(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

49 Other equity instruments (continued)

(2) Perpetual bonds (continued)

(b) The key terms (continued)

Write-down/write-off clauses

For 2019 Undated Additional Tier 1 Capital Bonds, upon the occurrence of an Additional Tier 1 Capital Trigger Event, namely, the Bank's Core Tier 1 Capital Adequacy Ratio having fallen to 5.125% (or below), the Bank has the right, subject to the approval of the NFRA but without the need for the consent of the holders of the Bonds, to write down whole or part of the aggregate amount of the Bonds then issued and outstanding, in order to restore the Core Tier 1 Capital Adequacy Ratio to above 5.125%. In the case of a partial write-down, all of the Bonds then issued and outstanding shall be written down on a pro rata basis, according to the outstanding amount, with all other Additional Tier 1 Capital instruments with equivalent write-down clauses of the Bank. Upon the occurrence of a Tier 2 Capital Trigger Event, the Bank has the right to write off in whole, without the need for the consent of the holders of the Bonds, the aggregate amount of the Bonds then issued and outstanding. A Tier 2 Capital Trigger Event refers to the earlier of the following events: (i) the NFRA having decided that the Bank would become non-viable without a write-off; (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Bank would become non-viable. Upon write-off of the bonds, such bonds are to be permanently cancelled and will not be restored under any circumstances.

For 2022 and 2023 Undated Additional Tier 1 Capital Bonds, upon the occurrence of a Non-Viability Trigger Event, the Bank has the right to write down/write off in whole or in part, without the need for consent of the holders of the Bonds, the principal amount of the Bonds. The amount of the write-down/write-off shall be determined by the ratio of the outstanding principal amount of the Undated Additional Tier 1 Capital Bonds to the aggregate principal amount of all additional tier 1 capital instruments with the identical Trigger Event. A Non-Viability Trigger Event refers to the earlier of the following events: (i) the NFRA having decided that the Bank would become non-viable without a write-down/write-off; (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Bank would become non-viable. The write-down/write-off will not be restored.

Subordination

The claims in respect of the Bonds will be subordinated to the claims of depositors, general creditors, and subordinated indebtedness that ranks senior to the Bonds; 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 any other additional tier 1 capital instruments of the Bank that rank pari passu with the Bonds.

The Bank classified the Bonds issued as an equity instrument and presented as an equity item on the statement of financial position. Capital raised from the issuance of the Bonds, after deduction of the expenses relating to the issuance, was wholly used to replenish the Bank's additional tier 1 capital and to increase its capital adequacy ratios.

(c) Changes in perpetual bonds outstanding

	1 January 2023		Increase/(Decrease)		31 December 2023	
Financial instrument outstanding	**Quantity (million units)**	**Carrying value**	**Quantity (million units)**	**Carrying value**	**Quantity (million units)**	**Carrying value**
2019 Undated Additional Tier 1 Capital Bonds	400	39,991	–	–	400	39,991
2022 Undated Additional Tier 1 Capital Bonds	400	40,000	–	–	400	40,000
2023 Undated Additional Tier 1 Capital Bonds (Series 1)	–	–	300	30,000	300	30,000
2023 Undated Additional Tier 1 Capital Bonds (Series 2)	–	–	300	30,000	300	30,000
Total	800	79,991	600	60,000	1,400	139,991

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(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

49 Other equity instruments (continued)

(3) Interests attributable to the holders of equity instruments

Items	31 December 2023	31 December 2022
1. Total equity attributable to equity holders of the Bank	**3,150,145**	2,855,450
(1) Equity attributable to ordinary equity holders of the Bank	**2,950,177**	2,715,482
(2) Equity attributable to other equity holders of the Bank	**199,968**	139,968
Of which: net profit	**5,110**	4,538
dividends received	**5,110**	4,538
2. Total equity attributable to non-controlling interests	**21,929**	20,794
(1) Equity attributable to non-controlling interests of ordinary shares	**19,930**	20,794
(2) Equity attributable to non-controlling interests of other equity instruments	**1,999**	–

50 Capital reserve

	31 December 2023	31 December 2022
Share premium and others	**135,619**	135,653

51 Other comprehensive income

	Other comprehensive income of the statement of financial position				Other comprehensive income of the statement of comprehensive income				
					2023				
	1 January 2023	Net-of-tax amount attributable to equity shareholders of the Bank	Other comprehensive income transferred to retained earnings	31 December 2023	The amount before Income taxes	Less: Reclassification adjustments included in profit or loss due to disposals	Less: Income taxes	Net-of-tax Amount attributable to equity shareholders of the Bank	Net-of-tax amount attributable to non-controlling interests
(1) Other comprehensive income that will not be reclassified to profit or loss									
Remeasurements of post-employment benefit obligations	(28)	(54)	-	(82)	(54)	-	-	(54)	-
Fair value changes of equity instruments designated as measured at fair value through other comprehensive income	90	153	(26)	217	204	-	(51)	153	-
Others	752	39	-	791	39	-	-	39	-
(2) Other comprehensive income that may be reclassified subsequently to profit or loss									
Fair value changes of debt instruments measured at fair value through other comprehensive income	16,809	6,788	-	23,597	12,678	(585)	(4,276)	6,788	1,029
Allowances for credit losses of debt instruments measured at fair value through other comprehensive income	6,851	(1,234)	-	5,617	(1,645)	-	411	(1,234)	-
Net gain on cash flow hedges	505	201	-	706	201	-	-	201	-
Exchange difference on translating foreign operations	(3,505)	3,987	-	482	4,115	-	-	3,987	128
Others	(4,071)	(3,276)	-	(7,347)	(8,565)	-	2,141	(3,276)	(3,148)
Total	17,403	6,604	(26)	23,981	6,973	(585)	(1,775)	6,604	(1,991)

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(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

51 Other comprehensive income (continued)

	Other comprehensive income of the statement of financial position			Other comprehensive income of the statement of comprehensive income				
				2022				
	1 January 2022	Net-of-tax amount attributable to equity shareholders of the Bank	31 December 2022	The amount before Income taxes	Less: Reclassification adjustments included in profit or loss due to disposals	Less: Income taxes	Net-of-tax Amount attributable to equity shareholders of the Bank	Net-of-tax amount attributable to non-controlling interests
(1) Other comprehensive income that will not be reclassified to profit or loss								
Remeasurements of post-employment benefit obligations	247	(275)	(28)	(275)	–	–	(275)	–
Fair value changes of equity instruments designated as measured at fair value through other comprehensive income	301	(211)	90	(282)	–	71	(211)	–
Others	719	33	752	33	–	–	33	–
(2) Other comprehensive income that may be reclassified subsequently to profit or loss								
Fair value changes of debt instruments measured at fair value through other comprehensive income	29,150	(12,341)	16,809	(15,569)	15	3,469	(12,341)	256
Allowances for credit losses of debt instruments measured at fair value through other comprehensive income	3,700	3,151	6,851	4,205	–	(1,048)	3,151	6
Net gain on cash flow hedges	20	485	505	485	–	–	485	–
Exchange difference on translating foreign operations	(12,249)	8,744	(3,505)	8,712	–	–	8,744	(32)
Others	(2,482)	(1,589)	(4,071)	(4,152)	–	1,038	(1,589)	(1,525)
Total	19,406	(2,003)	17,403	(6,843)	15	3,530	(2,003)	(1,295)

52 Surplus reserve

Surplus reserves consist of statutory surplus reserve fund and discretionary surplus reserve fund.

The Bank is required to allocate 10% of its net profit, as determined under the Accounting Standards for Business Enterprises and other relevant requirements issued by the MOF on 15 February 2006. After making appropriations to the statutory surplus reserve fund, the Bank may also allocate its net profit to the discretionary surplus reserve fund upon approval by shareholders in Annual General Meetings.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

53 General reserve

The general reserves of the Group are set up based on the requirements of:

	Note	**31 December 2023**	31 December 2022
MOF	(1)	**484,043**	431,095
Hong Kong Banking Ordinance	(2)	**2,124**	2,124
Other regulatory bodies in the Chinese mainland	(3)	**9,379**	10,867
Other overseas regulatory bodies		**709**	700
Total		**496,255**	444,786

(1) Pursuant to relevant regulations issued by the MOF, the Bank has to appropriate a certain amount of its net profit as general reserves to cover potential losses against its assets. In accordance with the *"Regulation on Management of Financial Institutions for Reserves"* (Cai Jin [2012] No. 20) issued by the MOF on 30 March 2012, the general reserves balance for financial institutions should not be lower than 1.5% of the ending balance of risk assets.

(2) Pursuant to the requirements of the Hong Kong Banking Ordinance, the Group's banking operations in Hong Kong are required to set aside amounts in a regulatory reserve in respect of losses which it will, or may, incur on loans and advances to customers, in addition to impairment losses recognised in accordance with the accounting policies of the Group. Transfers to and from the regulatory reserve are made through retained earnings.

(3) Pursuant to the relevant regulatory requirements in the Chinese mainland, the Bank's subsidiaries are required to appropriate a certain amount of its net profit as general reserves.

54 Profit distribution

In the Annual General Meeting held on 29 June 2023 the shareholders approved the profit distribution for the year ended 31 December 2022. The Bank appropriated cash dividend for the year ended 31 December 2022 in an aggregate amount of RMB97,254 million.

In the Board of Directors' Meeting, held on 26 October 2023 the directors approved the payment of dividends to domestic preference shareholders. The dividends for domestic preference shares distributed were RMB2,142 million (including taxes), calculated using the nominal dividend rate of 3.57% (including taxes) as set in the terms and conditions.

On 31 August 2023, according to the initial annual interest rate of 3.20% before the first interest rate reset date determined by the terms of the 2022 Undated Additional Tier 1 Capital Bonds, the interest on perpetual bonds issued by the Bank was RMB1,280 million; On 15 November 2023, according to the initial annual interest rate of 4.22% before the first interest rate reset date determined by the terms of the 2019 Undated Additional Tier 1 Capital Bonds, the interest on perpetual bonds issued by the Bank was RMB1,688 million.

On 28 March 2024, the Board of Directors proposed the following profit distribution scheme for the year ended 31 December 2023:

(1) Appropriate statutory surplus reserve amounted to RMB323,787 million, based on 10% of the net profit of the Bank amounted to RMB32,379 million for the year ended 31 December 2023 (for the year ended 31 December 2022: RMB31,956 million). It has been recorded in "Surplus reserve" as at the end of the reporting period.

(2) Appropriate general reserve amounted to RMB52,948 million, pursuant to relevant regulations issued by MOF (for the year ended 31 December 2022: RMB58,586 million).

(3) Declare cash dividend RMB0.400 per share before tax and in aggregation amount of RMB100,004 million to all shareholders (for the year ended 31 December 2022 RMB0.389 per share and RMB97,254 million in aggregation). Proposed dividends as at the end of the reporting period are not recognised as a liability.

Above proposed profit distribution scheme is subject to the approval of the shareholders in the Annual General Meeting. Cash dividends will be distributed to all shareholders registered at the relevant date upon approval.

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

55 Notes to the statement of cash flows

Cash and cash equivalents

	31 December 2023	31 December 2022
Cash	**45,682**	47,534
Surplus deposit reserves with central banks	**552,063**	771,473
Demand deposits with banks and non-bank financial institutions	**73,551**	62,506
Time deposits with banks and non-bank financial institutions with original maturity with or within three months	**46,978**	79,111
Placements with banks and non-bank financial institutions with original maturity with or within three months	**207,189**	183,028
Total	**925,463**	1,143,652

56 Transfer of financial assets

The Group enters into transactions in the normal course of business by which it transfers recognised financial assets to third parties or to structured entities. In some cases where these transferred financial assets qualify for derecognition, the transfers may give rise to full or partial derecognition of the financial assets concerned. In other cases where the transferred assets do not qualify for derecognition as the Group has retained substantially all the risks and rewards of these assets, the Group continued to recognise the transferred assets.

Securities lending transactions

Counterparties are allowed to sell or repledge securities lent under securities lending agreements in the absence of any default by the Group, but at the same time, they have an obligation to return such securities upon the maturity of the securities lending agreements. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognised them. As at 31 December 2023, the carrying value of debt securities lent to counterparties was RMB24,235 million (as at 31 December 2022: RMB10,240 million).

Credit asset securitisation transactions

The Group enters into securitisation transactions in its normal course of business by which it transfers credit assets to structured entities which issue asset-backed securities to investors. The Group may retain interests in the form of holding subordinated tranches which would give rise to the Group's continuing involvement in the transferred assets. Those financial assets are recognised on the statement of financial position to the extent of the Group's continuing involvement, otherwise the financial assets are derecognised.

As at 31 December 2023, loans with an original carrying amount of RMB825,092 million (as at 31 December 2022: RMB880,045 million) have been securitised by the Group under arrangements in which the Group retained a continuing involvement in such assets. As at 31 December 2023 the carrying amount of assets that the Group continued to recognise was RMB75,002 million (as at 31 December 2022: RMB93,548 million). As at 31 December 2023, the carrying amount of continuing involvement assets and liabilities that the Group continued to recognise was RMB75,002 million (as at 31 December 2022: RMB93,548 million).

With respect to credit asset securitisations that did not qualify for derecognition as a whole, the Group continued to recognise credit assets that had been transferred, and recorded the consideration received as a financial liability. As at 31 December 2023, the carrying amount of transferred credit assets that the Group had continued to recognise was RMB12,124 million (as at 31 December 2022: RMB15,006 million) and the carrying amount of their associated financial liabilities was RMB12,625 million (as at 31 December 2022: RMB13,507 million).

As at 31 December 2023, the carrying amount of asset-backed securities held in the securitisation transaction derecognised by the Group was RMB2,563 million (as at 31 December 2022: RMB2,743 million), and its maximum loss exposure approximates to the carrying amount.

57 Operating segments

The Group has presented the operating segments in a manner consistent with the way in which information is reported internally to the Group's chief operating decision makers for the purposes of resource allocation and performance assessment. Measurement of segment assets and liabilities and segment income and results is based on the Group's accounting policies.

Transactions between segments are conducted under normal commercial terms and conditions. Internal charges and transfer prices are determined with reference to market rates and have been reflected in the performance of each segment. Net interest income and expense arising from internal charges and transfer pricing adjustments are referred to as "Internal net interest income/expense". Interest income and expense earned from third parties are referred to as "External net interest income/expense".

Segment revenues, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment income and results are determined before intra-group transactions are eliminated as part of the consolidation process. Segment capital expenditure is the total cost incurred during the period to acquire fixed assets, intangible assets and other long-term assets.

(1) Geographical segments

The Group operates principally in the Chinese mainland with branches covering all provinces, autonomous regions and municipalities directly under the central government, and several subsidiaries located in the Chinese mainland. The Group also has bank branch operations in Hong Kong, Macau, Taiwan, Singapore, Frankfurt, Johannesburg, Tokyo, Seoul, New York, Sydney, Ho Chi Minh City, Luxembourg, Toronto, London, Zurich, Dubai, Chile, Astana, Labuan, Auckland, etc., and certain subsidiaries operating in Hong Kong, London, Moscow, Luxembourg, British Virgin Islands, Auckland, Jakarta, San Paulo and Kuala Lumpur, etc.

In presenting information on the basis of geographical segments, operating income is allocated based on the location of the branches and subsidiaries that generate the income. Segment assets, liabilities and capital expenditure are allocated based on their geographical location.

Geographical segments of the Group, for management reporting purposes, are defined as follows:

- "Yangtze River Delta" refers to the following areas where the tier-1 branches and the subsidiary of the Bank operate: Shanghai Municipality, Jiangsu Province, Zhejiang Province, City of Ningbo and City of Suzhou;
- "Pearl River Delta" refers to the following areas where the tier-1 branches and the subsidiary of the Bank operate: Guangdong Province, City of Shenzhen, Fujian Province and City of Xiamen;
- "Bohai Rim" refers to the following areas where the tier-1 branches and the subsidiaries of the Bank operate: Beijing Municipality, Shandong Province, Tianjin Municipality, Hebei Province and City of Qingdao;
- the "Central" region refers to the following areas where the tier-1 branches and the subsidiary of the Bank operate: Shanxi Province, Hubei Province, Henan Province, Hunan Province, Jiangxi Province, Hainan Province and Anhui Province;
- the "Western" region refers to the following areas where the tier-1 branches of the Bank operate: Sichuan Province, Chongqing Municipality, Guizhou Province, Yunnan Province, Tibet Autonomous Region, Inner Mongolia Autonomous Region, Shaanxi Province, Gansu Province, Qinghai Province, Ningxia Autonomous Region, Guangxi Autonomous Region and Xinjiang Autonomous Region; and
- the "Northeastern" region refers to the following areas where the tier-1 branches of the Bank operate: Liaoning Province, Jilin Province, Heilongjiang Province and City of Dalian.

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

57 Operating segments (continued)

(1) Geographical segments (continued)

	Year ended 31 December 2023								
	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central	Western	Northeastern	Head Office	Overseas	Total
External net interest income/(expense)	59,632	51,311	29,406	64,289	73,769	(1,058)	317,376	22,508	617,233
Internal net interest income/(expense)	54,088	49,227	67,000	50,014	44,266	29,302	(286,204)	(7,693)	-
Net interest income	113,720	100,538	96,406	114,303	118,035	28,244	31,172	14,815	617,233
Net fee and commission income	20,423	21,904	18,856	15,790	13,375	3,454	19,705	2,239	115,746
Net trading gain/(loss)	1,403	24	(62)	145	65	(11)	3,248	873	5,685
Dividend income	148	-	4,519	556	20	-	257	212	5,712
Net (loss)/gain arising from investment securities	(844)	(2,946)	(1,200)	(304)	(2,317)	(197)	7,430	156	(222)
Net (loss)/gain on derecognition of financial assets measured at amortised cost	(53)	(51)	(16)	1	(22)	(23)	1,102	8	946
Other operating (expense)/income, net	(7,842)	143	1,945	243	1,607	109	1,584	2,726	515
Operating income	126,955	119,612	120,448	130,734	130,763	31,576	64,498	21,029	745,615
Operating expenses	(39,762)	(27,533)	(35,259)	(35,576)	(37,325)	(12,271)	(24,523)	(7,903)	(220,152)
Credit impairment losses	(14,697)	(42,503)	(8,460)	(21,010)	(25,875)	(889)	(19,471)	(3,869)	(136,774)
Other impairment losses	1	1	(306)	(3)	(4)	(1)	-	(151)	(463)
Share of profits/(losses) of associates and joint ventures	67	(44)	772	307	-	-	12	37	1,151
Profit before tax	72,564	49,533	77,195	74,452	67,559	18,415	20,516	9,143	389,377
Capital expenditure	2,280	953	14,155	1,786	1,738	733	1,907	326	23,878
Depreciation and amortisation	3,579	3,140	7,429	3,850	3,912	1,518	3,601	2,052	29,081

	31 December 2023								
Segment assets	6,590,228	5,176,740	8,265,540	5,390,160	5,627,618	1,979,268	13,140,146	1,731,630	47,901,330
Long-term equity investments	2,375	1,276	8,939	4,151	-	-	1,835	2,407	20,983
	6,592,603	5,178,016	8,274,479	5,394,311	5,627,618	1,979,268	13,141,981	1,734,037	47,922,313
Deferred tax assets									121,227
Elimination									(9,718,714)
Total assets									38,324,826
Segment liabilities	6,505,937	5,105,200	8,019,403	5,296,596	5,561,892	1,965,083	10,801,127	1,614,504	44,869,742
Deferred tax liabilities									1,724
Elimination									(9,718,714)
Total liabilities									35,152,752
Off-balance sheet credit commitments	739,350	658,310	706,638	697,850	573,809	183,964	-	270,318	3,830,239

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

57 Operating segments (continued)

(1) Geographical segments (continued)

	Year ended 31 December 2022								
	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central	Western	Northeastern	Head Office	Overseas	Total
External net interest income	74,987	65,270	39,650	72,624	80,510	2,984	290,873	16,771	643,669
Internal net interest income/(expense)	37,580	33,797	54,304	38,673	34,152	24,095	(219,121)	(3,480)	–
Net interest income	112,567	99,067	93,954	111,297	114,662	27,079	71,752	13,291	643,669
Net fee and commission income	20,235	26,008	18,607	16,598	13,617	3,432	14,693	2,895	116,085
Net trading (loss)/gain	(34)	5	5	15	(133)	10	3,423	341	3,632
Dividend income	137	7	5,075	558	9	–	54	295	6,135
Net (loss)/gain arising from investment securities	(4,542)	(2,470)	(1,448)	(317)	(3,805)	(375)	4,033	(138)	(9,062)
Net gain on derecognition of financial assets measured at amortised cost	–	–	–	–	–	–	319	3	322
Other operating (expense)/income, net	(7,007)	206	1,584	91	1,522	58	(1,567)	1,842	(3,271)
Operating income	121,356	122,823	117,777	128,242	125,872	30,204	92,707	18,529	757,510
Operating expenses	(39,456)	(28,329)	(34,017)	(35,112)	(37,003)	(12,269)	(26,475)	(7,330)	(219,991)
Credit impairment losses	(17,082)	(27,101)	(21,244)	(25,329)	(25,307)	(5,932)	(27,578)	(4,962)	(154,535)
Other impairment losses	4	3	(11)	(57)	(9)	(18)	–	(391)	(479)
Share of profits/(losses) of associates and joint ventures	189	(60)	355	583	–	–	23	104	1,194
Profit before tax	65,011	67,336	62,860	68,327	63,553	11,985	38,677	5,950	383,699
Capital expenditure	2,253	1,269	6,428	2,119	1,946	811	1,614	3,213	19,653
Depreciation and amortisation	3,616	3,006	6,580	4,053	4,076	1,586	3,601	1,964	28,482

	31 December 2022								
Segment assets	5,919,562	4,770,973	7,683,499	4,878,872	5,174,224	1,716,962	12,411,472	1,547,412	44,102,976
Long-term equity investments	1,928	1,315	9,129	5,898	–	–	1,823	2,607	22,700
	5,921,490	4,772,288	7,692,628	4,884,770	5,174,224	1,716,962	12,413,295	1,550,019	44,125,676
Deferred tax assets									113,081
Elimination									(9,638,046)
Total assets									34,600,711
Segment liabilities	5,840,421	4,689,052	7,458,057	4,785,307	5,105,106	1,703,970	10,351,896	1,427,823	41,361,632
Deferred tax liabilities									881
Elimination									(9,638,046)
Total liabilities									31,724,467
Off-balance sheet credit commitments	692,583	647,907	661,165	664,967	533,895	165,129	–	320,881	3,686,527

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

57 Operating segments (continued)

(2) Business segments

Business segments, as defined for management reporting purposes, are as follows:

Corporate finance business

This segment represents the provision of a range of financial products and services to corporations, government agencies and financial institutions. The products and services include corporate loans, trade financing, deposit taking and wealth management services, agency services, financial consulting and advisory services, cash management services, remittance and settlement services, guarantee services, and Investment banking services, etc.

Personal finance business

This segment represents the provision of a range of financial products and services to individual customers. The products and services comprise personal loans, deposit taking and wealth management services, card business, remittance services and agency services, etc.

Treasury and asset management business

This segment covers the Group's treasury operations. The treasury and asset management segment enters into inter-bank deposit and placement transactions, repurchase and resale transactions, and invests in debt securities. It also trades in derivatives and foreign currencies for its own account. The treasury and asset management segment carries out customer-driven derivatives, foreign currency, precious metal trading and custody services. Its function also includes the management of the Group's overall liquidity position, including the issuance of debt securities.

Others

This segment covers equity investments and the revenues, results, assets and liabilities of overseas commercial banks.

Specifically, since the preparation of the 2023 financial statements, the Group has reclassified business segments of certain businesses of the Bank to reflect changes in regulatory classification requirements, the Group has also adjusted comparative figures of the prior year accordingly.

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

57 Operating segments (continued)

(2) Business segments (continued)

	Year ended 31 December 2023				
	Corporate finance business	Personal finance business	Treasury and asset management business	Others	Total
External net interest income	261,999	132,222	206,688	16,324	617,233
Internal net interest (expense)/ income	(60,782)	181,733	(120,877)	(74)	–
Net interest income	201,217	313,955	85,811	16,250	617,233
Net fee and commission income/ (expense)	36,272	55,056	25,591	(1,173)	115,746
Net trading gain	337	1,260	3,010	1,078	5,685
Dividend income	4,694	149	561	308	5,712
Net (loss)/gain arising from investment securities	(6,589)	428	6,104	(165)	(222)
Net gain on derecognition of financial assets measured at amortised cost	736	–	202	8	946
Other operating income/(expense), net	1,751	(7,255)	2,408	3,611	515
Operating income	238,418	363,593	123,687	19,917	745,615
Operating expenses	(87,362)	(111,069)	(14,093)	(7,628)	(220,152)
Credit impairment losses	(77,016)	(57,456)	6,599	(8,901)	(136,774)
Other impairment losses	(64)	(249)	1	(151)	(463)
Share of profits of associates and joint ventures	1,054	78	12	7	1,151
Profit before tax	75,030	194,897	116,206	3,244	389,377
Capital expenditure	16,816	6,251	617	194	23,878
Depreciation and amortisation	10,805	14,602	1,659	2,015	29,081

	31 December 2023				
Segment assets	15,290,620	8,705,648	13,547,677	906,819	38,450,764
Long-term equity investments	12,521	2,238	6,217	7	20,983
	15,303,141	8,707,886	13,553,894	906,826	38,471,747
Deferred tax assets					121,227
Elimination					(268,148)
Total assets					38,324,826
Segment liabilities	12,349,135	15,979,947	5,236,467	1,853,627	35,419,176
Deferred tax liabilities					1,724
Elimination					(268,148)
Total liabilities					35,152,752
Off-balance sheet credit commitments	2,422,267	1,137,654	–	270,318	3,830,239

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

57 Operating segments (continued)

(2) Business segments (continued)

	Year ended 31 December 2022				
	Corporate finance business	Personal finance business	Treasury and asset management business	Others	Total
External net interest income	256,223	182,254	191,160	14,032	643,669
Internal net interest (expense)/ income	(27,015)	125,512	(98,805)	308	–
Net interest income	229,208	307,766	92,355	14,340	643,669
Net fee and commission income/ (expense)	35,713	50,229	31,786	(1,643)	116,085
Net trading (loss)/gain	(1,841)	107	4,532	834	3,632
Dividend income	5,179	124	620	212	6,135
Net (loss)/gain arising from investment securities	(8,537)	(2,782)	2,505	(248)	(9,062)
Net gain on derecognition of financial assets measured at amortised cost	–	–	319	3	322
Other operating income/(expense), net	521	(6,788)	108	2,888	(3,271)
Operating income	260,243	348,656	132,225	16,386	757,510
Operating expenses	(86,403)	(111,883)	(14,531)	(7,174)	(219,991)
Credit impairment losses	(100,339)	(41,038)	(4,415)	(8,743)	(154,535)
Other impairment losses	(52)	–	(36)	(391)	(479)
Share of profits of associates and joint ventures	530	185	434	45	1,194
Profit before tax	73,979	195,920	113,677	123	383,699
Capital expenditure	4,443	6,103	549	8,558	19,653
Depreciation and amortisation	9,901	14,404	1,112	3,065	28,482

	31 December 2022				
Segment assets	12,649,790	8,528,278	12,850,453	710,554	34,739,075
Long-term equity investments	12,433	1,713	8,286	268	22,700
	12,662,223	8,529,991	12,858,739	710,822	34,761,775
Deferred tax assets					113,081
Elimination					(274,145)
Total assets					34,600,711
Segment liabilities	11,249,365	14,082,474	5,055,218	1,610,674	31,997,731
Deferred tax liabilities					881
Elimination					(274,145)
Total liabilities					31,724,467
Off-balance sheet credit commitments	2,251,667	1,113,979	–	320,881	3,686,527

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

58 Entrusted lending business

As at the end of the reporting period, the entrusted loans and entrusted funds were as follows:

	31 December 2023	31 December 2022
Entrusted loans	**4,420,191**	4,215,594
Entrusted funds	**4,420,191**	4,215,594

59 Pledged assets

(1) Assets pledged as securities

The Group's collateral for liabilities or contingent liabilities include financial assets such as securities and bills, which mainly serve as collateral for repurchase agreements, derivative contracts and local statutory requirements. As at 31 December 2023, the carrying values of the Group's financial assets pledged as collateral amounted to approximately RMB1,962,492 million (as at 31 December 2022: RMB1,474,570 million).

(2) Collateral accepted as securities for assets

As part of the resale agreements, the Group has received securities that were allowed to be sold or repledged in the absence of default by their owners. As at 31 December 2023, the Group has received securities with a fair value of approximately RMB1,842 million on such terms (31 December 2022: Nil).

60 Commitments and contingent liabilities

(1) Credit commitments

Credit commitments take the form of undrawn loan facilities which are approved and contracted, unutilised credit card limits, financial guarantees, letters of credit, etc. The Group assesses and makes provisions for any probable losses accordingly.

The contractual amounts of loan commitments and credit card overdraft commitments represent the cash outflows should the contracts be fully drawn upon. The amounts of guarantees and letters of credit represent the maximum potential loss that would be recognised if counterparties failed completely to perform as contracted. Acceptances comprise undertakings by the Group to pay bills of exchange drawn on customers.

As credit commitments may expire without being drawn upon, the contractual amounts set out in the following table do not represent the expected future cash outflows.

	31 December 2023	31 December 2022
Loan commitments		
– with an original maturity within one year	**62,692**	69,885
– with an original maturity of one year or over	**375,098**	432,096
Credit card commitments	**1,174,030**	1,150,461
	1,611,820	1,652,442
Bank acceptances	**544,973**	481,269
Financing guarantees	**45,339**	48,030
Non-financing guarantees	**1,348,704**	1,286,206
Sight letters of credit	**47,524**	44,863
Usance letters of credit	**226,132**	169,155
Others	**5,747**	4,562
Total	**3,830,239**	3,686,527

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

60 Commitments and contingent liabilities (continued)

(2) Credit risk-weighted amount

The credit risk-weighted amount refers to the amount as computed in accordance with the rules set out by the NFRA and depends on the status of the counterparty and the maturity characteristics.

	31 December 2023	31 December 2022
Credit risk-weighted amount of contingent liabilities and commitments	**1,224,736**	1,186,298

(3) Capital commitments

As at 31 December 2023, the Group's contracted for but not disbursed capital commitments amounted to RMB2,071 million (as at 31 December 2022: RMB1,628 million).

(4) Underwriting obligations

As at 31 December 2023, there was no unexpired underwriting commitment of the Group (as at 31 December 2022: Nil).

(5) Government bond redemption obligations

As an underwriting agent of PRC government bonds, the Group has the responsibility to buy back those bonds sold by it should the holders decide to early redeem the bonds held. The redemption price for the bonds at any time before their maturity date is based on the coupon value plus any interest unpaid and accrued up to the redemption date. Accrued interest payables to the bond holders are calculated in accordance with relevant rules of the MOF and the PBC. The redemption price may be different from the fair value of similar instruments traded at the redemption date.

The redemption obligations, which represent the nominal value of government bonds underwritten and sold by the Group, but not yet matured as at 31 December 2023, were RMB47,743 million (as at 31 December 2022: RMB50,120 million).

(6) Outstanding litigations and disputes

As at 31 December 2023, the Group was the defendant in certain pending litigations and disputes with gross claims of RMB8,156 million (as at 31 December 2022: RMB8,606 million). Provisions have been made for the estimated losses arising from such litigations based upon the opinions of the Group's internal and external legal counsels (Note 45). The Group considers that the provisions made are reasonable and adequate.

(7) Contingent liabilities

The Group assessed and made provisions for any probable outflow of economic benefits in relation to the commitments and contingent liabilities in accordance with their accounting policies.

(8) Impact of the *Guiding Opinions on Regulating the Asset Management Business of Financial Institutions*

In accordance with the *Guiding Opinions on Regulating the Asset Management Business of Financial Institutions* jointly issued by the PBC and three other ministries as well as the PBC's relevant announcement, other than assets for which the Group had applied to regulators for disposal on a case-by-case basis, the Group has completed the rectification of legacy wealth management business and recognised its impact in these financial statements in terms of provisions and credit impairment losses. The Group will duly implement relevant policies and regulatory requirements, continue to assess and disclose relevant impact, and strive to complete the rectification as soon as possible.

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61 Related party relationships and transactions

(1) Transactions with parent companies and their affiliates

The immediate and ultimate parents of the Group are Huijin and CIC, respectively.

As approved by the State Council, CIC was established on 29 September 2007 with registered capital of RMB1,550,000 million. As a wholly-owned subsidiary of CIC, Huijin exercises its rights and obligations as an investor on behalf of the PRC government in accordance with laws.

Huijin was incorporated on 16 December 2003 as a wholly-state-owned investment company. It was registered in Beijing with registered capital of RMB828,209 million. Its principal activities are equity investments as authorised by the State Council, without engaging in other commercial operations. As at 31 December 2023, Huijin directly held 57.14% of shares of the Bank.

Affiliates of parent companies include the subsidiaries under parent companies and other associates and joint ventures.

The Group's transactions with parent companies and their affiliates mainly include deposit taking, entrusted asset management, operating leases, lending, purchase and sale of debt securities, money market transactions and inter-bank clearing. These transactions are priced based on market prices and conducted under normal commercial terms.

The Group has issued subordinated debts with a nominal value of RMB12,000 million (as at 31 December 2022: RMB8,000 million). These are bearer bonds and tradable in the secondary market. The Group had no information in respect of the amount of the bonds held by the affiliates of parent companies as at the end of the reporting period.

(a) Transactions with parent companies

In the ordinary course of the business, material transactions that the Group entered into with parent companies are as follows:

Amounts

	2023		2022	
	Amount	**Ratio to similar transactions**	Amount	Ratio to similar transactions
Interest income	**1,318**	**0.11%**	1,057	0.09%
Interest expense	**83**	**0.01%**	713	0.14%

Balances outstanding as at the end of the reporting period

	31 December 2023		31 December 2022	
	Balance	**Ratio to similar transactions**	Balance	Ratio to similar transactions
Loans and advances to customers	**12,000**	**0.05%**	14,000	0.07%
Financial investments				
Financial assets measured at fair value through profit or loss	**10**	**0.00%**	–	–
Financial assets measured at amortised cost	**24,209**	**0.36%**	22,912	0.38%
Financial assets measured at fair value through other comprehensive income	**6,083**	**0.27%**	7,155	0.35%
Deposits from customers	**17,134**	**0.06%**	8,544	0.03%
Credit commitments	**8,288**	**0.22%**	288	0.01%

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(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

61 Related party relationships and transactions (continued)

(1) Transactions with parent companies and their affiliates (continued)

(b) Transactions with the affiliates of parent companies

In the ordinary course of the business, material transactions that the Group entered into with the affiliates of parent companies are as follows:

Amounts

		2023		2022	
	Note	**Amount**	**Ratio to similar transactions**	Amount	Ratio to similar transactions
Interest income		**20,578**	**1.65%**	17,256	1.47%
Interest expense		**11,071**	**1.76%**	5,145	0.98%
Fee and commission income		**433**	**0.33%**	498	0.38%
Fee and commission expense		**28**	**0.20%**	44	0.30%
Net trading gain		**1,058**	**18.61%**	636	17.51%
Net gain arising from investment securities		**4,368**	**N/A**	2,714	N/A
Operating expenses	(i)	**1,069**	**0.49%**	1,140	0.52%

Balances outstanding as at the end of the reporting period

		31 December 2023		31 December 2022	
	Note	**Balance**	**Ratio to similar transactions**	Balance	Ratio to similar transactions
Deposits with banks and non-bank financial institutions		**26,110**	**17.62%**	27,229	14.68%
Placements with banks and non-bank financial institutions		**148,527**	**22.00%**	112,858	22.14%
Positive fair value of derivatives		**3,560**	**8.12%**	5,114	10.37%
Financial assets held under resale agreements		**45,774**	**4.67%**	87,101	8.37%
Loans and advances to customers		**245,845**	**1.07%**	101,987	0.50%
Financial investments					
Financial assets measured at fair value through profit or loss		**161,299**	**26.78%**	116,614	20.53%
Financial assets measured at amortised cost		**197,187**	**2.90%**	172,851	2.90%
Financial assets measured at fair value through other comprehensive income		**272,277**	**12.18%**	230,727	11.45%
Other assets		**7**	**0.00%**	–	–
Deposits from banks and non-bank financial institutions	(ii)	**248,508**	**8.90%**	146,421	5.67%
Placements from banks and non-bank financial institutions		**177,615**	**43.56%**	119,797	32.75%
Financial liabilities measured at fair value through profit or loss		**–**	**–**	3	0.00%
Negative fair value of derivatives		**4,455**	**10.64%**	6,328	13.54%
Financial assets sold under repurchase agreements		**7,749**	**3.30%**	5,896	2.43%
Deposits from customers		**114,591**	**0.41%**	147,347	0.59%
Other liabilities		**18,936**	**3.46%**	10,229	1.80%
Credit commitments		**9,293**	**0.24%**	9,055	0.25%

(i) Operating expenses mainly represent fees for related services provided by the affiliates of parent companies.

(ii) Deposits from the affiliates of parent companies are unsecured and are repayable under normal commercial terms.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

61 Related party relationships and transactions (continued)

(2) Transactions between the Group and its associates and joint ventures of the Group

Transactions between the Group and its associates and joint ventures are conducted in the normal and ordinary course of the business and under normal commercial terms as those transactions conducted between the Group and non-related companies outside the Group.

In the ordinary course of the business, material transactions that the Group entered into with associates and joint ventures are as follows:

Amounts

	2023	2022
Interest income	24	126
Interest expense	41	80
Fee and commission income	58	119
Operating expenses	126	63

Balances outstanding as at the end of the reporting period

	31 December 2023	31 December 2022
Loans and advances to customers	1,241	1,814
Other assets	412	484
Financial liabilities measured at fair value through profit or loss	–	9
Deposits from customers	7,424	5,689
Other liabilities	960	735
Credit commitments	1,528	449

In addition, transactions between the Group and its associates and joint ventures measured at fair value consisted of loans and advances to customers, deposits from customers, and credit commitments. As at 31 December 2023, the balances of the above transactions were RMB28,189 million, RMB8,766 million, and RMB43,834 million, respectively. For the year ended 31 December 2023, interest income, interest expenses, and fee and commission income generated from these transactions were RMB1,366 million, RMB96 million, and RMB194 million, respectively.

(3) Transactions between the Bank and its subsidiaries

Transactions between the Bank and its subsidiaries are conducted in the normal and ordinary course of the business and under normal commercial terms as those transactions are conducted between the Bank and non-related companies outside the Group. All the inter-group transactions and inter-group balances are eliminated when preparing the consolidated financial statements as mentioned in Note 4(1)(b).

In the ordinary course of the business, material transactions that the Bank entered into with its subsidiaries are as follows:

Amounts

	2023	2022
Interest income	2,474	1,888
Interest expense	2,135	932
Fee and commission income	3,808	4,760
Fee and commission expense	722	575
Dividend income	453	746
Net loss arising from investment securities	–	40
Operating expenses	9,139	9,597
Other operating expense, net	36	110

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(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

61 Related party relationships and transactions (continued)

(3) Transactions between the Bank and its subsidiaries (continued)

Balances outstanding as at the end of the reporting period

	31 December 2023	31 December 2022
Deposits with banks and non-bank financial institutions	**1,964**	4,652
Placements with banks and non-bank financial institutions	**101,772**	114,033
Positive fair value of derivatives	**906**	966
Placements with banks and non-bank financial institutions	**1,891**	–
Loans and advances to customers	**16,702**	12,625
Financial investments		
Financial assets measured at fair value through profit or loss	**1,424**	1,366
Financial assets measured at amortised cost	**1,071**	1,122
Financial assets measured at fair value through other comprehensive income	**13,878**	13,822
Other assets	**39,690**	38,957
Deposits from banks and non-bank financial institutions	**17,439**	22,975
Placements from banks and non-bank financial institutions	**39,086**	26,032
Financial liabilities measured at fair value through profit or loss	**–**	80
Negative fair value of derivatives	**362**	473
Deposits from customers	**16,349**	11,432
Debt securities issued	**29**	–
Other liabilities	**6,581**	6,211

As at 31 December 2023, the total maximum guarantee limit of guarantee letters issued by the Bank with its subsidiaries as beneficiary was RMB907 million (as at 31 December 2022: RMB5,167 million).

As at 31 December 2023, the transactions between subsidiaries of the Group were mainly other assets and other liabilities, and the balances of the above transactions were RMB8,199 million and RMB8,239 million respectively (as at 31 December 2022, the transactions between subsidiaries of the Group were non-bank financial institutions and deposits from customers and deposits with banks, and the balances of the above transactions were RMB1,558 million and RMB1,517 million, respectively).

(4) Transactions with other PRC state-owned entities

State-owned entities refer to those entities directly or indirectly owned by the PRC government through its government authorities, agencies, affiliates and other organisations. Transactions with other state-owned entities include but are not limited to: lending and deposit taking; taking and placing of inter-bank balances; entrusted lending and other custody services; insurance and securities agency, and other intermediary services; purchase, sale, underwriting and redemption of bonds issued by other state-owned entities; purchase, sale and leases of property and other assets; and rendering and receiving of utilities and other services.

These transactions are conducted in the ordinary course of the Group's banking business on terms similar to those that would have been entered into with non-state-owned entities. The Group's pricing strategy and approval processes for major products and services, such as loans, deposits and commission income, do not depend on whether the customers are state-owned entities or not. Having due regard to the substance of the relationships, the Group is of the opinion that none of these transactions were material related party transactions that require separate disclosure.

(5) Transactions with the Annuity Scheme and Plan Assets

Apart from the obligations for defined contributions to the Annuity Scheme and regular banking transactions, there were no other transactions between the Group and the Annuity Scheme in 2023 and 2022.

As at 31 December 2023, the fair value of the Group's supplementary retirement benefit plan assets managed by CCB Principal Asset Management and CCB Pension was RMB3,187 million (as at 31 December 2022: RMB3,421 million), and management fees payable to CCB Principal Asset Management and CCB Pension were RMB3.59 million (as at 31 December 2022: RMB2.88 million).

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

61 Related party relationships and transactions (continued)

(6) Key management personnel

Key management personnel are those persons having authorities and responsibilities for planning, directing and controlling the activities of the Group, directly or indirectly, including directors, supervisors and senior executives. The Group enters into banking transactions with key management personnel in the normal course of business. For the years ended 31 December 2023 and 2022 there were no material transactions and balances with key management personnel.

The compensation before tax of directors and supervisors is disclosed in Note 16. The senior executives' annual compensation before individual income tax during the year is as follows:

	2023			
	Remuneration paid RMB'000	Contributions to defined contribution retirement schemes RMB'000	Other benefits in kind (Note (i)) RMB'000	Total (Note (ii)) RMB'000
Executive Vice Presidents				
Li Yun	605	63	143	811
Wang Bing	605	63	143	811
Li Min	151	16	37	204
Secretary to the Board				
Hu Changmiao	1,478	63	249	1,790
Chief Information Officer				
Jin Panshi	1,478	63	249	1,790
Chief Financial Officer				
Sheng Liurong	1,478	63	235	1,776
Former Executive Vice President				
Zhang Min	101	10	23	134
Former Chief Risk Officer				
Cheng Yuanguo	837	36	143	1,016
	6,733	377	1,222	8,332

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(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

61 Related party relationships and transactions (continued)

(6) Key management personnel (continued)

	2022			
	Annual remuneration payable (Allowances) RMB'000	Employer's contribution to social insurances, enterprise annuity, supplemental medical insurance and housing allowances RMB'000	Other monetary income RMB'000	Total RMB'000
Executive Vice Presidents				
Cui Yong	348	83	–	431
Ji Zhihong	834	209	–	1,043
Li Yun	834	209	–	1,043
Wang Bing	–	–	–	–
Secretary to the Board				
Hu Changmiao	2,641	291	–	2,932
Chief Information Officer				
Jin Panshi	2,642	286	–	2,928
Chief Risk Officer				
Cheng Yuanguo	2,642	283	–	2,925
Chief Financial Officer				
Sheng Liurong	220	23	–	243
Former Executive Vice Presidents				
Wang Hao	487	126	–	613
Zhang Min	834	209	–	1,043
	11,482	1,719	–	13,201

(i) Other benefits in kind included the Bank's contributions to medical insurance, housing funds and other social insurances, which are payable to labour and security authorities based on the lower of certain percentage of the salaries and allowance or the prescribed upper limits as required by the relevant regulations issued by the government authorities. Other benefits also included the Bank's contribution to its own corporate annuity plan (which was set up in accordance with the relevant policies issued by the government authorities) and supplementary medical insurance.

(ii) The total compensation package for these key management personnel for the year ended 31 December 2023 has not yet been finalised in accordance with regulations of the PRC relevant authorities. The amount of the compensation to be adjusted for is not expected to have significant impact on the Group's financial statements for the year ended 31 December 2023. The final compensation will be disclosed in a separate announcement when determined.

(iii) The total compensation package for certain key management personnel for the year ended 31 December 2022 had not been finalised in accordance with regulations of the PRC relevant authorities as at the date that the 2022 financial statements were announced. The aforesaid total compensation package for the key management personnel for the year ended 31 December 2022 has been reviewed and approved by the Board meeting of the Bank and the shareholders' general meeting of the Bank.

(iv) From 2015 onwards, remuneration of the Bank's leaders administered by central authorities has been paid in accordance with relevant policies relating to the central remuneration reform.

(7) Loans, quasi-loans and other credit transactions to directors, supervisors and senior executives

The Group had no material balance of loans, quasi-loans and other credit transactions to directors, supervisors and senior executives as at the end of reporting period. Those loans, quasi-loans and other credit transactions to directors, supervisors and senior executives were conducted in the normal and ordinary course of the business and under normal commercial terms or on the same terms and conditions with those which are available to other employees, based on terms and conditions granted to third parties adjusted for risk reduction.

62 Risk management

The Group has exposure to the following risks:

- credit risk
- market risk
- liquidity risk
- operational risk
- insurance risk

This note presents information about the Group's exposures to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's capital management.

Risk management framework

The Board performs risk management responsibilities pursuant to the Bank's Articles of Association and regulatory requirements. The Board and its subordinate Risk Management Committee develop risk management strategies, supervise the implementation, assess the overall risk profile, review the statements of risk appetite regularly and transmit risk appetite through policies. The Board of Supervisors supervises the construction of the comprehensive risk management system, as well as the performance of the Board and senior management in delivering comprehensive risk management responsibilities. Senior management is responsible for implementing risk strategies developed by the Board and organising the comprehensive risk management work across the Group.

Risk Management Department is the leading management department responsible for the Group's comprehensive risk management and leads market risk management. Credit Management Department is the leading management department responsible for the overall credit risk management and country risk management. Asset & Liability Management Department is the leading management department responsible for the management of liquidity risk and interest rate risk of banking book. Internal Control & Compliance Department is the leading management department responsible for operational risk management. It is also responsible for promoting information technology risk management jointly with FinTech Department. Public Relations & Corporate Culture Department is in charge of reputational risk management. Strategy and Policy Coordination Department is the leading management department responsible for strategic risk management. Other specialised departments are responsible for other respective risks.

The Bank attached great importance to the risk management of subsidiaries. It continued to optimise its risk governance system for subsidiaries, enhanced joint risk prevention and control between the parent and subsidiaries, and improved the efficiency of risk early alert and decision-making at the parent and subsidiaries. For subsidiaries, it scientifically set quantitative indicators of risk appetite, clarified various risk management objectives, and improved subsidiary-specific risk control mechanism. In addition, it established a comprehensive financing management structure at the group level, improved the "three lines of defence" mechanism for risk management, optimised risk reporting mechanism and reporting lines, performed risk profiling, and strengthened substantive risk control, so as to consolidate the bottom line of risk compliance of subsidiaries.

(1) Credit risk

Credit risk management

Credit risk represents the risk of financial loss that arises from the failure of a debtor or counterparty to discharge its contractual obligations or commitments to the Group.

Credit risk management comprehensively covers the entire processes of credit, investment, and trading businesses, including key procedures such as, credit risk appetite, credit management, post investment and credit management, credit risk reporting, and expected credit loss approach implementation.

The Credit Management Department is the leading department responsible for overall management of the Group's credit risk. The Risk Management Department takes the lead in the development and implementation of the credit risk measurement tools including customers rating and facilities grading. The Special Assets Resolution Department is responsible for the special assets resolutions. The Credit Approval Department is responsible for specific credit management work such as comprehensive credit limits and credit approval of various credit businesses for the Group's customers. With the Credit Management Department taking the lead, the Credit Approval Department and the Risk Management Department participate in, share the workload and coordinate with other departments such as the Corporate Banking Department, the Inclusive Finance Department, the Institutional Banking Department, the International Business Department, the Strategic Clients Department, the Housing Finance & Personal Lending Department, the Credit Card Centre, and the Legal Affairs Department to implement credit risk management policies and procedures.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

62 Risk management (continued)

(1) Credit risk (continued)

Credit risk management (continued)

With respect to credit risk management of corporate and institutional business, the Group has accelerated the adjustment of its businesses structure, enhanced post-lending(investment) monitoring, and refined the industry-specific guideline and policy baseline for credit approval. Management also fine-tuned eligibility and exit policies, and optimised economic capital management and industry risk limit management. All these policies have been implemented to maintain the stability of asset quality. The Group's credit risk management covers processes such as pre-lending (investment) due diligence, credit (investment) inspection, and post-lending (investment) monitoring for credit granting business. The Group performs pre-lending (investment) investigations by assessing the borrower's credit ratings based on internal rating criteria and completing the borrower's assessment report and by performing a comprehensive evaluation of the risks and rewards of the project and completing an evaluation report. Approvals must be authorized by approvers with the appropriate authorisation. The Group conducts continuous post-lending (investment) monitoring activities, particularly focusing on those related to key industries, geographical segments, products and clients. Any events and emergencies that may impact on the security of a borrower's credit assets or that may result in significant credit risk are reported timely and measures are implemented to prevent and control risks.

With respect to the personal credit business, the Group relies on credit assessment of applicants as the basis for loan approval. Customer relationship managers are required to assess the income, credit history, and repayment ability of the applicant. The customer relationship managers then forward the application and recommendations to the loan-approval departments for consent. The Group pays great attention to post-lending monitoring of personal loans, focuses on borrowers' repayment ability, the status of collateral and pledges and any changes to the value of collateral and pledges. Once a loan becomes overdue, the Group starts the recovery process according to standard recovery procedures.

To mitigate risks, the Group requests the customers to provide collateral and pledges or guarantees where appropriate. A refined management system and operating procedure for collateral and pledges have been developed, and there is a guideline to specify the suitability of accepting specific types of collateral and pledges. The values, structures and legal covenants of collateral and pledges are monitored continuously to ensure that they still serve their intended purposes and conform to market practices.

For risk management purposes, the Group conducts independent management over credit risk arising from derivatives exposures, with information disclosed in Notes (1)(j). The Group sets credit limits for treasury activities and monitors them regularly with reference to the fair values of the relevant financial instruments.

Measurement of expected credit losses (ECL)

The Group continues to improve its unified expected credit loss approach implementation system which has covered all credit risk exposures on and off-balance sheet, and clarified the division of responsibilities between the Board of Directors and its specialized committees, the Board of Supervisors, senior management, the leading department of the Head Office and other relevant departments. The Group has set up a comprehensive implementation management system, strengthened control over the entire implementation process, consolidated the foundation, and adhered to the high-quality implementation of the expected credit loss approach. In the implementation process of the expected credit loss approach, the Group has fully considered uncertainties facing credit risk management. Based on the results of expected credit loss assessment, the Group recognises allowances for impairment losses timely and adequately to ensure that that the accrued allowances for impairment losses have effectively covered expected credit losses.

(A) Segmentation of financial instruments

The Group adopts a "three-stage" model for impairment based on changes in credit risk since initial recognition or by determining whether the financial instruments are credit-impaired, to estimate the expected credit losses.

The key definition of the three stages are defined in Note 4(3)(f).

62 Risk management (continued)

(1) Credit risk (continued)

Measurement of expected credit losses (ECL) *(continued)*

(B) Significant increase in credit risk ("SICR")

The Group assesses at least quarterly whether the credit risk of a financial instrument has increased significantly since initial recognition. In accordance with the principle of substantive risk judgment, the Group compares the risk of default of financial instruments as at the end of reporting period with that as at the date of initial recognition for an individual financial instrument or a group of financial instruments with common credit risk characteristics to determine whether the credit risk has increased significantly since initial recognition. The Group sufficiently considers all reasonable and supportable information when making related assessments, including but not limited to: internal credit rating of the borrower; information such as business risk classification, overdue status, and contract terms; information on changes in the credit strategy or credit risk management methods towards the borrower; information such as the borrower's credit information, external ratings, changes in debt and equity prices, credit default swap prices, credit spreads, and public opinion; business and financial information of the borrower, its shareholders, and affiliated enterprises; and the macro economy, industry development, technological innovation, climate change, natural disasters, socio-economic and financial policies, government support or relief measures that may have a potential impact on the borrower's repayment capacity.

The Group has set qualitative and quantitative criteria for assessing whether the credit risk of financial instruments has increased significantly since initial recognition. For example, generally, the credit risk of loans whose internal credit ratings have fallen to level 15 and below, is regarded as having increased significantly.

Usually, if a financial instrument has been overdue for more than 30 days, then this indicates that the credit risk of this financial instrument has increased significantly.

(C) Definition of defaulted and credit-impaired assets

The Group considers a financial instrument as having defaulted when it is credit-impaired. Generally, financial instrument overdue for more than 90 days on contractual payment terms shall be considered as having credit-impaired.

The following factors can be referred to when determining whether credit impairment has occurred:

- Significant financial difficulty of the issuer or borrower;
- Breach of contract term, such as a default or delinquency in interest or principal payments;
- Concessions that would not otherwise be granted to the borrower, in light of economic or contractual considerations related to the borrower's financial difficulties;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- Disappearance of an active market for financial assets because of financial difficulties of the issuer or borrower;
- A financial asset purchased or originated by a large discount which reflects the fact of credit-impairment having occurred; and
- Other objective evidence indicating there is a credit impairment of the financial asset.

The Group's definition of default has been consistently applied to the estimates of PD, LGD and EAD during the ECL measurement.

62 Risk management (continued)

(1) Credit risk (continued)

Measurement of expected credit losses (ECL) *(continued)*

(D) Explanation of parameters, assumptions and estimation techniques

The ECL is measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether a financial instrument is considered to be credit-impaired. Expected credit losses are the discounted product of the weighted average of PD, LGD, and EAD under the optimistic, baseline and pessimistic scenarios.

Defined as follows:

PD refers to the likelihood of a debtor and its businesses defaulting in the future, after consideration of forward-looking information. Please refer to earlier disclosure in this note for the definition of default.

LGD refers to the Group's expected loss amount resulting from default as a proportion of total exposure, after consideration of forward-looking information.

EAD is the total amount of risk exposure on and off-balance sheet at the time of default. The exposure is determined by the repayment plan according to different types of products.

The discount rate used in the ECL measurement is the effective interest rate.

During the reporting period, based on changes in macroeconomic environment, the Group has updated forward-looking information used in the measurement of expected credit losses. Please refer to further disclosure in this note for forward-looking information which is incorporated in the measurement of expected credit losses.

The assumptions underlying the ECL measurement, such as the PDs for different maturities are monitored and reviewed on a quarterly basis.

During the reporting period, the Group continued to improve its unified ECL approach implementation management system and monitor models and parameters related to expected credit losses and carried out model optimisation by reference to monitoring results.

There have been no significant changes in estimation techniques and such assumptions made during the reporting period.

(E) Forward-looking information incorporated in the ECL

The Group has performed historical data analysis and identified the macroeconomic variables affecting expected credit losses, such as GDP, CPI, M2, PPI, RMB deposit reserve rate, London spot gold price, average exchange rate of US Dollar to RMB, sales price indices of second-hand residential buildings in 70 large and medium-sized cities, national real estate climate index, and so on.

The Group set forecast GDP value for baseline scenario by reference to average value of forecasts released by authoritative international and domestic institutions, and the forecast 2024 GDP growth value under the baseline scenario was set at round 5%. Forecast 2024 GDP growth value under the optimistic and pessimistic scenarios had been determined by moving up and down, by a certain degree, from the baseline scenario forecast. For other macroeconomic variables, the Group involved internal experts and used methods such as transmission models, economic principles, and expert judgment to calculate the predicted value of each variable under each scenario.

The Group constructs empirical models to derive the relationship between historical macroeconomic variables and PD and LGD, and calculates the PD and LGD values for a given future horizon using the forecasted macroeconomic variables.

The Group constructs empirical models to determine the weightings for optimistic, baseline and pessimistic scenarios. As at 31 December 2023 and 2022, the optimistic, baseline and pessimistic scenarios were of comparable weightings.

(F) Risk grouping

For the purpose of ECL measurement, the Group has divided businesses with common credit risk characteristics into separate groups. When grouping corporate business, the Group considered credit risk characteristics such as client type and the industry in which the client operates. When grouping personal business, the Group considered credit risk characteristics such as internal risk pool and product type. The Group obtained sufficient information to ensure risk grouping is statistically reliable.

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

62 Risk management (continued)

(1) Credit risk (continued)

(a) Maximum credit risk exposure

The following table presents the maximum exposure to credit risk as at the end of the reporting period without taking into consideration any collaterals and pledges held or other credit enhancements. In respect of the financial assets recognised in the statement of financial position, the maximum exposure to credit risk is represented by the carrying amount after deducting any impairment allowance.

	31 December 2023	31 December 2022
Deposits with central banks	**3,020,376**	3,111,762
Deposits with banks and non-bank financial institutions	**148,218**	185,423
Placements with banks and non-bank financial institutions	**675,270**	509,786
Positive fair value of derivatives	**43,840**	49,308
Financial assets held under resale agreements	**979,498**	1,040,847
Loans and advances to customers	**23,083,377**	20,493,042
Financial investments		
Financial assets measured at fair value through profit or loss	**362,299**	340,032
Financial assets measured at amortised cost	**6,801,242**	5,958,397
Financial assets measured at fair value through other comprehensive income	**2,224,783**	2,008,371
Other financial assets	**220,645**	220,827
Total	**37,559,548**	33,917,795
Off-balance sheet credit commitments	**3,830,239**	3,686,527
Maximum credit risk exposure	**41,389,787**	37,604,322

(b) Loans and advances to customers analysed by credit quality

Within overdue but not credit-impaired loans and advances and credit-impaired loans and advances, the portions covered and not covered by collateral held are as follows:

	31 December 2023		
	Overdue but not credit-impaired loans and advances		**Credit-impaired loans and advances**
	Corporate	**Personal**	**Corporate**
Portion covered	**4,290**	**28,337**	**102,434**
Portion not covered	**5,215**	**16,078**	**165,249**
Total	**9,505**	**44,415**	**267,683**

	31 December 2022		
	Overdue but not credit-impaired loans and advances		Credit-impaired loans and advances
	Corporate	Personal	Corporate
Portion covered	4,960	28,500	84,808
Portion not covered	3,733	14,313	162,138
Total	8,693	42,813	246,946

The above collateral and pledges includes land use rights, buildings and equipment. The fair value of collateral and pledges was estimated by the Group with reference to the latest available external valuations adjusted after taking into account the current realisation experience as well as the market situation.

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

62 Risk management (continued)

(1) Credit risk (continued)

(c) Loans and advances to customers analysed by economic sector concentrations

	31 December 2023			31 December 2022		
	Gross loan balance	**Percentage**	**Balance secured by collateral**	Gross loan balance	Percentage	Balance secured by collateral
Corporate loans and advances						
– Leasing and commercial services	**2,506,037**	**10.50%**	**663,717**	2,072,166	9.77%	596,082
– Transportation, storage and postal services	**2,328,471**	**9.76%**	**617,975**	2,059,331	9.71%	595,509
– Manufacturing	**2,167,353**	**9.08%**	**437,729**	1,786,424	8.43%	434,243
– Production and supply of electric power, heat, gas and water	**1,444,500**	**6.05%**	**219,330**	1,139,258	5.37%	211,377
– Wholesale and retail trade	**1,396,585**	**5.85%**	**698,352**	1,132,600	5.34%	606,268
– Real estate	**970,809**	**4.07%**	**497,958**	888,367	4.19%	453,605
– Water, environment and public utility management	**747,653**	**3.13%**	**269,792**	678,710	3.20%	272,666
– Construction	**631,518**	**2.65%**	**161,559**	532,122	2.51%	147,081
– Mining	**345,315**	**1.45%**	**20,110**	276,178	1.30%	16,629
– Agriculture, forestry, farming, fishing	**132,956**	**0.56%**	**27,651**	111,880	0.53%	24,708
– Education	**103,696**	**0.43%**	**20,041**	91,819	0.43%	19,190
– Public management, social securities and social organisation	**66,557**	**0.28%**	**452**	58,774	0.28%	486
– Others	**1,096,147**	**4.60%**	**315,979**	944,543	4.48%	280,998
Total corporate loans and advances	**13,937,597**	**58.41%**	**3,950,645**	11,772,172	55.54%	3,658,842
Personal loans and advances	**8,768,598**	**36.75%**	**6,873,754**	8,327,312	39.28%	6,851,810
Discounted bills	**1,104,787**	**4.63%**	**–**	1,048,651	4.95%	–
Accrued interest	**50,618**	**0.21%**	**–**	48,995	0.23%	–
Total loans and advances to customers	**23,861,600**	**100.00%**	**10,824,399**	21,197,130	100.00%	10,510,652

The table below lists economic sector accounting for 10% or above of the Group's total balance of loans and advances to customers as at 31 December 2023, details of credit impaired (stage 3) loans, allowances for impairment losses, charges, and amounts write-offs:

	31 December 2023				2023	
		Allowances for impairment losses				
	Stage 3 Gross loans	**Stage 1**	**Stage 2**	**Stage 3**	**Charge for the year**	**Write-offs during the year**
Leasing and commercial services	**44,968**	**(50,962)**	**(38,193)**	**(32,878)**	**(22,466)**	**4,532**

As at 31 December 2022, no economic sector accounted for 10% or above of the Group's total balance of loans and advances to customers.

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

62 Risk management (continued)

(1) Credit risk (continued)

(d) Loans and advances to customers analysed by geographical sector concentrations

	31 December 2023			31 December 2022		
	Gross loan balance	Percentage	Balance secured by collateral	Gross loan balance	Percentage	Balance secured by collateral
Yangtze River Delta	4,703,648	19.71%	2,371,091	4,059,468	19.15%	2,251,545
Western	4,440,785	18.61%	2,123,401	3,925,921	18.52%	2,074,752
Bohai Rim	4,058,595	17.01%	1,584,573	3,578,965	16.88%	1,548,690
Central	3,993,891	16.74%	1,955,242	3,502,347	16.52%	1,909,478
Pearl River Delta	3,936,980	16.50%	2,262,981	3,534,462	16.68%	2,171,934
Head office	1,026,719	4.30%	–	942,131	4.45%	–
Northeastern	975,595	4.09%	373,238	898,474	4.24%	380,965
Overseas	674,769	2.83%	153,873	706,367	3.33%	173,288
Accrued interest	50,618	0.21%	–	48,995	0.23%	–
Gross loans and advances to customers	23,861,600	100.00%	10,824,399	21,197,130	100.00%	10,510,652

Details of Stage 3 loans and allowances for impairment losses in respect of geographical sectors as at the end of the reporting period are as follows:

	31 December 2023			
	Stage 3 Gross loan balance	Allowances for impairment losses		
		Stage 1	Stage 2	Stage 3
Pearl River Delta	80,208	(59,079)	(26,402)	(60,631)
Central	64,726	(60,368)	(34,950)	(38,300)
Western	46,204	(70,754)	(48,749)	(29,634)
Bohai Rim	40,809	(55,580)	(31,755)	(27,429)
Yangtze River Delta	36,544	(80,750)	(26,073)	(25,952)
Northeastern	27,433	(12,817)	(12,774)	(18,803)
Head office	16,608	(22,208)	(7,281)	(15,160)
Overseas	12,724	(1,868)	(2,311)	(8,595)
Total	325,256	(363,424)	(190,295)	(224,504)

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

62 Risk management (continued)

(1) Credit risk (continued)

(d) *Loans and advances to customers analysed by geographical sector concentrations (continued)*

	31 December 2022			
	Stage 3 Gross loan balance	Allowances for impairment losses		
		Stage 1	Stage 2	Stage 3
Pearl River Delta	64,260	(54,965)	(23,396)	(39,332)
Central	57,581	(57,291)	(31,696)	(37,683)
Western	41,120	(65,155)	(43,326)	(25,144)
Bohai Rim	40,967	(53,623)	(31,244)	(25,944)
Yangtze River Delta	37,465	(72,993)	(26,587)	(22,257)
Northeastern	26,620	(13,127)	(13,554)	(18,183)
Head office	13,541	(20,237)	(4,590)	(12,122)
Overseas	11,271	(2,166)	(1,748)	(7,725)
Total	292,825	(339,557)	(176,141)	(188,390)

The definitions of geographical segments are set out in Note 57(1). The above allowances for impairment losses do not include allowances for loans and advances measured at fair value through other comprehensive income.

(e) *Loans and advances to customers analysed by type of collateral*

	31 December 2023	31 December 2022
Unsecured loans	**9,976,510**	8,053,048
Guaranteed loans	**3,010,073**	2,584,435
Loans secured by property and other immovable assets	**9,202,161**	8,972,422
Other pledged loans	**1,622,238**	1,538,230
Accrued interest	**50,618**	48,995
Gross loans and advances to customers	**23,861,600**	21,197,130

(f) *Restructured loans and advances to customers*

The Bank implements the *Rules on Risk Classification of Financial Assets of Commercial Banks (CBIRC PBC Order [2023] No.1)* for its restructured loans and advances to customers. The proportion of the Group's restructured loans and advances to customers was not significant for the years ended 31 December 2023 and 2022.

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

62 Risk management (continued)

(1) Credit risk (continued)

(g) Credit risk exposure

Loans and advances to customers

	31 December 2023			
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Low risk	**22,695,036**	**208,913**	**–**	**22,903,949**
Medium risk	**–**	**581,777**	**–**	**581,777**
High risk	**–**	**–**	**325,256**	**325,256**
Gross loans and advances	**22,695,036**	**790,690**	**325,256**	**23,810,982**
Allowances for impairment losses on loans and advances measured at amortised cost	**(363,424)**	**(190,295)**	**(224,504)**	**(778,223)**
Allowances for impairment losses on loans and advances measured at fair value through other comprehensive income	**(1,431)**	**(461)**	**–**	**(1,892)**

	31 December 2022			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Low risk	20,164,721	158,557	–	20,323,278
Medium risk	–	532,032	–	532,032
High risk	–	–	292,825	292,825
Gross loans and advances	20,164,721	690,589	292,825	21,148,135
Allowances for impairment losses on loans and advances measured at amortised cost	(339,557)	(176,141)	(188,390)	(704,088)
Allowances for impairment losses on loans and advances measured at fair value through other comprehensive income	(2,610)	(553)	–	(3,163)

The Group classifies credit risk characteristics based on the quality of assets. "Low risk" means that loans are of good credit quality and there are no sufficient reasons to doubt that the borrowers of loans are not expected to fulfill its contractual obligations to repay its loans, nor are there any other behaviors breaching the loan contracts and impacting significantly on the repayment of loans; "Medium risk" means that there are factors adversely impacting on the repayment capacity of borrowers, but there are as yet no behaviors impacting significantly on normal repayment of loans; "High risk" means that failure of borrowers to repay loans in accordance with loan contract terms, or other behaviors breaching the loan contracts and impacting significantly on the repayment of loans.

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

62 Risk management (continued)

(1) Credit risk (continued)

(g) Credit risk exposure (continued)

Off-balance sheet credit commitments

As at 31 December 2023 and 2022, the Group's credit risk exposures in off-balance sheet credit commitments were primarily designated as Stage 1 and were primarily assigned the "Low Risk" credit risk rating.

Financial investments

	31 December 2023			
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Low risk	**8,910,166**	**502**	**–**	**8,910,668**
Medium risk	**12,032**	**509**	**–**	**12,541**
High risk	**–**	**–**	**14,481**	**14,481**
Total carrying amount excluding accrued interest	**8,922,198**	**1,011**	**14,481**	**8,937,690**
Allowance for impairment losses on financial assets measured at amortised cost	**(11,716)**	**(80)**	**(13,050)**	**(24,846)**
Allowance for impairment losses on financial assets measured at fair value through other comprehensive income	**(5,019)**	**(17)**	**(372)**	**(5,408)**

	31 December 2022			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Low risk	7,860,432	–	–	7,860,432
Medium risk	15,855	1,740	–	17,595
High risk	–	–	19,943	19,943
Total carrying amount excluding accrued interest	7,876,287	1,740	19,943	7,897,970
Allowance for impairment losses on financial assets measured at amortised cost	(17,768)	(199)	(16,901)	(34,868)
Allowance for impairment losses on financial assets measured at fair value through other comprehensive income	(5,558)	(42)	(372)	(5,972)

The Group classifies financial investment risk characteristics based on asset eligibility and internal rating changes. "Low risk" means that the issuer's initial internal rating is above the eligible level, and there are no reasons to suspect that the financial investment is expected to be defaulted; "Medium risk" means that although the issuer's internal rating is reduced to a certain extent, but there are not enough reasons to suspect that the financial investment is expected to be defaulted; "High risk" means that there are obvious problems which may cause a default, or the financial investment indeed is defaulted.

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

62 Risk management (continued)

(1) Credit risk (continued)

(g) *Credit risk exposure (continued)*

Amounts due from banks and non-bank financial institutions

Amounts due from banks and non-bank financial institutions include deposits and placements with banks and non-bank financial institutions, and financial assets held under resale agreements of which counterparties are banks and non-bank financial institutions.

	31 December 2023			
	Stage 1 12-month ECL	**Stage 2 lifetime ECL**	**Stage 3 lifetime ECL**	**Total**
Low risk	**1,798,447**	**–**	**–**	**1,798,447**
Medium risk	**–**	**–**	**–**	**–**
High risk	**–**	**–**	**–**	**–**
Total carrying amount excluding accrued interest	**1,798,447**	**–**	**–**	**1,798,447**
Allowance for impairment losses	**(1,273)**	**–**	**–**	**(1,273)**

	31 December 2022			
	Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL	Total
Low risk	1,733,286	–	–	1,733,286
Medium risk	–	–	–	–
High risk	–	–	–	–
Total carrying amount excluding accrued interest	1,733,286	–	–	1,733,286
Allowance for impairment losses	(1,477)	–	–	(1,477)

The Group classifies risk characteristics of amounts due from banks and non-bank financial institutions based on asset eligibility and internal rating changes. "Low risk" means that the issuer's initial internal rating is above the eligible level, and there are no reasons to suspect that the amount due from banks and non-bank financial institutions is expected to be defaulted; "Medium risk" means that although the issuer's internal rating is reduced to a certain extent, but there are not enough reasons to suspect that the amount due from banks and non-bank financial institutions is expected to be defaulted; "High risk" means that there are obvious problems which may cause a default, or the amount due from banks and non-bank financial institutions indeed is defaulted.

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

62 Risk management (continued)

(1) Credit risk (continued)

(h) Distribution of amounts due from banks and non-bank financial institutions in terms of credit quality is as follows:

	31 December 2023	31 December 2022
Credit-impaired	–	–
Allowances for impairment losses	–	–
Subtotal	–	–
Neither overdue nor credit-impaired		
– grades A to AAA	1,307,765	1,237,539
– grades B to BBB	24,260	1,208
– unrated	466,422	494,539
Accrued interest	5,812	4,247
Total	1,804,259	1,737,533
Allowances for impairment losses	(1,273)	(1,477)
Subtotal	1,802,986	1,736,056
Total	1,802,986	1,736,056

Amounts neither overdue nor credit-impaired are analysed above according to the Group's internal credit ratings. Unrated amounts due from banks and non-bank financial institutions include amounts due from a number of banks and non-bank financial institutions for which the Group has not assigned internal credit ratings.

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

62 Risk management (continued)

(1) Credit risk (continued)

(i) Distribution of debt investments analysed by rating

The Group adopts a credit rating approach to manage the credit risk of the debt investment portfolio held. The ratings are obtained from Bloomberg Composite, or major rating agencies where the issuers of the debt investments are located. The carrying amounts of the debt investments analysed by the rating agency designations as at the end of the reporting period are as follows:

	31 December 2023					
	Unrated	AAA	AA	A	Lower than A	Total
Credit-impaired						
– Banks and non-bank financial institutions	820	–	–	–	–	820
– Enterprises	10,299	315	144	–	3,462	14,220
Total	11,119	315	144	–	3,462	15,040
Allowances for impairment losses						(13,050)
Subtotal						1,990
Neither overdue nor credit-impaired						
– Government	2,997,613	4,340,352	14,088	35,604	14,156	7,401,813
– Central banks	14,820	536	24,093	1,907	1,859	43,215
– Policy banks	825,872	–	–	74,310	–	900,182
– Banks and non-bank financial institutions	221,772	337,949	24,768	77,973	23,995	686,457
– Enterprises	15,827	302,689	14,394	28,634	4,919	366,463
Total	4,075,904	4,981,526	77,343	218,428	44,929	9,398,130
Allowances for impairment losses						(11,796)
Subtotal						9,386,334
Total						9,388,324

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

62 Risk management (continued)

(1) Credit risk (continued)

(i) *Distribution of debt investments analysed by rating (continued)*

	31 December 2022					
	Unrated	AAA	AA	A	Lower than A	Total
Credit-impaired						
– Banks and non-bank financial institutions	878	–	–	–	149	1,027
– Enterprises	14,628	–	2,004	–	3,096	19,728
Total	15,506	–	2,004	–	3,245	20,755
Allowances for impairment losses						(16,901)
Subtotal						3,854
Neither overdue nor credit-impaired						
– Government	2,441,013	3,787,653	9,417	278,210	19,102	6,535,395
– Central banks	11,208	2,300	32,049	747	1,134	47,438
– Policy banks	769,318	6,178	1,585	43,655	–	820,736
– Banks and non-bank financial institutions	143,175	277,305	11,184	54,983	12,293	498,940
– Enterprises	64,996	307,042	7,598	34,692	4,076	418,404
Total	3,429,710	4,380,478	61,833	412,287	36,605	8,320,913
Allowances for impairment losses						(17,967)
Subtotal						8,302,946
Total						8,306,800

(j) *Credit risk arising from the Group's derivative exposures*

The Group's derivatives transactions entered into with customers have been hedged against transactions entered into with banks and non-bank financial institutions. The credit risk the Group is exposed to is related to customers, banks and non-bank financial institutions. The Group manages credit risk through regular monitoring.

(k) *Settlement risk*

The Group's activities may give rise to settlement risk at the time of the settlement of transactions and trades. Settlement risk is the risk of loss due to the failure of an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed.

For certain types of transactions, the Group mitigates this risk by conducting settlements through a settlement or clearing agent to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

62 Risk management (continued)

(1) Credit risk (continued)

(l) Sensitivity analysis

Models and parameters such as forward-looking empirical models, forecast values of macroeconomic variables and stage designation results would have an impact on ECL.

(i) Sensitivity analysis of segmentation

A significant increase in credit risk since initial recognition will result in financial assets transferring from Stage 1 to Stage 2, and the loss allowance for those financial assets shall be measured at an amount equal to the lifetime expected credit losses. The following tables present the impact of ECL from the second year to the end of the lifetime for financial assets in Stage 2.

	31 December 2023		
	Allowances for 12-month ECL of all performing financial assets	**Impact over lifetime**	**Current allowances for impairment losses**
Performing loans	**504,308**	**49,411**	**553,719**
Performing financial investments	**16,827**	**5**	**16,832**

	31 December 2022		
	Allowances for 12-month ECL of all performing financial assets	Impact over lifetime	Current allowances for impairment losses
Performing loans	478,219	37,479	515,698
Performing financial investments	23,548	19	23,567

The above allowances for impairment losses of financial assets did not contain the impairment loss allowances for loans and advances measured at fair value through other comprehensive income.

(ii) Sensitivity analysis of macroeconomic variables

The Group has carried out sensitivity analysis of GDP forecast. As at 31 December 2023, when GDP growth rate in the baseline scenario increased or decreased by 10%, the change in allowances for impairment losses of financial assets did not exceed 5% (as at 31 December 2022: did not exceed 5%).

(2) Market risk

Market risk is the risk of loss, in respect of the Group's on and off-balance sheet activities, arising from adverse movements in market rates including interest rates, foreign exchange rates, commodity prices and stock prices. Market risk arises from both the Group's trading and non-trading businesses. A trading book consists of positions in financial instruments and commodities held either with trading intent or in order to hedge other elements of the trading book. Non-trading book records those financial instruments and commodities which are not included in the trading book.

The Group continues to improve market risk management system. The Risk Management Department is responsible for leading the establishment of market risk management policies and rules, developing the market risk measurement tools, monitoring and reporting the trading market risk and related daily work. The Asset and Liability Management Department (the "ALM") is responsible for managing non-trading interest rate risk, exchange rate risk and the size and structure of the assets and liabilities in response to structural market risk. The Financial Market Department manages the Bank's RMB and foreign currency investment portfolios, conducts proprietary and customer-driven transactions, as well as implementing market risk management policies and rules. The Audit Department is responsible for regularly performing independent audits of the reliability and effectiveness of the processes constituting the risk management system.

The Group's interest rate risk mainly comprises repricing risk and basis risk arising from the mismatch of term structure and pricing basis of assets and liabilities. The Group uses multiple tools such as repricing gap analysis, sensitivity analysis on net interest income, scenario analysis and stress testing, to monitor the interest rate risk periodically.

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

62 Risk management (continued)

(2) Market risk (continued)

The Group's foreign exchange exposures mainly comprise exposures from foreign currency portfolios within treasury proprietary investments in debt securities and money market placements, and currency exposures from its overseas business. The Group manages its foreign exchange exposures by spot foreign exchange transactions and by matching its foreign currency denominated assets with corresponding liabilities in the same currency, and also uses derivatives in the management of its own foreign currency asset and liability portfolios and structural positions.

The Group monitors market risk separately in respect of trading portfolios and non-trading portfolios. Trading portfolios include exchange rate and interest rate derivatives as well as trading securities. The historical simulation model for the Value-at-Risk ("VaR") analysis is a major tool used by the Bank to measure and monitor the market risk of its trading portfolio. Net interest income sensitivity analysis, interest rate repricing gap analysis and foreign exchange risk concentration analysis are the major tools used by the Group to monitor the market risk of its overall businesses.

(a) VaR analysis

VaR is a technique which estimates the potential losses that could occur on risk positions taken, due to movements in market interest rates, foreign exchange rates of all books and other market prices over a specified time horizon and at a given level of confidence. The Risk Management Department calculates interest rates, foreign exchange rates and commodity prices VaR for the Bank's trading portfolio. By reference to historical movements in interest rates, foreign exchange rates and commodity prices, the Risk Management Department calculates VaR on a daily basis for the trading portfolio and monitors it regularly. VaR is calculated at a confidence level of 99% and with a holding period of one day.

A summary of the VaR of the Bank's trading portfolio as at the end of the reporting period and during the respective years is as follows:

		2023			
	Note	**As at 31 December**	**Average**	**Maximum**	**Minimum**
VaR of trading portfolio		**272**	**265**	**427**	**176**
Of which:					
– Interest rate risk		**22**	**43**	**68**	**22**
– Foreign exchange risk	(i)	**269**	**257**	**427**	**154**
– Commodity risk		**1**	**1**	**10**	**–**

		2022			
	Note	As at 31 December	Average	Maximum	Minimum
VaR of trading portfolio		190	144	198	100
Of which:					
– Interest rate risk		56	30	63	19
– Foreign exchange risk	(i)	182	139	193	103
– Commodity risk		1	3	24	–

(i) The VaR in relation to bullion is included in the foreign exchange risk above.

VaR for each risk factor is the independently derived largest potential loss for a specific holding period and at a given confidence level due to fluctuations solely in that risk factor. The individual VaRs do not add up to the total VaR as there is diversification effect due to correlation amongst the risk factors.

62 Risk management (continued)

(2) Market risk (continued)

(a) VaR analysis (continued)

Although VaR is an important tool for measuring market risk, the assumptions on which the model is based give rise to some limitations, including the following:

- A 1-day holding period assumes that it is possible to hedge or dispose of positions within that period. This is considered to be a realistic assumption in almost all cases but may not be the case in situations in which there is severe market illiquidity for a prolonged period;
- A 99 percent confidence level does not reflect losses that may occur beyond this level. Within the model used, there is 1 percent probability that losses could exceed the VaR;
- VaR is calculated on an end-of-day basis and does not reflect exposures that may arise on positions during the trading day;
- The use of historical data as a basis for determining the possible range of future outcomes may not always cover all possible scenarios, especially those of an exceptional nature; and
- The VaR measure is dependent upon the Bank's position and the volatility of market prices. The VaR of an unchanged position reduces if the market price volatility declines and vice versa.

(b) Net interest income sensitivity analysis

In monitoring interest rate risk on its overall non-derivative financial assets and liabilities, the Bank regularly measures its future net interest income sensitivity to an increase or decrease in market interest rates (assuming no asymmetrical movement in yield curves and a constant financial position). An incremental 100 basis points parallel fall or rise in all yield curves, other than that applicable to deposits with central banks, would increase or decrease annualised net interest income of the Group by RMB51,907 million (as at 31 December 2022: RMB62,482 million). Had the impact of yield curves movement for demand deposits from customers been excluded, the annualised net interest income of the Group would decrease or increase by RMB89,293 million (as at 31 December 2022: RMB81,120 million).

The above interest rate sensitivity is for illustration purposes only and is assessed based on simplified assumptions. The figures here indicate estimated net interest income movements under various predicted yield curve scenarios and subject to the Bank's current interest rate exposures. However, the possible risk management measures that can be undertaken by the interest risk management department or related business departments to mitigate interest rate risk have not been taken into account. In practice, the departments that manage the interest rate risk strive to reduce loss arising from the risk while increasing the net income. These figures are estimated on the assumption that the interest rates on various maturities will move within similar ranges, and therefore do not reflect the potential net interest income changes in the event that interest rates on some maturities may change and others remain unchanged. Moreover, the above estimations are based on other simplified assumptions, including that all positions will be held to maturity and rolled over upon maturity.

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

62 Risk management (continued)

(2) Market risk (continued)

(c) Interest rate risk

Interest rate risk refers to the risk where the market interest rates, term structure and other factors may experience unfavourable fluctuations which impact the overall profitability and fair value resulting in losses to the Bank. The key determinants of the Group's interest rate risk arise from the mismatch between the maturity periods of the assets and liabilities, and inconsistent pricing basis, resulting in re-pricing risk and basis risk.

The ALM is responsible for regularly monitoring the interest rate risk positions and measuring the interest rate re-pricing gap. The main reason for measuring the interest rate re-pricing gap is to assist in analysing the impact of interest rate changes on net interest income.

The following tables indicate the analysis by the expected next repricing dates (or maturity dates whichever are earlier) for the assets and liabilities of the Group as at the end of the reporting period.

		31 December 2023					
	Note	Non-interest-bearing	Within three months	Between three months and one year	Between one and five years	More than five years	Total
Assets							
Cash and deposits with central banks		90,697	2,975,231	130	–	–	3,066,058
Deposits and placements with banks and non-bank financial institutions		–	490,019	326,326	7,143	–	823,488
Financial assets held under resale agreements		–	979,498	–	–	–	979,498
Loans and advances to customers	(i)	34,405	10,647,006	11,542,958	702,410	156,598	23,083,377
Investments	(ii)	272,857	490,814	774,553	3,306,550	4,814,485	9,659,259
Others		713,146	–	–	–	–	713,146
Total assets		1,111,105	15,582,568	12,643,967	4,016,103	4,971,083	38,324,826
Liabilities							
Borrowings from central banks		–	247,662	906,948	1,024	–	1,155,634
Deposits and placements from banks and non-bank financial institutions		–	2,521,325	282,103	391,380	4,980	3,199,788
Financial liabilities measured at fair value through profit or loss		12,905	195,197	44,077	–	–	252,179
Financial assets sold under repurchase agreements		–	224,058	10,520	–	–	234,578
Deposits from customers		80,413	15,767,684	4,662,033	7,139,044	4,837	27,654,011
Debt securities issued		–	760,532	565,905	474,198	95,100	1,895,735
Others		760,827	–	–	–	–	760,827
Total liabilities		854,145	19,716,458	6,471,586	8,005,646	104,917	35,152,752
Asset-liability gap		256,960	(4,133,890)	6,172,381	(3,989,543)	4,866,166	3,172,074

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

62 Risk management (continued)

(2) Market risk (continued)

(c) Interest rate risk (continued)

		31 December 2022					
	Note	Non-interest-bearing	Within three months	Between three months and one year	Between one and five years	More than five years	Total
Assets							
Cash and deposits with central banks		85,215	3,070,046	4,035	–	–	3,159,296
Deposits and placements with banks and non-bank financial institutions		–	497,896	195,195	2,118	–	695,209
Financial assets held under resale agreements		–	1,038,374	2,473	–	–	1,040,847
Loans and advances to customers	(i)	30,928	9,330,925	10,240,174	612,919	278,096	20,493,042
Investments	(ii)	267,392	305,013	858,608	2,715,526	4,418,473	8,565,012
Others		647,305	–	–	–	–	647,305
Total assets		1,030,840	14,242,254	11,300,485	3,330,563	4,696,569	34,600,711
Liabilities							
Borrowings from central banks		–	195,960	578,080	739	–	774,779
Deposits and placements from banks and non-bank financial institutions		–	2,621,111	277,122	46,157	5,641	2,950,031
Financial liabilities measured at fair value through profit or loss		14,587	210,140	64,373	–	–	289,100
Financial assets sold under repurchase agreements		–	236,278	5,460	938	–	242,676
Deposits from customers		81,070	15,456,039	4,158,108	5,320,964	4,626	25,020,807
Debt securities issued		–	418,383	721,843	441,604	65,040	1,646,870
Others		800,204	–	–	–	–	800,204
Total liabilities		895,861	19,137,911	5,804,986	5,810,402	75,307	31,724,467
Asset-liability gap		134,979	(4,895,657)	5,495,499	(2,479,839)	4,621,262	2,876,244

(i) For loans and advances to customers, the "within three months" category includes overdue amounts (net of allowances for impairment losses) of RMB54,750 million as at 31 December 2023 (as at 31 December 2022: RMB59,288 million).

(ii) Investments include financial assets measured at fair value through profit or loss, financial assets measured at amortised cost, financial assets measured at fair value through other comprehensive income and long-term equity investments, etc.

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

62 Risk management (continued)

(2) Market risk (continued)

(d) *Currency risk*

The Group's foreign exchange exposures mainly comprise exposures that arise from the foreign currency proprietary investments of the treasury business and currency exposures originated by the Group's overseas businesses.

The Group manages currency risk by spot and forward foreign exchange transactions and by matching its foreign currency denominated assets with corresponding liabilities in the same currency, and also uses derivatives (principally foreign exchange swaps and cross currency swaps) in the management of its own foreign currency asset and liability portfolios and structural positions.

The Group actively manages foreign currency exposures by minimising foreign exchange risk by business lines. Therefore, the net exposure is not sensitive to exchange rate fluctuations and the potential impact on the pre-tax profits and other comprehensive income of the Group is not material.

The currency exposures of the Group's assets and liabilities as at the end of the reporting period are as follows:

		31 December 2023			
	Note	RMB	USD (RMB equivalent)	Others (RMB equivalent)	Total
Assets					
Cash and deposits with central banks		2,846,966	150,288	68,804	3,066,058
Deposits and placements with banks and non-bank financial institutions		544,235	224,286	54,967	823,488
Financial assets held under resale agreements		977,161	1,843	494	979,498
Loans and advances to customers		22,325,807	383,857	373,713	23,083,377
Investments	(i)	9,279,590	241,867	137,802	9,659,259
Others		579,300	60,346	73,500	713,146
Total assets		36,553,059	1,062,487	709,280	38,324,826
Liabilities					
Borrowings from central banks		1,086,514	21,596	47,524	1,155,634
Deposits and placements from banks and non-bank financial institutions		2,796,119	285,381	118,288	3,199,788
Financial liabilities measured at fair value through profit or loss		245,798	794	5,587	252,179
Financial assets sold under repurchase agreements		207,379	19,856	7,343	234,578
Deposits from customers		26,817,312	538,766	297,933	27,654,011
Debt securities issued		1,578,299	217,796	99,640	1,895,735
Others		695,764	14,134	50,929	760,827
Total liabilities		33,427,185	1,098,323	627,244	35,152,752
Net position		3,125,874	(35,836)	82,036	3,172,074
Net notional amount of derivatives		(5,552)	(7,289)	12,210	(631)
Credit commitments		3,372,627	296,013	161,599	3,830,239

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

62 Risk management (continued)

(2) Market risk (continued)

(d) Currency risk (continued)

	Note	31 December 2022			
		RMB	USD (RMB equivalent)	Others (RMB equivalent)	Total
Assets					
Cash and deposits with central banks		2,950,769	140,554	67,973	3,159,296
Deposits and placements with banks and non-bank financial institutions		458,566	210,325	26,318	695,209
Financial assets held under resale agreements		1,032,998	4,142	3,707	1,040,847
Loans and advances to customers		19,677,466	449,561	366,015	20,493,042
Investments	(i)	8,260,557	182,763	121,692	8,565,012
Others		543,718	67,351	36,236	647,305
Total assets		32,924,074	1,054,696	621,941	34,600,711
Liabilities					
Borrowings from central banks		739,697	15,605	19,477	774,779
Deposits and placements from banks and non-bank financial institutions		2,603,922	240,358	105,751	2,950,031
Financial liabilities measured at fair value through profit or loss		288,173	779	148	289,100
Financial assets sold under repurchase agreements		224,306	9,561	8,809	242,676
Deposits from customers		24,191,115	557,359	272,333	25,020,807
Debt securities issued		1,410,432	172,777	63,661	1,646,870
Others		742,455	31,151	26,598	800,204
Total liabilities		30,200,100	1,027,590	496,777	31,724,467
Net position		2,723,974	27,106	125,164	2,876,244
Net notional amount of derivatives		79,464	(3,525)	(73,124)	2,815
Credit commitments		3,173,066	333,509	179,952	3,686,527

(i) Please refer to Note 62(2)(c)(ii) for the scope of investments.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

62 Risk management (continued)

(3) Liquidity risk

The Board assumes the ultimate responsibility for liquidity risk management and reviews and approves liquidity risk strategy and risk appetite. The senior management carries out liquidity risk strategy set by the Board and organises the implementation of liquidity risk management activities. The board of supervisors supervises and evaluates the performance of the Board and senior management in liquidity risk management. The Asset & Liability Management Department leads the Bank's daily liquidity risk management and forms an implementation system together with business management departments and branches to perform various duties in liquidity risk management. The subsidiaries assume primary responsibility for their own liquidity risk management.

The Group adheres to a liquidity management strategy featuring prudence, decentralisation, coordination and diversification. Management's objective for liquidity risk management is to establish and improve a liquidity management system that can fully identify, accurately measure, continuously monitor, and effectively control liquidity risk, effectively balance the return on funds and security of funds, and safeguard the steady operation across the Bank. In light of regulatory requirements, external macro environment, and the Bank's business development, the Head Office formulates approaches for liquidity risk identification, measurement and monitoring, sets out risk limit management criteria, carries out daily liquidity management, periodically conducts stress testing at the group level, and reviews and assesses contingency plans.

The Group conducts quarterly liquidity risk stress testing in order to gauge its risk tolerance in unlikely extreme scenarios and other adverse scenarios. It has improved its liquidity risk stress testing methods in accordance with regulatory and internal management requirements. The key factors and events set by the stress testing as having an impact on liquidity risk include significant decline in the ability to liquidate current assets, significant loss of wholesale and retail deposits, reduction of the availability of wholesale and retail financing, reduction of financing duration and increase in financing cost, significant adverse changes in market liquidity conditions, and sudden suspension of the Bank's payment and settlement system. The results of stress testing show that under different stress scenarios, the Group's liquidity risk is under control.

The Group adopts liquidity indicator analysis, remaining maturity analysis and undiscounted cash flow analysis to measure the liquidity risk.

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

62 Risk management (continued)

(3) Liquidity risk (continued)

(a) *Maturity analysis*

The following tables provide an analysis of the assets and liabilities of the Group based on the remaining periods to repayment as at the end of the reporting period:

	31 December 2023							
	Indefinite	Repayable on demand	Within one month	Between one and three months	Between three months and one year	Between one and five years	More than five years	Total
Assets								
Cash and deposits with central banks	2,467,007	597,615	–	1,306	130	–	–	3,066,058
Deposits and placements with banks and non-bank financial institutions	–	74,424	283,769	131,334	326,328	7,633	–	823,488
Financial assets held under resale agreements	–	–	979,453	45	–	–	–	979,498
Loans and advances to customers	82,917	972,512	725,550	1,482,748	5,282,119	6,397,276	8,140,255	23,083,377
Investments								
– Financial assets measured at fair value through profit or loss	209,716	31,166	8,882	23,517	56,466	66,708	205,848	602,303
– Financial assets measured at amortised cost	–	–	34,383	93,308	391,152	2,133,983	4,148,416	6,801,242
– Financial assets measured at fair value through other comprehensive income	9,949	–	100,539	173,990	347,687	1,132,039	470,527	2,234,731
– Long-term equity investments	20,983	–	–	–	–	–	–	20,983
Others	341,372	151,645	47,331	38,771	31,761	15,927	86,339	713,146
Total assets	3,131,944	1,827,362	2,179,907	1,945,019	6,435,643	9,753,566	13,051,385	38,324,826
Liabilities								
Borrowings from central banks	–	–	129,997	117,665	906,948	1,024	–	1,155,634
Deposits and placements from banks and non-bank financial institutions	–	1,987,259	355,168	162,765	282,726	400,539	11,331	3,199,788
Financial liabilities measured at fair value through profit or loss	–	12,905	124,869	70,328	44,077	–	–	252,179
Financial assets sold under repurchase agreements	–	–	211,159	12,899	10,520	–	–	234,578
Deposits from customers	–	12,228,538	1,781,842	1,834,637	4,663,036	7,139,081	6,877	27,654,011
Debt securities issued	–	–	259,359	483,578	574,584	483,114	95,100	1,895,735
Others	5,092	221,511	80,183	31,791	76,506	91,952	253,792	760,827
Total liabilities	5,092	14,450,213	2,942,577	2,713,663	6,558,397	8,115,710	367,100	35,152,752
Net gaps	3,126,852	(12,622,851)	(762,670)	(768,644)	(122,754)	1,637,856	12,684,285	3,172,074
Notional amount of derivatives								
– Interest rate contracts	–	–	187,695	256,442	665,785	227,090	15,180	1,352,192
– Exchange rate contracts	–	–	866,760	748,169	1,969,422	126,051	1,435	3,711,837
– Other contracts	–	–	55,648	39,159	94,699	2,575	–	192,081
Total	–	–	1,110,103	1,043,770	2,729,906	355,716	16,615	5,256,110

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

62 Risk management (continued)

(3) Liquidity risk (continued)

(a) *Maturity analysis (continued)*

	31 December 2022							
	Indefinite	Repayable on demand	Within one month	Between one and three months	Between three months and one year	Between one and five years	More than five years	Total
Assets								
Cash and deposits with central banks	2,339,027	814,971	–	1,263	4,035	–	–	3,159,296
Deposits and placements with banks and non-bank financial institutions	–	61,534	319,636	116,490	195,291	2,258	–	695,209
Financial assets held under resale agreements	–	–	1,038,251	123	2,473	–	–	1,040,847
Loans and advances to customers	122,358	1,026,785	527,378	1,095,765	4,400,733	5,123,034	8,196,989	20,493,042
Investments								
– Financial assets measured at fair value through profit or loss	219,546	14,293	6,337	26,208	68,030	50,997	182,686	568,097
– Financial assets measured at amortised cost	–	–	17,368	88,273	453,285	1,722,594	3,676,877	5,958,397
– Financial assets measured at fair value through other comprehensive income	7,447	–	46,627	90,396	341,719	966,652	562,977	2,015,818
– Long-term equity investments	22,700	–	–	–	–	–	–	22,700
Others	332,142	108,103	14,545	38,921	30,572	19,617	103,405	647,305
Total assets	3,043,220	2,025,686	1,970,142	1,457,439	5,496,138	7,885,152	12,722,934	34,600,711
Liabilities								
Borrowings from central banks	–	–	124,173	71,787	578,080	739	–	774,779
Deposits and placements from banks and non-bank financial institutions	–	2,177,349	239,421	195,608	278,549	50,637	8,467	2,950,031
Financial liabilities measured at fair value through profit or loss	–	14,587	126,318	83,822	64,373	–	–	289,100
Financial assets sold under repurchase agreements	–	–	232,007	4,271	5,460	938	–	242,676
Deposits from customers	–	12,403,432	1,780,198	1,302,104	4,092,710	5,434,784	7,579	25,020,807
Debt securities issued	–	–	123,391	273,087	728,747	456,605	65,040	1,646,870
Others	89,105	173,608	54,746	42,203	89,634	123,415	227,493	800,204
Total liabilities	89,105	14,768,976	2,680,254	1,972,882	5,837,553	6,067,118	308,579	31,724,467
Net gaps	2,954,115	(12,743,290)	(710,112)	(515,443)	(341,415)	1,818,034	12,414,355	2,876,244
Notional amount of derivatives								
– Interest rate contracts	–	–	155,091	124,077	198,561	163,940	12,890	654,559
– Exchange rate contracts	–	–	576,792	778,075	1,237,276	92,329	1,049	2,685,521
– Other contracts	–	–	46,992	37,044	41,136	2,469	–	127,641
Total	–	–	778,875	939,196	1,476,973	258,738	13,939	3,467,721

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

62 Risk management (continued)

(3) Liquidity risk (continued)

(b) Contractual undiscounted cash flow

The following tables provide an analysis of the contractual undiscounted cash flow of the non-derivative financial liabilities and off-balance sheet credit commitments of the Group as at the end of the reporting period. The Group's expected cash flows on these instruments may vary significantly from this analysis.

	31 December 2023							
	Carrying amount	Gross cash outflow	Repayable on demand	Within one month	Between one and three months	Between three months and one year	Between one and five years	More than five years
Non-derivative financial liabilities								
Borrowings from central banks	1,155,634	1,172,995	–	130,926	118,199	922,837	1,033	–
Deposits and placements from banks and non-bank financial institutions	3,199,788	3,238,349	1,987,259	355,482	164,208	289,372	429,294	12,734
Financial liabilities measured at fair value through profit or loss	252,179	252,179	12,905	124,869	70,328	44,077	–	–
Financial assets sold under repurchase agreements	234,578	235,002	–	211,206	13,021	10,775	–	–
Deposits from customers	27,654,011	28,570,339	12,229,863	1,818,365	1,909,379	4,856,778	7,748,618	7,336
Debt securities issued	1,895,735	1,986,845	–	260,243	485,918	598,602	534,697	107,385
Other non-derivative financial liabilities	484,687	683,826	73,027	32,518	16,783	37,705	82,604	441,189
Total	34,876,612	36,139,535	14,303,054	2,933,609	2,777,836	6,760,146	8,796,246	568,644
Off-balance sheet loan commitments and credit card commitments (Note)		1,611,820	1,176,826	5,927	6,004	64,521	138,604	219,938
Guarantees, acceptances and other credit commitments (Note)		2,218,419	291	317,493	341,279	946,637	573,670	39,049

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

62 Risk management (continued)

(3) Liquidity risk (continued)

(b) *Contractual undiscounted cash flow (continued)*

	31 December 2022							
	Carrying amount	Gross cash outflow	Repayable on demand	Within one month	Between one and three months	Between three months and one year	Between one and five years	More than five years
Non-derivative financial liabilities								
Borrowings from central banks	774,779	786,545	–	124,967	72,188	588,651	739	–
Deposits and placements from banks and non-bank financial institutions	2,950,031	2,962,042	2,177,349	239,709	196,748	283,581	55,211	9,444
Financial liabilities measured at fair value through profit or loss	289,100	289,100	14,587	126,318	83,822	64,373	–	–
Financial assets sold under repurchase agreements	242,676	242,952	–	232,080	4,302	5,557	1,013	–
Deposits from customers	25,020,807	25,833,757	12,413,718	1,784,687	1,338,178	4,316,430	5,971,862	8,882
Debt securities issued	1,646,870	1,750,474	–	125,796	280,227	760,201	508,294	75,956
Other non-derivative financial liabilities	532,018	663,359	96,870	40,221	20,818	46,500	117,562	341,388
Total	31,456,281	32,528,229	14,702,524	2,673,778	1,996,283	6,065,293	6,654,681	435,670
Off-balance sheet loan commitments and credit card commitments (Note)		1,652,442	1,158,864	6,765	16,050	121,786	165,119	183,858
Guarantees, acceptances and other credit commitments (Note)		2,034,085	496	281,882	253,671	915,139	534,171	48,726

Note: The off-balance sheet loan commitments and credit card commitments may expire without being drawn upon. Guarantees, acceptances and other credit commitments do not represent the amounts to be paid.

(4) Operational risk

Operational risk refers to the risk of loss resulting from problems with internal processes, people and systems or from external events. Such risk includes legal risk, but excludes strategic risk and reputational risk.

In 2023, the Group took the opportunity of promoting the implementation of standardised approach for operational risk under Basel III to effectively improve operational risk management.

In light of the Capital Rules for Commercial Banks, the Bank strengthened data management of losses from operational risk, established a management mechanism for business indicators, and set up an operational risk measurement system based on the standardised approach, thus comprehensively reinforcing regulatory compliance. It strengthened business continuity management, improved rules and regulations in a scientific manner, defined the Bank's key businesses and resources, improved management strategies, developed emergency plans and organised emergency drills, so as to consolidate management foundation, enhance operational resilience, and be well prepared for operational risk exposures. It produced educational videos on topics of compliance to guide and regulate the way people act or behave, developed a compliance model for employee behaviours, explored intelligent governance, and improved its ability to detect noncompliance. It also reviewed employee behaviours and took appropriate actions for any misconducts, to mitigate risks arising from employee behaviours. It organized a dynamic audit of key operational risk matters of employees, focusing on risk prevention and control of legal cases, staff behavior management and staff violations.

62 Risk management (continued)

(5) Fair value of financial instruments

(a) Valuation process, technique and input

The Board is responsible for establishing a robust internal control policy of valuation, and takes the ultimate responsibility for the adequacy and effectiveness of internal control system. The board of supervisors takes charge of supervising the performance of the Board and senior management. According to the requirements of the Board and the Board of Supervisors, senior management is responsible for organising and implementing the internal control system over the valuation process to ensure the effectiveness of the internal control system of valuation.

The Group has established an independent valuation process for financial assets and financial liabilities. The relevant departments are responsible for performing valuation, verifying valuation model and accounting of valuation results.

For the year ended 31 December 2023, there was no significant change in the valuation techniques or inputs used to determine fair value as compared to those used for the year ended 31 December 2022.

(b) Fair value hierarchy

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Fair value based on quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Fair value based on inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3: Fair value based on inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

62 Risk management (continued)

(5) Fair value of financial instruments (continued)

(c) Financial instruments measured at fair value

(i) Fair value hierarchy

The tables below analyse financial instruments, measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised:

	31 December 2023			
	Level 1	**Level 2**	**Level 3**	**Total**
Measured at fair value on a recurring basis				
Assets				
Positive fair value of derivatives	–	43,832	8	43,840
Loans and advances to customers				
– Loans and advances to customers measured at fair value through other comprehensive income	–	1,104,787	–	1,104,787
Financial assets measured at fair value through profit or loss				
Financial assets held for trading purposes				
– Debt securities	2,219	125,766	–	127,985
– Equity instruments and funds	374	1,089	–	1,463
Other financial assets measured at fair value through profit or loss				
– Credit investments	–	52,868	27,879	80,747
– Debt securities	45	152,391	1,131	153,567
– Funds and others	15,222	87,939	135,380	238,541
Financial assets measured at fair value through other comprehensive income				
– Debt securities	249,246	1,975,483	54	2,224,783
– Equity instruments designated as measured at fair value through other comprehensive income	2,509	–	7,439	9,948
Total	269,615	3,544,155	171,891	3,985,661
Measured at fair value on a recurring basis				
Liabilities				
Financial liabilities measured at fair value through profit or loss	–	251,492	687	252,179
Negative fair value of derivatives	–	41,860	8	41,868
Total	–	293,352	695	294,047

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

62 Risk management (continued)

(5) Fair value of financial instruments (continued)

(c) Financial instruments measured at fair value (continued)

(i) Fair value hierarchy (continued)

	31 December 2022			
	Level 1	Level 2	Level 3	Total
Measured at fair value on a recurring basis				
Assets				
Positive fair value of derivatives	–	49,297	11	49,308
Loans and advances to customers				
– Loans and advances to customers measured at fair value through other comprehensive income	–	1,048,651	–	1,048,651
Financial assets measured at fair value through profit or loss				
Financial assets held for trading purposes				
– Debt securities	4,589	136,100	–	140,689
– Equity instruments and funds	281	726	–	1,007
Other financial assets measured at fair value through profit or loss				
– Credit investments	–	32,457	26,339	58,796
– Debt securities	220	137,513	2,814	140,547
– Funds and others	20,878	69,440	136,740	227,058
Financial assets measured at fair value through other comprehensive income				
– Debt securities	198,706	1,809,665	–	2,008,371
– Equity instruments designated as measured at fair value through other comprehensive income	1,936	–	5,511	7,447
Total	226,610	3,283,849	171,415	3,681,874
Measured at fair value on a recurring basis				
Liabilities				
Financial liabilities measured at fair value through profit or loss	–	288,752	348	289,100
Negative fair value of derivatives	–	46,736	11	46,747
Total	–	335,488	359	335,847

A majority of the financial assets classified as level 2 are RMB bonds. The fair value of these bonds is determined based on the valuation results provided by China Central Depository & Clearing Co., Ltd. A majority of the financial liabilities designated as measured at fair value through profit or loss classified as level 2 are the funds raised from structured deposits, the fair value of which are determined based on the income approach. The majority of derivatives are classified as level 2 and valued using the income approach. For the valuation of financial instruments classified as level 2, all significant inputs are observable market data.

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

62 Risk management (continued)

(5) Fair value of financial instruments (continued)

(c) Financial instruments measured at fair value (continued)

(i) Fair value hierarchy (continued)

The financial assets classified as level 3 are primarily unlisted equity instruments These financial assets are valued using the income approach and market approach, which incorporate the non-observable assumptions including discount rate and P/B ratio.

The Group upgraded certain financial instruments from Level 3 to Level 1 of the fair value hierarchy due to the fact that the valuation technique had changed or that certain previously unobservable significant inputs used in fair value measurements had now become observable.

(ii) Movements of fair value of financial instruments in level 3 of the fair value hierarchy

The following tables show a reconciliation from the opening balances to the ending balances for fair value measurement in level 3 of the fair value hierarchy:

	2023									
		Other financial assets measured at fair value through profit or loss			Financial assets measured at fair value through other comprehensive income					
	Positive fair value of derivatives	Credit investments	Debt securities	Funds and others	Debt securities	Equity instruments	Total assets	Financial liabilities measured at fair value through profit or loss	Negative fair value of derivatives	Total liabilities
As at 1 January 2023	11	26,339	2,814	136,740	-	5,511	171,415	(348)	(11)	(359)
Total gains or losses:										
In profit or loss	(3)	1,287	(1,067)	1,789	-	-	2,006	(72)	3	(69)
In other comprehensive income	-	-	-	-	(28)	11	(17)	-	-	-
Purchases	-	5,740	600	23,522	82	1,941	31,885	(734)	-	(734)
Sales, settlements and transfers out	-	(5,487)	(1,216)	(26,671)	-	(24)	(33,398)	467	-	467
As at 31 December 2023	8	27,879	1,131	135,380	54	7,439	171,891	(687)	(8)	(695)

	2022									
		Other financial assets measured at fair value through profit or loss			Financial assets measured at fair value through other comprehensive income					
	Positive fair value of derivatives	Credit investments	Debt securities	Funds and others	Debt securities	Equity instruments	Total assets	Financial liabilities measured at fair value through profit or loss	Negative fair value of derivatives	Total liabilities
As at 1 January 2022	18	15,925	1,421	149,905	264	5,259	172,792	(676)	(18)	(694)
Total gains or losses:										
In profit or loss	(5)	2,023	352	(3,986)	-	-	(1,616)	(238)	5	(233)
In other comprehensive income	-	-	-	-	12	34	46	-	-	-
Purchases	-	17,939	1,159	21,755	-	218	41,071	(13)	-	(13)
Sales, settlements and transfers out	(2)	(9,548)	(118)	(30,934)	(276)	-	(40,878)	579	2	581
As at 31 December 2022	11	26,339	2,814	136,740	-	5,511	171,415	(348)	(11)	(359)

In level 3 of the fair value hierarchy, total gains or losses included in profit or loss for the year in the above table are presented in net trading gain and net loss arising from investment securities.

Gains or losses on level 3 financial assets and liabilities included in the statement of comprehensive income comprise:

	2023			2022		
	Realised	Unrealised	Total	Realised	Unrealised	Total
Net gains/(losses)	2,115	(178)	1,937	1,797	(3,646)	(1,849)

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

62 Risk management (continued)

(5) Fair value of financial instruments (continued)

(d) Financial instruments not measured at fair value

(i) Financial assets

The Group's financial assets not measured at fair value mainly include cash and deposits with central banks, deposits and placements with banks and non-bank financial institutions, financial assets held under resale agreements, loans and advances to customers and financial assets measured at amortised cost.

Deposits with central banks, deposits and placements with banks and non-bank financial institutions and financial assets held under resale agreements

Deposits with central banks, deposits and placements with banks and non-bank financial institutions and financial assets held under resale agreements are mainly priced at market interest rates and mature within one year. Accordingly, the carrying values approximate to the fair values.

Loans and advances to customers

Majority of the loans and advances to customers measured at amortised cost are repriced at least annually to the market rate. Accordingly, their carrying values approximate to the fair values.

Financial assets measured at amortised cost

The following table shows the carrying values and the fair values of financial assets measured at amortised cost as at 31 December 2023 and 2022 which are not presented in the statement of financial position at their fair values.

	31 December 2023					31 December 2022				
	Carrying value	Fair value	Level 1	Level 2	Level 3	Carrying value	Fair value	Level 1	Level 2	Level 3
Financial assets measured at amortised cost	6,801,242	7,055,913	15,326	6,890,957	149,630	5,958,397	6,120,446	21,657	5,929,361	169,428
Total	6,801,242	7,055,913	15,326	6,890,957	149,630	5,958,397	6,120,446	21,657	5,929,361	169,428

(ii) Financial liabilities

The Group's financial liabilities not measured at fair value mainly include borrowings from central banks, deposits and placements from banks and non-bank financial institutions, financial assets sold under repurchase agreements, deposits from customers, and debt securities issued. As at 31 December 2023, the fair value of subordinated bonds and the eligible Tier 2 capital bonds was RMB517,574 million (As at 31 December 2022: RMB465,537 million) and the corresponding carrying value was RMB509,282 million (As at 31 December 2022: RMB466,828 million), and the carrying values of other financial liabilities approximated to their fair values as at the end of the reporting period. The Group uses observable inputs to measure the fair values of subordinated bonds and eligible Tier 2 capital bonds issued, and classified them as the level 2 of fair value hierarchy.

(6) Offsetting financial assets and financial liabilities

Certain financial assets and financial liabilities of the Group are subject to enforceable master netting arrangements or similar agreements. The agreement between the Group and the counterparty generally allows for net settlement of the relevant financial assets and financial liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and financial liabilities will be settled on a gross basis. However, each party to the master netting arrangements or similar agreements will have the option to settle all such amounts on a net basis in the event of default of the other party. These financial assets and financial liabilities of the Group are not offset.

As at 31 December 2023 the amounts of the financial assets and financial liabilities subject to enforceable master netting arrangements or similar agreements are not material to the Group.

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(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

62 Risk management (continued)

(7) Insurance risk

The risk under an insurance contract is the possibility that the insured event occurs and the uncertainty in the resulting claim amount. By the very nature of an insurance contract, the risk is random and therefore unpredictable. The principal risk that the Group faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance contract liabilities.

The Group manages the uncertainty of insurance risk through its underwriting strategy and policies to diversify underwriting risks, as well as adequate reinsurance arrangements, and enhanced underwriting control and claim control.

The Group makes related assumptions for insurance risks and recognizes insurance contract liabilities. For long-term life insurance contracts and short-term life insurance contracts, the insurance risk may be aggravated by the difference between insurance risk assumptions and actual insurance risks, including assumptions on death events, relevant expenses, morbidity assumptions, the loss ratios assumptions and surrender rates assumptions, etc. For property and casualty insurance contracts, claims are often subject to factors such as natural disasters, catastrophes, and terrorist attacks. In addition, the insurance risk can also be affected by the policyholder's termination of the contract, reduction of premiums, and refusal to pay premiums, i.e., the insurance risk is affected by the actions and decisions of the policyholder.

(8) Capital management

The Bank has implemented comprehensive capital management, covering capital management policy design, capital projecting and planning, capital calculation, internal capital assessment, capital allocation, capital incentive, restriction and conduction, capital raising, monitoring and reporting, and applications of advanced approach of capital calculation in the management of the ordinary course of the business. General principles of capital management of the Bank are to continuously retain an adequate capital level, retain a certain margin of safety and a certain level of buffer based on that all regulatory requirements have been complied, and ensure that the capital can cover all kinds of risks adequately; exercise reasonable and effective capital allocation and strengthen capital restraint and incentive mechanism to support the strategic planning effectively and to restrict and conduct the business so as to increase the capital efficiency and return level continuously; tamp capital strength, and retain relatively high capital quality by achieving capital supplement with priority to the internal accumulation and utilising various capital instruments reasonably to optimise capital structure; continuously develop the advanced approach of capital management on the applications in the business management such as credit policies, credit approval and pricing.

Capital adequacy ratio is a reflection of the Group's ability to maintain a stable operation and resist adverse risks. In accordance with the CBRC's *Capital Rules for Commercial Banks (Provisional)* and relevant regulations, commercial banks should meet the minimum capital requirements from 1 January 2013. The Common Equity Tier 1 ratio should be at or above a minimum of 5%, Tier 1 ratio at or above a minimum of 6% and the total capital ratio at or above a minimum of 8%. Besides, capital conservation buffer requirements, additional buffer requirements of Global and Domestic Systemically Important Banks should also be met. If a countercyclical buffer is required or the Pillar 2 capital requirement is raised by the regulator to a specific commercial bank, the minimum requirements should be met within the transitional period.

The Group timely monitors, analyses and reports capital adequacy ratios, assesses if the capital management objectives have been met and exercises effective management of capital adequacy ratio. The Group adopts various measures such as controlling asset growth, adjusting the structure of risk assets, increasing internal capital supply and raising capital through external channels, to ensure that the Common Equity Tier 1 ratio, Tier 1 ratio and total capital ratio of the Group are in full compliance with regulatory requirements and meet internal management requirements. This helps to insulate against potential risks as well as support healthy business developments. The Group now fully complies with all regulatory requirements in this respect.

The Group's capital planning has taken the regulatory requirements, the Group's development strategy and risk appetite into consideration, and based on those factors the Group projects the capital usage and need.

The capital raising management of the Group involves reasonable utilisation of various capital instruments to ensure that both external regulatory and internal capital management objectives are met, taking into account capital planning and operating environment. This helps to optimise the Group's capital structure.

Based on the approval for the Group to implement the advanced capital management method in 2014, the relevant regulatory authority approved the Group to expand the implementation scope of the advanced capital management method in April 2020. The Group calculated the capital requirements for financial institution credit exposures and corporate credit risk exposures that meet regulatory requirements with the foundation internal ratings-based approach, the capital requirements for retail credit risk exposures with the internal ratings-based approach, the capital requirements for market risk with the internal models approach, and the capital requirements for operational risk with the standardised approach.

NOTES TO THE FINANCIAL STATEMENTS

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62 Risk management (continued)

(8) Capital management (continued)

The Group's capital adequacy ratio calculated in accordance with the *Capital Rules for Commercial Banks (Provisional)* issued by the CBRC as at the end of the reporting period are as follows:

	Note	**31 December 2023**	31 December 2022
Common Equity Tier 1 ratio	(a)(b)(c)	**13.15%**	13.69%
Tier 1 ratio	(a)(b)(c)	**14.04%**	14.40%
Total capital ratio	(a)(b)(c)	**17.95%**	18.42%
Common Equity Tier 1 capital			
– Qualifying common share capital		**250,011**	250,011
– Capital reserve		**134,931**	134,965
– Surplus reserve		**369,906**	337,527
– General reserve		**495,858**	444,428
– Retained earnings		**1,674,279**	1,528,356
– Non-controlling interest recognised in Common Equity Tier 1 capital		**3,604**	3,867
– Others	(d)	**30,714**	21,745
Deductions for Common Equity Tier 1 capital			
– Goodwill	(e)	**2,127**	2,062
– Other intangible assets (excluding land use rights)	(e)	**5,509**	5,578
– Cash flow hedge reserves that relate to the hedging of items that are not fair valued on the balance sheet		**311**	(170)
– Investments in common equity of financial institutions being controlled but outside the scope of consolidation		**6,970**	6,970
Additional Tier 1 capital			
– Other directly issued qualifying additional Tier 1 instruments including related premium		**199,968**	139,968
– Non-controlling interest recognised in Additional Tier 1 capital		**120**	106
Tier 2 capital			
– Directly issued qualifying Tier 2 instruments including related premium		**491,455**	453,197
– Provisions in Tier 2	(f)	**384,565**	340,537
– Non-controlling interest recognised in Tier 2 capital		**195**	171
Regulatory deductions of Tier 2 capital			
– The Bank's Tier 2 capital held directly or indirectly by commercial banks		**28**	–
Common Equity Tier 1 capital after regulatory adjustments	(g)	**2,944,386**	2,706,459
Tier 1 capital after regulatory adjustments	(g)	**3,144,474**	2,846,533
Total capital after regulatory adjustments	(g)	**4,020,661**	3,640,438
Risk-weighted assets	(h)	**22,395,908**	19,767,834

Notes:

(a) From the first half year of 2014, the Group has adopted the advanced approach to calculate capital adequacy ratio and implemented the parallel period rules.

(b) The Common Equity Tier 1 ratio is calculated by dividing the Common Equity Tier 1 Capital after deduction by risk-weighted assets. Tier 1 ratio is calculated by dividing the Tier 1 Capital after deduction by risk-weighted assets. Total capital ratio is calculated by dividing the total capital after deduction by risk-weighted assets.

(c) The scope for calculating capital adequacy ratio of the Group includes all the domestic and overseas branches and subsidiaries in the financial sector (excluding insurance companies).

(d) Others include other comprehensive income (including foreign exchange reserve).

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(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

62 Risk management (continued)

(8) Capital management (continued)

Notes: (continued)

(e) Both balances of goodwill and other intangible assets (excluding land use right) are the net amounts after deducting relevant deferred tax liabilities.

(f) From the first half year of 2014, eligible excessive loan provisions were measured based on the advanced approach and implemented parallel period rules.

(g) Common Equity Tier 1 capital after regulatory adjustments is calculated by netting off the corresponding deduction items from the Common Equity Tier 1 capital. Tier 1 capital after regulatory adjustments is calculated by netting off the corresponding deduction items from the Tier 1 capital. Total capital after regulatory adjustments is calculated by netting off the corresponding deduction items from the total capital.

(h) According to the rules of advanced approach, risk-weighted assets include credit risk-weighted assets, market risk-weighted assets, operational risk-weighted assets and excess risk-weighted assets due to the application of capital floor.

63 Statement of financial position and statement of changes in equity of the Bank

	31 December 2023	31 December 2022
Assets:		
Cash and deposits with central banks	**3,050,045**	3,149,130
Deposits with banks and non-bank financial institutions	**108,043**	153,122
Precious metals	**59,429**	39,119
Placements with banks and non-bank financial institutions	**737,669**	589,107
Positive fair value of derivatives	**42,455**	47,756
Financial assets held under resale agreements	**961,642**	1,015,534
Loans and advances to customers	**22,687,855**	20,071,834
Financial investments		
Financial assets measured at fair value through profit or loss	**282,636**	259,329
Financial assets measured at amortised cost	**6,737,686**	5,894,415
Financial assets measured at fair value through other comprehensive income	**2,050,691**	1,863,301
Long-term equity investments	**102,820**	91,808
Investments in consolidated structured entities	**15,186**	15,186
Fixed assets	**112,768**	116,815
Construction in progress	**7,025**	9,768
Land use rights	**12,044**	12,355
Intangible assets	**5,101**	5,140
Deferred tax assets	**118,296**	109,773
Other assets	**246,589**	246,226
Total assets	**37,337,980**	33,689,718

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63 Statement of financial position and statement of changes in equity of the Bank (continued)

	31 December 2023	31 December 2022
Liabilities:		
Borrowings from central banks	**1,155,634**	774,779
Deposits from banks and non-bank financial institutions	**2,763,227**	2,567,292
Placements from banks and non-bank financial institutions	**311,751**	272,599
Financial liabilities measured at fair value through profit or loss	**245,603**	288,701
Negative fair value of derivatives	**40,585**	45,328
Financial assets sold under repurchase agreements	**211,061**	215,180
Deposits from customers	**27,312,712**	24,710,345
Accrued staff costs	**46,524**	43,410
Taxes payable	**71,920**	82,951
Provisions	**42,409**	48,189
Debt securities issued	**1,829,333**	1,572,812
Deferred tax liabilities	**55**	53
Other liabilities	**223,956**	271,645
Total liabilities	**34,254,770**	30,893,284

	31 December 2023	31 December 2022
Equity:		
Share capital	**250,011**	250,011
Other equity instruments		
Preference shares	**59,977**	59,977
Perpetual bonds	**139,991**	79,991
Capital reserve	**134,813**	134,826
Other comprehensive income	**31,314**	25,948
Surplus reserve	**369,906**	337,527
General reserve	**484,917**	431,967
Retained earnings	**1,612,281**	1,476,187
Total equity	**3,083,210**	2,796,434
Total liabilities and equity	**37,337,980**	33,689,718

Approved and authorised for issue by the Board of Directors on 28 March 2024.

Zhang Jinliang	**Kenneth Patrick Chung**	**William Coen**
Chairman and executive director	*Independent non-executive director*	*Independent non-executive director*

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(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

63 Statement of financial position and statement of changes in equity of the Bank (continued)

		Other equity instruments							
	Share capital	Preference shares	Perpetual bonds	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Total equity
As at 1 January 2023	**250,011**	**59,977**	**79,991**	**134,826**	**25,948**	**337,527**	**431,967**	**1,476,187**	**2,796,434**
Movements during the year	**-**	**-**	**60,000**	**(13)**	**5,366**	**32,379**	**52,950**	**136,094**	**286,776**
(1) Total comprehensive income for the year	**-**	**-**	**-**	**-**	**5,366**	**-**	**-**	**323,787**	**329,153**
(2) Changes in share capital									
i Capital injection/(deduction) by other equity instruments holder	**-**	**-**	**60,000**	**(13)**	**-**	**-**	**-**	**-**	**59,987**
(3) Profit distribution									
i Appropriation to surplus reserve	**-**	**-**	**-**	**-**	**-**	**32,379**	**-**	**(32,379)**	**-**
ii Appropriation to general reserve	**-**	**-**	**-**	**-**	**-**	**-**	**52,950**	**(52,950)**	**-**
iii Dividends to ordinary shareholders	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(97,254)**	**(97,254)**
iv Dividends to other equity instrument holders	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(5,110)**	**(5,110)**
As at 31 December 2023	**250,011**	**59,977**	**139,991**	**134,813**	**31,314**	**369,906**	**484,917**	**1,612,281**	**3,083,210**

		Other equity instruments							
	Share capital	Preference shares	Perpetual bonds	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Total equity
As at 1 January 2022	250,011	59,977	39,991	134,835	30,901	305,571	373,381	1,342,712	2,537,379
Movements during the year	-	-	40,000	(9)	(4,953)	31,956	58,586	133,475	259,055
(1) Total comprehensive income for the year	-	-	-	-	(4,953)	-	-	319,559	314,606
(2) Changes in share capital									
i Capital injection/(deduction) by other equity instruments holder	-	-	40,000	(9)	-	-	-	-	39,991
(3) Profit distribution									
i Appropriation to surplus reserve	-	-	-	-	-	31,956	-	(31,956)	-
ii Appropriation to general reserve	-	-	-	-	-	-	58,586	(58,586)	-
iii Dividends to ordinary shareholders	-	-	-	-	-	-	-	(91,004)	(91,004)
iv Dividends to other equity instrument holders	-	-	-	-	-	-	-	(4,538)	(4,538)
As at 31 December 2022	250,011	59,977	79,991	134,826	25,948	337,527	431,967	1,476,187	2,796,434

64 Events after the reporting period

On 31 January 2024, the Group and BOC settled the transaction related to equity transfer of CCB Brasil. The Group received a consideration of BRL564 million for the transfer of part of its shares in CCB Brasil to BOC, and CCB Brasil received a subscription consideration of BRL540 million for the issuance of new shares to BOC. Upon completion of the transaction, the Group holds 31.66% equity interest in CCB Brasil, and the right over operation and management of CCB Brasil has been transferred to BOC.

On 5 February 2024, the Group completed the issuance of RMB50.00 billion Tier 2 Capital Bonds, which consisted of two types. Type 1 Tier 2 Capital Bonds, with an issuance size of RMB20.00 billion, have a 10-year term with conditional redemption right by the Issuer at the end of the fifth year and a fixed coupon rate of 2.75%, while Type 2 Tier 2 Capital Bonds, with an issuance size of RMB30.00 billion, have a 15-year term with conditional redemption right by the Issuer at the end of the tenth year and a fixed coupon rate of 2.82%. On 1 March 2024, the Group completed the issuance of RMB30.00 billion Financial Bonds, which consisted of two types. Type 1 Financial Bonds, with an issuance size of RMB20.00 billion, have a 3-year term with a fixed coupon rate of 2.35%, while Type 2 Financial Bonds, with an issuance size of RMB10.00 billion, have a 5-year term with a fixed coupon rate of 2.50%.

On 27 February 2024, the Group realised the option to redeem all the bonds of US$1.85 billion issued in overseas market on 27 February 2019 with an initial coupon rate of 4.25%.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

65 Comparative figures

Except for the retroactive adjustment made in accordance with IFRS 17, in order to comply with the presentation of this financial statement, the Group has adjusted the presentation of comparative figures related to interbank gold leasing business.

66 Ultimate parent

As stated in Note 1, the immediate and ultimate parents of the Group are Huijin and CIC, respectively.

67 Possible impact of amendments, new standards and interpretations issued but not yet effective

Up to the date of issue of the financial statements, the IASB has issued the following amendments, new standards and interpretations which are relevant to the Group. These amendments, new standards and interpretations are not yet effective for the year ended 31 December 2023 and have not been adopted in the financial statements.

Standards		**Effective for annual periods beginning on or after**
(1)	Amendments to IFRS 16 *Lease Liability Measurement in a Sale and Leaseback Transaction*	1 January 2024
(2)	Amendments to IAS 1 *Classification of Liabilities as Current or Non-current*	1 January 2024
(3)	Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Effective date has been deferred indefinitely
(4)	Amendments to IAS 21 *Lack of Exchangeability*	1 January 2025

The Group anticipates that the adoption of the new standards and amendments will not have a significant impact on the Group's consolidated financial statements.

(1) Amendments to IFRS 16 *Lease Liability Measurement in a Sale and Leaseback Transaction*

The IASB has amended IFRS 16 to specify how a seller-lessee measures the lease liability arising in a sale and leaseback transaction in a way that it does not recognise any amount of the gain or loss that relates to the right of use retained. The amendment does not change the accounting for leases unrelated to sale and leaseback transactions.

(2) Amendments to IAS 1 *Classification of Liabilities as Current or Non-current*

The IASB issued amendments to IAS 1 to specify the requirements for classifying liabilities as current or non-current.

The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

(3) Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The narrow-scope amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" clarify the accounting treatment for sales or contribution of assets between an investor and its associates or joint ventures. They confirm that the accounting treatment depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a "business" (as defined in IFRS 3 "Business Combinations").

Where the non-monetary assets constitute a business, the investor will recognise the full gain or loss on the sale or contribution of assets. If the assets do not meet the definition of a business, the gain or loss is recognised by the investor only to the extent of the other investor's investors in the associate or joint venture. The amendments apply prospectively.

(4) Amendments to IAS 21 *Lack of Exchangeability*

Amendments to IAS 21 *Lack of Exchangeability* specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. Earlier application is permitted. When applying the amendments, an entity cannot restate comparative information. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening balance of retained profits or to the cumulative amount of translation differences accumulated in a separate component of equity, where appropriate, at the date of initial application.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of China Construction Bank Corporation

(Established in the People's Republic of China with limited liability)

OPINION

We have audited the consolidated financial statements of China Construction Bank Corporation (the "Bank") and its subsidiaries (the "Group") set out on pages 191 to 329, which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and relevant notes to the consolidated financial statements, including material accounting policy information.

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

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional 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 consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Expected credit losses for loans and advances to customers measured at amortised cost	
The Group determines and measures expected credit losses for loans and advances to customers measured at amortised cost, in accordance with IFRS 9 *Financial Instruments*. Significant judgments and assumptions are involved in the measurement of expected credit losses, for example: • Significant increase in credit risk – Criteria for determining whether significant increase in credit risk has occurred are highly judgmental, and may have a significant impact on expected credit losses for loans and advances to customers measured at amortised cost with longer outstanding maturities; • Models and parameters – Complex models, numerous inputs and parameters, including probability of default, loss given default, exposure at default, and risk grouping, are used to measure expected credit losses, involving plenty of management judgments and assumptions; • Forward-looking information – Macroeconomic forecasts are developed, and impacts on expected credit losses are considered for multiple probability-weighted economic scenarios; • Whether financial assets are credit-impaired – The determination of credit impairment requires consideration of multiple factors, and measurement of expected credit losses depends on estimates of future cash flows. As at 31 December 2024, loans and advances to customers measured at amortised cost amounted to RMB24,161,965 million, accounting for 59.55% of total assets. Allowances for impairment losses of such loans and advances totalled RMB802,894 million. As the measurement of expected credit losses involves many significant judgments and assumptions, we consider expected credit losses for loans and advances to customers measured at amortised cost a key audit matter. *Relevant disclosures are included in Note 4(3), Note 4(26)(b), Note 25 and Note 62(1) to the financial statements.*	We evaluated and tested the design and operating effectiveness of key controls over credit granting, post approval credit management, loan credit rating system, collateral management as well as management, implementation and monitoring of expected credit losses approach, including relevant data quality and information systems. We adopted a risk-based sampling approach in our loan review procedures, focusing on loans granted to industries affected by macroeconomic changes and to real estate enterprises with bond defaults and negative news coverage. We assessed the debtors' repayment capacity and evaluated the Group's judgment in rating loans, taking into consideration post-lending inspection reports, debtors' financial information, collateral valuation reports and other available information. With the support of our modelling specialists, we evaluated and tested the expected credit loss model, key parameters, and management's significant judgments and assumptions, mainly focusing on the following aspects: (1) Expected credit loss model: • Taking into account macroeconomic changes, industry risk factors, and results of validation, reassessment and optimisation of ECL model, we assessed the reasonableness of ECL model methodology and related parameters, including probability of default, loss given default, exposure at default, risk grouping, and whether there had been a significant increase in credit risk; • We assessed the forward-looking information used by management to determine expected credit losses, including the forecasts of macroeconomic variables and the assumptions and weightings of multiple macroeconomic scenarios; • We performed back-testing and assessed the reasonableness of management's determination of credit impairment. For credit-impaired loans and advances, we analysed the amount, timing and probability of management's estimated future cash flows, especially recoverable cash flows from collaterals. (2) Design and operating effectiveness of key controls: • With the support of our IT audit specialists, we evaluated and tested the data and processes used to determine expected credit losses, including loan business data, internal credit rating data, macroeconomic data, as well as the computational logic, inputs and system interfaces of the impairment assessment system; • We evaluated and tested key controls over the management, implementation and monitoring of expected credit losses approach, including approval of management system, important policies and models, key parameters and their adjustments, ongoing monitoring of model performance, model validation, monitoring and parameter calibration. We evaluated and tested the design and operating effectiveness of internal controls related to disclosures of credit risk exposures and expected credit losses.

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Consolidation assessment and disclosures of structured entities	
The Group holds interests in many different structured entities as a result of its business activities in asset management and asset securitisation. Such interests in structured entities include wealth management products ("WMPs"), asset management plans, trust plans, funds, and asset-backed securities. As at 31 December 2024, the balance of unconsolidated structured entities initiated by the Group totalled RMB5,356,359 million. The Group needs to comprehensively consider the power it possesses, its exposure to variable returns, and its ability to use its power to affect returns to determine whether it has control over such structured entities, and therefore whether it should include them in the scope of consolidation. The assessment of the Group's control over structured entities involves significant judgements on factors such as the purpose and design of structured entities, the Group's ability to direct relevant activities, direct and indirect beneficial interests and returns, performance fees, and benefits received or losses incurred from providing credit enhancement or liquidity support. Comprehensive analysis of these factors and concluding on whether the Group has control involve significant management judgements and estimates. In view of the materiality and the complexity of management judgements, we consider consolidation assessment and disclosures of structured entities a key audit matter. *Relevant disclosures are included in Note 4(1), Note 4(26)(f) and Note 28 to the financial statements.*	We evaluated and tested the design and operating effectiveness of key controls over the Group's assessment of whether it controls a structured entity. We assessed the Group's analysis and conclusions on whether it controls structured entities based on the Group's analysis on its power over these structured entities, the magnitude and variability of the variable returns from its involvement with structured entities and linkage between these two matters on the basis of comprehensive consideration of all relevant facts and circumstances. We analysed whether the Group has legal or constructive obligations to ultimately absorb losses from structured entities through inspection of contractual documents, which included examining, on a sampling basis, whether the Group has provided liquidity support or credit enhancement to structured entities initiated by itself, such as wealth management products. We evaluated and tested the design and operating effectiveness of internal controls related to disclosures of unconsolidated structured entities.
Valuation of financial instruments	
The fair values of the Group's financial instruments measured at fair value are determined either by active market quotes or valuation techniques. Valuation techniques are used to determine the fair value of financial instruments that do not have quoted prices in active markets, such as investments in unlisted equity, private fund investments and certain debt investments. These techniques may involve the use of significant unobservable inputs requiring assumptions and estimates based on management's subjective judgements. Valuation results can vary significantly under different valuation techniques or assumptions. As at 31 December 2024, the carrying amount of the Group's financial assets measured at fair value totalled RMB4,994,045 million, accounting for 12.31% of total assets. Given the higher uncertainty in valuation results, financial instruments whose fair value measurement involves significant unobservable inputs are categorised as level 3 within the fair value hierarchy. As at 31 December 2024, RMB168,725 million or 3.38% of financial assets measured at fair value were categorised as Level 3. Given the materiality of the balance and the significant judgements involved in fair value measurement of Level 3 financial instruments, we consider valuation of financial instruments a key audit matter. *Relevant disclosures are included in Note 4(3), Note 4(26)(c), Note 23, Note 25, Note 26 and Note 62(5) to the consolidated financial statements.*	We evaluated and tested the design and operating effectiveness of key controls over the valuation of financial instruments. We selected samples to perform audit procedures and evaluated the appropriateness of valuation techniques, inputs, assumptions and comparable companies adopted by CCB, including comparison with valuation techniques commonly used in the market by industry peers, validation of observable inputs using external market data, and comparison with valuation results calculated using various pricing sources. For financial instruments whose valuations were calculated using significant unobservable inputs, as in the case of investments in unlisted equity, private fund investments and certain debt investments, we involved our valuation specialists to assess the valuation model for such financial instruments, performed independent valuations on selected samples and compared the valuation results with those of the Group. We evaluated and tested the design and operating effectiveness of internal controls related to disclosures of fair value.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The directors of the Bank are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

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

The engagement partner on the audit resulting in this independent auditor's report is *Leung Shing Kit*.

Ernst & Young

Certified Public Accountants

Hong Kong

28 March 2025

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2024 (EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

	Note	2024	2023
Interest income		**1,241,557**	1,247,366
Interest expense		**(651,675)**	(630,133)
Net interest income	6	**589,882**	617,233
Fee and commission income		**117,940**	129,906
Fee and commission expense		**(13,012)**	(14,160)
Net fee and commission income	7	**104,928**	115,746
Net trading gain	8	**4,739**	5,685
Dividend income	9	**6,576**	5,712
Net gain/(loss) arising from investment securities	10	**10,878**	(222)
Net gain on derecognition of financial assets measured at amortised cost	11	**3,991**	946
Other operating income, net:			
– Other operating income		**29,882**	25,223
– Other operating expense		**(22,306)**	(24,708)
Other operating income, net	12	**7,576**	515
Operating income		**728,570**	745,615
Operating expenses	13	**(223,779)**	(220,152)
		504,791	525,463
Credit impairment losses	14	**(120,700)**	(136,774)
Other impairment losses	15	**(298)**	(463)
Share of profits of associates and joint ventures		**584**	1,151
Profit before tax		**384,377**	389,377
Income tax expense	18	**(48,095)**	(56,917)
Net profit		**336,282**	332,460

The notes on pages 199 to 329 form part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2024 (EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

	Note	2024	2023
Other comprehensive income:			
(1) Other comprehensive income that will not be reclassified to profit or loss			
Remeasurements of post-employment benefit obligations		**(93)**	(54)
Fair value changes of equity instruments designated as measured at fair value through other comprehensive income		**9,152**	153
Others		**74**	39
Subtotal		**9,133**	138
(2) Other comprehensive income that may be reclassified subsequently to profit or loss			
Fair value changes of debt instruments measured at fair value through other comprehensive income		**36,827**	8,256
Allowances for credit losses of debt instruments measured at fair value through other comprehensive income		**(1,241)**	(1,234)
Reclassification adjustments included in profit or loss due to disposals		**(2,997)**	(439)
Net gain on cash flow hedges		**100**	201
Exchange difference on translating foreign operations		**1,273**	4,115
Others		**(10,270)**	(6,424)
Subtotal		**23,692**	4,475
Other comprehensive income for the year, net of tax		**32,825**	4,613
Total comprehensive income for the year		**369,107**	337,073
Net profit attributable to:			
Equity shareholders of the Bank		**335,577**	332,653
Non-controlling interests		**705**	(193)
		336,282	332,460
Total comprehensive income attributable to:			
Equity shareholders of the Bank		**369,504**	339,257
Non-controlling interests		**(397)**	(2,184)
		369,107	337,073
Basic and diluted earnings per share (in RMB yuan)	19	**1.31**	1.31

The notes on pages 199 to 329 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2024 (EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

	Note	31 December 2024	31 December 2023
Assets:			
Cash and deposits with central banks	20	**2,571,361**	3,066,058
Deposits with banks and non-bank financial institutions	21	**154,532**	148,218
Precious metals		**138,433**	59,429
Placements with banks and non-bank financial institutions	22	**672,875**	675,270
Positive fair value of derivatives	23	**108,053**	43,840
Financial assets held under resale agreements	24	**622,559**	979,498
Loans and advances to customers	25	**25,040,400**	23,083,377
Financial investments	26		
Financial assets measured at fair value through profit or loss		**612,504**	602,303
Financial assets measured at amortised cost		**7,429,723**	6,801,242
Financial assets measured at fair value through other comprehensive income		**2,641,736**	2,234,731
Long-term equity investments	27	**23,560**	20,983
Fixed assets	29	**165,116**	159,948
Construction in progress	30	**4,319**	7,423
Land use rights	31	**12,417**	12,911
Intangible assets	32	**5,830**	6,540
Goodwill	33	**2,522**	2,456
Deferred tax assets	34	**120,485**	121,227
Other assets	35	**244,724**	299,372
Total assets		**40,571,149**	38,324,826
Liabilities:			
Borrowings from central banks	37	**942,594**	1,155,634
Deposits from banks and non-bank financial institutions	38	**2,835,885**	2,792,066
Placements from banks and non-bank financial institutions	39	**479,881**	407,722
Financial liabilities measured at fair value through profit or loss	40	**240,593**	252,179
Negative fair value of derivatives	23	**93,990**	41,868
Financial assets sold under repurchase agreements	41	**739,918**	234,578
Deposits from customers	42	**28,713,870**	27,654,011
Accrued staff costs	43	**60,661**	52,568
Taxes payable	44	**40,388**	73,580
Provisions	45	**38,322**	43,344
Debt securities issued	46	**2,386,595**	1,895,735
Deferred tax liabilities	34	**1,525**	1,724
Other liabilities	47	**652,962**	547,743
Total liabilities		**37,227,184**	35,152,752

The notes on pages 199 to 329 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2024 (EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

	Note	31 December 2024	31 December 2023
Equity:			
Share capital	48	**250,011**	250,011
Other equity instruments	49		
Preference shares		**59,977**	59,977
Perpetual bonds		**100,000**	139,991
Capital reserve	50	**135,736**	135,619
Other comprehensive income	51	**57,901**	23,981
Surplus reserve	52	**402,196**	369,906
General reserve	53	**534,591**	496,255
Retained earnings	54	**1,781,715**	1,674,405
Total equity attributable to equity shareholders of the Bank		**3,322,127**	3,150,145
Non-controlling interests		**21,838**	21,929
Total equity		**3,343,965**	3,172,074
Total liabilities and equity		**40,571,149**	38,324,826

Approved and authorised for issue by the Board of Directors on 28 March 2025.

Zhang Jinliang
Chairman and executive director

Zhang Yi
Vice chairman, executive director and president

Liu Fanggen
General manager of finance & accounting department

The notes on pages 199 to 329 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2024 (EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

	Attributable to equity shareholders of the Bank									
		Other equity instruments								
	Share capital	Preference shares	Perpetual bonds	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Non-controlling interests	Total equity
As at 1 January 2024	250,011	59,977	139,991	135,619	23,981	369,906	496,255	1,674,405	21,929	3,172,074
Movements during the year	–	–	(39,991)	117	33,920	32,290	38,336	107,310	(91)	171,891
(1) Total comprehensive income for the year	–	–	–	–	33,927	–	–	335,577	(397)	369,107
(2) Changes in share capital										
i Capital injection by other equity holders	–	–	–	–	–	–	–	–	169	169
ii Capital deduction by other equity instruments holders	–	–	(39,991)	(11)	–	–	–	–	–	(40,002)
iii Increase in subsidiaries	–	–	–	–	–	–	–	–	596	596
iv Change in shareholdings in subsidiaries	–	–	–	98	–	–	–	–	(180)	(82)
v Decrease in subsidiaries	–	–	–	–	–	–	–	–	(38)	(38)
(3) Profit distribution										
i Appropriation to surplus reserve	–	–	–	–	–	32,290	–	(32,290)	–	–
ii Appropriation to general reserve	–	–	–	–	–	–	39,620	(39,620)	–	–
iii Dividends to ordinary shareholders	–	–	–	–	–	–	–	(149,256)	–	(149,256)
iv Dividends to other equity instruments holders	–	–	–	–	–	–	–	(7,108)	–	(7,108)
v Dividends to non-controlling interests holders	–	–	–	–	–	–	–	–	(241)	(241)
(4) Internal transfer within owner's equity										
i Other comprehensive income transferred to retained earnings	–	–	–	–	(7)	–	–	7	–	–
(5) Others	–	–	–	30	–	–	(1,284)	–	–	(1,254)
As at 31 December 2024	250,011	59,977	100,000	135,736	57,901	402,196	534,591	1,781,715	21,838	3,343,965

The notes on pages 199 to 329 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2023 (EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

	Attributable to equity shareholders of the Bank									
		Other equity instruments								
	Share capital	Preference shares	Perpetual bonds	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Non-controlling interests	Total equity
As at 31 December 2022	250,011	59,977	79,991	135,653	20,793	337,527	444,786	1,527,995	22,027	2,878,760
Change in accounting policy	–	–	–	–	(3,390)	–	–	2,107	(1,233)	(2,516)
As at 1 January 2023	250,011	59,977	79,991	135,653	17,403	337,527	444,786	1,530,102	20,794	2,876,244
Movements during the year	–	–	60,000	(34)	6,578	32,379	51,469	144,303	1,135	295,830
(1) Total comprehensive income for the year	–	–	–	–	6,604	–	–	332,653	(2,184)	337,073
(2) Changes in share capital										
i Capital injection/(deduction) by other equity instruments holders	–	–	60,000	(13)	–	–	–	–	1,999	61,986
ii Increase in subsidiaries	–	–	–	–	–	–	–	–	1,521	1,521
(3) Profit distribution										
i Appropriation to surplus reserve	–	–	–	–	–	32,379	–	(32,379)	–	–
ii Appropriation to general reserve	–	–	–	–	–	–	53,633	(53,633)	–	–
iii Dividends to ordinary shareholders	–	–	–	–	–	–	–	(97,254)	–	(97,254)
iv Dividends to other equity instruments holders	–	–	–	–	–	–	–	(5,110)	–	(5,110)
v Dividends to non-controlling interests holders	–	–	–	–	–	–	–	–	(201)	(201)
(4) Internal transfer within owner's equity										
i Other comprehensive income transferred to retained earnings	–	–	–	–	(26)	–	–	26	–	–
(5) Others	–	–	–	(21)	–	–	(2,164)	–	–	(2,185)
As at 31 December 2023	250,011	59,977	139,991	135,619	23,981	369,906	496,255	1,674,405	21,929	3,172,074

The notes on pages 199 to 329 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2024 (EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

	Note	2024	2023
Cash flows from operating activities:			
Profit before tax		**384,377**	389,377
Adjustments for:			
– Credit impairment losses	14	**120,700**	136,774
– Other impairment losses	15	**298**	463
– Depreciation and amortisation		**30,230**	29,081
– Interest income from impaired financial assets		**(3,417)**	(5,491)
– Revaluation (gain)/loss on financial instruments measured at fair value through profit or loss		**(5,351)**	3,615
– Share of profits of associates and joint ventures		**(584)**	(1,151)
– Dividend income	9	**(6,576)**	(5,712)
– Unrealised foreign exchange gain		**(14,580)**	(278)
– Interest expense on bonds issued		**31,212**	26,394
– Interest income from investment securities and net income from disposal		**(300,558)**	(277,869)
– Net gain on disposal of fixed assets and other long-term assets		**(491)**	(299)
		235,260	294,904
Changes in operating assets:			
Net decrease/(increase) in deposits with central banks and with banks and non-bank financial institutions		**208,944**	(111,364)
Net increase in placements with banks and non-bank financial institutions		**(70,845)**	(136,228)
Net decrease in financial assets held under resale agreements		**356,643**	61,463
Net increase in loans and advances to customers		**(2,050,108)**	(2,704,137)
Net (increase)/decrease in financial assets held for trading purposes		**(4,037)**	12,956
Net increase in other operating assets		**(137,000)**	(83,767)
		(1,696,403)	(2,961,077)
Changes in operating liabilities:			
Net (decrease)/increase in borrowings from central banks		**(212,696)**	376,760
Net increase in deposits from customers and from banks and non-bank financial institutions		**1,019,759**	2,774,550
Net increase in placements from banks and non-bank financial institutions		**64,669**	34,091
Net decrease in financial liabilities measured at fair value through profit or loss		**(11,914)**	(37,045)
Net increase/(decrease) in financial assets sold under repurchase agreements		**503,566**	(9,008)
Net increase in certificates of deposit issued		**306,655**	211,835
Income tax paid		**(84,832)**	(76,965)
Net increase in other operating liabilities		**213,959**	34,805
		1,799,166	3,309,023
Net cash from operating activities		**338,023**	642,850

The notes on pages 199 to 329 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2024 (EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

	Note	2024	2023
Cash flows from investing activities:			
Proceeds from sales and redemption of financial investments		**2,684,393**	1,920,946
Interest and dividends received		**302,680**	268,039
Proceeds from disposal of subsidiaries, associates and joint ventures		**1,457**	2,484
Proceeds from disposal of fixed assets and other long-term assets		**5,547**	4,312
Purchase of investment securities		**(3,654,799)**	(2,990,814)
Acquisition of subsidiaries, associates and joint ventures		**(2,738)**	(1,128)
Purchase of fixed assets and other long-term assets		**(29,172)**	(25,093)
Net cash used in investing activities		**(692,632)**	(821,254)
Cash flows from financing activities:			
Issue of bonds		**273,078**	148,642
Proceeds from issuance of other equity instruments		**–**	59,987
Cash received from subsidiaries' capital injection by non-controlling interests holders		**765**	3,428
Dividends paid		**(107,353)**	(102,565)
Repayment of borrowings		**(96,491)**	(122,748)
Interest paid on bonds issued		**(29,592)**	(26,113)
Cash payment for redemption of other equity instruments		**(40,000)**	–
Cash payment for other financing activities		**(7,605)**	(7,958)
Net cash used in financing activities		**(7,198)**	(47,327)
Effect of exchange rate changes on cash and cash equivalents		**5,792**	7,542
Net decrease in cash and cash equivalents		**(356,015)**	(218,189)
Cash and cash equivalents as at 1 January	55	**925,463**	1,143,652
Cash and cash equivalents as at 31 December	55	**569,448**	925,463
Cash flows from operating activities include:			
Interest received, excluding interest income from investment securities		**949,893**	954,466
Interest paid, excluding interest expense on bonds issued		**(565,911)**	(560,213)

The notes on pages 199 to 329 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

1 Company information

The history of China Construction Bank Corporation (the "Bank") dates back to 1954, which was previously known as the People's Construction Bank of China when it was established. It was responsible for the management and distribution of government funds for construction and infrastructure related projects under the state economic plan. The People's Construction Bank of China gradually evolved into a comprehensive commercial bank following the takeover of the Bank's function of granting policy loans by China Development Bank in 1994. In 1996, the People's Construction Bank of China changed its name to China Construction Bank ("the former CCB"). On 17 September 2004, China Construction Bank Corporation was established in the People's Republic of China (the "PRC") as a result of a separation procedure undertaken by its predecessor, China Construction Bank. In October 2005 and September 2007, the Bank's H shares and A shares were listed on the Hong Kong Stock Exchange (Stock Code: 939) and the Shanghai Stock Exchange (Stock Code: 601939), successively. As at 31 December 2024, the Bank issued the total ordinary share capital of RMB250,011 million, with a par value of RMB1.00 per share.

The Bank obtained its finance permit No.B0004H111000001 from the China Banking Regulatory Commission ("CBRC") (In 2023, the regulator was renamed the National Financial Regulatory Administration, hereinafter referred to as the "NFRA") of the PRC. The Bank obtained its unified social credit code No.911100001000044477 from the Beijing Administration for Industry and Commerce. The registered office of the Bank is located at No.25, Finance Street, Xicheng District, Beijing, the PRC.

The principal activities of the Bank and its subsidiaries (collectively the "Group") are the provision of corporate finance business, personal finance business, treasury and asset management business and others. The Group mainly operates in the Chinese mainland and also has a number of overseas branches and subsidiaries. For the purpose of these financial statements, the Chinese mainland refers to the PRC excluding the Hong Kong Special Administrative Region of the PRC ("Hong Kong"), the Macau Special Administrative Region of the PRC ("Macau") and Taiwan. Overseas refers to countries and regions other than the Chinese mainland.

The Bank is mainly regulated by the NFRA, an institution directly under the State Council of the of the PRC (the "State Council"). The overseas financial institutions of the Bank are required to comply with the regulatory requirements of their respective local jurisdictions. Central Huijin Investment Ltd. ("Huijin"), a wholly-owned subsidiary of China Investment Corporation ("CIC"), exercises the contributor's rights and obligations in key state-owned financial institutions up to its contribution amount on behalf of the State.

These financial statements were authorised for issue by the Board of Directors of the Bank on 28 March 2025.

2 Basis of preparation

The Group uses the calendar year as the accounting year, which is from 1 January to 31 December.

These financial statements comprise the Bank and its subsidiaries and the Group's interests in associates and joint ventures.

(1) Basis of measurement

These financial statements have been prepared on the historical cost basis except that: (i) financial instruments at fair value through profit or loss are measured at fair value; (ii) derivatives are measured at fair value; (iii) financial assets measured at fair value through other comprehensive income are measured at fair value; (iv) non-current assets or disposal groups held for sale are measured at the lower of carrying amount and fair value less costs to sell; and (v) certain non-financial assets are measured at revalued amounts. The measurement basis of major assets and liabilities is further explained in Note 4.

(2) Functional and presentation currency

These financial statements are presented in RMB, unless otherwise stated, rounded to the nearest million. RMB is the functional currency of the domestic operations of the Group. The functional currencies of overseas operations are determined in accordance with the primary economic environment in which they operate, and are translated into RMB for the preparation of these financial statements according to Note 4(2)(b).

(3) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, 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 those presented using these estimates and assumptions.

The estimates and associated assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Judgements that have a significant impact on the financial statements and estimates that are very likely to result in material adjustments in the subsequent period are discussed in Note 4(26).

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

3 Statement of Compliance

These financial statements have been prepared in accordance with International Financial Reporting Accounting Standards ("IFRS Accounting Standards") as issued by the International Accounting Standards Board ("IASB"). These financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622), and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The Group has adopted the following revised IFRS Accounting Standards for the current year.

(1)	Amendments to IFRS 16	*Lease Liability Measurement in a Sale and Leaseback Transaction*
(2)	Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*
(3)	Amendments to IAS 1	*Non-current Liabilities with Covenants*
(4)	Amendments to IAS 7 and IFRS 7	*Supplier Finance Arrangements*

The adoption of other amendments did not have a significant impact on the Group's consolidated financial statements.

Except for the matters described above, the material accounting policies adopted by the Group for the 2024 financial statements are consistent with those applied in the preparation of the Group's annual financial statements for the year ended 31 December 2023.

4 Material accounting policies and significant accounting estimates

(1) Consolidated financial statements

(a) Business combinations

The consideration transferred by the acquirer for the acquisition and the identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition by acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill in accordance with the accounting policies set out in Note 4(10). If the consideration is less than the fair value of the identifiable net assets of the acquiree in the case of a bargain purchase, the difference is recognised in profit or loss.

Acquisition date mentioned above is the date on which the Group effectively obtains control of the acquiree.

(b) Subsidiaries and non-controlling interests

Subsidiaries are all entities (including structured entities) over which the Bank has control. The Bank controls an entity when the Bank has the power over the entity, and is exposed to, or has rights to variable returns from its involvement with the entity, and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Bank. They are deconsolidated from the date that control ceases.

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements.

For the separate financial statements of the Bank, investments in subsidiaries are accounted for at cost. At initial recognition, investment in subsidiaries is measured at the cost of acquisition determined at the acquisition date when the subsidiaries are acquired through business combination or when the capital is injected into the subsidiaries set up by the Group. Impairment losses on investments in subsidiaries are accounted for in accordance with the accounting policies as set out in Note 4(13).

The financial results and performance of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. When preparing the consolidated financial statements, the Bank makes necessary adjustments on the accounting period and accounting policies of subsidiaries to comply with those of the Bank.

Intragroup balances and transactions, and any profits or losses arising from intragroup transactions are eliminated in full in preparing the consolidated financial statements.

4 Material accounting policies and significant accounting estimates (continued)

(1) Consolidated financial statements (continued)

(b) *Subsidiaries and non-controlling interests (continued)*

The portion of a subsidiary's net assets that is attributable to equity interests that are not owned by the Bank, whether directly or indirectly through subsidiaries, is treated as non-controlling interests and presented as "non-controlling interests" in the consolidated statement of financial position within total equity. The portion of net profit or loss and other comprehensive income of subsidiaries for the year attributable to non-controlling interests is separately presented in the consolidated statement of comprehensive income as a component of the Group's net profit and other comprehensive income.

(c) *Associates and joint arrangements*

An associate is an enterprise in which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policy decisions.

Joint arrangement is an arrangement of which two or more parties have joint control. The classification of a joint arrangement as a joint operation or a joint venture depends upon the rights and obligations of the parties to the arrangement. Joint control is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing the control. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures.

Investments in associates or joint ventures are accounted for using the equity method in the consolidated financial statements and are initially recorded at acquisition cost, and adjusted thereafter for the post acquisition change in the Group's share of net assets of the associates or joint ventures. The Group's share of the post-acquisition, post-tax results of the associates or joint ventures for the year is recognised in the consolidated statement of comprehensive income. The Group's interest in associates or joint ventures is included from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

Profits and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's interest in the associates or joint ventures.

The Group discontinues recognising its share of net losses of the associates or joint ventures after the carrying amount of investments in associates and joint ventures together with any long-term interests that in substance form part of the Group's net investment in the associates or joint ventures are reduced to zero, except to the extent that the Group has incurred legal or constructive obligations to assume additional losses. Where the associates or joint ventures realise net profits subsequently, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

(2) Translation of foreign currencies

(a) *Translation of foreign currency transactions*

Foreign currency transactions are, on initial recognition, translated into the functional currency at the spot exchange rates at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are translated into the functional currency at the spot exchange rates at that date. The resulting exchange differences are recognised in profit or loss. 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 transaction dates. 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; exchange differences are recognised in profit or loss, except for the differences arising from the translation of equity instruments designated at fair value through other comprehensive income, which are recognised in other comprehensive income.

(b) *Translation of financial statements denominated in foreign currencies*

Foreign currency financial statements of overseas operations are translated into RMB for the preparation of consolidated financial statements. At the end of each reporting period, the assets and liabilities in the financial statements denominated in foreign currencies are translated into RMB at the spot exchange rates ruling at that date. All items within equity except for *retained earnings* are translated at the exchange rates ruling at the dates of the initial transactions. Income and expenses in the statement of comprehensive income are translated at the weighted average exchange rates for the year. Foreign exchange differences arising from foreign operations are recognised in "other comprehensive income" in equity in the statement of financial position.

The impact of changes in exchange rates on cash and cash equivalents is presented separately in the cash flow statement.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

4 Material accounting policies and significant accounting estimates (continued)

(3) Financial instruments

(a) *Classification*

The Group classifies financial instruments into different categories based on the business model used to manage financial assets and contractual cash flow characteristics or the purposes for which the liabilities were incurred. The categories are: financial assets measured at amortised cost, financial assets measured at fair value through other comprehensive income ("FVOCI"), financial assets and liabilities measured at fair value through profit or loss ("FVPL"), and other financial liabilities.

The Group's business model for managing financial assets refers to how the Group manages its financial assets in order to generate cash flows. That is, the business model determines whether cash flows of financial assets managed by the Group will result from collecting contractual cash flows, selling financial assets or both. Factors considered by the Group in determining the business model for a group of financial assets include past experience on how the cash flows for these assets were collected, how the performance of those assets is evaluated and reported to key management personnel, how risks are assessed and managed and how managers of the business are compensated.

The characteristics of the contractual cash flows of financial assets refer to the cash flow attributes agreed in the contract of financial instruments that reflect the economic characteristics of the underlying financial assets, that is, the contractual cash flows generated by the underlying financial assets on a specific date solely payments of principal and interest on the principal amount outstanding. The principal is the fair value of the financial asset at initial recognition, but its amount may change over the life of the financial asset (for example, if there are repayments of principal); interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time, and for other basic lending risks, and costs, as well as a profit margin.

Financial assets measured at amortised cost

Financial assets are classified as financial assets measured at amortised cost if both of the following conditions are met and they are not designated as FVPL: (i) the assets are managed within a business model whose objective is to hold assets in order to collect contractual cash flows; and (ii) the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at fair value through other comprehensive income (FVOCI)

Financial assets measured at FVOCI include debt instruments measured at FVOCI and equity instrument designated as measured at FVOCI.

Financial assets are classified as financial assets measured at FVOCI if both of the following conditions are met and they are not designated as FVPL: (i) the assets are managed within a business model whose objective is achieved by collecting contractual cash flows and selling financial assets; and (ii) the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

At inception, the Group may designate non-trading equity instruments as financial assets measured at FVOCI, and recognise dividend income in accordance with the relevant policies specified in Note 4(20)(c). Once the designation is made, it cannot be revoked.

Financial assets and liabilities measured at fair value through profit or loss (FVPL)

The Group classifies the financial assets other than financial assets measured at amortised cost and FVOCI as financial assets measured at FVPL.

Financial assets measured at FVPL include those held for trading purposes, those designated as measured at FVPL, those could not pass the solely payments of principal and interest ("SPPI") test and the equity investments which are not designated as measured at FVOCI.

Financial liabilities measured at FVPL include negative fair value of derivatives, and those designated as measured at FVPL.

Financial assets or financial liabilities are classified as held for trading if they are: (i) acquired or incurred principally for the purpose of selling or repurchasing it in the near term; (ii) part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or (iii) a derivative (except for a derivative that is a designated and effective hedging instruments or a financial guarantee contract).

At initial recognition, the Group may designate financial assets as financial assets measured at FVPL if the designation can eliminate or significantly reduce accounting mismatch. Once the designation is made, it cannot be revoked.

Financial liabilities are designated as measured at FVPL upon initial recognition when: (i) the designation can eliminate or significantly reduce accounting mismatch; or (ii) the formal written file of the Group's risk management or investment strategy have clearly stated that the financial liability portfolio, or the portfolio of financial assets and financial liabilities, are managed, evaluated and reported to key management personnel on the basis of fair value. Once the designation is made, it cannot be revoked.

4 Material accounting policies and significant accounting estimates (continued)

(3) Financial instruments (continued)

(a) Classification (continued)

Other financial liabilities

Other financial liabilities are financial liabilities other than those measured at FVPL and mainly comprise borrowings from central banks, deposits and placements from banks and non-bank financial institutions, financial assets sold under repurchase agreements, deposits from customers and debt securities issued.

(b) Derivatives and hedge accounting

The Group uses derivatives to hedge its exposure to foreign exchange and interest rate risks. Derivatives are recognised at fair value at the trade date upon initial recognition, and subsequently measured at fair value. The positive fair value is recognised as an asset while the negative fair value is recognised as a liability.

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated and qualified as a hedging instrument, and if so, the nature of the item being hedged. For derivatives not designated or qualified as hedging instruments, including those that are intended to provide effective economic hedges of specific interest rate and foreign exchange risks, but not qualified for hedge accounting, changes in fair value of these derivatives are recognised in the consolidated statement of comprehensive income.

The Group documents, at inception, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. The Group assesses the hedge effectiveness both at hedge inception and on an ongoing basis.

(i) Fair value hedge

Fair value hedge is a hedge of the exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect profit or loss.

Changes in fair value of hedging instruments qualifying as fair value hedges are recorded in profit or loss, together with changes in fair value of the hedged item attributable to the hedged risk. The net difference is recognised as ineffectiveness in profit or loss.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity. If the hedged item is de-recognised, the unamortised carrying value adjustment is recognised immediately in the profit or loss.

(ii) Cash flow hedge

Cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability (such as all or some future interest payments on variable rate debt) or a highly probable forecast transaction, and could ultimately affect the profit or loss.

For cash flow hedges, the effective portion of the change in the fair value of the hedging instrument is recognised in other comprehensive income. The ineffective portion of the change in the fair value of the hedging instrument is recognised directly in profit or loss.

If a hedged forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, or a hedged forecast transaction for a non-financial asset or a non-financial liability becomes a firm commitment for which fair value hedge accounting is applied, the entity shall remove that amount from the cash flow hedge reserve and include it directly in the initial cost or other carrying amount of the asset or the liability. For cash flow hedges other than these, that amount shall be reclassified from the cash flow hedge reserve to profit or loss as a reclassification adjustment in the same period or periods during which the hedged expected future cash flows affect profit or loss.

When a hedging instrument expires or is sold, or the hedge designation is revoked or when a hedge no longer meets the criteria for hedge accounting, if the hedged future cash flows are still expected to occur, the amount previously recognised in other comprehensive income shall remain until the forecast transaction ultimately occurs or until the hedged expected cash flows affect profit or loss, before being transferred out. If the hedged future cash flows are no longer expected to occur, the amount of accumulated cash flow hedge reserves shall be reclassified from other comprehensive income to profit or loss.

4 Material accounting policies and significant accounting estimates (continued)

(3) Financial instruments (continued)

(c) Embedded derivatives

An embedded derivative is a component of a hybrid contract that also includes a non-derivative host. If a hybrid contract contains a host that is a financial asset, the embedded derivative shall not be separated from the host and shall be classified and measured as a whole.

If a hybrid contract contains a host that is not a financial asset, an embedded derivative shall be separated from the host and accounted for as a derivative if, and only if: (i) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host; (ii) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and (iii) the hybrid contract is not measured at FVPL. The Group could choose to measure the separated derivative at FVPL, or designate the entire hybrid contract as at FVPL.

(d) Recognition and derecognition

All financial assets and financial liabilities are recognised in the statement of financial position, when and only when, the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset if the part being considered for derecognition meets one of the following conditions: (i) the contractual rights to receive the cash flows from the financial asset expire; (ii) the contractual rights to receive the cash flows of the financial asset have been transferred and the Group transfers substantially all the risks and rewards of ownership of the financial asset; or the Group has neither transferred nor retained substantially all the risks and rewards of ownership of the transferred financial asset, but has given up control of the financial asset; or (iii) the Group retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to the eventual recipient in an agreement meets all the conditions of transfer of cash flows and transfers substantially all the risks and rewards of ownership of the financial asset or the Group has neither transferred nor retained substantially all the risks and rewards of ownership of the transferred financial assets, but has given up control of the financial asset.

When a financial asset is derecognised, the difference between the carrying amount of the financial asset derecognised and the consideration received, as well as the cumulative changes in fair value previously recognised in equity, is recognised in profit or loss.

When a financial asset is transferred, and if the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, but retains control, the Group continues to recognise the financial asset to the extent of its continuing involvement in the financial asset.

The financial liability is derecognised only when: (i) the underlying present obligation specified in the contracts is discharged, cancelled or expired, or (ii) an agreement between the Group and an existing lender to replace the original financial liability with a new financial liability with substantially different terms, or a substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and recognition of a new financial liability.

The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

A regular way purchase or sale of financial assets is recognised and derecognised using trade date accounting. A 'regular way purchase or sale' refers to the purchase or sale of a financial asset where the terms of the contract necessitate delivery of the asset within the time frame typically established by regulations or convention in the relevant marketplace. The trade date is the date that the Group commits itself to purchase or sell a financial asset.

(e) Measurement

Financial instruments are measured initially at fair value plus or minus, in the case of a financial instrument not measured at FVPL, transaction costs that are directly attributable to the acquisition or issue of the instrument. Transaction costs for financial instruments measured at FVPL are expensed immediately.

Subsequent to initial recognition, the Group measures different categories of financial assets at amortised cost, FVOCI or FVPL respectively. Financial liabilities other than those measured at FVPL are measured at amortised cost using the effective interest method.

4 Material accounting policies and significant accounting estimates (continued)

(3) Financial instruments (continued)

(e) Measurement (continued)

Financial assets measured at FVPL

Gains and losses from changes in fair value of financial assets measured at FVPL are recognised in profit or loss.

Financial liabilities measured at FVPL

Financial liabilities measured at FVPL are measured at fair value, where the gains or losses arose are recognised in profit or loss. For the financial liabilities designated as measured at FVPL, the gains or losses are accounted for in accordance with the following requirements: (i) the amount of changes in fair value of the financial liabilities arising from changes in the Group's own credit risk should be included in other comprehensive income; (ii) other changes in fair value of the financial liabilities are recognised in profit or loss. If the treatment of the impact of changes in the financial liabilities' own credit risk will create or enlarge the accounting mismatch in profit or loss in accordance with (i), the Group shall recognise the entire gain or loss of the financial liabilities (including the amount of the impact of changes in its own credit risk) in profit or loss. When the financial liabilities designated as measured at FVPL is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from other comprehensive income to retained earnings.

Financial assets measured at FVOCI

Impairment losses, foreign exchange differences, and interest income calculated using the effective interest method of debt instruments measured at FVOCI are recognised in profit or loss. All other fair value changes are recognised in other comprehensive income. Upon derecognition of these debt instruments, the cumulative gains or losses previously recognised in other comprehensive income are reclassified from other comprehensive income to profit or loss.

The Group designates certain non-trading equity instruments as financial assets measured at FVOCI, and only recognises dividend income (excluding dividends explicitly recognised as a recovery of investment cost) in profit or loss. Subsequent changes in fair value are recognised in other comprehensive income, with no need for impairment provisions. Upon derecognition of these financial assets, the cumulative gains or losses previously recognised in other comprehensive income are reclassified from other comprehensive income to retained earnings.

Financial assets measured at amortised cost

The amortised cost of a financial asset should be measured at the amount initially recognised after the following adjustments: (i) deducting the repaid principal; (ii) adding or subtracting the cumulative amortisation using the effective interest method of any difference between that amount initially recognised and the maturity amount; (iii) the loss provision for the accumulated accrual.

For financial assets measured at amortised cost, a gain or loss is recognised in profit or loss when the financial asset is derecognised or impaired, or amortised.

Effective interest rate

The effective interest rate is the rate that exactly discount estimated future cash payments or receipts through the expected life of the financial asset to the carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance). The calculation does not consider expected credit losses but includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate.

The Group determines interest income based on the gross carrying amount of financial assets multiplied by the effective interest rate, except (i) for purchased or originated credit impaired financial assets, the interest income shall be determined by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition; (ii) for financial assets that are not purchased or originated credit impaired financial assets but subsequently have become credit impaired financial assets, the interest income shall be determined by applying the effective interest rate to the amortised cost of the financial asset in subsequent reporting periods. If the financial instrument is no longer credit-impaired due to the improvement of its credit risk in the subsequent period, and this improvement can be objectively related to an event that occurs after the application of the above provisions, interest income should be recalculated using the effective interest rate multiplied by the gross carrying amount of the financial assets.

Credit-adjusted effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial asset to the amortised cost of a financial asset that is a purchased or originated credit-impaired financial asset. When calculating the credit-adjusted effective interest rate, an entity shall estimate the expected cash flows by considering all contractual terms of the financial asset (for example, prepayment, extension, call and similar options) and initial expected credit losses.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

4 Material accounting policies and significant accounting estimates (continued)

(3) Financial instruments (continued)

(f) Impairment

At the end of the reporting period, the Group performs impairment assessment and recognises loss provisions based on expected credit loss on debt instruments measured at amortised cost and FVOCI, as well as loan commitments and financial guarantee contracts.

The expected credit loss refers to the weighted average of the credit losses of financial instruments that are weighted by the risk of default. Credit loss refers to the difference between all contractual cash flows receivable in accordance with the contract and all cash flows expected to be received discounted at the original effective interest rate by the Group, that is, the present value of all cash shortages. Among them, credit-impaired financial assets that have been purchased or originated by the Group shall be discounted according to the credit-adjusted effective interest rate of the financial assets.

The Group's method of measuring expected credit losses of financial instruments reflects the following elements: (i) an unbiased and probability-weighted average amount that is determined by evaluating a range of possible outcomes; (ii) the time value of money; (iii) the reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions, and forecasts of future economic conditions.

At the end of each reporting period, the Group measures the expected credit losses ("ECL") of financial instruments at different stages and recognises its loss provision and its changes in the following cases: the financial instrument is in Stage 1 if the credit risk of the financial instrument has not increased significantly since the initial recognition, and the Group measures its loss provision based on the amount of expected credit loss of the financial instrument in the next 12 months; the financial instrument is in Stage 2 if the credit risk of the financial instrument has increased significantly since the initial recognition but are not yet credit-impaired and the Group measures its loss provision based on the amount of lifetime expected credit loss of the financial instrument; the financial instrument is in Stage 3 if the financial instrument has been credit impaired, and the Group measures its loss provision based on the amount of lifetime expected credit loss of the financial instrument. Regardless of whether the Group's assessment of credit losses is based on a single financial instrument or a combination of financial instruments, the increase or reversal of the loss provision resulting therefrom should be included in profit or loss as an impairment loss or gain.

For debt instruments measured at FVOCI, the Group recognises the allowance of impairment in other comprehensive income and impairment losses or gains in profit or loss, which should not change the book value of the financial assets set out in the statement of financial position.

For loss provision measured at the amount equivalent to the lifetime expected credit loss of the financial instrument previously, if, at the end of the current reporting period, the financial instrument is no longer having significant increase in credit risk since the initial recognition, the Group measures its loss provision based on the amount of its expected credit losses for the next 12 months, and recognises the resulting reversal of the loss provision as an impairment gain in profit or loss.

For financial assets that have been considered as purchased or originated credit impaired, the Group only recognises cumulative changes in lifetime expected credit losses after initial recognition at the end of the reporting period as loss provision. At the end of each reporting period, the Group recognises the amount of the change in lifetime expected credit losses as an impairment loss or gain in profit or loss.

(g) Write-offs

When the Group determines that a loan has no reasonable prospect of recovery after the Group has completed all the necessary legal or other proceedings, the loan is written off against its allowance for impairment losses. If in a subsequent period the loan written off is recovered, the amount recovered will be recognised in profit or loss through credit impairment losses.

4 Material accounting policies and significant accounting estimates (continued)

(3) Financial instruments (continued)

(h) Modification of contracts

If the renegotiation or modification of a contract between the Group and a counterparty does not result in derecognition of the financial assets, but leads to changes in contractual cash flows, the Group recalculates the gross carrying amount of the financial asset and the related gain or loss is recognised in profit or loss. The recalculated gross carrying amount of the financial asset is determined based on the present value of the renegotiated or modified contractual cash flows discounted at the financial asset's original effective interest rate. The Group assesses whether a significant increase in credit risk has occurred, by comparing the risk of a default occurring under revised terms as at the end of the reporting period with that as at the date of initial recognition under original terms.

(i) Fair value measurement

If there is an active market for a financial instrument, then the fair value of that financial instrument is determined based on quoted price from an active market without any deduction for transaction costs that may occur on future sales or disposals. A quoted price is from an active market where price information is readily and regularly available from an exchange, dealer, industry group or pricing service agency and that price information represents actual and regularly occurring orderly transactions.

If a quoted market price is not available, the fair value of the financial instruments is estimated using valuation techniques. Valuation techniques applied include the price used by market participants in an orderly transaction, reference to the fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. The Group selects valuation techniques that are commonly accepted by market participants for pricing the instruments and these techniques have been demonstrated to provide reliable estimates of prices obtained in actual market transactions. Periodically, the Group reviews the valuation techniques and tests them for validity.

(j) Offsets

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position when the Group has a legally enforceable right to offset the recognised amounts and the transactions are intended to be settled on a net basis or by realising the asset and settling the liability simultaneously.

(k) Securitisations

The Group securitises certain loans, which generally involves the sale of these assets to structured entities, which in turn issue securities to investors. Interests in the securitised financial assets may be retained in the form of credit enhancement or subordinated tranches, or other residual interests ("retained interests"). Gains or losses on securitisation are the difference between the carrying amount of the derecognised financial assets and the consideration received (including retained interest) which is recognised in profit or loss.

(l) Financial assets held under resale agreements and financial assets sold under repurchase agreements

Financial assets held under resale agreements are transactions where the Group acquires financial assets which will be resold at a predetermined price at a future date under resale agreements. Financial assets sold under repurchase agreements are transactions where the Group sells financial assets which will be repurchased at a predetermined price at a future date under repurchase agreements.

The cash paid or received is recognised as financial assets held under resale agreements or sold under repurchase agreements in the statement of financial position. Assets held under resale agreements are not recognised. Assets sold under repurchase agreements continue to be recognised in the statement of financial position.

The differences between the purchase and resale considerations, and that between the sale and repurchase considerations, are amortised over the period of the respective transaction using the effective interest method and are included in interest income and interest expenses respectively.

(4) Precious metals

Precious metals comprise gold and other precious metals. Precious metals acquired by the Group for trading purposes are initially recognised at fair value on the date of acquisition and measured subsequently at fair value with any changes recorded in profit or loss. Precious metals that are not acquired by the Group principally for trading purpose are carried at lower of cost and net realisable value.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

4 Material accounting policies and significant accounting estimates (continued)

(5) Fixed assets and Construction in progress

Fixed assets are assets held by the Group for the conduct of business and are expected to be used for more than one year. Construction in progress is transferred to fixed assets when ready for its intended use.

(a) Cost

Fixed assets are initially recognised at cost, except for the fixed assets and construction in progress obtained from the former CCB by the Bank which were recognised at the revalued amount as cost on the date of restructuring. The cost of a purchased fixed asset comprises the purchase price, related taxes, and any directly attributable expenditures for bringing the asset to working condition for its intended use. The cost of a self-constructed fixed asset comprises those expenditures necessarily incurred for bringing the asset to working condition for its intended use.

Where the individual components of an item of fixed assets have different useful lives or provide benefits to the Group in different patterns thus necessitating use of different depreciation rates or methods, they are recognised as separate fixed assets.

Subsequent costs, including the cost of replacing part of an item of fixed assets, are recognised in the carrying amount of the item if the recognition criteria are satisfied, and the carrying amount of the replaced part is derecognised. Expenditures relating to ordinary maintenance of fixed assets are recognised in profit or loss as incurred.

The cost of construction in progress is determined based on actual construction expenditures, which include all necessary construction expenses and other related expenses incurred during construction.

(b) Depreciation and impairment

Depreciation is calculated to write off through profit or loss the cost of items of fixed assets, less their estimated residual value, if any, using the straight-line method over their estimated useful lives. Impaired fixed assets are depreciated net of accumulated allowance for impairment losses.

The estimated useful lives, net residual value rates and annual depreciation rates of respective fixed assets are as follows:

Types of assets	Estimated useful lives	Estimated net residual value rates	Annual depreciation rates
Bank premises	8-50 years	0%–5%	1.9%–12.5%
Equipment	2-20 years	0%–5%	4.8%–50.0%
Aircraft and vessels, etc	7-25 years	5%	3.8%–13.6%
Others	2-20 years	0%–5%	4.8%–50.0%

Aircraft and vessels, etc, include aircraft, vessels, shield machines and other fixed assets used for operating leases

The Group reviews the estimated useful life and estimated net residual value rates of a fixed asset and the depreciation method applied at least once a financial year.

Impairment losses on fixed assets are accounted for in accordance with the accounting policies as set out in Note 4(13).

(c) Disposal

Gains or losses arising from the retirement or disposal of a fixed asset are determined as the difference between the net disposal proceeds and the carrying amount of the fixed asset and are recognised in profit or loss on the date of retirement or disposal.

4 Material accounting policies and significant accounting estimates (continued)

(6) Lease

Identification of leases

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Group assesses whether, throughout the period of use, the customer has both of the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset.

Assessment of the lease term

The lease term is the non-cancellable period of a lease for which the Group has the right to use an underlying asset. If the Group has an option to extend the lease, that is, the Group has the right to extend the lease, and is reasonably certain to exercise that option, the lease term also includes periods covered by an option to extend the lease. If the Group has an option to terminate the lease, that is, the Group has the right to terminate the lease, but is reasonably certain not to exercise that option, the lease term includes periods covered by an option to terminate the lease. The Group reassesses whether it is reasonably certain to exercise an extension option, purchase option, or not to exercise a termination option, upon the occurrence of either a significant event or a significant change in the circumstances that is within the control of the Group and affects whether the Group is reasonably certain to exercise an option not previously included in its determination of the lease term.

As lessee

The Group recognises lease liabilities and right-of-use assets, except for short-term leases and leases of low-value assets.

Right-of-use assets

The right-of-use assets of the Group mainly include bank premises and other equipment.

At the commencement date of the lease, the Group recognises a right-of-use asset. Right-of-use assets are initially measured at cost. The cost of the right-of-use asset comprises: (i) the amount of the initial measurement of the lease liability; (ii) any lease payments made at or before the commencement date of the lease less any lease incentives received; (iii) any initial direct cost incurred; and (iv) an estimate of costs incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease. The right-of-use assets are depreciated on a straight-line basis subsequently by the Group. If the Group is reasonably certain that the ownership of the underlying asset will be transferred to the Group at the end of the lease term, the Group depreciates the asset from the commencement date to the end of the useful life of the asset. Otherwise, the Group depreciates the assets from the commencement date to the earlier of the end of the useful life of the asset or the end of the lease term.

Lease liabilities

At the commencement date of the lease, the Group measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease.

In calculating the present value of the lease payments, the Group uses the interest rate implicit in the lease as the discount rate. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate. The Group calculates the interest expenses of the lease liability in each period during the lease term using the constant periodic rate of interest, and recognises such interest expenses in profit or loss, except those in the costs of the related asset as required. Variable lease payments that are not included in the measurement of the lease liabilities are recognised in profit or loss as incurred, except those in the costs of the related asset as required.

After the lease commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for lease payments made. In the event that there is a change in: (i) the in-substance fixed lease payments; (ii) the amounts expected to be payable under a residual value guarantee; (iii) future lease payments resulting from a change in an index or a rate used to determine those payments; (iv) the assessment results or actual exercise of an option to purchase, extend or terminate the underlying asset, the Group remeasures its lease liabilities at the present value of lease payments after the changes have been made and adjusts the carrying amount of the right-of-use assets accordingly. If there is a need to further reduce lease liabilities when the carrying amount of right-of-use assets is already reduced to zero, the Group recognises the additional amount in profit or loss.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

4 Material accounting policies and significant accounting estimates (continued)

(6) Lease (continued)

As lessee (continued)

Short-term leases and leases of low-value assets

The Group considers a lease that, at the commencement date of the lease, has a lease term of 12 months or less, and does not contain any purchase option as a short-term lease; and a lease of the individual underlying asset with low value, when new, as a lease of low-value assets. The Group recognises lease payments on short-term leases and leases of low-value assets in the costs of the related asset or profit or loss on a straight-line basis over the lease term.

Lease modifications

Lease modification is a change in the scope of a lease, the consideration or the term for a lease, that was not part of the original terms and conditions of the lease, for example, adding or terminating the right to use one or more underlying assets, or extending or shortening the contractual lease term.

The Group accounts for a lease modification as a separate lease if both:

(a) the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

(b) the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, at the effective date of the lease modification the Group remeasures the lease liability by discounting the revised lease payments using a revised discount rate. The revised discount rate is determined as the interest rate implicit in the lease for the remainder of the lease term, or the lessee's incremental borrowing rate at the effective date of the modification, if the interest rate implicit in the lease cannot be readily determined.

For a lease modification that is not accounted for as a separate lease, the Group accounts for the remeasurement of the lease liability by:

(a) decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease for lease modifications that decrease the scope or term of the lease, and recognising the gain or loss relating to the partial or full termination of the lease in profit or loss; or

(b) making a corresponding adjustment to the right-of-use asset for all other lease modifications.

Lessee's incremental borrowing rate

If the interest rate implicit in the lease cannot be readily determined, the Group measures the lease liability at the present value of the lease payments discounted using the lessee's incremental borrowing rate. According to the economic environment, the Group takes the observable interest rate as the reference basis for determining the incremental borrowing rate, then adjusts the observable interest rate based on its own circumstances, underlying assets, lease terms and amounts of lease liabilities to determine the applicable incremental borrowing rate.

As lessor

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset, except that a lease is classified as an operating lease at the inception date. The Group, as an intermediate lessor, classifies the sublease by reference to the right-of-use asset arising from the head lease.

As lessor of a finance lease

At the commencement date of the lease, the Group recognises finance lease payments receivable and derecognises finance lease assets. The Group presents lease payments receivable at an amount equal to the net investment in the lease for the initial measurement. The net investment in the lease is the sum of any unguaranteed residual value accruing to the lessor and at the commencement date of the lease the lease payments receivable by a lessor under a finance lease discounted at the interest rate implicit in the lease, including the initial direct costs.

The Group recognises interest income over the lease term, based on a pattern reflecting a constant periodic rate of return on its net investment in the lease. Variable lease payments received by the Group that are not included in the measurement of the net investment in the lease are recognised in profit or loss as incurred.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

4 Material accounting policies and significant accounting estimates (continued)

(6) Lease (continued)

As lessor (continued)

As lessor of a finance lease (continued)

The Group accounts for a modification to a finance lease as a separate lease if both:

(a) the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

(b) the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a modification to a finance lease that is not accounted for as a separate lease, the Group accounts for the modification as follows:

(a) if the lease would have been classified as an operating lease had the modification been in effect at the inception date, the Group accounts for the lease modification as a new lease from the effective date of the modification, and measures the carrying amount of the underlying asset as the net investment in the lease immediately before the effective date of the lease modification; or

(b) if the lease would have been classified as a finance lease had the modification been in effect at the inception date, the Group accounts for the lease modification in accordance with the requirements in Note 4(3) on the contract modifications or re-negotiation.

As lessor of an operating lease

Rent income under an operating lease is recognised on a straight-line basis over the lease term, through profit or loss. The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

Sale and leaseback transactions

As lessor

If the transfer of an asset satisfies the requirements to be accounted for as a sale of the asset, the Group, as a lessor, accounts for the purchase of the asset and for the lease applying the accounting requirements set forth; and if the transfer of an asset does not satisfy the requirements to be accounted for as a sale of the asset, the Group, as a lessor, does not recognise the transferred asset and recognises a financial asset equal to the transfer proceeds. The Group accounts for the financial asset applying Note 4(3).

(7) Investment properties

Investment properties are properties held to earn rental income and/or for capital appreciation. Investment properties include land use rights leased out, land use rights held for transfer upon capital appreciation, and buildings leased out.

An investment property is measured initially at cost. If the economic benefits relating to an investment property will probably flow in and the cost can be reliably measured, subsequent costs incurred for the property are included in the cost of the investment property. Otherwise, subsequent costs are recognised in profit or loss as incurred.

The Group adopts the cost model for subsequent measurement of investment properties. Depreciation is calculated using the straight-line method to write off to profit or loss the cost of investment properties, less their estimated residual value, if any, over their estimated useful lives. Impaired investment properties are depreciated net of accumulated impairment losses.

The estimated useful life, estimated net residual value rate and annual depreciation rate of the Group's investment properties are as follows:

Types of assets	Estimated useful life	Estimated net residual value rate	Annual depreciation rate
Premises	20-35 years	3%–5%	2.8%–4.9%
Others	5-8 years	0%–3%	12.5%–19.4%

The amortisation period of land use rights is shown in Note 4(8).

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

4 Material accounting policies and significant accounting estimates (continued)

(8) Land use rights

Land use rights are initially recognised at cost. The land use rights obtained from the former CCB by the Bank on the date of restructuring were recorded at the revalued amount. The useful lives of the Group's land use rights generally range from 30 to 70 years, over which the cost of land use rights is amortised on a straight-line basis and charged to profit or loss. Impaired land use rights are amortised net of accumulated allowance for impairment losses.

Impairment losses on land use rights are accounted for in accordance with the accounting policies as set out in Note 4(13).

(9) Intangible assets

Software and other intangible assets are initially recognised at cost. The cost less estimated residual values, if any, of the intangible assets is amortised on a straight-line basis over their useful lives, and charged to profit or loss. The useful lives of intangible assets are determined based on contracts, legal requirements or the period over which future economic benefits can be realised. Impaired intangible assets are amortised net of accumulated allowance for impairment losses.

Impairment losses on intangible assets are accounted for in accordance with the accounting policies as set out in Note 4(13).

The Group classifies the expenditures on an internal research and development project into expenditure on the research phase and expenditure on the development phase. Expenditure on the research phase is recognised in profit or loss as incurred. Expenditure on the development phase is capitalised only when the Group can demonstrate all of the following: (i) the technical feasibility of completing the intangible asset so that it will be available for use or sale; (ii) the intention to complete the intangible asset and use or sell it; (iii) how the intangible asset will generate probable future economic benefits (among other things, the Group can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset); (iv) the availability of adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset; and (v) the ability to measure reliably the expenditure attributable to the intangible asset during the development phase. Expenditure on the development phase which does not meet these above criteria is recognised in profit or loss when incurred.

(10) Goodwill

Goodwill represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets. Goodwill is not amortised. Goodwill arising from a business combination is allocated to each cash-generating unit ("CGU") or group of CGUs, that is expected to benefit from the synergies of the combination. The Group performs an impairment test on goodwill at least annually.

Any excess of the Group's interest in the net fair value of the acquiree's identifiable net assets over the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree is recognised immediately in profit or loss.

On disposal of the related CGU or group of CGUs, any attributable amount of goodwill net of allowances for impairment losses, if any, is included in the calculation of the profit or loss on disposal.

Impairment loss on goodwill is accounted for in accordance with the accounting policies as set out in Note 4(13).

(11) Repossessed assets

To recover impaired loans and advances, the Group may go through court proceedings or have debtors, guarantors or a third person voluntarily hand over the rights of ownership of the assets. Repossessed assets in the form of financial assets are recognised and presented as the appropriate class of financial assets based on the business models and contractual cash flow characteristics, and repossessed assets that are not financial assets are recognised and reported in "other assets" in the balance sheet when the Group intends to achieve an orderly realisation of the impaired assets and the Group is no longer seeking repayment from the borrower.

The Group measures repossessed assets in the form of financial assets at fair value upon initial recognition, and records any taxes payable, advance payment for litigation fees, tax arrears and other transaction costs incurred to obtain repossessed assets in profit or loss or into the initial book value, respectively, depending on the type of financial assets. Repossessed assets that are not financial assets are initially recognised at the fair value of the rights given up by creditors, and the Group records any taxes payable, advance payment for litigation fees, tax arrears and other transaction costs incurred to obtain the repossessed assets into the book value of repossessed assets.

Repossessed assets that are not financial assets are recognised at book value less allowances for impairment losses measured in accordance with the accounting policies as set out in Note 4(13).

4 Material accounting policies and significant accounting estimates (continued)

(12) Non-current assets or disposal groups held for sale

The Group classifies a non-current asset or disposal group as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. An asset or disposal group is classified as held for sale if the following criteria are simultaneously met: it must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets or disposal groups and the sale must be highly probable, i.e., the Group has passed a resolution on a plan to sell the asset or disposal group and obtained a firm purchase commitment with the sale expected to be completed within one year. (The Group has obtained approval from relevant authority or regulators where relevant regulations require such approval before the sale can be made.) If the Group loses control over the subsidiary due to the sale of its investments in the subsidiary, when the criteria are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale, it shall classify its investments in the subsidiary as held for sale in the standalone financial statements, and all assets and liabilities of that subsidiary as held for sale in the consolidated financial statements.

The Group shall recognise an impairment loss for any initial or subsequent write-down of non-current asset or disposal group held for sale (except financial assets, deferred tax assets, etc.) to fair value less costs to sell and record it in profit or loss of the current period and recognise an impairment provision for held for sale asset or disposal group. Non-current asset or disposal group held for sale are not subject to depreciation or amortisation and are not accounted for using the equity method.

(13) Allowances for impairment losses on assets

The Group determines the impairment of long-term equity investments and non-financial assets such as fixed assets, construction in progress, right-of-use assets and intangible assets, using the following methods:

The Group assesses at the end of the reporting period whether there is any indication that assets may be impaired. If any indication exists that an asset may be impaired, the Group estimates the recoverable amount of the asset.

If there is any indication that an asset may be impaired and it is not possible to estimate the recoverable amount of an individual asset, the Group determines the recoverable amount of the CGU to which the asset belongs.

CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash flows from other assets or groups of assets.

The recoverable amount of an asset (or CGU, group of CGUs) is the higher of its fair value less costs of disposal and the present value of the expected future cash flows. The Group considers all relevant factors in estimating the present value of future cash flows, such as the expected future cash flows, the useful life and the discount rate.

(a) Impairment test for CGU containing goodwill

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to the CGU or group of CGUs that is expected to benefit from the synergies of the combination.

A CGU or group of CGUs to which goodwill has been allocated is tested for impairment by the Group at least annually, or whenever there is an indication that the CGU or group of CGUs are impaired, by comparing the carrying amount of the CGU or group of CGUs, including the goodwill, with the recoverable amount of the CGU or group of CGUs. At the time of impairment testing of a CGU or group of CGUs to which goodwill has been allocated, there may be an indication of an impairment of an asset within the CGU containing the goodwill. In such circumstances, the Group tests the asset for impairment first, and recognises any impairment loss for that asset before testing for impairment on the CGU containing the goodwill. Similarly, there may be an indication of an impairment of a CGU within a group of CGUs containing the goodwill. In such circumstances, the Group tests the CGU for impairment first, and recognises any impairment loss for that CGU, before testing for impairment the group of CGUs to which the goodwill is allocated.

(b) Impairment loss

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is recognised as an impairment loss and charged to profit or loss.

For a CGU or a group of CGUs, the amount of impairment loss firstly reduces the carrying amount of any goodwill allocated to the CGU or group of CGUs, and then reduces the carrying amount of other assets (other than goodwill) within the CGU or group of CGUs, pro rata on the basis of the carrying amount of each asset.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

4 Material accounting policies and significant accounting estimates (continued)

(13) Allowances for impairment losses on assets (continued)

(c) *Reversing an impairment loss*

If, in a subsequent period, the amount of impairment loss of the non-financial asset except for goodwill decreases and the decrease can be linked objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss. A reversal of impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior periods.

An impairment loss in respect of goodwill is not reversed.

(14) Employee benefits

Employee benefits are all forms of consideration given and compensations incurred by the Group in exchange for services rendered by employees or the termination of the employment relationship. Except for termination benefits, employee benefits are recognised as a liability in the period in which the associated services are rendered by its employees, with a corresponding increase in cost of relevant assets or the expenses in profit or loss. Where payment or settlement is deferred and the effect of discount would be material, these amounts are stated at their present values in the statement of financial position.

(a) *Post-employment benefits*

The Group divides post-employment benefit plans into defined contribution plans and defined benefit plans. Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions. Defined benefit plans are post-employment benefit plans other than defined contribution plans. For defined contribution plans, the Group pays contributions to basic retirement insurance, annuity scheme and unemployment insurance for the employees during the reporting period, while defined benefit plans are mainly supplementary retirement benefits.

Defined contribution retirement schemes

Pursuant to the relevant laws and regulations in the PRC, employees in the Chinese mainland have joined defined contribution retirement schemes for the employees arranged by local government labour and security authorities. The Group makes contributions to the retirement schemes at the applicable rates based on the amounts stipulated by the local government organisations. The contributions are charged to profit or loss on an accrual basis. When employees retire, the local government labour and security authorities are responsible for the payment of the basic retirement benefits to the retired employees.

Annuity contributions

In addition to the statutory provision contributions, the Bank's employees have joined the annuity scheme set up by the Bank under "CCBC Annuity Scheme" (the "scheme") in accordance with state enterprise annuity regulations. The Bank has made annuity contributions in proportion to its employees' gross wages, which are expensed in profit or loss when the contributions are made.

Supplementary retirement benefits

The Group pays supplementary retirement benefits for its employees in the Chinese mainland who retired on or before 31 December 2003 in addition to the contributions made to statutory insurance schemes. Such supplementary retirement benefits are defined benefit plans.

The Group's obligations in respect of supplementary retirement benefits are calculated by estimating the amount of obligations that the Group is committed to pay to the employees after their retirement using actuarial techniques. At the end of each reporting period, such obligations are discounted with interest yield of government bonds with similar duration. The service cost and net interest from the supplementary retirement benefits are recognised in profit or loss, and the remeasurements are recognised in other comprehensive income.

The liability recognised in the statement of financial position in respect of supplementary retirement benefits is the present value of supplementary retirement benefit obligations at the end of the reporting period less the fair value of plan assets.

(b) *Termination benefits*

Where the Group terminates the employment relationship with employees before the end of the employment contracts or provides compensation as an offer to encourage employees to accept voluntary redundancy, a provision is recognised for the compensation arising from termination of employment relationship, through profit or loss. The Group is required to recognise termination benefits at the earlier of when it can no longer withdraw an offer of those benefits and when it recognises any related restructuring costs.

4 Material accounting policies and significant accounting estimates (continued)

(14) Employee benefits (continued)

(c) Early retirement expenses

The Group recognises the present value of all its liabilities to employees who voluntarily agreed to retire early. The early retirement benefit payments are made by the Group from the date of early retirement to the regulated retirement date. Differences arising from changes in assumptions and estimates of the present value of the liabilities are recognised in profit or loss as incurred.

(d) Staff incentive plan

As approved by the Board of Directors, for the purposes of providing incentives and rewards to eligible employees for their past services, the Group awards a specified amount of staff compensation to the staff incentive plan independently managed by a designated staff committee for those eligible participating employees. The Group recognises its contribution to the plan when it has a present legal or constructive obligation to make such payment and a reliable estimate of the obligation can be made.

(15) Insurance contracts

The Group identifies portfolios of insurance contracts as contracts subject to similar risks and are managed together. The Group further divides portfolios of insurance contracts into groups of insurance contracts and uses groups of insurance contracts as units of account. The Group's approaches for insurance contract measurement include the general measurement model, the special measurement approach ("variable fee approach") for groups of insurance contracts with direct participation features, and the simplified approach ("premium allocation approach"). The Group makes the accounting policy choice of disaggregating insurance finance income or expenses for the period between profit or loss and other comprehensive income.

General measurement model

The Group measures insurance contract liabilities on the initial recognition of a group of insurance contracts at the total of fulfilment cash flows and contractual service margin.

On initial recognition of a group of insurance contracts, the Group measures the total of: the fulfilment cash flows; the cash flows related to asset for insurance acquisition cash flows, and any other asset or liability derecognised at that date; cash flows arising from the contracts in the group at that date. If the total represents a net cash inflow, the Group recognises that as a contractual service margin; if it represents a net cash outflow, the Group recognises that as a loss in profit or loss of the period.

The insurance contract liability is subsequently measured by the Group at the end of the reporting period at the total of the liability for remaining coverage and the liability for incurred claims.

For insurance contracts without direct participation features, the carrying amount of the contractual service margin of a group of contracts at the end of the reporting period are determined as the carrying amount at the start of the period after required adjustments.

The Group rationally determines the coverage units of the group of contracts in each period of the coverage period based on the pattern of provision of insurance contract services, and recognises insurance revenue accordingly over the current and future periods by amortizing the adjusted carrying amount of the contractual service margin.

Variable fee approach

The Group adopts the variable fee approach for insurance contracts with direct participation features. The Group estimates the fulfilment cash flows of the groups of insurance contracts with direct participation features at the difference between the fair value of the underlying items and the variable fee. For insurance contracts with direct participation features, the carrying amount of the contractual service margin of a group of contracts at the end of the reporting period equals the carrying amount at the start of the reporting period after required adjustments.

Premium allocation approach

For insurance contracts meeting criteria, the Group may simplify the measurement of a group of insurance contracts adopting the premium allocation approach ("PAA"). Adopting the premium allocation approach, on initial recognition, the carrying amount of the liability for remaining coverage is the premiums received, minus any insurance acquisition cash flows at that date, and minus (or plus) any amount arising from the derecognition at that date of any asset for insurance acquisition cash flows and any other related asset or liability. At the end of the reporting period, the carrying amount of the liability for remaining coverage is the carrying amount at the start of the reporting period plus the premiums received in the period, minus insurance acquisition cash flows in the period, plus any amounts relating to the amortisation of insurance acquisition cash flows recognised as insurance service expenses and any adjustment to a financing component in the period, minus the amount recognised as insurance revenue for services provided in that period, and minus any investment component paid or transferred to the liability for incurred claims in the period.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

4 Material accounting policies and significant accounting estimates (continued)

(16) Provisions and contingent liabilities

A provision is recognised in the statement of financial position if, as the result of a past event, the Group has a present legal or constructive obligation that can be reliably estimated and it is probable that an outflow of economic benefits will be required to settle the obligation. A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Factors pertaining to a contingency such as the risks, uncertainties and time value of money are taken into account as a whole in reaching the best estimate. Where the effect of the time value of money is material, the best estimate is determined by discounting the related future cash outflows.

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.

(17) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. A financial instrument issued is an equity instrument if, and only if, both conditions (i) and (ii) below are met: (i) The financial instrument includes no contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Group; and (ii) If the financial instrument will or may be settled in the Group's own equity instruments, it is a non-derivative instrument that includes no contractual obligations for the Group to deliver a variable number of its own equity instruments; or a derivative that will be settled only by the Group exchanging a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

(18) Financial guarantee contracts and loan commitments

A financial guarantee contract is a contract that requires the issuer 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 terms of a debt instrument.

Financial guarantee contracts are initially recognised at fair value on the date the guarantee was given. Subsequent to initial recognition, the Group's liabilities under such guarantees are measured at the higher of the initial amount, less amortisation of guarantee fees, and the best estimate of the loss provisions required to settle the guarantee. Any increase in the liability relating to guarantees is recognised in profit or loss.

The impairment allowance of loan commitments provided by the Group is measured by ECL. The Group has not provided any commitment to provide loans at a below-market interest rate, or that can be settled net in cash or by delivering or issuing another financial instrument.

For loan commitments and financial guarantee contracts, the loss allowance is recognised as a provision. However, for contracts that include both a loan and an undrawn commitment and the Group cannot separately identify the ECL on the undrawn commitment component from those on the loan component, the ECL on the undrawn commitment are recognised together with the loss allowance for the loan. To the extent that the combined allowance for ECL exceed the gross carrying amount of the loan, the ECL are recognised as a provision.

(19) Fiduciary and custody business

Asset custody business refers to a fee-based business of the Group, as an independent third party, enters into custody contracts with trustors, managers, or trustees in accordance with laws and regulations, maintains entrusted assets in accordance with the contracts, discharges rights and obligations as agreed in the custody contracts, provides custody services, and charges fiduciary and custody fees. The Group fulfils its fiduciary obligations and collects relevant fees in accordance with these contracts, and does not take up any risks and rewards related to the assets under custody, which are recorded as off-balance sheet items.

The Group conducts entrusted lending business, whereby it enters into entrusted loan agreements with customers. Under the terms of these agreements, the customers provide funding (the "entrusted funds") to the Group, and the Group grants loans (the "entrusted loans") to third parties according to the instructions of the customers. As the Group does not assume the risks and rewards of the entrusted loans and the corresponding entrusted funds, entrusted loans and funds are recorded as off-balance sheet items at their principal amounts and no allowance for impairment losses are made for these entrusted loans.

4 Material accounting policies and significant accounting estimates (continued)

(20) Revenue recognition

(a) Interest income

Interest income for debt instruments measured at amortised cost and fair value through other comprehensive income is recognised in profit or loss based on effective interest method. Interest income includes the amortisation of any discount or premium or other differences between the initial carrying amount of an interest-earning instrument and its amount at maturity calculated on an effective interest basis. The effective interest method is a method of calculating the amortised cost of financial assets and liabilities and of allocating the interest income and interest expense over the relevant period.

(b) Fee and commission income

Fee and commission income is recognised when the performance obligation is satisfied. For those services that are provided over a period of time, fee and commission income is accrued in accordance with the terms and conditions of the service agreement. For other services, fee and commission income is recognised when the transactions are completed.

(c) Dividend income

Dividend income from equity investments is recognised in profit or loss on the date when the Group's right to receive payment is established.

(21) Income tax

Current income tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantially enacted at the end of each reporting period, and any adjustment to tax payable in respect of previous periods. Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax also arises from unused tax losses and unused tax credits. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax losses and unused tax credits can be utilised.

Current income tax and movements in deferred tax balances are recognised in profit or loss except to the extent that they relate to items recognised in equity, in which case the relevant amounts of tax are recognised in equity, respectively.

At the end of each reporting period, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled according to the requirements of tax laws. The Group also considers the possibility of realisation and the settlement of deferred tax assets and deferred tax liabilities in the calculation.

Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if the Group has the legally enforceable right to offset current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity. Otherwise, the balances of deferred tax assets and deferred tax liabilities, and movements therein, are presented separately from each other and are not offset.

(22) Cash equivalents

Cash equivalents are short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(23) Profit distribution

Proposed dividends which are declared and approved after the end of each reporting period 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 reporting period in the note to the financial statements. Dividends payable are recognised as liabilities in the period in which they are approved.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

4 Material accounting policies and significant accounting estimates (continued)

(24) Related parties

If the Group has the power, directly or indirectly, to control, jointly control or exercise significant influence over another party, or vice versa, or where the Group and one or more parties are subject to common control or joint control from another party, they are considered to be related parties. Related parties may be individuals or enterprises. The Group's related parties include but are not limited to the following:

(a) the Bank's parents;

(b) the Bank's subsidiaries;

(c) other entities which are controlled by the Bank's parents;

(d) an investor who has joint control over the Group;

(e) an investor who can exercise significant influence over the Group;

(f) an associate of the Group;

(g) a joint venture of the Group;

(h) principal individual investors of the Group, and close family members of such individuals (principal individual investors are the individual investors who have the power, directly or indirectly, to control, jointly control or exercise significant influence over another party);

(i) key management personnel of the Group and close family members of such individuals (key management personnel represent those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director of that entity);

(j) key management personnel of the Bank's parents and close family members of such individuals;

(k) other entities that are controlled or jointly controlled by the Group's principal individual investors, key management personnel, or close family members of such individuals;

(l) a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group; and

(m) joint ventures and their subsidiaries, or associates and their subsidiaries, of other member units (including parent companies and subsidiaries) of the Bank's corporate group, joint ventures and their subsidiaries, or associates and their subsidiaries, of companies that exercise joint control over the Bank, joint ventures and their subsidiaries of the companies that have a significant influence on the Bank, subsidiaries of joint ventures, and subsidiaries of associates.

(25) Operating segments

The identification of operating segments of the Group is on the basis of internal reports that are regularly reviewed by the Group's chief operating decision makers in order to allocate resources to the segment and assess its performance. On the basis of the operating segments, the Group identifies the reportable segments, using a combination of factors including products and services, geographical areas, regulatory environments, which management has chosen for organisation. The operating segments that meet the specified criteria have been aggregated, and the operating segments that meet quantitative thresholds have been reported separately.

The amount reported for each operating segment item is the measure reported to the chief operating decision makers for the purposes of allocating resources to the segment and assessing its performance. Segment information is prepared in conformity with the accounting policies adopted for preparing and presenting the financial statements of the Group.

4 Material accounting policies and significant accounting estimates (continued)

(26) Significant accounting estimates and judgements

(a) *Classification of financial assets*

The Group's significant judgments in determining the classification of financial assets include the analysis of business models and contractual cash flow characteristics.

The Group determines the business model for the management of financial assets at the level of portfolios and considers the factors such as how the asset's performance is evaluated and reported to key management personnel, the risks affecting the performance of financial assets and the way in which financial assets are managed, and how managers of the business are compensated.

In assessing whether the contractual cash flows of financial assets are consistent with the basic lending arrangement, the Group uses the following key judgements: whether the principals may change because of the changes of time distribution or amount over the life due to reasons such as prepayment; whether the interest includes only the consideration for the time value of money, for credit risk, for other basic lending risks and costs, as well as a profit margin. For example, whether the amount prepaid reflects only the principal that has not yet been paid and the interest based on the outstanding principal, as well as reasonable compensation paid for the early termination of the contract.

(b) *Measurement of expected credit losses*

The measurement of expected credit loss for the investment in financial assets measured at amortised cost and debt instruments measured at FVOCI is an area that requires the use of complex models and significant assumptions about future macroeconomic conditions and credit behaviour (e.g. the likelihood of default by customers and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring expected credit losses is further detailed in Note 62(1).

A number of significant judgements are required in applying the accounting requirements for measuring expected credit losses, such as:

- Determining criteria for significant increase and credit-impaired in credit risk;
- Choosing appropriate models and assumptions for the measurement of expected credit losses;
- Determining the forward-looking information and weightings for different types of products when measuring expected credit losses; and
- Establishing groups of financial instruments with similar risk characteristics for the purpose of measuring expected credit losses.

Detailed information about the judgements and estimates made by the Group in the above areas is set out in Note 62(1) Credit risk.

(c) *Fair value of financial instruments*

The fair value of financial instruments that are traded in an active market is based on their quoted market prices in an active market at the valuation date. A quoted market price is a price from an active market where price information is readily and regularly available from an exchange or from a dealer quotation and where this price information represents actual and recurring orderly transactions.

For all other financial instruments, the Group determines fair values using valuation techniques which include discounted cash flow models, as well as other types of valuation model. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, foreign currency exchange rates, credit spreads and the liquidity premium. Where discounted cash flow techniques are used, estimated cash flows are based on management's best estimates and the discount rate used is a market rate at the end of each reporting period applicable for an instrument with similar terms and conditions. Where other pricing models are used, inputs are based on the maximising observable market data at the end of each reporting period. However, where market data is not available, the Group needs to make the best estimates on such unobservable market inputs.

The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants in an orderly transaction.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

4 Material accounting policies and significant accounting estimates (continued)

(26) Significant accounting estimates and judgements (continued)

(d) Income taxes

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The Group carefully evaluates the tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations. Deferred tax assets are recognised for tax losses not yet used and temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profits will be available against which the unused tax credits can be utilised, management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax assets to be recovered.

(e) Employee retirement benefit obligations

The Group has established liabilities in connection with benefits paid to certain retired employees. The amounts of employee benefit expense and liabilities are dependent on assumptions used in calculating such amounts. These assumptions include discount rates, pension benefit inflation rates, medical benefit inflation rates, and other factors. While management believes that its assumptions are appropriate, differences in actual experience or changes in assumptions may affect the Group's other comprehensive income and liability related to its employee retirement benefit obligations.

(f) Scope of consolidation

The Group has taken into consideration all facts and circumstances in the assessment of whether the Group, as an investor, controls the investee. The principle of control includes three elements: (i) power over the investee; (ii) exposure, or rights, to variable returns from involvement with the investee; and (iii) the ability to use power over the investee to affect the amount of the investor's returns. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

5 Taxation

The Group's main applicable taxes and tax rates are as follows:

Value added tax ("VAT")

Pursuant to the 'Circular on the Comprehensive Plan for Levying VAT in place of Business Tax' (Cai Shui [2016] No.36) jointly issued by the Ministry of Finance ("MOF") and the State Administration of Taxation, business tax that used to be levied on taxable income of the Bank and its subsidiaries in the Chinese mainland was replaced by VAT from 1 May 2016, and the main VAT rate is 6%.

City construction tax

City construction tax is calculated as 1% to 7% of VAT.

Education surcharge

Education surcharge is calculated as 3% of VAT.

Local education surcharge

Local education surcharge is calculated as 2% of VAT.

Income tax

The predominant income tax rate that is applicable to the Bank and its subsidiaries in the Chinese mainland is 25%. Taxation on overseas operations is charged at the relevant local rates. Tax paid on overseas operations is deducted to the extent allowed under the relevant income tax laws of the PRC.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

6 Net interest income

	2024	2023
Interest income arising from:		
Deposits with central banks	**44,878**	45,636
Deposits with banks and non-bank financial institutions	**5,063**	5,907
Placements with banks and non-bank financial institutions	**20,165**	19,771
Financial assets held under resale agreements	**16,761**	19,611
Financial investments	**289,788**	278,524
Loans and advances to customers		
– Corporate loans and advances	**509,093**	492,292
– Personal loans and advances	**342,270**	373,291
– Discounted bills	**13,539**	12,334
Total	**1,241,557**	1,247,366
Interest expense arising from:		
Borrowings from central banks	**(27,137)**	(23,785)
Deposits from banks and non-bank financial institutions	**(78,229)**	(63,187)
Placements from banks and non-bank financial institutions	**(19,502)**	(17,692)
Financial assets sold under repurchase agreements	**(4,119)**	(2,962)
Debt securities issued	**(63,860)**	(54,504)
Deposits from customers		
– Corporate deposits	**(205,143)**	(215,040)
– Personal deposits	**(253,685)**	(252,963)
Total	**(651,675)**	(630,133)
Net interest income	**589,882**	617,233

(1) Interest income from impaired financial assets is listed as follows:

	2024	2023
Impaired loans and advances	**3,309**	5,058
Other impaired financial assets	**108**	433
Total	**3,417**	5,491

(2) Interest expense on financial liabilities with maturity over five years mainly represented the interest expense on debt securities issued.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

7 Net fee and commission income

	2024	2023
Fee and commission income		
Settlement and clearing fees	36,705	37,637
Bank card fees	21,074	21,071
Commission on trust and fiduciary activities	17,057	18,389
Agency service fees	14,412	18,894
Income from asset management business	8,581	10,680
Consultancy and advisory fees	8,131	10,892
Others	11,980	12,343
Total	117,940	129,906
Fee and commission expense		
Bank card transaction fees	(6,530)	(6,593)
Inter-bank transaction fees	(1,111)	(1,245)
Others	(5,371)	(6,322)
Total	(13,012)	(14,160)
Net fee and commission income	104,928	115,746

8 Net trading gain

	2024	2023
Debt securities	3,599	4,134
Derivatives	1,158	1,360
Equity investments	(235)	(57)
Others	217	248
Total	4,739	5,685

9 Dividend income

	2024	2023
Dividend income from equity investments measured at fair value through profit or loss	5,721	5,701
Dividend income from equity investments measured at fair value through other comprehensive income	855	11
Total	6,576	5,712

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

10 Net gain/(loss) arising from investment securities

	2024	2023
Net loss related to financial liabilities designated as measured at fair value through profit or loss	**(5,995)**	(8,865)
Net gain related to other financial assets and liabilities measured at fair value through profit or loss	**13,253**	7,158
Net gain related to financial assets measured at fair value through other comprehensive income	**3,012**	1,375
Others	**608**	110
Total	**10,878**	(222)

11 Net gain on derecognition of financial assets measured at amortised cost

For the year ended 31 December 2024, net gain on derecognition of financial assets measured at amortised cost consisted mainly of gain from Group's disposal of bond investments and gain from asset-backed securities (For the year ended 31 December 2023, net gain on derecognition of financial assets measured at amortised cost consisted mainly of gain from asset-backed securities).

12 Other operating income, net

	2024	2023
Other operating income		
Insurance related income	**5,315**	4,783
Foreign exchange gains	**7,363**	3,247
Rental income	**8,502**	7,402
Others	**8,702**	9,791
Total	**29,882**	25,223
Other operating expense		
Insurance related costs	**(11,002)**	(13,502)
Others	**(11,304)**	(11,206)
Total	**(22,306)**	(24,708)
Other operating income, net	**7,576**	515

Foreign exchange gains or losses includes gains and losses in connection with the translation of foreign currency denominated monetary assets and liabilities, and net realised and unrealised gains and losses on foreign exchange derivatives (including those foreign exchange swaps, foreign exchange options and cross currency swaps entered into in order to economically hedge positions in foreign currency assets).

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

13 Operating expenses

	2024	2023
Staff costs		
– Salaries, bonuses, allowances and subsidies	**87,392**	84,618
– Defined contribution plans	**16,984**	16,319
– Housing funds	**8,166**	7,915
– Union running costs and employee education costs	**2,837**	3,389
– Early retirement benefits	**–**	5
– Compensation to employees for termination of employment relationship	**44**	9
– Others	**18,337**	15,768
	133,760	128,023
Premises and equipment expenses		
– Depreciation charges	**21,562**	21,289
– Rent and property management expenses	**3,882**	4,167
– Maintenance	**2,250**	2,594
– Utilities	**1,957**	1,997
– Others	**2,374**	2,403
	32,025	32,450
Taxes and surcharges	**8,263**	8,476
Amortisation expenses	**3,385**	3,495
Other general and administrative expenses	**46,346**	47,708
Total	**223,779**	220,152

In 2024, the Group's operating expenses related to actual research and development activities amounted to RMB7,068 million (2023: RMB7,191 million).

14 Credit impairment losses

	2024	2023
Loans and advances to customers	**118,938**	144,682
Financial investments		
– Financial assets measured at amortised cost	**6,007**	(7,468)
– Financial assets measured at fair value through other comprehensive income	**(2,077)**	(374)
Off-balance sheet credit business	**(4,838)**	(6,109)
Others	**2,670**	6,043
Total	**120,700**	136,774

15 Other impairment losses

	2024	2023
Other impairment losses	**298**	463

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

16 Directors' and supervisors' emoluments

The aggregate of the emoluments before individual income tax of directors and supervisors who held office during the year is as follows:

	2024				
	Fees RMB'000	Remuneration paid RMB'000	Contributions to defined contribution retirement schemes RMB'000	Other benefits in kind (Note (v)) RMB'000	Total (Note (i)) RMB'000
Executive directors					
Zhang Jinliang (Notes (ii) & (vi))	–	673	66	177	916
Zhang Yi (Notes (ii) & (vi))	–	448	45	127	620
Ji Zhihong (Note (vi))	–	605	66	170	841
Non-executive directors					
Tian Bo (Note (iii))	–	–	–	–	–
Xia Yang (Note (iii))	–	–	–	–	–
Liu Fang (Note (iii))	–	–	–	–	–
Li Lu (Note (iii))	–	–	–	–	–
Independent non-executive directors					
Graeme Wheeler	440	–	–	–	440
Michel Madelain	440	–	–	–	440
William Coen	400	–	–	–	400
Leung Kam Chung, Antony	410	–	–	–	410
Lord Sassoon	390	–	–	–	390
Lin Zhijun (Note (ii))	130	–	–	–	130
Supervisors					
Lin Hong (Note (vi))	–	1,048	66	230	1,344
Liu Jun (Note (iv))	50	–	–	–	50
Zhao Xijun	290	–	–	–	290
Liu Huan	270	–	–	–	270
Ben Shenglin	250	–	–	–	250
Former executive directors					
Tian Guoli (Notes (ii) & (vi))	–	168	16	39	223
Cui Yong (Notes (ii) & (vi))	–	–	–	–	–
Former non-executive directors					
Shao Min (Notes (ii) & (iii))	–	–	–	–	–
Former independent non-executive directors					
Kenneth Patrick Chung (Note (ii))	220	–	–	–	220
	3,290	2,942	259	743	7,234

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

16 Directors' and supervisors' emoluments (continued)

	2023			
	Annual remuneration payable (Allowances) RMB'000	Employer's contribution to social insurances, enterprise annuity, supplemental medical insurance and housing Provident fund RMB'000	Other monetary income RMB'000	Incentive income for 2021-2023 tenure RMB'000
Executive directors				
Zhang Jinliang (Notes (ii) & (vi))	919	211	–	430
Ji Zhihong (Note (vi))	827	205	–	692
Non-executive directors				
Shao Min (Notes (ii) & (iii))	–	–	–	–
Tian Bo (Note (iii))	–	–	–	–
Xia Yang (Note (iii))	–	–	–	–
Liu Fang (Note (iii))	–	–	–	–
Li Lu (Note (iii))	–	–	–	–
Independent non-executive directors				
Kenneth Patrick Chung (Note (ii))	440	–	–	–
Graeme Wheeler	440	–	–	–
Michel Madelain	430	–	–	–
William Coen	390	–	–	–
Leung Kam Chung, Antony	410	–	–	–
Lord Sassoon	98	–	–	–
Supervisors				
Lin Hong (Note (vi))	2,166	288	–	–
Liu Jun (Note (iv))	50	–	–	–
Zhao Xijun	290	–	–	–
Liu Huan	270	–	–	–
Ben Shenglin	250	–	–	–
Former executive directors				
Tian Guoli (Notes (ii) & (vi))	919	211	–	768
Cui Yong (Notes (ii) & (vi))	827	205	–	328
Former non-executive directors				
Xu Jiandong (Note (iii))	–	–	–	–
Former independent non-executive directors				
Malcolm Christopher McCarthy	205	–	–	–
Former supervisors				
Wang Yongqing (Note (vi))	689	157	–	704
Wang Yi (Note (iv))	17	–	–	–
	9,637	1,277	–	2,922

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

16 Directors' and supervisors' emoluments (continued)

Notes:

(i) The amounts of emoluments for the year ended 31 December 2024 in respect of the services rendered by the directors and supervisors are subject to the approval of the shareholders' general meeting.

(ii) Upon election of the Board and approval of the NFRA, Mr. Zhang Jinliang began to serve as chairman of the Board from March 2024. Upon election at the 2023 annual general meeting of the Bank, Mr. Zhang Yi began to serve as executive director of the Bank from June 2024. Upon election of the Board and approval of the NFRA, Mr. Zhang Yi began to serve as vice chairman of the Board from July 2024. Upon election at the 2023 annual general meeting of the Bank and approval of the NFRA, Mr. Lin Zhijun began to serve as independent non-executive director of the Bank from September 2024.

By reason of age, Mr. Tian Guoli ceased to serve as chairman and executive director of the Bank from March 2024. Due to change of job, Mr. Cui Yong ceased to serve as executive director of the Bank from January 2024. Due to change of job, Ms. Shao Min ceased to serve as non-executive director of the Bank from August 2024. Due to expiration of his term of office, Mr. Kenneth Patrick Chung ceased to serve as independent non-executive director of the Bank from June 2024.

(iii) The Bank did not need to pay the emoluments of non-executive directors appointed by Huijin for the services rendered in 2024 and 2023.

(iv) The amounts only included fees for their services as supervisors.

(v) Other benefits in kind included the Bank's contributions to medical fund, housing fund and other social insurances, which are payable to labour and security authorities based on the lower of certain percentage of the salaries and allowance or the prescribed upper limits as required by the relevant regulations issued by the government authorities. Other benefits also included the Bank's contribution to its own corporate annuity plan (which was set up in accordance with the relevant policies issued by the government authorities) and supplementary medical insurance.

(vi) The total compensation package for these directors and supervisors for the year ended 31 December 2024 has not yet been finalised in accordance with regulations of the PRC relevant authorities. The amount of the compensation not provided for is not expected to have a significant impact on the Group's financial statements for the year ended 31 December 2024. The final compensation will be disclosed in a separate announcement when determined.

The total compensation package for certain directors and supervisors for the year ended 31 December 2023 had not been finalised in accordance with regulations of the PRC relevant authorities as at the date that the 2023 financial statements were published. The aforesaid total compensation package for the directors and supervisors for the year ended 31 December 2023 was the final amount.

(vii) From 2015 onwards, remuneration of the Bank's leaders administered by central authorities has been paid in accordance with relevant policies relating to the central remuneration reform.

None of the directors and supervisors received any inducements or compensation for loss of office, or waived any emoluments during the years ended 31 December 2024 and 2023.

17 Individuals with highest emoluments

The five highest paid employees of the Group are all market-making personnel responsible for asset management business of the Bank's subsidiaries or personnel from the Bank's overseas entities. Their emoluments were determined based on prevailing market rates in respective countries (regions) where the subsidiaries are located. None of the five individuals with the highest emoluments are directors or supervisors whose emoluments are disclosed in Note 16. The aggregate of the emoluments before individual income tax of the five highest paid individuals during the year is as follows:

	2024 RMB'000	2023 RMB'000
Salaries and allowance	**18,267**	14,366
Variable compensation	**11,709**	19,367
Contributions to defined contribution retirement schemes	**2,547**	2,249
Other benefits in kind	**955**	1,225
Total	**33,478**	37,207

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

17 Individuals with highest emoluments (continued)

The numbers of these individuals whose emoluments before individual income tax are within the following bands is set out below:

	2024	2023
RMB5,000,001 – RMB5,500,000	1	–
RMB5,500,001 – RMB6,000,000	–	–
RMB6,000,001 – RMB6,500,000	2	1
RMB6,500,001 – RMB7,000,000	1	1
RMB7,000,001 – RMB7,500,000	–	–
RMB7,500,001 – RMB8,000,000	–	2
RMB8,000,001 – RMB8,500,000	–	1
RMB8,500,001 – RMB9,000,000	1	–

None of these individuals received any inducements or compensation for loss of office, or waived any emoluments during the years ended 31 December 2024 and 2023.

18 Income tax expense

(1) Income tax expense

	2024	2023
Current tax	53,439	65,995
– The Chinese mainland	51,012	62,866
– Hong Kong	1,172	1,295
– Other countries and regions	1,255	1,834
Deferred tax	(5,344)	(9,078)
Total	48,095	56,917

The provisions for income taxes for the Chinese mainland and Hong Kong are calculated at 25% and 16.5% of the estimated taxable income from the Chinese mainland and Hong Kong operations, respectively. Taxation for other overseas operations is charged at the appropriate current rates of taxation ruling in the relevant tax jurisdictions.

(2) Reconciliation between income tax expense and accounting profit

	Note	2024	2023
Profit before tax		384,377	389,377
Income tax calculated at the 25% statutory tax rate		96,094	97,344
Effects of different applicable rates of tax prevailing in other countries/regions		(504)	(767)
Non-deductible expenses and others	(a)	14,237	18,703
Non-taxable income	(b)	(61,732)	(58,363)
Income tax expense		48,095	56,917

(a) Non-deductible expenses primarily include non-deductible losses resulting from write-offs and impairment losses.

(b) Non-taxable income primarily includes interest income from PRC government bonds and local government bonds.

The Group has adopted a temporary mandatory exemption from the recognition and disclosure of deferred income taxes arising from the Pillar Two model rules in accordance with amendments to IAS 12. Before 31 December 2024, Pillar Two legislations were enacted in certain jurisdictions where the Group has operations and became effective successively from 1 January 2024. The aggregate top-up tax amount associated with Pillar Two model rules was not material to the Group's financial statements for the year ended 31 December 2024.

19 Earnings per share

Basic earnings per share for the years ended 31 December 2024 and 2023 have been computed by dividing the net profit attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the years.

For the purpose of calculating basic earnings per share, dividends on other equity instruments declared in respect of the period should be deducted from the amounts attributable to equity shareholders of the Bank.

The conversion feature of preference shares is considered to be contingently issuable ordinary shares. The triggering events of conversion did not occur for the years ended 31 December 2024 and 2023, therefore the conversion feature of preference shares has no effect on the basic and diluted earnings per share calculations.

	2024	2023
Net profit attributable to equity shareholders of the Bank	**335,577**	332,653
Less: Profit for the year attributable to other equity instruments holders of the Bank	**(7,108)**	(5,110)
Net profit attributable to ordinary shareholders of the Bank	**328,469**	327,543
Weighted average number of ordinary shares (in millions of shares)	**250,011**	250,011
Basic earnings per share attributable to ordinary shareholders of the Bank (in RMB yuan)	**1.31**	1.31
Diluted earnings per share attributable to ordinary shareholders of the Bank (in RMB yuan)	**1.31**	1.31

20 Cash and deposits with central banks

	Note	**31 December 2024**	31 December 2023
Cash		**46,691**	45,682
Deposits with central banks			
– Statutory deposit reserves	(1)	**2,206,678**	2,425,965
– Surplus deposit reserves	(2)	**259,529**	552,063
– Fiscal deposits and others		**57,283**	41,042
Accrued interest		**1,180**	1,306
Total		**2,571,361**	3,066,058

(1) The Group places statutory deposit reserves with the People's Bank of China ("PBOC") and overseas central banks where it has operations. The statutory deposit reserves are not available for use in the Group's daily business.

As at the end of the reporting period, the Bank's statutory deposit reserves rates in the Chinese mainland were as follows:

	31 December 2024	31 December 2023
Reserve rate for RMB deposits	**8.00%**	9.00%
Reserve rate for foreign currency deposits	**4.00%**	4.00%

The statutory RMB deposit reserve rates applicable to domestic subsidiaries of the Group are determined by the PBOC.

The amounts of statutory deposit reserves placed with the central banks of overseas countries and regions are determined by local jurisdictions.

(2) The surplus deposit reserves maintained with the PBOC is mainly for the purpose of clearing.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

21 Deposits with banks and non-bank financial institutions

(1) Analysed by type of counterparties

	31 December 2024	31 December 2023
Banks	**124,986**	131,935
Non-bank financial institutions	**29,083**	16,064
Accrued interest	**570**	379
Gross balances	**154,639**	148,378
Allowances for impairment losses (Note 36)	**(107)**	(160)
Net balances	**154,532**	148,218

(2) Analysed by geographical sectors

	31 December 2024	31 December 2023
The Chinese mainland	**117,985**	111,430
Overseas	**36,084**	36,569
Accrued interest	**570**	379
Gross balances	**154,639**	148,378
Allowances for impairment losses (Note 36)	**(107)**	(160)
Net balances	**154,532**	148,218

As at 31 December 2024 and 2023, all of the Group's deposits with banks and non-bank financial institutions were designated as Stage 1. For the years ended 31 December 2024 and 2023, neither the book values nor the impairment allowances had any migrations between stages.

22 Placements with banks and non-bank financial institutions

(1) Analysed by type of counterparties

	31 December 2024	31 December 2023
Banks	**317,922**	408,117
Non-bank financial institutions	**350,518**	263,148
Accrued interest	**4,866**	4,956
Gross balances	**673,306**	676,221
Allowances for impairment losses (Note 36)	**(431)**	(951)
Net balances	**672,875**	675,270

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

22 Placements with banks and non-bank financial institutions (continued)

(2) Analysed by geographical sectors

	31 December 2024	31 December 2023
The Chinese mainland	**523,623**	473,888
Overseas	**144,817**	197,377
Accrued interest	**4,866**	4,956
Gross balances	**673,306**	676,221
Allowances for impairment losses (Note 36)	**(431)**	(951)
Net balances	**672,875**	675,270

As at 31 December 2024 and 2023, all of the Group's placements with banks and non-bank financial institutions were designated as Stage 1. For the years ended 31 December 2024 and 2023, neither the book values nor the impairment allowances had any migrations between stages.

23 Derivatives and hedge accounting

(1) Analysed by type of contracts

		31 December 2024			31 December 2023		
	Note	Notional amounts	Assets	Liabilities	Notional amounts	Assets	Liabilities
Interest rate contracts		**943,927**	**10,554**	**8,508**	1,352,192	10,490	7,957
Exchange rate contracts		**5,700,288**	**94,840**	**73,678**	3,711,837	31,425	27,568
Other contracts	(a)	**231,940**	**2,659**	**11,804**	192,081	1,925	6,343
Total		**6,876,155**	**108,053**	**93,990**	5,256,110	43,840	41,868

(2) Analysed by counterparty credit risk-weighted assets

	Note	31 December 2024	31 December 2023
Counterparty credit default risk-weighted assets			
– Interest rate contracts		**6,598**	7,690
– Exchange rate contracts		**70,479**	57,042
– Other contracts	(a)	**39,940**	17,867
Subtotal		**117,017**	82,599
Risk-weighted assets for credit valuation adjustment		**46,944**	21,582
Total		**163,961**	104,181

The notional amounts of derivatives only represent the unsettled transaction volume as at the end of the reporting period, instead of the amount of risk assets. From 1 January 2024, the Group adopted the *Rules on Capital Management of Commercial Banks* and other related policies. According to the rules set out by the NFRA, the Group measures the default risk exposures of derivative transactions using the Standardised Approach for Counterparty Credit Risk (SA-CCR), measures counterparty default risk-weighted assets of derivative transactions using the credit risk weighting approach, and measures risk-weighted assets for credit valuation adjustment using the simplified approach.

(a) Other contracts mainly consist of precious metals and commodity contracts.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

23 Derivatives and hedge accounting (continued)

(3) Hedge accounting

The following designated hedging instruments are included in the derivatives disclosed above.

	Note	31 December 2024			31 December 2023		
		Notional amounts	**Assets**	**Liabilities**	Notional amounts	Assets	Liabilities
Fair value hedges	(a)						
Interest rate swaps		**47,437**	**990**	**95**	52,093	1,340	254
Cross currency swaps		**2,716**	**145**	**–**	–	–	–
Cash flow hedges	(b)						
Foreign exchange swaps		**29,882**	**38**	**269**	28,536	250	254
Cross currency swaps		**876**	**70**	**–**	1,000	–	13
Interest rate swaps		**219**	**–**	**2**	3,199	130	–
Total		**81,130**	**1,243**	**366**	84,828	1,720	521

(a) *Fair value hedges*

The Group uses interest rate swaps and cross currency swaps to hedge against changes in fair value of loans and advances to customers, financial assets measured at fair value through other comprehensive income, placements from banks and non-bank financial institutions, deposits from customers, and debt securities issued arising from changes in interest rates and foreign exchange.

Net (losses)/gains on fair value hedges are as follows:

	2024	2023
Hedging instruments	**(107)**	(458)
Hedged items	**129**	466

The gain and loss arising from the ineffective portion of fair value hedges was immaterial for the years ended 31 December 2024 and 2023.

(b) *Cash flow hedges*

The Group uses foreign exchange swaps, cross currency swaps and interest rate swaps to hedge against exposures to cash flow variability primarily from foreign exchange and interest rate risks on deposits with banks and non-bank financial institutions, loans and advances to customers, financial assets measured at fair value through other comprehensive income, placements from banks and non-bank financial institutions, deposits from customers, and debt securities issued. The maturities of hedging instruments and hedged items are both within five years.

For the year ended 31 December 2024, the Group's net gain from the cash flow hedges of RMB100 million was recognised in other comprehensive income (for the year ended 31 December 2023: net gain from cash flow hedges of RMB201 million), and the gain and loss arising from the ineffective portion of cash flow hedges was immaterial.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

24 Financial assets held under resale agreements

Financial assets held under resale agreements analysed by underlying assets are shown as follows:

	31 December 2024	31 December 2023
Debt securities		
– Government bonds	**249,377**	363,187
– Debt securities issued by policy banks, banks and non-bank financial institutions	**362,137**	547,054
– Corporate bonds	**–**	12
Subtotal	**611,514**	910,253
Discounted bills	**11,031**	68,930
Accrued interest	**47**	477
Total	**622,592**	979,660
Allowances for impairment losses (Note 36)	**(33)**	(162)
Net balances	**622,559**	979,498

As at 31 December 2024 and 2023, all of the Group's financial assets held under resale agreements were designated as Stage 1. For the years ended 31 December 2024 and 2023, neither the book values nor the impairment allowances had any migrations between stages.

25 Loans and advances to customers

(1) Analysed by measurement

	Note	31 December 2024	31 December 2023
Gross loans and advances to customers measured at amortised cost		**24,161,965**	22,706,195
Less: allowances for impairment losses		**(802,894)**	(778,223)
Net loans and advances to customers measured at amortised cost	(a)	**23,359,071**	21,927,972
Loans and advances to customers measured at fair value through other comprehensive income	(b)	**1,631,752**	1,104,787
Accrued interest		**49,577**	50,618
Total		**25,040,400**	23,083,377

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

25 Loans and advances to customers (continued)

(1) Analysed by measurement (continued)

(a) Loans and advances to customers measured at amortised cost

	31 December 2024	31 December 2023
Corporate loans and advances		
– Loans	**15,085,911**	13,832,726
– Finance leases	**98,744**	104,871
	15,184,655	13,937,597
Personal loans and advances		
– Residential mortgages	**6,254,112**	6,452,948
– Personal consumer loans	**544,917**	431,758
– Personal business loans	**1,021,693**	777,481
– Credit cards	**1,069,183**	1,000,424
– Others	**87,405**	105,987
	8,977,310	8,768,598
Gross loans and advances to customers measured at amortised cost	**24,161,965**	22,706,195
Stage 1 – allowances for impairment losses	**(328,369)**	(363,424)
Stage 2 – allowances for impairment losses	**(219,912)**	(190,295)
Stage 3 – allowances for impairment losses	**(254,613)**	(224,504)
Allowances for impairment losses at amortised cost (Note 36)	**(802,894)**	(778,223)
Net loans and advances to customers measured at amortised cost	**23,359,071**	21,927,972

(b) Loans and advances to customers measured at fair value through other comprehensive income

	31 December 2024	31 December 2023
Discounted bills	**1,631,752**	1,104,787

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

25 Loans and advances to customers (continued)

(2) Analysed by assessment method of expected credit losses

	31 December 2024			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Gross loans and advances to customers measured at amortised cost	**23,023,768**	**793,506**	**344,691**	**24,161,965**
Less: allowances for impairment losses	**(328,369)**	**(219,912)**	**(254,613)**	**(802,894)**
Carrying amount of loans and advances to customers measured at amortised cost	**22,695,399**	**573,594**	**90,078**	**23,359,071**
Provision percentage for loans and advances to customers measured at amortised cost	**1.43%**	**27.71%**	**73.87%**	**3.32%**
Carrying amount of loans and advances to customers measured at fair value through other comprehensive income	**1,631,619**	**133**	**–**	**1,631,752**
Allowances for impairment losses on loans and advances to customers measured at fair value through other comprehensive income	**(2,309)**	**(5)**	**–**	**(2,314)**

	31 December 2023			
	Stage 1	Stage 2	Stage 3	Total
Gross loans and advances to customers measured at amortised cost	21,602,943	777,996	325,256	22,706,195
Less: allowances for impairment losses	(363,424)	(190,295)	(224,504)	(778,223)
Carrying amount of loans and advances to customers measured at amortised cost	21,239,519	587,701	100,752	21,927,972
Provision percentage for loans and advances to customers measured at amortised cost	1.68%	24.46%	69.02%	3.43%
Carrying amount of loans and advances to customers measured at fair value through other comprehensive income	1,092,093	12,694	–	1,104,787
Allowances for impairment losses on loans and advances to customers measured at fair value through other comprehensive income	(1,431)	(461)	–	(1,892)

The Group measures ECL of loans and advances using risk parameter modelling approach that incorporates relevant parameters such as Probability of Default ("PD"), Loss Given Default ("LGD"), and Exposure at Default ("EAD"). Specifically, the Group calculates LGD for Stage 3 corporate loans and advances not managed as part of a portfolio as well as discounted bills using the discounted cash flow method on expected recoverable cash flows. The Group can also calculate LGD for other corporate loans and advances using the discounted cash flow method on expected recoverable cash flows based on actual circumstances.

The segmentation of the loans mentioned above is defined in Note 4(3)(f).

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

25 Loans and advances to customers (continued)

(3) Movements of allowances for impairment losses

	Note	2024			
		Stage 1	**Stage 2**	**Stage 3**	**Total**
As at 1 January 2024		**363,424**	**190,295**	**224,504**	**778,223**
Transfers:					
Transfers in/(out) to Stage 1		**18,463**	**(17,394)**	**(1,069)**	**–**
Transfers in/(out) to Stage 2		**(9,135)**	**17,464**	**(8,329)**	**–**
Transfers in/(out) to Stage 3		**(5,359)**	**(22,535)**	**27,894**	**–**
Newly originated or purchased financial assets		**153,389**	**–**	**–**	**153,389**
Transfer out/repayment	(a)	**(135,943)**	**(33,838)**	**(68,274)**	**(238,055)**
Remeasurements	(b)	**(56,470)**	**85,920**	**118,854**	**148,304**
Write-offs		**–**	**–**	**(56,294)**	**(56,294)**
Recoveries of loans and advances written off		**–**	**–**	**17,327**	**17,327**
As at 31 December 2024		**328,369**	**219,912**	**254,613**	**802,894**

	Note	2023			
		Stage 1	Stage 2	Stage 3	Total
As at 1 January 2023		339,557	176,141	188,390	704,088
Transfers:					
Transfers in/(out) to Stage 1		19,259	(18,402)	(857)	–
Transfers in/(out) to Stage 2		(12,464)	19,608	(7,144)	–
Transfers in/(out) to Stage 3		(5,474)	(22,661)	28,135	–
Newly originated or purchased financial assets		168,995	–	–	168,995
Transfer out/repayment	(a)	(131,700)	(30,202)	(50,438)	(212,340)
Remeasurements	(b)	(14,749)	65,811	103,654	154,716
Write-offs		–	–	(53,389)	(53,389)
Recoveries of loans and advances written off		–	–	16,153	16,153
As at 31 December 2023		363,424	190,295	224,504	778,223

(a) Transfer out/repayment refers to transfer of creditor's rights, transfer of beneficial rights from credit assets, securitisation of assets, debt-to-equity swaps and reversal of loss provision due to repayment of debts in the form of other assets, as well as repayment of loans, etc.

(b) Remeasurements comprise the impact of changes in PD, LGD, and EAD; changes in model assumptions and methodologies; loss provisions change due to stage-transfer; unwinding of discount; and the impact of exchange rate changes, etc.

The loss provisions disclosed above are for loans and advances to customers measured at amortised cost.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

25 Loans and advances to customers (continued)

(3) Movements of allowances for impairment losses (continued)

For the year ended 31 December 2024, the changes of gross carrying amounts of loans and advances to customers with a significant impact on the Group's impairment allowance were mainly resulted from the credit business in the Chinese mainland, including:

For the year ended 31 December 2024, the gross carrying amount of corporate loans and advances to customers at domestic branches that had been transferred from Stage 1 to Stage 2 was RMB172,277 million (for the year ended 31 December 2023: RMB219,751 million). The gross carrying amount of loans transferred from Stage 2 to Stage 3 was RMB40,113 million (for the year ended 31 December 2023: RMB51,037 million). The gross carrying amount of loans transferred from Stage 2 to Stage 1 was RMB55,786 million (for the year ended 31 December 2023: RMB49,822 million). The changes of impairment allowances resulting from loans transferred from Stage 1 to Stage 3, and Stage 3 to Stage 1 and Stage 2 was not significant (for the year ended 31 December 2023: not significant). For the year ended 31 December 2024, the gross carrying amount of personal loans and advances to customers at domestic branches that had been transferred from Stage 2 to Stage 3 was RMB34,927 million (for the year ended 31 December 2023: RMB27,716 million). Changes in impairment allowances resulting from changes in stage designations of other personal loans and advances to customers at domestic branches were not significant (for the year ended 31 December 2023: not significant).

For the year ended 31 December 2024, the gross carrying amount of the loans of which impairment allowances were transferred from Stage 3 to Stage 2, and from Stage 3 or Stage 2 to Stage 1, due to the modification of contractual cash flows of domestic branches which did not result in derecognition was not significant (for the year ended 31 December 2023: not significant).

(4) Overdue loans analysed by overdue period

	31 December 2024				
	Overdue within three months	**Overdue between three months and one year**	**Overdue between one year and three years**	**Overdue over three years**	**Total**
Unsecured loans	**26,338**	**56,023**	**14,916**	**2,572**	**99,849**
Guaranteed loans	**5,554**	**22,075**	**36,199**	**11,106**	**74,934**
Loans secured by property and other immovable assets	**40,834**	**52,657**	**36,642**	**11,332**	**141,465**
Other pledged loans	**1,883**	**3,893**	**7,773**	**1,399**	**14,948**
Total	**74,609**	**134,648**	**95,530**	**26,409**	**331,196**
As a percentage of gross loans and advances to customers	**0.29%**	**0.52%**	**0.37%**	**0.10%**	**1.28%**

	31 December 2023				
	Overdue within three months	Overdue between three months and one year	Overdue between one year and three years	Overdue over three years	Total
Unsecured loans	26,263	35,112	8,945	1,814	72,134
Guaranteed loans	12,863	19,777	29,155	4,525	66,320
Loans secured by property and other immovable assets	40,554	38,668	28,012	6,752	113,986
Other pledged loans	3,945	1,493	6,558	1,420	13,416
Total	83,625	95,050	72,670	14,511	265,856
As a percentage of gross loans and advances to customers	0.35%	0.40%	0.31%	0.06%	1.12%

Overdue loans represent loans of which the whole or part of the principal or interest is overdue for 1 day or more.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

25 Loans and advances to customers (continued)

(5) Packaged disposal of non-performing loans

For the year ended 31 December 2024, the Group's total amount of non-performing loans sold through packaged disposal to external asset management companies was RMB16,840 million (for the year ended 31 December 2023: RMB3,568 million).

(6) Write-offs

According to the Group's Write-offs policy, it is required to continue to recover the bad debts that are written off. For the year ended 31 December 2024, the amount of loans and advances to customers that the Group has written off under litigation-related condition but still under enforcement was RMB11,002 million (for the year ended 31 December 2023: RMB15,829 million).

26 Financial investments

(1) Analysed by measurement

	Note	**31 December 2024**	31 December 2023
Financial assets measured at fair value through profit or loss	(a)	**612,504**	602,303
Financial assets measured at amortised cost	(b)	**7,429,723**	6,801,242
Financial assets measured at fair value through other comprehensive income	(c)	**2,641,736**	2,234,731
Total		**10,683,963**	9,638,276

(a) Financial assets measured at fair value through profit or loss

Analysed by nature

	Note	**31 December 2024**	31 December 2023
Held-for-trading purposes			
– Debt securities	(i)	**130,680**	127,985
– Equity instruments and funds	(ii)	**3,049**	1,463
		133,729	129,448
Others			
– Debt investments	(iii)	**78,878**	80,747
– Debt securities	(iv)	**145,081**	153,567
– Equity instruments, funds and others	(v)	**254,816**	238,541
		478,775	472,855
Total		**612,504**	602,303

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

26 Financial investments (continued)

(1) Analysed by measurement (continued)

(a) Financial assets measured at fair value through profit or loss (continued)

Analysed by type of issuers

Held-for-trading purposes

(i) Debt securities

	31 December 2024	31 December 2023
Government	**19,173**	20,369
Central banks	**12,800**	8,074
Policy banks	**28,615**	26,398
Banks and non-bank financial institutions	**62,051**	57,698
Enterprises	**8,041**	15,446
Total	**130,680**	127,985
Listed (Note)	**128,165**	118,880
– of which in Hong Kong	**2,527**	849
Unlisted	**2,515**	9,105
Total	**130,680**	127,985

Note: Debt securities traded on the China Domestic Interbank Bond Market are classified as "Listed".

(ii) Equity instruments and funds

	31 December 2024	31 December 2023
Banks and non-bank financial institutions	**2,869**	1,114
Enterprises	**180**	349
Total	**3,049**	1,463
Listed	**2,294**	374
– of which in Hong Kong	**178**	209
Unlisted	**755**	1,089
Total	**3,049**	1,463

Others

(iii) Debt investments

	31 December 2024	31 December 2023
Banks and non-bank financial institutions	**56,280**	54,349
Enterprises	**22,598**	26,398
Total	**78,878**	80,747
Unlisted	**78,878**	80,747
Total	**78,878**	80,747

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

26 Financial investments (continued)

(1) Analysed by measurement (continued)

(a) Financial assets measured at fair value through profit or loss (continued)

Analysed by type of issuers (continued)

Others (continued)

(iv) Debt securities

	31 December 2024	31 December 2023
Policy banks	**18,176**	18,701
Banks and non-bank financial institutions	**126,412**	134,494
Enterprises	**493**	372
Total	**145,081**	153,567
Listed (Note)	**144,979**	153,481
– of which in Hong Kong	**61**	74
Unlisted	**102**	86
Total	**145,081**	153,567

Note: Debt securities traded on the China Domestic Interbank Bond Market are classified as "Listed".

(v) Equity instruments, funds and others

	31 December 2024	31 December 2023
Banks and non-bank financial institutions	**127,518**	102,301
Enterprises	**127,298**	136,240
Total	**254,816**	238,541
Listed	**20,908**	31,367
– of which in Hong Kong	**3,783**	1,599
Unlisted	**233,908**	207,174
Total	**254,816**	238,541

There was no significant limitation on the ability of the Group to dispose of financial assets measured at fair value through profit or loss.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

26 Financial investments (continued)

(1) Analysed by measurement (continued)

(b) Financial assets measured at amortised cost

Analysed by type of issuers

	31 December 2024	31 December 2023
Government	**6,642,599**	5,925,826
Central banks	**2,200**	3,127
Policy banks	**343,553**	345,103
Banks and non-bank financial institutions	**131,945**	192,626
Enterprises	**213,454**	222,407
Special government bond	**49,200**	49,200
Subtotal	**7,382,951**	6,738,289
Accrued interest	**73,291**	87,799
Gross balances	**7,456,242**	6,826,088
Allowances for impairment losses		
– Stage 1	**(14,212)**	(11,716)
– Stage 2	**(7)**	(80)
– Stage 3	**(12,300)**	(13,050)
Subtotal	**(26,519)**	(24,846)
Net balances	**7,429,723**	6,801,242
Listed (Note)	**7,311,261**	6,664,047
– of which in Hong Kong	**2,207**	3,682
Unlisted	**118,462**	137,195
Total	**7,429,723**	6,801,242
Market value of listed bonds	**7,964,173**	6,911,734

Note: Debt securities traded on the China Domestic Interbank Bond Market are classified as "Listed".

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

26 Financial investments (continued)

(1) Analysed by measurement (continued)

(c) Financial assets measured at fair value through other comprehensive income

Analysed by nature

	Note	31 December 2024	31 December 2023
Debt securities	(i)	**2,609,514**	2,224,783
Equity instruments	(ii)	**32,222**	9,948
Total		**2,641,736**	2,234,731

Analysed by type of issuers

(i) Debt securities

	31 December 2024	31 December 2023
Government	**1,419,701**	1,310,050
Central banks	**33,049**	31,937
Policy banks	**586,142**	482,236
Banks and non-bank financial institutions	**352,923**	229,794
Enterprises	**114,338**	112,312
Accumulated change of fair value charged in other comprehensive income	**77,849**	33,072
Subtotal	**2,584,002**	2,199,401
Accrued interest	**25,512**	25,382
Total	**2,609,514**	2,224,783
Listed (Note)	**2,535,485**	2,102,571
– of which in Hong Kong	**96,033**	71,707
Unlisted	**74,029**	122,212
Total	**2,609,514**	2,224,783

Note: Debt securities traded on the China Domestic Interbank Bond Market are classified as "Listed".

(ii) The Group designates certain non-trading equity investments as financial assets measured at fair value through other comprehensive income. For the year ended 31 December 2024, dividend income from such equity investments was RMB855 million (for the year ended 31 December 2023: RMB11 million). For the year ended 31 December 2024, the Group neither sold any of the investments above (for the year ended 31 December 2023: the value of equity investments disposed of was RMB46 million) nor transferred any cumulative profit or loss within equity (for the year ended 31 December 2023: cumulative gains transferred into retained earnings from other comprehensive income after disposal was RMB26 million).

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

26 Financial investments (continued)

(2) Movements of allowances for impairment losses

(a) Financial assets measured at amortised cost

		2024			
	Note	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
As at 1 January 2024		**11,716**	**80**	**13,050**	**24,846**
Transfers:					
Transfers in/(out) to Stage 1		**–**	**–**	**–**	**–**
Transfers in/(out) to Stage 2		**(1)**	**1**	**–**	**–**
Transfers in/(out) to Stage 3		**–**	**(64)**	**64**	**–**
Newly originated or purchased financial assets		**2,004**	**–**	**–**	**2,004**
Financial assets derecognised during the year		**(4,299)**	**(15)**	**(563)**	**(4,877)**
Remeasurements	(i)	**4,792**	**5**	**835**	**5,632**
Write-offs		**–**	**–**	**(1,106)**	**(1,106)**
Recoveries of financial assets written off		**–**	**–**	**20**	**20**
As at 31 December 2024		**14,212**	**7**	**12,300**	**26,519**

		2023			
	Note	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2023		17,768	199	16,901	34,868
Transfers:					
Transfers in/(out) to Stage 1		–	–	–	–
Transfers in/(out) to Stage 2		(7)	7	–	–
Transfers in/(out) to Stage 3		–	–	–	–
Newly originated or purchased financial assets		1,642	–	–	1,642
Financial assets derecognised during the year		(2,485)	(172)	(3,425)	(6,082)
Remeasurements	(i)	(5,202)	46	1,197	(3,959)
Write-offs		–	–	(1,623)	(1,623)
As at 31 December 2023		11,716	80	13,050	24,846

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

26 Financial investments (continued)

(2) Movements of allowances for impairment losses (continued)

(b) *Financial assets measured at fair value through other comprehensive income*

	Note	2024			
		Stage 1	**Stage 2**	**Stage 3**	**Total**
As at 1 January 2024		**5,019**	**17**	**372**	**5,408**
Transfers:					
Transfers in/(out) to Stage 1		**–**	**–**	**–**	**–**
Transfers in/(out) to Stage 2		**–**	**–**	**–**	**–**
Transfers in/(out) to Stage 3		**–**	**–**	**–**	**–**
Newly originated or purchased financial assets		**833**	**–**	**–**	**833**
Financial assets derecognised during the year		**(2,944)**	**(12)**	**(94)**	**(3,050)**
Remeasurements	(i)	**31**	**3**	**25**	**59**
As at 31 December 2024		**2,939**	**8**	**303**	**3,250**

	Note	2023			
		Stage 1	Stage 2	Stage 3	Total
As at 1 January 2023		5,558	42	372	5,972
Transfers:					
Transfers in/(out) to Stage 1		–	–	–	–
Transfers in/(out) to Stage 2		–	–	–	–
Transfers in/(out) to Stage 3		–	(45)	45	–
Newly originated or purchased financial assets		1,941	–	–	1,941
Financial assets derecognised during the year		(1,858)	(3)	(6)	(1,867)
Remeasurements	(i)	(622)	23	174	(425)
Write-offs		–	–	(213)	(213)
As at 31 December 2023		5,019	17	372	5,408

(i) Remeasurements comprise the impact of changes in PD, LGD, and EAD; changes in model assumptions and methodologies; changes in allowance for impairment losses due to stage-transfer; and the impact of exchange rate changes, etc.

As at 31 December 2024, the Group's financial assets measured at amortised cost with carrying amount of RMB13,171 million (as at 31 December 2023: RMB14,427 million) and financial assets measured at fair value through other comprehensive income with carrying amount of RMB37 million (as at 31 December 2023: RMB54 million) were impaired and classified as Stage 3, financial assets measured at amortised cost with carrying amount of RMB218 million (as at 31 December 2023: RMB462 million) and financial assets measured at fair value through other comprehensive income with carrying amount of RMB933 million (as at 31 December 2023: RMB549 million) were classified as Stage 2, and the remaining financial assets measured at amortised cost and financial assets measured at fair value through other comprehensive income were classified as Stage 1.

For the year ended 31 December 2024, the increase in the Group's Stage 1 financial assets due to newly originated or purchased financial assets amounted to RMB2,341,958 million (for the year ended 31 December 2023: RMB2,127,112 million), the decrease in Stage 1 financial assets due to derecognition amounted to RMB1,340,509 million (for the year ended 31 December 2023: RMB1,080,730 million), and there were no significant changes in the balances of financial assets classified as Stage 2 and 3. Both the amounts of financial assets transferred between stages and the amounts of financial assets with modifications of contractual cash flows that did not result in a derecognition were not significant.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

27 Long-term equity investments

(1) Investments in subsidiaries

(a) Investment balance

	Note	**31 December 2024**	31 December 2023
CCB Financial Asset Investment Co., Ltd. ("CCB Investment")		**27,000**	27,000
CCB Wealth Management Co., Ltd. ("CCB Wealth Management")		**15,000**	15,000
CCB Financial Leasing Co., Ltd. ("CCB Financial Leasing")		**11,163**	11,163
CCB House Rental Fund (Limited Partnership) ("CCB House Rental Fund")		**10,000**	10,000
CCB Brazil Financial Holding – Investimentos e Participações Ltda.		**9,542**	9,542
CCB Trust Co., Ltd. ("CCB Trust")		**7,429**	7,429
CCB Life Insurance Co., Ltd. ("CCB Life")		**6,962**	6,962
CCB Consumer Finance Co., Ltd. ("CCB Consumer Finance")		**6,000**	6,000
China Construction Bank (Europe) S.A. ("CCB Europe")		**4,406**	4,406
China Construction Bank (London) Limited ("CCB London")	(i)	**2,861**	2,861
PT Bank China Construction Bank Indonesia Tbk ("CCB Indonesia")		**2,215**	2,215
CCB Pension Management Co., Ltd. ("CCB Pension")		**1,610**	1,610
Sino-German Bausparkasse Co., Ltd. ("Sino-German Bausparkasse")		**1,502**	1,502
China Construction Bank (Malaysia) Berhad ("CCB Malaysia")		**1,334**	1,334
China Construction Bank (New Zealand) Limited ("CCB New Zealand")		**976**	976
China Construction Bank (Russia) Limited Liability Company ("CCB Russia")		**851**	851
Golden Fountain Finance Limited ("Golden Fountain")		**676**	676
CCB Principal Asset Management Co., Ltd. ("CCB Principal Asset Management")		**130**	130
CCB International Group Holdings Limited ("CCBIG")		**–**	–
Subtotal		**109,657**	109,657
Less: Allowance for impairment losses		**(8,672)**	(8,672)
Total		**100,985**	100,985

(i) The Group steadily pressed ahead with business integration of its London entities, liquidation procedures at CCB London are currently underway.

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

27 Long-term equity investments (continued)

(1) Investments in subsidiaries (continued)

(b) *Except for CCB Indonesia, the major subsidiaries of the Group are unlisted enterprises, details of the investments in subsidiaries are as follows:*

Name of company	Principal place of business	Particulars of issued and paid-up capital	Kind of legal entity	Principal activities	% of ownership directly held by the Bank	% of ownership indirectly held by the Bank	% of voting rights held by the Bank	Method of investment
CCB Investment	Beijing, the PRC	RMB27,000 million	Company with Limited Liability	Investment	100%	–	100%	Establishment
CCB Wealth Management	Shenzhen, the PRC	RMB15,000 million	Company with Limited Liability	Wealth Management	100%	–	100%	Establishment
CCB Financial Leasing	Beijing, the PRC	RMB11,000 million	Company with Limited Liability	Financial Leasing	100%	–	100%	Establishment
CCB House Rental Fund	Beijing, the PRC	RMB10,000 million	Limited Partnership	Investment	99.99%	0.01%	100%	Establishment
CCB Brazil Financial Holding – Investimentos e Participações Ltda.	Sao Paulo, Brazil	R$4,281 million	Company with Limited Liability	Investment	99.99%	0.01%	100%	Acquisition
CCB Trust	Anhui, the PRC	RMB10,500 million	Company with Limited Liability	Trust business	67%	–	67%	Acquisition
CCB Life	Shanghai, the PRC	RMB7,120 million	Company Limited by Shares	Insurance	51%	–	51%	Acquisition
CCB Consumer Finance	Beijing, the PRC	RMB7,200 million	Company with Limited Liability	Consumer Finance	83.33%	–	83.33%	Establishment
CCB Europe	Luxembourg	EUR550 million	Company with Limited Liability	Commercial Banking	100%	–	100%	Establishment
CCB London	London, United Kingdom	US$200 million RMB1,500 million	Company with Limited Liability	Commercial Banking	100%	–	100%	Establishment
CCB Indonesia	Jakarta, Indonesia	IDR3,791,973 million	Company Limited by Shares	Commercial Banking	60%	–	60%	Acquisition
CCB Pension	Beijing, the PRC	RMB2,300 million	Company with Limited Liability	Pension Management	70%	–	70%	Establishment
Sino-German Bausparkasse	Tianjin, the PRC	RMB2,000 million	Company with Limited Liability	House savings	75.10%	–	75.10%	Establishment
CCB Malaysia	Kuala Lumpur, Malaysia	MYR823 million	Company with Limited Liability	Commercial Banking	100%	–	100%	Establishment
CCB New Zealand	Auckland, New Zealand	NZD199 million	Company with Limited Liability	Commercial Banking	100%	–	100%	Establishment
CCB Russia	Moscow, Russia	RUB4,200 million	Company with Limited Liability	Commercial Banking	100%	–	100%	Establishment

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

27 Long-term equity investments (continued)

(1) Investments in subsidiaries (continued)

(b) *Except for CCB Indonesia, the major subsidiaries of the Group are unlisted enterprises, details of the investments in subsidiaries are as follows:* (continued)

Name of company	Principal place of business	Particulars of issued and paid-up capital	Kind of legal entity	Principal activities	% of ownership directly held by the Bank	% of ownership indirectly held by the Bank	% of voting rights held by the Bank	Method of investment
Golden Fountain	British Virgin Islands	US$50,000	Company with Limited Liability	Investment	100%	–	100%	Acquisition
CCB Principal Asset Management	Beijing, the PRC	RMB200 million	Company with Limited Liability	Fund management services	65%	–	65%	Establishment
CCBIG	Hong Kong, the PRC	HK$1	Company with Limited Liability	Investment	100%	–	100%	Establishment
CCB International (Holdings) Limited ("CCB International")	Hong Kong, the PRC	US$601 million	Company with Limited Liability	Investment	–	100%	100%	Acquisition
China Construction Bank (Asia) CorporationLimited ("CCB Asia")	Hong Kong, the PRC	HK$6,511 million RMB17,600 million	Company Limited by Shares	Commercial Banking	–	100%	100%	Acquisition

(c) As at 31 December 2024, the amount of the non-controlling interests of the subsidiaries was immaterial to the Group.

(2) Interests in associates and joint ventures

(a) *The movements of the Group's interests in associates and joint ventures are as follows:*

	2024	2023
As at 1 January	**20,983**	22,700
Increase in capital during the year	**2,738**	1,128
Decrease in capital during the year	**(1,104)**	(2,484)
Share of profits	**584**	1,151
Cash dividend receivable	**(216)**	(520)
Effect of exchange difference and others	**575**	(992)
As at 31 December	**23,560**	20,983

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

27 Long-term equity investments (continued)

(2) Interests in associates and joint ventures (continued)

(b) Details of the interests in major associates and joint ventures are as follows:

Name of Company	Principal place of business	Particulars of issued and paid-up capital	Principal activities	% of ownership held	% of Voting held	Total assets at year end	Total liabilities at year end	Revenue for the year	Net profit for the year
Guoxin Jianyuan Equity Investment Fund (Chengdu) Partnership (Limited Partnership)	Chengdu, the PRC	RMB9,204 million	Equity investment	50.00%	50.00%	13,111	1	1,034	948
National Green Development Fund Co., Ltd.	Shanghai, the PRC	RMB30,950 million	Investment	9.04%	9.04%	32,645	446	222	19
Jianyuan Infrastructure Equity Investment Fund (Tianjin) Partnership (Limited Partnership)	Tianjin, the PRC	RMB3,500 million	Equity investment	48.57%	40.00%	4,405	–	147	147
Diamond String Limited	Hong Kong, the PRC	HK$10,000	Property investment	50.00%	50.00%	1,738	1,714	211	28
Guomin Pension & Insurance Co., Ltd	Beijing, the PRC	RMB11,378 million	Insurance	8.79%	8.79%	55,906	43,070	5,960	426

28 Structured entities

(1) Unconsolidated structured entities

Unconsolidated structured entities of the Group include wealth management products, asset management plans, trust plans, funds and asset-backed securities held for investment purposes, and wealth management products, trust plans and funds, which are issued or established by the Group for providing wealth management services to customers and earning management fees, commissions and custodian fees in return.

As at 31 December 2024 and 2023, the assets recognised for the Group's interests in the unconsolidated structured entities above included related investment and management fee, commission and custodian fee receivables accrued. Relevant carrying amounts and maximum risk exposures were as follows:

	31 December 2024	31 December 2023
Financial investments		
Financial assets measured at fair value through profit or loss	**187,978**	170,525
Financial assets measured at amortised cost	**2,848**	7,789
Financial assets measured at fair value through other comprehensive income	**2,309**	2,317
Long-term equity investments	**15,088**	14,257
Other assets	**3,527**	3,498
Total	**211,750**	198,386

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

28 Structured entities (continued)

(1) Unconsolidated structured entities (continued)

For the years ended 31 December 2024 and 2023, gains and losses from the Group's unconsolidated structured entities were as follows:

	2024	2023
Interest income	224	658
Fee and commission income	9,799	11,563
Net trading (loss)/gain	(213)	121
Dividend income	1,221	1,364
Net gain arising from investment securities	1,484	1,734
Share of profits of associates and joint ventures	422	1,153
Total	12,937	16,593

As at 31 December 2024, the balance of unconsolidated structured entities initiated by the Group totalled RMB5,356,359 million (as at 31 December 2023: RMB4,713,947 million).

(2) Consolidated structured entities

Structured entities included into the Group's scope of consolidation consisted mainly of asset management plans and trust plans invested by the Group.

29 Fixed assets

	Bank premises	Equipment	Aircraft and vessels, etc	Others	Total
Cost/Deemed cost					
As at 1 January 2024	150,450	51,778	53,921	50,470	306,619
Additions	139	3,253	16,403	1,890	21,685
Transfer in (Note 30)	3,622	402	–	2,390	6,414
Other movements	(1,183)	(6,331)	(4,925)	(2,477)	(14,916)
As at 31 December 2024	153,028	49,102	65,399	52,273	319,802
Accumulated depreciation					
As at 1 January 2024	(62,147)	(36,597)	(10,674)	(35,786)	(145,204)
Charge for the year	(5,020)	(5,589)	(3,432)	(4,579)	(18,620)
Other movements	344	6,121	1,671	2,492	10,628
As at 31 December 2024	(66,823)	(36,065)	(12,435)	(37,873)	(153,196)
Allowances for impairment losses (Note 36)					
As at 1 January 2024	(394)	–	(1,070)	(3)	(1,467)
Charge for the year	–	–	(243)	–	(243)
Other movements	6	–	214	–	220
As at 31 December 2024	(388)	–	(1,099)	(3)	(1,490)
Net carrying value					
As at 1 January 2024	87,909	15,181	42,177	14,681	159,948
As at 31 December 2024	85,817	13,037	51,865	14,397	165,116

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

29 Fixed assets (continued)

	Bank premises	Equipment	Aircraft and vessels, etc	Others	Total
Cost/Deemed cost					
As at 1 January 2023	148,047	53,693	44,813	48,243	294,796
Additions	238	4,247	12,606	1,949	19,040
Transfer in (Note 30)	2,261	33	–	1,962	4,256
Other movements	(96)	(6,195)	(3,498)	(1,684)	(11,473)
As at 31 December 2023	150,450	51,778	53,921	50,470	306,619
Accumulated depreciation					
As at 1 January 2023	(57,412)	(37,014)	(8,877)	(33,209)	(136,512)
Charge for the year	(4,943)	(5,654)	(2,537)	(4,257)	(17,391)
Other movements	208	6,071	740	1,680	8,699
As at 31 December 2023	(62,147)	(36,597)	(10,674)	(35,786)	(145,204)
Allowances for impairment losses (Note 36)					
As at 1 January 2023	(392)	–	(875)	(3)	(1,270)
Charge for the year	(3)	–	(222)	–	(225)
Other movements	1	–	27	–	28
As at 31 December 2023	(394)	–	(1,070)	(3)	(1,467)
Net carrying value					
As at 1 January 2023	90,243	16,679	35,061	15,031	157,014
As at 31 December 2023	87,909	15,181	42,177	14,681	159,948

(1) Aircraft and vessels, etc, include aircraft, vessels, shield machines and other fixed assets used for operating leases.

(2) Other movements include disposals, retirements and exchange differences of fixed assets.

(3) As at 31 December 2024, the ownership documentation for the Group's bank premises with a net carrying value of RMB7,435 million (as at 31 December 2023: RMB7,623 million) was being finalised. However, management took the view that the aforesaid matter would not affect the Group's rights to these assets, nor would it have any significant impact on the Group's business operation.

30 Construction in progress

	2024	2023
Cost/Deemed cost		
As at 1 January	**7,423**	9,971
Additions	**3,635**	2,180
Transfer into fixed assets (Note 29)	**(6,414)**	(4,256)
Other movements	**(325)**	(472)
As at 31 December	**4,319**	7,423
Net carrying value		
As at 1 January	**7,423**	9,971
As at 31 December	**4,319**	7,423

Other movements include exchange differences.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

31 Land use rights

	2024	2023
Cost/Deemed cost		
As at 1 January	22,903	22,743
Additions	1	213
Other movements	(34)	(53)
As at 31 December	22,870	22,903
Amortisation		
As at 1 January	(9,859)	(9,385)
Charge for the year	(519)	(529)
Other movements	58	55
As at 31 December	(10,320)	(9,859)
Allowances for impairment losses (Note 36)		
As at 1 January	(133)	(133)
Other movements	–	–
As at 31 December	(133)	(133)
Net carrying value		
As at 1 January	12,911	13,225
As at 31 December	12,417	12,911

Other movements include exchange differences.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

32 Intangible assets

	Software	Others	Total
Cost/Deemed cost			
As at 1 January 2024	21,076	704	21,780
Additions	1,533	–	1,533
Other movements	(138)	(104)	(242)
As at 31 December 2024	22,471	600	23,071
Amortisation			
As at 1 January 2024	(14,847)	(384)	(15,231)
Charge for the year	(2,213)	(32)	(2,245)
Other movements	158	86	244
As at 31 December 2024	(16,902)	(330)	(17,232)
Allowances for impairment losses (Note 36)			
As at 1 January 2024	–	(9)	(9)
Additions	–	–	–
Other movements	–	–	–
As at 31 December 2024	–	(9)	(9)
Net carrying value			
As at 1 January 2024	6,229	311	6,540
As at 31 December 2024	5,569	261	5,830

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

32 Intangible assets (continued)

	Software	Others	Total
Cost/Deemed cost			
As at 1 January 2023	18,899	922	19,821
Additions	2,458	13	2,471
Other movements	(281)	(231)	(512)
As at 31 December 2023	21,076	704	21,780
Amortisation			
As at 1 January 2023	(12,814)	(502)	(13,316)
Charge for the year	(2,186)	(56)	(2,242)
Other movements	153	174	327
As at 31 December 2023	(14,847)	(384)	(15,231)
Allowances for impairment losses (Note 36)			
As at 1 January 2023	–	(9)	(9)
Additions	–	–	–
Other movements	–	–	–
As at 31 December 2023	–	(9)	(9)
Net carrying value			
As at 1 January 2023	6,085	411	6,496
As at 31 December 2023	6,229	311	6,540

Other movements include exchange differences.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

33 Goodwill

(1) The goodwill is mainly attributable to the expected synergies arising from the acquisition of CCB Asia and CCB Indonesia. The movements of the goodwill are as follows:

	2024	2023
As at 1 January	**2,456**	2,256
Additions through acquisitions	**28**	136
Effect of exchange difference	**42**	66
Allowances for impairment losses (Note 36)	**(4)**	(2)
As at 31 December	**2,522**	2,456

(2) Impairment test for CGU containing goodwill

The Group calculated the recoverable amounts of CGUs (including goodwill) in accordance with accounting policies. The Group estimated present values of future cash flows of CGUs using expected future cash flow projections based on financial forecasts approved by management. The average growth rates used by the Group were consistent with the forecasts in industry reports, while the discount rates reflected specific risks relating to relevant segments. The Group estimated net amounts of fair value less costs of disposal based on net assets within the CGUs.

As at 31 December 2024, the Group's goodwill impairment provision amounted to RMB39 million (as at 31 December 2023: RMB409 million). In 2024, the Group transferred out goodwill impairment provisions following its loss of control over the former China Construction Bank (Brasil) Banco Múltiplo S/A. ("the former CCB Brasil") upon disposal of a proportion of its equity.

34 Deferred tax

	31 December 2024	31 December 2023
Deferred tax assets	**120,485**	121,227
Deferred tax liabilities	**(1,525)**	(1,724)
Total	**118,960**	119,503

(1) Analysed by nature

	31 December 2024		31 December 2023	
	Deductible/ (taxable) temporary differences	**Deferred tax assets/ (liabilities)**	Deductible/ (taxable) temporary differences	Deferred tax assets/ (liabilities)
Deferred tax assets				
– Fair value adjustments	**(92,885)**	**(23,330)**	(27,233)	(6,922)
– Allowances for impairment losses	**542,241**	**135,185**	530,101	132,164
– Employee benefits	**49,883**	**12,470**	21,424	5,318
– Others	**(14,349)**	**(3,840)**	(27,268)	(9,333)
Total	**484,890**	**120,485**	497,024	121,227
Deferred tax liabilities				
– Fair value adjustments	**(2,733)**	**(527)**	(4,545)	(961)
– Others	**(4,140)**	**(998)**	(4,515)	(763)
Total	**(6,873)**	**(1,525)**	(9,060)	(1,724)

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

34 Deferred tax (continued)

(2) Movements of deferred tax

	Fair value adjustments	Allowances for impairment losses	Employee benefits	Others	Total
As at 1 January 2024	**(7,883)**	**132,164**	**5,318**	**(10,096)**	**119,503**
Recognised in profit or loss	**(1,863)**	**3,021**	**7,152**	**(2,966)**	**5,344**
Recognised in other comprehensive income	**(14,111)**	**–**	**–**	**8,224**	**(5,887)**
As at 31 December 2024	**(23,857)**	**135,185**	**12,470**	**(4,838)**	**118,960**
As at 1 January 2023	(5,916)	121,917	5,111	(8,912)	112,200
Recognised in profit or loss	(192)	10,247	207	(1,184)	9,078
Recognised in other comprehensive income	(1,775)	–	–	–	(1,775)
As at 31 December 2023	(7,883)	132,164	5,318	(10,096)	119,503

The Group did not have significant unrecognised deferred tax as at the end of the reporting period.

35 Other assets

	Note	31 December 2024	31 December 2023
Repossessed assets	(1)		
– Buildings		**996**	1,093
– Land use rights		**16**	20
– Others		**6**	9
		1,018	1,122
Clearing and settlement accounts		**82,283**	25,659
Right-of-use assets	(2)	**25,119**	25,968
Fee and commission receivables		**20,512**	22,626
Insurance related assets	(3)	**16,737**	13,153
Investment properties		**13,761**	13,100
Leasehold improvements		**4,228**	4,146
Deferred expenses		**1,598**	1,773
Assets held for sale		**–**	29,278
Others		**92,461**	175,523
Gross balance		**257,717**	312,348
Allowances for impairment losses (Note 36)			
– Repossessed assets		**(765)**	(735)
– Others		**(12,228)**	(12,241)
		(12,993)	(12,976)
Net balance		**244,724**	299,372

(1) For the year ended 31 December 2024, the original cost of repossessed assets disposed of by the Group amounted to RMB122 million (for the year ended 31 December 2023: RMB151 million). The Group intends to dispose of repossessed assets through various methods including auction, competitive bidding and transfer.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

35 Other assets (continued)

(2) Right-of-use assets

	Bank premises	Others	Total
Cost			
As at 1 January 2024	49,640	150	49,790
Additions	7,869	99	7,968
Other movements	(10,353)	(60)	(10,413)
As at 31 December 2024	47,156	189	47,345
Accumulated depreciation			
As at 1 January 2024	(23,730)	(92)	(23,822)
Charge for the year	(7,523)	(45)	(7,568)
Other movements	9,110	54	9,164
As at 31 December 2024	(22,143)	(83)	(22,226)
Allowances for impairment losses (Note 36)			
As at 1 January 2024	(250)	–	(250)
Charge for the year	–	–	–
Other movements	22	–	22
As at 31 December 2024	(228)	–	(228)
Net carrying value			
As at 1 January 2024	25,660	58	25,718
As at 31 December 2024	24,785	106	24,891

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

35 Other assets (continued)

(2) Right-of-use assets (continued)

	Bank premises	Others	Total
Cost			
As at 1 January 2023	47,694	142	47,836
Additions	9,212	439	9,651
Other movements	(7,266)	(431)	(7,697)
As at 31 December 2023	49,640	150	49,790
Accumulated depreciation			
As at 1 January 2023	(21,769)	(95)	(21,864)
Charge for the year	(7,794)	(43)	(7,837)
Other movements	5,833	46	5,879
As at 31 December 2023	(23,730)	(92)	(23,822)
Allowances for impairment losses (Note 36)			
As at 1 January 2023	–	–	–
Charge for the year	(250)	–	(250)
As at 31 December 2023	(250)	–	(250)
Net carrying value			
As at 1 January 2023	25,925	47	25,972
As at 31 December 2023	25,660	58	25,718

Other movements include exchange differences.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

35 Other assets (continued)

(3) Insurance-related assets

The total for groups of insurance contracts issued and reinsurance contracts that are assets as follows:

	31 December 2024	31 December 2023
Insurance contracts issued		
– Insurance contracts issued not applying the premium allocation approach	27	28
– Insurance contracts issued applying the premium allocation approach	–	–
Subtotal	27	28
Reinsurance contracts held		
– Reinsurance contracts held not applying the premium allocation approach	15,492	11,994
– Reinsurance contracts held applying the premium allocation approach	1,218	1,131
Subtotal	16,710	13,125
Total	16,737	13,153

36 Movements of allowances for impairment losses

		2024				
	Note	As at 1 January	(Reversal)/ charge for the year	Transfer in/(out)	Write-offs and others	As at 31 December
Deposits with banks and non-bank financial institutions	21	160	(60)	7	–	107
Precious metals		1	–	–	–	1
Placements with banks and non-bank financial institutions	22	951	(516)	(4)	–	431
Financial assets held under resale agreements	24	162	(129)	–	–	33
Loans and advances to customers measured at amortised cost	25	778,223	118,516	(37,551)	(56,294)	802,894
Financial assets measured at amortised cost	26(2)(a)	24,846	6,007	(3,228)	(1,106)	26,519
Long-term equity investments	27	44	–	–	–	44
Fixed assets	29	1,467	243	(2)	(218)	1,490
Land use rights	31	133	–	–	–	133
Intangible assets	32	9	–	–	–	9
Goodwill	33	409	4	(3)	(371)	39
Other assets	35	12,976	3,553	(387)	(3,149)	12,993
Total		819,381	127,618	(41,168)	(61,138)	844,693

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

36 Movements of allowances for impairment losses (continued)

		2023				
	Note	As at 1 January	(Reversal)/ charge for the year	Transfer in/(out)	Write-offs and others	As at 31 December
Deposits with banks and non-bank financial institutions	21	338	(183)	5	–	160
Precious metals		5	(4)	–	–	1
Placements with banks and non-bank financial institutions	22	933	15	3	–	951
Financial assets held under resale agreements	24	206	(44)	–	–	162
Loans and advances to customers measured at amortised cost	25	704,088	145,953	(18,429)	(53,389)	778,223
Financial assets measured at amortised cost	26(2)(a)	34,868	(7,468)	(931)	(1,623)	24,846
Long-term equity investments	27	44	–	–	–	44
Fixed assets	29	1,270	225	23	(51)	1,467
Land use rights	31	133	–	–	–	133
Intangible assets	32	9	–	–	–	9
Goodwill	33	365	2	42	–	409
Other assets	35	9,672	6,452	(5)	(3,143)	12,976
Total		751,931	144,948	(19,292)	(58,206)	819,381

Transfer in/(out) includes exchange differences.

37 Borrowings from central banks

	31 December 2024	31 December 2023
The Chinese mainland	**860,733**	1,076,813
Overseas	**73,103**	68,183
Accrued interest	**8,758**	10,638
Total	**942,594**	1,155,634

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

38 Deposits from banks and non-bank financial institutions

(1) Analysed by type of counterparties

	31 December 2024	31 December 2023
Banks	174,292	307,642
Non-bank financial institutions	2,631,776	2,467,534
Accrued interest	29,817	16,890
Total	2,835,885	2,792,066

(2) Analysed by geographical sectors

	31 December 2024	31 December 2023
The Chinese mainland	2,671,982	2,650,649
Overseas	134,086	124,527
Accrued interest	29,817	16,890
Total	2,835,885	2,792,066

39 Placements from banks and non-bank financial institutions

(1) Analysed by type of counterparties

	31 December 2024	31 December 2023
Banks	436,847	379,252
Non-bank financial institutions	38,257	24,546
Accrued interest	4,777	3,924
Total	479,881	407,722

(2) Analysed by geographical sectors

	31 December 2024	31 December 2023
The Chinese mainland	146,681	136,631
Overseas	328,423	267,167
Accrued interest	4,777	3,924
Total	479,881	407,722

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

40 Financial liabilities measured at fair value through profit or loss

	31 December 2024	31 December 2023
Financial liabilities related to precious metals	17,720	12,218
Structured financial instruments	222,873	239,961
Total	240,593	252,179

The structured financial instruments included under the Group's financial liabilities measured at fair value through profit or loss are designated as financial liabilities measured at fair value through profit or loss. As at the end of the reporting period, the difference between the fair value of these financial liabilities and the contractual payables at maturity was not material. The amounts of changes in the fair value of these financial liabilities that were attributable to changes in credit risk were considered not significant during the year presented and cumulatively as at 31 December 2024 and 2023.

41 Financial assets sold under repurchase agreements

Financial assets sold under repurchase agreements analysed by underlying assets are shown as follows:

	31 December 2024	31 December 2023
Debt securities		
– Government bonds	727,635	212,452
– Debt securities issued by policy banks, banks and non-bank financial institutions	8,431	16,909
– Corporate bonds	1,140	3,405
Subtotal	737,206	232,766
Discounted bills	1,290	1,440
Accrued interest	1,422	372
Total	739,918	234,578

42 Deposits from customers

	31 December 2024	31 December 2023
Demand deposits		
– Corporate customers	6,459,892	6,559,979
– Personal customers	5,853,434	5,582,096
Subtotal	12,313,326	12,142,075
Time deposits (including call deposits)		
– Corporate customers	5,320,081	5,602,122
– Personal customers	10,605,165	9,479,107
Subtotal	15,925,246	15,081,229
Accrued interest	475,298	430,707
Total	28,713,870	27,654,011

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

42 Deposits from customers (continued)

Deposits from customers include:

	31 December 2024	31 December 2023
(1) Pledged deposits		
– Deposits for acceptance	**178,606**	163,527
– Deposits for guarantee	**31,362**	32,856
– Deposits for letter of credit	**29,276**	42,944
– Others	**105,663**	143,019
Total	**344,907**	382,346
(2) Outward remittance and remittance payables	**16,938**	15,577

43 Accrued staff costs

	Note	2024			
		As at 1 January	**Increased**	**Decreased**	**As at 31 December**
Salaries, bonuses, allowances and subsidies		**37,161**	**88,276**	**(80,669)**	**44,768**
Housing funds		**304**	**8,255**	**(8,402)**	**157**
Union running costs and employee education costs		**8,732**	**2,874**	**(2,503)**	**9,103**
Post-employment benefits	(1)	**889**	**17,321**	**(17,509)**	**701**
Early retirement benefits		**793**	**4**	**(34)**	**763**
Compensation to employees for termination of employment relationship		**–**	**45**	**(45)**	**–**
Others	(2)	**4,689**	**18,484**	**(18,004)**	**5,169**
Total		**52,568**	**135,259**	**(127,166)**	**60,661**

	Note	2023			
		As at 1 January	Increased	Decreased	As at 31 December
Salaries, bonuses, allowances and subsidies		33,632	85,432	(81,903)	37,161
Housing funds		282	7,997	(7,975)	304
Union running costs and employee education costs		8,113	3,421	(2,802)	8,732
Post-employment benefits	(1)	799	16,550	(16,460)	889
Early retirement benefits		858	10	(75)	793
Compensation to employees for termination of employment relationship		–	11	(11)	–
Others	(2)	5,671	15,907	(16,889)	4,689
Total		49,355	129,328	(126,115)	52,568

The Group had no overdue balance of accrued staff costs as at the end of the reporting period.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

43 Accrued staff costs (continued)

(1) Post-employment benefits

(a) *Defined contribution plans*

	2024			
	As at 1 January	**Increased**	**Decreased**	**As at 31 December**
Basic pension insurance	**532**	**10,608**	**(10,795)**	**345**
Unemployment insurance	**64**	**390**	**(394)**	**60**
Annuity contribution	**867**	**6,187**	**(6,263)**	**791**
Total	**1,463**	**17,185**	**(17,452)**	**1,196**

	2023			
	As at 1 January	Increased	Decreased	As at 31 December
Basic pension insurance	485	10,072	(10,025)	532
Unemployment insurance	51	351	(338)	64
Annuity contribution	872	6,073	(6,078)	867
Total	1,408	16,496	(16,441)	1,463

There were no contributions into the Group's basic retirement insurance and annuity scheme that had been forfeited and that could be used to deduct contributions payable by the Group according to the above plans.

(b) *Defined benefit plans – Supplementary retirement benefits*

The Group's obligations in respect of the supplementary retirement benefits as at the end of the reporting period were calculated using the projected unit credit method and reviewed by an external independent actuary, Towers Watson Management Consulting (ShenZhen) Co., Ltd.

	Present value of defined benefit plan obligations		Fair value of plan assets		Net assets of defined benefit plans	
	2024	2023	**2024**	2023	**2024**	2023
As at 1 January	**4,343**	4,685	**4,917**	5,294	**(574)**	(609)
Cost of the net defined benefit liability in profit or loss						
– Interest costs	**97**	119	**111**	138	**(14)**	(19)
Remeasurements of the defined benefit liability in other comprehensive income						
– Actuarial losses	**136**	7	**–**	–	**136**	7
– Returns on plan assets	**–**	–	**43**	(47)	**(43)**	47
Other changes						
– Benefits paid	**(305)**	(468)	**(305)**	(468)	**–**	–
As at 31 December	**4,271**	4,343	**4,766**	4,917	**(495)**	(574)

Interest cost was recognised in operating expenses.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

43 Accrued staff costs (continued)

(1) Post-employment benefits (continued)

(b) *Defined benefit plans – Supplementary retirement benefits* (continued)

(i) *Principal actuarial assumptions of the Group as at the end of the reporting period were as follows:*

	31 December 2024	31 December 2023
Discount rate	**1.75%**	2.50%
Health care cost increase rate	**7.00%**	7.00%
Average expected future lifetime of eligible employees	**9.6 years**	10.4 years

Mortality assumptions are based on China Life Insurance Mortality Table (2010-2013). The Table published historical statistics in China.

(ii) *The sensitivity analysis of the present value of supplementary retirement benefit obligations to changes in the weighted principal assumption is:*

	Impact on present value of supplementary retirement benefit obligations	
	Increase in assumption by 0.25%	**Decrease in assumption by 0.25%**
Discount rate	**(84)**	**87**
Health care cost increase rate	**37**	**(35)**

(iii) *As at 31 December 2024, the weighted average duration of supplementary retirement benefit obligations of the Group was 8.0 years (as at 31 December 2023: 7.8 years).*

(iv) *Plan assets of the Group are as follows:*

	31 December 2024	31 December 2023
Cash and cash equivalents	**1,830**	975
Equity instruments	**663**	691
Debt instruments and others	**2,273**	3,251
Total	**4,766**	4,917

(2) Accrued staff costs – others mainly include employee welfare, medical insurance, maternity insurance and employment injury insurance.

44 Taxes payable

	31 December 2024	31 December 2023
Income tax	**28,324**	61,036
Value added tax	**9,778**	10,240
Others	**2,286**	2,304
Total	**40,388**	73,580

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

45 Provisions

	Note	31 December 2024	31 December 2023
Expected credit losses on the off – balance sheet credit business	(1)	**29,770**	34,600
Expected losses from other businesses	(2)	**8,552**	8,744
Total		**38,322**	43,344

(1) Movements of the provisions – expected credit losses on the off-balance sheet credit business:

		2024			
	Note	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
As at 1 January 2024		**28,385**	**4,782**	**1,433**	**34,600**
Transfers:					
Transfers in/(out) to Stage 1		**178**	**(178)**	**–**	**–**
Transfers in/(out) to Stage 2		**(40)**	**42**	**(2)**	**–**
Transfers in/(out) to Stage 3		**–**	**(69)**	**69**	**–**
Newly originated		**10,445**	**–**	**–**	**10,445**
Decreased		**(14,264)**	**(3,625)**	**(478)**	**(18,367)**
Remeasurements	(a)	**(1,362)**	**3,694**	**760**	**3,092**
As at 31 December 2024		**23,342**	**4,646**	**1,782**	**29,770**

		2023			
	Note	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2023		33,557	5,587	1,598	40,742
Transfers:					
Transfers in/(out) to Stage 1		530	(529)	(1)	–
Transfers in/(out) to Stage 2		(145)	154	(9)	–
Transfers in/(out) to Stage 3		(10)	(2)	12	–
Newly originated		14,712	–	–	14,712
Decreased		(19,426)	(4,116)	(824)	(24,366)
Remeasurements	(a)	(833)	3,688	657	3,512
As at 31 December 2023		28,385	4,782	1,433	34,600

(a) Remeasurements comprise the impact of changes in PD, LGD, and EAD; changes in model assumptions and methodologies; changes in allowance for impairment losses due to stage-transfer; and the impact of exchange rate changes, etc.

(2) Other businesses include off-balance sheet businesses other than the off-balance sheet credit business, outstanding litigations and the precious metal leasing business.

46 Debt securities issued

	Note	31 December 2024	31 December 2023
Interbank certificates of deposit issued/Certificates of deposit	(1)	**1,553,226**	1,242,136
Bonds issued	(2)	**166,658**	141,430
Subordinated bonds issued	(3)	**11,998**	11,998
Non-capital TLAC bonds issued	(4)	**49,997**	–
Eligible Tier 2 capital bonds issued	(5)	**594,092**	491,427
Accrued interest		**10,624**	8,744
Total		**2,386,595**	1,895,735

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

46 Debt securities issued (continued)

(1) Interbank certificates of deposit issued/certificates of deposit were mainly issued by the head office, overseas branches, CCB New Zealand and CCBIG.

(2) Bonds issued

Issue date	Maturity date	Interest rate per annum	Issue place	Currency	31 December 2024	31 December 2023
18/11/2014	18/11/2024	4.08%	Taiwan	RMB	–	599
16/05/2019	16/05/2024	3.50%	Hong Kong	USD	–	3,337
16/05/2019	16/05/2029	3.88%	Hong Kong	USD	1,438	1,422
26/08/2019	26/08/2024	3.40%	The Chinese mainland	RMB	–	3,000
11/09/2019	16/05/2024	3.50%	Hong Kong	USD	–	1,635
24/10/2019	24/10/2024	SOFR+1.03161%	Hong Kong	USD	–	4,765
22/11/2019	22/11/2024	2.393%	Auckland	NZD	–	382
16/03/2020	15/03/2025	2.75%	The Chinese mainland	RMB	5,000	5,000
21/07/2020	21/07/2025	1.99%	Hong Kong	USD	3,244	3,213
28/09/2020	28/09/2025	1.78%	Hong Kong	USD	1,438	1,422
28/09/2020	28/09/2030	2.55%	Hong Kong	USD	719	711
26/01/2021	26/01/2024	3.30%	The Chinese mainland	RMB	–	20,000
02/02/2021	04/02/2024	3.65%	The Chinese mainland	RMB	–	2,240
07/04/2021	12/04/2024	3.55%	The Chinese mainland	RMB	–	2,200
22/04/2021	22/04/2024	0.043%	Luxembourg	EUR	–	6,279
22/04/2021	22/04/2024	0.86%	Hong Kong	USD	–	4,266
22/04/2021	22/04/2026	1.46%	Hong Kong	USD	4,015	3,910
27/05/2021	01/06/2024	3.33%	The Chinese mainland	RMB	–	1,950
28/06/2021	28/06/2024	0.06%	Luxembourg	EUR	–	6,279
22/07/2021	22/07/2026	1.80%	Hong Kong	USD	3,291	3,272
15/09/2021	15/09/2026	1.60%	Hong Kong	USD	2,510	2,489
29/09/2021	29/09/2026	1.50%	Hong Kong	USD	5,110	4,979
21/12/2021	21/12/2024	SOFR+0.50%	Hong Kong	USD	–	3,551
17/05/2022	17/05/2025	3.125%	Hong Kong	USD	7,299	7,110
17/05/2022	17/05/2024	3.40%	United Kingdom	RMB	–	998
23/05/2022	25/05/2025	2.60%	The Chinese mainland	RMB	10,000	10,000
13/06/2022	13/06/2024	2.85%	Singapore	SGD	–	1,886
12/12/2022	14/12/2025	2.92%	The Chinese mainland	RMB	10,000	10,000
09/02/2023	09/02/2026	3M New Zealand benchmark interest rate+1.10%	Auckland	NZD	924	1,011
22/03/2023	24/03/2026	2.80%	The Chinese mainland	RMB	10,000	10,000
31/05/2023	31/05/2025	2.80%	United Kingdom	RMB	1,989	1,996
02/11/2023	02/11/2027	3M New Zealand benchmark interest rate +1.20%	Auckland	NZD	616	674
24/11/2023	24/11/2026	3.80%	Luxembourg	EUR	760	785
30/11/2023	30/11/2026	3.88%	Luxembourg	EUR	2,281	2,355
30/11/2023	30/11/2026	SOFR+0.65%	Dubai	USD	4,380	4,266
30/11/2023	30/11/2026	5.00%	Hong Kong	USD	3,650	3,555
28/02/2024	01/03/2027	2.35%	The Chinese mainland	RMB	20,000	–
28/02/2024	01/03/2029	2.50%	The Chinese mainland	RMB	10,000	–
09/04/2024	11/04/2027	2.44%	The Chinese mainland	RMB	2,700	–
12/06/2024	14/06/2027	2.15%	The Chinese mainland	RMB	2,700	–
16/07/2024	16/07/2027	SOFR+0.55%	Hong Kong	USD	7,300	–
16/07/2024	16/07/2027	2.83%	United Kingdom	RMB	1,989	–
09/09/2024	11/09/2027	2.05%	Hong Kong	RMB	2,389	
23/10/2024	25/10/2027	1.88%	The Chinese mainland	RMB	20,000	–
23/10/2024	25/10/2027	2.08%	The Chinese mainland	RMB	21,000	–
Total nominal value					166,742	141,537
Less: Unamortised issuance costs					(84)	(107)
Carrying value					166,658	141,430

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

46 Debt securities issued (continued)

(3) Subordinated bonds issued

The carrying value of the Group's subordinated bonds issued upon the approval of the PBOC and the NFRA is as follows:

Issue date	Maturity date	Interest rate per annum	Currency	Note	31 December 2024	31 December 2023
28/01/2021	01/02/2031	4.30%	RMB	(a)	**6,000**	6,000
18/03/2022	22/03/2032	3.70%	RMB	(b)	**2,000**	2,000
13/09/2023	14/09/2033	3.45%	RMB	(c)	**4,000**	4,000
Total nominal value					**12,000**	12,000
Less: Unamortised issuance cost					**(2)**	(2)
Carrying value					**11,998**	11,998

(a) The Group has an option to redeem part or all of the bonds on 1 February 2026, subject to registration from the PBOC and the NFRA.

(b) The Group has an option to redeem part or all of the bonds on 22 March 2027, subject to registration from the PBOC and the NFRA.

(c) The Group has an option to redeem part or all of the bonds on 14 September 2028, subject to registration from the PBOC and the NFRA.

(4) Non-capital TLAC bonds issued

Issue date	Maturity date	Interest rate per annum	Currency	Note	31 December 2024	31 December 2023
08/08/2024	12/08/2028	2.00%	RMB	(a)	**35,000**	–
08/08/2024	12/08/2030	2.10%	RMB	(b)	**15,000**	–
Total nominal value					**50,000**	–
Less: Unamortised issuance cost					**(3)**	–
Carrying value					**49,997**	–

(a) This bond issuance sets forth the right of the issuer to choose early redemption, and the Group has an option to redeem these bonds on 12 August 2027, subject to regulatory requirements. When the issuer enters the disposal stage, the PBOC and the NFRA may mandate that bonds be partially or fully written down in the current period after all Tier 2 capital instruments have been written down or converted into ordinary shares.

(b) This bond issuance sets forth the right of the issuer to choose early redemption, and the Group has an option to redeem these bonds on 12 August 2029, subject to regulatory requirements. When the issuer enters the disposal stage, the PBOC and the NFRA may mandate that bonds be partially or fully written down in the current period after all Tier 2 capital instruments have been written down or converted into ordinary shares.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

46 Debt securities issued (continued)

(5) Eligible Tier 2 capital bonds issued

Issue date	Maturity date	Interest rate per annum	Currency	Note	31 December 2024	31 December 2023
18/08/2014	18/08/2029	5.98%	RMB	(a)	–	20,000
27/02/2019	27/02/2029	4.25%	USD	(b)	–	13,124
24/06/2020	24/06/2030	2.45%	USD	(c)	14,599	14,219
10/09/2020	14/09/2030	4.20%	RMB	(d)	65,000	65,000
06/08/2021	10/08/2031	3.45%	RMB	(e)	65,000	65,000
06/08/2021	10/08/2036	3.80%	RMB	(f)	15,000	15,000
05/11/2021	09/11/2031	3.60%	RMB	(g)	35,000	35,000
05/11/2021	09/11/2036	3.80%	RMB	(h)	10,000	10,000
10/12/2021	14/12/2031	3.48%	RMB	(i)	12,000	12,000
10/12/2021	14/12/2036	3.74%	RMB	(j)	8,000	8,000
13/01/2022	21/01/2032	2.85%	USD	(k)	14,599	14,219
15/06/2022	17/06/2032	3.45%	RMB	(l)	45,000	45,000
15/06/2022	17/06/2037	3.65%	RMB	(m)	15,000	15,000
03/11/2022	07/11/2032	3.00%	RMB	(n)	25,000	25,000
03/11/2022	07/11/2037	3.34%	RMB	(o)	15,000	15,000
24/03/2023	28/03/2033	3.49%	RMB	(p)	5,000	5,000
24/03/2023	28/03/2038	3.61%	RMB	(q)	15,000	15,000
24/10/2023	26/10/2033	3.45%	RMB	(r)	45,000	45,000
24/10/2023	26/10/2038	3.53%	RMB	(s)	15,000	15,000
14/11/2023	16/11/2033	3.30%	RMB	(t)	25,000	25,000
14/11/2023	16/11/2038	3.42%	RMB	(u)	15,000	15,000
01/02/2024	05/02/2034	2.75%	RMB	(v)	20,000	–
01/02/2024	05/02/2039	2.82%	RMB	(w)	30,000	–
04/07/2024	08/07/2034	2.21%	RMB	(x)	40,000	–
04/07/2024	08/07/2039	2.37%	RMB	(y)	10,000	–
26/12/2024	30/12/2034	1.96%	RMB	(z)	35,000	–
Total nominal value					594,198	491,562
Less: Unamortised issuance cost					(106)	(135)
Carrying value					594,092	491,427

46 Debt securities issued (continued)

(5) Eligible Tier 2 capital bonds issued (continued)

(a) The Group has chosen to exercise the option to redeem all the bonds on 18 August 2024.

(b) The Group has chosen to exercise the option to redeem all the bonds on 27 February 2024.

(c) The Group has an option to redeem the bonds on 24 June 2025, subject to agreement from the relevant authority. If they are not redeemed by the Group, the interest rate will be reset on 24 June 2025 and increase by 2.15% on the basis of the five-year USD treasury benchmark applicable on the interest reset date. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down in full or in part the principal of the bonds when a regulatory triggering event occurs. The accumulated unpaid interests associated with the portion of bonds written off will not be paid either.

(d) The Group has an option to redeem the bonds on 14 September 2025, subject to agreement from the relevant authority. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down in full or in part the principal of the bonds when a regulatory triggering event occurs. The accumulated unpaid interests associated with the portion of bonds written off will not be paid either.

(e) The Group has an option to redeem the bonds on 10 August 2026, subject to agreement from the relevant authority. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down in full or in part the principal of the bonds when a regulatory triggering event occurs. The accumulated unpaid interests associated with the portion of bonds written off will not be paid either.

(f) The Group has an option to redeem the bonds on 10 August 2031, subject to agreement from the relevant authority. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down in full or in part the principal of the bonds when a regulatory triggering event occurs. The accumulated unpaid interests associated with the portion of bonds written off will not be paid either.

(g) The Group has an option to redeem the bonds on 9 November 2026, subject to agreement from the relevant authority. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down in full or in part the principal of the bonds when a regulatory triggering event occurs. The accumulated unpaid interests associated with the portion of bonds written off will not be paid either.

(h) The Group has an option to redeem the bonds on 9 November 2031, subject to agreement from the relevant authority. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down in full or in part the principal of the bonds when a regulatory triggering event occurs. The accumulated unpaid interests associated with the portion of bonds written off will not be paid either.

(i) The Group has an option to redeem the bonds on 14 December 2026, subject to agreement from the relevant authority. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down in full or in part the principal of the bonds when a regulatory triggering event occurs. The accumulated unpaid interests associated with the portion of bonds written off will not be paid either.

(j) The Group has an option to redeem the bonds on 14 December 2031, subject to agreement from the relevant authority. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down in full or in part the principal of the bonds when a regulatory triggering event occurs. The accumulated unpaid interests associated with the portion of bonds written off will not be paid either.

(k) The Group has an option to redeem the bonds on 21 January 2027, subject to agreement from the relevant authority. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down in full or in part the principal of the bonds when a regulatory triggering event occurs. The accumulated unpaid interests associated with the portion of bonds written off will not be paid either.

(l) The Group has an option to redeem the bonds on 17 June 2027, subject to agreement from the relevant authority. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down in full or in part the principal of the bonds when a regulatory triggering event occurs. The accumulated unpaid interests associated with the portion of bonds written off will not be paid either.

(m) The Group has an option to redeem the bonds on 17 June 2032, subject to agreement from the relevant authority. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down in full or in part the principal of the bonds when a regulatory triggering event occurs. The accumulated unpaid interests associated with the portion of bonds written off will not be paid either.

(n) The Group has an option to redeem the bonds on 7 November 2027, subject to agreement from the relevant authority. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down in full or in part the principal of the bonds when a regulatory triggering event occurs. The accumulated unpaid interests associated with the portion of bonds written off will not be paid either.

(o) The Group has an option to redeem the bonds on 7 November 2032, subject to agreement from the relevant authority. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down in full or in part the principal of the bonds when a regulatory triggering event occurs. The accumulated unpaid interests associated with the portion of bonds written off will not be paid either.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

46 Debt securities issued (continued)

(5) Eligible Tier 2 capital bonds issued (continued)

(p) The Group has an option to redeem the bonds on 28 March 2028, subject to agreement from the relevant authority. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down in full or in part the principal of the bonds when a regulatory triggering event occurs. The accumulated unpaid interests associated with the portion of bonds written off will not be paid either.

(q) The Group has an option to redeem the bonds on 28 March 2033 subject to agreement from the relevant authority. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down in full or in part the principal of the bonds when a regulatory triggering event occurs. The accumulated unpaid interests associated with the portion of bonds written off will not be paid either.

(r) The Group has an option to redeem the bonds on 26 October 2028 subject to agreement from the relevant authority. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down in full or in part the principal of the bonds when a regulatory triggering event occurs. The accumulated unpaid interests associated with the portion of bonds written off will not be paid either.

(s) The Group has an option to redeem the bonds on 26 October 2033 subject to agreement from the relevant authority. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down in full or in part the principal of the bonds when a regulatory triggering event occurs. The accumulated unpaid interests associated with the portion of bonds written off will not be paid either.

(t) The Group has an option to redeem the bonds on 16 November 2028 subject to agreement from the relevant authority. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down in full or in part the principal of the bonds when a regulatory triggering event occurs. The accumulated unpaid interests associated with the portion of bonds written off will not be paid either.

(u) The Group has an option to redeem the bonds on 16 November 2033, subject to agreement from the relevant authority. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down in full or in part the principal of the bonds when a regulatory triggering event occurs. The accumulated unpaid interests associated with the portion of bonds written off will not be paid either.

(v) The Group has an option to redeem the bonds on 5 February 2029, subject to agreement from the relevant authority. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down in full or in part the principal of the bonds when a regulatory triggering event occurs. The accumulated unpaid interests associated with the portion of bonds written off will not be paid either.

(w) The Group has an option to redeem the bonds on 5 February 2034, subject to agreement from the relevant authority. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down in full or in part the principal of the bonds when a regulatory triggering event occurs. The accumulated unpaid interests associated with the portion of bonds written off will not be paid either.

(x) The Group has an option to redeem the bonds on 8 July 2029, subject to agreement from the relevant authority. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down in full or in part the principal of the bonds when a regulatory triggering event occurs. The accumulated unpaid interests associated with the portion of bonds written off will not be paid either.

(y) The Group has an option to redeem the bonds on 8 July 2034, subject to agreement from the relevant authority. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down in full or in part the principal of the bonds when a regulatory triggering event occurs. The accumulated unpaid interests associated with the portion of bonds written off will not be paid either.

(z) The Group has an option to redeem the bonds on 30 December 2029, subject to agreement from the relevant authority. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down in full or in part the principal of the bonds when a regulatory triggering event occurs. The accumulated unpaid interests associated with the portion of bonds written off will not be paid either.

(6) In 2024 and 2023, there were no defaults by the Group on principal and interests, nor were there any other defaults related to debt securities issued.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

47 Other liabilities

	Note	31 December 2024	31 December 2023
Insurance related liabilities	(1)	**276,617**	252,327
Clearing and settlement accounts		**142,043**	5,980
Dividend Payable		**49,252**	–
Lease liabilities	(2)	**23,920**	24,216
Payment and collection clearance accounts		**18,447**	25,830
Deferred income		**15,626**	17,053
Accrued expenses advance		**9,506**	8,916
Dormant accounts		**8,527**	8,195
Capital expenditure payable		**4,962**	5,587
Cash pledged and rental prepayments		**2,797**	3,697
Liabilities held for sale		**–**	27,803
Others		**101,265**	168,139
Total		**652,962**	547,743

(1) Insurance related liabilities

The total for groups of insurance contracts issued and reinsurance contracts that are liabilities as follows:

	31 December 2024	31 December 2023
Insurance contracts issued		
– Insurance contracts issued not applying the premium allocation approach	**274,812**	250,524
– Insurance contracts issued applying the premium allocation approach	**1,802**	1,803
Subtotal	**276,614**	252,327
Reinsurance contracts held		
– Reinsurance contracts held not applying the premium allocation approach	**–**	–
– Reinsurance contracts held applying the premium allocation approach	**3**	–
Subtotal	**3**	–
Total	**276,617**	252,327

(2) Lease liabilities

Maturity analysis – undiscounted analysis

	31 December 2024	31 December 2023
Within one year	**6,657**	6,705
Between one year and five years	**13,623**	14,565
More than five years	**7,422**	6,244
Total undiscounted lease liabilities	**27,702**	27,514
Lease liabilities	**23,920**	24,216

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

48 Share capital

	31 December 2024	31 December 2023
Listed in Hong Kong (H shares)	**240,417**	240,417
Listed in the Chinese mainland (A shares)	**9,594**	9,594
Total	**250,011**	250,011

All H and A shares are ordinary shares, have a par value of RMB1 per share and rank pari passu with the same rights and benefits.

49 Other equity instruments

(1) Preference shares

(a) *Preference shares outstanding as at the end of the reporting period*

Financial instrument outstanding	Issuance date	Classification	Year-end dividend rate	Issuance price	Quantity (million shares)	Currency	Total amount	Maturity date	Redemption/ conversion
2017 Domestic Preference Shares	21 December 2017	Equity instruments	3.57%	100 per share	600	RMB	60,000	No maturity date	None
Less: Issuance fee							(23)		
Carrying amount							59,977		

(b) *The key terms*

Dividend

The nominal dividend rate of the Domestic Preference Shares is adjusted on a phase-by-phase basis. It is the sum of the benchmark rate plus the fixed interest spread, and is adjusted every five years. The fixed interest spread is determined as the nominal dividend rate set for issuance less the benchmark rate at the time of issuance, and will not be subject to future adjustments. The dividends for domestic preference shares are non-cumulative. The Bank has the right to cancel dividend distribution on Domestic Preference Shares, and the cancellation does not constitute a default event. The Bank may, at its discretion, use the cancelled dividends to repay other indebtedness due and payable. If the Bank cancels all or part of the dividends on the Domestic Preference Shares, the Bank shall make no profit distribution to shareholders holding ordinary shares from the day after the cancellation proposal is adopted by the General Shareholders' Meeting to the day when full distribution of dividends is resumed. The cancellation of dividends on Domestic Preference Shares will not constitute other restrictions to the Bank except for the distribution of dividends to ordinary shareholders.

The dividends on the Domestic Preference Shares are distributed annually.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

49 Other equity instruments (continued)

(1) Preference shares (continued)

(b) The key terms (continued)

Redemption

The Bank may, subject to the NFRA's approval and compliance with the redemption preconditions, redeem in whole or in part of the Domestic Preference Shares after at least five years from the completion date of the issuance (i.e., 27 December 2017). The redemption period begins from the first day of the redemption and ends on the day when all Domestic Preference Shares are redeemed or converted. The redemption price of the Domestic Preference Shares shall be their issue price plus any dividends accrued but unpaid in the current period.

Compulsory conversion of preference shares

If an Additional Tier 1 Capital Instrument Trigger Event occurs, i.e., the Core Tier 1 Capital Adequacy Ratio of the Bank has fallen to 5.125% or below, the Bank has the right to, without prior consent from the shareholders of the domestic preference shares and as agreed, convert all or part of the domestic preference shares issued and outstanding to ordinary A shares, to restore the Bank's Core Tier 1 Capital Adequacy Ratio to above the trigger point (i.e., 5.125%). In the case of partial conversion, the domestic preference shares shall be subject to the same proportion and conditions of conversion. Once domestic preference shares are converted to ordinary A shares, they shall not be converted back to preference shares under any circumstances.

When a Tier 2 Capital Instrument Trigger Event occurs, the Bank has the right to, without prior consent of the shareholders of the Domestic Preference Shares and as agreed, convert all the Domestic Preference Shares issued and outstanding to ordinary A shares. Once Domestic Preference Shares are converted to ordinary A shares, they shall not be converted back to preference shares under any circumstances. A Tier 2 Capital Instrument Trigger Event is the earlier of the following two scenarios: (i) the NFRA having decided that without a conversion or write-off of the Bank's capital, the Bank would become non-viable; and (ii) the relevant authorities having decided that a public sector injection of capital or equivalent support is necessary, without which the Bank would become non-viable. When the compulsory conversion of preference shares occurs, the Bank shall report to the NFRA for approval and decision, and perform the announcement obligation according to the regulations of the Securities Law and China Securities Regulatory Commission ("CSRC").

The Bank classified preference shares issued as an equity instrument and presented as an equity item on the statement of financial position. Capital raised from the issuance of the above preference shares, after deduction of the expenses relating to the issuance, was wholly used to replenish the Bank's additional tier 1 capital and to increase its capital adequacy ratios.

(c) Changes in preference shares outstanding

	1 January 2024		Increase/(Decrease)		31 December 2024	
Financial instrument outstanding	**Quantity (million shares)**	**Carrying value**	**Quantity (million shares)**	**Carrying value**	**Quantity (million shares)**	**Carrying value**
2017 Domestic Preference Shares	600	59,977	–	–	600	59,977
Total	600	59,977	–	–	600	59,977

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

49 Other equity instruments (continued)

(2) Perpetual bonds

(a) Perpetual bonds outstanding at the end of the year

Financial instrument outstanding	Issuance date	Classification	Year-end interest rate	Issuance price	Quantity (million units)	Currency	Total amount	Maturity date	Redemption/ write-down conditions
2022 Undated Additional Tier 1 Capital Bonds	29 August 2022	Equity instruments	3.20%	100 per unit	400	RMB	40,000	No maturity date	None
2023 Undated Additional Tier 1 Capital Bonds (Series 1)	14 July 2023	Equity instruments	3.29%	100 per unit	300	RMB	30,000	No maturity date	None
2023 Undated Additional Tier 1 Capital Bonds (Series 2)	22 September 2023	Equity instruments	3.37%	100 per unit	300	RMB	30,000	No maturity date	None
Carrying amount							100,000		

(b) The key terms

Distribution rate and distribution payment

The distribution rate of the Undated Additional Tier 1 Capital Bonds (or "the Bonds") will be adjusted at defined intervals, with a distribution rate adjustment period every 5 years since the payment settlement date. In any distribution rate adjusted period, the distribution payments on the Bonds will be made at a prescribed fixed distribution rate. The distribution rate is determined by a benchmark rate plus a fixed interest spread.

The Bank shall have the right to cancel, in whole or in part, distributions on the Bonds and any such cancellation shall not constitute an event of default. When exercising such right, the Bank will take into full consideration the interest of the holders of the Bonds. The Bank may, at its sole discretion, use the proceeds from the cancelled distributions to meet other obligations as they fall due. In the case of cancelling any distributions on the Bonds, no matter in whole or in part, the Bank shall not make any distribution to the ordinary shareholders from the next day following the resolution being approved by the general shareholders meeting, until its decision to resume the distribution payments in whole to the holders of the Bonds. The distributions on the Bonds are non-cumulative, namely, upon cancellation, any amount of distribution unpaid to the holders of the Bonds in the applicable period will not accumulate or compound to the subsequent distribution period thereafter.

The distributions of the Bonds will be payable annually.

Conditional redemption rights of the Bank

From the fifth anniversary since the issuance of the Bonds, the Bank may redeem whole or part of the Bonds on each distribution payment date (including the fifth distribution payment date since the issuance). If, after the issuance, the Bonds no longer qualify as Additional Tier 1 Capital as a result of an unforeseeable change or amendment to relevant provisions of supervisory regulations, the Bank may redeem the whole but not part of the Bonds.

The exercise of the Bank's redemption right shall be subject to the consent of the NFRA and the satisfaction of the following preconditions: (i) the Bank shall use capital instruments of the same or better quality to replace the instruments to be redeemed, and such replacement shall only be carried out at conditions which are sustainable for the income capacity; (ii) or the capital position of the Bank after the redemption right is exercised will remain well above the regulatory capital requirements stipulated by the NFRA.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

49 Other equity instruments (continued)

(2) Perpetual bonds (continued)

(b) *The key terms (continued)*

Write-down/write-off clauses

Upon the occurrence of a Non-Viability Trigger Event, the Bank has the right to write down/write off in whole or in part, without the need for consent of the holders of the Bonds, the principal amount of the Bonds. The amount of the write-down/write-off shall be determined by the ratio of the outstanding principal amount of the Undated Additional Tier 1 Capital Bonds to the aggregate principal amount of all additional tier 1 capital instruments with the identical Trigger Event. A Non-Viability Trigger Event refers to the earlier of the following events: (i) the NFRA having decided that the Bank would become non-viable without a write-down/write-off; (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Bank would become non-viable. The write-down/write-off will not be restored.

Subordination

The claims in respect of the Bonds will be subordinated to the claims of depositors, general creditors, and subordinated indebtedness that ranks senior to the Bonds; 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 any other additional tier 1 capital instruments of the Bank that rank pari passu with the Bonds.

The Bank classified the Bonds issued as an equity instrument and presented as an equity item on the statement of financial position. Capital raised from the issuance of the Bonds, after deduction of the expenses relating to the issuance, was wholly used to replenish the Bank's additional tier 1 capital and to increase its capital adequacy ratios.

(c) *Changes in perpetual bonds outstanding*

	1 January 2024		Increase/(Decrease)		31 December 2024	
Financial instrument outstanding	**Quantity (million units)**	**Carrying value**	**Quantity (million units)**	**Carrying value**	**Quantity (million units)**	**Carrying value**
2019 Undated Additional Tier 1 Capital Bonds	400	39,991	(400)	(39,991)	–	–
2022 Undated Additional Tier 1 Capital Bonds	400	40,000	–	–	400	40,000
2023 Undated Additional Tier 1 Capital Bonds (Series 1)	300	30,000	–	–	300	30,000
2023 Undated Additional Tier 1 Capital Bonds (Series 2)	300	30,000	–	–	300	30,000
Total	1,400	139,991	(400)	(39,991)	1,000	100,000

Note: 2019 Undated Additional Tier 1 Capital Bonds were redeemed in November 2024.

(3) Interests attributable to the holders of equity instruments

Items	31 December 2024	31 December 2023
1. Total equity attributable to equity holders of the Bank	3,322,127	3,150,145
(1) Equity attributable to ordinary equity holders of the Bank	3,162,150	2,950,177
(2) Equity attributable to other equity holders of the Bank	159,977	199,968
Of which: net profit	7,108	5,110
dividends received	7,108	5,110
2. Total equity attributable to non-controlling interests	21,838	21,929
(1) Equity attributable to non-controlling interests of ordinary shares	19,839	19,930
(2) Equity attributable to non-controlling interests of other equity instruments	1,999	1,999

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(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

50 Capital reserve

	31 December 2024	31 December 2023
Share premium and others	135,736	135,619

51 Other comprehensive income

	Other comprehensive income of the statement of financial position				Other comprehensive income of the statement of comprehensive income				
					2024				
	1 January 2024	Net-of-tax amount attributable to equity shareholders of the Bank	Other comprehensive income transferred to retained earnings	31 December 2024	The amount before Income taxes	Less: Reclassification adjustments included in profit or loss due to disposals	Less: related income tax impact	Net-of-tax amount attributable to equity shareholders of the Bank	Net-of-tax amount attributable to non-controlling interests
(1) Other comprehensive income that will not be reclassified to profit or loss									
Remeasurements of post-employment benefit obligations	(82)	(93)	-	(175)	(93)	-	-	(93)	-
Fair value changes of equity instruments designated as measured at fair value through other comprehensive income	217	8,509	(7)	8,719	12,355	-	(3,203)	8,509	643
Others	791	74	-	865	74	-	-	74	-
(2) Other comprehensive income that may be reclassified subsequently to profit or loss									
Fair value changes of debt instruments measured at fair value through other comprehensive income	23,597	30,510	-	54,107	49,148	(3,996)	(11,322)	30,510	3,320
Allowances for credit losses of debt instruments measured at fair value through other comprehensive income	5,617	(1,239)	-	4,378	(1,655)	-	414	(1,239)	(2)
Net gain on cash flow hedges	706	100	-	806	100	-	-	100	-
Exchange difference on translating foreign operations	482	1,304	-	1,786	1,273	-	-	1,304	(31)
Others	(7,347)	(5,238)	-	(12,585)	(18,494)	-	8,224	(5,238)	(5,032)
Total	23,981	33,927	(7)	57,901	42,708	(3,996)	(5,887)	33,927	(1,102)

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

51 Other comprehensive income (continued)

	Other comprehensive income of the statement of financial position				Other comprehensive income of the statement of comprehensive income				
					2023				
	1 January 2023	Net-of-tax amount attributable to equity shareholders of the Bank	Other comprehensive income transferred to retained earnings	31 December 2023	The amount before Income taxes	Less: Reclassification adjustments included in profit or loss due to disposals	Less: related income tax impact	Net-of-tax amount attributable to equity shareholders of the Bank	Net-of-tax amount attributable to non-controlling interests
(1) Other comprehensive income that will not be reclassified to profit or loss									
Remeasurements of post-employment benefit obligations	(28)	(54)	–	(82)	(54)	–	–	(54)	–
Fair value changes of equity instruments designated as measured at fair value through other comprehensive income	90	153	(26)	217	204	–	(51)	153	–
Others	752	39	–	791	39	–	–	39	–
(2) Other comprehensive income that may be reclassified subsequently to profit or loss									
Fair value changes of debt instruments measured at fair value through other comprehensive income	16,809	6,788	–	23,597	12,678	(585)	(4,276)	6,788	1,029
Allowances for credit losses of debt instruments measured at fair value through other comprehensive income	6,851	(1,234)	–	5,617	(1,645)	–	411	(1,234)	–
Net gain on cash flow hedges	505	201	–	706	201	–	–	201	–
Exchange difference on translating foreign operations	(3,505)	3,987	–	482	4,115	–	–	3,987	128
Others	(4,071)	(3,276)	–	(7,347)	(8,565)	–	2,141	(3,276)	(3,148)
Total	17,403	6,604	(26)	23,981	6,973	(585)	(1,775)	6,604	(1,991)

52 Surplus reserve

Surplus reserves consist of statutory surplus reserve fund and discretionary surplus reserve fund.

The Bank is required to allocate 10% of its net profit, as determined under the Accounting Standards for Business Enterprises and other relevant requirements issued by the MOF on 15 February 2006. After making appropriations to the statutory surplus reserve fund, the Bank may also allocate its net profit to the discretionary surplus reserve fund upon approval by shareholders in shareholders' general meeting.

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53 General reserve

The general reserves of the Group are set up based on the requirements of:

	Note	**31 December 2024**	31 December 2023
MOF	(1)	**521,876**	484,043
Hong Kong Banking Ordinance	(2)	**2,124**	2,124
Other regulatory bodies in the Chinese mainland	(3)	**9,858**	9,379
Other overseas regulatory bodies		**733**	709
Total		**534,591**	496,255

(1) Pursuant to relevant regulations issued by the MOF, the Bank has to appropriate a certain amount of its net profit as general reserves to cover potential losses against its assets. In accordance with the "*Regulation on Management of Financial Institutions for Reserves*" (Cai Jin [2012] No. 20) issued by the MOF on 30 March 2012, the general reserves balance for financial institutions should not be lower than 1.5% of the ending balance of risk assets.

(2) Pursuant to the requirements of the Hong Kong Banking Ordinance, the Group's banking operations in Hong Kong are required to set aside amounts in a regulatory reserve in respect of losses which it will, or may, incur on loans and advances to customers, in addition to impairment losses recognised in accordance with the accounting policies of the Group. Transfers to and from the regulatory reserve are made through retained earnings.

(3) Pursuant to the relevant regulatory requirements in the Chinese mainland, the Bank's subsidiaries are required to appropriate a certain amount of its net profit as general reserves.

54 Profit distribution

In the 2023 annual general meeting held on 27 June 2024, the shareholders approved the profit distribution plan for 2023. The Bank appropriated cash dividend for 2023 in an aggregate amount of RMB100,004 million.

In the second extraordinary general meeting of 2024 held on 28 November 2024, the shareholders approved the interim profit distribution plan for 2024. The Bank appropriated interim cash dividend for 2024 in an aggregate amount of RMB49,252 million.

In the Board of Directors' Meeting, held on 30 October 2024 the directors approved the payment of dividends to domestic preference shareholders. The dividends for domestic preference shares distributed were RMB2,142 million (including tax), calculated using the nominal dividend rate of 3.57% (including tax) as set in the terms and conditions.

On 18 July 2024, according to the initial annual interest rate of 3.29% before the first interest rate reset date determined by the terms of the 2023 Undated Additional Tier 1 Capital Bonds (Series 1), the interest on perpetual bonds issued by the Bank was RMB987 million; On 31 August 2024, according to the initial annual interest rate of 3.20% before the first interest rate reset date determined by the terms of the 2022 Undated Additional Tier 1 Capital Bonds, the interest on perpetual bonds issued by the Bank was RMB1,280 million; On 26 September 2024, according to the initial annual interest rate of 3.37% before the first interest rate reset date determined by the terms of the 2023 Undated Additional Tier 1 Capital Bonds (Series 2), the interest on perpetual bonds issued by the Bank was RMB1,011 million; On 15 November 2024, according to the initial annual interest rate of 4.22% before the first interest rate reset date determined by the terms of the 2019 Undated Additional Tier 1 Capital Bonds, the interest on perpetual bonds issued by the Bank was RMB1,688 million.

On 28 March 2025, the Board of Directors proposed the following profit distribution plan for 2024:

(1) Appropriate statutory surplus reserve amounted to RMB32,290 million, based on 10% of the net profit of the Bank amounted to RMB322,901 million for the year ended 31 December 2024 (for the year ended 31 December 2023: RMB32,379 million). It has been recorded in "Surplus reserve" as at the end of the reporting period.

(2) Appropriate general reserve amounted to RMB37,833 million, pursuant to relevant regulations issued by MOF (for the year ended 31 December 2023: RMB52,948 million).

(3) The Board proposed to all shareholders a final cash dividend of RMB0.206 per share (including tax) for 2024, totalling approximately RMB51,502 million. Such proposed dividends are not recognised as a liability as at the end of the reporting period. After considering interim dividend, total cash dividend for the year amounted to RMB0.403 per share (including tax) for 2024 which collectively totalled approximately RMB100,754 million (for the year ended 31 December 2023: RMB0.400 per share (including tax) which collectively totalled approximately RMB100,004 million).

The above proposed profit distribution plan will become effective after receiving approval at shareholders' general meeting. Cash dividends will be paid subsequently.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

55 Notes to the statement of cash flows

(1) Cash and cash equivalents

	31 December 2024	31 December 2023
Cash	**46,691**	45,682
Surplus deposit reserves with central banks	**259,529**	552,063
Demand deposits with banks and non-bank financial institutions	**98,806**	73,551
Time deposits with banks and non-bank financial institutions with original maturity with or within three months	**33,079**	46,978
Placements with banks and non-bank financial institutions with original maturity with or within three months	**131,343**	207,189
Total	**569,448**	925,463

(2) Disposal of subsidiaries

On 31 January 2024, the Group settled the transactions to transfer equity in the former CCB Brasil to Bank of China Limited ("BOC"). The Group transferred part of its shares in the former CCB Brasil to BOC in exchange for a consideration of BRL564 million, while the former CCB Brasil issued new shares to BOC in exchange for a subscription consideration of BRL540 million. Upon settlement of these transactions, the Group held 31.66% equity in the former CCB Brasil. From 1 February 2024, the control over the operation and management of the former CCB Brasil had been transferred to BOC, CCB no longer includes the former CCB Brasil as a subsidiary in its consolidated financial statements.

Cash and cash equivalents held by the former CCB Brasil on the disposal date were equivalent to RMB464 million and the net cash received from disposal of part of the equity of the former CCB Brasil was equivalent to RMB353 million. Gain on disposal of the former CCB Brasil consisted primarily of other comprehensive income which had been recycled to profit or loss, which had no significant impact on the Group's financial statements.

56 Transfer of financial assets

The Group enters into transactions in the normal course of business by which it transfers recognised financial assets to third parties or to structured entities. In some cases where these transferred financial assets qualify for derecognition, the transfers may give rise to full or partial derecognition of the financial assets concerned. In other cases where the transferred assets do not qualify for derecognition as the Group has retained substantially all the risks and rewards of these assets, the Group continued to recognise the transferred assets.

Repurchase and Securities lending transactions

The financial assets that have not been derecognised but have been transferred consist mainly of securities that have been delivered to counterparties as collateral in repurchase transactions and securities lent out in securities lending transactions. Counterparties are allowed to sell or repledge those securities in the absence of any default in transactions with the Group, but at the same time, they have an obligation to return such securities to the Group upon maturity of the contract. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognized them. As at 31 December 2024, the carrying value of the Group's securities serving as collaterals under repurchase agreements and debt securities lent to counterparties was RMB647,402 million (as at 31 December 2023: RMB24,235 million).

Credit asset securitisation transactions

The Group enters into securitisation transactions in its normal course of business by which it transfers credit assets to structured entities which issue asset-backed securities to investors. The Group may retain interests in the form of holding subordinated tranches which would give rise to the Group's continuing involvement in the transferred assets. Those financial assets are recognised on the statement of financial position to the extent of the Group's continuing involvement, otherwise the financial assets are derecognised.

As at 31 December 2024, loans with an original carrying amount of RMB68,905 million (as at 31 December 2023: RMB825,092 million) have been securitised by the Group under arrangements in which the Group retained a continuing involvement in such assets. As at 31 December 2024 the carrying amount of assets that the Group continued to recognise was RMB5,710 million (as at 31 December 2023: RMB75,002 million). As at 31 December 2024, the carrying amount of continuing involvement assets and liabilities that the Group continued to recognise was RMB5,710 million (as at 31 December 2023: RMB75,002 million).

With respect to credit asset securitisations that did not qualify for derecognition as a whole, the Group continued to recognise credit assets that had been transferred, and recorded the consideration received as a financial liability. As at 31 December 2024, the carrying amount of transferred credit assets that the Group had continued to recognise was RMB26,438 million (as at 31 December 2023: RMB12,124 million) and the carrying amount of their associated financial liabilities was RMB22,344 million (as at 31 December 2023: RMB12,625 million).

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

56 Transfer of financial assets (continued)

Credit asset securitisation transactions (continued)

As at 31 December 2024, the carrying amount of asset-backed securities held in the securitisation transaction derecognised by the Group was RMB1,126 million (as at 31 December 2023: RMB2,563 million), and its maximum loss exposure approximates to the carrying amount.

57 Operating segments

The Group has presented the operating segments in a manner consistent with the way in which information is reported internally to the Group's chief operating decision makers for the purposes of resource allocation and performance assessment. Measurement of segment assets and liabilities and segment income and results is based on the Group's accounting policies.

Transactions between segments are conducted under normal commercial terms and conditions. Internal charges and transfer prices are determined with reference to market rates and have been reflected in the performance of each segment. Net interest income and expense arising from internal charges and transfer pricing adjustments are referred to as "Internal net interest income/expense". Interest income and expense earned from third parties are referred to as "External net interest income/expense".

Segment revenues, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment income and results are determined before intra-group transactions are eliminated as part of the consolidation process. Segment capital expenditure is the total cost incurred during the period to acquire fixed assets, intangible assets and other long-term assets.

(1) Geographical segments

The Group operates principally in the Chinese mainland with branches covering all provinces, autonomous regions and municipalities directly under the central government, and several subsidiaries located in the Chinese mainland. The Group also has bank branch operations in Hong Kong, Macau, Taiwan, Singapore, Frankfurt, Johannesburg, Tokyo, Seoul, New York, Sydney, Ho Chi Minh City, Luxembourg, Toronto, London, Zurich, Dubai, Chile, Astana, Labuan, Auckland, etc., and certain subsidiaries operating in Hong Kong, London, Moscow, Luxembourg, British Virgin Islands, Auckland, Jakarta, San Paulo and Kuala Lumpur, etc.

In presenting information on the basis of geographical segments, operating income is allocated based on the location of the branches and subsidiaries that generate the income. Segment assets, liabilities and capital expenditure are allocated based on their geographical location.

Geographical segments of the Group, for management reporting purposes, are defined as follows:

- "Yangtze River Delta" refers to the following areas where the tier-1 branches and the subsidiary of the Bank operate: Shanghai Municipality, Jiangsu Province, Zhejiang Province, City of Ningbo and City of Suzhou;
- "Pearl River Delta" refers to the following areas where the tier-1 branches and the subsidiary of the Bank operate: Guangdong Province, City of Shenzhen, Fujian Province and City of Xiamen;
- "Bohai Rim" refers to the following areas where the tier-1 branches and the subsidiaries of the Bank operate: Beijing Municipality, Shandong Province, Tianjin Municipality, Hebei Province and City of Qingdao;
- the "Central" region refers to the following areas where the tier-1 branches and the subsidiary of the Bank operate: Shanxi Province, Hubei Province, Henan Province, Hunan Province, Jiangxi Province, Hainan Province and Anhui Province;
- the "Western" region refers to the following areas where the tier-1 branches of the Bank operate: Sichuan Province, Chongqing Municipality, Guizhou Province, Yunnan Province, Tibet Autonomous Region, Inner Mongolia Autonomous Region, Shaanxi Province, Gansu Province, Qinghai Province, Ningxia Autonomous Region, Guangxi Autonomous Region and Xinjiang Autonomous Region; and
- the "Northeastern" region refers to the following areas where the tier-1 branches of the Bank operate: Liaoning Province, Jilin Province, Heilongjiang Province and City of Dalian.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

57 Operating segments (continued)

(1) Geographical segments (continued)

	Year ended 31 December 2024								
	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central	Western	Northeastern	Head Office	Overseas	Total
External net interest income/(expense)	62,664	39,831	28,498	58,816	74,019	(4,362)	313,632	16,784	589,882
Internal net interest income/(expense)	38,676	41,506	63,052	42,920	33,971	30,441	(245,146)	(5,420)	-
Net interest income	101,340	81,337	91,550	101,736	107,990	26,079	68,486	11,364	589,882
Net fee and commission income	19,608	18,790	16,263	13,944	11,639	3,142	19,118	2,424	104,928
Net trading gain/(loss)	51	85	53	(132)	(40)	(20)	3,605	1,137	4,739
Dividend income	847	-	4,990	207	117	3	339	73	6,576
Net gain/(loss) arising from investment securities	4,675	(795)	(1,368)	(755)	(966)	(190)	10,885	(608)	10,878
Net (loss)/gain on derecognition of financial assets measured at amortised cost	(3)	185	33	6	(4)	(35)	3,647	162	3,991
Other operating (expense)/income, net	(3,626)	441	1,658	493	433	195	1,891	6,091	7,576
Operating income	122,892	100,043	113,179	115,499	119,169	29,174	107,971	20,643	728,570
Operating expenses	(41,797)	(26,807)	(34,509)	(34,680)	(36,583)	(12,220)	(29,859)	(7,324)	(223,779)
Credit impairment losses	(5,806)	(23,211)	(18,579)	(26,707)	(20,038)	(220)	(22,630)	(3,509)	(120,700)
Other impairment losses	-	-	(127)	(1)	(2)	-	-	(168)	(298)
Share of profits/(losses) of associates and joint ventures	11	(19)	518	(75)	-	-	69	80	584
Profit before tax	75,300	50,006	60,482	54,036	62,546	16,734	55,551	9,722	384,377
Capital expenditure	1,658	851	5,093	1,602	1,392	671	2,845	15,154	29,266
Depreciation and amortisation	4,075	3,103	7,072	3,760	3,791	1,451	4,290	2,688	30,230

	31 December 2024								
Segment assets	7,125,913	5,405,807	8,064,454	5,718,074	6,039,426	2,106,273	13,479,966	1,790,163	49,730,076
Long-term equity investments	2,861	1,446	9,370	3,969	-	-	2,904	3,010	23,560
	7,128,774	5,407,253	8,073,824	5,722,043	6,039,426	2,106,273	13,482,870	1,793,173	49,753,636
Deferred tax assets									120,485
Elimination									(9,302,972)
Total assets									40,571,149
Segment liabilities	7,066,990	5,355,827	7,825,864	5,651,329	5,989,751	2,091,890	10,897,772	1,649,208	46,528,631
Deferred tax liabilities									1,525
Elimination									(9,302,972)
Total liabilities									37,227,184
Off-balance sheet credit commitments	753,146	625,877	759,712	749,260	576,558	189,178	-	310,720	3,964,451

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

57 Operating segments (continued)

(1) Geographical segments (continued)

	Year ended 31 December 2023								
	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central	Western	Northeastern	Head Office	Overseas	Total
External net interest income/(expense)	59,632	51,311	29,406	64,289	73,769	(1,058)	317,376	22,508	617,233
Internal net interest income/(expense)	54,088	49,227	67,000	50,014	44,266	29,302	(286,204)	(7,693)	–
Net interest income	113,720	100,538	96,406	114,303	118,035	28,244	31,172	14,815	617,233
Net fee and commission income	20,423	21,904	18,856	15,790	13,375	3,454	19,705	2,239	115,746
Net trading gain/(loss)	1,403	24	(62)	145	65	(11)	3,248	873	5,685
Dividend income	148	–	4,519	556	20	–	257	212	5,712
Net (loss)/gain arising from investment securities	(844)	(2,946)	(1,200)	(304)	(2,317)	(197)	7,430	156	(222)
Net (loss)/gain on derecognition of financial assets measured at amortised cost	(53)	(51)	(16)	1	(22)	(23)	1,102	8	946
Other operating (expense)/income, net	(7,842)	143	1,945	243	1,607	109	1,584	2,726	515
Operating income	126,955	119,612	120,448	130,734	130,763	31,576	64,498	21,029	745,615
Operating expenses	(39,762)	(27,533)	(35,259)	(35,576)	(37,325)	(12,271)	(24,523)	(7,903)	(220,152)
Credit impairment losses	(14,697)	(42,503)	(8,460)	(21,010)	(25,875)	(889)	(19,471)	(3,869)	(136,774)
Other impairment losses	1	1	(306)	(3)	(4)	(1)	–	(151)	(463)
Share of profits/(losses) of associates and joint ventures	67	(44)	772	307	–	–	12	37	1,151
Profit before tax	72,564	49,533	77,195	74,452	67,559	18,415	20,516	9,143	389,377
Capital expenditure	2,280	953	14,155	1,786	1,738	733	1,907	326	23,878
Depreciation and amortisation	3,579	3,140	7,429	3,850	3,912	1,518	3,601	2,052	29,081

	31 December 2023								
Segment assets	6,590,228	5,176,740	8,265,540	5,390,160	5,627,618	1,979,268	13,140,146	1,731,630	47,901,330
Long-term equity investments	2,375	1,276	8,939	4,151	–	–	1,835	2,407	20,983
	6,592,603	5,178,016	8,274,479	5,394,311	5,627,618	1,979,268	13,141,981	1,734,037	47,922,313
Deferred tax assets									121,227
Elimination									(9,718,714)
Total assets									38,324,826
Segment liabilities	6,505,937	5,105,200	8,019,403	5,296,596	5,561,892	1,965,083	10,801,127	1,614,504	44,869,742
Deferred tax liabilities									1,724
Elimination									(9,718,714)
Total liabilities									35,152,752
Off-balance sheet credit commitments	739,350	658,310	706,638	697,850	573,809	183,964	–	270,318	3,830,239

57 Operating segments (continued)

(2) Business segments

Business segments, as defined for management reporting purposes, are as follows:

Corporate finance business

This segment represents the provision of a range of financial products and services to corporations, government agencies and financial institutions. The products and services include corporate loans, trade financing, deposit taking and wealth management services, agency services, financial consulting and advisory services, cash management services, remittance and settlement services, guarantee services, and Investment banking services, etc.

Personal finance business

This segment represents the provision of a range of financial products and services to individual customers. The products and services comprise personal loans, deposit taking and wealth management services, card business, remittance services and agency services, etc.

Treasury and asset management business

This segment covers the Group's treasury operations. The treasury and asset management segment enters into inter-bank deposit and placement transactions, repurchase and resale transactions, and invests in debt securities. It also trades in derivatives and foreign currencies for its own account. The treasury and asset management segment carries out customer-driven derivatives, foreign currency, precious metal trading and custody services. Its function also includes the management of the Group's overall liquidity position, including the issuance of debt securities.

Others

This segment covers equity investments and the revenues, results, assets and liabilities of overseas commercial banks.

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

57 Operating segments (continued)

(2) Business segments (continued)

	Year ended 31 December 2024				
	Corporate finance business	Personal finance business	Treasury and asset management business	Others	Total
External net interest income	279,584	97,616	198,542	14,140	589,882
Internal net interest (expense)/ income	(87,035)	208,591	(121,761)	205	–
Net interest income	192,549	306,207	76,781	14,345	589,882
Net fee and commission income	32,161	49,715	22,788	264	104,928
Net trading gain	393	–	2,687	1,659	4,739
Dividend income	4,987	824	451	314	6,576
Net (loss)/gain arising from investment securities	(4,479)	5,098	10,713	(454)	10,878
Net gain on derecognition of financial assets measured at amortised cost	467	1,223	2,208	93	3,991
Other operating income/(expense), net	1,423	(3,654)	3,342	6,465	7,576
Operating income	227,501	359,413	118,970	22,686	728,570
Operating expenses	(89,651)	(111,209)	(13,647)	(9,272)	(223,779)
Credit impairment losses	(37,224)	(74,744)	(3,216)	(5,516)	(120,700)
Other impairment losses	(128)	–	(4)	(166)	(298)
Share of profits/(losses) of associates and joint ventures	646	29	(94)	3	584
Profit before tax	101,144	173,489	102,009	7,735	384,377
Capital expenditure	5,696	5,798	542	17,230	29,266
Depreciation and amortisation	11,306	14,504	1,678	2,742	30,230

	31 December 2024				
Segment assets	17,075,455	8,681,552	13,827,989	1,045,883	40,630,879
Long-term equity investments	10,443	2,739	5,552	4,826	23,560
	17,085,898	8,684,291	13,833,541	1,050,709	40,654,439
Deferred tax assets					120,485
Elimination					(203,775)
Total assets					40,571,149
Segment liabilities	12,052,396	17,405,915	6,031,782	1,939,341	37,429,434
Deferred tax liabilities					1,525
Elimination					(203,775)
Total liabilities					37,227,184
Off-balance sheet credit commitments	2,494,669	1,159,062	–	310,720	3,964,451

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

57 Operating segments (continued)

(2) Business segments (continued)

	Year ended 31 December 2023				
	Corporate finance business	Personal finance business	Treasury and asset management business	Others	Total
External net interest income	261,999	132,222	206,688	16,324	617,233
Internal net interest (expense)/ income	(60,782)	181,733	(120,877)	(74)	–
Net interest income	201,217	313,955	85,811	16,250	617,233
Net fee and commission income/ (expense)	36,272	55,056	25,591	(1,173)	115,746
Net trading gain	337	1,260	3,010	1,078	5,685
Dividend income	4,694	149	561	308	5,712
Net (loss)/gain arising from investment securities	(6,589)	428	6,104	(165)	(222)
Net gain on derecognition of financial assets measured at amortised cost	736	–	202	8	946
Other operating income/(expense), net	1,751	(7,255)	2,408	3,611	515
Operating income	238,418	363,593	123,687	19,917	745,615
Operating expenses	(87,362)	(111,069)	(14,093)	(7,628)	(220,152)
Credit impairment losses	(77,016)	(57,456)	6,599	(8,901)	(136,774)
Other impairment losses	(64)	(249)	1	(151)	(463)
Share of profits of associates and joint ventures	1,054	78	12	7	1,151
Profit before tax	75,030	194,897	116,206	3,244	389,377
Capital expenditure	16,816	6,251	617	194	23,878
Depreciation and amortisation	10,805	14,602	1,659	2,015	29,081

	31 December 2023				
Segment assets	15,290,620	8,705,648	13,547,677	906,819	38,450,764
Long-term equity investments	12,521	2,238	6,217	7	20,983
	15,303,141	8,707,886	13,553,894	906,826	38,471,747
Deferred tax assets					121,227
Elimination					(268,148)
Total assets					38,324,826
Segment liabilities	12,349,135	15,979,947	5,236,467	1,853,627	35,419,176
Deferred tax liabilities					1,724
Elimination					(268,148)
Total liabilities					35,152,752
Off-balance sheet credit commitments	2,422,267	1,137,654	–	270,318	3,830,239

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

58 Entrusted lending business

As at the end of the reporting period, the entrusted loans and entrusted funds were as follows:

	31 December 2024	31 December 2023
Entrusted loans	**4,635,191**	4,420,191
Entrusted funds	**4,635,191**	4,420,191

59 Pledged assets

(1) Assets pledged as securities

The Group's collateral for liabilities or contingent liabilities include financial assets such as securities and bills, which mainly serve as collateral for repurchase agreements, derivative contracts and local statutory requirements. As at 31 December 2024, the carrying values of the Group's financial assets pledged as collateral amounted to approximately RMB2,245,262 million (as at 31 December 2023: RMB1,962,492 million).

(2) Collateral accepted as securities for assets

As part of the resale agreements, the Group has received securities that were allowed to be sold or repledged in the absence of default by their owners. As at 31 December 2024, the Group did not hold any collateral for resale agreements which was permitted to be sold or repledged in the absence of default for the transactions. (as at 31 December 2023: RMB1,842 million).

60 Commitments and contingent liabilities

(1) Credit commitments

Credit commitments take the form of undrawn loan facilities which are approved and contracted, unutilised credit card limits, financial guarantees, letters of credit, etc. The Group assesses and makes provisions for any probable losses accordingly.

The contractual amounts of loan commitments and credit card overdraft commitments represent the cash outflows should the contracts be fully drawn upon. The amounts of guarantees and letters of credit represent the maximum potential loss that would be recognised if counterparties failed completely to perform as contracted. Acceptances comprise undertakings by the Group to pay bills of exchange drawn on customers.

As credit commitments may expire without being drawn upon, the contractual amounts set out in the following table do not represent the expected future cash outflows.

	31 December 2024	31 December 2023
Loan commitments		
– with an original maturity within one year	**76,319**	62,692
– with an original maturity of one year or over	**431,376**	375,098
Credit card commitments	**1,193,146**	1,174,030
	1,700,841	1,611,820
Bank acceptances	**617,285**	544,973
Financing guarantees	**30,457**	45,339
Non-financing guarantees	**1,329,065**	1,348,704
Sight letters of credit	**39,725**	47,524
Usance letters of credit	**217,469**	226,132
Others	**29,609**	5,747
Total	**3,964,451**	3,830,239

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

60 Commitments and contingent liabilities (continued)

(2) Credit risk-weighted asset amount

The credit risk-weighted asset amount refers to the amount as computed in accordance with the rules set out by the NFRA and depends on the status of the counterparty and the maturity characteristics.

	31 December 2024	31 December 2023
Credit risk-weighted asset amount of contingent liabilities and commitments	**1,225,217**	1,224,736

(3) Capital commitments

As at 31 December 2024, the Group's contracted for but not disbursed capital commitments amounted to RMB3,245 million (as at 31 December 2023: RMB2,071 million).

(4) Underwriting obligations

As at 31 December 2024, there was no unexpired underwriting commitment of the Group (as at 31 December 2023: Nil).

(5) Government bond redemption obligations

As an underwriting agent of PRC government bonds, the Group has the responsibility to buy back those bonds sold by it should the holders decide to early redeem the bonds held. The redemption price for the bonds at any time before their maturity date is based on the coupon value plus any interest unpaid and accrued up to the redemption date. Accrued interest payables to the bond holders are calculated in accordance with relevant rules of the MOF and the PBOC. The redemption price may be different from the fair value of similar instruments traded at the redemption date.

The redemption obligations, which represent the nominal value of government bonds underwritten and sold by the Group, but not yet matured as at 31 December 2024, were RMB45,472 million (as at 31 December 2023: RMB47,743 million).

(6) Outstanding litigations and disputes

As at 31 December 2024, the Group was the defendant in certain pending litigations and disputes with gross claims of RMB12,790 million (as at 31 December 2023: RMB8,156 million). Provisions have been made for the estimated losses arising from such litigations based upon the opinions of the Group's internal and external legal counsels (Note 45). The Group considers that the provisions made are reasonable and adequate.

(7) Contingent liabilities

The Group assessed and made provisions for any probable outflow of economic benefits in relation to the commitments and contingent liabilities in accordance with their accounting policies.

(8) Impact of the *Guiding Opinions on Regulating the Asset Management Business of Financial Institutions*

In accordance with the *Guiding Opinions on Regulating the Asset Management Business of Financial Institutions* jointly issued by the PBOC and three other ministries as well as the PBOC's relevant announcement, other than assets for which the Group had applied to regulators for disposal on a case-by-case basis, the Group has completed the rectification of legacy wealth management business and recognised its impact in these financial statements in terms of provisions and credit impairment losses. The Group will duly implement relevant policies and regulatory requirements, continue to assess and disclose relevant impact, and strive to complete the rectification as soon as possible.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

61 Related party relationships and transactions

(1) Transactions with parent companies and their affiliates

The immediate and ultimate parents of the Group are Huijin and CIC, respectively.

As approved by the State Council, CIC was established on 29 September 2007 with registered capital of RMB1,550,000 million.

Huijin was incorporated on 16 December 2003 as a wholly-state-owned investment company. It was registered in Beijing with registered capital of RMB828,209 million. As a wholly-owned subsidiary of CIC, Huijin makes equity investment in key state-owned financial institutions as authorised by the State Council, and exercises the contributor's rights and obligations in key state-owned financial institutions up to its contribution amount on behalf of the State to achieve preservation and appreciation of state-owned financial assets. Huijin does not engage in any other commercial business activities, nor does it interfere with daily operations of the key state-owned financial institutions of which it is the controlling shareholder. As at 31 December 2024, Huijin directly held 57.14% of shares of the Bank.

Affiliates of parent companies include the subsidiaries under parent companies and other associates and joint ventures.

The Group's transactions with parent companies and their affiliates mainly include deposit taking, entrusted asset management, operating leases, lending, purchase and sale of debt securities, money market transactions and inter-bank clearing. These transactions are priced based on market prices and conducted under normal commercial terms.

The Group has issued subordinated debts with a nominal value of RMB12,000 million (as at 31 December 2023: RMB12,000 million). These are bearer bonds and tradable in the secondary market. The Group had no information in respect of the amount of the bonds held by the affiliates of parent companies as at the end of the reporting period.

(a) Transactions with parent companies

In the ordinary course of the business, material transactions that the Group entered into with parent companies are as follows:

Amounts

	2024		2023	
	Amount	**Ratio to similar transactions**	Amount	Ratio to similar transactions
Interest income	**3,284**	**0.26%**	1,318	0.11%
Interest expense	**160**	**0.02%**	83	0.01%
Net trading gain	**17**	**0.36%**	–	–

Balances outstanding as at the end of the reporting period

	31 December 2024		31 December 2023	
	Balance	**Ratio to similar transactions**	Balance	Ratio to similar transactions
Loans and advances to customers	**66,600**	**0.27%**	12,000	0.05%
Financial investments				
Financial assets measured at fair value through profit or loss	**770**	**0.13%**	10	0.00%
Financial assets measured at amortised cost	**40,473**	**0.54%**	24,209	0.36%
Financial assets measured at fair value through other comprehensive income	**7,498**	**0.28%**	6,083	0.27%
Deposits from customers	**36,292**	**0.13%**	17,134	0.06%
Credit commitments	**288**	**0.01%**	8,288	0.22%

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

61 Related party relationships and transactions (continued)

(1) Transactions with parent companies and their affiliates (continued)

(b) Transactions with the affiliates of parent companies

In the ordinary course of the business, material transactions that the Group entered into with the affiliates of parent companies are as follows:

Amounts

	Note	2024		2023	
		Amount	**Ratio to similar transactions**	Amount	Ratio to similar transactions
Interest income		**21,674**	**1.75%**	20,578	1.65%
Interest expense		**9,293**	**1.43%**	11,071	1.76%
Fee and commission income		**470**	**0.40%**	433	0.33%
Fee and commission expense		**16**	**0.12%**	28	0.20%
Net trading gain		**701**	**14.79%**	1,058	18.61%
Other operating income		**736**	**2.46%**	1,248	4.95%
Net gain arising from investment securities		**3,733**	**34.32%**	4,368	N/A
Operating expenses	(i)	**652**	**0.29%**	1,069	0.49%

Balances outstanding as at the end of the reporting period

	Note	31 December 2024		31 December 2023	
		Balance	**Ratio to similar transactions**	Balance	Ratio to similar transactions
Deposits with banks and non-bank financial institutions		**37,494**	**24.26%**	26,110	17.62%
Placements with banks and non-bank financial institutions		**130,800**	**19.44%**	148,527	22.00%
Positive fair value of derivatives		**15,959**	**14.77%**	3,560	8.12%
Financial assets held under resale agreements		**31,295**	**5.03%**	45,774	4.67%
Loans and advances to customers		**157,404**	**0.63%**	245,845	1.07%
Financial investments					
Financial assets measured at fair value through profit or loss		**152,874**	**24.96%**	161,299	26.78%
Financial assets measured at amortised cost		**201,682**	**2.71%**	197,187	2.90%
Financial assets measured at fair value through other comprehensive income		**398,031**	**15.07%**	272,277	12.18%
Other assets		**562**	**0.23%**	7	0.00%
Deposits from banks and non-bank financial institutions	(ii)	**192,798**	**6.80%**	248,508	8.90%
Placements from banks and non-bank financial institutions		**186,085**	**38.78%**	177,615	43.56%
Negative fair value of derivatives		**11,188**	**11.90%**	4,455	10.64%
Financial assets sold under repurchase agreements		**34,944**	**4.72%**	7,749	3.30%
Deposits from customers		**133,328**	**0.46%**	114,591	0.41%
Other liabilities		**39,973**	**6.12%**	18,936	3.46%
Credit commitments		**11,585**	**0.29%**	9,293	0.24%

(i) Operating expenses mainly represent fees for related services provided by the affiliates of parent companies.

(ii) Deposits from the affiliates of parent companies are unsecured and are repayable under normal commercial terms.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

61 Related party relationships and transactions (continued)

(2) Transactions between the Group and its associates and joint ventures of the Group

Transactions between the Group and its associates and joint ventures are conducted in the normal and ordinary course of the business and under normal commercial terms as those transactions conducted between the Group and non-related companies outside the Group.

In the ordinary course of the business, material transactions that the Group entered into with associates and joint ventures are as follows:

Amounts

	2024	2023
Interest income	**1,232**	1,390
Interest expense	**132**	137
Fee and commission income	**95**	252
Operating expenses	**140**	126

Balances outstanding as at the end of the reporting period

	31 December 2024	31 December 2023
Loans and advances to customers	**45,680**	29,430
Financial assets measured at fair value through profit or loss	**1,241**	–
Other assets	**352**	464
Deposits from customers	**16,470**	16,190
Other liabilities	**1,307**	960
Credit commitments	**46,858**	45,362

(3) Transactions between the Bank and its subsidiaries

Transactions between the Bank and its subsidiaries are conducted in the normal and ordinary course of the business and under normal commercial terms as those transactions are conducted between the Bank and non-related companies outside the Group. All the inter-group transactions and inter-group balances are eliminated when preparing the consolidated financial statements as mentioned in Note 4(1)(b).

In the ordinary course of the business, material transactions that the Bank entered into with its subsidiaries are as follows:

Amounts

	2024	2023
Interest income	**2,646**	2,474
Interest expense	**2,064**	2,135
Fee and commission income	**2,520**	3,808
Fee and commission expense	**679**	722
Dividend income	**545**	453
Net loss arising from investment securities	**37**	–
Operating expenses	**8,966**	9,139
Other operating expense, net	**100**	36

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

61 Related party relationships and transactions (continued)

(3) Transactions between the Bank and its subsidiaries (continued)

Balances outstanding as at the end of the reporting period

	31 December 2024	31 December 2023
Deposits with banks and non-bank financial institutions	2,944	1,964
Placements with banks and non-bank financial institutions	104,923	101,772
Positive fair value of derivatives	4,471	906
Financial assets held under resale agreements	2,375	1,891
Loans and advances to customers	20,397	16,702
Financial investments		
Financial assets measured at fair value through profit or loss	–	1,424
Financial assets measured at amortised cost	907	1,071
Financial assets measured at fair value through other comprehensive income	29,538	13,878
Other assets	39,758	39,690
Deposits from banks and non-bank financial institutions	15,807	17,439
Placements from banks and non-bank financial institutions	33,966	39,086
Negative fair value of derivatives	4,733	362
Deposits from customers	7,670	16,349
Debt securities issued	–	29
Other liabilities	6,731	6,581

As at 31 December 2024, the total maximum guarantee limit of guarantee letters issued by the Bank with its subsidiaries as beneficiary was RMB932 million (as at 31 December 2023: RMB907 million).

As at 31 December 2024, the transactions between subsidiaries of the Group were mainly Deposits with banks and non-bank financial institutions and Deposits from banks and non-bank financial institutions, and the balances of the above transactions were RMB2,137 million and RMB1,444 million respectively (as at 31 December 2023, the transactions between subsidiaries of the Group were mainly other assets and other liabilities, and the balances of the above transactions were RMB8,199 million and RMB8,239 million, respectively).

(4) Transactions with other PRC state-owned entities

State-owned entities refer to those entities directly or indirectly owned by the PRC government through its government authorities, agencies, affiliates and other organisations. Transactions with other state-owned entities include but are not limited to: lending and deposit taking; taking and placing of inter-bank balances; entrusted lending and other custody services; insurance and securities agency, and other intermediary services; purchase, sale, underwriting and redemption of bonds issued by other state-owned entities; purchase, sale and leases of property and other assets; and rendering and receiving of utilities and other services.

These transactions are conducted in the ordinary course of the Group's banking business on terms similar to those that would have been entered into with non-state-owned entities. The Group's pricing strategy and approval processes for major products and services, such as loans, deposits and commission income, do not depend on whether the customers are state-owned entities or not. Having due regard to the substance of the relationships, the Group is of the opinion that none of these transactions were material related party transactions that require separate disclosure.

(5) Transactions with the Annuity Scheme and Plan Assets

Apart from the obligations for defined contributions to the Annuity Scheme and regular banking transactions, there were no other transactions between the Group and the Annuity Scheme in 2024 and 2023.

As at 31 December 2024, the fair value of the Group's supplementary retirement benefit plan assets managed by CCB Principal Asset Management and CCB Pension was RMB3,143 million (as at 31 December 2023:RMB3,187 million), and management fees payable to CCB Principal Asset Management and CCB Pension were RMB4.29 million (as at 31 December 2023: RMB3.59 million).

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

61 Related party relationships and transactions (continued)

(6) Key management personnel

Key management personnel are those persons having authorities and responsibilities for planning, directing and controlling the activities of the Group, directly or indirectly, including directors, supervisors and senior executives. The Group enters into banking transactions with key management personnel in the normal course of business. For the years ended 31 December 2024 and 2023 there were no material transactions and balances with key management personnel.

The compensation before tax of directors and supervisors is disclosed in Note 16. The senior executives' annual compensation before individual income tax during the year is as follows:

	2024			
	Remuneration paid RMB'000	Contributions to defined contribution retirement schemes RMB'000	Other benefits in kind (Note (i)) RMB'000	Total (Note (ii)) RMB'000
Executive Vice Presidents				
Li Jianjiang	454	50	133	637
Chief Information Officer				
Jin Panshi	1,051	66	257	1,374
Chief Financial Officer				
Sheng Liurong	1,051	66	257	1,374
Former Executive Vice President				
Li Yun	605	66	170	841
Wang Bing	555	61	153	769
Li Min	454	49	122	625
Former Secretary to the Board				
Hu Changmiao	525	16	117	658
	4,695	374	1,209	6,278

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

61 Related party relationships and transactions (continued)

(6) Key management personnel (continued)

	2023			
	Annual remuneration payable (Allowances) RMB'000	Employer's contribution to social insurances, enterprise annuity, supplemental medical insurance and housing provident fund RMB'000	Other Monetary income RMB'000	Incentive income for 2021-2023 tenure RMB'000
Executive Vice Presidents				
Li Yun	827	205	–	540
Wang Bing	827	205	–	230
Li Min	207	53	–	58
Secretary to the Board				
Hu Changmiao	2,599	312	–	–
Chief Information Officer				
Jin Panshi	2,599	312	–	–
Chief Financial Officer				
Sheng Liurong	2,600	298	–	–
Former Executive Vice President				
Zhang Min	138	33	–	499
Former Chief Risk Officer				
Cheng Yuanguo	1,516	179	–	–
	11,313	1,597	–	1,327

(i) Other benefits in kind included the Bank's contributions to medical insurance, housing funds and other social insurances, which are payable to labour and security authorities based on the lower of certain percentage of the salaries and allowance or the prescribed upper limits as required by the relevant regulations issued by the government authorities. Other benefits also included the Bank's contribution to its own corporate annuity plan (which was set up in accordance with the relevant policies issued by the government authorities) and supplementary medical insurance.

(ii) The total compensation package for these key management personnel for the year ended 31 December 2024 has not yet been finalised in accordance with regulations of the PRC relevant authorities. The amount of the compensation to be adjusted for is not expected to have significant impact on the Group's financial statements for the year ended 31 December 2024. The final compensation will be disclosed in a separate announcement when determined.

(iii) The total compensation package for certain key management personnel for the year ended 31 December 2023 had not been finalised in accordance with regulations of the PRC relevant authorities as at the date that the 2023 financial statements were announced. The aforesaid total compensation package for the key management personnel for the year ended 31 December 2023 has been reviewed and approved by the Board meeting of the Bank and the shareholders' general meeting of the Bank.

(iv) From 2015 onwards, remuneration of the Bank's leaders administered by central authorities has been paid in accordance with relevant policies relating to the central remuneration reform.

(7) Loans, quasi-loans and other credit transactions to directors, supervisors and senior executives

The Group had no material balance of loans, quasi-loans and other credit transactions to directors, supervisors and senior executives as at the end of reporting period. Those loans, quasi-loans and other credit transactions to directors, supervisors and senior executives were conducted in the normal and ordinary course of the business and under normal commercial terms or on the same terms and conditions with those which are available to other employees, based on terms and conditions granted to third parties adjusted for risk reduction.

62 Risk management

The Group has exposure to the following risks:

- credit risk
- market risk
- liquidity risk
- operational risk
- insurance risk

This note presents information about the Group's exposures to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's capital management.

Risk management framework

The Board fulfils risk management responsibilities pursuant to the Articles of Association of the Bank and regulatory requirements. The Board and its Risk Management Committee develop risk management strategies, supervise the implementation, assess the Group's overall risk profile, regularly review the statements of risk appetite and transmit the risk appetite through relevant policies. The board of supervisors supervises the building of comprehensive risk management system, as well as the performance of the Board and senior management in discharging their comprehensive risk management responsibilities. Senior management and its Risk and Internal Control Management Committee are responsible for implementing risk strategies developed by the Board and organising the comprehensive risk management work across the group.

Risk Management Department is the lead department responsible for the Group's comprehensive risk management and leads the management of market risk. Credit Management Department is the lead department responsible for the overall credit risk management and country risk management. Asset & Liability Management Department is the lead department responsible for the management of liquidity risk and interest rate risk of banking book. Internal Control & Compliance Department is the lead department responsible for operational risk management. FinTech Department and Internal Control & Compliance Department jointly promote IT risk management. Public Relations & Corporate Culture Department and Strategy and Policy Coordination Department are the lead departments responsible for reputational risk and strategic risk management, respectively. Other types of risks are managed by respective specialised departments.

The Bank continued to optimise its risk governance system for subsidiaries, strengthened collaborative risk governance between the parent bank and subsidiaries and integrated risk control, and intensified penetrated management and process management. It specified management objectives of subsidiaries for various risks, optimised risk reporting mechanism and reporting lines, performed risk profiling, and bolstered risk management of key subsidiaries and key businesses, so as to consolidate the bottom line of risk compliance.

(1) Credit risk

Credit risk management

Credit risk represents the risk of financial loss that arises from the failure of a debtor or counterparty to discharge its contractual obligations or commitments to the Group.

Credit risk management includes key procedures such as, credit risk appetite, credit management, post investment and credit management, credit risk reporting, and expected credit loss approach implementation.

The Credit Management Department is the leading department responsible for overall management of the Group's credit risk. The Risk Management Department takes the lead in the development and implementation of the credit risk measurement tools including customers rating and facilities grading. The Special Assets Resolution Department is responsible for the special assets resolutions. The Credit Approval Department is responsible for specific credit management work such as comprehensive credit limits and credit approval of various credit businesses for the Group's customers. With the Credit Management Department taking the lead, the Credit Approval Department and the Risk Management Department participate in, share the workload and coordinate with other departments such as the Corporate Banking Department, the Inclusive Finance Department, the Institutional Banking Department, the International Business Department, the Strategic Clients Department, the Housing Finance & Personal Lending Department, the Credit Card Centre, and the Legal Affairs Department to implement credit risk management policies and procedures.

62 Risk management (continued)

(1) Credit risk (continued)

Credit risk management (continued)

With respect to credit risk management of corporate and institutional business, the Group has accelerated the adjustment of its businesses structure, enhanced post-lending (investment) monitoring, and refined the industry-specific guideline and policy baseline for credit approval. Management also fine-tuned eligibility and exit policies, and optimised economic capital management and industry risk limit management. All these policies have been implemented to maintain the stability of asset quality. The Group's credit risk management covers processes such as pre-lending (investment) due diligence, credit (investment) inspection, and post-lending (investment) monitoring for credit granting business. The Group performs pre-lending (investment) investigations by assessing the borrower's credit ratings based on internal rating criteria and completing the borrower's assessment report and by performing a comprehensive evaluation of the risks and rewards of the project and completing an evaluation report. Approvals must be authorised by approvers with the appropriate authorisation. The Group conducts ongoing post-lending (investment) monitoring activities, particularly focusing on the monitoring of credit risks arising from key industries and key clients, and takes timely measures to prevent and control these risks.

With respect to the personal credit business, the Group relies on credit assessment of applicants as the basis for loan approval. Customer relationship managers are required to assess the income, credit history, and repayment ability of the applicant. The customer relationship managers then forward the application and recommendations to the loan-approval departments for consent. The Group pays great attention to post-lending monitoring of personal loans, focuses on borrowers' repayment ability, the status of collateral and pledges and any changes to the value of collateral and pledges. Once a loan becomes overdue, the Group starts the recovery process according to standard recovery procedures.

To mitigate risks, the Group requests the customers to provide collateral and pledges or guarantees where appropriate. A refined management system and operating procedure for collateral and pledges have been developed, and there is a guideline to specify the suitability of accepting specific types of collateral and pledges. The values, structures and legal covenants of collateral and pledges are monitored continuously to ensure that they still serve their intended purposes and conform to market practices.

For risk management purposes, the Group conducts independent management over credit risk arising from derivatives exposures, with information disclosed in Notes (1)(j). The Group sets credit limits for treasury activities and monitors them regularly with reference to the fair values of the relevant financial instruments.

Measurement of expected credit losses (ECL)

The Group continues to improve its unified expected credit loss approach implementation system which has covered all credit risk exposures on and off-balance sheet, and clarified the division of responsibilities between the Board of Directors and its specialised committees, the Board of Supervisors, senior management, the leading department of the Head Office and other relevant departments. The Group has set up a comprehensive implementation management system, strengthened control over the entire implementation process, consolidated the foundation, and adhered to the high-quality implementation of the expected credit loss approach. In the implementation process of the expected credit loss approach, the Group has fully considered uncertainties facing credit risk management. Based on the results of expected credit loss assessment, the Group recognises allowances for impairment losses timely and adequately to ensure that that the accrued allowances for impairment losses have effectively covered expected credit losses.

(A) Segmentation of financial instruments

The Group adopts a "three-stage" model for impairment based on changes in credit risk since initial recognition or by determining whether the financial instruments are credit-impaired, to estimate the expected credit losses.

The key definition of the three stages are defined in Note 4(3)(f).

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

62 Risk management (continued)

(1) Credit risk (continued)

Measurement of expected credit losses (ECL) *(continued)*

(B) Significant increase in credit risk ("SICR")

The Group assesses at least quarterly whether the credit risk of a financial instrument has increased significantly since initial recognition. In accordance with the principle of substantive risk judgment, the Group compares the risk of default of financial instruments as at the end of reporting period with that as at the date of initial recognition for an individual financial instrument or a group of financial instruments with common credit risk characteristics to determine whether the credit risk has increased significantly since initial recognition. The Group sufficiently considers all reasonable and supportable information when making related assessments, including but not limited to: internal credit rating of the borrower; information such as business risk classification, overdue status, and contract terms; information on changes in the credit strategy or credit risk management methods towards the borrower; information such as the borrower's credit information, external ratings, changes in debt and equity prices, credit default swap prices, credit spreads, and public opinion; business and financial information of the borrower, its shareholders, and affiliated enterprises; and the macro economy, industry development, technological innovation, climate change, natural disasters, socio-economic and financial policies, government support or relief measures that may have a potential impact on the borrower's repayment capacity.

The Group has set qualitative and quantitative criteria for assessing whether the credit risk of financial instruments has increased significantly since initial recognition. For example, generally, the credit risk of loans whose internal credit ratings have fallen to level 15 and below, is regarded as having increased significantly.

Usually, if a financial instrument has been overdue for more than 30 days, then this indicates that the credit risk of this financial instrument has increased significantly.

(C) Definition of defaulted and credit-impaired assets

The Group considers a financial instrument as having defaulted when it is credit-impaired. Generally, financial instrument overdue for more than 90 days on contractual payment terms shall be considered as having credit-impaired.

The following factors can be referred to when determining whether credit impairment has occurred:

- Significant financial difficulty of the issuer or borrower;
- Breach of contract term, such as a default or delinquency in interest or principal payments;
- Concessions that would not otherwise be granted to the borrower, in light of economic or contractual considerations related to the borrower's financial difficulties;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- Disappearance of an active market for financial assets because of financial difficulties of the issuer or borrower;
- A financial asset purchased or originated by a large discount which reflects the fact of credit-impairment having occurred; and
- Other objective evidence indicating there is a credit impairment of the financial asset.

The Group's definition of default has been consistently applied to the estimates of PD, LGD and EAD during the ECL measurement.

62 Risk management (continued)

(1) Credit risk (continued)

Measurement of expected credit losses (ECL) (continued)

(D) Explanation of parameters, assumptions and estimation techniques

The ECL is measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether a financial instrument is considered to be credit-impaired. Expected credit losses are the discounted product of the weighted average of PD, LGD, and EAD under the optimistic, baseline and pessimistic scenarios.

Defined as follows:

PD refers to the likelihood of a debtor and its businesses defaulting in the future, after consideration of forward-looking information. Please refer to earlier disclosure in this note for the definition of default.

LGD refers to the Group's expected loss amount resulting from default as a proportion of total exposure, after consideration of forward-looking information.

EAD is the total amount of risk exposure on and off-balance sheet at the time of default. The exposure is determined by the repayment plan according to different types of products.

The discount rate used in the ECL measurement is the effective interest rate.

During the reporting period, based on changes in macroeconomic environment, the Group has updated forward-looking information used in the measurement of expected credit losses. Please refer to further disclosure in this note for forward-looking information which is incorporated in the measurement of expected credit losses.

The assumptions underlying the ECL measurement, such as the PDs for different maturities are monitored and reviewed on a quarterly basis.

During the reporting period, the Group continued to improve its unified ECL approach implementation management system and monitor models and parameters related to expected credit losses and carried out model optimization by reference to monitoring results.

There have been no significant changes in estimation techniques and such assumptions made during the reporting period.

(E) Forward-looking information incorporated in the ECL

The Group has performed historical data analysis and identified the macroeconomic variables affecting expected credit losses, such as GDP, CPI, M2, PPI, RMB deposit reserve rate, London spot gold price, average exchange rate of US Dollar to RMB, sales price indices of second-hand residential buildings in 70 large and medium-sized cities, national real estate climate index, and so on.

The Group set forecast GDP value for baseline scenario by reference to average value of forecasts released by authoritative international and domestic institutions, and the forecast 2025 GDP growth value under the baseline scenario was set at round 5%. Forecast 2025 GDP growth value under the optimistic and pessimistic scenarios had been determined by moving up and down, by a certain degree, from the baseline scenario forecast. For other macroeconomic variables, the Group involved internal experts and used methods such as transmission models, economic principles, and expert judgment to calculate the predicted value of each variable under each scenario.

The Group constructs empirical models to derive the relationship between historical macroeconomic variables and PD and LGD, and calculates the PD and LGD values for a given future horizon using the forecasted macroeconomic variables.

The Group constructs empirical models to determine the weightings for optimistic, baseline and pessimistic scenarios. As at 31 December 2024 and 2023, the optimistic, baseline and pessimistic scenarios were of comparable weightings.

(F) Risk grouping

For the purpose of ECL measurement, the Group has divided businesses with common credit risk characteristics into separate groups. When grouping corporate business, the Group considered credit risk characteristics such as client type and the industry in which the client operates. When grouping personal business, the Group considered credit risk characteristics such as internal risk pool and product type. The Group obtained sufficient information to ensure risk grouping is statistically reliable.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

62 Risk management (continued)

(1) Credit risk (continued)

(a) *Maximum credit risk exposure*

The following table presents the maximum exposure to credit risk as at the end of the reporting period without taking into consideration any collaterals and pledges held or other credit enhancements. In respect of the financial assets recognised in the statement of financial position, the maximum exposure to credit risk is represented by the carrying amount after deducting any impairment allowance.

	31 December 2024	31 December 2023
Deposits with central banks	**2,524,670**	3,020,376
Deposits with banks and non-bank financial institutions	**154,532**	148,218
Placements with banks and non-bank financial institutions	**672,875**	675,270
Positive fair value of derivatives	**108,053**	43,840
Financial assets held under resale agreements	**622,559**	979,498
Loans and advances to customers	**25,040,400**	23,083,377
Financial investments		
Financial assets measured at fair value through profit or loss	**354,639**	362,299
Financial assets measured at amortised cost	**7,429,723**	6,801,242
Financial assets measured at fair value through other comprehensive income	**2,609,514**	2,224,783
Other financial assets	**194,148**	220,645
Total	**39,711,113**	37,559,548
Off-balance sheet credit commitments	**3,964,451**	3,830,239
Maximum credit risk exposure	**43,675,564**	41,389,787

(b) *Loans and advances to customers analysed by credit quality*

Within overdue but not credit-impaired loans and advances and credit-impaired loans and advances, the portions covered and not covered by collateral held are as follows:

	31 December 2024		
	Overdue but not credit-impaired loans and advances		**Credit-impaired loans and advances**
	Corporate	**Personal**	**Corporate**
Portion covered	**7,001**	**29,891**	**101,450**
Portion not covered	**4,791**	**18,081**	**155,266**
Total	**11,792**	**47,972**	**256,716**

	31 December 2023		
	Overdue but not credit-impaired loans and advances		Credit-impaired loans and advances
	Corporate	Personal	Corporate
Portion covered	4,290	28,337	102,434
Portion not covered	5,215	16,078	165,249
Total	9,505	44,415	267,683

The above collateral and pledges include land use rights, buildings and equipment. The fair value of collateral and pledges was estimated by the Group with reference to the latest available external valuations adjusted after taking into account the current realisation experience as well as the market situation.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

62 Risk management (continued)

(1) Credit risk (continued)

(c) Loans and advances to customers analysed by economic sector concentrations

	31 December 2024			31 December 2023		
	Gross loan balance	**Percentage**	**Balance secured by collateral**	Gross loan balance	Percentage	Balance secured by collateral
Corporate loans and advances						
– Leasing and commercial services	**2,682,018**	**10.38%**	**676,716**	2,506,037	10.50%	663,717
– Transportation, storage and postal services	**2,479,499**	**9.59%**	**658,592**	2,328,471	9.76%	617,975
– Manufacturing	**2,264,558**	**8.76%**	**421,563**	2,167,353	9.08%	437,729
– Production and supply of electric power, heat, gas and water	**1,674,706**	**6.48%**	**235,043**	1,444,500	6.05%	219,330
– Wholesale and retail trade	**1,441,415**	**5.58%**	**705,860**	1,396,585	5.85%	698,352
– Real estate	**1,014,851**	**3.93%**	**526,419**	970,809	4.07%	497,958
– Water, environment and public utility management	**765,953**	**2.96%**	**248,959**	747,653	3.13%	269,792
– Construction	**711,472**	**2.75%**	**164,363**	631,518	2.65%	161,559
– Financial services	**702,841**	**2.72%**	**20,552**	378,507	1.59%	23,787
– Mining	**371,304**	**1.44%**	**25,640**	345,315	1.45%	20,110
– Data Transfer, Software and Data Technology Services	**242,128**	**0.94%**	**87,318**	221,385	0.93%	79,486
– Scientific Research and Technological services	**179,270**	**0.69%**	**78,752**	156,459	0.66%	71,074
– Others	**654,640**	**2.54%**	**190,034**	643,005	2.69%	189,776
Total corporate loans and advances	**15,184,655**	**58.76%**	**4,039,811**	13,937,597	58.41%	3,950,645
Personal loans and advances	**8,977,310**	**34.74%**	**6,796,657**	8,768,598	36.75%	6,873,754
Discounted bills	**1,631,752**	**6.31%**	**–**	1,104,787	4.63%	–
Accrued interest	**49,577**	**0.19%**	**–**	50,618	0.21%	–
Total loans and advances to customers	**25,843,294**	**100.00%**	**10,836,468**	23,861,600	100.00%	10,824,399

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

62 Risk management (continued)

(1) Credit risk (continued)

(d) Loans and advances to customers analysed by geographical sector concentrations

	31 December 2024			31 December 2023		
	Gross loan balance	**Percentage**	**Balance secured by collateral**	Gross loan balance	Percentage	Balance secured by collateral
Yangtze River Delta	**5,240,886**	**20.29%**	**2,432,828**	4,703,648	19.71%	2,371,091
Western	**4,855,020**	**18.79%**	**2,155,775**	4,440,785	18.61%	2,123,401
Bohai Rim	**4,338,437**	**16.79%**	**1,561,658**	4,058,595	17.01%	1,584,573
Central	**4,290,781**	**16.60%**	**1,928,945**	3,993,891	16.74%	1,955,242
Pearl River Delta	**4,169,575**	**16.13%**	**2,271,355**	3,936,980	16.50%	2,262,981
Head office	**1,142,742**	**4.42%**	**–**	1,026,719	4.30%	–
Northeastern	**1,039,321**	**4.02%**	**347,121**	975,595	4.09%	373,238
Overseas	**716,955**	**2.77%**	**138,786**	674,769	2.83%	153,873
Accrued interest	**49,577**	**0.19%**	**–**	50,618	0.21%	–
Gross loans and advances to customers	**25,843,294**	**100.00%**	**10,836,468**	23,861,600	100.00%	10,824,399

Details of Stage 3 loans and allowances for impairment losses in respect of geographical sectors as at the end of the reporting period are as follows:

	31 December 2024			
	Stage 3 Gross loan balance	**Allowances for impairment losses**		
		Stage 1	**Stage 2**	**Stage 3**
Pearl River Delta	**82,590**	**(48,731)**	**(34,726)**	**(62,769)**
Central	**58,713**	**(59,114)**	**(42,581)**	**(40,756)**
Western	**52,990**	**(68,131)**	**(50,732)**	**(37,032)**
Bohai Rim	**48,047**	**(51,700)**	**(37,518)**	**(35,007)**
Yangtze River Delta	**43,845**	**(68,909)**	**(31,726)**	**(32,007)**
Northeastern	**24,170**	**(11,374)**	**(12,301)**	**(17,737)**
Head office	**23,735**	**(18,367)**	**(8,842)**	**(22,621)**
Overseas	**10,601**	**(2,043)**	**(1,486)**	**(6,684)**
Total	**344,691**	**(328,369)**	**(219,912)**	**(254,613)**

	31 December 2023			
	Stage 3 Gross loan balance	Allowances for impairment losses		
		Stage 1	Stage 2	Stage 3
Pearl River Delta	80,208	(59,079)	(26,402)	(60,631)
Central	64,726	(60,368)	(34,950)	(38,300)
Western	46,204	(70,754)	(48,749)	(29,634)
Bohai Rim	40,809	(55,580)	(31,755)	(27,429)
Yangtze River Delta	36,544	(80,750)	(26,073)	(25,952)
Northeastern	27,433	(12,817)	(12,774)	(18,803)
Head office	16,608	(22,208)	(7,281)	(15,160)
Overseas	12,724	(1,868)	(2,311)	(8,595)
Total	325,256	(363,424)	(190,295)	(224,504)

The definitions of geographical segments are set out in Note 57(1). The above allowances for impairment losses do not include allowances for loans and advances measured at fair value through other comprehensive income.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

62 Risk management (continued)

(1) Credit risk (continued)

(e) *Loans and advances to customers analysed by type of collateral*

	31 December 2024	31 December 2023
Unsecured loans	**11,712,918**	9,976,510
Guaranteed loans	**3,244,331**	3,010,073
Loans secured by property and other immovable assets	**9,198,171**	9,202,161
Other pledged loans	**1,638,297**	1,622,238
Accrued interest	**49,577**	50,618
Gross loans and advances to customers	**25,843,294**	23,861,600

(f) *Restructured loans and advances to customers*

The Bank implements the *Rules on Risk Classification of Financial Assets of Commercial Banks (CBIRC PBOC Order [2023] No.1)* for its restructured loans and advances to customers. The proportion of the Group's restructured loans and advances to customers was not significant for the years ended 31 December 2024 and 2023.

(g) *Credit risk exposure*

Loans and advances to customers

	31 December 2024			
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Low risk	**24,655,387**	**287,748**	**–**	**24,943,135**
Medium risk	**–**	**505,891**	**–**	**505,891**
High risk	**–**	**–**	**344,691**	**344,691**
Gross loans and advances	**24,655,387**	**793,639**	**344,691**	**25,793,717**
Allowances for impairment losses on loans and advances measured at amortised cost	**(328,369)**	**(219,912)**	**(254,613)**	**(802,894)**
Allowances for impairment losses on loans and advances measured at fair value through other comprehensive income	**(2,309)**	**(5)**	**–**	**(2,314)**

	31 December 2023			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Low risk	22,695,036	208,913	–	22,903,949
Medium risk	–	581,777	–	581,777
High risk	–	–	325,256	325,256
Gross loans and advances	22,695,036	790,690	325,256	23,810,982
Allowances for impairment losses on loans and advances measured at amortised cost	(363,424)	(190,295)	(224,504)	(778,223)
Allowances for impairment losses on loans and advances measured at fair value through other comprehensive income	(1,431)	(461)	–	(1,892)

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

62 Risk management (continued)

(1) Credit risk (continued)

(g) *Credit risk exposure* (continued)

Loans and advances to customers (continued)

The Group classifies credit risk characteristics based on the quality of assets. "Low risk" means that loans are of good credit quality and there are no sufficient reasons to doubt that the borrowers of loans are not expected to fulfil its contractual obligations to repay its loans, nor are there any other behaviors breaching the loan contracts and impacting significantly on the repayment of loans; "Medium risk" means that there are factors adversely impacting on the repayment capacity of borrowers, but there are as yet no behaviors impacting significantly on normal repayment of loans; "High risk" means that failure of borrowers to repay loans in accordance with loan contract terms or other behaviors breaching the loan contracts and impacting significantly on the repayment of loans.

Off-balance sheet credit commitments

As at 31 December 2024 and 2023, the Group's credit risk exposures in off-balance sheet credit commitments were primarily designated as Stage 1 and were primarily assigned the "Low Risk" credit risk rating.

Financial investments

	31 December 2024			
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Low risk	**9,928,818**	**881**	**–**	**9,929,699**
Medium risk	**23,776**	**270**	**–**	**24,046**
High risk	**–**	**–**	**13,208**	**13,208**
Total carrying amount excluding accrued interest	**9,952,594**	**1,151**	**13,208**	**9,966,953**
Allowance for impairment losses on financial assets measured at amortised cost	**(14,212)**	**(7)**	**(12,300)**	**(26,519)**
Allowance for impairment losses on financial assets measured at fair value through other comprehensive income	**(2,939)**	**(8)**	**(303)**	**(3,250)**

	31 December 2023			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Low risk	8,910,166	502	–	8,910,668
Medium risk	12,032	509	–	12,541
High risk	–	–	14,481	14,481
Total carrying amount excluding accrued interest	8,922,198	1,011	14,481	8,937,690
Allowance for impairment losses on financial assets measured at amortised cost	(11,716)	(80)	(13,050)	(24,846)
Allowance for impairment losses on financial assets measured at fair value through other comprehensive income	(5,019)	(17)	(372)	(5,408)

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

62 Risk management (continued)

(1) Credit risk (continued)

(g) Credit risk exposure (continued)

Financial investments(continued)

The Group classifies financial investment risk characteristics based on asset eligibility and internal rating changes. "Low risk" means that the issuer's initial internal rating is above the eligible level, and there are no reasons to suspect that the financial investment is expected to be defaulted; "Medium risk" means that although the issuer's internal rating is reduced to a certain extent, but there are not enough reasons to suspect that the financial investment is expected to be defaulted; "High risk" means that there are obvious problems which may cause a default, or the financial investment indeed is defaulted.

Amounts due from banks and non-bank financial institutions

Amounts due from banks and non-bank financial institutions include deposits and placements with banks and non-bank financial institutions, and financial assets held under resale agreements of which counterparties are banks and non-bank financial institutions.

	31 December 2024			
	Stage 1 12-month ECL	**Stage 2 lifetime ECL**	**Stage 3 lifetime ECL**	**Total**
Low risk	**1,445,054**	**–**	**–**	**1,445,054**
Medium risk	**–**	**–**	**–**	**–**
High risk	**–**	**–**	**–**	**–**
Total carrying amount excluding accrued interest	**1,445,054**	**–**	**–**	**1,445,054**
Allowance for impairment losses	**(571)**	**–**	**–**	**(571)**

	31 December 2023			
	Stage 1 12-month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL	Total
Low risk	1,798,447	–	–	1,798,447
Medium risk	–	–	–	–
High risk	–	–	–	–
Total carrying amount excluding accrued interest	1,798,447	–	–	1,798,447
Allowance for impairment losses	(1,273)	–	–	(1,273)

The Group classifies risk characteristics of amounts due from banks and non-bank financial institutions based on asset eligibility and internal rating changes. "Low risk" means that the issuer's initial internal rating is above the eligible level, and there are no reasons to suspect that the amount due from banks and non-bank financial institutions is expected to be defaulted; "Medium risk" means that although the issuer's internal rating is reduced to a certain extent, but there are not enough reasons to suspect that the amount due from banks and non-bank financial institutions is expected to be defaulted; "High risk" means that there are obvious problems which may cause a default, or the amount due from banks and non-bank financial institutions indeed is defaulted.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

62 Risk management (continued)

(1) Credit risk (continued)

(h) Distribution of amounts due from banks and non-bank financial institutions in terms of credit quality is as follows:

	31 December 2024	31 December 2023
Credit-impaired	**–**	–
Allowances for impairment losses	**–**	–
Subtotal	**–**	–
Neither overdue nor credit-impaired		
– grades A to AAA	**1,082,973**	1,307,765
– grades B to BBB	**28,420**	24,260
– unrated	**333,661**	466,422
Accrued interest	**5,483**	5,812
Total	**1,450,537**	1,804,259
Allowances for impairment losses	**(571)**	(1,273)
Subtotal	**1,449,966**	1,802,986
Total	**1,449,966**	1,802,986

Amounts neither overdue nor credit-impaired are analysed above according to the Group's internal credit ratings. Unrated amounts due from banks and non-bank financial institutions include amounts due from a number of banks and non-bank financial institutions for which the Group has not assigned internal credit ratings.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

62 Risk management (continued)

(1) Credit risk (continued)

(i) Distribution of debt investments analysed by rating

The Group adopts a credit rating approach to manage the credit risk of the debt investment portfolio held. The ratings are obtained from Bloomberg Composite, or major rating agencies where the issuers of the debt investments are located. The carrying amounts of the debt investments analysed by the rating agency designations as at the end of the reporting period are as follows:

	31 December 2024					
	Unrated	AAA	AA	A	Lower than A	Total
Credit-impaired						
– Banks and non-bank financial institutions	813	–	–	–	–	813
– Enterprises	10,745	335	147	–	1,706	12,933
Total	11,558	335	147	–	1,706	13,746
Allowances for impairment losses						(12,300)
Subtotal						1,446
Neither overdue nor credit-impaired						
– Government	3,210,745	4,971,862	35,887	24,598	15,424	8,258,516
– Central banks	12,372	4,273	23,393	5,565	2,479	48,082
– Policy banks	896,996	16,933	428	102,222	–	1,016,579
– Banks and non-bank financial institutions	184,355	374,917	20,319	119,022	33,409	732,022
– Enterprises	15,307	289,027	13,674	28,965	4,477	351,450
Total	4,319,775	5,657,012	93,701	280,372	55,789	10,406,649
Allowances for impairment losses						(14,219)
Subtotal						10,392,430
Total						10,393,876

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

62 Risk management (continued)

(1) Credit risk (continued)

(i) *Distribution of debt investments analysed by rating (continued)*

	31 December 2023					
	Unrated	AAA	AA	A	Lower than A	Total
Credit-impaired						
– Banks and non-bank financial institutions	820	–	–	–	–	820
– Enterprises	10,299	315	144	–	3,462	14,220
Total	11,119	315	144	–	3,462	15,040
Allowances for impairment losses						(13,050)
Subtotal						1,990
Neither overdue nor credit-impaired						
– Government	2,997,613	4,340,352	14,088	35,604	14,156	7,401,813
– Central banks	14,820	536	24,093	1,907	1,859	43,215
– Policy banks	825,872	–	–	74,310	–	900,182
– Banks and non-bank financial institutions	221,772	337,949	24,768	77,973	23,995	686,457
– Enterprises	15,827	302,689	14,394	28,634	4,919	366,463
Total	4,075,904	4,981,526	77,343	218,428	44,929	9,398,130
Allowances for impairment losses						(11,796)
Subtotal						9,386,334
Total						9,388,324

(j) *Credit risk arising from the Group's derivative exposures*

The Group's derivatives transactions entered into with customers have been hedged against transactions entered into with banks and non-bank financial institutions. The credit risk the Group is exposed to is related to customers, banks and non-bank financial institutions. The Group manages credit risk through regular monitoring.

(k) *Settlement risk*

The Group's activities may give rise to settlement risk at the time of the settlement of transactions and trades. Settlement risk is the risk of loss due to the failure of an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed.

For certain types of transactions, the Group mitigates this risk by conducting settlements through a settlement or clearing agent to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

62 Risk management (continued)

(1) Credit risk (continued)

(l) Sensitivity analysis

Models and parameters such as forward-looking empirical models, forecast values of macroeconomic variables and stage designation results would have an impact on ECL.

(i) Sensitivity analysis of segmentation

A significant increase in credit risk since initial recognition will result in financial assets transferring from Stage 1 to Stage 2, and the loss allowance for those financial assets shall be measured at an amount equal to the lifetime expected credit losses. The following tables present the impact of ECL from the second year to the end of the lifetime for financial assets in Stage 2.

	31 December 2024		
	Allowances for 12-month ECL of all performing financial assets	**Impact over lifetime**	**Current allowances for impairment losses**
Performing loans	**502,471**	**45,810**	**548,281**
Performing financial investments	**17,159**	**7**	**17,166**

	31 December 2023		
	Allowances for 12-month ECL of all performing financial assets	Impact over lifetime	Current allowances for impairment losses
Performing loans	504,308	49,411	553,719
Performing financial investments	16,827	5	16,832

The above allowances for impairment losses of financial assets did not contain the impairment loss allowances for loans and advances measured at fair value through other comprehensive income.

(ii) Sensitivity analysis of macroeconomic variables

The Group has carried out sensitivity analysis of GDP forecast. As at 31 December 2024, when GDP growth rate in the baseline scenario increased or decreased by 10%, the change in allowances for impairment losses of financial assets did not exceed 5% (as at 31 December 2023: did not exceed 5%).

(2) Market risk

Market risk is the risk of loss, in respect of the Group's on and off-balance sheet activities, arising from adverse movements in market rates including interest rates, foreign exchange rates, commodity prices and stock prices. Market risk arises from both the Group's trading and non-trading businesses. A trading book consists of positions in financial instruments and commodities held either with trading intent or in order to hedge other elements of the trading book. Non-trading book records those financial instruments and commodities which are not included in the trading book.

The Group continues to improve market risk management system. The Risk Management Department is responsible for leading the establishment of market risk management policies and rules, developing the market risk measurement tools, monitoring and reporting the trading market risk and related daily work. The Asset and Liability Management Department (the "ALM") is responsible for managing interest rate risk and exchange rate risk of non-trading businesses, as well as the size and structure of assets and liabilities in response to structural market risk. The Financial Market Department manages the Bank's RMB and foreign currency investment portfolios, conducts proprietary and customer-driven transactions, as well as implementing market risk management policies and rules. The Audit Department is responsible for regularly performing independent audits of the reliability and effectiveness of the processes constituting the risk management system.

The Group's interest rate risk mainly comprises repricing risk and basis risk arising from the mismatch of term structure and pricing basis of assets and liabilities. The Group uses multiple tools such as repricing gap analysis, sensitivity analysis on net interest income, scenario analysis and stress testing, to monitor the interest rate risk periodically.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

62 Risk management (continued)

(2) Market risk (continued)

The Group's foreign exchange exposures mainly comprise exposures from foreign currency portfolios within treasury proprietary investments in debt securities and money market placements, and currency exposures from its overseas business. The Group manages its foreign exchange exposures by spot foreign exchange transactions and by matching its foreign currency denominated assets with corresponding liabilities in the same currency, and also uses derivatives in the management of its own foreign currency asset and liability portfolios and structural positions.

The Group monitors market risk separately in respect of trading portfolios and non-trading portfolios. Trading portfolios include exchange rate and interest rate derivatives as well as trading securities. The historical simulation model for the Value-at-Risk ("VaR") analysis is a major tool used by the Bank to measure and monitor the market risk of its trading portfolio. Net interest income sensitivity analysis, interest rate repricing gap analysis and foreign exchange risk concentration analysis are the major tools used by the Group to monitor the market risk of its overall businesses.

(a) VaR analysis

VaR is a technique which estimates the potential losses that could occur on risk positions taken, due to movements in market interest rates, foreign exchange rates of all books and other market prices over a specified time horizon and at a given level of confidence. The Risk Management Department calculates interest rates, foreign exchange rates and commodity prices VaR for the Bank's trading portfolio. By reference to historical movements in interest rates, foreign exchange rates and commodity prices, the Risk Management Department calculates VaR on a daily basis for the trading portfolio and monitors it regularly. VaR is calculated at a confidence level of 99% and with a holding period of one day.

A summary of the VaR of the Bank's trading portfolio as at the end of the reporting period and during the respective years is as follows:

		2024			
	Note	**As at 31 December**	**Average**	**Maximum**	**Minimum**
VaR of trading portfolio		**300**	**265**	**331**	**199**
Of which:					
– Interest rate risk		**75**	**37**	**88**	**22**
– Foreign exchange risk	(i)	**311**	**261**	**343**	**201**
– Commodity risk		**1**	**1**	**6**	**–**

		2023			
	Note	As at 31 December	Average	Maximum	Minimum
VaR of trading portfolio		272	265	427	176
Of which:					
– Interest rate risk		22	43	68	22
– Foreign exchange risk	(i)	269	257	427	154
– Commodity risk		1	1	10	–

(i) The VaR in relation to bullion is included in the foreign exchange risk above.

VaR for each risk factor is the independently derived largest potential loss for a specific holding period and at a given confidence level due to fluctuations solely in that risk factor. The individual VaRs do not add up to the total VaR as there is diversification effect due to correlation amongst the risk factors.

62 Risk management (continued)

(2) Market risk (continued)

(a) *VaR analysis (continued)*

Although VaR is an important tool for measuring market risk, the assumptions on which the model is based give rise to some limitations, including the following:

– A 1-day holding period assumes that it is possible to hedge or dispose of positions within that period. This is considered to be a realistic assumption in almost all cases but may not be the case in situations in which there is severe market illiquidity for a prolonged period;

– A 99 percent confidence level does not reflect losses that may occur beyond this level. Within the model used, there is 1 percent probability that losses could exceed the VaR;

– VaR is calculated on an end-of-day basis and does not reflect exposures that may arise on positions during the trading day;

– The use of historical data as a basis for determining the possible range of future outcomes may not always cover all possible scenarios, especially those of an exceptional nature; and

– The VaR measure is dependent upon the Bank's position and the volatility of market prices. The VaR of an unchanged position reduces if the market price volatility declines and vice versa.

(b) *Interest rate sensitivity analysis*

In monitoring interest rate risk on its overall non-derivative financial assets and liabilities, the Bank regularly measures its future net interest income sensitivity to an increase or decrease in market interest rates (assuming no asymmetrical movement in yield curves and a constant financial position). An incremental 100 basis points parallel fall or rise in all yield curves, other than that applicable to deposits with central banks, would increase or decrease annualised net interest income of the Group by RMB46,805 million (as at 31 December 2023: RMB51,907 million). Had the impact of yield curves movement for demand deposits from customers been excluded, the annualised net interest income of the Group would decrease or increase by RMB92,363 million (as at 31 December 2023: RMB89,293 million). In the event of a parallel fall or rise of 100 basis points in the yield curve, equity would increase by RMB119,288 million (as at 31 December 2023: RMB72,013 million) or decrease by RMB108,445 million (as at 31 December 2023: RMB66,366 million), respectively.

The above interest rate sensitivity is for illustration purposes only and is assessed based on simplified assumptions. The figures here indicate estimated net interest income and equity movements under various predicted yield curve scenarios and subject to the Bank's current interest rate exposures. However, the possible risk management measures that can be undertaken by the interest risk management department or related business departments to mitigate interest rate risk have not been taken into account. In practice, the departments that manage the interest rate risk strive to reduce loss arising from the risk while increasing the net income. These figures are estimated on the assumption that the interest rates on various maturities will move within similar ranges, and therefore do not reflect the potential net interest income changes and equity changes in the event that interest rates on some maturities may change and others remain unchanged. Moreover, the above estimations are based on other simplified assumptions, including that all positions will be held to maturity and rolled over upon maturity.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

62 Risk management (continued)

(2) Market risk (continued)

(c) Interest rate risk

Interest rate risk refers to the risk where the market interest rates, term structure and other factors may experience unfavourable fluctuations which impact the overall profitability and fair value resulting in losses to the Bank. The key determinants of the Group's interest rate risk arise from the mismatch between the maturity periods of the assets and liabilities, and inconsistent pricing basis, resulting in re-pricing risk and basis risk.

The ALM is responsible for regularly monitoring the interest rate risk positions and measuring the interest rate re-pricing gap. The main reason for measuring the interest rate re-pricing gap is to assist in analysing the impact of interest rate changes on net interest income.

The following tables indicate the analysis by the expected next repricing dates (or maturity dates whichever are earlier) for the assets and liabilities of the Group as at the end of the reporting period.

		31 December 2024					
	Note	Non-interest-bearing	Within three months	Between three months and one year	Between one and five years	More than five years	Total
Assets							
Cash and deposits with central banks		107,769	2,463,124	468	–	–	2,571,361
Deposits and placements with banks and non-bank financial institutions		–	409,941	405,964	11,502	–	827,407
Financial assets held under resale agreements		–	621,346	1,213	–	–	622,559
Loans and advances to customers	(i)	45,447	11,876,651	12,244,572	786,070	87,660	25,040,400
Investments	(ii)	315,092	411,568	1,213,320	3,598,432	5,169,111	10,707,523
Others		801,899	–	–	–	–	801,899
Total assets		1,270,207	15,782,630	13,865,537	4,396,004	5,256,771	40,571,149
Liabilities							
Borrowings from central banks		–	195,789	745,856	949	–	942,594
Deposits and placements from banks and non-bank financial institutions		–	2,462,199	434,458	415,228	3,881	3,315,766
Financial liabilities measured at fair value through profit or loss		19,309	178,481	42,803	–	–	240,593
Financial assets sold under repurchase agreements		–	430,104	309,015	799	–	739,918
Deposits from customers		79,967	15,844,316	5,384,333	7,389,066	16,188	28,713,870
Debt securities issued		–	459,229	1,214,182	579,491	133,693	2,386,595
Others		887,848	–	–	–	–	887,848
Total liabilities		987,124	19,570,118	8,130,647	8,385,533	153,762	37,227,184
Asset-liability gap		283,083	(3,787,488)	5,734,890	(3,989,529)	5,103,009	3,343,965

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

62 Risk management (continued)

(2) Market risk (continued)

(c) *Interest rate risk (continued)*

		31 December 2023					
	Note	Non-interest-bearing	Within three months	Between three months and one year	Between one and five years	More than five years	Total
Assets							
Cash and deposits with central banks		90,697	2,975,231	130	–	–	3,066,058
Deposits and placements with banks and non-bank financial institutions		–	490,019	326,326	7,143	–	823,488
Financial assets held under resale agreements		–	979,498	–	–	–	979,498
Loans and advances to customers	(i)	34,405	10,647,006	11,542,958	702,410	156,598	23,083,377
Investments	(ii)	272,857	490,814	774,553	3,306,550	4,814,485	9,659,259
Others		713,146	–	–	–	–	713,146
Total assets		1,111,105	15,582,568	12,643,967	4,016,103	4,971,083	38,324,826
Liabilities							
Borrowings from central banks		–	247,662	906,948	1,024	–	1,155,634
Deposits and placements from banks and non-bank financial institutions		–	2,521,325	282,103	391,380	4,980	3,199,788
Financial liabilities measured at fair value through profit or loss		12,905	195,197	44,077	–	–	252,179
Financial assets sold under repurchase agreements		–	224,058	10,520	–	–	234,578
Deposits from customers		80,413	15,767,684	4,662,033	7,139,044	4,837	27,654,011
Debt securities issued		–	760,532	565,905	474,198	95,100	1,895,735
Others		760,827	–	–	–	–	760,827
Total liabilities		854,145	19,716,458	6,471,586	8,005,646	104,917	35,152,752
Asset-liability gap		256,960	(4,133,890)	6,172,381	(3,989,543)	4,866,166	3,172,074

(i) For loans and advances to customers, the "within three months" category includes overdue amounts (net of allowances for impairment losses) of RMB56,061million as at 31 December 2024 (as at 31 December 2023: RMB54,750 million).

(ii) Investments include financial assets measured at fair value through profit or loss, financial assets measured at amortised cost, financial assets measured at fair value through other comprehensive income and long-term equity investments, etc.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

62 Risk management (continued)

(2) Market risk (continued)

(d) Currency risk

The Group's foreign exchange exposures mainly comprise exposures that arise from the foreign currency proprietary investments of the treasury business and currency exposures originated by the Group's overseas businesses.

The Group manages currency risk by spot and forward foreign exchange transactions and by matching its foreign currency denominated assets with corresponding liabilities in the same currency, and also uses derivatives (principally foreign exchange swaps and cross currency swaps) in the management of its own foreign currency asset and liability portfolios and structural positions.

The Group actively manages foreign currency exposures by minimising foreign exchange risk by business lines. Therefore, the net exposure is not sensitive to exchange rate fluctuations and the potential impact on the pre-tax profits and other comprehensive income of the Group is not material.

The currency exposures of the Group's assets and liabilities as at the end of the reporting period are as follows:

		31 December 2024			
	Note	RMB	USD (RMB equivalent)	Others (RMB equivalent)	Total
Assets					
Cash and deposits with central banks		2,399,191	110,843	61,327	2,571,361
Deposits and placements with banks and non-bank financial institutions		629,553	163,030	34,824	827,407
Financial assets held under resale agreements		621,346	–	1,213	622,559
Loans and advances to customers		24,262,628	414,631	363,141	25,040,400
Investments	(i)	10,320,063	235,931	151,529	10,707,523
Others		693,925	75,473	32,501	801,899
Total assets		38,926,706	999,908	644,535	40,571,149
Liabilities					
Borrowings from central banks		867,919	13,180	61,495	942,594
Deposits and placements from banks and non-bank financial institutions		2,869,072	307,483	139,211	3,315,766
Financial liabilities measured at fair value through profit or loss		224,067	4,240	12,286	240,593
Financial assets sold under repurchase agreements		721,281	8,753	9,884	739,918
Deposits from customers		27,917,176	488,906	307,788	28,713,870
Debt securities issued		2,091,358	204,540	90,697	2,386,595
Others		829,608	20,824	37,416	887,848
Total liabilities		35,520,481	1,047,926	658,777	37,227,184
Net position		3,406,225	(48,018)	(14,242)	3,343,965
Net notional amount of derivatives		(59,073)	(33,667)	93,982	1,242
Credit commitments		3,480,217	321,435	162,799	3,964,451

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

62 Risk management (continued)

(2) Market risk (continued)

(d) Currency risk (continued)

		31 December 2023			
	Note	RMB	USD (RMB equivalent)	Others (RMB equivalent)	Total
Assets					
Cash and deposits with central banks		2,846,966	150,288	68,804	3,066,058
Deposits and placements with banks and non-bank financial institutions		544,235	224,286	54,967	823,488
Financial assets held under resale agreements		977,161	1,843	494	979,498
Loans and advances to customers		22,325,807	383,857	373,713	23,083,377
Investments	(i)	9,279,590	241,867	137,802	9,659,259
Others		579,300	60,346	73,500	713,146
Total assets		36,553,059	1,062,487	709,280	38,324,826
Liabilities					
Borrowings from central banks		1,086,514	21,596	47,524	1,155,634
Deposits and placements from banks and non-bank financial institutions		2,796,119	285,381	118,288	3,199,788
Financial liabilities measured at fair value through profit or loss		245,798	794	5,587	252,179
Financial assets sold under repurchase agreements		207,379	19,856	7,343	234,578
Deposits from customers		26,817,312	538,766	297,933	27,654,011
Debt securities issued		1,578,299	217,796	99,640	1,895,735
Others		695,764	14,134	50,929	760,827
Total liabilities		33,427,185	1,098,323	627,244	35,152,752
Net position		3,125,874	(35,836)	82,036	3,172,074
Net notional amount of derivatives		(5,552)	(7,289)	12,210	(631)
Credit commitments		3,372,627	296,013	161,599	3,830,239

(i) Please refer to Note 62(2)(c)(ii) for the scope of investments.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

62 Risk management (continued)

(3) Liquidity risk

The Group adheres to a liquidity management strategy featuring prudence, decentralisation, coordination and diversification. Management's objective for liquidity risk management is to establish and improve a liquidity management system that can fully identify, accurately measure, continuously monitor, and effectively control liquidity risk, effectively balance the return on funds and security of funds, and safeguard the steady operation across the Bank.

The Group conducts quarterly liquidity risk stress testing in order to gauge its risk tolerance in different stress scenarios. The results of stress testing show that under different stress scenarios, the Group's liquidity risk is under control.

The Group adopts liquidity indicator analysis, remaining maturity analysis and undiscounted cash flow analysis to measure the liquidity risk.

(a) Maturity analysis

The following tables provide an analysis of the assets and liabilities of the Group based on the remaining periods to repayment as at the end of the reporting period:

	31 December 2024							
	Indefinite	Repayable on demand	Within one month	Between one and three months	Between three months and one year	Between one and five years	More than five years	Total
Assets								
Cash and deposits with central banks	2,263,961	305,752	–	1,180	468	–	–	2,571,361
Deposits and placements with banks and non-bank financial institutions	–	99,404	212,706	97,574	406,267	11,456	–	827,407
Financial assets held under resale agreements	–	–	621,346	–	1,213	–	–	622,559
Loans and advances to customers	109,710	1,041,426	918,562	1,889,087	6,646,368	6,547,324	7,887,923	25,040,400
Investments								
– Financial assets measured at fair value through profit or loss	214,855	43,701	6,358	20,966	89,471	53,781	183,372	612,504
– Financial assets measured at amortised cost	713	–	22,186	62,731	478,071	2,449,332	4,416,690	7,429,723
– Financial assets measured at fair value through other comprehensive income	32,263	–	87,900	177,930	637,937	1,127,504	578,202	2,641,736
– Long-term equity investments	23,560	–	–	–	–	–	–	23,560
Others	354,151	248,254	34,012	61,085	65,494	19,460	19,443	801,899
Total assets	2,999,213	1,738,537	1,903,070	2,310,553	8,325,289	10,208,857	13,085,630	40,571,149
Liabilities								
Borrowings from central banks	–	–	88,672	107,117	745,856	949	–	942,594
Deposits and placements from banks and non-bank financial institutions	–	1,651,856	459,228	323,840	437,014	429,740	14,088	3,315,766
Financial liabilities measured at fair value through profit or loss	–	19,309	116,842	61,639	42,803	–	–	240,593
Financial assets sold under repurchase agreements	–	–	176,141	253,963	309,015	799	–	739,918
Deposits from customers	–	12,382,497	1,513,049	2,020,375	5,388,776	7,391,103	18,070	28,713,870
Debt securities issued	–	–	169,986	272,380	1,216,956	593,580	133,693	2,386,595
Others	5,532	373,349	65,490	40,720	94,015	80,873	227,869	887,848
Total liabilities	5,532	14,427,011	2,589,408	3,080,034	8,234,435	8,497,044	393,720	37,227,184
Net gaps	2,993,681	(12,688,474)	(686,338)	(769,481)	90,854	1,711,813	12,691,910	3,343,965
Notional amount of derivatives								
– Interest rate contracts	–	–	185,776	165,694	375,280	205,031	12,146	943,927
– Exchange rate contracts	–	–	1,482,353	1,300,984	2,776,854	137,068	3,029	5,700,288
– Other contracts	–	–	63,246	65,742	98,316	4,636	–	231,940
Total	–	–	1,731,375	1,532,420	3,250,450	346,735	15,175	6,876,155

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

62 Risk management (continued)

(3) Liquidity risk (continued)

(a) *Maturity analysis (continued)*

	31 December 2023							
	Indefinite	Repayable on demand	Within one month	Between one and three months	Between three months and one year	Between one and five years	More than five years	Total
Assets								
Cash and deposits with central banks	2,467,007	597,615	–	1,306	130	–	–	3,066,058
Deposits and placements with banks and non-bank financial institutions	–	74,424	283,769	131,334	326,328	7,633	–	823,488
Financial assets held under resale agreements	–	–	979,453	45	–	–	–	979,498
Loans and advances to customers	82,917	972,512	725,550	1,482,748	5,282,119	6,397,276	8,140,255	23,083,377
Investments								
– Financial assets measured at fair value through profit or loss	209,716	31,166	8,882	23,517	56,466	66,708	205,848	602,303
– Financial assets measured at amortised cost	–	–	34,383	93,308	391,152	2,133,983	4,148,416	6,801,242
– Financial assets measured at fair value through other comprehensive income	9,949	–	100,539	173,990	347,687	1,132,039	470,527	2,234,731
– Long-term equity investments	20,983	–	–	–	–	–	–	20,983
Others	341,372	151,645	47,331	38,771	31,761	15,927	86,339	713,146
Total assets	3,131,944	1,827,362	2,179,907	1,945,019	6,435,643	9,753,566	13,051,385	38,324,826
Liabilities								
Borrowings from central banks	–	–	129,997	117,665	906,948	1,024	–	1,155,634
Deposits and placements from banks and non-bank financial institutions	–	1,987,259	355,168	162,765	282,726	400,539	11,331	3,199,788
Financial liabilities measured at fair value through profit or loss	–	12,905	124,869	70,328	44,077	–	–	252,179
Financial assets sold under repurchase agreements	–	–	211,159	12,899	10,520	–	–	234,578
Deposits from customers	–	12,228,538	1,781,842	1,834,637	4,663,036	7,139,081	6,877	27,654,011
Debt securities issued	–	–	259,359	483,578	574,584	483,114	95,100	1,895,735
Others	5,092	221,511	80,183	31,791	76,506	91,952	253,792	760,827
Total liabilities	5,092	14,450,213	2,942,577	2,713,663	6,558,397	8,115,710	367,100	35,152,752
Net gaps	3,126,852	(12,622,851)	(762,670)	(768,644)	(122,754)	1,637,856	12,684,285	3,172,074
Notional amount of derivatives								
– Interest rate contracts	–	–	187,695	256,442	665,785	227,090	15,180	1,352,192
– Exchange rate contracts	–	–	866,760	748,169	1,969,422	126,051	1,435	3,711,837
– Other contracts	–	–	55,648	39,159	94,699	2,575	–	192,081
Total	–	–	1,110,103	1,043,770	2,729,906	355,716	16,615	5,256,110

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

62 Risk management (continued)

(3) Liquidity risk (continued)

(b) Contractual undiscounted cash flow

The following tables provide an analysis of the contractual undiscounted cash flow of the non-derivative financial liabilities and off-balance sheet credit commitments of the Group as at the end of the reporting period. The Group's expected cash flows on these instruments may vary significantly from this analysis.

	31 December 2024							
	Carrying amount	Gross cash outflow	Repayable on demand	Within one month	Between one and three months	Between three months and one year	Between one and five years	More than five years
Non-derivative financial liabilities								
Borrowings from central banks	942,594	954,775	–	88,802	107,603	757,416	954	–
Deposits and placements from banks and non-bank financial institutions	3,315,766	3,356,242	1,651,856	459,750	325,752	445,333	456,728	16,823
Financial liabilities measured at fair value through profit or loss	240,593	240,593	19,309	116,842	61,639	42,803	–	–
Financial assets sold under repurchase agreements	739,918	742,783	–	176,171	254,614	311,179	819	–
Deposits from customers	28,713,870	29,626,429	12,382,741	1,558,899	2,084,847	5,610,320	7,970,727	18,895
Debt securities issued	2,386,595	2,488,616	–	170,822	274,226	1,244,984	650,457	148,127
Other non-derivative financial liabilities	570,819	780,553	202,836	32,312	12,526	33,781	69,173	429,925
Total	36,910,155	38,189,991	14,256,742	2,603,598	3,121,207	8,445,816	9,148,858	613,770
Off-balance sheet loan commitments and credit card commitments (Note)		1,700,841	1,202,256	10,696	15,750	77,567	170,474	224,098
Guarantees, acceptances and other credit commitments (Note)		2,263,610	1,772	298,669	339,599	1,048,432	540,128	35,010

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

62 Risk management (continued)

(3) Liquidity risk (continued)

(b) *Contractual undiscounted cash flow* (continued)

	31 December 2023							
	Carrying amount	Gross cash outflow	Repayable on demand	Within one month	Between one and three months	Between three months and one year	Between one and five years	More than five years
Non-derivative financial liabilities								
Borrowings from central banks	1,155,634	1,172,995	–	130,926	118,199	922,837	1,033	–
Deposits and placements from banks and non-bank financial institutions	3,199,788	3,238,349	1,987,259	355,482	164,208	289,372	429,294	12,734
Financial liabilities measured at fair value through profit or loss	252,179	252,179	12,905	124,869	70,328	44,077	–	–
Financial assets sold under repurchase agreements	234,578	235,002	–	211,206	13,021	10,775	–	–
Deposits from customers	27,654,011	28,570,339	12,229,863	1,818,365	1,909,379	4,856,778	7,748,618	7,336
Debt securities issued	1,895,735	1,986,845	–	260,243	485,918	598,602	534,697	107,385
Other non-derivative financial liabilities	484,687	683,826	73,027	32,518	16,783	37,705	82,604	441,189
Total	34,876,612	36,139,535	14,303,054	2,933,609	2,777,836	6,760,146	8,796,246	568,644
Off-balance sheet loan commitments and credit card commitments (Note)		1,611,820	1,176,826	5,927	6,004	64,521	138,604	219,938
Guarantees, acceptances and other credit commitments (Note)		2,218,419	291	317,493	341,279	946,637	573,670	39,049

Note: The off-balance sheet loan commitments and credit card commitments may expire without being drawn upon. Guarantees, acceptances and other credit commitments do not represent the amounts to be paid.

(4) Operational risk

Operational risk refers to the risk of loss resulting from problems with internal processes, people and systems or from external events. Such risk includes legal risk but excludes strategic risk and reputational risk.

In 2024, the Group actively benchmarked itself against regulatory requirements such as Basel III, the *Rules on Capital Management of Commercial Banks*, and the *Rules on Operational Risk Management of Banking* and *Insurance Institutions* and effectively enhanced its operational risk management.

The Group revised its policies on operational risk management, improved the top-level design, and further promoted the application of risk management tools such as operational risk loss data, key risk indicators and operational risk self-assessment. It further polished up its management mechanism such as operational risk reporting, and promoted regulatory assessment and validation related work pursuant to new standardised approach for operational risk in an orderly manner, so as to comprehensively enhance refined management. It continued to strengthen business continuity management, improved rules and regulations, focused on developing emergency plans and organising emergency drills, consolidated management foundation, so as to enhance operational resilience. The Group continued to improve its staff behaviour management system, so as to promote staff compliance and standardised operations. It established and improved its staff behaviour management framework, clarified the code of conduct for employees, and conducted inspections of abnormal behaviours. It cared for its employees and guided them to correctly develop and practise the compliance concept.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

62 Risk management (continued)

(5) Fair value of financial instruments

(a) Valuation process, technique and input

The Board is responsible for establishing a robust internal control policy of valuation, and takes the ultimate responsibility for the adequacy and effectiveness of internal control system. The board of supervisors takes charge of supervising the performance of the Board and senior management. According to the requirements of the Board and the Board of Supervisors, senior management is responsible for organising and implementing the internal control system over the valuation process to ensure the effectiveness of the internal control system of valuation.

The Group has established an independent valuation process for financial assets and financial liabilities. The relevant departments are responsible for performing valuation, verifying valuation model and accounting of valuation results.

For the year ended 31 December 2024, there was no significant change in the valuation techniques or inputs used to determine fair value as compared to those used for the year ended 31 December 2023.

(b) Fair value hierarchy

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

– Level 1: Fair value based on quoted prices (unadjusted) in active markets for identical assets or liabilities.

– Level 2: Fair value based on inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

– Level 3: Fair value based on inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

62 Risk management (continued)

(5) Fair value of financial instruments (continued)

(c) Financial instruments measured at fair value

(i) Fair value hierarchy

The tables below analyse financial instruments, measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised:

	31 December 2024			
	Level 1	Level 2	Level 3	Total
Measured at fair value on a recurring basis				
Assets				
Positive fair value of derivatives	–	108,049	4	108,053
Loans and advances to customers				
– Loans and advances to customers measured at fair value through other comprehensive income	–	1,631,752	–	1,631,752
Financial assets measured at fair value through profit or loss				
Financial assets held for trading purposes				
– Debt securities	3,495	127,185	–	130,680
– Equity instruments and funds	302	2,747	–	3,049
Other financial assets measured at fair value through profit or loss				
– Debt investments	–	54,521	24,357	78,878
– Debt securities	5	141,604	3,472	145,081
– Equity instruments, funds and others	13,542	119,824	121,450	254,816
Financial assets measured at fair value through other comprehensive income				
– Debt securities	292,397	2,316,116	1,001	2,609,514
– Equity instruments designated as measured at fair value through other comprehensive income	13,781	–	18,441	32,222
Total	323,522	4,501,798	168,725	4,994,045
Measured at fair value on a recurring basis				
Liabilities				
Financial liabilities measured at fair value through profit or loss	–	239,005	1,588	240,593
Negative fair value of derivatives	–	93,986	4	93,990
Total	–	332,991	1,592	334,583

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

62 Risk management (continued)

(5) Fair value of financial instruments (continued)

(c) Financial instruments measured at fair value (continued)

(i) Fair value hierarchy (continued)

	31 December 2023			
	Level 1	Level 2	Level 3	Total
Measured at fair value on a recurring basis				
Assets				
Positive fair value of derivatives	–	43,832	8	43,840
Loans and advances to customers				
– Loans and advances to customers measured at fair value through other comprehensive income	–	1,104,787	–	1,104,787
Financial assets measured at fair value through profit or loss				
Financial assets held for trading purposes				
– Debt securities	2,219	125,766	–	127,985
– Equity instruments and funds	374	1,089	–	1,463
Other financial assets measured at fair value through profit or loss				
– Debt investments	–	52,868	27,879	80,747
– Debt securities	45	152,391	1,131	153,567
– Equity instruments, funds and others	15,222	87,939	135,380	238,541
Financial assets measured at fair value through other comprehensive income				
– Debt securities	249,246	1,975,483	54	2,224,783
– Equity instruments designated as measured at fair value through other comprehensive income	2,509	–	7,439	9,948
Total	269,615	3,544,155	171,891	3,985,661
Measured at fair value on a recurring basis				
Liabilities				
Financial liabilities measured at fair value through profit or loss	–	251,492	687	252,179
Negative fair value of derivatives	–	41,860	8	41,868
Total	–	293,352	695	294,047

A majority of the financial assets classified as level 2 are RMB bonds. The fair value of these bonds is determined based on the valuation results provided by China Central Depository & Clearing Co., Ltd. A majority of the financial liabilities designated as measured at fair value through profit or loss classified as level 2 are the funds raised from structured deposits, the fair value of which are determined based on the income approach. The majority of derivatives are classified as level 2 and valued using the income approach. For the valuation of financial instruments classified as level 2, all significant inputs are observable market data.

The financial assets classified as level 3 are primarily unlisted equity instruments. These financial assets are valued using the income approach and market approach, which incorporate the non-observable assumptions including discount rate and P/B ratio.

The Group upgraded certain financial instruments from Level 3 to Level 1 of the fair value hierarchy due to the fact that the valuation technique had changed or that certain previously unobservable significant inputs used in fair value measurements had now become observable.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

62 Risk management (continued)

(5) Fair value of financial instruments (continued)

(c) Financial instruments measured at fair value (continued)

(ii) Movements of fair value of financial instruments in level 3 of the fair value hierarchy

The following tables show a reconciliation from the opening balances to the ending balances for fair value measurement in level 3 of the fair value hierarchy:

	2024									
		Other financial assets measured at fair value through profit or loss			**Financial assets measured at fair value through other comprehensive income**					
	Positive fair value of derivatives	**Debt investments**	**Debt securities**	**Equity instruments, funds and others**	**Debt securities**	**Equity instruments**	**Total assets**	**Financial liabilities measured at fair value through profit or loss**	**Negative fair value of derivatives**	**Total liabilities**
As at 1 January 2024	**8**	**27,879**	**1,131**	**135,380**	**54**	**7,439**	**171,891**	**(687)**	**(8)**	**(695)**
Total gains or losses:										
In profit or loss	**(4)**	**672**	**38**	**(2,826)**	**-**	**-**	**(2,120)**	**(506)**	**4**	**(502)**
In other comprehensive income	**-**	**-**	**-**	**-**	**7**	**9,902**	**9,909**	**-**	**-**	**-**
Purchases	**-**	**2,893**	**2,827**	**18,427**	**940**	**1,100**	**26,187**	**(1,041)**	**-**	**(1,041)**
Sales, settlements and transfers out	**-**	**(7,087)**	**(524)**	**(29,531)**	**-**	**-**	**(37,142)**	**646**	**-**	**646**
As at 31 December 2024	**4**	**24,357**	**3,472**	**121,450**	**1,001**	**18,441**	**168,725**	**(1,588)**	**(4)**	**(1,592)**

	2023									
		Other financial assets measured at fair value through profit or loss			Financial assets measured at fair value through other comprehensive income					
	Positive fair value of derivatives	Debt investments	Debt securities	Equity instruments, funds and others	Debt securities	Equity instruments	Total assets	Financial liabilities measured at fair value through profit or loss	Negative fair value of derivatives	Total liabilities
As at 1 January 2023	11	26,339	2,814	136,740	-	5,511	171,415	(348)	(11)	(359)
Total gains or losses:										
In profit or loss	(3)	1,287	(1,067)	1,789	-	-	2,006	(72)	3	(69)
In other comprehensive income	-	-	-	-	(28)	11	(17)	-	-	-
Purchases	-	5,740	600	23,522	82	1,941	31,885	(734)	-	(734)
Sales, settlements and transfers out	-	(5,487)	(1,216)	(26,671)	-	(24)	(33,398)	467	-	467
As at 31 December 2023	8	27,879	1,131	135,380	54	7,439	171,891	(687)	(8)	(695)

In level 3 of the fair value hierarchy, total gains or losses included in profit or loss for the year in the above table are presented in net trading gain and net loss arising from investment securities.

Gains or losses on level 3 financial assets and liabilities included in the statement of comprehensive income comprise:

	2024			2023		
	Realised	**Unrealised**	**Total**	Realised	Unrealised	Total
Net gains/(losses)	**1,590**	**(4,212)**	**(2,622)**	2,115	(178)	1,937

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

62 Risk management (continued)

(5) Fair value of financial instruments (continued)

(d) *Financial instruments not measured at fair value*

(i) *Financial assets*

The Group's financial assets not measured at fair value mainly include cash and deposits with central banks, deposits and placements with banks and non-bank financial institutions, financial assets held under resale agreements, loans and advances to customers and financial assets measured at amortised cost.

Deposits with central banks, deposits and placements with banks and non-bank financial institutions and financial assets held under resale agreements

Deposits with central banks, deposits and placements with banks and non-bank financial institutions and financial assets held under resale agreements are mainly priced at market interest rates and mature within one year. Accordingly, the carrying values approximate to the fair values.

Loans and advances to customers

Majority of the loans and advances to customers measured at amortised cost are repriced at least annually to the market rate. Accordingly, their carrying values approximate to the fair values.

Financial assets measured at amortised cost

The following table shows the carrying values and the fair values of financial assets measured at amortised cost as at 31 December 2024 and 2023 which are not presented in the statement of financial position at their fair values.

	31 December 2024					31 December 2023				
	Carrying value	Fair value	Level 1	Level 2	Level 3	Carrying value	Fair value	Level 1	Level 2	Level 3
Financial assets measured at amortised cost	**7,429,723**	**8,089,222**	**19,236**	**8,007,245**	**62,741**	6,801,242	7,055,913	15,326	6,890,957	149,630
Total	**7,429,723**	**8,089,222**	**19,236**	**8,007,245**	**62,741**	6,801,242	7,055,913	15,326	6,890,957	149,630

(ii) *Financial liabilities*

The Group's financial liabilities not measured at fair value mainly include borrowings from central banks, deposits and placements from banks and non-bank financial institutions, financial assets sold under repurchase agreements, deposits from customers, and debt securities issued. As at 31 December 2024, the collective fair value of subordinated bonds, non-capital TLAC bonds and the eligible Tier 2 capital bonds was RMB685,641 million (As at 31 December 2023: RMB517,574 million) and the collective carrying value was RMB663,503 million (As at 31 December 2023: RMB509,282 million), and the carrying values of other financial liabilities approximated to their fair values as at the end of the reporting period. The Group uses observable inputs to measure the fair values of subordinated bonds, non-capital TLAC bonds and eligible Tier 2 capital bonds issued, and classified them as level 2 of the fair value hierarchy.

(6) Offsetting financial assets and financial liabilities

Certain financial assets and financial liabilities of the Group are subject to enforceable master netting arrangements or similar agreements. The agreement between the Group and the counterparty generally allows for net settlement of the relevant financial assets and financial liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and financial liabilities will be settled on a gross basis. However, each party to the master netting arrangements or similar agreements will have the option to settle all such amounts on a net basis in the event of default of the other party. These financial assets and financial liabilities of the Group are not offset.

In addition, financial assets and financial liabilities are offset against each other and reported as net amounts in the statement of financial position when certain agreements between the Group and its counterparties specify that both parties have a legally enforceable right to offset the recognised amounts and the transactions are intended to be settled on a net basis or by simultaneously realising the asset and settling the liability ("the offsetting criteria"). As at 31 December 2024, the amounts of financial assets and financial liabilities meeting the offsetting criteria are not material to the Group.

62 Risk management (continued)

(7) Insurance risk

The risk under an insurance contract is the possibility that the insured event occurs and the uncertainty in the resulting claim amount. By the very nature of an insurance contract, the risk is random and therefore unpredictable. The principal risk that the Group faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance contract liabilities.

The Group manages the uncertainty of insurance risk through its underwriting strategy and policies to diversify underwriting risks, as well as adequate reinsurance arrangements, and enhanced underwriting control and claim control.

The Group makes related assumptions for insurance risks and recognises insurance contract liabilities. For long-term life insurance contracts and short-term life insurance contracts, the insurance risk may be aggravated by the difference between insurance risk assumptions and actual insurance risks, including assumptions on death events, relevant expenses, morbidity assumptions, the loss ratios assumptions and surrender rates assumptions, etc. For property and casualty insurance contracts, claims are often subject to factors such as natural disasters, catastrophes, and terrorist attacks. In addition, the insurance risk can also be affected by the policyholder's termination of the contract, reduction of premiums, and refusal to pay premiums, i.e., the insurance risk is affected by the actions and decisions of the policyholder.

(8) Capital management

The Bank has implemented comprehensive capital management, covering capital management policy design, capital projecting and planning, capital calculation, internal capital assessment, capital allocation, capital incentive, restriction and conduction, capital raising, monitoring and reporting, and applications of advanced approach of capital calculation in the management of the ordinary course of the business. General principles of capital management of the Bank are to continuously retain an adequate capital level, retain a certain margin of safety and a certain level of buffer based on that all regulatory requirements have been complied, and ensure that the capital can cover all kinds of risks adequately; exercise reasonable and effective capital allocation and strengthen capital restraint and incentive mechanism to support the strategic planning effectively and to restrict and conduct the business so as to increase the capital efficiency and return level continuously; consolidate capital strength, maintain relatively high capital quality, and reasonably apply a range of capital instruments to optimise capital structure based on the principle of leveraging both internal accumulation and external capital; continuously develop the advanced approach of capital management on the applications in the business management such as credit policies, credit approval and pricing.

Capital adequacy ratio is a reflection of the Group's ability to maintain a stable operation and resist adverse risks. In accordance with the NFRA's *Rules on Capital Management of Commercial Banks* and relevant regulations, commercial banks should meet the minimum capital requirements from 1 January 2024. The Common Equity Tier 1 ratio should be at or above a minimum of 5%, Tier 1 ratio at or above a minimum of 6% and the capital adequacy ratio at or above a minimum of 8%. Besides, capital conservation buffer requirements, additional buffer requirements of Global and Domestic Systemically Important Banks should also be met. If a countercyclical buffer is required or the Pillar 2 capital requirement is raised by the regulator to a specific commercial bank, the minimum requirements should be met within the transitional period.

The Group timely monitors, analyses and reports capital adequacy ratios, assesses if the capital management objectives have been met and exercises effective management of capital adequacy ratio. The Group adopts various measures such as controlling asset growth, adjusting the structure of risk assets, increasing internal capital supply and raising capital through external channels, to ensure that the Common Equity Tier 1 ratio, Tier 1 ratio and capital adequacy ratio of the Group are in full compliance with regulatory requirements and meet internal management requirements. This helps to insulate against potential risks as well as support healthy business developments. The Group now fully complies with all regulatory requirements in this respect.

The Group's capital planning has taken the regulatory requirements, the Group's development strategy and risk appetite into consideration, and based on those factors the Group projects the capital usage and need.

The capital raising management of the Group involves reasonable utilisation of various capital instruments to ensure that both external regulatory and internal capital management objectives are met, taking into account capital planning and operating environment. This helps to optimise the Group's capital structure.

The Bank is required to calculate and disclose capital adequacy ratios in accordance with the *Rules on Capital Management of Commercial Banks*. Based on the scope of *Rules on Capital Management of Commercial Banks* as approve by regulators, the Bank measures: 1) credit risk exposure of eligible financial institutions and capital requirements for corporate credit risk exposure using preliminary internal rating approach; 2) capital requirements for retail credit risk exposure using internal rating approach; 3) credit risk that has not been covered by internal rating approach using weighted approach; 4) market risk capital requirements using standard approach; and 5) operational risk capital requirements using standard approach. The Group calculates capital adequacy ratios using both advanced approach and other approaches for capital measurement in accordance with regulatory requirements and is in compliance with relevant requirements for capital floors.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

62 Risk management (continued)

(8) Capital management (continued)

The Group's capital adequacy ratio calculated in accordance with the *Rules on Capital Management of Commercial Banks* issued by the NFRA as at the end of the reporting period are as follows:

	Note	31 December 2024
Common Equity Tier 1 ratio	(a)(b)	**14.48%**
Tier 1 ratio	(a)(b)	**15.21%**
Capital adequacy ratio	(a)(b)	**19.69%**
Common Equity Tier 1 capital		
– Amount recognized in qualifying common share capital and capital reserves		**385,621**
– Surplus reserve		**402,196**
– General reserve		**534,151**
– Retained earnings		**1,782,502**
– Accumulated other comprehensive income		**65,136**
– Non-controlling interest recognised in Common Equity Tier 1 capital		**3,703**
Common Equity Tier 1 capital: Deduction items		
– Goodwill (excluding deferred tax liabilities)		**2,170**
– Other intangible assets (excluding land use rights) (excluding deferred tax liabilities)		**5,009**
– Cash flow hedge reserves that relate to the hedging of items that are not fair valued on the balance sheet		**581**
Additional Tier 1 capital		
– Other directly issued qualifying additional Tier 1 instruments including related premium		**159,977**
– Non-controlling interest recognised in Additional Tier 1 capital		**139**
Additional tier 1 capital: Deduction items		
– Significant investments in the Additional Tier 1 capital of financial institutions outside the regulatory scope of consolidation		**1,241**
Tier 2 capital		
– Directly issued qualifying Tier 2 instruments including related premium		**594,092**
– Non-controlling interest recognised in Tier 2 capital		**226**
– Valid portion of excess loss reserve		**384,521**
Common Equity Tier 1 capital after regulatory adjustments	(c)	**3,165,549**
Tier 1 capital after regulatory adjustments	(c)	**3,324,424**
Total capital after regulatory adjustments	(c)	**4,303,263**
Risk-weighted assets	(d)	**21,854,590**

Notes:

(a) The Common Equity Tier 1 ratio is calculated by dividing the Common Equity Tier 1 Capital after deduction by risk-weighted assets. Tier 1 ratio is calculated by dividing the Tier 1 Capital after deduction by risk-weighted assets. Capital adequacy ratio is calculated by dividing the total capital after deduction by risk-weighted assets.

(b) The scope for calculating capital adequacy ratio of the Group includes all the domestic and overseas branches and subsidiaries in the financial sector (excluding insurance companies).

(c) Common Equity Tier 1 capital after regulatory adjustments is calculated by netting off the corresponding deduction items from the Common Equity Tier 1 capital. Tier 1 capital after regulatory adjustments is calculated by netting off the corresponding deduction items from the Tier 1 capital. Total capital after regulatory adjustments is calculated by netting off the corresponding deduction items from the total capital.

(d) Risk-weighted assets after applying capital floor requirements and making necessary adjustments.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

63 Statement of financial position and statement of changes in equity of the Bank

	31 December 2024	31 December 2023
Assets:		
Cash and deposits with central banks	2,559,938	3,050,045
Deposits with banks and non-bank financial institutions	99,712	108,043
Precious metals	138,433	59,429
Placements with banks and non-bank financial institutions	742,239	737,669
Positive fair value of derivatives	108,425	42,455
Financial assets held under resale agreements	603,048	961,642
Loans and advances to customers	24,614,019	22,687,855
Financial investments		
Financial assets measured at fair value through profit or loss	329,665	282,636
Financial assets measured at amortised cost	7,360,794	6,737,686
Financial assets measured at fair value through other comprehensive income	2,405,518	2,050,691
Long-term equity investments	103,889	102,820
Investments in consolidated structured entities	15,186	15,186
Fixed assets	108,869	112,768
Construction in progress	3,742	7,025
Land use rights	11,552	12,044
Intangible assets	4,610	5,101
Deferred tax assets	114,859	118,296
Other assets	221,135	246,589
Total assets	39,545,633	37,337,980

	31 December 2024	31 December 2023
Liabilities:		
Borrowings from central banks	942,594	1,155,634
Deposits from banks and non-bank financial institutions	2,804,865	2,763,227
Placements from banks and non-bank financial institutions	362,665	311,751
Financial liabilities measured at fair value through profit or loss	223,201	245,603
Negative fair value of derivatives	95,543	40,585
Financial assets sold under repurchase agreements	716,186	211,061
Deposits from customers	28,355,703	27,312,712
Accrued staff costs	54,909	46,524
Taxes payable	38,951	71,920
Provisions	37,396	42,409
Debt securities issued	2,340,510	1,829,333
Deferred tax liabilities	173	55
Other liabilities	329,946	223,956
Total liabilities	36,302,642	34,254,770

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

63 Statement of financial position and statement of changes in equity of the Bank (continued)

	31 December 2024	31 December 2023
Equity:		
Share capital	**250,011**	250,011
Other equity instruments		
Preference shares	**59,977**	59,977
Perpetual bonds	**100,000**	139,991
Capital reserve	**134,802**	134,813
Other comprehensive income	**64,560**	31,314
Surplus reserve	**402,196**	369,906
General reserve	**522,757**	484,917
Retained earnings	**1,708,688**	1,612,281
Total equity	**3,242,991**	3,083,210
Total liabilities and equity	**39,545,633**	37,337,980

Approved and authorised for issue by the Board of Directors on 28 March 2025.

Zhang Jinliang	**Zhang Yi**	**Liu Fanggen**
Chairman and executive director	*Vice chairman, executive director and president*	*General manager of finance & accounting department*

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

63 Statement of financial position and statement of changes in equity of the Bank (continued)

	Share capital	Other equity instruments: Preference shares	Other equity instruments: Perpetual bonds	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Total equity
As at 1 January 2024	**250,011**	**59,977**	**139,991**	**134,813**	**31,314**	**369,906**	**484,917**	**1,612,281**	**3,083,210**
Movements during the year	**-**	**-**	**(39,991)**	**(11)**	**33,246**	**32,290**	**37,840**	**96,407**	**159,781**
(1) Total comprehensive income for the year	**-**	**-**	**-**	**-**	**33,246**	**-**	**-**	**322,901**	**356,147**
(2) Changes in share capital									
i Capital deduction by other equity instruments holders	**-**	**-**	**(39,991)**	**(11)**	**-**	**-**	**-**	**-**	**(40,002)**
(3) Profit distribution									
i Appropriation to surplus reserve	**-**	**-**	**-**	**-**	**-**	**32,290**	**-**	**(32,290)**	**-**
ii Appropriation to general reserve	**-**	**-**	**-**	**-**	**-**	**-**	**37,840**	**(37,840)**	**-**
iii Dividends to ordinary shareholders	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(149,256)**	**(149,256)**
iv Dividends to other equity instrument holders	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(7,108)**	**(7,108)**
As at 31 December 2024	**250,011**	**59,977**	**100,000**	**134,802**	**64,560**	**402,196**	**522,757**	**1,708,688**	**3,242,991**

	Share capital	Other equity instruments: Preference shares	Other equity instruments: Perpetual bonds	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Total equity
As at 1 January 2023	250,011	59,977	79,991	134,826	25,948	337,527	431,967	1,476,187	2,796,434
Movements during the year	–	–	60,000	(13)	5,366	32,379	52,950	136,094	286,776
(1) Total comprehensive income for the year	–	–	–	–	5,366	–	–	323,787	329,153
(2) Changes in share capital									
i Capital injection/(deduction) by other equity instruments holders	–	–	60,000	(13)	–	–	–	–	59,987
(3) Profit distribution									
i Appropriation to surplus reserve	–	–	–	–	–	32,379	–	(32,379)	–
ii Appropriation to general reserve	–	–	–	–	–	–	52,950	(52,950)	–
iii Dividends to ordinary shareholders	–	–	–	–	–	–	–	(97,254)	(97,254)
iv Dividends to other equity instrument holders	–	–	–	–	–	–	–	(5,110)	(5,110)
As at 31 December 2023	250,011	59,977	139,991	134,813	31,314	369,906	484,917	1,612,281	3,083,210

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

64 Events after the reporting period

On 9 January 2025, the Group completed the issuance of RMB1.50 billion financial bonds, with a 3-year term and a fixed coupon rate of 1.69%; on 27 March 2025, the Group completed the issuance of RMB40 billion Tier 2 capital bonds, with a 10-year term, a conditional redemption right by the issuer at the end of the fifth year, and a fixed coupon rate of 2.07%.

65 Comparative figures

Certain comparative figures have been adjusted to conform with the presentation and disclosures in the current period.

66 Ultimate parent

As stated in Note 1, the immediate and ultimate parents of the Group are Huijin and CIC, respectively.

67 Possible impact of amendments, new standards and interpretations issued but not yet effective

Up to the date of issue of the financial statements, the IASB has issued the following amendments, new standards and interpretations which are relevant to the Group. These amendments, new standards and interpretations are not yet effective for the year ended 31 December 2024 and have not been adopted in the financial statements.

	Standards	**Effective for annual periods beginning on or after**
(1)	Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Effective date has been deferred indefinitely
(2)	Amendments to IAS 21 *Lack of Exchangeability*	1 January 2025
(3)	IFRS 18 *Presentation and Disclosure in Financial Statements (New)*	1 January 2027
(4)	IFRS 19 *Subsidiaries without Public Accountability: Disclosures (New)*	1 January 2027
(5)	*Amendments to IFRS 9 and IFRS 7 Amendments to the Classification and Measurement of Financial Instruments*	1 January 2026
(6)	*Annual Improvements to IFRS Accounting Standards* – Volume 11 Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7	1 January 2026

The Group anticipates that the adoption of the new standards and amendments will not have a significant impact on the Group's consolidated financial statements.

(1) Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The narrow-scope amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* clarify the accounting treatment for sales or contribution of assets between an investor and its associates or joint ventures. They confirm that the accounting treatment depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a "business" (as defined in IFRS 3 "*Business Combinations*").

Where the non-monetary assets constitute a business, the investor will recognise the full gain or loss on the sale or contribution of assets. If the assets do not meet the definition of a business, the gain or loss is recognised by the investor only to the extent of the other investor's interests in the associate or joint venture. The amendments apply prospectively.

(2) Amendments to IAS 21 *Lack of Exchangeability*

The amendments to IAS 21 *Lack of Exchangeability* specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. Earlier application is permitted. When applying the amendments, an entity cannot restate comparative information. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening balance of retained profits or to the cumulative amount of translation differences accumulated in a separate component of equity, where appropriate, at the date of initial application.

(3) IFRS 18 *Presentation and Disclosure in Financial Statements* (New)

The IASB issued IFRS 18 *Presentation and Disclosure in Financial Statements*, replacing IAS 1 *Presentation of Financial Statements*. Compared with the current IAS 1, the new requirements in IFRS 18 mainly include: introducing three new categories for income and expenses – operating, investing and financing – to improve the structure of the income statement; requiring the disclosures of management-defined performance measures to improve the transparency of performance indicators defined by management; and strengthening information aggregation and disaggregation to further improve the usefulness of information in financial statements in decision-making.

67 Possible impact of amendments, new standards and interpretations issued but not yet effective (continued)

(4) IFRS 19 *Subsidiaries without Public Accountability: Disclosures* (New)

The IASB issued IFRS 19 *Subsidiaries without Public Accountability: Disclosures*, which allows voluntary adoption by eligible subsidiaries to reduce the cost of preparing their own financial statements.

IFRS 19 is a disclosure-only standard which specifies reduced disclosure requirements that eligible subsidiaries are permitted to apply instead of the disclosure requirements in other IFRS Accounting Standards (except in exceptional circumstances). However, such eligible subsidiaries should still apply the recognition, measurement and presentation requirements in other IFRS Accounting Standards.

IFRS 19 allows an eligible subsidiary to voluntarily apply or revoke its election to apply the standard. An entity may apply IFRS 19 more than once – for example, an entity that applied IFRS 19 in a prior period but not in the immediately preceding period may elect to apply IFRS 19 in the current period.

(5) Amendments to IFRS 9 and IFRS 7 *Amendments to the Classification and Measurement of Financial Instruments*

The IASB issued Amendments to IFRS 9 and IFRS 7, which clarify:

– That a financial liability is derecognised on the "settlement date", i.e., when the related obligation is discharged, cancelled, expires or the liability otherwise qualifies for derecognition. The amendments also introduces an accounting policy option to derecognise financial liabilities that are settled through an electronic payment system before the settlement date if certain conditions are met.

– How to assess the contractual cash flow characteristics of financial assets that include environmental, social and governance ("ESG")-linked features and other similar contingent features.

– The treatment of non-recourse assets and contractually linked instruments.

In addition, the amendments to IFRS 7 require additional disclosures for financial assets and liabilities with contractual terms that reference a contingent event (including those that are ESG-linked), and equity instruments classified at fair value through other comprehensive income. The amendments will be effective for annual reporting periods beginning on or after 1 January 2026. Entities can early adopt the amendments that relate to the classification of financial assets plus the related disclosures and apply the other amendments later. The new requirements will be applied retrospectively with an adjustment to opening retained earnings. Prior periods are not required to be restated and can only be restated without using hindsight. An entity is required to disclose information about financial assets that change their measurement category due to the amendments.

(6) Annual Improvements to IFRS Accounting Standards – Volume 11 Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7

The IASB has published the *Annual Improvements (Volume 11)*, making narrow-scope amendments to the requirements of *IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 7 Financial Instruments: Disclosures, IFRS 9 Financial Instruments, IFRS 10 Consolidated Financial Statements* and *IAS 7 Statement of Cash Flows*. The amendments will become effective for annual periods beginning on or after 1 January 2026, with earlier application permitted.

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