

# Annual Information Disclosure Report 2023 of BNP Paribas (China) Ltd.

BNP Paribas (China) Limited  
17/F, Shanghai Tower , No. 479, Lujiazui Ring Road, Shanghai, PRC  
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This report was prepared in accordance with the ‘Administrative Measures of Information Disclosure of Commercial Banks’

It is composed of the following contents:

- I Basic Information of the Institution**
- II Financial Situation**
- III Risk Management**
  - PART I: RISK SITUATION**
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## **I. Basic Information of the Institution**

BNP Paribas (China) Limited is a wholly foreign-funded subsidiary bank solely owned by BNP Paribas S.A. and incorporated in the PRC in accordance with the PRC Company Law, the law of the PRC on Commercial Banks, the Regulation of the PRC for the Administration of Foreign-funded Banks, the Detailed Rules for Implementing the Regulation of the PRC on the Administration of Foreign-funded Banks and other applicable laws and regulations.

In 1992, BNP Paribas S.A. and Industrial and Commercial Bank of China (ICBC) established a joint stock bank – The International Bank of Paris and Shanghai. In 2003, the joint stock bank was transformed into a wholly foreign-funded bank and renamed to BNP Paribas (China) Limited.

Currently, according to the approval, BNP Paribas (China) Limited is headquartered at Room 1701-1708, 17 Floor and Room 1804-1807, 18 Floor, No. 479 Lujiazui Ring Road, Shanghai Pilot Free Trade Zone, and has three branches and one sub-branch located in Beijing, Tianjin and Guangzhou and Shanghai Free Trade Zone respectively.

Branch locations:

BNP Paribas (China) Limited Beijing Branch  
2001, 20/F, China World Tower A,  
1 Jianguomenwai Avenue,  
Beijing 100004, P.R.C  
Tel:+86 (10) 6535 0888  
Fax:+86 (10) 6505 1704

BNP Paribas (China) Limited Tianjin Branch  
Unit 1102, 11/F, Tower 2, The Exchange Tower,  
189 Nanjing Road, Tianjin 300050, P.R.C  
Tel: +86 (22) 2318 7000  
Fax:+86 (22) 2330 3347

BNP Paribas (China) Limited Guangzhou Branch  
RM10-11, 48/F, CTF Finance Centre,  
No. 6 Zhujiang East Road, Tianhe District  
Guangzhou 510623, P.R.C  
Tel: +86 (20) 3813 9200  
Fax:+86 (20) 3813 9201

BNP Paribas (China) Limited Shanghai Free Trade Zone Sub-Branch  
2650, 26/F, SWFC, No. 100 Century Avenue  
Shanghai 200120 China  
Tel:+86 (21) 2896 2888  
Fax:+86 (21) 2896 2978

The whistle blow and complaint phone number is: +86 21 2896 2529 (9:00-18:00, Monday through Friday).

The registered capital of BNP Paribas (China) Limited is RMB 8,711,347,906, with no change in 2023. Mr. Paul Yang had been appointed as the Chairman of the Board of Directors and the Legal

Representative of BNP Paribas (China) Limited and Mr. CG Lai had been appointed as Chief Executive of BNP Paribas (China) Limited.

According to the approval, BNP Paribas (China) Limited is currently allowed to engage in all of the following foreign exchange and RMB businesses:

1. Taking deposits from the public;
2. Granting short-term, medium-term and long-term loans;
3. Handling the acceptance and discounting of negotiable instruments;
4. Issuing and redeeming as an agent and underwriting government bonds;
5. Buying and selling government bonds, financial bonds and foreign currency denominated securities other than shares;
6. Providing letter of credit services and guarantees;
7. Handling domestic and overseas settlements;
8. Buying and selling foreign exchange and acting as an agent for purchase and sale of foreign exchange;
9. Acting as collection and payment agent as well as acting as an insurance agent;
10. Engaging in interbank lending;
11. Engaging in bank card business;
12. Providing safe deposit box services;
13. Providing creditworthiness investigations and consultancy services;
14. Other business approved by the Banking Regulatory and Supervisory Authority of the State Council.

# II. Financial Situation

BNP PARIBAS (CHINA) LIMITED

Financial Statements and Auditor's Report  
For the year ended 31 December 2023

BNP PARIBAS (CHINA) LIMITED

FINANCIAL STATEMENTS AND AUDITOR'S REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2023

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## AUDITOR'S REPORT

De Shi Bao (Shen) Zi (24) No.P04492  
(Page 1 of 3)

TO THE BOARD OF DIRECTORS OF BNP PARIBAS (CHINA) LIMITED:

### **I. Opinion**

We have audited the accompanying financial statements of BNP Paribas (China) Limited (the "Bank"), which comprise the balance sheet as at 31 December 2023, and the income statement, cash flow statement and statement of changes in owners' equity for the year then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements of the Bank, in all material respects, give a true and fair view of the financial position of the Bank as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises ("ASBEs").

### **II. Basis for Opinion**

We conducted our audit in accordance with China Standards on Auditing ("CSAs"). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Bank in accordance with the Code of Ethics for Chinese Certified Public Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **III. Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management of the Bank is responsible for the preparation and fair presentation of the financial statements in accordance with ASBEs, and for such internal control as management determines is necessary to enable that the financial statements are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern assumption unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

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

## AUDITOR'S REPORT - continued

De Shi Bao (Shen) Zi (24) No. P04492  
(Page 2 of 3)

### **IV. Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with CSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- (1) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (2) 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 internal control.
- (3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- (4) Conclude on the appropriateness of management's use of the going concern assumption and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required by CSAs to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- (5) Evaluate the overall presentation (including the disclosures), structure and content of the financial statements, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



AUDITOR'S REPORT - continued

De Shi Bao (Shen) Zi (24) No. P04492  
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**IV. Auditor's Responsibilities for the Audit of the Financial Statements - continued**

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

Deloitte Touche Tohmatsu  
Certified Public Accountants LLP

Shanghai, China

Chinese Certified Public Accountant

Han Jian

Wu Jun

Apr 12 2024

*The auditor's report and the accompanying financial statements are English translations of the Chinese auditor's report and statutory financial statements prepared under accounting principles and practices generally accepted in the People's Republic of China. These financial statements are not intended to present the financial position and results of operations in accordance with accounting principles and practices generally accepted in other countries and jurisdictions. In case the English version does not conform to the Chinese version, the Chinese version prevails.*

BNP PARIBAS (CHINA) LIMITED

BALANCE SHEET  
AT 31 DECEMBER 2023

<u>ASSETS</u>	<u>NOTE VIII</u>	<u>31/12/2023</u> RMB	<u>31/12/2022</u> RMB
ASSETS			
Cash and deposits with the Central Bank	1	4,183,360,188.52	5,697,671,365.57
Deposits with banks and other financial institutions	2	1,108,939,045.37	1,490,528,967.99
Placements with banks and other financial institutions	3	6,752,408,252.12	11,534,273,465.36
Derivative financial assets	4	14,212,790,390.80	12,756,290,199.10
Financial assets purchased under resale agreements	5	-	2,122,624,882.76
Loans and advances	6	13,014,997,079.17	14,197,288,244.95
Financial investments:			
Held-for-trading financial assets	7	5,263,141,021.59	5,456,090,784.64
Debt investments	8	1,089,599,403.57	505,963,219.99
Other debt investments	9	8,674,692,775.79	6,842,350,705.40
Fixed assets	10	51,325,887.78	47,039,806.73
Right-of-use assets	11	114,638,396.69	114,331,745.16
Intangible assets	12	36,709,160.44	30,610,410.82
Deferred tax assets	13	226,659,766.71	182,891,439.36
Other assets	14	3,269,694,281.41	2,111,428,058.58
TOTAL ASSETS		<u>57,998,955,649.96</u>	<u>63,089,383,296.41</u>

BNP PARIBAS (CHINA) LIMITED

BALANCE SHEET - continued  
AT 31 DECEMBER 2023

<u>LIABILITIES AND OWNERS' EQUITY</u>	<u>NOTE VIII</u>	<u>31/12/2023</u> RMB	<u>31/12/2022</u> RMB
<b>LIABILITIES</b>			
Due to the Central Bank	15	300,323,570.51	-
Due to banks and other financial institutions	16	3,301,152,268.03	2,555,245,124.85
Takings from other banks	17	1,256,978,719.84	5,459,864,543.63
Held-for-trading financial liabilities	18	557,431,746.51	-
Derivative financial liabilities	4	13,338,501,418.66	12,929,383,199.16
Financial assets sold			
under repurchase agreements	19	3,778,515,198.05	2,114,185,503.40
Customer deposits	20	18,555,096,321.36	24,397,596,493.59
Payable to employees	21	156,145,719.38	161,234,701.30
Tax payable	22	94,368,590.61	24,334,123.50
Bonds payable	23	4,107,694,271.54	3,544,949,965.27
Lease liabilities	24	135,594,833.00	130,593,655.32
Other liabilities	25	1,317,860,873.94	928,877,434.10
<b>TOTAL LIABILITIES</b>		<b>46,899,663,531.43</b>	<b>52,246,264,744.12</b>
<b>OWNERS' EQUITY</b>			
Paid-in capital	27	8,711,347,906.00	8,711,347,906.00
Other comprehensive income	42	11,792,341.62	20,936,596.43
Surplus reserve	28	661,899,265.13	633,367,483.02
General reserve	29	659,373,016.67	659,373,016.67
Retained earnings	30	1,054,879,589.11	818,093,550.17
<b>TOTAL OWNERS' EQUITY</b>		<b>11,099,292,118.53</b>	<b>10,843,118,552.29</b>
<b>TOTAL LIABILITIES AND OWNERS' EQUITY</b>		<b>57,998,955,649.96</b>	<b>63,089,383,296.41</b>

The accompanying notes form an integral part of these financial statements.

The financial statements on pages 4 to 104 were signed by the following:

\_\_\_\_\_  
Head of the Bank

\_\_\_\_\_  
Chief Operational Officer

\_\_\_\_\_  
Head of Financial & Control

BNP PARIBAS (CHINA) LIMITED

INCOME STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2023

	<u>NOTE VIII</u>	<u>2023</u> RMB	<u>2022</u> RMB
<b>Operating income</b>		1,130,888,199.13	1,438,794,459.70
Net interest income	31	426,822,131.20	499,798,701.86
Interest income	31	1,131,166,711.49	1,153,998,420.96
Interest expense	31	704,344,580.29	654,199,719.10
Net fee and commission income	32	202,412,129.16	316,675,966.81
Fee and commission income	32	305,570,983.18	385,703,150.06
Fee and commission expense	32	103,158,854.02	69,027,183.25
Investment gains	33	426,096,279.09	200,648,103.45
Fair value (losses)/gains	34	(56,385,576.18)	129,721,572.75
Foreign exchange gains	35	131,588,713.77	291,375,997.07
Losses on disposal of assets	36	(479,354.24)	(375,205.72)
Other income		833,876.33	949,323.48
<b>Operating expenses</b>		836,805,958.16	963,423,807.79
Tax and surcharges		5,510,087.71	10,195,732.57
General and administrative expenses	37	869,343,884.00	924,793,307.83
Credit impairment (reversals)/losses	38	(39,176,851.14)	27,017,813.15
Other expenses		1,128,837.59	1,416,954.24
<b>Operating profit</b>		294,082,240.97	475,370,651.91
Add: Non-operating income	39	2,471.00	1,265,263.62
Less: Non-operating expenses	40	2,100,000.00	-
<b>Profit before tax</b>		291,984,711.97	476,635,915.53
Less: Income tax expenses	41	6,666,890.92	62,041,391.63
<b>Net profit</b>		285,317,821.05	414,594,523.90
Classified by going concern assumption:			
- Net profit from continuing operation		285,317,821.05	414,594,523.90
<b>After-tax net other comprehensive income</b>	42	(9,144,254.81)	(24,225,259.14)
Including: Other comprehensive income that will be reclassified to profit or loss			
- Changes in fair value of other debt investments		(9,260,296.91)	(24,265,846.51)
- Provision for other debt investments		116,042.10	40,587.37
<b>TOTAL COMPREHENSIVE INCOME</b>		276,173,566.24	390,369,264.76

The accompanying notes are part of the financial statements.

BNP PARIBAS (CHINA) LIMITED

CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2023

<u>Item</u>	<u>NOTE VIII</u>	<u>2023</u> RMB	<u>2022</u> RMB
Cash flows from operating activities:			
Interest, fee and commission received		1,344,848,396.06	1,500,545,817.85
Net decrease in deposits with the Central Bank		31,858,449.37	281,179,107.17
Net decrease in placements with banks and other financial institutions		3,148,230,000.00	1,996,770,000.00
Net cash received from settlement of derivatives financial instruments		-	288,093,202.09
Net decrease in loans and advances		1,201,017,765.15	-
Net decrease in held-for-trading financial assets		362,494,762.31	-
Net increase in due to the Central Bank		300,000,000.00	-
Net increase in due to banks and other financial institutions		743,795,776.18	-
Net increase in financial assets sold under repurchase agreements		1,664,123,000.00	1,199,500,000.00
Cash received relating to other operating activities		634,780,438.07	553,369,793.80
Sub-total of cash inflow		<u>9,431,148,587.14</u>	<u>5,819,457,920.91</u>
Interest, fee and commission paid		(662,453,850.17)	(675,954,639.77)
Net cash paid for settlement of derivatives financial instruments		(1,038,542,831.72)	-
Net increase in held-for-trading financial assets		-	(1,224,816,174.65)
Net increase in loans and advances		-	(300,590,844.48)
Net decrease in placements with banks and other financial institutions		-	(2,582,689,357.21)
Net decrease in taking from other banks		(4,212,822,022.90)	(1,723,186,107.10)
Net decrease in customer deposits		(5,853,223,521.34)	(2,283,391,972.91)
Cash paid to and on behalf of employees		(510,433,160.50)	(471,814,072.11)
Taxes paid		(11,124,076.28)	(98,671,205.46)
Cash paid relating to other operating activities		(932,551,583.95)	(1,072,398,316.63)
Sub-total of cash outflow		<u>(13,221,151,046.86)</u>	<u>(10,433,512,690.32)</u>
Net cash flow used in operating activities	44	<u>(3,790,002,459.72)</u>	<u>(4,614,054,769.41)</u>

BNP PARIBAS (CHINA) LIMITED

CASH FLOW STATEMENT - continued  
FOR THE YEAR ENDED 31 DECEMBER 2023

<u>Item</u>	<u>NOTE VIII</u>	<u>2023</u> RMB	<u>2022</u> RMB
Cash flows from investment activities:			
Cash received from disposal of fixed assets, intangible assets and other long-term assets		50,124.68	-
Cash receipts from returns on investment		179,575,038.57	246,949,199.93
Net cash receipts from disposals of investments		-	1,260,694,995.33
Sub-total of cash inflow		179,625,163.25	1,507,644,195.26
Cash paid for purchase of fixed assets, intangible assets and other long-term assets		(51,513,989.88)	(29,514,538.17)
Net cash paid for investment activity		(2,380,978,628.13)	-
Sub-total of cash outflow		(2,432,492,618.01)	(29,514,538.17)
Net cash (used in) / from investment activities		(2,252,867,454.76)	1,478,129,657.09
Cash flows from financing activities:			
Cash receipts from issuance of bond and negotiable certificate deposit		5,152,811,902.54	5,195,114,310.00
Sub-total of cash inflow		5,152,811,902.54	5,195,114,310.00
Cash repayments of negotiable certificate deposit		(4,720,000,000.00)	(4,900,000,000.00)
Cash repayments of lease liabilities		(39,291,597.24)	(36,372,185.23)
Sub-total of cash outflow		(4,759,291,597.24)	(4,936,372,185.23)
Net cash flows from financing activities		393,520,305.30	258,742,124.77
Effect of foreign exchange rate changes on cash and cash equivalents		75,405,106.21	163,877,813.98
Net decrease in cash and cash equivalents		(5,573,944,502.97)	(2,713,305,173.57)
Add: Cash and cash equivalents at the beginning of year	43	9,467,912,565.65	12,181,217,739.22
Cash and cash equivalents at the end of year	43	3,893,968,062.68	9,467,912,565.65

The accompanying notes are part of the financial statements.

BNP PARIBAS (CHINA) LIMITED

STATEMENT OF CHANGES IN OWNERS' EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2023

	2023					<u>Total</u> RMB
	<u>Paid-in Capital</u> RMB	<u>Other Comprehensive</u> <u>Income</u> RMB	<u>Surplus Reserve</u> RMB	<u>General Reserve</u> RMB	<u>Retained Earnings</u> RMB	
Balance at 31 December 2022	8,711,347,906.00	20,936,596.43	633,367,483.02	659,373,016.67	818,093,550.17	10,843,118,552.29
Current year movement	-	(9,144,254.81)	28,531,782.11	-	236,786,038.94	256,173,566.24
(I) Net profit	-	-	-	-	285,317,821.05	285,317,821.05
(II) Other comprehensive income	-	(9,144,254.81)	-	-	-	(9,144,254.81)
Subtotal of (I) and (II)	-	(9,144,254.81)	-	-	285,317,821.05	276,173,566.24
(III) Profit distribution	-	-	28,531,782.11	-	(28,531,782.11)	-
1. Transfer to surplus reserve	-	-	28,531,782.11	-	(28,531,782.11)	-
(IV) Others	-	-	-	-	(20,000,000.00)	(20,000,000.00)
Balance at 31 December 2023	<u>8,711,347,906.00</u>	<u>11,792,341.62</u>	<u>661,899,265.13</u>	<u>659,373,016.67</u>	<u>1,054,879,589.11</u>	<u>11,099,292,118.53</u>

BNP PARIBAS (CHINA) LIMITED

STATEMENT OF CHANGES IN OWNERS' EQUITY - continued  
FOR THE YEAR ENDED 31 DECEMBER 2023

	2022					<u>Total</u> RMB
	<u>Paid-in Capital</u> RMB	Other Comprehensive <u>Income</u> RMB	<u>Surplus Reserve</u> RMB	<u>General Reserve</u> RMB	<u>Retained Earnings</u> RMB	
Balance at 31 December 2021	8,711,347,906.00	45,161,855.57	591,908,030.63	659,373,016.67	444,958,478.66	10,452,749,287.53
Current year movement	-	(24,225,259.14)	41,459,452.39	-	373,135,071.51	390,369,264.76
(I) Net profit	-	-	-	-	414,594,523.90	414,594,523.90
(II) Other comprehensive income	-	(24,225,259.14)	-	-	-	(24,225,259.14)
Subtotal of (I) and (II)	-	(24,225,259.14)	-	-	414,594,523.90	390,369,264.76
(III) Profit distribution	-	-	41,459,452.39	-	(41,459,452.39)	-
1. Transfer to surplus reserve	-	-	41,459,452.39	-	(41,459,452.39)	-
Balance at 31 December 2022	<u>8,711,347,906.00</u>	<u>20,936,596.43</u>	<u>633,367,483.02</u>	<u>659,373,016.67</u>	<u>818,093,550.17</u>	<u>10,843,118,552.29</u>

The accompanying notes are part of the financial statements.



NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023

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I. BACKGROUND AND PRINCIPAL ACTIVITIES OF THE BANK

BNP Paribas (China) Limited (“the Bank”) was set up as a foreign invested bank incorporated in Shanghai, the People’s Republic of China (“the PRC”) and wholly owned by BNP Paribas S.A. (“BNP Paribas”). On 15 August 2007, the China Banking Regulatory Commission (“CBRC”, now referred to as the National Financial Regulatory Administration, “NFRA”), approved BNP Paribas’s plan to transform the original branches in China into a separately funded wholly foreign-owned bank of BNP Paribas - BNP Paribas (China) Limited and its branches.

In accordance with the approval from the preparatory group of China Banking and Insurance Regulatory Commission Shanghai Branch on 12 December 2018 regarding the increase of registered capital of the Bank (Hu Yin Bao Jian (Chou) Fu [2018] No. 208), the Bank increased its registered capital to RMB 8,711,347,906.00 equivalent in freely convertible currencies. Based on shareholder meeting held on 26 March 2020 and board resolution, the Bank distributed profits in 2019 of RMB 383,792,706.12 to its shareholder, BNP Paribas, which are used to increase paid-in capital in the Bank. By 26 March 2020, the Bank has transferred RMB 383,792,706.12 of audited undistributed profits as of 31 December 2019 into paid-in capital. After capital injection, paid-in capital of the Bank is RMB 8,711,347,906.00. For the detail information the actual contribution by investors, please refer to Note VIII, 27.

The principal activities of the Bank are the provisions of foreign currency business and RMB business as approved by the regulator under Article 29 of the Administration Regulations on Foreign Invested Banks of the People’s Republic of China (“the Administration Regulations”).

As of 31 December 2023, the Bank consisted of Head Office of BNP Paribas (China) Limited, the Beijing Branch, the Tianjin Branch, the Guangzhou Branch and Shanghai Pilot Free Trade Zone Sub-branch. Head Office of the Bank is in Shanghai, with registered address located in Room 1701-1708, 17 Floor and Room 1804-1807, 18 Floor, No. 479 Lujiazui Ring Road, Shanghai Pilot Free Trade Zone. The Bank’s operating period is from 28 June 2004 to unspecified date.

In accordance with the resolution of the Board of Directors of the Bank on 28 September 2023 regarding the close of the Shanghai Pilot Free Trade Zone Sub-branch, the Bank submitted the report to NFRA Shanghai Bureau on 15 December 2023 regarding the close of the Shanghai Pilot Free Trade Zone Sub-branch.

The Bank’s parent company is BNP Paribas.

II. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The Bank adopted the “Accounting Standards for Business Enterprises” and relevant requirements promulgated by the Ministry of Finance of the People’s Republic of China (hereafter collectively referred to as “ASBEs”).

Going-concern

The Bank assessed its ability to continue as a going concern for the 12 months from 31 December 2023 and did not notice any events or circumstances that may cast significant doubt upon its ability to continue as a going concern. Therefore, the financial statements have been prepared on a going concern basis.

III. STATEMENT OF COMPLIANCE WITH ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES

The financial statements of the Bank truly and completely present the financial position as of 31 December 2023 and the operating results, cash flows and other information for the year then ended of the Bank in compliance with the ASBEs.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

The following significant accounting policies and accounting estimates are determined in accordance with the ASBEs.

1. Accounting year

The Bank has adopted the calendar year as its accounting year, i.e. from 1 January to 31 December.

2. Functional currency

Renminbi (“RMB”) is the currency of the primary economic environment in which the Bank operates. The Bank chooses RMB as their functional currency. The Bank adopts RMB to prepare its financial statements.

3. Basis of accounting and principle of measurement

The Bank has adopted the accrual basis of accounting. Except for certain financial instruments which are measured at fair value, the Bank has adopted the historical cost as the principle of measurement of the financial statements. Where assets are impaired, provisions for asset impairment are made in accordance with relevant requirements.

Under the historical cost model, assets are measured by cash and cash equivalents paid or the fair value of consideration paid. The liabilities are measured at the amount of asset or cash received bearing the present obligation or contractual amount of present obligation or amount of cash or cash equivalents expected to pay to settle the liability in daily activities.

Fair value is the price received when selling an asset or the amount to pay when transferring a liability between orderly-trading market participants at the measurement date. The fair value measured or disclosed in the financial statements are determined on aforementioned basis, regardless of whether it is directly observable or estimated using valuation technique.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

3. Basis of accounting and principle of measurement - continued

The fair value measurement is categorized into 3 levels based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are unadjusted quoted prices when acquiring identical assets or liabilities in active markets at the measurement date.
- Level 2 inputs are directly or indirectly observable inputs of related assets or liabilities other than Level 1 inputs.
- Level 3 inputs are unobservable inputs of related assets or liabilities

4. Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term (generally with the maturity of less than three months from the date of purchase), highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

5. Financial instruments

Financial assets and financial liabilities are recognized when the Bank becomes a party to the contractual provisions of the instrument.

For financial assets purchased or sold in a regular way, the Bank recognizes assets acquired and liabilities assumed on trade date basis, or derecognizes the assets sold on transaction date.

Financial assets and financial liabilities are initially measured at fair value. For financial assets and financial liabilities at fair value through profit or loss, transaction costs are immediately recognized in profit or loss. For other financial assets and financial liabilities, transaction costs are included in their initial recognized amounts. Upon initial recognition of accounts receivable that does not contain significant financing component or without considering the financing component included in the contract with a term not exceeding one year under the Accounting Standards for Business Enterprises No. 14 - Revenue (“Revenue Standards”), the Bank adopts the transaction price as defined in the Revenue Standards for initial measurement.

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant accounting periods. The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial asset or financial liability to the carrying amount of the financial asset or to the amortized cost of the financial liability. When determining the effective interest rate, the Bank estimates future cash flows considering all contractual terms of the financial asset or financial liability (such as repayment in advance, extension, call option or other similar options etc.) but without considering the expected credit losses.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

5. Financial instruments - continued

The amortized cost of a financial asset or financial liability is the initially recognized amount net of principal repaid, plus or less the cumulative amortized amount arising from amortization of difference between the amount initially recognized and the amount at the maturity date using effective interest method, and then net of cumulative credit loss allowance (only applicable to financial assets).

5.1 Classification, recognition and measurement of financial assets

After initial recognition, the Bank's financial assets of various types are subsequently measured at amortized cost, at fair value through other comprehensive income ("FVTOCI") or at fair value through profit or loss ("FVTPL"), respectively.

If the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, and the financial asset is held within a business model whose objective is achieved by collecting contractual cash flows, the Bank classifies such financial asset as financial assets at amortized cost, which includes cash and deposits with the Central Bank, deposits with banks and other financial institutions, placements with banks and other financial institutions, financial assets purchased under resale agreements, loans and advances, debt investments and other receivables, etc.

If the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, and the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial asset, the Bank classifies such financial asset as financial assets at FVTOCI. Financial assets of such type are other debt investments.

A financial asset is classified as held-for-trading if any of the following criteria is satisfied:

- It has been acquired principally for the purpose of selling it in near term.
- On initial recognition, it is part of a portfolio of identified financial instruments that the Bank manages together and there is objective evidence that the Bank has a recent actual pattern of short-term profit-taking.
- It is a derivative that is neither a financial guarantee contract nor designated as an effective hedging instrument.

Financial assets at FVTPL include financial assets classified as at FVTPL and financial assets designated as at FVTPL:

- Financial assets not satisfying the criteria of classification as financial assets at amortized cost and financial assets at FVTOCI are classified as financial assets at FVTPL.
- Upon initial recognition, the Bank may irrevocably designate the financial assets as at FVTPL for the purpose of eliminating or significantly reducing accounting mismatch.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

5. Financial instruments - continued

5.1 Classification, recognition and measurement of financial assets - continued

Financial assets at FVTPL other than derivative financial assets are presented as financial assets held-for-trading.

5.1.1 Financial assets at amortized cost

Financial assets at amortized cost are subsequently measured at amortized cost using effective interest method. Any gains or losses arising from impairment or derecognition are included in profit or loss.

For financial assets at amortized cost, the Bank recognizes interest income using effective interest rate. The Bank calculates and recognizes interest income through carrying amount of financial assets multiplying effective interest, except for the following circumstances:

- For purchased or originated credit-impaired financial assets, the Bank calculates and recognizes its interest income based on amortized cost of the financial asset and the effective interest through credit adjustment since initial recognition.
- For purchased or originated financial assets that were not credit-impaired but have become credit-impaired in subsequent period, the Bank calculates the interest income by applying the effective interest rate to the amortized cost of the financial assets in subsequent period. If the financial instrument is no longer credit-impaired due to improvement of credit risk, and the improvement is linked with an event occurred after application of above provisions, the Bank will calculate the interest income by applying effective interest rate to the carrying amount of the financial assets.

5.1.2 Financial assets at FVTOCI

For financial assets classified as at FVTOCI, except for the impairment losses or gains and the interest income calculated using the effective interest method which are included in profit or loss for the period, the fair value changes are included in other comprehensive income. The amounts included in profit or loss for each period are equivalent to that as if it has been always measured at amortized cost. Upon derecognition, the accumulated gains or losses previously included in other comprehensive income are transferred to profit or loss for the period.

5.1.3 Financial assets at FVTPL

Financial assets at FVTPL are subsequently measured at fair value, with gains or losses on fair value changes and related dividends and interest income included in profit or loss for the period.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

5. Financial instruments - continued

5.2 Impairment of financial instruments

For financial asset at amortized cost, financial assets classified as at FVTOCI, loan commitments that are not financial liabilities at FVTPL, financial liabilities that are not at FVTPL, the Bank accounts for the impairment and recognizes the provision for losses on the basis of expected credit loss (“ECL”).

For other financial instruments (other than purchased or originated credit-impaired financial assets), the Bank assesses the changes of credit risk since initial recognition of relevant financial instruments at each balance sheet date. If the credit risk has increased significantly since initial recognition of the financial instruments, the Bank recognizes the provision for losses at an amount equivalent to lifetime ECL; if the credit risk has not increased significantly since initial recognition of the financial instruments, the Bank recognizes the provision for losses at an amount equivalent to 12-month ECL. The increase or reversal of credit loss provision for financial assets other than those classified as at FVTOCI is recognized as impairment loss or gain and included in profit or loss for the period. For financial assets classified as at FVTOCI, the credit loss provision is recognized in other comprehensive income and the impairment loss or gain is included in profit or loss for the period without reducing the carrying amount of the financial assets in the balance sheet.

Where the Bank has measured the provision for losses at an amount equivalent to lifetime ECL of a financial instrument in prior accounting period, but the financial instrument no longer satisfies the criteria of significant increase in credit risk since initial recognition at the current balance sheet date, the Bank recognizes the provision for losses of the financial instrument at an amount equivalent to 12-month ECL at the current balance sheet date, with any resulting reversal of provision for losses recognized as impairment gains in profit or loss for the period.

5.2.1 Significant increase in credit risk

The Bank uses reasonable and supportable forward-looking information to assess whether the credit risk has increased significantly since initial recognition by comparing the risk of a default occurring on the financial instrument at the balance sheet date with the risk of a default occurring on the financial instrument at the date of initial recognition. For loan commitments and financial guarantee contracts, the date that the Bank becomes a party to the irrevocable commitment is considered to be the date of initial recognition in the application of criteria related to the financial instrument for impairment.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

5. Financial instruments - continued

5.2 Impairment of financial instruments - continued

5.2.1 Significant increase in credit risk - continued

The following information is taken into account when assessing whether the credit risk has increased significantly:

- (1) Significant changes in internal price indicators resulting from changes in credit risk;
- (2) Significant changes in the rates or other terms of an existing financial instrument if the instrument was newly originated or issued at the balance sheet date (such as more stringent covenants, increased amounts of collateral or guarantees, or higher rate of return, etc.);
- (3) Significant changes in the external market indicators of credit risk of the same financial instrument or similar financial instruments with the same expected duration. These indicators include: credit spreads, credit default swap prices against borrower, length of time and extent to which the fair value of financial assets is less than their amortized cost, and other market information related to the borrower (such as the borrower's debt instruments or changes in the price of equity instruments);
- (4) An actual or expected significant change in the financial instrument's external credit rating;
- (5) An actual or expected decrease in the internal credit rating for the debtor;
- (6) Adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- (7) An actual or expected significant change in the operating results of the debtor;
- (8) Significant increase in the credit risk of other financial instruments issued by the same debtor;
- (9) Significant adverse changes in regulatory, economic, or technological environment of the debtor;
- (10) Significant changes in the value of collaterals or the quality of guarantees or credit enhancements provided by third parties, which are expected to reduce the debtor's economic motives to repay within the time limit specified in contract or affect the probability of default;
- (11) Significant change in the debtor's economic motives to repay within the time limit specified in contract;
- (12) Expected changes to loan contract, including the exemption or revision of contractual obligations, the granting of interest-free periods, the jump in interest rates, the requirement for additional collateral or guarantees, or other changes in the contractual framework for financial instruments that may result from the breach of contract;
- (13) Significant change in expected performance and repayment of the debtor;
- (14) Significant change in the method used by the Bank to manage the credit of financial instrument.

Irrespective of the outcome of the above assessment, the Bank presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

5. Financial instruments - continued

5.2 Impairment of financial instruments - continued

5.2.1 Significant increase in credit risk - continued

At the balance sheet date, if the Bank determines that the financial instrument has only lower credit risk, the Bank assumes that the credit risk of such financial instrument has not increased significantly since initial recognition. The financial instrument is deemed as having lower credit risk if (i) it has a low risk of default; (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flows obligations.

5.2.2 Credit-impaired financial assets

When an event or several events that are expected to have adverse impact on the future cash flows of the financial assets have occurred, the financial assets become credit-impaired. The evidences of credit impairment of financial assets include the following observable information:

- (1) Significant financial difficulty of the issuer or debtor;
- (2) Breach of contract by the debtor, such as a default or delinquency in interest or principal payments;
- (3) The creditor of the debtor, for economic or contractual reasons relating to the debtor's financial difficulty, have granted to the debtor a concession that the creditor would not otherwise consider;
- (4) It is probable that the debtor will enter bankruptcy or other financial reorganizations;
- (5) The disappearance of an active market for that financial asset because of financial difficulties of the issuer or debtor;
- (6) Purchase or originate a financial asset at a significant discount which reflects the fact of credit impairment.

Based on the Bank's internal credit risk management, the Bank considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Bank, in full (without taking into account any collaterals held by the Bank).

Irrespective of the outcome of the above assessment, the Bank presumes that an event of default on the financial instrument has occurred if the contractual payment of the financial instrument has been more than 90 days past due.



IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

5. Financial instruments - continued

5.2 Impairment of financial instruments - continued

5.2.3 Determination of ECL

The Bank determines the ECL of relevant financial instruments using the following method:

- For financial assets, the credit loss represents the present value of the difference between the contractual cash flows receivable by the Bank and the cash flows expected to be received by the Bank.
- For unused loan commitments, credit losses are the present value of the difference between the contractual cash flows receivable by the Bank and the cash flows expected to be received if the holder of the loan commitment uses the corresponding loans. The Bank's estimate of ECL on loan commitments is consistent with its expectation of the use of such loan commitments.
- For financial guarantee contracts, credit losses are the present value of the difference between the expected payment to be made by the Bank to the contract holder for the credit losses incurred, and the amount the Bank expects to receive from the contract holder, the debtor or any other parties.
- For credit-impaired financial assets that are not purchased or originated at the balance sheet date, the credit loss represents the difference between the carrying amount of the financial assets and the present value of expected future cash flows discounted using original effective interest rate.

The factors reflected by the Bank's measurement of ECL of financial instruments include: unbiased probability weighted average amount recognized by assessing a series of possible results; time value of money; reasonable and supportable information related to historical events, current condition and forecast of future economic position that is available without undue cost or effort at the balance sheet date.

5.2.4 Write-down of financial assets

When the Bank will no longer reasonably expect that the contractual cash flows of financial assets can be collected in aggregate or in part, the Bank will directly write down the book value of the financial asset, which constitutes derecognition of relevant financial assets.

5.3 Transfer of financial assets

The Bank derecognizes a financial asset if one of the following conditions is satisfied: (1) the contractual rights to the cash flows from the financial asset expire; or (2) the financial asset has been transferred and substantially all the risks and rewards of ownership of the financial asset is transferred to the transferee; or (3) although the financial asset has been transferred, the Bank neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but has not retained control of the financial asset

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

5. Financial instruments - continued

5.3 Transfer of financial assets - continued

If the Bank neither transfers nor retains substantially all the risks and rewards of ownership of a financial asset, and it retains control of the financial asset, it recognizes the financial asset to the extent of its continuing involvement in the transferred financial asset and recognizes an associated liability. Relevant liabilities are measured using the following methods:

- For transferred financial assets carried at amortized cost, the carrying amount of relevant liabilities is the carrying amount of financial assets transferred with continuing involvement less amortized cost of the Bank's retained rights (if the Bank retains relevant rights upon transfer of financial assets) with addition of amortized cost of obligations assumed by the Bank (if the Bank assumes relevant obligations upon transfer of financial assets). Relevant liabilities are not designated as financial liabilities at FVTPL.
- For transferred financial assets carried at fair value, the carrying amount of relevant financial liabilities is the carrying amount of financial assets transferred with continuing involvement less fair value of the Bank's retained rights (if the Bank retains relevant rights upon transfer of financial assets) with addition of fair value of obligations assumed by the Bank (if the Bank assumes relevant obligations upon transfer of financial assets). Accordingly, the fair value of relevant rights and obligations shall be measured on an individual basis.

For a transfer of a financial asset in its entirety that satisfies the derecognition criteria, the difference between (1) the carrying amount of the financial asset transferred; and (2) the sum of the consideration received from the transfer and any cumulative gain or loss that has been recognized in other comprehensive income, is recognized in profit or loss.

If a part of the transferred financial asset qualifies for derecognition, the overall carrying amount of the financial asset prior to transfer is allocated between the part that continues to be recognized and the part that is derecognized, based on the respective fair value of those parts at the date of transfer. The difference between (1) the carrying amount allocated to the part derecognized on the date of derecognition; and (2) the sum of the consideration received for the part derecognized and any cumulative gain or loss allocated to the part derecognized which has been previously recognized in other comprehensive income, is recognized in profit or loss.

For a transfer of a financial asset in its entirety that does not satisfy the derecognition criteria, the Bank continues to recognize the transferred financial asset in its entirety. The consideration received from transfer of assets is recognized as a liability upon receipt.

5.4 Classification of financial liabilities and equity instruments

Financial instruments issued by the Bank or their components are classified into financial liabilities or equity instruments on the basis of not only the legal form but also the contractual arrangements and their economic substance, together with the definition of financial liability and equity instrument.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

5. Financial instruments - continued

5.4 Classification of financial liabilities and equity instruments - continued

5.4.1 Classification, recognition and measurement of financial liabilities

On initial recognition, financial liabilities are classified into financial liabilities at FVTPL and other financial liabilities.

5.4.1.1 Financial liabilities at FVTPL

Financial liabilities at FVTPL include held-for-trading financial liabilities (including derivative financial liabilities) and financial liabilities designated as at FVTPL. Except for derivative financial liabilities which are presented separately, financial liabilities at FVTPL are presented as held-for-trading financial liabilities.

A financial liability is classified as held-for-trading if any of the following criteria is satisfied:

- It has been incurred principally for the purpose of repurchasing it in the near term.
- On initial recognition, it is part of a portfolio of identified financial instruments that the Bank manages together and has a recent actual pattern of short-term profit-taking.
- It is a derivative that is neither a financial guarantee contract nor designated as an effective hedging instrument.

A financial liability may be designated as at FVTPL upon initial recognition if: (1) such designation eliminates or significantly reduces accounting mismatch; (2) the Bank makes management and performance evaluation on a fair value basis for a portfolio of financial liabilities or a portfolio of financial assets and financial liabilities, in accordance with the Bank's formally documented risk management or investment strategy, and reports to key management personnel on that basis; (3) the qualified hybrid contract that contains embedded derivatives.

Held-for-trading financial liabilities are subsequently measured at fair value. Any gains or losses arising from changes in the fair value and any dividend or interest expenses paid on the financial liabilities are recognized in profit or loss for the period.

For a financial liability designated as at FVTPL, the amount of changes in the fair value of the financial liability that are attributable to changes in the credit risk of that liability shall be presented in other comprehensive income, while other changes in fair values are included in profit or loss for the current period. Upon the derecognition of such financial liability, the accumulated amount of changes in fair value that are attributable to changes in the credit risk of that liability, which was recognized in other comprehensive income, is transferred to retained earnings. Any dividend or interest expense on the financial liabilities is recognized in profit or loss. If the accounting treatment for the impact of the change in credit risk of such financial liability in the above ways would create or enlarge an accounting mismatch in profit or loss, the Bank shall present all gains or losses on that liability (including the effects of changes in the credit risk of that liability) in profit or loss for the period.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

5. Financial instruments - continued

5.4 Classification of financial liabilities and equity instruments - continued

5.4.1 Classification, recognition and measurement of financial liabilities - continued

5.4.1.2 Other financial liabilities

Except for financial liabilities and financial guarantee contracts and loan commitments arising from transfer of financial assets that do not meet the derecognition criteria or those arising from continuing involvement in the transferred financial assets, other financial liabilities are subsequently measured at amortized cost, with gain or loss arising from derecognition or amortization recognized in profit or loss.

If the modification or renegotiation for the contract by the Bank and its counterparties does not result in derecognition of a financial liability subsequently measured at amortized cost but the changes in contractual cash flows, the Bank will recalculate the carrying amount of the financial liability, with relevant gain or loss recognized in profit or loss. The Bank will determine the carrying amount of the financial liability based on the present value of renegotiated or modified contractual cash flows discounted at the original effective interest rate of the financial liability. For all costs or expenses arising from modification or renegotiation of the contract, the Bank will adjust the modified carrying amount of the financial liability and make amortization during the remaining term of the modified financial liability.

5.4.1.2.1 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 of the contract for a loss it incurs when a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. Subsequent to initial recognition, financial liabilities that are not designated as at FVTPL or financial guarantee contracts of the financial liabilities arising from the transfer of financial assets that does not meet the derecognition criteria or those arising from continuing involvement in the transferred financial assets, and loan commitments at an interest rate below the market rate not for financial liabilities at FVTPL are measured at the higher of: (1) amount of provision for losses; and (2) the amount initially recognized less cumulative amortisation amount determined according to relevant regulations in revenue standards.

5.4.2 Derecognition of financial liabilities

The Bank derecognizes a financial liability (or part of it) only when the underlying present obligation (or part of it) is discharged. An agreement between the Bank (an existing borrower) and an existing lender to replace the original financial liability with a new financial liability with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

5. Financial instruments - continued

5.4 Classification of financial liabilities and equity instruments - continued

5.4.2 Derecognition of financial liabilities - continued

When the Bank derecognizes a financial liability or a part of it, it recognizes the difference between the carrying amount of the financial liability (or part of the financial liability) derecognized and the consideration paid (including any non-cash assets transferred or new financial liabilities assumed) in profit or loss for the period.

5.5 Derivatives and embedded derivatives

Derivative instruments include interest derivatives, currency derivatives, commodity related derivatives agreements, equity related derivatives agreements, credit default swap and gold derivatives agreements, etc. Derivatives are initially measured at fair value at the date when the derivative contracts are entered into and are subsequently measured at fair value.

Derivatives embedded in hybrid contracts with a financial asset host are not separated by the Bank. The hybrid contract shall apply to the relevant accounting standards regarding the classification of financial assets as a whole.

Derivatives embedded in hybrid contracts with hosts that are not financial assets are separated and treated as separate derivatives by the Bank when they meet the following conditions:

- (1) The economic characteristics and risks of the embedded derivative are not closely related to those of the host contract.
- (2) A separate instrument with the same terms as the embedded derivative would meet the definition of a derivative.
- (3) The hybrid contracts are not measured at FVTPL.

For the embedded derivative separated from the host contracts, the Bank accounts for the host contracts in the hybrid contracts with applicable accounting standards. When the embedded derivatives whose fair value cannot be measured reliably by the Bank according to the terms and conditions of the embedded derivatives, the fair value of such derivatives are measured at the difference between the fair value of the hybrid contracts and the fair value of the host contracts. By adopting the above method, if the embedded derivative cannot be measured on a stand-alone basis at the time when it is acquired or at subsequent balance sheet dates, the hybrid instrument is designated as financial instruments at FVTPL as a whole.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

5. Financial instruments - continued

5.6 Offsetting financial assets and financial liabilities

Where the Bank has a legal right that is currently enforceable to set off the recognized financial assets and financial liabilities, and intends either to settle on a net basis, or to realize the financial asset and settle the financial liability simultaneously, a financial asset and a financial liability shall be offset and the net amount is presented in the balance sheet. Except for the above circumstances, financial assets and financial liabilities shall be presented separately in the balance sheet and shall not be offset.

5.7 Financial assets purchased under resale agreements

The financial assets under resale agreements in the certain future date are not recognised in balance sheet. The amount paid for purchases of such assets (including interest) is stated as financial assets purchased under resale agreement in balance sheet. The difference between purchasing price and resale price at the duration of the agreement is recognized by the effective interest method as interest income.

5.8 Financial assets sold under repurchase agreements

The financial assets repurchase in the certain future date are not derecognised in balance sheet. The amount received from sales of such assets (including interest) is stated as financial assets sold under repurchase agreement in balance sheet. The difference between selling price and repurchase price at the duration of the agreement is recognized by the effective interest method as interest expense.

5.9 Hedge accounting

5.9.1 Basis for using hedge accounting and accounting treatment

The Bank designates certain financial instruments as hedging instruments for hedges as to management risk exposures arising from interest rate risk. The Bank applies hedging accounting for a hedge that satisfies the prescribed conditions. Hedging activities of the Bank include fair value hedges.

At the inception of the hedging relationship, the Bank formally designates the hedging instrument and the hedged item, and documents natures of the hedging instrument, the hedged item and the hedged risk, as well as the methods for assessing hedging effectiveness (including analysis on reasons for generating ineffective portion of hedges and method to determine the hedge ratio).

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

5. Financial instruments - continued

5.9 Hedge accounting - continued

*5.9.1 Basis for using hedge accounting and accounting treatment* - continued

A hedging relationship is discontinued when it ceases to meet the qualifying criteria as below:

- The hedging relationship no longer meets the risk management objective on the basis of which it qualified for hedge accounting.
- The hedging instrument expires or is sold, or the contract is terminated, or exercised.
- There is no longer an economic relationship between the hedged item and the hedging instrument or the effect of credit risk starts to dominate the value changes that result from that economic relationship between the hedged item and the hedging instrument.
- Other conditions causing the hedging relationship no longer qualifies for hedge accounting.

*5.9.1.1 Fair value hedges*

The Bank recognizes gains or losses arising from hedging instruments in profit or loss for the period. Where a hedging instrument is a hedge of an investment in a non-trading equity instrument that has been elected to be measured at fair value through other comprehensive income, the gain or loss arising on the hedging instrument is included in other comprehensive income.

The Bank recognizes gains or losses on hedged items arising from hedged exposures in profit or loss for the period and adjusts the carrying amount of recognized hedged items not measured at fair value. If the hedged item is a financial asset classified as at fair value through other comprehensive income, the gain or loss arising from the hedged exposure is included in profit or loss for the period.

If the hedged items is a financial instrument measured at amortized cost, the Bank's adjustment to the carrying amount of the hedged items is amortized at the effective interest rate recalculated at the beginning of the amortization date and is recognized in profit or loss for the period. Such amortization begins on the date of adjustment, but no later than the point at which the hedging gains or losses on the hedged item is discontinued. Where the hedged item is a financial asset at fair value through other comprehensive income, the accumulative recognized hedging gains or losses are amortized in the same way and included in profit or loss for the period.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

5. Financial instruments - continued

5.9 Hedge accounting - continued

5.9.2 Methods for assessing hedging effectiveness

The Bank continuously assesses whether the hedging relationship meets the requirements of hedging effectiveness on and after the inception date of hedging. If the hedging meets the following conditions at the same time, the Bank will determine that the hedging relationship meets the requirements for hedging effectiveness:

- There is an economic relationship between hedged items and hedging instruments.
- Among the value changes caused by the economic relationship between hedged items and hedging instruments, the impact of credit risk does not dominate.
- The hedge ratio of the hedging relationship will be equal to the ratio of the actual number of the Bank's hedged items to the actual number of hedging instruments.

If the hedging relationship no longer meets the requirement of hedging effectiveness due to the hedge ratio, but the risk management objectives of the hedging relationship have not changed, the Bank will rebalance the hedging relationship. The number of hedged items or hedging instruments in the hedging relationship is adjusted so that the hedge ratio meets the requirements of hedging effectiveness again.

6. Fixed assets

Fixed assets are tangible assets that are held for operational and administrative purposes and have useful lives more than one accounting year. A fixed asset shall be recognised only when both of the following conditions are satisfied: (1) it is probable that economic benefits associated with the asset will flow to the Bank; and (2) the cost of the asset can be measured reliably. A fixed asset is initially measured at cost.

Subsequent expenditure incurred on a fixed asset is included in the cost of the fixed asset, only if it is probable that economic benefits associated with the asset will flow into the Bank and relevant cost can be measured reliably. Meanwhile the carrying amount of the replaced part is derecognised. Other subsequent expenditure is charged to profit or loss in current period when incurred.



NOTES TO THE FINANCIAL STATEMENTS - continued  
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IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

6. Fixed assets - continued

Depreciation is provided over their estimated useful lives from the month after they are brought to working condition for the intended use, using the straight-line method. The useful lives, estimated net residual values rates and annual depreciation rates of each class of fixed assets are as follows:

<u>Classes</u>	<u>Useful Lives</u>	<u>Net Residual Value Rates</u>	<u>Annual Depreciation Rates</u>
Office equipment	5 years	-	20%
Electronic equipment	3-5 years	-	20-33%

Estimated net residual value of a fixed asset is the estimated amount that the Bank would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

The carrying amount of a fixed asset shall be derecognised when the asset is on disposal or when no future economic benefits are expected to be generated from its use or disposal. When a fixed asset is sold, transferred, retired or damaged, the Bank recognizes the amount of any proceeds on disposal of the asset net of the carrying amount and related taxes in profit or loss for the current period.

The Bank reviews the useful life and estimated net residual value of a fixed asset and the depreciation method applied at least at each financial year-end. A change in the useful life or estimated net residual value of a fixed asset or the depreciation method used is accounted for as a change in an accounting estimate.

7. Intangible assets

Intangible asset of the Bank includes software and etc.

An intangible asset is initially measured at cost. An intangible asset with a finite useful life is amortized using the straight-line method over its useful life when the asset is available for use. An intangible asset with an indefinite useful life is not amortized.

For an intangible asset with a finite useful life, the Bank reviews the useful life and amortization method at least at each financial year-end and makes changes if necessary.

8. Long-term prepayments

Long-term prepayments are various expenditures incurred but that should be allocated over the current and future periods of more than one year. Long-term prepayments are evenly amortized over expected beneficial period.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

9. Impairment of non-financial assets except goodwill

The Bank assesses at each balance sheet date whether there is any indication that fixed assets, right-of-use assets and intangible assets with finite useful life may be impaired. If any indication that an asset may be impaired occurred, the recoverable amount should be estimated.

Recoverable amount is determined based on individual assets. If it is not possible to estimate the recoverable amount of the individual asset, the Bank determines the recoverable amount of the asset group to which the asset belongs to. The recoverable amount of an asset is the higher of its fair value less costs of disposal and the present value of the future cash flows expected to be derived from the asset.

If the recoverable amount of an asset is less than its carrying amount, the difference is recognised as an impairment loss and charged to profit or loss for the current period.

Once an impairment loss is recognized, it is not reversed in a subsequent period.

10. Provision for contingent liabilities

When the obligations related to contingencies are the current obligations of the bank and the performance of the obligations is likely to lead to the outflow of economic benefits and the amount of the obligations can be reliably measured, then it is recognized as the provision for contingent liabilities.

On the balance sheet day, the provision for contingent liabilities are measured according to the best estimate of the expenditure required to fulfil the relevant current obligations, considering the risk, uncertainty and the time value of money related to contingencies. If the time value of money has a significant impact, the best estimate is determined by the amount of discounted estimated future cash flows.

11. Employee benefits

During the accounting period when employees rendering services, the bank recognizes the actual short-term compensation as liabilities and accrued into current period profit and loss or related asset cost. Monetary employee welfare is recognised in current period profit and loss or cost of related assets when actually occurred. Non-monetary employee welfare is measured using fair value.

The amount of medical insurance, industrial injury insurance, maternity insurance, other social welfare, housing fund, labour union fee and personnel education fund that the Bank pays for its employee is determined according to the stated basis and ratio, and recognized into related liability, current period profit and loss or related asset cost during the accounting period its employee rendering services.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

11. Employee benefits - continued

During the accounting period when the Bank's employee rendering services, it recognized the amount that it should deposit according to defined contribution plan as a liability and recorded into current period profit and loss or related asset cost.

The bank recognized the payroll related liability arising from dismiss welfare and recorded into current period profit and loss which is earlier between the following: The bank is unable to unilaterally withdraw the plan on due to terminate the labour relationship/the layoff proposal, or the bank confirms the relevant costs/expenses of paying bank termination benefits.

12. Share-based payments

The Bank implements share-based payments for certain employees of key positions that is cash settled with the amount in line with equity shares of BNP Paribas.

The share-based payments shall be vested after elimination period. The Bank shall, at each balance sheet date during the vesting period, recognise the services received for the current period as related costs or expenses, with a corresponding increase in liability, at an amount equal to the fair value of the liability based on the best estimate of the outcome of vesting.

Until the liability is settled, the Bank shall remeasure the fair value of the liability at each balance sheet date and at the date of settlement, with changes recognised in profit or loss for the period.

13. Revenue recognition

Revenue refers to the total inflows of economic benefits arising from the Bank's daily activities that may result in an increase in the shareholders' interests but are not related to their capital contributions.

13.1 Net interest income

Except for the financial instruments measured at fair value through profit or loss, the interest income and expenses on all the financial instruments are based on the effective interest rate method, which are recorded in the income statement under "Interest income" and "Interest expenses". Interest income from the financial instruments measured at fair value through profit or loss is recognized in "Investment income".

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

13. Revenue recognition - continued

13.2 Net fee and commission income

The Bank recognizes revenue based on the transaction price allocated to the performance obligation when the Bank satisfies a performance obligation in the contract, namely, when the customer obtains control over relevant goods or services. A performance obligation is a commitment that the Bank transfers service to a customer in the contract. The transaction price is the amount of consideration to which the Bank expects to be entitled in exchange for providing services to a customer, excluding amounts collected on behalf of third parties and amounts expected to be refunded to a customer.

The Bank evaluates the contract at the contract inception, identifies each individual performance obligation included, and determines whether each individual performance obligation is to be performed over a certain period of time or at a certain point in time. It is a performance obligation satisfied during a period of time and the Bank recognizes revenue during a period of time according to the progress of performance if one of the following conditions is met: (i) the customer obtains and consumes economic benefits at the same time of the Bank's performance; (ii) the customer is able to control services in progress during the Bank's performance; (iii) services generated during the Bank's performance have irreplaceable utilization, and the Bank is entitled to collect amounts of cumulative performance part which have been done up to now. Otherwise, revenue is recognized at a point in time when the customer obtains control over the relevant goods or services.

The Bank adopts output method, i.e. the value of services transferred to customers to determine the appropriate progress of performance. Where the progress cannot be determined reasonably, the revenue is recognized based on the amount of cost that is expected to be compensated based on the cost already incurred, until the progress of performance is reasonably determined.

Contract assets refer to the Bank's right to consideration in exchange for services that the Bank has provided to a customer when that right is conditioned on something other than the passage of time. Impairment of contract assets is applicable to the New Standard for Financial Instruments. The Bank's unconditional (i.e., depending on the passage of time only) right to receive consideration from the customer is separately presented as receivables.

Contract liabilities refer to the Bank's obligation to transfer goods or services to a customer for consideration received or receivable from the customer.

Contract assets and contract liabilities under the same contract will be presented on a net basis.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

14. Income tax

Income tax expenses comprise current income tax and deferred tax.

14.1 Current income tax

At the balance sheet date, the current income tax liabilities (or assets) for the current period or previous periods are measured at the amount expected to be paid (or recovered) according to the requirements of tax law.

14.2 Deferred tax assets and deferred tax liabilities

Temporary differences arising from the difference between the carrying amount of an asset or liability and its tax base, or the difference between the tax base and the carrying amount of those items that are not recognised as assets or liabilities but have a tax base that can be determined according to tax laws, are recognized as deferred tax assets and deferred tax liabilities using the balance sheet liability method.

In general, deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilised. In addition, deferred tax assets or liabilities are not recognised for temporary differences associated with the initial recognition of goodwill and temporary differences associated with the initial recognition of assets or liabilities arising from transactions that are not business combinations and, when they occur, do not affect the accounting profit and taxable income (or deductible losses) and do not give rise to equivalent taxable temporary differences and deductible temporary differences.

The Bank recognizes a deferred tax asset for the carry forward of unused deductible loss and tax credits to the extent that it is probable that future taxable profits will be available against which the deductible loss and tax credits can be utilized.

At the balance sheet date, 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 realized or the liability is settled, according to the requirements of tax laws.

Current income taxes and deferred taxes are recognized in current year profit and loss, except for the transactions related to the other comprehensive income or equity, which should be recognized in the other comprehensive income or equity.

At the balance sheet date, the Bank reviews the carrying amount of any deferred tax asset. If it is probable that sufficient taxable profits will not be available in future periods to allow the benefit of the deferred tax asset to be utilized, the carrying amount of the deferred tax asset is reduced. Any such reduction in amount is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2023

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IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

14. Income tax - continued

14.3 Tax asset and tax liability offset

When the Bank has a legal right to offset the recognized amounts and intends to either settle on a net basis, or realize the asset and settle the liability simultaneously, tax asset and tax liability of current period are offset and the net amount is presented in the balance sheet.

When the Bank has a legal right to offset the recognized amounts, and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity, or different taxable entities which intend to either settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, are reported on a net basis.

15. Entrusted business

The Bank act as the client's trustee in entrusted business. Since the risk and benefit of the entrusted assets are beard by client, those assets are not include in the balance sheet of the Bank.

Entrusted loans are a form of agency business in which the capital is provided by the client (trustor) and is loaned to the target borrower for specified uses, in specified amounts, over specified maturity periods and at a specified interest rate as instructed by the trustor through the Bank (the trustee), who grants, monitors, uses as well as helps retrieve the loan on the trustor's behalf. The client (trustor) bears the related risks. The Bank earns commission fee only.

16. Foreign currency transactions

A foreign currency transaction shall be recorded, on initial recognition in the functional currency, by applying the spot exchange rate at the date of the transaction.

At the balance sheet date, foreign currency monetary items are translated into RMB using the spot exchange rates. Except that for the amortised cost of monetary items classified as at FVTOCI, exchange differences arising from changes in other book balances are recognised in other comprehensive income, exchange differences arising from the differences between the spot exchange rates prevailing at the balance sheet date and that on initial recognition or at the previous balance sheet date are recognised in profit or loss for the period.

Foreign currency non-monetary items measured at historical cost are translated to the amounts in functional currency at the spot exchange rates on the dates of the transactions and the amounts in functional currency remain unchanged. Foreign currency non-monetary items measured at fair value are re-translated at the spot exchange rate on the date the fair value is determined. Difference between the re-translated functional currency amount and the original functional currency amount is treated as changes in fair value (including changes of exchange rate) and is recognised in profit and loss or other comprehensive income.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

17. Leases

A lease is a contract whereby the lessor conveys to the lessee in return for a consideration the right to use an asset for an agreed period of time.

The Bank assesses whether a contract is or contains a lease at inception date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

17.1 The Bank as lessee

17.1.1 Separating components of a lease

If the contract contains one or more lease and non-lease components, the Bank will separate the individual lease and non-lease components and allocate contract consideration according to the relative proportion of the sum of the stand-alone prices of the lease components and the stand-alone prices of the non-lease components.

17.1.2 Right-of-use assets

Except for short-term leases and leases of low-value assets, at the commencement date of the lease, the Bank recognizes a right-of-use asset. The commencement date of the lease is the date on which a lessor makes an underlying asset available for use by the Bank. The Bank measures the right-of-use assets at cost. The cost of the right-of-use assets comprises:

- the amount of the initial measurement of the lease liabilities;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Bank;
- an estimate of costs to be incurred by the Bank 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 Bank depreciates right-of-use assets by reference to the relevant depreciation provisions of *Accounting Standards for Business Enterprises No. 4 - Fixed Assets*. The right-of-use assets are depreciated over the remaining useful lives of the leased assets where the Bank is reasonably certain to obtain ownership of the underlying assets at the end of the lease term. Otherwise, right-of-use assets are depreciated over the shorter of the lease term and the remaining useful lives of the leased assets.

NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2023

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IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

17. Leases - continued

17.1 The Bank as lessee - continued

17.1.3 Lease liabilities

Except for short-term leases and leases of low-value assets, at the commencement date of the lease, the Bank measures the lease liabilities at the present value of the lease payments that are not paid at that date. In calculating the present value of lease payments, the Bank uses the interest rate implicit in the lease as the discount rate. The Bank uses the incremental borrowing rate if the interest rate implicit in the lease is not readily determinable.

Lease payments refer to payments relating to the right to use leased assets during the lease term which are made by the Bank to the lessor, including:

- fixed payments and in-substance fixed payments, less any lease incentives receivable (if any);
- variable lease payments that depend on an index or a rate;
- the exercise price of a purchase option reasonably certain to be exercised by the Bank;
- payments of penalties for terminating a lease, if the lease term reflects the Bank exercising the option to terminate the lease; and
- amounts expected to be paid under residual value guarantees provided by the Bank.

After the commencement date of the lease, the Bank calculates interest expenses of lease liabilities for each period of the lease term based on fixed periodic rate, and recognizes such expenses in profit or loss or cost of related assets.

After the commencement date of the lease, the Bank re-measures the lease liabilities and adjusts the right-of-use assets accordingly in the following cases. If the book value of the right-of-use asset has been reduced to zero, but the lease liability needs to be reduced further, the Bank will recognize the difference in profit or loss for the period:

- there is a change in the lease term, or in the assessment of an option to purchase the underlying asset, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.;
- there is a change in the amounts expected to be payable under a residual value guarantee, or in future lease payments resulting from a change in an index or a rate used to determine those payments, in which case the related lease liability is remeasured by discounting the revised lease payments using the unchanged discount rate.



IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

17. Leases - continued

17.1 The Bank as lessee - continued

17.1.3 Lease liabilities - continued

*Short-term leases and leases of low-value assets*

The Bank chooses not to recognize right-of-use assets and lease liabilities for short-term leases and leases of low-value assets. A short-term lease is a lease that at the commencement date, has a lease term of 12 months or less and does not contain a call option. A lease of low-value assets, is a lease that the single underlying asset, when is new, is of low value. The Bank shall recognize the lease payments associated with short-term leases and leases of low-value assets in profit or loss or cost of related assets on a straight-line basis over the lease term.

17.1.4 Lease modifications

The Bank accounts for a lease modification as a separate lease if:

- the lease modification expanded the scope of the lease by adding the right-of-use of one or more lease assets; and
- the increased consideration is equivalent to the amount of stand-alone price of the expanded lease scope adjusted according to the contract.

If the lease modification is not accounted for as an individual lease, on the effective date of the lease modification, the Bank reallocates the consideration of the contract after the change, re-determines the lease term, and re-measures lease liabilities based on the changed lease payments and the present value calculated by the revised discount rate.

If the lease modification results in a reduction in the lease scope or lease term, the carrying amount of the right-of-use assets will be reduced, and the gains or losses relevant to the lease partially or fully terminated will be included in profit or loss for the period; for other lease modifications resulting in the remeasurement of lease liabilities, the carrying amount of right-of-use assets is adjusted accordingly.

V. THE CRITICAL JUDGMENTS THAT MADE IN THE PROCESS OF APPLYING THE ACCOUNTING POLICY AND KEY ASSUMPTIONS AND UNCERTAINTIES IN ACCOUNTING ESTIMATES

In the application of the Bank's accounting policies, due to inhering uncertainty of operating activities, which are described in Note IV, the Bank is required to make judgments, estimates and assumptions about the carrying amounts of items in the financial statements that cannot be measured accurately. These judgments, estimates and assumptions are based on historical experience of the Bank's management as well as other factors that are considered to be relevant. Actual results may differ from these estimates.

V. THE CRITICAL JUDGMENTS THAT MADE IN THE PROCESS OF APPLYING THE ACCOUNTING POLICY AND KEY ASSUMPTIONS AND UNCERTAINTIES IN ACCOUNTING ESTIMATES - continued

The aforementioned judgments, estimates and assumptions are reviewed regularly on a going concern basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

*- KEY ASSUMPTIONS AND UNCERTAINTIES IN ACCOUNTING ESTIMATES*

As of the balance sheet date, the following are the key assumptions and uncertainties that the Bank has made in the process of applying the accounting estimates and that have the most significant effect on the amounts recognised in financial statements:

*Measurement of credit impairment losses*

Complex models and a significant number of assumptions have been used in measuring expected credit losses, and these models and assumptions involve macroeconomic situations in the future and credit behaviours of customers. The measurement of expected credit losses in accordance with the requirements of accounting standards involves many judgements, including:

**Significant increase in credit risk:** The Bank uses reasonable and supportable forward-looking information to assess whether the credit risk has increased significantly since initial recognition by comparing the risk of a default occurring on the financial instrument at the balance sheet date with the risk of a default occurring on the financial instrument at the date of initial recognition. Under the model of expected credit losses, provisions for losses of stage 1 assets are recognized in 12 months while provisions for losses of stage 2 or stage 3 assets are recognized over the full lifetime. Assets are entering into the second stage if there is a significant increase in credit risk after initial recognition. In assessing significant increase in credit risk of assets, the Bank takes into account of the qualitative and quantitative forward-looking information which is both reasonable and supportable.

**Credit impairment incurred:** When determining if there is a credit impairment under the accounting standards for financial instruments, the Bank adopts the same defined criteria as the internal objective for managing credit risks relevant to financial instruments, taking into account both quantitative and qualitative indicators at the same time. The Bank assesses credit impairment of the debtor mainly based on internal ratings, overdue days, solvency, etc. Credit impairment of financial assets may be resulted by multiple events, not necessarily by a singly identified event.

**Establishing asset group with similar features of credit risk:** When expected credit losses are measured by portfolio, financial instruments are grouped into one portfolio for similar risk features. The Bank continues to assess if such financial instruments remain unchanged with these similar features of credit risk, so as to ensure that they can be appropriately reclassified once these features are changed. Such change may result in a new asset group or a reclassification of these assets to an existing asset group, to reflect the features of credit risk of these assets in a better manner. With a significant increase in credit risk, assets are transferred from the first stage to the second one. In the meantime, as assets remain to be assessed for expected credit loss in 12 months or during the full lifetime, the amount of expected credit losses may vary from one credit risk to another in the asset group.

NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2023

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V. THE CRITICAL JUDGMENTS THAT MADE IN THE PROCESS OF APPLYING THE ACCOUNTING POLICY AND KEY ASSUMPTIONS AND UNCERTAINTIES IN ACCOUNTING ESTIMATES - continued

- *KEY ASSUMPTIONS AND UNCERTAINTIES IN ACCOUNTING ESTIMATES* - continued

Measurement of credit impairment losses - continued

Application of models and assumptions: The Bank assesses expected credit losses of financial assets with different models and assumptions. Through judgements, the Bank determines the appropriate model for the financial assets and assumptions applied to these models, including assumptions associated with key driving factors of credit risks.

Forward-looking information: In assessing an expected credit loss, the Bank applied reasonable and supportable forward-looking information which is based on the assumption of future trend of different economic driving factors.

Probability of default: Probability of default is a critical input of expected credit risk. Probability of default is an assessment for the probability of defaults occurred in a certain period of future, which involves historical data, assumptions and expectations for future conditions.

Loss given default: Loss given default is an assessment of losses arising from default. It is based on the difference between contract cash flow and the cash flow expected to be received by the borrower and takes into account of the cash flow from collaterals and the overall credit enhancement.

For the Bank's forward-looking information, expected credit losses, probability of default and loss given default, please refer to Note XI.

Fair value of financial instruments

For the financial instrument without active trading market, the Bank determines its fair value by various valuation methods. The valuation methods that the Bank uses include Discounted Cash Flows (DCF) model analysis, and etc. The Bank needs to make estimates in such aspects as credit risks of itself and counterparties, market volatility and relevance. The changes in the assumptions about these relevant elements will have effects on the fair values of financial instruments.

Income tax

There are a number of transactions for which the final tax determination and calculation is uncertain during the ordinary course of business operation. In particular, the deductibility of certain items is subjected to government approval. Where the final tax outcome is different from the amount that was initially recorded, such differences will impact the income tax and deferred income tax provisions in the period during which such a determination is made.

NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2023

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V. THE CRITICAL JUDGMENTS THAT MADE IN THE PROCESS OF APPLYING THE ACCOUNTING POLICY AND KEY ASSUMPTIONS AND UNCERTAINTIES IN ACCOUNTING ESTIMATES - continued

- *KEY ASSUMPTIONS AND UNCERTAINTIES IN ACCOUNTING ESTIMATES* - continued

*Deferred tax assets and liabilities*

Deferred tax assets and liabilities, are measured at the tax rates that are expected to apply to the period when the assets are realized or the liabilities are settled, according to the requirements of tax laws. Within the limit of sufficient available taxable profits against which the temporary differences can be deductible, the Bank recognizes deferred tax assets against the deductible temporary differences. This requires management judgment to estimate the time of taxable profits and appropriate tax rate and to determine the amount of deferred tax assets and liabilities.

VI. CHANGES IN ACCOUNTING POLICIES

The *Interpretation No. 16 of the Accounting Standards for Business Enterprises* (the "Interpretation No. 16") was issued by the Ministry of Finance on 30 November 2022, which stipulated the accounting treatment concerning the exemption of initial recognition of deferred income tax relating to assets and liabilities arising from a single transaction.

Interpretation No. 16 revised the coverage of exemption of the initial recognition of deferred income tax in the *Accounting Standards for Business Enterprises No. 18 – Income Tax*, and specified that the relevant provisions on the exemption of initial recognition of deferred tax liabilities and deferred tax assets are not applicable to a single transaction (not a business combination) that affects neither the accounting profit nor taxable income (or deductible losses) at the time of transaction, and where the assets and liabilities initially recognized generate equal taxable temporary differences and deductible temporary differences. The Interpretation became effective from 1 January 2023 and could be early applied.

The Bank implements Interpretation No. 16 from 1 January 2023 and considers that the adoption of Interpretation No. 16 has no significant impact on the financial statements of the Bank.

VII. TAXATION

Income tax

Income tax rate is 25%.

In accordance with the Announcement of the State Administration of Taxation 2012 No. 57, the headquarter is responsible for the calculation of its total taxable incomes and the amount of enterprise income tax payable. The headquarter, branches and sub-branch shall prepay enterprise income tax to the local taxation authorities on a monthly or quarterly basis. 50% of the total tax payable shall be paid by the headquarter and remaining 50% shall be allocated among its eligible branches and sub-branch. The headquarter shall calculate the proportions of tax to be borne by different branches and sub-branch according to three factors: operating revenue, employee compensation and total assets, and the 50% of total tax payable shall be allocated in these branches and sub-branch before 15 days after the end of month or quarter (the branches and sub-branch located in the same province with headquarter also allocate the tax payable according to the three factors). Branches and sub-branch shall pay the amount of enterprise income tax which is allocated with respectively to the local state treasuries.

NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2023

VII. TAXATION - continued

Value added tax

VAT payable is the output VAT minus deductible input VAT. The output VAT is calculated by 6% of taxable financial services.

Other taxes

The Bank is liable for paying levies of value-added tax according to local tax bureau's request.

VIII. NOTES TO THE FINANCIAL STATEMENTS

1. CASH AND DEPOSITS WITH THE CENTRAL BANK

	<u>31/12/2023</u>	<u>31/12/2022</u>
	RMB	RMB
Statutory deposit reserve with the PBOC	1,441,746,200.32	1,720,015,213.98
Foreign exchange risk reserve with the PBOC	268,039,812.26	21,629,247.97
Other deposit with the PBOC	2,472,447,768.45	3,954,857,983.18
Accrued interest	1,126,407.49	1,168,920.44
Total	<u>4,183,360,188.52</u>	<u>5,697,671,365.57</u>

Deposit reserve are deposited in accordance with the relevant regulation of PBOC. The RMB deposit reserve shall be deposited based on the arithmetic mean of the day-end balance of all relevant deposits and margin account at the end of ten days, and the offshore RMB deposit reserve shall be deposited based on the arithmetic mean of the day-end balance of offshore RMB deposits in the prior quarter, with a reserve ratio of 7% (31 December 2022: 7.5%). Foreign exchange business deposit reserve are deposited at 4% (31 December 2022: 6%) of the balance of all relevant deposits and margin account at the end of the month, with no interest rate.

Foreign exchange business deposit reserve are deposited in accordance with the "Notice of Strengthening the Macro-Prudential Management of Forward Foreign Exchange Sale" issued by PBOC on 31 August 2015, at the rate of 20% of the Bank's Forward Foreign Exchange Sale (including options and swaps) contract amount. According to the PBOC's "Notice to Adjust Foreign Exchange Risk Reserve" (Yinfa [2020] No. 237), from 12 October 2020, the foreign exchange risk reserve ratio for forward foreign exchange sales business is adjusted from 20% to 0%. According to the PBOC's "Notice of the People's Bank of China on Adjusting the Policies for Foreign Exchange Risk Reserves" [ShanghaiYinfa (2022) No.149], the foreign exchange risk reserve ratio for forward foreign exchange sales business is adjusted from 0% to 20% since 28 September 2022.

NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2023

VIII. NOTES TO THE FINANCIAL STATEMENTS - continued

2. DEPOSITS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	<u>31/12/2023</u> RMB	<u>31/12/2022</u> RMB
Deposits with domestic banks	423,984,085.53	476,250,543.17
Deposits with overseas banks	691,036,208.70	1,024,392,650.30
Sub-total	<u>1,115,020,294.23</u>	<u>1,500,643,193.47</u>
Less: Loss provision	<u>6,081,248.86</u>	<u>10,114,225.48</u>
Total	<u><u>1,108,939,045.37</u></u>	<u><u>1,490,528,967.99</u></u>

Changes in the carrying amount of deposits with banks and other financial institutions

<u>Item</u>	<u>2023</u>			<u>Total</u> RMB
	<u>Stage 1</u> <u>(12-month ECL)</u> RMB	<u>Stage 2</u> <u>(The lifetime ECL)</u> RMB	<u>Stage 3</u> <u>(The lifetime ECL- impaired)</u> RMB	
At the beginning of the year	1,500,633,900.65	9,292.82	-	1,500,643,193.47
Net amount incurred in the year	(397,294,953.73)	(9,292.82)	-	(397,304,246.55)
Exchange difference	11,681,347.31	-	-	11,681,347.31
At the end of the year	<u><u>1,115,020,294.23</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>1,115,020,294.23</u></u>
<u>Item</u>	<u>2022</u>			<u>Total</u> RMB
	<u>Stage 1</u> <u>(12-month ECL)</u> RMB	<u>Stage 2</u> <u>(The lifetime ECL)</u> RMB	<u>Stage 3</u> <u>(The lifetime ECL- impaired)</u> RMB	
At the beginning of the year	721,809,397.00	-	-	721,809,397.00
Net amount incurred in the year	755,008,720.19	9,292.82	-	755,018,013.01
Exchange difference	23,815,783.46	-	-	23,815,783.46
At the end of the year	<u><u>1,500,633,900.65</u></u>	<u><u>9,292.82</u></u>	<u><u>-</u></u>	<u><u>1,500,643,193.47</u></u>

NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2023

VIII. NOTES TO THE FINANCIAL STATEMENTS - continued

2. DEPOSITS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS - continued

Changes in ECL of deposits with banks and other financial institutions

Item	2023			Total RMB
	Stage 1	Stage 2	Stage 3	
	(12-month ECL) RMB	(The lifetime ECL) RMB	(The lifetime ECL- impaired) RMB	
At the beginning of the year	10,109,388.93	4,836.55	-	10,114,225.48
Reversal for the year	(4,142,682.80)	(4,836.55)	-	(4,147,519.35)
Exchange difference	114,542.73	-	-	114,542.73
At the end of the year	6,081,248.86	-	-	6,081,248.86

Item	2022			Total RMB
	Stage 1	Stage 2	Stage 3	
	(12-month ECL) RMB	(The lifetime ECL) RMB	(The lifetime ECL- impaired) RMB	
At the beginning of the year	6,960,642.80	-	-	6,960,642.80
Accrual for the year	2,505,826.17	4,836.55	-	2,510,662.72
Exchange difference	642,919.96	-	-	642,919.96
At the end of the year	10,109,388.93	4,836.55	-	10,114,225.48

3. PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	31/12/2023 RMB	31/12/2022 RMB
Placements with domestic banks	6,730,000,000.00	9,431,973,400.00
Placements with overseas banks	6,500,000.00	2,026,003,000.00
Sub-total	6,736,500,000.00	11,457,976,400.00
Add: Accrued interest	38,565,568.93	95,248,653.87
Less: Loss provision	22,657,316.81	18,951,588.51
Total	6,752,408,252.12	11,534,273,465.36

NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2023

VIII. NOTES TO THE FINANCIAL STATEMENTS - continued

3. PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS - continued

Changes in losses provision:

	<u>2023</u> RMB	<u>2022</u> RMB
At the end of prior year	18,951,588.51	39,857,925.50
Accrual/(reversal) for the year	3,705,728.30	(20,906,336.99)
At the end of the year	<u>22,657,316.81</u>	<u>18,951,588.51</u>

In 2023, the Bank's placements with other banks are in the stage 1, and are not transferred to other stages (2022: same).

4. DERIVATIVE INSTRUMENTS

The derivative instruments of the Bank include forwards, swaps, options and future, commodity-related derivatives, equity related derivatives, credit default swaps, gold derivatives contract and derivatives embedded in structured deposits. Derivative transaction is one of the key methods that the Bank adopts to actively manage the risk positions with an objective to ensure the net risk value of the Bank is within the acceptable risk level.

As at 31 December 2023, the notional amount and fair value of the Bank's derivative financial instruments are as follows:

	<u>Notional amount</u> RMB	<u>31/12/2023</u> Fair value	
		<u>Assets</u> RMB	<u>Liabilities</u> RMB
Interest rate derivatives	1,352,254,855,695.43	2,922,098,073.87	2,685,590,565.57
Interest rate swaps	1,351,892,255,695.43	2,922,098,073.87	2,685,515,436.31
Interest rate options	362,600,000.00	-	75,129.26
Foreign exchange derivatives	870,849,664,185.35	9,253,856,943.04	8,610,882,009.99
Foreign exchange swaps	498,056,702,537.92	6,023,616,854.50	5,564,949,894.44
Foreign exchange forwards	260,712,000,918.82	2,453,265,579.03	2,307,897,656.72
Foreign exchange options	102,547,139,658.92	640,835,142.18	537,942,471.88
Cross currency swaps	8,797,812,683.08	128,644,527.33	200,083,306.95
Forex futures contracts	736,008,386.61	7,494,840.00	8,680.00
Other derivatives	55,669,383,966.59	2,036,835,373.89	2,042,028,843.10
Commodity related derivative contracts	35,549,818,756.81	1,327,548,130.41	1,329,304,241.01
Equity related derivative contracts	13,727,443,149.00	643,403,650.23	643,494,313.82
Gold derivatives contracts	4,093,471,909.78	62,919,565.25	57,837,717.77
Credit default swaps	2,298,650,151.00	2,964,028.00	11,392,570.50
Total	<u>2,278,773,903,847.37</u>	<u>14,212,790,390.80</u>	<u>13,338,501,418.66</u>



NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2023

VIII. NOTES TO THE FINANCIAL STATEMENTS - continued

4. DERIVATIVE INSTRUMENTS - continued

	<u>Notional amount</u> RMB	31/12/2022	
		Fair value	
		<u>Assets</u> RMB	<u>Liabilities</u> RMB
Interest rate derivatives	1,516,099,351,940.34	2,488,829,629.64	2,096,071,434.45
Interest rate swaps	1,514,712,851,940.34	2,488,829,629.64	2,096,050,133.14
Interest rate options	1,386,500,000.00	-	21,301.31
Foreign exchange derivatives	774,290,110,027.85	8,902,568,380.87	9,449,295,705.84
Foreign exchange swaps	422,937,176,431.32	5,486,200,610.86	6,620,639,963.53
Foreign exchange forwards	128,552,615,774.61	1,758,783,821.84	1,537,881,618.50
Foreign exchange options	211,703,096,612.85	1,349,889,754.11	1,073,888,585.87
Cross currency swaps	10,552,955,190.84	307,694,194.06	216,885,537.94
Forex futures contracts	544,266,018.23	-	-
Other derivatives	43,125,880,929.29	1,364,892,188.59	1,384,016,058.87
Commodity related derivative contracts	25,486,112,479.69	1,010,509,507.19	1,024,512,034.38
Equity related derivative contracts	17,306,187,449.60	347,454,608.78	346,930,959.49
Gold derivatives contracts	54,997,000.00	32,800.19	-
Credit default swaps	278,584,000.00	6,895,272.43	12,573,065.00
Total	<u>2,333,515,342,897.48</u>	<u>12,756,290,199.10</u>	<u>12,929,383,199.16</u>

(1) Fair value hedges

The Bank adopts fair value hedges to avoid the impact of changes in fair values of financial assets and liabilities arising from changes in market interest rates. The Bank uses interest rate swaps as hedging instruments for interest rate risk on financial assets and liabilities.

Changes in fair values of hedging instruments and net gains and losses on hedged items due to the hedged risks are presented as below:

	31/12/2023 RMB
Net gains/(losses) on fair value hedges:	
Hedging instruments	14,433,473.87
Hedged items	(13,563,898.00)
Total	<u>869,575.87</u>

BNP PARIBAS (CHINA) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2023

VIII. NOTES TO THE FINANCIAL STATEMENTS - continued

4. DERIVATIVE INSTRUMENTS - continued

(1) Fair value hedges - continued

Among the derivative financial instruments mentioned above, the Bank's hedging instruments designated as fair value hedges are all interest rate swaps, which are presented as below:

	31/12/2023					Fair value		
	Notional amount (by remaining maturity)					Total RMB	Assets RMB	Liabilities RMB
	Within 1 month RMB	1 to 3 months RMB	3 months to 1 year RMB	1 to 5 years RMB	More than 5 years RMB			
Interest rate swaps	-	50,000,000.00	500,000,000.00	1,000,000,000.00	-	1,550,000,000.00	14,451,054.26	17,580.39

The specific information on the Bank's hedged exposures in fair value hedges is presented below:

	31/12/2023			
	Carrying amount of hedged items		Accumulative amount of adjustments to fair value of hedged items	
	Assets RMB	Liabilities RMB	Assets RMB	Liabilities RMB
Bonds (Note)	50,151,121.86	1,509,449,116.58	-	13,563,898.00

Note: Bonds are included in other debt investments and issued bonds.

5. FINANCIAL ASSETS PURCHASED UNDER RESALE AGREEMENTS

	31/12/2022 RMB
Bonds	2,132,664,989.00
Add: Accrued interest	623,218.73
Less: Loss provision	10,663,324.97
Total	2,122,624,882.76

As at 31 December 2023, the Bank had no financial assets purchased under resale agreements. As at 31 December 2022, the balance of assets purchased under resale agreements refer to repurchase agreements of collateralized bonds. The collateralized bonds amount to USD 350,000,000.00.

NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2023

VIII. NOTES TO THE FINANCIAL STATEMENTS - continued

6. LOANS AND ADVANCES

(1) Product types:

	<u>31/12/2023</u>	<u>31/12/2022</u>
	RMB	RMB
Corporate loans and advances to customers		
- Loans	10,647,913,450.05	11,431,425,639.47
- Discount	1,455,493,420.89	1,469,905,748.68
- Trade finance	1,227,230,859.72	1,630,324,107.66
Loans and advances principal	<u>13,330,637,730.66</u>	<u>14,531,655,495.81</u>
Add: Accrued interest	65,238,239.87	74,312,247.99
Total loans and advances	<u>13,395,875,970.53</u>	<u>14,605,967,743.80</u>
Less: Loss provision (Note)	380,878,891.36	408,679,498.85
Including: Stage 1 (12-month ECL)	335,184,770.66	354,988,073.96
Stage 2 (the lifetime ECL)	44,073,885.86	53,691,424.89
Stage 3 (the lifetime ECL impaired)	1,620,234.84	-
Net loans and advances	<u><u>13,014,997,079.17</u></u>	<u><u>14,197,288,244.95</u></u>

Note: As at 31 December 2023, the loss provision of loans and advances including provision accrued according to regulatory requirements:

	<u>31/12/2023</u>	<u>31/12/2022</u>
	RMB	RMB
General risk provision	354,418,071.91	389,466,365.77
Specific risk provision	2,640,000.00	5,661,358.68
Special risk provision	23,820,819.45	13,551,774.40
Total	<u><u>380,878,891.36</u></u>	<u><u>408,679,498.85</u></u>

NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2023

VIII. NOTES TO THE FINANCIAL STATEMENTS - continued

6. LOANS AND ADVANCES - continued

(2) Industry sector (accrued interest not included)

	31/12/2023		31/12/2022	
	RMB	%	RMB	%
Manufacturing	3,831,567,661.14	35.97	3,346,352,670.59	29.27
Whole-sale and retail services	2,644,489,633.73	24.84	2,713,512,180.29	23.74
Leasing and commercial services	1,677,020,314.44	15.75	2,127,130,732.68	18.61
Finance	1,373,352,833.52	12.90	1,968,019,483.46	17.22
Construction and real estate	496,019,203.78	4.66	504,805,881.65	4.41
Scientific research and technical services	306,362,735.07	2.88	297,470,494.57	2.60
Production and supply of electricity, thermodynamics, gas and water	194,434,600.75	1.83	210,162,723.45	1.84
IT and computer service	48,720,274.04	0.46	183,091,004.61	1.60
Transportation, warehousing and postal businesses	75,946,193.58	0.71	80,880,468.17	0.71
Total loans	10,647,913,450.05	100.00	11,431,425,639.47	100.00
Discount	1,455,493,420.89		1,469,905,748.68	
Trade finance	1,227,230,859.72		1,630,324,107.66	
Total loans and advances	13,330,637,730.66		14,531,655,495.81	

(3) Geographic sector (accrued interest not included)

	31/12/2023		31/12/2022	
	RMB	%	RMB	%
Shanghai	11,705,571,160.92	87.81	12,769,585,174.69	87.87
Beijing	1,282,000,000.00	9.62	1,334,887,533.64	9.19
Guangzhou	343,066,569.74	2.57	427,182,787.48	2.94
Total loans and advances	13,330,637,730.66	100.00	14,531,655,495.81	100.00

NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2023

VIII. NOTES TO THE FINANCIAL STATEMENTS - continued

6. LOANS AND ADVANCES - continued

(4) Securities (accrued interest not included):

	<u>31/12/2023</u>	<u>31/12/2022</u>
	RMB	RMB
Credit loans	8,381,000,391.04	9,800,148,164.97
Loans with guarantee	4,211,953,696.77	3,714,020,805.77
Loans with securities	737,683,642.85	1,017,486,525.07
Total loans and advances	<u>13,330,637,730.66</u>	<u>14,531,655,495.81</u>

(5) Loans and advances overdue:

	<u>31/12/2023</u>			
	<u>Overdue up to 90 days</u>	<u>Overdue 90 days to 1 year</u>	<u>Overdue 1 year to 3 years</u>	<u>Total</u>
	RMB	RMB	RMB	RMB
Loans and advances	<u>322,020.00</u>	<u>-</u>	<u>-</u>	<u>322,020.00</u>

Overdue loan refers to the loan of which principal or interest is overdue 1 day or more. As at 31 December 2022, the Bank had no overdue loans.

(6) Changes in the carrying amount and ECL of loans and advances

Changes in the carrying amount of loans and advances

	<u>2023</u>			
<u>Item</u>	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
	(12-month ECL)	(The lifetime ECL)	(The lifetime ECL- impaired)	RMB
	RMB	RMB	RMB	RMB
At the beginning of the year	13,613,427,886.33	992,539,857.47	-	14,605,967,743.80
Transfer:				
to Stage 1	312,797,644.67	(312,797,644.67)	-	-
to Stage 2	(851,782,495.75)	851,782,495.75	-	-
to Stage 3	(23,599,860.51)	-	23,599,860.51	-
Net amount incurred in the year	(555,671,207.25)	(660,234,028.57)	1,400,939.50	(1,214,504,296.32)
Exchange difference	4,412,523.05	-	-	4,412,523.05
At the end of the year	<u>12,499,584,490.54</u>	<u>871,290,679.98</u>	<u>25,000,800.01</u>	<u>13,395,875,970.53</u>

NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2023

VIII. NOTES TO THE FINANCIAL STATEMENTS - continued

6. LOANS AND ADVANCES - continued

(6) Changes in the carrying amount and ECL of loans and advances - continued

<u>Item</u>	2022			
	Stage 1	Stage 2	Stage 3	<u>Total</u>
	(12-month ECL) RMB	(The lifetime ECL) RMB	(The lifetime ECL- impaired) RMB	
At the beginning of the year	13,821,132,415.09	461,740,150.80	41,926,835.19	14,324,799,401.08
Transfer:				
to Stage 1	240,000,000.00	(240,000,000.00)	-	-
Net amount incurred in the year	(449,124,551.16)	770,799,706.67	-	321,675,155.51
Write-off in the year	-	-	(41,926,835.19)	(41,926,835.19)
Exchange difference	1,420,022.40	-	-	1,420,022.40
At the end of the year	13,613,427,886.33	992,539,857.47	-	14,605,967,743.80

Changes in ECL of loans and advances

<u>Item</u>	2023			
	Stage 1	Stage 2	Stage 3	<u>Total</u>
	(12-month ECL) RMB	(The lifetime ECL) RMB	(The lifetime ECL- impaired) RMB	
At the beginning of the year	354,988,073.96	53,691,424.89	-	408,679,498.85
Transfer:				
to Stage 1	10,421,299.90	(10,421,299.90)	-	-
to Stage 2	(21,294,562.39)	21,294,562.39	-	-
to Stage 3	(589,996.51)	-	589,996.51	-
(Reversal)/accrual for the year	(9,312,024.41)	(20,490,801.52)	1,030,238.33	(28,772,587.60)
Write-off in the year	-	-	-	-
Exchange difference	971,980.11	-	-	971,980.11
At the end of the year	335,184,770.66	44,073,885.86	1,620,234.84	380,878,891.36

<u>Item</u>	2022			
	Stage 1	Stage 2	Stage 3	<u>Total</u>
	(12-month ECL) RMB	(The lifetime ECL) RMB	(The lifetime ECL- impaired) RMB	
At the beginning of the year	352,983,863.11	12,285,542.83	41,926,835.19	407,196,241.13
Transfer:				
to Stage 1	6,000,000.01	(6,000,000.01)	-	-
(Reversal)/accrual for the year	(9,575,921.63)	47,405,882.07	-	37,829,960.44
Write-off in the year	-	-	(41,926,835.19)	(41,926,835.19)
Exchange difference	5,580,132.47	-	-	5,580,132.47
At the end of the year	354,988,073.96	53,691,424.89	-	408,679,498.85

BNP PARIBAS (CHINA) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2023

VIII. NOTES TO THE FINANCIAL STATEMENTS - continued

7. HELD-FOR-TRADING FINANCIAL ASSETS

	<u>31/12/2023</u> RMB	<u>31/12/2022</u> RMB
Government bonds	4,542,553,685.67	5,143,053,691.19
Financial institution bonds	720,587,335.92	313,037,093.45
Total	<u>5,263,141,021.59</u>	<u>5,456,090,784.64</u>

8. DEBT INVESTMENTS

	<u>31/12/2023</u> RMB	<u>31/12/2022</u> RMB
Financial institution bonds	500,000,000.00	200,000,000.00
Corporate bonds	580,000,000.00	300,000,000.00
Sub-total	<u>1,080,000,000.00</u>	<u>500,000,000.00</u>
Add: Accrued interest	13,788,497.26	7,829,109.59
Less: Loss provision	4,189,093.69	1,865,889.60
Total	<u>1,089,599,403.57</u>	<u>505,963,219.99</u>

Changes in the carrying amount of debt investments:

<u>Item</u>	2023			<u>Total</u> RMB
	Stage 1 ( <u>12-month ECL</u> ) RMB	Stage 2 ( <u>The lifetime ECL</u> ) RMB	Stage 3 ( <u>The lifetime ECL-</u> <u>impaired</u> ) RMB	
At the beginning of the year	507,829,109.59	-	-	507,829,109.59
Transfer: to Stage 2	(204,514,521.00)	204,514,521.00	-	-
Net amount incurred in the year	<u>585,971,722.67</u>	<u>(12,335.00)</u>	-	<u>585,959,387.67</u>
At the end of the year	<u>889,286,311.26</u>	<u>204,502,186.00</u>	-	<u>1,093,788,497.26</u>

NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2023

VIII. NOTES TO THE FINANCIAL STATEMENTS - continued

8. DEBT INVESTMENTS - continued

Changes in ECL of debt investments:

<u>Item</u>	2023			<u>Total</u> RMB
	Stage 1 (12-month ECL) RMB	Stage 2 (The lifetime ECL) RMB	Stage 3 (The lifetime ECL- impaired) RMB	
At the beginning of the year	1,865,889.60	-	-	1,865,889.60
Transfer:				
to Stage 2	(267,468.89)	267,468.89	-	-
Accrual for the year	2,228,452.66	94,751.43	-	2,323,204.09
At the end of the year	3,826,873.37	362,220.32	-	4,189,093.69
				<u>2022</u> RMB
At the beginning of the year				1,681,745.92
Accrual for the year				184,143.68
At the end of the year				1,865,889.60

In 2022, the Bank's debt investments are all in the stage 1, and were not transferred to other stages.

9. OTHER DEBT INVESTMENTS

	<u>31/12/2023</u> RMB	<u>31/12/2022</u> RMB
Government bonds	4,369,412,462.89	5,010,133,222.66
Financial institution bonds	4,164,250,273.84	1,734,897,948.48
Accrued interest	141,030,039.06	97,319,534.26
Total	8,674,692,775.79	6,842,350,705.40



NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2023

VIII. NOTES TO THE FINANCIAL STATEMENTS - continued

9. OTHER DEBT INVESTMENTS - continued

Movements of loss provision for other debt investments:

	<u>2023</u> RMB	<u>2022</u> RMB
At the beginning of the year	68,655.69	14,539.20
Accrual/(reversals) for the year	154,722.81	54,116.49
At the end of the year	<u>223,378.50</u>	<u>68,655.69</u>

In 2023, the Bank's other debt investments are all in the stage 1, and were not transferred to other stages (2022: same).

10. FIXED ASSET

	<u>Office Equipment</u> RMB	<u>Electronic</u> <u>Equipment</u> RMB	<u>Total</u> RMB
Cost			
31 December 2022	29,302,047.19	106,328,430.32	135,630,477.51
Additions	3,753,574.30	16,040,908.49	19,794,482.79
Disposals	(8,362,181.15)	(33,395,018.91)	(41,757,200.06)
31 December 2023	<u>24,693,440.34</u>	<u>88,974,319.90</u>	<u>113,667,760.24</u>
Accumulated depreciation			
31 December 2022	18,989,776.41	69,600,894.37	88,590,670.78
Additions	2,937,666.76	12,320,218.13	15,257,884.89
Disposals	(8,111,664.30)	(33,395,018.91)	(41,506,683.21)
31 December 2023	<u>13,815,778.87</u>	<u>48,526,093.59</u>	<u>62,341,872.46</u>
Net book value			
31 December 2022	<u>10,312,270.78</u>	<u>36,727,535.95</u>	<u>47,039,806.73</u>
31 December 2023	<u>10,877,661.47</u>	<u>40,448,226.31</u>	<u>51,325,887.78</u>

BNP PARIBAS (CHINA) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2023

VIII. NOTES TO THE FINANCIAL STATEMENTS - continued

11. RIGHT-OF-USE ASSETS

	<u>Buildings</u> RMB	<u>Office</u> <u>Equipment</u> RMB	<u>Others</u> RMB	<u>Total</u> RMB
Cost				
31 December 2022	187,029,251.54	-	2,044,476.46	189,073,728.00
Additions	38,249,839.63	1,394,790.62	-	39,644,630.25
Disposals	(52,166,093.01)	-	(1,145,103.09)	(53,311,196.10)
31 December 2023	<u>173,112,998.16</u>	<u>1,394,790.62</u>	<u>899,373.37</u>	<u>175,407,162.15</u>
Accumulated depreciation				
31 December 2022	73,991,887.33	-	750,095.51	74,741,982.84
Additions	38,549,879.75	162,725.57	194,589.70	38,907,195.02
Disposals	(52,166,091.99)	-	(714,320.41)	(52,880,412.40)
31 December 2023	<u>60,375,675.09</u>	<u>162,725.57</u>	<u>230,364.80</u>	<u>60,768,765.46</u>
Net book value				
31 December 2022	<u>113,037,364.21</u>	<u>-</u>	<u>1,294,380.95</u>	<u>114,331,745.16</u>
31 December 2023	<u>112,737,323.07</u>	<u>1,232,065.05</u>	<u>669,008.57</u>	<u>114,638,396.69</u>

12. INTANGIBLE ASSETS

	<u>Software</u> RMB
Cost	
31 December 2022	66,907,179.47
Additions	15,816,358.89
Disposals	(28,901.06)
31 December 2023	<u>82,694,637.30</u>
Accumulated amortization	
31 December 2022	36,296,768.65
Additions	9,717,609.27
Disposals	(28,901.06)
31 December 2023	<u>45,985,476.86</u>
Net book value	
31 December 2022	<u>30,610,410.82</u>
31 December 2023	<u>36,709,160.44</u>
Remaining amortization period	1 month ~5 years

NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2023

VIII. NOTES TO THE FINANCIAL STATEMENTS - continued

13. DEFERRED TAX ASSETS

(1) Unoffset deferred tax assets

	Temporary differences/ (taxable temporary differences)		Deferred assets/ (liabilities)	
	31/12/2023 RMB	31/12/2022 RMB	31/12/2023 RMB	31/12/2022 RMB
Changes on fair value of derivative financial instruments	(466,073,567.68)	(748,195,323.60)	(116,518,391.92)	(187,048,830.90)
Changes on fair value of held-for-trading financial assets	(80,921,008.76)	(87,999,798.30)	(20,230,252.19)	(21,999,949.58)
Changes on fair value of other debt investments	(15,499,743.67)	(27,846,806.21)	(3,874,935.92)	(6,961,701.55)
Changes on fair value of Bonds payable	13,563,898.00	-	3,390,974.50	-
Non-deductible accrued expenses	911,749,500.87	838,707,072.02	227,937,375.22	209,676,768.01
Accrued unpaid salaries	156,145,719.38	161,234,701.30	39,036,429.85	40,308,675.33
Deferred interest income	12,272,427.17	14,334,707.48	3,068,106.79	3,583,676.87
Difference of intangible assets amortization	16,171,907.89	12,555,178.99	4,042,976.97	3,138,794.74
Loss provision of loans and advances	259,844,822.65	279,666,184.97	64,961,205.67	69,916,546.24
Loss provision of deposits with other banks	6,081,248.86	10,114,225.48	1,520,312.22	2,528,556.37
Loss provision of debt investments	4,189,093.69	1,865,889.60	1,047,273.42	466,472.40
Loss provision of purchased under resale agreements	-	10,663,324.97	-	2,665,831.24
Loss provision for other assets	3,434,900.23	2,756,390.74	858,725.06	689,097.69
Provision for contingent liabilities	26,925,710.94	29,381,294.85	6,731,427.74	7,345,323.72
Right-of-use assets	(114,638,396.69)	(114,331,745.16)	(28,659,599.17)	(28,582,936.29)
Lease liabilities	131,465,718.69	126,464,540.97	32,866,429.67	31,616,135.25
Written-off loan loss provision	41,926,835.19	-	10,481,708.80	-
Deductible Loss	-	222,195,919.26	-	55,548,979.82
Total	906,639,066.76	731,565,757.36	226,659,766.71	182,891,439.36

The income taxes of the domestic branches and sub-branch of the Bank are settled on a consolidated basis while the deferred tax assets and the deferred tax liabilities are presented on a net basis.

According to the expectation regarding future operations, the Bank believes that sufficient taxable income will be obtained in the future periods to utilize the deductible temporary differences, and thus recognize the relevant deferred tax assets.

NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2023

VIII. NOTES TO THE FINANCIAL STATEMENTS - continued

13. DEFERRED TAX ASSETS - continued

(2) Deferred income tax movement

	<u>2023</u> RMB	<u>2022</u> RMB
Net deferred tax assets at the end of prior year	182,891,439.36	236,857,744.61
Net movement in deferred income tax included in income tax expenses the year	40,720,242.43	(62,041,391.63)
Net movement in deferred income tax included in other comprehensive income this year	3,048,084.92	8,075,086.38
Net deferred tax assets at the end of year	<u>226,659,766.71</u>	<u>182,891,439.36</u>

14. OTHER ASSETS

		<u>31/12/2023</u> RMB	<u>31/12/2022</u> RMB
Others receivables	(1)	3,237,357,665.41	2,086,081,981.98
Long-term prepayments	(2)	33,228,215.44	25,559,166.55
Interest receivable(Note VIII, 26)		2,543,300.79	2,543,300.79
Total other assets		<u>3,273,129,181.64</u>	<u>2,114,184,449.32</u>
Less: other assets provision		<u>3,434,900.23</u>	<u>2,756,390.74</u>
Net other assets		<u>3,269,694,281.41</u>	<u>2,111,428,058.58</u>

NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2023

VIII. NOTES TO THE FINANCIAL STATEMENTS - continued

14. OTHER ASSETS - continued

(1) Other receivables

By nature:

	<u>31/12/2023</u>	<u>31/12/2022</u>
	RMB	RMB
Margin deposits	1,603,082,560.59	1,902,457,171.72
Unsettlements	1,320,508,980.93	70,475,362.13
Advance payments	6,100,655.57	31,242,531.55
Receivables from BNP Paribas Group	262,432,189.57	43,769,419.07
Guarantee deposits	17,424,398.25	17,447,964.55
Receivables of commission	3,403,766.35	6,251,954.70
Others	24,405,114.15	14,437,578.26
Total other receivables	<u>3,237,357,665.41</u>	<u>2,086,081,981.98</u>
Less: other receivables loss provision (a)	<u>3,434,900.23</u>	<u>2,756,390.74</u>
Net other receivables	<u><u>3,233,922,765.18</u></u>	<u><u>2,083,325,591.24</u></u>

(a) Other receivables loss provision

Other receivable loss provision is mainly accrued for guarantee commission fee receivable at the end of 2023 and 2022. The movement is shown below:

	<u>2023</u>	<u>2022</u>
	RMB	RMB
1 January 2023	2,756,390.74	2,231,963.85
Accrual for the year	<u>678,509.49</u>	<u>524,426.89</u>
31 December 2023	<u><u>3,434,900.23</u></u>	<u><u>2,756,390.74</u></u>

NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2023

VIII. NOTES TO THE FINANCIAL STATEMENTS - continued

14. OTHER ASSETS - continued

(2) Long-term prepayments

Leasehold improvement

	<u>2023</u> RMB
31 December 2022	25,559,166.55
Additions	15,903,148.20
Decreases	(278,962.07)
Amortization	(7,955,137.24)
31 December 2023	<u>33,228,215.44</u>

15. DUE TO THE CENTRAL BANK

	<u>2023</u> RMB
Due to the Central bank	300,000,000.00
Accrued interest	323,570.51
Total	<u>300,323,570.51</u>

16. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	<u>31/12/2023</u> RMB	<u>31/12/2022</u> RMB
Due to domestic banks	1,541,205,837.67	710,482,410.02
Due to overseas banks	1,740,932,840.24	1,827,860,491.71
Accrued interest	19,013,590.12	16,902,223.12
Total	<u>3,301,152,268.03</u>	<u>2,555,245,124.85</u>

17. TAKINGS FROM OTHER BANKS

	<u>31/12/2023</u> RMB	<u>31/12/2022</u> RMB
Takings from domestic banks	1,000,000,000.00	-
Takings from overseas banks	240,811,800.00	5,453,633,822.90
Accrued interest	16,166,919.84	6,230,720.73
Total	<u>1,256,978,719.84</u>	<u>5,459,864,543.63</u>

NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2023

VIII. NOTES TO THE FINANCIAL STATEMENTS - continued

18. HELD-FOR-TRADING FINANCIAL LIABILITIES

	<u>31/12/2023</u> RMB
Government bonds	557,431,746.51
Total	<u>557,431,746.51</u>

19. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	<u>31/12/2023</u> RMB	<u>31/12/2022</u> RMB
Bonds	3,777,623,000.00	2,113,500,000.00
Accrued interest	892,198.05	685,503.40
Total	<u>3,778,515,198.05</u>	<u>2,114,185,503.40</u>

The balance of assets sold under repurchase agreements refers to repurchase agreements of collateralized bonds. The collateralized bonds amounted to RMB 3,886,000,000.00 (2022: RMB 2,230,000,000.00).

20. CUSTOMER DEPOSITS

	<u>31/12/2023</u> RMB	<u>31/12/2022</u> RMB
Current deposits		
Corporates	5,131,236,619.29	9,842,125,129.61
Individuals	1,401,765.19	85,431,160.26
Subtotal	<u>5,132,638,384.48</u>	<u>9,927,556,289.87</u>
Term deposits (including notice deposit)		
Corporates	13,304,964,934.44	14,355,802,800.07
Individuals	-	25,417,227.30
Subtotal	<u>13,304,964,934.44</u>	<u>14,381,220,027.37</u>
Margin deposit received	17,976,476.98	27,000.00
Accrued interest	99,516,525.46	88,793,176.35
Total	<u>18,555,096,321.36</u>	<u>24,397,596,493.59</u>

NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2023

VIII. NOTES TO THE FINANCIAL STATEMENTS - continued

21. PAYABLE TO EMPLOYEES

	<u>31/12/2022</u> RMB	<u>Accrual</u> RMB	<u>Payment</u> RMB	<u>31/12/2023</u> RMB
Salary and bonus (Note 1)	117,013,193.77	379,550,106.83	382,690,573.73	113,872,726.87
Share-based payment	11,067,287.37	26,313,041.69	21,052,834.00	16,327,495.06
Social insurance and benefits	33,154,220.16	99,481,030.06	106,689,752.77	25,945,497.45
Including: Defined contribution plan (Note 2)	-	26,587,992.30	26,587,992.30	-
Total	<u>161,234,701.30</u>	<u>505,344,178.58</u>	<u>510,433,160.50</u>	<u>156,145,719.38</u>

Note 1: As of 31 December 2023, the bonus payable includes RMB 25,751,140.60 of deferred bonus payable to board directors, senior management and employee with significant influence on risk after the year 2023 (31 December 2022: RMB 19,034,061.72).

Note 2: The Bank participates in the endowment insurance and unemployment insurance plans established by the Government. The Bank and each branch and sub-branch pay for the insurance in accordance with ratio regulated by local regulators. Besides the above-mentioned expense, the Bank does not undertake any further payment obligation. The related expenses are recorded in the current profit and loss in current period. The Bank should pay RMB 26,587,992.30 to the endowment insurance and unemployment insurance plans. (31 December 2022: RMB 24,094,751.29). As at 31 December 2023 and 31 December 2022, the Bank has no outstanding insurance payable balance.

Note 3: The Bank has no enterprise annuity.

22. TAX PAYABLE

	<u>31/12/2023</u> RMB	<u>31/12/2022</u> RMB
Income tax	47,387,133.35	(45,264,135.29)
VAT	8,175,162.69	24,753,782.40
Tax and surcharges	1,353,145.53	3,300,142.80
Others	37,453,149.04	41,544,333.59
Total	<u>94,368,590.61</u>	<u>24,334,123.50</u>

Others mainly include accrual taxes and withholding individual income, etc.



NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2023

VIII. NOTES TO THE FINANCIAL STATEMENTS - continued

23. BONDS PAYABLE

	<u>31/12/2023</u> RMB	<u>31/12/2022</u> RMB
Negotiable certificates of deposits(a)	3,068,780,719.31	3,544,949,965.27
Financial bonds(b)	1,013,625,881.00	-
Accrued interest	25,287,671.23	-
Total	<u>4,107,694,271.54</u>	<u>3,544,949,965.27</u>

(a) The Bank had 6 unexpired interbank negotiable certificates of deposit as at 31 December 2023 (as at 31 December 2022: 11 certificates), amounting to RMB 3,100 million (as at 31 December 2022: 3,570 million), which were all zero coupon bonds. The interbank negotiable certificate of deposits are in 9 months to 1 year term with an annual interest rate from 2.294% to 2.808% (as at 31 December 2022: from 1.90% to 2.634%).

(b) At 21 March, 2023, The Bank issued a 3-year-term fixed rate financial bond amounting to RMB 1,000 million with an annual interest rate of 3.25%

24. LEASE LIABILITIES

	<u>31/12/2023</u> RMB	<u>31/12/2022</u> RMB
Buildings	133,658,500.15	129,267,202.59
Office equipments	1,237,345.43	-
Others	698,987.42	1,326,452.73
Total	<u>135,594,833.00</u>	<u>130,593,655.32</u>

The maturity analysis of lease liabilities is as follows:

	<u>31/12/2023</u> RMB	<u>31/12/2022</u> RMB
Within 1 year	14,056,906.46	34,993,165.86
1 to 2 years	15,980,283.90	11,873,787.91
2 to 5 years	51,388,584.88	37,023,791.33
Over 5 years	54,169,057.76	46,702,910.22
Total	<u>135,594,833.00</u>	<u>130,593,655.32</u>

NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2023

VIII. NOTES TO THE FINANCIAL STATEMENTS - continued

25. OTHER LIABILITIES

	<u>31/12/2023</u> RMB	<u>31/12/2022</u> RMB
Due to BNP Paribas Group	93,630,959.11	97,164,521.07
Accrued expense for BNP Paribas Group	555,273,576.94	612,356,482.75
Deferred income to BNP Paribas Group	79,076.36	131,241.02
Other deferred income	24,769,098.78	19,170,322.04
Suspense accounts	57,258,281.18	67,258,878.73
Accrued expense - other	34,550,752.01	31,662,125.34
Bonds transaction to be settled	399,781,783.17	6,633,157.80
Derivative transaction to be settled	-	5,803,327.86
Derivative margin deposit payable	74,781,231.24	-
Provision for contingent liabilities (1)	26,925,710.94	29,381,294.85
Others	50,509,434.55	59,316,082.64
Accrued interest of derivative margin deposit	300,969.66	-
Total	<u>1,317,860,873.94</u>	<u>928,877,434.10</u>

(1) Provision for contingent liabilities

The provision for contingent liabilities are loss allowances for the off-balance sheet business. The movements of provision for contingent liabilities are as follows:

	<u>2023</u> RMB	<u>2022</u> RMB
1 January 2023	29,381,294.85	33,223,779.90
Reversal for the year	(2,455,583.91)	(3,842,485.05)
31 December 2023	<u>26,925,710.94</u>	<u>29,381,294.85</u>

NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2023

VIII. NOTES TO THE FINANCIAL STATEMENTS - continued

26. INTEREST RECEIVABLE, PAYBLE AND ACCRUED INTEREST

According to relevant requirements of “Measures for the Information Disclosure of Commercial Banks” (Order No.7 in 2007 of China Banking Regulatory Commission), the movements of the Bank’s interest receivable and accrued interest are stated as follows:

	<u>31/12/2022</u> RMB	<u>Addition</u> RMB	<u>Decrease</u> RMB	<u>31/12/2023</u> RMB
Bonds investments	105,148,643.85	213,738,736.56	164,068,844.09	154,818,536.32
Loans and advances	74,312,247.99	492,740,515.97	501,814,524.09	65,238,239.87
Placement activities with Central Bank, other banks and other financial institutions	98,960,875.10	424,121,446.29	480,847,044.18	42,235,277.21
Financial assets purchased under resale agreements	623,218.73	511,069.69	1,134,288.42	-
Others	-	54,942.98	54,942.98	-
Total	<u>279,044,985.67</u>	<u>1,131,166,711.49</u>	<u>1,147,919,643.76</u>	<u>262,292,053.40</u>

The movements of the Bank’s interest payable and accrued interest are stated as follows:

	<u>31/12/2022</u> RMB	<u>Additional</u> RMB	<u>Payments</u> RMB	<u>31/12/2023</u> RMB
Customer deposits	88,793,176.35	363,754,614.71	353,031,265.60	99,516,525.46
Placement activities with banks and other financial institutions	23,132,943.85	135,179,276.19	123,131,710.08	35,180,509.96
Bonds payable	-	25,287,671.23	-	25,287,671.23
repurchase agreements	685,503.40	68,777,182.75	68,570,488.10	892,198.05
Due to the Central Bank	-	1,740,666.66	1,417,096.15	323,570.51
Others	-	13,445,405.88	13,144,436.22	300,969.66
Total	<u>112,611,623.60</u>	<u>608,184,817.42</u>	<u>559,294,996.15</u>	<u>161,501,444.87</u>

27. PAID-IN CAPITAL

	<u>Paid-in capital</u> RMB
BNP PARIBAS (CHINA) LIMITED	<u>8,711,347,906.00</u>

NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2023

VIII. NOTES TO THE FINANCIAL STATEMENTS - continued

28. SURPLUS RESERVE

	<u>2023</u> RMB	<u>2022</u> RMB
Balance at 31 December 2022	633,367,483.02	591,908,030.63
Addition during 2023	28,531,782.11	41,459,452.39
Balance at 31 December 2023	<u>661,899,265.13</u>	<u>633,367,483.02</u>

Note: In accordance with the Bank's Articles of Association, the Bank appropriated 10% of its net profit of current year after making up losses of prior years to Reserve Fund. When the accumulated amount of statutory surplus reserves reaches at least 50% of registered capital of the Bank, it can no longer be withdrawn.

29. GENERAL RESERVE

	<u>31/12/2022</u> RMB	<u>Addition</u> RMB	<u>31/12/2023</u> RMB
General reserve	<u>659,373,016.67</u>	<u>-</u>	<u>659,373,016.67</u>

Pursuant to circular issued by Ministry of Finance (Caijin [2012] No.20) "Measures on General Allowance for Impairment Loss for Bad and Doubtful Debts for Financial Institutions", financial institutes should provide reserve for the risks and loss subject to depreciation of assets. These include loans and advances, available-for-sale financial assets, held-to-maturity investments, long-term equity investments, deposits with banks and other financial institutions, placements with other banks, mortgage assets and other receivables, etc. In principle, not less than 1.5% of proportion from net income should be provided for general reserve as the part of owners' equity. As of 31 December 2023, the general reserve accrued was sufficient.

NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2023

VIII. NOTES TO THE FINANCIAL STATEMENTS - continued

30. RETAINED EARNINGS

	<u>2023</u> RMB	<u>2022</u> RMB
At the end of prior year	818,093,550.17	444,958,478.66
Add: Net profit	285,317,821.05	414,594,523.90
Less: Appropriation of statutory surplus reserve (Note VIII. 28)	(28,531,782.11)	(41,459,452.39)
Others (Note)	(20,000,000.00)	-
At the end of the year	<u>1,054,879,589.11</u>	<u>818,093,550.17</u>

Note: In accordance with the resolution of the Board of Directors and the resolution of the Shareholders of the Bank on 19 January 2023, the Bank donated RMB 20,000,000.00 to Bank of Nanjing. The Bank took the donation as an equity transaction and the amount of the donation was deducted from retained earnings.

31. NET INTEREST INCOME

	<u>2023</u> RMB	<u>2022</u> RMB
Interest income		
- Deposits with the Central Bank	30,712,299.94	36,873,945.32
- Deposits and placements with banks and other financial institutions	393,409,146.35	398,764,570.56
- Financial assets purchased under resale agreement	511,069.69	2,759,411.25
- Loans and advances	492,740,515.97	528,421,511.76
- Bond investments	213,738,736.56	186,628,788.97
- Others	54,942.98	550,193.10
Subtotal	<u>1,131,166,711.49</u>	<u>1,153,998,420.96</u>
Interest expense		
- Due to banks and other financial institutions and takings from other banks	148,624,682.07	148,991,919.84
- Financial assets sold under repurchase agreement	68,777,182.75	52,271,803.99
- Customer deposits	363,754,614.71	356,497,267.16
- Bonds payable	116,368,505.73	91,326,479.62
- Due to the Central Bank	1,740,666.66	-
- Others	5,078,928.37	5,112,248.49
Subtotal	<u>704,344,580.29</u>	<u>654,199,719.10</u>
Net interest income	<u>426,822,131.20</u>	<u>499,798,701.86</u>

BNP PARIBAS (CHINA) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2023

VIII. NOTES TO THE FINANCIAL STATEMENTS - continued

32. NET FEE AND COMMISSION INCOME

	<u>2023</u> RMB	<u>2022</u> RMB
Fee and commission income		
- Commission income allocated by BNP Paribas and related parties	220,608,314.97	293,535,211.84
- Guarantee	52,545,101.68	40,460,422.49
- Consulting and agency	6,690,708.66	15,674,379.03
- Settlement and clearing	5,852,379.04	8,449,195.62
- Asset custody	1,171,066.32	2,492,729.17
- Others	18,703,412.51	25,091,211.91
Subtotal	<u>305,570,983.18</u>	<u>385,703,150.06</u>
Fee and commission expense		
-Guarantees and other expenses allocated from BNP Paribas and its branches	16,249,818.02	9,238,917.96
- Others	86,909,036.00	59,788,265.29
Subtotal	<u>103,158,854.02</u>	<u>69,027,183.25</u>
Net fee and commission income	<u>202,412,129.16</u>	<u>316,675,966.81</u>

33. INVESTMENT INCOME

	<u>2023</u> RMB	<u>2022</u> RMB
Derivative financial instruments	233,966,295.81	(4,506,843.83)
Held-for-trading financial assets	176,623,788.80	189,414,529.68
Other debt investments	15,506,194.48	15,740,417.60
Total	<u>426,096,279.09</u>	<u>200,648,103.45</u>

34. FAIR VALUE (LOSSES)/GAINS

	<u>2023</u> RMB	<u>2022</u> RMB
Fair value losses from held-for-trading financial assets	(7,078,789.54)	(29,912,242.94)
Fair value losses from held-for-trading financial liabilities	(1,698,251.64)	-
Fair value (losses)/gains from derivative instruments	(34,044,637.00)	159,633,815.69
Fair value loss from hedged items	(13,563,898.00)	-
Total	<u>(56,385,576.18)</u>	<u>129,721,572.75</u>

BNP PARIBAS (CHINA) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2023

VIII. NOTES TO THE FINANCIAL STATEMENTS - continued

35. FOREIGN EXCHANGE GAINS

	<u>2023</u> RMB	<u>2022</u> RMB
Revaluation gains of net exposure of foreign currency position	141,110,979.32	214,414,548.90
Gains from spot foreign exchange transactions	181,560,252.78	462,217,467.96
Losses from foreign exchange derivative financial instruments	(191,082,518.33)	(385,256,019.79)
Total	<u>131,588,713.77</u>	<u>291,375,997.07</u>

36. LOSSES ON DISPOSAL OF ASSETS

	<u>2023</u> RMB	<u>2022</u> RMB
Losses on disposal of long-term prepayments	278,802.58	-
Losses on disposal of fix assets	200,551.66	-
Losses on disposal of intangible assets	-	375,205.72
Total	<u>479,354.24</u>	<u>375,205.72</u>

37. GENERAL AND ADMINISTRATIVE EXPENSES

	<u>2023</u> RMB	<u>2022</u> RMB
Salaries and bonus	405,863,148.52	399,910,381.78
Information support services expenses	207,708,957.39	271,992,040.62
Depreciation and amortization expenses	71,837,826.42	65,559,108.80
Other welfare costs	56,609,430.36	47,189,733.48
Social insurance	42,871,599.70	39,041,461.84
IT and computer maintenance	34,612,557.78	35,926,443.70
Consulting and professional services expenses	18,140,340.31	16,129,076.23
Rental and utilities	10,226,392.22	9,658,782.15
Recruitment and training expenses	5,385,709.29	7,792,157.19
Supervision fees	5,749,688.05	6,299,392.48
Travelling expenses	6,106,308.69	2,352,735.39
Entertainment expenses	2,526,578.72	1,470,955.51
Others	1,705,346.55	21,471,038.66
Total	<u>869,343,884.00</u>	<u>924,793,307.83</u>

BNP PARIBAS (CHINA) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2023

VIII. NOTES TO THE FINANCIAL STATEMENTS - continued

38. CREDIT IMPAIRMENT (REVERSALS)/LOSSES

	<u>2023</u> RMB	<u>2022</u> RMB
Due from other banks	(4,147,519.35)	2,510,662.72
Placements with banks and other financial institutions	3,705,728.30	(20,906,336.99)
Financial assets purchased under resale agreements	(10,663,324.97)	10,663,324.97
Loans and advances	(28,772,587.60)	37,829,960.44
Debt investments	2,323,204.09	184,143.68
Other debt investments	154,722.81	54,116.49
ECL on off-balance sheet assets	(2,455,583.91)	(3,842,485.05)
Others	678,509.49	524,426.89
Total	<u>(39,176,851.14)</u>	<u>27,017,813.15</u>

39. NON-OPERATING INCOME

	<u>2023</u> RMB	<u>2022</u> RMB
Liquidated damages for letter of guarantee	-	1,248,136.05
Others	2,471.00	17,127.57
Total	<u>2,471.00</u>	<u>1,265,263.62</u>

40. NON-OPERATING EXPENSES

	<u>2023</u> RMB	<u>2022</u> RMB
Penalty	2,100,000.00	-
Total	<u>2,100,000.00</u>	<u>-</u>

41. INCOME TAX EXPENSES

	<u>2023</u> RMB	<u>2022</u> RMB
Current income tax	47,387,133.35	-
Deferred tax	(40,720,242.43)	62,041,391.63
Total	<u>6,666,890.92</u>	<u>62,041,391.63</u>



NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2023

VIII. NOTES TO THE FINANCIAL STATEMENTS - continued

41. INCOME TAX EXPENSES - continued

Reconciliation of income tax expenses to accounting profit is as follows:

	<u>2023</u> RMB	<u>2022</u> RMB
Profit before income tax	291,984,711.97	476,635,915.53
Income tax calculated at statutory tax rate 25%	72,996,177.99	119,158,978.88
Non-deductible expenses	11,302,025.20	7,416,124.57
Non-taxable proceeds	(82,923,501.78)	(62,224,673.31)
Implications from utilization of previous year unconfirmed deductible temporary tax differences	5,292,189.51	(2,309,038.51)
Total	<u>6,666,890.92</u>	<u>62,041,391.63</u>

42. OTHER COMPREHENSIVE INCOME

(1) Other comprehensive income

	<u>2023</u> RMB	<u>2022</u> RMB
Change in fair value of other debt investments	(12,347,062.54)	(32,354,462.01)
ECL charged to other debt investments	154,722.81	54,116.49
Less: Tax impact resulting from other debt investments	(3,048,084.92)	(8,075,086.38)
Total	<u>(9,144,254.81)</u>	<u>(24,225,259.14)</u>

(2) Changes in other comprehensive income

	<u>2023</u> RMB	<u>2022</u> RMB
31 December 2022	20,936,596.43	45,161,855.57
Addition/ (Reduction)	(9,144,254.81)	(24,225,259.14)
At the end of the year	<u>11,792,341.62</u>	<u>20,936,596.43</u>

BNP PARIBAS (CHINA) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2023

VIII. NOTES TO THE FINANCIAL STATEMENTS - continued

43. CASH AND CASH EQUIVALENTS

	<u>31/12/2023</u> RMB	<u>31/12/2022</u> RMB
Demand deposit with Central Bank	2,472,447,768.45	3,954,857,983.18
Deposits with banks and other financial institutions (originally maturity within three months)	1,115,020,294.23	1,500,643,193.47
Financial assets purchased under resale agreements (original maturity within three months)	-	2,132,664,989.00
Placements with banks and other financial institutions (original maturity within three months)	306,500,000.00	1,879,746,400.00
Cash and cash equivalents at year end	<u>3,893,968,062.68</u>	<u>9,467,912,565.65</u>

44. NOTES TO THE CASH FLOW STATEMENT

	<u>2023</u> RMB	<u>2022</u> RMB
Reconciliation of net profit to cash flows from operating activities		
Net profit after tax	285,317,821.05	414,594,523.90
Add: Credit impairment (reversals)/losses	(39,176,851.14)	27,017,813.15
Depreciation and amortization	71,837,826.42	65,559,108.80
Increase in deferred income	5,546,612.08	865,104.26
Fair value losses/(gains)	56,385,576.18	(129,721,572.75)
(Gains)/losses from changes in fair value of foreign exchange financial instruments	(1,081,426,609.20)	677,856,065.71
Disposal loss from fixed assets, intangible asset and other long-term assets	479,354.24	373,114.74
Disposal gain from other debt investments	(15,506,194.48)	(15,740,417.60)
Deferred tax	(40,720,242.43)	62,041,391.63
Interest received from bonds investments	(213,738,736.56)	(186,628,788.97)
Interest paid for issued bonds	116,368,505.73	91,326,479.62
Interest paid for lease liabilities	5,078,928.37	5,112,248.49
Decrease in operating receivables	3,963,539,240.85	489,106,828.30
Decrease in operating payables	(6,903,987,690.83)	(6,115,816,668.69)
Net cash used in operating activities	<u>(3,790,002,459.72)</u>	<u>(4,614,054,769.41)</u>
Net decrease in cash and cash equivalents		
Cash at the end of the year	3,587,468,062.68	5,421,374,636.65
Less: Cash at the beginning of the year	5,421,374,636.65	3,886,762,809.16
Add: Cash equivalents at the end of the year	306,500,000.00	4,046,537,929.00
Less: Cash equivalents at the beginning of the year	4,046,537,929.00	8,294,454,930.06
Net decrease in cash and cash equivalents	<u>(5,573,944,502.97)</u>	<u>(2,713,305,173.57)</u>

NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2023

VIII. NOTES TO THE FINANCIAL STATEMENTS - continued

45. SEGMENT INFORMATION

According to the Bank's internal organizational structure, regulatory requirements and internal reporting system, the Bank's businesses are divided into four segments. The Bank's management periodically evaluates the operating results of these segments reporting, to determine resources allocation and evaluate the performance.

Information of segment reporting is disclosed based on the accounting policies and measurement basis used when segments report provided to the management. This measurement basis should also be consistent with the accounting policies and measurement used when preparing the financial statements.

Segment information:

Item	2023					
	Shanghai RMB	Beijing RMB	Guangzhou RMB	Tianjin RMB	Elimination RMB	Total RMB
Interest income	1,131,020,543.33	239,408,907.21	67,838,063.08	32,507,064.64	(339,607,866.77)	1,131,166,711.49
Interest expense	(846,487,259.58)	(158,008,343.85)	(38,007,232.43)	(1,449,611.20)	339,607,866.77	(704,344,580.29)
Net interest income	284,533,283.75	81,400,563.36	29,830,830.65	31,057,453.44	-	426,822,131.20
Fee and commission income	253,096,781.63	89,676,934.90	16,239,642.92	2,241,428.48	(55,683,804.75)	305,570,983.18
Fee and commission expense	(152,123,426.92)	(5,312,198.46)	(1,277,545.54)	(129,487.85)	55,683,804.75	(103,158,854.02)
Net fee and commission income	100,973,354.71	84,364,736.44	14,962,097.38	2,111,940.63	-	202,412,129.16
Investment gains/(losses)	442,492,679.83	(16,396,402.18)	1.44	-	-	426,096,279.09
Fair value losses	(56,385,576.18)	-	-	-	-	(56,385,576.18)
Foreign exchange gains/(losses)	133,682,442.50	(757,587.34)	(680,000.30)	(656,141.09)	-	131,588,713.77
(Losses)/gains on disposal of assets	(484,265.74)	-	4,911.50	-	-	(479,354.24)
Other income	636,510.64	109,432.37	12,841.60	75,091.72	-	833,876.33
Operating income	905,448,429.51	148,720,742.65	44,130,682.27	32,588,344.70	-	1,130,888,199.13
Tax and surcharges	(4,325,850.08)	(939,826.95)	(231,980.91)	(12,429.77)	-	(5,510,087.71)
General and administrative expenses	(746,780,911.19)	(91,708,943.61)	(23,689,402.88)	(7,164,626.32)	-	(869,343,884.00)
Impairment reversals/(losses) for credit	37,990,744.20	(1,099,153.01)	2,181,292.50	103,967.45	-	39,176,851.14
Other expenses	(1,128,837.59)	-	-	-	-	(1,128,837.59)
Operating expense	(714,244,854.66)	(93,747,923.57)	(21,740,091.29)	(7,073,088.64)	-	(836,805,958.16)
Operating profit	191,203,574.85	54,972,819.08	22,390,590.98	25,515,256.06	-	294,082,240.97
Non-operating income	2,111.00	350.00	10.00	-	-	2,471.00
Non-operating expense	(2,100,000.00)	-	-	-	-	(2,100,000.00)
Total profit	189,105,685.85	54,973,169.08	22,390,600.98	25,515,256.06	-	291,984,711.97
Total assets	56,305,162,962.79	3,137,302,577.20	1,792,567,189.89	516,423,793.03	(3,752,500,872.95)	57,998,955,649.96
Total liabilities	(45,684,359,460.31)	(2,916,019,395.69)	(1,689,340,521.20)	(362,445,027.18)	3,752,500,872.95	(46,899,663,531.43)
Depreciation and Amortization (Note VIII, 37)	57,235,710.77	10,981,782.84	2,631,779.57	988,553.24	-	71,837,826.42

NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2023

VIII. NOTES TO THE FINANCIAL STATEMENTS - continued

45. SEGMENT INFORMATION - continued

Segment information: - continued

Item	2022					
	Shanghai RMB	Beijing RMB	Guangzhou RMB	Tianjin RMB	Elimination RMB	Total RMB
Interest income	1,151,728,364.49	186,795,636.57	26,376,320.15	12,850,448.99	(223,752,349.24)	1,153,998,420.96
Interest expense	(693,909,869.73)	(163,014,854.84)	(17,988,442.41)	(3,038,901.36)	223,752,349.24	(654,199,719.10)
Net interest income	457,818,494.76	23,780,781.73	8,387,877.74	9,811,547.63	-	499,798,701.86
Fee and commission income	337,651,826.65	89,296,171.34	13,652,637.20	2,795,085.90	(57,692,571.03)	385,703,150.06
Fee and commission expense	(123,536,044.70)	(2,571,467.34)	(517,005.26)	(95,236.98)	57,692,571.03	(69,027,183.25)
Net fee and commission income	214,115,781.95	86,724,704.00	13,135,631.94	2,699,848.92	-	316,675,966.81
Investment gain	207,290,687.21	(6,642,583.76)	-	-	-	200,648,103.45
Fair value gains	129,721,572.75	-	-	-	-	129,721,572.75
Foreign exchange gains/ (losses)	307,721,420.16	(10,901,815.54)	(2,414,538.89)	(3,029,068.66)	-	291,375,997.07
Losses on disposal of assets	(375,205.72)	-	-	-	-	(375,205.72)
Other income	745,137.75	131,886.52	16,648.91	55,650.30	-	949,323.48
Operating income	1,317,037,888.86	93,092,972.95	19,125,619.70	9,537,978.19	-	1,438,794,459.70
Tax and surcharges	(8,585,186.69)	(1,278,582.58)	(309,731.57)	(22,231.73)	-	(10,195,732.57)
General and administrative expenses	(800,033,213.21)	(93,357,004.21)	(23,840,305.51)	(7,562,784.90)	-	(924,793,307.83)
Impairment (charge)/reversal for credit	(27,480,260.29)	(5,394,902.09)	(1,140,356.61)	6,997,705.84	-	(27,017,813.15)
Other expenses	(1,416,954.24)	-	-	-	-	(1,416,954.24)
Operating expense	(837,515,614.43)	(100,030,488.88)	(25,290,393.69)	(587,310.79)	-	(963,423,807.79)
Operating profit/(loss)	479,522,274.43	(6,937,515.93)	(6,164,773.99)	8,950,667.40	-	475,370,651.91
Non-operating income	14,138.66	1,250,527.03	597.93	-	-	1,265,263.62
Total profit/(loss)	479,536,413.09	(5,686,988.90)	(6,164,176.06)	8,950,667.40	-	476,635,915.53
Total assets	61,194,804,373.04	5,158,157,366.92	1,147,537,508.21	568,229,733.65	(4,979,345,685.41)	63,089,383,296.41
Total liabilities	(50,730,936,983.36)	(4,989,080,007.48)	(1,066,063,688.59)	(439,529,750.10)	4,979,345,685.41	(52,246,264,744.12)
Depreciation and Amortization (Note VIII, 37)	50,623,535.37	11,285,616.09	2,658,151.45	991,805.89	-	65,559,108.80

IX. COMMITMENTS AND CONTINGENT LIABILITIES

1. Credit commitments and financial guarantee

	Contract amount	
	31/12/2023 RMB	31/12/2022 RMB
Guarantee	12,243,429,771.88	7,539,558,707.46
Bank acceptance	3,105,403,456.70	4,035,613,851.67
Letters of credit	846,024,316.07	1,053,066,718.64
Letter of credit acceptances	59,750,899.31	371,190,455.00
Irrevocable credit commitments	1,186,365,730.51	1,551,014,848.82
Total	17,440,974,174.47	14,550,444,581.59

BNP PARIBAS (CHINA) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2023

IX. COMMITMENTS AND CONTINGENT LIABILITIES - continued

2. Fiduciary activities

	<u>31/12/2023</u> RMB	<u>31/12/2022</u> RMB
Entrusted loans business	26,360,868,641.32	19,326,599,251.84
Asset custody business	3,692,255,520.59	7,379,054,039.78

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

1. Related parties relationship

(1) Related party who controls the Bank or is controlled by the Bank

<u>Name of entity</u>	<u>Registered location</u>	<u>Main business</u>	<u>Relations with the Bank</u>	<u>Nature</u>	<u>CEO</u>
BNP Paribas	16 Boulevard des Italiens, 75009 Paris	Banking	Parent company	Foreign company	Jean-Laurent Bonnafe

Changes in share capital and other paid-in capital of related party which controls the Bank or is controlled by the Bank.

<u>Name of entity</u>	<u>31 December 2022</u> Million EUR	<u>Net decrease</u> Million EUR	<u>31 December 2023</u> Million EUR
BNP Paribas	26,190	(4,988)	21,202

(2) The following are other related parties which have transactions with the Bank while no control relationship exists:

<u>Names of related parties</u>	<u>Relationship with the Bank</u>
BNP Paribas Hong Kong Branch	Branch of the parent company
BNP Paribas Taipei Branch	Branch of the parent company
BNP Paribas New York Branch	Branch of the parent company
BNP Paribas Singapore Branch	Branch of the parent company
BNP Paribas London Branch	Branch of the parent company
BNP Paribas Tokyo Branch	Branch of the parent company
BNP Paribas S.A., San Francisco Branch	Branch of the parent company
BNP Paribas S.A., Madrid Branch	Branch of the parent company
BNP Paribas Canada Branch	Branch of the parent company
BNP Paribas USA Chicago Branch	Branch of the parent company

## BNP PARIBAS (CHINA) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2023

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#### X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS - continued

##### 1. Related parties relationship - continued

- (2) The following are other related parties which have transactions with the Bank while no control relationship exists: - continued

<u>Names of related parties</u>	<u>Relationship with the Bank</u>
BNP Paribas German Branch	Branch of the parent company
BNP Paribas Netherlands Branch	Branch of the parent company
BNP Paribas Sydney Branch	Branch of the parent company
BNP Paribas SA (Seoul Branch)	Branch of the parent company
BNP Paribas Spain Branch	Branch of the parent company
BNP PARIBAS S.A., BANKFILIAL SVERIGE	Branch of the parent company
BNP PARIBAS LABUAN BRANCH	Branch of the parent company
BNP PARIBAS IRELAND	Branch of the parent company
BNP PARIBAS, INDIA.	Branch of the parent company
BNP PARIBAS BANK POLSKA S.A.	Controlled by the parent company
BNP Paribas (Suisse) S.A.	Controlled by the parent company
BNP PARIBAS EL DJAZAIR ALGIERS DZ	Controlled by the parent company
BNP Paribas India Solutions Pvt. Ltd.	Controlled by the parent company
BNP Paribas Commodities Trading (Shanghai) Co., Ltd	Controlled by the parent company
BNP Paribas (Chengdu) Representative Office	Controlled by the parent company
BNP Paribas Equities (Asia) Limited, Shanghai Representative Office	Controlled by the parent company
BNP Paribas Equities (Asia) Limited, Beijing Representative Office	Controlled by the parent company
Banca Nazionale Del Lavoro S.P.A.	Controlled by the parent company
BNP Paribas Fortis SA/NV	Controlled by the parent company
BNPP PROCUREMENT TECH	Controlled by the parent company
BNP Paribas Net Ltd.	Controlled by the parent company
BGL BNP Paribas	Controlled by the parent company
BNP Paribas Overseas Investment Fund Management (Shanghai) Co., Ltd.	Controlled by the parent company
BNP PARIBAS ASSET MANAGEMENT LUXEMBOURG	Controlled by the parent company
TURK EKONOMI BANKASI A.S.	Controlled by the parent company

NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2023

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X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS - continued

1. Related parties relationship - continued

- (2) The following are other related parties which have transactions with the Bank while no control relationship exists: - continued

<u>Names of related parties</u>	<u>Relationship with the Bank</u>
Bank of the West(Note)	Controlled by the parent company
BNP Paribas ABC Wealth Management Co., Ltd.	Controlled by the parent company
PT BANK BNP PARIBAS INDONESIA	Controlled by the parent company
BNP Paribas Financial Markets (BNP Paribas Arbitrage)	Controlled by the parent company
BOB-Cardif Life Insurance Co. Ltd. Shanghai Branch	Significantly influenced by the parent Company
Shanghai Jiutong Financial Leasing Company Limited	Significantly influenced by the parent Company
HFT Investment Management Co., Ltd.	Significantly influenced by the parent Company
Genius Auto Finance Co., Ltd	Significantly influenced by the parent Company
Bank of Nanjing	Significantly influenced by the parent Company
Zhejiang Wisdom Puhua Finance Leasing Co., Ltd.	Significantly influenced by the parent Company
Shanghai HFT Fortune Asset Management Co. Ltd.	Significantly influenced by the parent Company

Note: From 4 February 2023, Bank of the West was no longer the Bank's related party.

## BNP PARIBAS (CHINA) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2023

#### X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS - continued

##### 1. Related parties relationship - continued

(2) The following are other related parties which have transactions with the Bank while no control relationship exists: - continued

Details for related parties controlled or significantly influenced by the parent company:

The Name of Entity	Registered Address	Major Business	Economic Nature	CEO	Paid-in Capital at the Beginning of the Year	Net Increase/(Decrease)	Paid-in Capital at the End of the Year
Shanghai Jiutong Financial Leasing Company Limited	Shanghai	Auto finance leasing	Sino-foreign Joint Venture	Zhang Chengbin	RMB 549,161,822	-	RMB 549,161,822
BNP Paribas (Chengdu) Representative Office	Chengdu, Sichuan	Other business services	Foreign enterprise	Lin Xunli	-	-	-
BNP Paribas Commodities Trading (Shanghai) Co., Ltd	Shanghai	Metal and metal mine wholesale	Sole proprietorship from Taiwan, Hong Kong and Macau	Mikko Petteri RUSI	USD 40,000,000	-	USD 40,000,000
BNP Paribas Equities (Asia) Limited Beijing Representative Office	Beijing	Other business services	Foreign enterprise	Ma Siqi	-	-	-
BNP Paribas Equities (Asia) Limited Shanghai Representative Office	Shanghai	Other business services	Foreign enterprise	Cao Zirong	-	-	-
HFT Investment Management Co., Ltd.	Shanghai	Assets management	Sino-foreign Joint Venture	Yang Cangbing	RMB 300,000,000	-	RMB 300,000,000
BNP Paribas Financial Markets (BNP Paribas Arbitrage)	Paris, France	Assets investment	Foreign Investment	Jacques Vigner, François Demon	EUR 367,316,368	-	EUR 367,316,368
BNP Paribas Overseas Investment Fund Management (Shanghai) Co., Ltd.	Shanghai	Assets management	Sole proprietorship from Taiwan, Hong Kong and Macau	Wang Guoguang	EUR 5,000,000	-	EUR 5,000,000
Genius Auto Finance Co., Ltd.	Shanghai	Services for auto finance companies	Sino-foreign Joint Venture	Han Xu	RMB 4,000,000,000	-	RMB 4,000,000,000
BNP PARIBAS ASSET MANAGEMENT LUXEMBOURG	Luxembourg	Financial assets management	Foreign enterprise	STEPHANE BRUNET	EUR 3,000,000	-	EUR 3,000,000
Zhejiang Wisdom Puhua Finance Leasing Co., Ltd.	Ningbo, Zhejiang	Finance leasing	Sino-foreign Joint Venture	Wang Jing	USD 107,860,000	-	USD 107,860,000
BNP PARIBAS (SUISSE) SA	Switzerland Geneva	Bank	Foreign Enterprise	Enna PARISSET	CHF 320,270,600	-	CHF 320,270,600
BNP PARIBAS EL DJAZAIR ALGIERS DZ	Alegeria Alger	Bank	Foreign Enterprise	Pierre BEREGOVOY	DZD 20,000,000,000	-	DZD 20,000,000,000
Banca Nazionale Del Lavoro S.P.A.	Italy Rome	Bank	Foreign Enterprise	Elena Patrizia GOITINI	EUR 2,076,940,000	-	EUR 2,076,940,000



## BNP PARIBAS (CHINA) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2023

#### X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS - continued

##### 1. Related parties relationship - continued

(2) The following are other related parties which have transactions with the Bank while no control relationship exists: - continued

Details for related parties controlled or significantly influenced by the parent company: - continued

The Name of Entity	Registered Address	Major Business	Economic Nature	CEO	Paid-in Capital at the Beginning of the Year	Net Increase/ (Decrease)	Paid-in Capital at the End of the Year
BNP PARIBAS FORTIS	Belgium Brussels	Bank	Foreign Enterprise	Michael ANSEEUW	EUR 10,964,767,630	-	EUR 10,964,767,630
BNP PARIBAS BANK POLSKA S.A.	Poland Warsaw	Bank	Foreign Enterprise	Przemyslaw Gdanski	PLN 147,593,150	PLN 83,796	PLN 147,676,946
BGL BNP PARIBAS	Luxembourg	Bank	Foreign Enterprise	Béatrice Belorgey	EUR 713,062,636	-	EUR 713,062,636
BANK OF NANJING	Jiangsu Nanjing	Bank	Sino Foreign Joint Venture / Listed Company	HU SHENGRONG	CNY10,007,016,973	-	CNY10,007,016,973
BNP Paribas India Solutions Pvt. Ltd.	India Mumbai	Operation service	Foreign Enterprise	Sangeeta KUMAR	INR 10,000,000	INR 1,354,990	INR 11,354,990
BNPP PROCUREMENT TECH	France Paris	Wholesale (intercompany trade) of computers, computer peripheral equipment and software	Foreign Enterprise	Tavernier Violaine	EUR 40,000	-	EUR 40,000
BNP Paribas Net Ltd.	UK London	International telecommunication services	Foreign Enterprise	Ketan Shah	GBP 500,000	-	GBP 500,000
BOB Cardif Life Insurance Co Ltd Shanghai branch	Shanghai	Life insurance, health insurance & accidental injury insurance, etc	Sino-foreign Joint Venture	Gong Qing Tao	-	-	-
TURK EKONOMI BANKASI A.S.	Turkey Istanbul	Bank	Foreign Enterprise	Umit Leblebici	TRY 2,204,390,000	-	TRY 2,204,390,000
SHANGHAI HFT FORTUNE ASSET MANAGEMENT CO., LTD	Shanghai	Assets management	Sino-foreign Joint Venture	Xi Wanrong	RMB 200,000,000	-	RMB 200,000,000
BNP Paribas ABC Wealth Management Co., Ltd.	Shanghai	Wealth management	Sino-foreign Joint Venture	Alexandre,Maurice, Louis WERNO	RMB 1,000,000,000	-	RMB 1,000,000,000
PT BANK BNP PARIBAS INDONESIA	Indonesia	Bank	Foreign Enterprise	Nicolas PARROT	IDR 3,852,573,000,000	-	IDR 3,852,573,000,000

NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2023

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS - continued

1. Related parties relationship - continued

(3) Other related parties:

Other related parties of the Bank include key management personnel (directors, supervisors and senior management personnel) as well as those with core business approval or decision-making powers such as large credit, asset transfer, etc., their close family members, and corporations or other organizations that are, directly or indirectly, joint controlled or significantly influenced by key management personnel or their close family members.

Except for key management remuneration disclosed in Note X, (iv), the Bank has no other transactions with other related parties mentioned above.

2. Related party transactions

(1) Pricing policy

The terms of inter-bank transactions with related parties follow commercial terms arranged in the ordinary course of the Bank's business.

(2) Funding

Deposits and placements business between the Bank and related parties mainly including BNP Paribas, BNP Paribas Hong Kong Branch, BNP Paribas New York Branch, Bank of Nanjing, BNP Paribas ABC Wealth Management Co., Ltd., Genius Auto Finance Co., Ltd, Zhejiang Wisdom Puhua Finance Leasing Co., Ltd., BNP Paribas Overseas Investment Fund Management (Shanghai) Co., Ltd etc. The interest rate is based on market rate. The interest income and expense as below:

	2023		2022	
	<u>RMB</u>	<u>%</u>	<u>RMB</u>	<u>%</u>
Interest income	89,645,362.58	7.93	42,370,011.67	3.67
Interest expense	88,522,297.60	12.57	130,366,680.68	19.93

(3) Fee and commission income and expenses

	2023		2022	
	<u>RMB</u>	<u>%</u>	<u>RMB</u>	<u>%</u>
Fee and commission income	220,608,314.97	72.20	293,535,211.84	76.10
Fee and commission expenses	16,249,818.02	15.75	9,238,917.96	13.38

BNP PARIBAS (CHINA) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2023

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS - continued

2. Related party transactions - continued

(4) Service received and other expenses

	2023		2022	
	<u>RMB</u>	<u>%</u>	<u>RMB</u>	<u>%</u>
General and administrative expenses	234,634,430.44	26.99	247,577,794.18	26.77

3. Balances with related parties

(1) Due from related parties

	31/12/2023		31/12/2022	
	<u>RMB</u>	<u>%</u>	<u>RMB</u>	<u>%</u>
Deposits with overseas banks				
- BNP Paribas	303,604,828.67	27.38	74,929,826.43	5.03
- BNP Paribas New York Branch	225,482,300.82	20.33	203,812,186.04	13.68
- BNP Paribas Hong Kong Branch	53,418,722.60	4.82	16,221,936.28	1.09
- BNP Paribas London Branch	19,064,173.67	1.72	695,689.83	0.05
- BNP Paribas Canada Branch	11,870,074.32	1.07	5,140,114.52	0.34
-BNP PARIBAS BANK POLSKA S.A.	4,937.57	0.00	7,568.32	0.00
-TURK EKONOMI BANKASI A.S.	478.85	0.00	685.04	0.00
Deposits with domestic banks				
- Bank of Nanjing	3,668,274.74	0.33	3,650,526.48	0.24
Total	<u>617,113,791.24</u>	<u>55.65</u>	<u>304,458,532.94</u>	<u>20.43</u>

(2) Placements with related parties

	31/12/2023		31/12/2022	
	<u>RMB</u>	<u>%</u>	<u>RMB</u>	<u>%</u>
Placements with overseas banks				
-BNP Paribas Hong Kong Branch	6,500,541.67	0.10	53,002,944.44	0.46
-BNP Paribas	-	-	1,979,362,523.94	17.16
Placements with domestic banks				
-Genius Auto Finance Co., Ltd.	701,651,389.17	10.39	300,082,500.00	2.60
Total	<u>708,151,930.84</u>	<u>10.49</u>	<u>2,332,447,968.38</u>	<u>20.22</u>

BNP PARIBAS (CHINA) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2023

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS - continued

3. Balances with related parties - continued

(3) Assets purchased under resale agreements

	31/12/2023		31/12/2022	
	<u>RMB</u>	<u>%</u>	<u>RMB</u>	<u>%</u>
BNP Paribas	-	-	2,133,288,207.73	100.00

(4) Loans and advances

	31/12/2023		31/12/2022	
	<u>RMB</u>	<u>%</u>	<u>RMB</u>	<u>%</u>
BNP Paribas	59,312,755.39	0.46	-	-
Bank of Nanjing	9,445,434.17	0.07	6,502,418.15	0.05
Total	<u>68,758,189.56</u>	<u>0.53</u>	<u>6,502,418.15</u>	<u>0.05</u>

(5) Held-for-trading financial assets

	31/12/2023	
	<u>RMB</u>	<u>%</u>
BNP Paribas	495,050,838.74	9.41

(6) Other receivables

	31/12/2023		31/12/2022	
	<u>RMB</u>	<u>%</u>	<u>RMB</u>	<u>%</u>
BNP Paribas	243,787,675.17	7.54	22,228,972.24	1.07
BNP Paribas Singapore Branch	10,808,459.99	0.33	886,717.20	0.04
BNP Paribas Hong Kong Branch	7,003,683.05	0.22	15,854,292.03	0.76
GENIUS AUTO FINANCE CO., LTD	608,000.00	0.02	360,000.00	0.02
BNP Paribas Taipei Branch	216,151.40	0.01	190,839.93	0.01
BNP PARIBAS IRELAND	4,442.25	0.00	-	-
BNP Paribas Sydney Branch	3,391.64	0.00	3,203.35	0.00
BNP Paribas (Chengdu) Representative Office	386.07	0.00	391.94	0.00
BNP Paribas Financial Markets	-	-	4,173,091.62	0.20
BNP Paribas SA (Seoul Branch)	-	-	60,522.72	0.00
BNP Paribas New York Branch	-	-	7,759.82	0.00
BANCA NAZIONALE DEL LAVORO S.P.A.	-	-	2,188.05	0.00
BNP Paribas Netherlands Branch	-	-	1,092.43	0.00
BNP Paribas Canada Branch	-	-	206.29	0.00
BNP Paribas S.A., San Francisco Branch	-	-	141.45	0.00
Total	<u>262,432,189.57</u>	<u>8.12</u>	<u>43,769,419.07</u>	<u>2.10</u>

BNP PARIBAS (CHINA) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2023

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS - continued

3. Balances with related parties - continued

(7) Deposits with banks and other financial institutions

	31/12/2023		31/12/2022	
	<u>RMB</u>	<u>%</u>	<u>RMB</u>	<u>%</u>
BNP Paribas	911,464,523.70	27.61	1,300,341,106.17	50.88
BNP Paribas ABC Wealth Management Co., Ltd.	763,477,284.65	23.13	-	-
Shanghai HFT Fortune Asset Management Co.,Ltd	424,900,000.00	12.87	-	-
Genius Auto Finance Co., Ltd	305,145,182.82	9.24	492,638,918.14	19.28
BNP Paribas Hong Kong Branch	261,987,825.72	7.94	493,945,508.77	19.33
HFT Investment Management Co., Ltd.	5,541,229.79	0.17	4,995,197.50	0.20
BNP Paribas Singapore Branch	5,299,085.24	0.16	5,299,085.24	0.21
BNP Paribas Spain Branch	4,999,200.00	0.15	-	-
BNP Paribas Securities Services Luxembourg	16,162.93	0.00	-	-
Total	<u>2,682,830,494.85</u>	<u>81.27</u>	<u>2,297,219,815.82</u>	<u>89.90</u>

(8) Takings from related parties

	31/12/2023		31/12/2022	
	<u>RMB</u>	<u>%</u>	<u>RMB</u>	<u>%</u>
BNP Paribas Hong Kong Branch	241,216,497.62	19.19	263,810,512.85	4.83
BNP Paribas	-	-	5,196,054,030.78	95.17
Total	<u>241,216,497.62</u>	<u>19.19</u>	<u>5,459,864,543.63</u>	<u>100.00</u>

(9) Customer deposits

	31/12/2023		31/12/2022	
	<u>RMB</u>	<u>%</u>	<u>RMB</u>	<u>%</u>
BNP Paribas Overseas Investment Fund Management (Shanghai) Co., Ltd.	633,548.60	0.01	3,642,047.98	0.01
BNP Paribas Equities (Asia) Limited, Beijing Representative Office	229,232.16	0.00	291,452.33	0.00
Zhejiang Wisdom Puhua Finance' Leasing Co., Ltd.	216,822.10	0.00	200,180,982.25	0.83
BNP Paribas (Chengdu) Representative Office	146,024.60	0.00	152,226.86	0.00
BNP Paribas Equities (Asia) Limited, Shanghai Representative Office	89,505.70	0.00	16,464.78	0.00
BNP Paribas Commodities Trading (Shanghai) Co., Ltd.	18,367.38	0.00	25,903.39	0.00
Annuo Jiutong Car Leasing Company Limited	-	-	37,754.51	0.00
Total	<u>1,333,500.54</u>	<u>0.01</u>	<u>204,346,832.10</u>	<u>0.84</u>

BNP PARIBAS (CHINA) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2023

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS - continued

3. Balances with related parties - continued

(10) Other liabilities

	31/12/2023		31/12/2022	
	<u>RMB</u>	<u>%</u>	<u>RMB</u>	<u>%</u>
BNP Paribas	551,310,637.64	69.68	464,556,151.00	53.53
BNP Paribas Singapore Branch	47,467,843.68	6.00	188,512,602.63	21.72
BNP Paribas Fortis SA/NV	25,144,768.24	3.18	22,988,383.67	2.65
BNP Paribas Financial Markets	14,279,196.91	1.80	162,096.65	0.02
BNP Paribas Hong Kong Branch	8,180,619.64	1.03	31,966,626.82	3.68
BNP Paribas German Branch	1,450,886.20	0.18	24,241.83	0.00
BNP Paribas India Solutions Pvt. Ltd	1,070,583.74	0.14	1,014,828.30	0.12
BNP Paribas (Suisse) S.A.	-	-	243,128.61	0.03
Banca Nazionale Del Lavoro S.P.A.	-	-	49,761.06	0.01
BNP Paribas London Branch	-	-	3,183.25	0.00
Total	<u>648,904,536.05</u>	<u>82.01</u>	<u>709,521,003.82</u>	<u>81.76</u>

(11) Deferred income

	31/12/2023		31/12/2022	
	<u>RMB</u>	<u>%</u>	<u>RMB</u>	<u>%</u>
BNP Paribas New York Branch	30,967.63	0.12	53,640.52	0.28
BNP Paribas	21,991.37	0.09	-	-
Banca Nazionale Del Lavoro S.P.A.	11,422.85	0.05	6,871.08	0.04
BNP Paribas Germany Branch	4,267.55	0.02	3,236.90	0.02
BNP Paribas Netherlands Branch	4,092.84	0.02	5,745.32	0.03
BNP PARIBAS IRELAND	2,605.64	0.01	-	-
BNP PARIBAS, INDIA.	2,587.81	0.01	-	-
BNP Paribas S.A., San Francisco Branch	1,140.67	0.00	6,973.37	0.04
Bank of the West	-	-	13,210.68	0.07
BNP PARIBAS LABUAN BRANCH	-	-	32,648.86	0.17
BNP Paribas Canada Branch	-	-	4,875.00	0.03
BNP Paribas London Branch	-	-	3,197.26	0.02
BNP Paribas Spain Branch	-	-	842.03	0.00
Total	<u>79,076.36</u>	<u>0.32</u>	<u>131,241.02</u>	<u>0.70</u>

NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2023

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS - continued

3. Balances with related parties - continued

(12) Derivative instrument transaction

	31/12/2023			31/12/2022		
	Notional <u>amount</u> RMB	%	Fair value <u>assets/ (liabilities)</u> RMB	Notional <u>amount</u> RMB	%	Fair value <u>assets/ (liabilities)</u> RMB
BNP Paribas	224,829,841,874.29	9.86	27,861,393.82	239,195,810,298.75	10.25	(105,727,621.95)
BNP Paribas Hong Kong Branch	87,558,249,249.96	3.84	255,311,229.27	14,829,744,309.79	0.63	165,498,197.55
BNP Paribas Financial Markets	17,306,478,614.07	0.76	16,684,851.18	11,866,794,380.39	0.51	16,506,986.46
Bank of Nanjing	9,067,134,113.95	0.40	48,499,945.16	15,818,181,707.12	0.68	(105,939,441.46)
BNP Paribas London Branch	2,721,136,516.97	0.12	(654,997,317.17)	2,298,729,311.01	0.10	(306,701,388.73)
Shanghai HFT Fortune Asset Management Co.,Ltd	424,900,000.00	0.02	(4,289,366.85)	-	-	-
Total	<u>341,907,740,369.24</u>	<u>15.00</u>	<u>(310,929,264.59)</u>	<u>284,009,260,007.06</u>	<u>12.17</u>	<u>(336,363,268.13)</u>

4. Key management remuneration

Specific remuneration information for board directors, supervisors, senior management and employee with significant influence on risk as of year 2023:

	<u>31/12/2023</u> RMB	<u>31/12/2022</u> RMB
Remuneration of directors and supervisors (Note 1)	987,240.62	903,367.51
Remuneration of senior management and employees with significant influence on risk (Note 2)	<u>87,739,177.73</u>	<u>71,441,940.04</u>
Total (Note 3)	<u>88,726,418.35</u>	<u>72,345,307.55</u>

Note 1: The Bank's supervisors have not received any supervisor fee nor other salary, bonus and benefits from the Bank.

Note 2: Including the director who hold position in the Bank. The definition of senior management refer to "CBIRC Implementation Measures of Administrative Licensing Items for Foreign Banks" related regulation in Charter Six.

Note 3: The remuneration includes director fee (if applicable), compensation, bonus, social insurance, housing provident fund and commercial insurance paid to related personnel of 2023.

NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2023

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X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS - continued

5. Others

	<u>31/12/2023</u>
	<u>Total</u>
	RMB
Bank of Nanjing	20,000,000.00

In accordance with the resolution of the Board of Directors and the resolution of the Shareholders of the Bank on 19 January 2023, the Bank donated RMB 20,000,000.00 to Bank of Nanjing. The Bank took the donation as an equity transaction and the amount of the donation was deducted from retained earnings.

XI. RISKS MANAGEMENT

1. Overview of risks management

Overview of risks

The Bank is exposed to various risks in its banking and financial business operations. The banks mainly faces credit risk, liquidity risk, market risk and operational risk. The respective risk departments are responsible for identifying, measuring and management of various risks on continuous basis.

The Bank's risk management objectives are to achieve proper balance between risks and return. Based on these risk management objectives, the Bank's basic risk management strategy is to identify and measure the exposure to various risks, establish appropriate risk limits for risk tolerance, implement prudent risk management, and monitors these exposures via information from system to ensure appropriate measures are implemented on a timely and effective manner eventually in controlling the risk within the limits.

The framework of risks management

The Board of Directors is responsible to discuss and approve strategy for overall risk management, supervise the risk management and internal control system, and evaluate the overall risks of the Bank. The key responsibilities of Risk Management Committee reporting directly to the Board, include formulating risk management policy framework and guidelines on development strategy applicable for the Bank, ensuring appropriate establishment and approval of risk management and internal control framework, review and approval of risk management policies and procedures, risk monitoring on daily operational management, and periodic risk evaluation which includes credit risk, liquidity risk, market risk and operational risk etc.



XI. RISKS MANAGEMENT - continued

2. Credit risk

Credit risk arises when the borrower or counterparty fails to meet the required obligations in the agreement on due date. The Bank's credit risk is mainly arised from credit business, including loans and advances, investmentsin debt securities and placement activities with other banks and financial institution.

Credit risk management

The Bank etsablished its credit grading system by reference to BNP Paribas policy, in which qualitative and quantitative assessment, measurement and regulation under guidelines of the global standardization methods were taking into consideration. This rating system for each counterparty uses 12 levels of internal rating (grade 1 to grade 12, grade 1 is the highest). The credit ratings for all financial assets are updated once a year. When there is indication of warning signs, the risk rating will be reviewed and adjusted accordingly.

The guideline of relationship of the Bank's credit rating principle with NFRA guidelines is listed below(please note that the BNPP internal ratings refers to NFRA Financial Asset Facility Grades but they are not mapping directly. Adjustments will be made in accordance with actual situation):

<u>Bank Internal Rating</u>	<u>NFRA Classification</u>
1-7	Pass
8	Special Mention
9-10	Substandard
11	Doubtful
12	Loss

(i) Financial assets classification

The NFRA five categories of financial asset classification of Guideline are set out below:

Pass:	Debtors can honor the terms of their loans. There is no reason to doubt their ability to repay principal and interest in full on a timely basis.
Special mention:	Debtors are able to repay principal and interest, although the performance of the contract may be adversely affected by specific factors.
Substandard:	Debtors cannot repay principal and interest in full, or the credit impairment has incurred.
Doubtful:	Debtors cannot repay principal and interest in full, or the credit impairment has significantly incurred.
Loss:	Only a small portion or none of the principal and interest can be recovered after taking all possible measures and exhausting all legal remedies.

XI. RISKS MANAGEMENT - continued

2. Credit risk - continued

Credit risk management - continued

(ii) Loan and credit commitments

The Bank operates standard credit management including performing due diligence, credit review and approval, loan disbursement, post-drawdown monitoring and non-performing loan management.

(iii) Debt securities and other bills

At present the Bank has been holding only sovereign (such as government bonds or PBOC bills), Quasi-Sovereign Bonds (policy bank bonds), financial institution bonds and corporate debt securities. The bank constantly pays attention to the change in credit rating of issuers.

(iv) Deposits with other banks and financial institutions and due to banks and other financial institutions

The Bank reviews and monitors the credit risk of all financial institutions under coverage on regular basis. Credit limits are in place for each individual bank or non-banking financial institution which has business relationship with the Bank.

(v) Derivative financial instruments

The Bank strictly controls the derivative transactions. The risk management department is responsible to set the credit limit for each counterparty - with market risk limits defined at operational level, and closely monitoring the credit risk and market risk.

Mitigation of counterparty risk exposure and management over wrong way risk

Counterparty risk is the translation of the credit risk embedded in the market, investment and/or payment transactions. Those transactions include bilateral contracts (i.e. OTC), which potentially expose the Bank to the risk of default of the counterparty faced. The Bank mitigates the counterparty risk exposure via signing of the netting agreements, managing the collaterals and margining by a collateral team, and central clearing with CCP etc. As for the eligible collaterals, the Bank assess eligibility of the collateral based on various factors such as liquidity, maturity, concentration.

Wrong way risk is a correlation risk. General wrong way risk arises when the likelihood of default by counterparties is positively correlated with general market risk factors. Specific wrong way risk arises if the future exposure to a specific counterparty is expected to be high when the counterparty's default probability is also high. The Bank follows the Group's policies and best practices in the To manage wrong way risk, management. F the Bank follows the Group's policies and best practices in the wrong way risk management, including limit setup, exposure monitoring.

XI. RISKS MANAGEMENT - continued

2. Credit risk - continued

Risk limit control and mitigation policies

The Bank manages, limits and controls concentrations of identified credit risk especially they are identified in particular, to individual counterparties, groups, industries and areas. To optimizing credit risk structure, the Bank set limits to individual counterparties, groups, industries and areas. Such risks are monitored on an ongoing basis and subject to an annual or more frequent review, when necessary. Exposures to credit risk are also managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and principal repayment obligations and by changing the facility where appropriate.

Some other specific control and mitigation measures are outlined below:

(i) Guarantee

For the loan with third party guarantee, the Bank will evaluate the financial condition, credit history and ability to meet obligations of the guarantor on regular basis.

(ii) Collateral

Taking deposits as pledged security is also used to mitigate risk.

(iii) Derivative financial instruments

The risk management department takes on the responsibilities for setting the credit limit and trading limit of individual counterparty, and closely monitoring their credit risk and impact of market risk.

(iv) Credit-related commitments

Credit risk of financial guarantee is the same as that of loan. However, risks of non-financial guarantee and commercial letter of credit which are tied with underlying projects or goods are usually guaranteed by shipped goods. Therefore, they have lower risks compared with direct loan. Credit-related commitments are incorporated into applicant's total facility.

Credit risk, impairment analysis and policies on provision for reserves

(i) Risk stage categorization of financial instruments

The Bank categorizes each business into three risk stages based on whether the credit risk on the financial instrument has increased significantly since initial recognition, and makes provision for the expected credit loss accordingly.

NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2023

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XI. RISKS MANAGEMENT - continued

2. Credit risk - continued

Credit risk, impairment analysis and policies on provision for reserves - continued

(i) Risk stage categorization of financial instruments - continued

Stage 1: The credit risk has not increased significantly since initial recognition. The amount of ECL on financial instruments within the next 12 months needs to be recognized.

Stage 2: The credit risk has increased significantly since initial recognition but credit is not impaired. The amount of lifetime ECL on financial instruments needs to be recognized.

Stage 3: It has become credit-impaired. The amount of lifetime ECL on financial instruments needs to be recognized.

(ii) Significant increase in credit risk

When categorizing the risk stages of financial instruments, the Bank fully considers various reasonable and supportable information, including forward-looking information, which reflects whether the credit risk has increased significantly. The major considerations include regulatory and economic environment, internal and external credit risk rating, solvency, operating ability, loan contract terms, repayment behavior, etc. The Bank compares the risk of default on financial instruments at the initial recognition date and that at the balance sheet date to determine the change in risk of default within the expected lifetime of financial instruments. The Bank sets qualitative and quantitative criteria to determine whether the credit risk on financial instruments has increased significantly since initial recognition. When one or more criteria below are triggered, the Bank believes that the credit risk on financial instrument has increased significantly:

- Financial assets are more than 30 days past due;
- The internal or external rating for financial assets or debtors has changed significantly;
- Based on the factors disclosed in Note IV, 5, other objective evidences indicate the credit risk has risen significantly.

(iii) Definition and standard of credit-impaired assets

In assessing whether the debtor is credit-impaired, the Bank mainly considers the following factors:

- Financial assets are more than 90 days past due;
- Based on the factors disclosed in Note IV, 5, other objective evidences indicate the debtor is credit-impaired.

XI. RISKS MANAGEMENT - continued

2. Credit risk - continued

Credit risk, impairment analysis and policies on provision for reserves - continued

(iv) Expected credit loss measurement parameters

The Bank determines the credit impairment loss by predicting the probability of default (PD), loss given default (LGD) and exposure at default (EAD) of each individual debt in future periods. The expected credit loss is the discounted result of product of PD, LGD and EAD.

The Bank's key parameters for measuring the expected credit loss include:

Probability of default (PD): refers to the probability that the debtor is unable to perform its repayment obligations within the next 12 months or over the remaining lifetime.

Loss given default (LGD): refers to the proportion of the amount of losses incurred by the debtor's default to the risk exposure of the default debt.

Exposure at default (EAD): refers to the amount payable to the Bank when the default occurs within the next 12 months or over the lifetime.

The Bank derives the expected credit loss through estimating PD, LGD and EAD of single exposure in future months.

(v) Forward-looking information

The Bank takes into account the forward-looking macroeconomic information in the determination of the expected credit loss. By analysis of historical data, the Bank identifies key economic indicators affecting the credit risk and expected credit loss on each business type, such indicators include GDP, etc. The Bank establishes a calculation model to analyze the relationship between these key economic indicators and the probability of default, so as to determine the forward-looking impact of changes in these indicators on the expected credit loss.

Maximum credit risk exposure information

Putting aside the consideration of collaterals available or other credit enhancement possibilities, maximum credit risk exposure information represents the worst situation of credit risk exposure as of balance sheet date. The financial assets value, indicative of credit risk exposure class as of the balance sheet date, is the balance of the carrying amount of the financial assets less the following 2 items: 1) the amount offset pursuant to the requirement in the Accounting Standards for Business Enterprises No. 37 - Presentation of Financial Instruments; 2) the recognized impairment loss of the financial assets.

NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2023

XI. RISKS MANAGEMENT - continued

2. Credit risk - continued

Maximum credit risk exposure information - continued

Information on the maximum credit risk exposure of the Bank is as below:

	<u>31/12/2023</u> RMB	<u>31/12/2022</u> RMB
Balance Sheet Maximum Exposure includes:		
Cash and deposits with the Central Bank	8,711,721.00	-
Funding activities with banks	7,861,347,297.49	15,147,427,316.11
Deposits with banks and other financial institutions	1,108,939,045.37	1,490,528,967.99
Placements with banks and other Financial institutions	6,752,408,252.12	11,534,273,465.36
Assets purchased under resale agreements	-	2,122,624,882.76
Investments in debt securities	15,027,433,200.95	12,804,404,710.03
Held-for-trading financial assets	5,263,141,021.59	5,456,090,784.64
Debt investments	1,089,599,403.57	505,963,219.99
Other debt investments	8,674,692,775.79	6,842,350,705.40
Derivative assets	14,212,790,390.80	12,756,290,199.10
Loans and advances	13,014,997,079.17	14,197,288,244.95
Other financial assets	3,230,365,410.40	2,054,626,360.48
Total	<u>53,355,645,099.81</u>	<u>56,960,036,830.67</u>
Off-Balance Sheet Maximum Exposure includes:		
Guarantee	12,243,429,771.88	7,539,558,707.46
Bank acceptance	3,105,403,456.70	4,035,613,851.67
Letters of Credit issued	846,024,316.07	1,053,066,718.64
Letter of credit acceptances	59,750,899.31	371,190,455.00
Irrevocable loan commitment	1,186,365,730.51	1,551,014,848.82
Total	<u>17,440,974,174.47</u>	<u>14,550,444,581.59</u>
Maximum Credit Risk Exposure	<u>70,796,619,274.28</u>	<u>71,510,481,412.26</u>

NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2023

XI. RISKS MANAGEMENT - continued

2. Credit risk - continued

Collaterals and other credit mitigation

At the end of the year, the Bank had no loans and advances granted that were credit impaired.

Investment in debt securities

The tables below analyze the Bank's investment in debt securities rated by institution generally recognized by the market:

	31/12/2023			
	<u>Held-for-trading financial assets</u> RMB	<u>Other debt investments</u> RMB	<u>Debt investments</u> RMB	<u>Total</u> RMB
AAA	-	-	1,089,599,403.57	1,089,599,403.57
Unrated:				
Government bonds	4,542,553,685.67	4,443,036,529.76	-	8,985,590,215.43
Financial institutions bonds	720,587,335.92	4,231,656,246.03	-	4,952,243,581.95
Total	<u>5,263,141,021.59</u>	<u>8,674,692,775.79</u>	<u>1,089,599,403.57</u>	<u>15,027,433,200.95</u>

	31/12/2022			
	<u>Held-for-trading financial assets</u> RMB	<u>Other debt investments</u> RMB	<u>Debt investments</u> RMB	<u>Total</u> RMB
AAA	-	-	505,963,219.99	505,963,219.99
Unrated:				
Government bonds	5,143,053,691.19	5,062,796,839.11	-	10,205,850,530.30
Financial institutions bonds	313,037,093.45	1,779,553,866.29	-	2,092,590,959.74
Total	<u>5,456,090,784.64</u>	<u>6,842,350,705.40</u>	<u>505,963,219.99</u>	<u>12,804,404,710.03</u>

XI. RISKS MANAGEMENT - continued

3. Liquidity risk

Liquidity risk is the risk that no sufficient funds will be available to make debt repayment when falls due. Liquidity risk of the Bank mainly results from early or concentrated withdrawn by depositors, postponed loan repayment by borrowers, amount or maturity mismatch of assets and liabilities.

Liquidity risk management

The Bank implements centralized management on liquidity risk by Headquarter. ALM-Treasury Department is responsible for working capital management. According to “Regulations of the People’s Republic of China on Administration of Foreign-funded Banks” and related regulations, the Bank controls the liquidity ratio of no less than 25%. At the same time, the Bank manages liquidity risk according to the maturity date of assets and liabilities.

The Bank is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, loan payable, loan draw downs, guarantees and other calls on cash settled derivatives. As experience shows that part of matured deposits will not be withdrawn, however, to satisfy unexpected fund requirement, the Bank establish liquidity management policy and maintain the level of commitment inter-bank placement facilities to cover withdrawals at unexpected levels of demand.

As at 31 December 2023, the Bank maintained 7% of the total RMB denominated deposits (31 December 2022: 7.5%), 4% of the total foreign currency denominated deposits (31 December 2022: 6%) and 7% of the offshore RMB deposit (31 December 2022: 7.5%) with PBOC as required deposit reserves.

The reasonable matching and effective control in mismatching of maturities of assets and liabilities is fundamental to the management of the Bank. It is unusual for banks ever to be completely matched since business transactions are often of uncertain terms and of different types. Any unmatched position will be kept under a set of gapping limits.

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature are important factors in assessing the liquidity risk of the Bank.



NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2023

XI. RISKS MANAGEMENT - continued

3. Liquidity risk - continued

Liquidity risk management - continued

(1) Non-derivative cash flows of financial assets and liabilities

The table below presents the cash flows payable by the Bank under non-derivative financial assets and liabilities by remaining contractual maturities at the balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Items	31/12/2023						
	Overdue/ Undated RMB	Within 1 month RMB	1-3months RMB	3-12 months RMB	1-5 years RMB	Over 5 years RMB	Total RMB
<b>Assets</b>							
Cash and deposits with the Central Bank	1,441,746,200.32	2,535,222,886.27	206,391,101.93	-	-	-	4,183,360,188.52
Due from banks and other financial institution	-	1,115,038,338.91	-	-	-	-	1,115,038,338.91
Placements with banks and other financial institutions	-	8,277,750.00	1,781,399,837.96	4,673,595,392.59	398,982,777.78	-	6,862,255,758.33
Loans and advances	326,547.61	5,188,517,368.86	2,951,138,204.51	3,040,421,184.95	2,581,964,295.14	-	13,762,367,601.07
Held-for-trading financial assets	-	9,775,085.66	330,688,633.08	2,371,393,940.21	2,496,646,039.00	469,977,544.91	5,678,481,242.86
Debt investments	-	-	-	236,810,000.00	935,380,000.00	-	1,172,190,000.00
Other debt investments	-	625,250,000.00	952,993,750.00	2,905,971,250.00	4,406,442,500.00	-	8,890,657,500.00
<b>Total of non-derivative financial assets</b>	<b>1,442,072,747.93</b>	<b>9,482,081,429.70</b>	<b>6,222,611,527.48</b>	<b>13,228,191,767.75</b>	<b>10,819,415,611.92</b>	<b>469,977,544.91</b>	<b>41,664,350,629.69</b>
<b>Liabilities</b>							
Due to the Central Bank	-	-	-	301,090,110.00	-	-	301,090,110.00
Due to banks and other financial institution	-	1,155,591,150.14	367,615,747.34	1,491,250,444.44	330,769,963.99	-	3,345,227,305.91
Takings from other banks	-	242,066,362.59	513,025,000.00	511,336,666.67	-	-	1,266,428,029.26
Held-for-trading financial liabilities	-	-	-	13,057,186.00	569,947,582.62	-	583,004,768.62
Financial assets sold under repurchased agreements	-	3,778,693,773.40	-	-	-	-	3,778,693,773.40
Customer deposits	-	13,063,537,294.84	979,519,220.27	4,499,442,374.24	505,956,805.33	-	19,048,455,694.68
Bonds payable	-	50,000,000.00	532,500,000.00	2,550,000,000.00	1,065,000,000.00	-	4,197,500,000.00
Lease Liabilities	-	50,000,000.00	2,388,641.50	14,173,357.31	80,753,559.95	56,943,700.71	156,658,159.55
<b>Total of non-derivative financial liabilities</b>	<b>-</b>	<b>18,292,287,481.05</b>	<b>2,395,048,609.11</b>	<b>9,380,350,138.66</b>	<b>2,552,427,911.89</b>	<b>56,943,700.71</b>	<b>32,677,057,841.42</b>
<b>Net gap</b>	<b>1,442,072,747.93</b>	<b>(8,810,206,051.35)</b>	<b>3,827,562,918.37</b>	<b>3,847,841,629.09</b>	<b>8,266,987,700.03</b>	<b>413,033,844.20</b>	<b>8,987,292,788.27</b>
<b>31/12/2022</b>							
Items	Overdue/ Undated RMB	Within 1 month RMB	1-3months RMB	3-12 months RMB	1-5 years RMB	Over 5 years RMB	Total RMB
<b>Assets</b>							
Cash and deposits with the Central Bank	1,720,015,213.98	3,956,026,903.62	-	21,629,247.97	-	-	5,697,671,365.57
Due from banks and other financial institution	-	1,500,669,838.36	-	-	-	-	1,500,669,838.36
Placements with banks and other financial institutions	-	1,990,462,890.84	1,406,268,458.33	7,901,732,528.86	410,571,847.04	-	11,709,035,725.07
Financial assets purchased under resale agreements	-	2,133,911,426.44	-	-	-	-	2,133,911,426.44
Loans and advances	-	5,624,716,158.71	4,832,773,068.62	2,344,911,078.38	2,112,346,605.34	-	14,914,746,911.05
Held-for-trading financial assets	-	47,207,046.27	10,389,264.82	3,553,815,613.95	1,931,723,780.72	63,618,851.29	5,606,754,557.05
Debt investments	-	-	-	320,150,000.00	207,700,000.00	-	527,850,000.00
Other debt investments	-	122,850,000.00	669,348,000.00	3,906,532,000.00	2,295,670,000.00	-	6,994,400,000.00
<b>Total of non-derivative financial assets</b>	<b>1,720,015,213.98</b>	<b>15,375,844,264.24</b>	<b>6,918,778,791.77</b>	<b>18,048,770,469.16</b>	<b>6,958,012,233.10</b>	<b>63,618,851.29</b>	<b>49,085,039,823.54</b>
<b>Liabilities</b>							
Due to banks and other financial institution	-	977,964,919.00	65,913,094.00	258,939,824.00	1,335,309,139.00	-	2,638,126,976.00
Takings from other banks	-	1,473,962,657.89	2,499,037,153.61	1,520,272,916.67	-	-	5,493,272,728.17
Financial assets sold under repurchased agreements	-	2,114,469,398.45	-	-	-	-	2,114,469,398.45
Customer deposits	-	21,475,254,726.56	168,393,664.97	3,311,247,131.79	9,513,057.87	-	24,964,408,581.19
Bonds payable	-	-	1,050,000,000.00	2,520,000,000.00	-	-	3,570,000,000.00
Lease Liabilities	-	2,492,108.39	5,887,507.08	30,831,719.56	59,909,408.64	50,201,113.75	149,321,857.42
<b>Total of non-derivative financial liabilities</b>	<b>-</b>	<b>26,044,143,810.29</b>	<b>3,789,231,419.66</b>	<b>7,641,291,592.02</b>	<b>1,404,731,605.51</b>	<b>50,201,113.75</b>	<b>38,929,599,541.23</b>
<b>Net gap</b>	<b>1,720,015,213.98</b>	<b>(10,668,299,546.05)</b>	<b>3,129,547,372.11</b>	<b>10,407,478,877.14</b>	<b>5,553,280,627.59</b>	<b>13,417,737.54</b>	<b>10,155,440,282.31</b>

NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2023

XI. RISKS MANAGEMENT - continued

3. Liquidity risk - continued

Liquidity risk management - continued

(2) Derivative liquidity risk analysis

Derivatives settled on a net basis

The Bank's derivatives that will be settled on a net basis include interest derivatives (interest rate swaps and interest rate options), commodity related derivative contracts, equity related derivatives, gold derivative contracts and credit default swaps, etc.

The table below analyses the Bank's derivative contracts that will be settled on a net basis into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date.

The amounts disclosed in the table are the contractual undiscounted cash flows, of which positive amounts are cash inflow and negative amounts are cash outflow.

	<u>Within 1 month</u> RMB	<u>1-3months</u> RMB	<u>3-12 months</u> RMB	<u>1-5years</u> RMB	<u>Over 5 years</u> RMB	<u>Total</u> RMB
31 December 2023						
Interest rate derivatives	(6,043,091.81)	2,257,524.96	110,029,950.00	769,123,256.20	(1,139,658.22)	874,227,981.13
Interest rate options	(59,571.33)	(15,557.93)	-	-	-	(75,129.26)
Forex futures contracts	-	217,420.00	7,268,740.00	-	-	7,486,160.00
Commodity related						
derivative contracts	5,275,292.94	(1,718.27)	(7,029,685.27)	-	-	(1,756,110.60)
Equity related derivatives	(2,487.36)	(57,417.47)	69,444.49	(100,203.25)	-	(90,663.59)
Gold derivative contracts	24,759,707.38	(26,893,816.89)	5,604,945.23	-	-	3,470,835.72
Credit default swaps	-	1,528,572.45	13,924,889.50	41,670,439.91	-	57,123,901.86
31 December 2022						
Interest rate derivatives	33,100,729.22	(81,761,619.10)	166,112,656.65	502,581,441.73	287,528.63	620,320,737.13
Interest rate options	(6,366.86)	(547.56)	(14,386.89)	-	-	(21,301.31)
Commodity related						
derivative contracts	(15,416,169.49)	-	1,413,642.30	-	-	(14,002,527.19)
Equity related derivatives	67,900.24	140,097.47	311,097.18	4,554.40	-	523,649.29
Gold derivative contracts	-	-	32,968.06	-	-	32,968.06
Credit default swaps	(32,956,824.57)	(385,661.80)	-	-	-	(33,342,486.37)

Derivatives settled on a gross basis

The Bank's derivatives that will be settled on a gross basis include: Foreign exchange derivatives such as foreign exchange forwards, foreign exchange swap, currency option contract and cross currency swap.

The table below analyses the Bank's derivative contracts that will be settled on a gross basis into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. The positive amounts indicate cash inflow and negative amounts indicate cash outflow.

NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2023

XI. RISKS MANAGEMENT - continued

3. Liquidity risk - continued

(2) Derivative liquidity risk analysis - continued

Derivatives settled on a gross basis - continued

	<u>Within 1 month</u> RMB	<u>1-3 months</u> RMB	<u>3-12 months</u> RMB	<u>1-5years</u> RMB	<u>Over 5 years</u> RMB	<u>Total</u> RMB
31 December 2023						
Foreign exchange derivatives						
-Outflow	(194,990,750,617.14)	(199,280,163,392.99)	(446,313,521,749.95)	(31,266,275,642.58)	-	(871,850,711,402.66)
-Inflow	195,000,985,758.85	200,000,240,775.24	446,734,996,986.59	31,455,917,377.04	-	873,192,140,897.72
	<u>10,235,141.71</u>	<u>720,077,382.25</u>	<u>421,475,236.64</u>	<u>189,641,734.46</u>	<u>-</u>	<u>1,341,429,495.06</u>
31 December 2022						
Foreign exchange derivatives						
-Outflow	(186,016,402,295.02)	(211,326,431,002.08)	(344,582,474,529.27)	(33,763,278,476.35)	-	(775,688,586,302.72)
-Inflow	185,840,705,347.97	211,546,385,136.31	344,614,935,499.60	33,832,534,086.22	-	775,834,560,070.10
	<u>(175,696,947.05)</u>	<u>219,954,134.23</u>	<u>32,460,970.33</u>	<u>69,255,609.87</u>	<u>-</u>	<u>145,973,767.38</u>

4. Market risk

Market risk refers to the risk of fluctuation of the fair value or future cash flows of a financial instrument caused by any change in market prices. Market risks arise from open positions on different underlings, interest rate and foreign exchange rate as examples, all of which are exposed to general and specific market movements.

The Bank monitor dedicated separates market risk indicators for trading and non-trading portfolios.

Currently, Market Risk Management Department takes responsibility for monitoring and controlling the market risk of both trading and non-trading books. Market Risk Department reports directly to Regional Market Risk Department and to Local Chief Risk Officer of the Bank at the same time. Market Risk Department is independent from traders of front office. The Market Risk Department will timely inform the related business heads and local management on the excess/limit events and obtain required approvals for limit changes.

Market risk assessment techniques

At present, the Bank uses different indicators to assess the market risk in different books. For trading books, the Bank mainly refers to sensitivity analysis/limits (PV01 or IR Delta) as well as FX Delta limits, Issuer Risk and 1-Day Market VaR (Value at Risk) limits. For Banking books, the Bank assesses the interest rate gapping between assets and liabilities. The Bank has established reporting system for risk analysis and daily reports including the respective exposures are sent to the Management of the Bank.

NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2023

XI. RISKS MANAGEMENT - continued

1-Day Market Value at Risk analysis

Market VaR is the worst loss expected over a given period of time and within a given confidence interval time. The Bank is computing the maximum expected daily loss of a trading activity at 99% confidence level and this indicator is computed by MRX system (Market Risk System). For consolidated Global Markets Trading books, the current limit of 1-Day Market VaR stands at EUR 13,000,000 as approved by the Board of Directors as of 31 December 2023 (31 December 2022: EUR 13,000,000). The 1-Day Market VaR is only an internal indicator for risk management within the Bank as the regulatory Market Risk Capital for the entity is under standardized approach.

The table below includes the average value, the maximal value and the minimal value of 1-Day Market VaR for Global Markets Trading Books as of end of 2023 and end of 2022.

	<u>2023</u>		
	<u>Average</u> EUR	<u>Maximum</u> EUR	<u>Minimum</u> EUR
31 December 2023	<u>3,787,111</u>	<u>6,272,125</u>	<u>1,285,883</u>
	<u>2022</u>		
	<u>Average</u> EUR	<u>Maximum</u> EUR	<u>Minimum</u> EUR
31 December 2022	<u>2,446,477</u>	<u>4,490,009</u>	<u>1,278,888</u>

Stress-Tests

The potential loss beyond the confidence level cannot be well captured by the 1-Day Market VaR.

Therefore, the Bank also applies various stress-tests on a regular basis to simulate potential losses under extreme market conditions. Stress-tests results performed on trading books will provide an effective potential PnL impact as this perimeter is mark-to-market on a daily basis. For non-trading books, we can apply similar method but the results will not reflect an effective potential PnL impact as main of this perimeter is on accrued basis. Risk Management Committee will review the result of the stress-tests regularly. Besides, the Bank will update the stress-tests according to the risk overview and economic conditions on a regular basis.

Derivative financial instruments

The Bank uses derivatives to provide clients with risk management solutions and manage different risk exposures faced directly by the Bank (mainly includes interest rate risk and foreign exchange risk). The value of derivatives changes depending on the change in particular interest rates, exchange rates, financial instrument prices and etc.

NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2023

XI. RISKS MANAGEMENT - continued

4. Market risk - continued

Derivative financial instruments - continued

The Bank's main derivative financial instruments are based on derivatives trading/hedging purpose, including currency derivatives and interest rate derivatives. The Bank's derivatives mainly relates to trading activities including the sales of derivative products to customers, making it able to tolerate, transfer or reduce existing or anticipated risks as well as market making transactions on the interbank market.

The Bank unified the derivatives into the trading accounts monitored by its market risk management system.

Foreign exchange risk

The Bank mainly conducts daily business in RMB and USD. The domestic exchange rate of RMB to USD or other currencies is basically controlled by PBOC (Daily Fixing and Intraday Trading Band of +/-2%). The foreign exchange risk mainly rose from the transaction risks arising from the Bank's proprietary and agent transactions and the structure risk arising from maintaining other currency position. Based on its own risk appetite and operation level, with the support of various transaction systems and management information systems, through limit setting, controlling and enhancing the structure of assets and liabilities, utilizing the derivative instruments, the Bank manage and control the exchange rate risks.

The table below summarizes the Bank's exposure to foreign exchange rate risk at the end of each reporting period. Included in the table are the Bank's assets and liabilities at carrying amounts in RMB, categorized by the original currency:

Items	31/12/2023				
	RMB RMB	USD RMB	EUR RMB	Other currencies RMB	Total RMB
<b>Assets</b>					
Cash and deposits with the Central Bank	3,652,238,061.56	531,013,380.56	-	108,746.40	4,183,360,188.52
Deposits with banks and other financial institutions	150,332,505.58	524,794,514.58	331,107,277.23	102,704,747.98	1,108,939,045.37
Placements with banks and other financial institutions	6,752,408,252.12	-	-	-	6,752,408,252.12
Derivative assets	6,503,401,305.34	6,458,622,576.19	440,580,077.50	810,186,431.77	14,212,790,390.80
Loans and advances	12,602,181,986.67	394,509,097.75	18,305,994.75	-	13,014,997,079.17
<b>Financial investments:</b>					
Held-for-trading financial assets	4,768,090,182.85	495,050,838.74	-	-	5,263,141,021.59
Debt investments	1,089,599,403.57	-	-	-	1,089,599,403.57
Other debt investments	8,674,692,775.79	-	-	-	8,674,692,775.79
Other financial assets	2,533,696,980.52	690,308,115.10	6,360,314.78	-	3,230,365,410.40
<b>Financial assets total</b>	<b>46,726,641,454.00</b>	<b>9,094,298,522.92</b>	<b>796,353,664.26</b>	<b>912,999,926.15</b>	<b>57,530,293,567.33</b>
<b>Liabilities</b>					
Due to the Central Bank	300,323,570.51	-	-	-	300,323,570.51
Due to banks and other financial institutions	3,175,456,225.76	117,786,172.88	5,542,995.84	2,366,873.55	3,301,152,268.03
Takings from other banks	1,015,762,222.22	241,216,497.62	-	-	1,256,978,719.84
Held-for-trading financial liabilities	557,431,746.51	-	-	-	557,431,746.51
Derivative liabilities	6,680,191,255.13	5,602,974,719.12	134,620,136.98	920,715,307.43	13,338,501,418.66
Financial assets sold under repurchase agreements	3,778,515,198.05	-	-	-	3,778,515,198.05
Customer deposits	13,610,308,644.21	4,675,218,605.47	264,274,698.14	5,294,373.54	18,555,096,321.36
Bonds payable	4,107,694,271.54	-	-	-	4,107,694,271.54
Other financial liabilities	526,953,435.50	92,679,634.93	5,492,814.76	627,339.17	625,753,224.36
<b>Financial liabilities total</b>	<b>33,752,636,569.43</b>	<b>10,729,875,630.02</b>	<b>409,930,645.72</b>	<b>929,003,893.69</b>	<b>45,821,446,738.86</b>
<b>Net position</b>	<b>12,974,004,884.57</b>	<b>(1,635,577,107.10)</b>	<b>386,423,018.54</b>	<b>(16,003,967.54)</b>	<b>11,708,846,828.47</b>

NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2023

XI. RISKS MANAGEMENT - continued

4. Market risk - continued

Foreign exchange risk - continued

Items	31/12/2022				
	RMB RMB	USD RMB	EUR RMB	Other currencies RMB	Total RMB
<b>Assets</b>					
Cash and deposits with the Central Bank	5,499,502,529.00	198,133,105.77	-	35,730.80	5,697,671,365.57
Deposits with banks and other financial institutions	130,462,969.09	1,243,226,502.31	74,989,813.18	41,849,683.41	1,490,528,967.99
Placements with banks and other financial institutions	9,361,455,618.30	1,801,632,227.32	371,185,619.74	-	11,534,273,465.36
Derivative assets	6,067,143,346.27	5,503,590,024.41	617,037,793.51	568,519,034.91	12,756,290,199.10
Financial assets purchased under resale agreement	-	2,122,624,882.76	-	-	2,122,624,882.76
Loans and advances	13,695,431,033.40	495,246,429.74	6,610,781.81	-	14,197,288,244.95
<b>Financial investments:</b>					
Held-for-trading financial assets	5,456,090,784.64	-	-	-	5,456,090,784.64
Debt investments	505,963,219.99	-	-	-	505,963,219.99
Other debt investments	6,842,350,705.40	-	-	-	6,842,350,705.40
Other financial assets	1,245,003,365.47	800,482,306.41	6,012,071.08	3,128,617.52	2,054,626,360.48
<b>Financial assets total</b>	<b>48,803,403,571.56</b>	<b>12,164,935,478.72</b>	<b>1,075,836,079.32</b>	<b>613,533,066.64</b>	<b>62,657,708,196.24</b>
<b>Liabilities</b>					
<b>Due to banks and other financial institutions</b>					
Due to banks and other financial institutions	2,392,292,793.96	157,470,677.30	4,997,516.41	484,137.18	2,555,245,124.85
Takings from other banks	5,198,062,730.56	243,878,589.19	7,433.66	17,915,790.22	5,459,864,543.63
Derivative liabilities	6,486,492,895.77	5,856,287,232.87	385,217,134.84	201,385,935.68	12,929,383,199.16
Financial assets sold under repurchase agreements	2,114,185,503.40	-	-	-	2,114,185,503.40
Customer deposits	19,905,649,141.91	4,118,131,166.26	371,155,914.55	2,660,270.87	24,397,596,493.59
Bonds payable	3,544,949,965.27	-	-	-	3,544,949,965.27
Other financial liabilities	65,252,337.32	105,119,407.42	3,092,266.42	3,395,874.30	176,859,885.46
<b>Financial liabilities total</b>	<b>39,706,885,368.19</b>	<b>10,480,887,073.04</b>	<b>764,470,265.88</b>	<b>225,842,008.25</b>	<b>51,178,084,715.36</b>
<b>Net position</b>	<b>9,096,518,203.37</b>	<b>1,684,048,405.68</b>	<b>311,365,813.44</b>	<b>387,691,058.39</b>	<b>11,479,623,480.88</b>

The table below illustrates the potential impact of an appreciation or depreciation of RMB against foreign currencies by 1% on the Bank's operating profit. 1% is the sensitivity rate when foreign exchange risk is reported to the internal key management of the Bank.

	2023	2022
	Increase/ (decrease) RMB	Increase/ (decrease) RMB
Appreciation of foreign currency by 1%	(9,488,685)	17,873,290
Depreciation of foreign currency by 1%	9,488,685	(17,873,290)

The effects on net profit are primarily from the change in net position of monetary assets and liabilities, and non-monetary financial assets and liabilities measured at fair value, resulting from fluctuation in USD.

NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2023

XI. RISKS MANAGEMENT - continued

4. Market risk - continued

Foreign exchange risk - continued

The above analysis is based on that there are no significant changes to the Bank's business operations after balance sheet date. In actual operation, the Bank will take the initiative to adjust the foreign currency positions based on the judgment of the exchange rate movements, therefore actual impact on the Bank's net income from exchange rate fluctuation may vary from the analysis above.

Interest rate risk

Interest rate risk for a specific currency is the risk that the future cash flows of a financial instrument will fluctuate on each currency because of changes in market interest rates. The Bank takes on interest rate exposure and is managing it on a daily basis.

Interest margins may increase as a result of such changes, but may reduce or create loss in the event that unexpected movements arise. The Bank operates its business predominantly in Mainland China under the interest rate scheme regulated by the PBOC.

The table below summarizes the Bank's exposures to interest rate risks which presents the Bank's assets and liabilities at carrying amounts, categorized by the earlier of contractual re-pricing or maturity dates.

Items	31/12/2023					
	Within 3 months RMB	3 - 12 months RMB	1-5 years RMB	Over 5 years RMB	Non-interest Bearing/Overdue RMB	Total RMB
<b>Assets</b>						
Cash and deposits with the Central Bank	3,651,111,654.07	-	-	-	532,248,534.45	4,183,360,188.52
Deposits with banks and other financial institutions	1,108,939,045.37	-	-	-	-	1,108,939,045.37
Placements with banks and other financial institutions	2,432,394,010.45	4,082,765,632.06	198,683,040.68	-	38,565,568.93	6,752,408,252.12
Derivative assets	-	-	-	-	14,212,790,390.80	14,212,790,390.80
Loans and advances	10,336,465,882.86	2,547,893,561.51	65,085,425.41	-	65,552,209.39	13,014,997,079.17
<b>Financial investments</b>						
Held-for-trading financial assets	795,139,136.47	2,215,672,256.37	1,789,037,018.28	382,229,097.22	81,063,513.25	5,263,141,021.59
Debt investments	-	199,637,779.68	876,173,126.63	-	13,788,497.26	1,089,599,403.57
Other debt investments	1,960,283,954.03	2,757,568,819.85	3,815,809,962.85	-	141,030,039.06	8,674,692,775.79
Other financial assets	1,354,866,500.00	-	-	-	1,875,498,910.40	3,230,365,410.40
<b>Financial assets total</b>	<b>21,639,200,183.25</b>	<b>11,803,538,049.47</b>	<b>6,744,788,573.85</b>	<b>382,229,097.22</b>	<b>16,960,537,663.54</b>	<b>57,530,293,567.33</b>
<b>Liabilities</b>						
Due to the Central Bank	-	300,000,000.00	-	-	323,570.51	300,323,570.51
Due to banks and other financial institutions	1,521,046,233.47	1,459,263,000.00	301,829,444.44	-	19,013,590.12	3,301,152,268.03
Takings from other banks	740,811,800.00	500,000,000.00	-	-	16,166,919.84	1,256,978,719.84
Held-for-trading financial liabilities	-	-	557,431,746.51	-	-	557,431,746.51
Derivative liabilities	-	-	-	-	13,338,501,418.66	13,338,501,418.66
Financial assets sold under repurchase agreements	3,777,623,000.00	-	-	-	892,198.05	3,778,515,198.05
Customer deposits	13,616,916,866.44	4,332,982,929.46	505,680,000.00	-	99,516,525.46	18,555,096,321.36
Bonds payable	548,134,313.50	2,520,646,405.81	1,013,625,881.00	-	25,287,671.23	4,107,694,271.54
Other financial liabilities	74,781,231.24	-	-	-	550,971,993.12	625,753,224.36
<b>Financial liabilities total</b>	<b>20,279,313,444.65</b>	<b>9,112,892,335.27</b>	<b>2,378,567,071.95</b>	<b>-</b>	<b>14,050,673,886.99</b>	<b>45,821,446,738.86</b>
<b>Net interest re-pricing gap</b>	<b>1,359,886,738.60</b>	<b>2,690,645,714.20</b>	<b>4,366,221,501.90</b>	<b>382,229,097.22</b>	<b>2,909,863,776.55</b>	<b>11,708,846,828.47</b>

NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2023

XI. RISKS MANAGEMENT - continued

4. Market risk - continued

Interest rate risk - continued

Items	31/12/2022					
	Within 3 months RMB	3 - 12months RMB	1-5years RMB	Over 5 years RMB	Non-interest Bearing/Overdue RMB	Total RMB
<b>Assets</b>						
Cash and deposits with the Central Bank	5,498,333,608.56	-	-	-	199,337,757.01	5,697,671,365.57
Deposits with banks and other financial institutions	1,490,528,967.99	-	-	-	-	1,490,528,967.99
Placements with banks and other financial institutions	4,616,485,959.24	6,622,797,644.57	199,741,207.68	-	95,248,653.87	11,534,273,465.36
Derivative assets	-	-	-	-	12,756,290,199.10	12,756,290,199.10
Financial assets purchased under resale Agreement	2,122,001,664.03	-	-	-	623,218.73	2,122,624,882.76
Loans and advances	11,631,618,204.13	2,142,506,552.53	348,851,240.30	-	74,312,247.99	14,197,288,244.95
<b>Financial investments</b>						
Held-for-trading financial assets	150,464,838.55	3,420,128,058.89	1,760,991,281.76	55,351,104.88	69,155,500.56	5,456,090,784.64
Debt investments	-	298,401,579.29	199,732,531.11	-	7,829,109.59	505,963,219.99
Other debt investments	750,610,550.03	3,770,787,551.82	2,223,633,069.29	-	97,319,534.26	6,842,350,705.40
Other financial assets	1,594,228,990.00	-	-	-	460,397,370.48	2,054,626,360.48
<b>Financial assets total</b>	<b>27,854,272,782.53</b>	<b>16,254,621,387.10</b>	<b>4,732,949,330.14</b>	<b>55,351,104.88</b>	<b>13,760,513,591.59</b>	<b>62,657,708,196.24</b>
<b>Liabilities</b>						
<b>Due to banks</b>						
and other financial institutions	1,533,867,901.73	254,475,000.00	750,000,000.00	-	16,902,223.12	2,555,245,124.85
Takings from other banks	3,953,633,822.90	1,500,000,000.00	-	-	6,230,720.73	5,459,864,543.63
Derivative liabilities	-	-	-	-	12,929,383,199.16	12,929,383,199.16
<b>Financial assets sold under repurchase agreements</b>						
	2,113,500,000.00	-	-	-	685,503.40	2,114,185,503.40
Customer deposits	21,059,652,403.91	3,239,805,042.70	9,345,870.63	-	88,793,176.35	24,397,596,493.59
Bonds payable	1,045,200,868.08	2,499,749,097.19	-	-	-	3,544,949,965.27
Other financial liabilities	-	-	-	-	176,859,885.46	176,859,885.46
<b>Financial liabilities total</b>	<b>29,705,854,996.62</b>	<b>7,494,029,139.89</b>	<b>759,345,870.63</b>	<b>-</b>	<b>13,218,854,708.22</b>	<b>51,178,084,715.36</b>
Net interest re-pricing gap	(1,851,582,214.09)	8,760,592,247.21	3,973,603,459.51	55,351,104.88	541,658,883.37	11,479,623,480.88

The table below illustrates the potential impact on the Bank's operating profit after 25 basis points movement in yield rate for all currencies, based on the structure of interest-bearing assets and interest-bearing liabilities (excluding current deposits) as at 31 December 2023.

Item	2023	2022
	Increase/ (decrease) RMB	Increase/ (decrease) RMB
Appreciate by 25 basis points	9,681,240	16,757,802
Depreciate by 25 basis points	(9,681,240)	(16,757,802)

The above impact on net profit includes the impact of change in net interest income and fair value of trading securities.

The Bank believes the assumption does not represent the Bank's policy on use of funds and interest rate risk management. As a result, the above impact may be different from the real situation.



NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2023

## XII. CAPITAL MANAGEMENT

The capital management of the Bank focus on the capital adequacy ratio and return on invested capital, aiming to satisfy the requirements of external regulatory and shareholder returns, and to increase total assets and enhance risk management. In accordance with “Rules for Regulating the Capital Adequacy Requirement of Commercial Banks (for Trial Implementation)”(CBRC 2012[1]) enforced by 1 January 2013, combining the regulator requirements and the Bank’s risk condition, the Bank determined capital adequacy ratio target in a prudent manner, and to ensure management target was met through position management and several other means.

NFRA requires commercial banks to meet the relevant capital adequacy requirements. For systemically important banks, NFRA requires that its core tier one capital adequacy ratio should not be lower than 8.5%, the tier one capital adequacy ratio should not be less than 9.5%, and the capital adequacy ratio should not be lower than 11.5%. For non-systemically important banks, NFRA requires that its core tier one capital adequacy ratio should not be lower than 7.5%, the tier 1 capital adequacy ratio should not be lower than 8.5%, and the capital adequacy ratio should not be lower than 10.5%.

The weighted risk assets in the balance sheet are calculated using different risk weights. The risk weights are determined according to each asset, the counterparty’s credit, market and other related risks, and the impact of qualified mortgages and guarantees are also considered. Off-balance sheet exposures are also calculated using the same method, and are adjusted for their contingent characteristics. The counterparty credit risk-weighted assets of OTC derivatives transactions are the sum of the counterparty default risk-weighted assets and the credit valuation adjustment risk-weighted assets. Market risk-weighted assets are measured according to standard methods. Operational risk-weighted assets are measured according to the basic indicator method.

The scope of capital adequacy ratio calculation includes all domestic institutions, and the Bank has no oversea institution. As of 31 December 2023, capital adequacy ratio statistics based on the Bank’s regulatory report were as follows:

	<u>31/12/2023</u> RMB’000
The core tier one capital	
Paid-in capital	8,711,348
General reserve	659,373
Surplus reserve and retained earnings	1,716,779
Other comprehensive income	11,792
	<hr/>
The core tier one capital	11,099,292
The core tier one capital deduction	
Intangible assets after deferred tax liability adjustment	36,709
	<hr/>
Net core tier one capital	11,062,583
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Other tier one capital	-
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Net tier one capital	11,062,583
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BNP PARIBAS (CHINA) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2023

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XII. CAPITAL MANAGEMENT - continued

	<u>31/12/2023</u> RMB'000
Tier two capital	
Loan provision exceed regulator limits	354,418
Tier two capital deduction	-
Net capital	<u>11,417,001</u>
Credit risk weighted assets	42,377,130
Market risk weighted assets (1)	13,855,144
Operational risk weighted assets	2,268,191
Total risk weighted assets	<u>58,500,465</u>
The core tier one capital adequacy ratio	<u>18.9%</u>
Tier one capital adequacy	<u>18.9%</u>
Capital adequacy ratio	<u>19.5%</u>
 (1) Market risk weighted assets	
	<u>31/12/2023</u> RMB'000
Total market risk capital requirement (standard method)	1,108,412
- Interest rate risk	948,139
- Foreign exchange risk	132,825
- Option risk	27,448
Market risk weighted assets	<u>13,855,144</u>

NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2023

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XII. CAPITAL MANAGEMENT - continued

(1) Market risk weighted assets - continued

The Bank calculate the leverage ratio in accordance with “Administrative Measures for the Leverage Ratio of Commercial Banks (Revised in 2015)” (CBRC 2015[1]) enforced by 1 April 2015. As of 31 December 2023, leverage ratio statistics based on the Bank’s regulatory report were as follows:

	<u>31/12/2023</u> RMB’000
Net tier one capital	11,062,583
Adjusted balance of assets on the balance sheet	43,749,456
Balance of derivative assets	30,805,022
Balance of assets in bond financing transactions	-
Adjusted balance of assets off the balance sheet	<u>16,847,642</u>
Leverage ratio	<u>12.1%</u>

XIII. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Bank established a market risk management system, by building an internal control framework using fair value measurement as basis, in order to meet the needs of internal management and information disclosure. The Bank also made gradual and systematic improvement to its market risk system management, by grouping all related departments from front, middle and back office, so as to adequately cover all procedures in collection, measurement, monitoring and assessment of fair value of financial instruments. When determining the fair value of financial instruments, the Bank considers the market price as the best approximation of the fair value of financial instruments for which there is an active market. For financial instruments of which the market does not exist, the Bank results from generally-accepted valuation models with observable market index or third party quoted price reviewed by risk management department to determine the fair value of these financial assets and financial liabilities.

Financial assets and financial liabilities of the Bank mainly includes: Deposits with the Central Bank, due from banks and other financial institutions, placements with banks and other financial institutions, derivative assets, assets purchased under resale agreements, loans and advances, financial assets held for trading, debt investments, other debt investments, other receivables, due to the Central Bank, takings from other banks, due to banks and other financial institutions, held for trading financial liabilities, derivative liabilities, financial assets sold under repurchase agreements, customer deposits, bonds payable, account payables, etc.

Except for the following financial assets and liabilities, the fair value of the Bank’s financial assets and liabilities are based on market price.

XIII. FAIR VALUE OF FINANCIAL INSTRUMENTS - continued

(i) Deposits with the Central Bank, due from banks and other financial institutions, placement with banks and other financial institutions, financial assets purchased under resale agreements, debt investments, other receivables, due to the Central Bank, due to banks and other financial institutions, takings from other banks, held for trading financial liabilities, financial assets sold under repurchase agreements, bonds payable and other payables.

Given that maturities of these financial assets and liabilities are mostly either short-term or re-priced more than once every year; the carrying amount approximates the fair value.

(ii) Loans and advances

Because the loan interest rates follows the movement of PBOC benchmark interest rates, and interest rates for loans denominated in foreign currencies are generally floating rates, fair value of loans is close to carrying value. Expected cash flows are discounted at current market rates to determine fair value.

(iii) Customer deposits

The fair value of check, savings and short-term money market accounts are the amount payable on demand at the reporting date. The estimated fair value of fixed interest-earning deposits and placements without quoted market price is based on discounted cash flows using interest rates for existed debts with similar remaining maturity.

The fair value of the customer deposits is approximate to their carrying amount because the majority of customer deposits of fixed interest rate are with maturity less than one year.

Fair value estimation is made on a specific time point according to the related market information and the information related with financial instrument. In the situation of existence of active market, such as the authorized stock exchange, market price best reflects the fair value of the financial instrument. While lacking active market, the fair value is estimated by using valuation technology (for details, please refer to Note IV).

The fair value of financial asset and liability is measured by the following methods:

- The fair value of financial asset and liability with standard terms and conditions in active market is measured by the existing bid price and ask price in the related active market;
- The fair value of the other financial asset and liability (excluding derivative instrument) is measured by the common pricing model on basis of the discounted future cash flow or the existing market price in the observable market;
- The fair value of the derivative instrument is measured by public quoted price in the active market. If the public quoted price does not exist, the fair value of the derivative instrument with no options is measured by discounted future cash flow on basis of the applicable yield curve; the fair value of the derivative instrument with options is measured by option pricing model (such as binomial model).

NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2023

XIII. FAIR VALUE OF FINANCIAL INSTRUMENTS - continued

1. Asset and liability consistently measured by fair value

As at 31 December 2023, the financial assets and financial liabilities measured at fair value by the above three levels are analysed below:

	31/12/2023			
	<u>Level 1</u> RMB	<u>Level 2</u> RMB	<u>Level 3</u> RMB	<u>Total</u> RMB
Held-for-trading financial assets	-	5,263,141,021.59	-	5,263,141,021.59
Other debt investments	-	8,674,692,775.79	-	8,674,692,775.79
Derivative assets	-	14,212,790,390.80	-	14,212,790,390.80
Financial assets total	-	28,150,624,188.18	-	28,150,624,188.18
Held-for-trading financial liabilities	-	557,431,746.51	-	557,431,746.51
Derivative liabilities	-	13,338,501,418.66	-	13,338,501,418.66
Bonds payable	-	1,509,449,116.58	-	1,509,449,116.58
Financial liabilities total	-	15,405,382,281.75	-	15,405,382,281.75

	31/12/2022			
	<u>Level 1</u> RMB	<u>Level 2</u> RMB	<u>Level 3</u> RMB	<u>Total</u> RMB
Held-for-trading financial assets	-	5,456,090,784.64	-	5,456,090,784.64
Other debt investments	-	6,842,350,705.40	-	6,842,350,705.40
Derivative assets	-	12,756,290,199.10	-	12,756,290,199.10
Financial assets total	-	25,054,731,689.14	-	25,054,731,689.14
Derivative liabilities	-	12,929,383,199.16	-	12,929,383,199.16
Financial liabilities total	-	12,929,383,199.16	-	12,929,383,199.16

No transition of fair value measurement of the Bank's assets and liabilities between different levels in current and prior year.

The quantitative information of fair value measurement in Level 2:

	31/12/2023		
	<u>Fair Value</u> RMB	<u>Valuation Technique</u>	<u>Input Value</u>
Held-for-trading financial assets	5,263,141,021.59	Discounted future cash flow	Yield curve
Other debt investments	8,674,692,775.79	Discounted future cash flow	Yield curve
Derivative assets/ (liabilities)	14,212,790,390.80	Discounted future cash flow	Forward exchange rate
	(13,338,501,418.66)		Yield curve
			Yield curve
			Fluctuation rate of exchange rate
			Strike price
Held-for-trading financial liabilities	557,431,746.51	Discounted future cash flow	Yield curve
Bonds payable	1,509,449,116.58	Discounted future cash flow	Yield curve

NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 31 DECEMBER 2023

XIII. FAIR VALUE OF FINANCIAL INSTRUMENTS - continued

1. Asset and liability consistently measured by fair value - continued

The quantitative information of fair value measurement in Level 2: - continued

	31/12/2022		
	<u>Fair Value</u> RMB	<u>Valuation Technique</u>	<u>Input Value</u>
Held-for-trading financial assets	5,456,090,784.64	Discounted future cash flow	Yield curve
Other debt investments	6,842,350,705.40	Discounted future cash flow	Yield curve
Derivative assets/ (liabilities)	12,756,290,199.10	Discounted future cash flow	Forward exchange rate
	(12,929,383,199.16)		Yield curve Fluctuation rate of exchange rate Strike price

2. The hierarchy of fair value of the asset and liability not measured but disclosed by fair value

The financial assets and liabilities not measured by fair value on the balance sheet mainly includes: deposits with the Central Bank, deposits with banks and other financial institutions, placements with banks and other financial institutions, financial assets purchased under resale agreements, loans and advances, debt investments, other receivables, due to central bank, due to banks and other financial instrument, takings from other banks, financial assets sold under repurchase agreement, customer deposits, bonds payable and other payables, etc. Given that the maturity date or re-priced date of most of the financial assets and liabilities are within one year, management of the Bank believes the carrying amount approximates the fair value.

XIV. COMPARABLE AMOUNTS

Due to the change of financial statements disclosure pattern, some comparable amounts were reclassified in accordance with the disclosures in 2023.

XV. SUBSEQUENT EVENT

In accordance with the resolution of the Board of Directors of the Bank on 28 September 2023 regarding the close of the Shanghai Pilot Free Trade Zone Sub-branch, the Bank submitted a report on the close of the Shanghai Pilot Free Trade Zone Sub-branch to NFRA Shanghai Bureau on 15 December 2023. On 3 January 2024, the Bank returned the financial licence of the Shanghai Pilot Free Trade Zone Sub-branch to the NFRA Shanghai Bureau. The liquidation commencement date of Shanghai Pilot Free Trade Zone Sub-branch was 3 January 2024, the liquidation termination date was 8 January 2024 and the business licence was cancelled on 31 January 2024 .

XVI. ISSUANCE OF THE FINANCIAL STATEMENTS

The financial statements of the Bank was approved for issuance by the board of the directors of BNP Paribas (China) Limited on Apr 12, 2024.

BNP PARIBAS (CHINA) LIMITED.

Supplementary information

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Supplementary information I	Balance sheet as at 31 December 2023 by CNY and FCY business
Supplementary information II	Income statement for the year ended 31 December 2023 by CNY and FCY business
Supplementary information III	Taxable income reconciliation for the year ended 31 December 2023

The information above is provided by the Bank's management.

**BNP PARIBAS (CHINA) LIMITED**

**SUPPLEMENTARY INFORMATION I**  
**BALANCE SHEET AS AT 31 December 2023 (REPORTED IN RMB)**

	31/12/2023			
	<u>RMB business</u>	<u>Foreign currency business</u>	<u>Elimination</u>	<u>Total</u>
<b>Assets</b>				
Deposits with the Central bank	3,652,238,061.56	531,122,126.96	-	4,183,360,188.52
Deposits with other banks and financial institutions	101,903,679.20	1,007,035,366.17	-	1,108,939,045.37
Placements with banks and other financial institutions	6,757,854,902.25	(5,446,650.13)	-	6,752,408,252.12
Due from inter-branches	1,941,985,594.70	1,610,434,328.65	(3,552,419,923.35)	-
Derivative assets	2,779,850,437.59	11,592,977,171.48	(160,037,218.27)	14,212,790,390.80
Loans and advances	12,593,354,850.20	421,642,228.97	-	13,014,997,079.17
<b>Financial investments:</b>				
Held-for-trading financial assets	4,772,754,282.19	490,386,739.40	-	5,263,141,021.59
Debt investments	1,089,599,403.57	-	-	1,089,599,403.57
Other debt investments	8,673,420,644.64	1,272,131.15	-	8,674,692,775.79
Fix assets	-	51,325,887.78	-	51,325,887.78
Right-of-use assets	114,638,396.69	-	-	114,638,396.69
Intangible assets	-	36,709,160.44	-	36,709,160.44
Deferred tax assets	(89,328,732.80)	315,988,499.51	-	226,659,766.71
Other assets	(1,246,425,898.72)	4,556,163,911.46	(40,043,731.33)	3,269,694,281.41
<b>Total assets</b>	<u>41,141,845,621.07</u>	<u>20,609,610,901.84</u>	<u>(3,752,500,872.95)</u>	<u>57,998,955,649.96</u>
<b>Liabilities</b>				
Due to the Central Bank	300,323,570.51	-	-	300,323,570.51
Due to other banks and financial institutions	2,713,193,225.76	587,959,042.27	-	3,301,152,268.03
Takings from other banks	1,015,762,222.22	241,216,497.62	-	1,256,978,719.84
Held-for-trading financial liabilities	557,431,746.51	-	-	557,431,746.51
Due to inter-branches	1,941,985,594.70	1,610,434,328.65	(3,552,419,923.35)	-
Derivative liabilities	2,566,141,027.29	10,932,397,609.64	(160,037,218.27)	13,338,501,418.66
Financial assets sold under repurchase agreements	3,778,515,198.05	-	-	3,778,515,198.05
Customer deposits	13,610,308,644.21	4,944,787,677.15	-	18,555,096,321.36
Payable to employees	-	156,145,719.38	-	156,145,719.38
Tax payable	55,785,137.28	38,583,453.33	-	94,368,590.61
Bonds payable	4,107,694,271.54	-	-	4,107,694,271.54
Lease liabilities	135,594,833.00	-	-	135,594,833.00
Other liabilities	359,354,941.37	998,549,663.90	(40,043,731.33)	1,317,860,873.94
<b>Total liabilities</b>	<u>31,142,090,412.44</u>	<u>19,510,073,991.94</u>	<u>(3,752,500,872.95)</u>	<u>46,899,663,531.43</u>
<b>Owners' equity</b>				
Paid-in capital	8,711,347,906.00	-	-	8,711,347,906.00
Other comprehensive income	11,775,854.78	16,486.84	-	11,792,341.62
Surplus reserve	221,751,858.74	440,147,406.39	-	661,899,265.13
General reserve	-	659,373,016.67	-	659,373,016.67
Retained earnings	1,054,879,589.11	-	-	1,054,879,589.11
<b>Total owners' equity</b>	<u>9,999,755,208.63</u>	<u>1,099,536,909.90</u>	<u>-</u>	<u>11,099,292,118.53</u>
<b>Total liabilities and Owners' equity</b>	<u>41,141,845,621.07</u>	<u>20,609,610,901.84</u>	<u>(3,752,500,872.95)</u>	<u>57,998,955,649.96</u>

The above balance sheet is for regulators' reference only and does not form part of the financial statements.



BNP PARIBAS (CHINA) LIMITED

SUPPLEMENTARY INFORMATION II

INCOME STATEMENT FOR THE YEAR ENDED 31 December 2023 (REPORTED IN RMB)

	31/12/2023			
	<u>RMB business</u>	<u>Foreign currency business</u>	<u>Elimination</u>	<u>Total</u>
Operating income	404,070,530.07	726,817,669.06	-	1,130,888,199.13
Net interest income	338,413,689.59	88,408,441.61	-	426,822,131.20
Interest income	1,081,294,579.18	389,479,999.08	(339,607,866.77)	1,131,166,711.49
Interest expense	742,880,889.59	301,071,557.47	(339,607,866.77)	704,344,580.29
Net fee and commission income	24,729,394.71	177,682,734.45	-	202,412,129.16
Fee and commission income	55,985,357.77	305,269,430.16	(55,683,804.75)	305,570,983.18
Fee and commission expense	31,255,963.06	127,586,695.71	(55,683,804.75)	103,158,854.02
Investment gains	145,034,779.98	281,061,499.11	-	426,096,279.09
Fair value gains/(losses)	147,258,973.20	(203,644,549.38)	-	(56,385,576.18)
Foreign exchange (losses)/gains	(251,798,527.23)	383,387,241.00	-	131,588,713.77
Loss on disposal of assets	-	(479,354.24)	-	(479,354.24)
Other income	432,219.82	401,656.51	-	833,876.33
Operating expenses	508,958,764.75	327,847,193.41	-	836,805,958.16
Tax and surcharges	4,637,958.99	872,128.72	-	5,510,087.71
General and administrative expense	524,813,031.83	344,530,852.17	-	869,343,884.00
Credit impairment reversals	(21,621,063.66)	(17,555,787.48)	-	(39,176,851.14)
Other expenses	1,128,837.59	-	-	1,128,837.59
Operating profit	(104,888,234.68)	398,970,475.65	-	294,082,240.97
Add: Non-operating income	-	2,471.00	-	2,471.00
Less: Non-operating expense	2,100,000.00	-	-	2,100,000.00
Total profit	(106,988,234.68)	398,972,946.65	-	291,984,711.97
Less: Income tax (reversals)/expenses	132,785,762.68	(126,118,871.76)	-	6,666,890.92
Net (loss)/profit	(239,773,997.36)	525,091,818.41	-	285,317,821.05

The above income statement is for regulators' reference only and does not form part of the financial statements.

SUPPLEMENTARY INFORMATION III  
TAXABLE INCOME RECONCILIATION FOR YEAR ENDED 31 DECEMBER 2023

BNP PARIBAS (CHINA) LIMITED  
Taxable Income Reconciliation for the year ended 31 December 2023

	<u>Total</u> RMB
Total revenue	291,984,711.97
Tax adjustment:	
Revenue of deemed sales	604,424.29
Cost of deemed sales	(601,211.13)
Interest income of bonds issued by Chinese government	(331,694,007.10)
Expenses without legal voucher	2,878,058.09
Business insurance paid for employees	2,343,163.21
Penalty	2,100,000.00
Individual income tax borne by the bank	1,538,300.73
Business hospitality	1,010,631.49
Deposit Insurance	5,809,574.69
Supplementary pension plan	18,771,129.10
Directors and supervisors high liability insurance	19,846.67
Fair value changes in held-for-trading financial assets	7,078,789.54
Fair value changes in bonds payable	13,563,898.00
Fair value changes in derivative financial assets	282,121,755.92
Accrued salary and bonus	(5,088,981.92)
Accrued expenses	73,042,428.85
Loss allowance for other assets	678,509.49
Loss provision for deposits with other banks	(4,032,976.62)
Loss provision for debt investments	2,323,204.09
Loss provision for other debt investments	154,722.81
Loss provision for financial assets purchased under resale agreements	(10,663,324.97)
Deferred interest income	(2,062,280.31)
Amortization of intangible assets	3,616,728.90
Loss provision on loans and advances	(19,821,362.32)
Provision for contingent liabilities	(2,455,583.91)
Social insurance paid for foreign employees	3,587,484.15
Individual income tax paid for clients	100,201.86
Individual income tax paid for employees	7,046,497.67
Depreciation of right-of-use assets	38,907,195.02
Interest expenses on lease liabilities	5,078,928.37
Rentals paid for lease liabilities	(39,291,597.24)
Undeductible losses	(159,100,325.98)
Taxable income	189,548,533.41
Income tax rate	25%
Total tax in 2023	47,387,133.35

Note: In accordance with tax authorities' requirement, the Bank prepared the taxable income reconciliation form. This table is for the tax authorities' reference only, and does not form part of the financial statements.

### **III. Risk Management**

#### **PART I: RISK SITUATION**

##### **1. Credit Risk**

##### **1.1 Financial Institutions Credit Risk**

##### **1.1.1 Key risks encountered by BNPP China Ltd**

Financial institutions counterparty credit risk is one of key risk types in BNPP China. In our portfolio, the counterparty types include sovereign entities, banks, securities firms, insurance companies, financial leasing companies, central clearing house, etc. and the main credit activities with those financial institutions include global market, trade finance, financing, and ALM business.

In 2023, despite a complex internal and external environment of global economic growth slowdown, continued pressure in the property sector, increased volatility in financial markets, and heightened geopolitical tension, China economy has gradually recovered with GDP annual growth at 5.2%, slightly above the target of 5%. China financial system and market liquidity has remained relatively stable with no major financial risks, while financial institutions still face pressure in asset quality & profitability, and credit divergence among individual institutions has further widened.

The overall credit quality of our financial institutions portfolio remained stable in 2023. The counterparty exposure in the Bank mainly comes from large and leading financial institutions, whose financials are highly resilient even in stressed situations. Meanwhile, in 2023, amidst various credit and market headwinds, RISK Markets & Financial Institutions Counterparty & Credit Risk Credit Team (RISK MFI CCR CREDIT), together with Financial Institutions Coverage Team (FIC) have closely monitored the portfolio with necessary credit action in response to major warning signals in order to ensure the credit quality of the portfolio.

##### **1.1.2 Identified risks incidents in 2023, if any (background & outcome)**

By the end of 2023, credit assets from financial institution counterparties under coverage of RISK MFI CCR CREDIT remained steady. The Bank performed the risk classification of financial assets in accordance with regulatory new policy “Measures for the Risk Classification of Financial Assets of Commercial Banks”. For the non-performing assets, there were “other receivables” (CNY2.16mio) which were classified as non-performing assets with 100% provisioned.

Non-performing assets are the assets that are categorized as Sub-standard, Doubtful or Loss according to the regulatory measure of financial asset risk classifications.

##### **1.1.3 Main accomplishments and corrective measures taken by the bank in 2023**

In 2023, RISK MFI CCR CREDIT and FIC, with joint efforts, have completed full annual reviews, accompanied by strengthened monitoring/assessment on the macro, market and sector evolution, and counterparties’ credit profile, to ensure prompt credit action upon early warning signals, market negative news and regulation change.

- RISK MFI CCR CREDIT and FIC have completed all the annual reviews (incl. sector review, counterparty credit assessment, counterparties ratings and limits) for financial institutions and sovereigns under RISK MFI CCR CREDIT China’s coverage.
- RISK MFI CCR CREDIT and FIC continued closely monitoring counterparties credit evolution, particularly for the weaker counterparties, to ensure prompt credit review and action in case of adverse signs.
- The Bank enhanced the reviews in response to adverse market events (e.g. Russian/Ukraine conflict, US rate hikes, collapse of Silicon Valley Bank and ex G-SIB Credit Suisse, commodity market turbulence, property sector strain, local government debt risk, bond/FX market turbulence, etc.), to ensure the credit quality of the portfolio.
- The Bank ensured the reporting to local management in regular basis or in due time if needed, and reporting to the Board through Risk Management Committee on a quarterly basis on the exposure, evolution, quality of all counterparties and major risk issues.

- Stress test of financial institutionals' credit risk has been performed with the assessment on the impact to BNPP China's Capital Adequacy ratio.
- The Bank have actively involved in digital transformation project led by the Group, including upgrading of the credit approval system, credit report with technology etc., which allows enhancing the efficiency of the credit review.

#### **1.1.4 Overall assessment and risk evolution in 2023**

In 2023, with continued efforts of close monitoring and reviewing the macro, market and sector evolution as well as the counterparties' credit evolution, the credit profile of the financial institutions portfolio (under RISK MFI CCR CREDIT coverage) has remained stable.

### **1.2 Corporate Credit Risk**

#### **1.2.1 Key risks encountered by the BNPP China Ltd**

The credit risk of Corporate clients is one of the key risks encountered by BNPP China. Our clients are large and mid-size local Corporates including state-owned enterprises (SOEs), private-owned enterprises (POEs) and the Chinese subsidiaries of multinational corporations (MNCs). Our product offering includes financing, trade services, global markets (FX/IR/Commodity hedging) and cash management.

In 2023, China's economy rebounded after the uplifting of COVID restrictions, but the recovery was slow under the influence of multiple factors, such as the complex international landscape, geopolitical tensions, lack of domestic consumer confidence and property sector downturn. This put pressure on the overall credit profile, as corporate borrowers continued to face external challenges, such as weak domestic demand, imbalance of supply/demand, China-US tensions over trade/technology, weak global demands affecting export growth, and contagion risk between the property sector and its upstream/downstream sectors. The year saw an uneven recovery in the performance across different sectors/entities, and some of them were more susceptible to challenges. The risks are overall manageable for central SOEs, strong provincial/municipal SOEs and leading POEs with strong market positions/competitiveness and satisfactory funding channels, as well as for the MNCs who benefit from the parent company's financial resources and support. For non-leading POEs, property developers as well as the related sectors, it's necessary to closely monitor their operations, refinancing capability and the trend of credit quality.

In view of the above, the Bank continues prudent client selection and focuses on the winners in promising industries. Meanwhile, we keep vigilant on the industries facing overcapacity and the risks when they expand overseas (trade barrier, geopolitical risk). With regards to the MNCs, specific attention are paid to any changes in their China strategy and level of support to subsidiaries. The Bank places emphasis on vigilant due diligence and Know Your Client as pre-conditions of underwriting credit and strictly follows credit approval process/delegation. The Bank sticks to ongoing post-drawdown monitoring through various means such as annual review, NFRA asset classification quarterly review, daily client monitoring, and targeted portfolio review in order to timely detect early warning signals and identify Watchlist names, ensure appropriate and timely actions are taken to reduce risk exposure if necessary and ensure the quality of our portfolio.

#### **1.2.2 Identified risk incidents in 2023**

The overall credit profile of the Corporate portfolio remained healthy in 2023, with risk exposure of investment grade Corporates accounting for 72% of total Corporate exposure as of FYE2023. No new non-performing assets this year. Following the write-off of a NPL (CNY 41.93m, 100% provision) at the end of 2022, BNP China has zero NPL.

For those clients with weak internal ratings, we continued to conduct enhanced quarterly review of NFRA asset classification to monitor their updated financials and market news, to identify early warning signals, when necessary, pro-actively downgrade relevant clients to "Special Mention" or place them on "Watchlist" for closer monitoring and adopt timely measures to manage risk. For foreign-invested

companies negatively impacted by restructuring or financials of parent company/group, we also actively communicated with relevant Pilot sites to obtain support such as SBLC and/or funding support (including new equity or shareholder's loan), through negotiation with respective parent companies, to reduce our risk exposure and negotiate repayment/exit plan.

Concerning the volatility of FX/commodity market, we keep tracking the positions (with our bank) of the FX/CIT clients and review big mark-to-market movements, and take proper monitoring/action plan as necessary. The Bank completed a review on the Commodity clients, reduced overall exposure and refocused the client base on investment grade corporates/SOEs, market leaders, large corporates. Up to now, the relevant risk has been reasonably controlled and closely monitored.

### **1.2.3 Corrective measures taken by the bank**

From management perspective, Country Management of the Bank, has kept a close dialogue with regulator to exchange the view on risk evolution. The Bank firmly believes that in-depth due diligence process and an effective risk monitoring framework are two key successful factors for the Bank to weather market downturn/challenges.

We continue to periodically update and enhance the policy & procedures on managing corporate credit risk, mainly to better fit the regulatory requirement/increasingly challenging macro and micro market situation. New regulations are given a high priority, relevant departments proactively work together to understand impact and conduct gap analysis for implementation. The Bank has implemented the NFRA "Measures for the Risk Classification of Financial Assets of Commercial Banks" and established relevant internal procedure effective 1<sup>st</sup> July 2023. The relevant work for implementing the new "Three Measures on Fixed Asset Loan, Working Capital Loan and Personal Loan Management" (where applicable) is also underway.

Besides, to timely track the impact on the Bank's asset quality and capital adequacy led by the changing economic environment in China, we also continue to conduct different portfolio reviews for specific events (such as Russia-Ukraine conflict, geo-political risk), client portfolio (such as Commodity clients, POEs), and product portfolio (such as FX/CIT), enhanced the frequency for periodic review of companies with higher risk, and enhanced the stress test by adding scenarios to reflect the current complicated economic environment.

### **1.2.4 Overall assessment and risk evolution in 2023**

In the context of complicated domestic/global economic environment, the Bank has warranted fast response and maintained high level of vigilance. Leveraging on close collaboration across all lines, we further strengthened due diligence and risk monitoring and also acted swiftly to market news. All of these measures are of ultimate importance to identify early warning signals and take timely actions for potential problem accounts. Asset quality remained healthy, with no new NPL in 2023. Non-performing assets are the assets that are categorized as Sub-standard, Doubtful or Loss according to the regulatory measure of financial asset risk classifications.

## **1.3 Loan provision rate and provision coverage ratio**

Loan provision rate in 2023 is 2.69% (2022: 2.73% ) and no non-performing loan by the end of 2023. According to CBIRC <Notice on the supervision requirements on 2023's loan loss provision for BNPP China Ltd>, the required provision coverage ratio shall no lower than 120% and loan provision rate shall no lower than 1.5%.

## **2. Market Risk**

In 2023, global economy growth slowed down. Major countries led by US and EU continued the rate hikes to curb inflation, but US rates softened over the last quarter. At the same time, geopolitical tension

and financial risk events added pressures on the global economy. China side, the government continued to roll out proactive fiscal policies with prudent monetary policies to boost economic recovery while pursuing stability. China has also shown its determination to resolve potential issues such as real estate sector and local government debts, in order to improve the quality of development and prevent systematic risk. During the year, Required Reserve Ratio (RRR) were cut by 50bps, 7Day reverse repo rate was lowered down by 20bps, 1Year Medium-Term Lending Facility (MLF) was cut by 25bps, 1Y Loan Prime Rate (LPR) was lowered down by 20bps and 5Y LPR was cut by 10bps in total. For FX market, RMB FX experienced some volatilities throughout the year mainly due to the interest rate differential between China and US with RMB depreciated over 3% against US Dollar Year-on-Year.

During this period of volatile market, RISK MFI Market and Liquidity Risk (MLR) team, on top of strictly following the current market risk management framework, also kept a very close communication with Trading on daily basis to ensure the safeness of the market risk limits and keeping the overall exposures under control. In the meantime, RISK MFI MLR has always kept senior management of the bank in the loop in case of any risk event happened.

The set of permanent limits used by BNPP (China) Ltd. is in line with the Group's set of limits and has been validated by the Board of the BNPP (China) Ltd. All limit events have also been reviewed and ratified by the Board of Directors.

The set of market risk limits for BNPP (China) Ltd relates to two part of businesses: ALM Treasury (mainly Banking Books) and Global Markets (mainly Trading Books). Trading Books limits are covering the main risks that BNPP (China) Ltd. is facing, including Interest Rate (PV01 by tenor, currency and net ceiling + Basis Spreads), FX (Nominal Limits), Issuer Risk, 1-Day Market VaR limit. Banking Books limits have been set-up mainly on Interest Rate gapping by currency.

Market risk refers to the risk of fluctuation of the fair value or future cash flows of a financial instrument caused by any change in market prices. Market risks arise from open positions on different underlings, interest rate and foreign exchange rate as examples, all of which are exposed to general and specific market movements. Commodities risk arises from changes in the market prices and volatilities of commodities and/or commodity indices. Credit spread risk arises from the change in the credit quality of an issuer and is reflected in changes in the cost of purchasing protection on that issuer. Option products carry by nature volatility and correlation risks, for which risk parameters can be derived from option market prices observed in an active market.

In 2023, there was no market risk incident related to BNPP (China) Ltd. transactions.

Main Market Risk exposure for BNPP (China) Ltd. remains concentrated on RMB and USD for both activities Global Markets and ALM Treasury.

#### *1-Day Market Value at Risk analysis*

Market VaR is the worst loss expected over a given period of time and within a given confidence interval time. The Bank is computing the maximum expected daily loss of a trading activity at 99% confidential level. The VaR calculation is based on a Monte-Carlo approach, which not only performs normal or log-normal simulations but also accounts for the non-normality often observed in financial markets as well as correlation between risk factors. A one year rolling window of historical market data (updated every month) is used to calibrate the Monte Carlo simulation. The 1-Day Market VaR is only an internal indicator for risk management within the Bank as the regulatory Market Risk Capital for the entity is under standardized approach. RISK Global Markets team conducts a VaR backtesting exercise on BNPP China trading activities on daily basis.

The table below includes the 2022 and 2023 average value, 2023 maximal value and minimal value, end of 2022 and end of 2023 value of 1-Day Market VaR for Global Markets Trading Books, including breakdown by risk type.

## Stress-Tests

### VALUE AT RISK (ONE-DAY, 99%) - BREAKDOWN BY RISK TYPE

In millions of euros	Year to 29 Dec. 2023			29 December	Year to 30 Dec. 2022	30 December
	Minimum	Average	Maximum	2023	Average	2022
Interest rate risk	1.1	3.4	4.8	4.3	2.2	1.3
Credit risk	0	0	0.8	0.0	0	0
Foreign exchange risk	0.3	1.6	5.5	0.6	1.0	0.7
Equity price risk	0	0.1	3.0	0.1	0	0
Commodity price risk	0	0.1	0.4	0.0	0	0
Netting Effect <sup>(*)</sup>	-0.1	-1.4		-0.7	-0.9	-0.7
<b>TOTAL VALUE AT RISK</b>	<b>1.3</b>	<b>3.8</b>	<b>6.3</b>	<b>4.3</b>	<b>2.4</b>	<b>1.4</b>

<sup>(\*)</sup> Note that the minimum and maximum figures shown above for the various risk types are computed on a standalone basis (i.e. independently from each other as well the total VaR). While the minimum or maximum for each risk type may not necessarily be observed on the same date, minimum/maximum Netting Effect are not considered relevant. For minima and maxima, total VaR cannot be read as the sum of VaR by risk type.

The potential loss beyond the confidence level cannot be well captured by the 1-Day Market VaR. Therefore, the Bank also applies various stress-tests on a regular basis to simulate potential losses under extreme market conditions. Stress-tests results performed on trading books will provide an effective potential PnL impact as this perimeter is mark-to-market on a daily basis. Risk Management Committee will review the result of the stress-tests regularly. Besides, the Bank will update the stress-tests according to the risk overview and economic conditions on a regular basis.

The market risk stress test as of end of December 2023 shows that BNP Paribas (China) Ltd. trading books could face a largest potential loss of -362mio RMB. After absorbing this market risk stress test impact, the Capital Adequacy Ratio (CAR) will still be above the 10.5% regulatory requirement. No need to trigger any contingency plan.

### **3. Liquidity Risk**

In the beginning of 2023, the market sentiment was upbeat on the rebound after the reopening of economy. The interbank money market saw rising interest rates in the first quarter, 3m Shibor fixing rose to 2.50% around. However, the economic data exhibited a weaker-than-expected recovery afterwards, demand was weak, the spread between M2 and M1 was widening, and as a result the money market interest rate started to fall, and 3m Shibor recorded year-low level at 2.02% around in August. Then the USD FX started to strengthen, which imposed pressure on CNY depreciation, and liquidity in the interbank money market tightened. Compounded by the fiscal policy stimulus and increased government bond supply, interest rate continued to rise and 3m Shibor hit 2.61% around in the middle of Dec, which was the high of the year. But 3m Shibor dropped dramatically in the last few days in Dec to 2.53% around to close the market. In 2023 PBOC cut RRR 50 bps, cut OMO 7d reverse repo rate 20 bps, 1y MLF rate 25 bps, 1y LPR 20 bps, and 5y LPR 10 bps, in a bid to boost financing demand and support the real economy.

BNPP China kept the prudent strategy in liquidity risk management regardless of the market turbulence, and the Bank's liquidity position was always in a sound position in 2023.

### **4. Interest Rate Risk in the Banking Book**

Interest Rate Risk in the Banking Book ('IRRBB') is the risk of incurring a loss as a result of the mismatches in interest rate, maturities or nature between assets and liabilities, IRRBB arises in non-trading portfolios and primarily relates to global interest rate risk. Interest rate risk in the Banking Book for BNP Paribas (China) Ltd is monitored and kept within defined bounds. It is managed at local level under the supervision of the BNP Paribas group.

### **5. Country Risk**

The Bank adopted a pragmatic approach to Country Risk Management. So far, the Bank approved Country Risk Limits for 50 countries and most of them are developed countries with satisfactory Sovereign Internal Rating. For smaller countries with lower Sovereign Internal Rating, the limits are contained at a reasonable level based on actual and projected utilization presented by Business units and considering of the business strategy as well as Sovereign Internal Rating of the respective countries.

From Country risk limit monitoring and control perspectives, further enhancement was made via deployment of daily country risk database. Business units as well as middle and back-office teams could check the adequacy of limit via the daily country risk database before executing any transaction. There were two country risk excesses happened during this year, the country risk limit and the limit increase requests were approved by the Board in Dec 2023. Regarding country risk rating classification and provision, the Bank's Sovereign Internal Rating is mapped with NFRA country risk rating classification to ensure adequate country risk provision was made. The bank has made adequate country risk provision in the year of 2023.

As for the regulatory country risk reporting, the Bank reports its overseas assets and country risk provision coverage to CBIRC quarterly as per the regulatory reporting requirement. According to the analysis of country risk report by each quarter of 2023, it was noted that the bank's Top 5 country risk exposure accounted for 94% of the Bank's total country risk exposure. Within the Top 5 country risk exposure, most of the exposure comes from intra-group transactions. Furthermore, considering of the country risk portfolio evolution and intra-group transaction breakdown changes over the Top 5 countries, country risk stress test was performed for 2023. The Bank selected Top 5 countries with the largest exposure as end of Dec 2023 according with the Bank's official country risk report, applied de-notching methodology under three scenarios (Light/Mid/Severe) and added provision amount from selected Watchlist counterparties with association to concerned Top 5 counties under severe scenario. Impact on BNPP China's Capital Adequacy Ratio therefore is assessed under aforementioned three scenarios. Result shows that the Bank is expected to have sufficient capital to absorb the impact.

## **6. Operational Risk**

### **6.1. Operational risk: basics**

The operational risk is one of the key risks focus of the banking activities and corresponds to the risk event of incurring an economic loss due to inadequate or failure of internal processes, staff, IT systems or external events.

Operational risk generally encompasses legal risk but not include strategic or reputational risk. Compliance risk, which is by definition a sub-category of operational risk, is managed separately from operational risk management due to its importance and link with the reputational risk. However, its financial implication will be included in operational risk. Information and communication technology risk is also part of the operating risk, and related internal control procedures are established according to the requirements of "Guidelines on the Information Technology Risk Management of Commercial Banks".

Operational risk management relies on the analysis of the "cause-event-effect" chain with a particular emphasis once the risk areas have been identified and assessed, on the basis of historical incidents or prospective scenario analysis, on the definition of the preventive actions to be implemented by the relevant teams in the Bank, for example new or adjusted controls and/or procedures, that will either prevent the event from happening or mitigate their impact if it does happen.

As part of operational risk management, information technology risk has been integrated into the overall risk management of the Bank, and assessed through the risk and control self-assessment of information technology risk. The second line of defense continuously supervises and monitors information technology risk through independent testing, key risk indicator monitoring etc.

### **6.2. 2023 incidents and operational risk awareness**

#### **6.2.1. Incidents and preventative actions undertaken**

The Bank was impacted by 2 loss incidents categorized under the Basel III event type "Execution, delivery and process management". All adequate preventive actions have been implemented to prevent recurrence of similar incidents.



### **6.2.2. Operational risk awareness training**

The Bank continues to reinforce staff operational risk awareness. All staff need to follow the annual mandatory training session, and all new staff need to attend the new joiner training. Both contain sessions of operational risks. So that the bank can fully and continuously disseminate the operational risk culture. Specifically for technology and information risk topics in operational risk, the bank also arranges training performed by Information Security. Each year, all staff need to attend the e-learning sessions related to personal data protection and other information security knowledge. After the online course, employees are required to pass the quiz to complete the training.

### **6.3. Overall assessment and risk evolution in 2023**

The bank continues to adapt, improve and reinforce the internal control framework to avoid the occurrence of new operational risk incident and to address the impact of those incidents which have already occurred, as well as perform prospective analysis in 2023 for the new activities and products (see below in Part II & III). In summary, compared to last year, the bank has decreased the occurrence of new operational incidents. The current operational risk is stable and within an acceptable level.

## **7. Compliance Risk**

Key Compliance Risk Identified for year 2023 included:

- Fast evolving regulation change continues to be a big challenge for compliance risk management. Regulatory measures of off-balance sheet, capital management, country risk management and operational risk management presents both challenge and opportunity.
- The quick business expansion brought challenges for Compliance. The Global Market, Transaction Banking and BP2S departments all have launched several new business or activities and more requests are in the pipeline. Increased compliance efforts to support the quick business expansion.
- The newly effective administrative measures for related party transactions put forward stricter and more detailed requirements for banks' corporate governance. Banks need to make further improvements in internal policies, operational procedures and system construction to ensure that various regulatory requirements are implemented in daily management.
- NFRA Shanghai Bureau ordered our bank to make corrections and fined us RMB 2.1 million for the findings of the related party bond trading that was not in line with commercial principles, internal control and performance evaluation management and violated the principles of prudent business operations. On November 13, 2023, our bank received the "Administrative Punishment Decision of the Shanghai Supervision Bureau of the National Financial Regulatory Administration" (Hu Jin Fa Jue [2023] No. 50).

Corrective measurement taken includes:

- Compliance summarized and analyzed the impact of the key new regulations for all staff of the bank and a specific meeting would be called when needed with related departments. Gap analysis will be done for the important regulations.
- The bank strictly implemented regulatory requirements. The impacts have been analyzed by business lines and function departments. Certain changes have been made to the existing process. RMs had well communications with the clients.
- In response to the regulatory authorities' penalty decisions, our bank implemented rectification measures in strict accordance with regulatory requirements, further strengthened compliance risk management and control, and operated in compliance with laws and regulations.
- Full sets of AML policy and operation procedures have been established and the daily, monthly, annually monitoring are operated smoothly.
- In 2023, Compliance updated various local procedures as related party identification operating procedures, whistle blowing, anti-money laundering, anti-terrorist financing and financial embargo compliance internal control management policies, KYC related policies and employee professional ethics management polices etc.

- In 2023, in terms of related party transaction management, the Bank has improved management framework and strengthen internal control measures, further action will be taken for system enhancement and data management capabilities.

## **8. Money Laundering and Terrorist Financing Risk**

Banks may face the money laundering and terrorist financing (hereafter ML/TF) risks arising from illegal criminal activities in the course of business and operation management. Any money laundering or terrorist financing risk event or case may result in serious reputation and legal risks. Our bank's responsibility to the society is to be the forefront of fight against Money Laundering and Terrorist Financing Risk. And these risks may also cause loss of client, business and the financial loss. There are also correlation and transferability between money laundering/terrorist financing risks and reputation, legal, liquidity and other risks. Money laundering /terrorist financing risks may have impact on such aspects as reputation, operation and financial affairs.

As the leading department of anti-money laundering work, compliance organizes ML/TF risk assessment with participants of business lines and function departments involved in anti-money laundering and combating financing of terrorism (AML/CFT) work from inherent risk and control environment perspectives to obtain residual risk. Our bank's money laundering and terrorist financing self-assessment work includes not only targeting new products and new businesses, but also targeting specific branches based on risk changes based on the "Internal Control Management Procedures for Money Laundering and Terrorist Financing Risk Assessment and Customer Risk Level Classification". Conduct special money laundering risk assessments based on customer groups, business lines or channels; it also includes annual risk assessments based on the requirements of the parent bank's compliance department.

- In 2023, our bank conducted a money laundering risk assessment on the new products of the business department, especially the digital renminbi business, and formulated relevant internal control measures based on the assessment results.
- In 2023, our bank also completed the trial submission of the "2022 Inherent Risk Supervision Assessment Form" and the "2022 Control Measures Assessment Questionnaire" in accordance with the regulatory requirements of the Anti-Money Laundering Bureau of the Head Office of the People's Bank of China.

In order to further enhance AML Transaction Monitoring work effectiveness, the bank invested and deployed a AML Transaction monitoring and reporting system ARMS in 2020. Ever since, there has been continuous system function enhancement and suspicious models review and fine-tuning on annual basis. The latest review and fine-tuning were conducted in July to October 2023.

## **9. Reputational Risk**

Reputation risk refers to any risk of a negative view about The bank injurious to its brand value, adverse to its normal operations, and even affecting market stability and social stability which any stakeholder, the public, or the media, among others, holds as a result of the conduct of the banking or insurance institution, the conduct of any practitioner, or an external event, among others.

According to "Reputational Risk Management Measures for Banking and Insurance Institutions" our bank revised the internal policy PRC99 "Guidelines for Reputational Risk Management". The reputational risk management framework has been further improved, the responsibilities of the board of directors, supervisors and senior management have been clarified, and a special reputational risk committee has been established. Daily monitoring, processing and reporting of risk events. Brand & Communication, Compliance and the Operational Permanent Control departments will perform their respective duties to strengthen the daily monitoring, processing and reporting of reputational risk events. Compliance will report reputational risk related issues to the Risk Management Committee. Risk Committee review and assess the reputational risk and report to the BOARD.

## **10. Strategic Risk**

Corporate governance and strategy throughout the organization are geared towards effectively addressing strategy risk. The risk assessment framework is regularly integrated into the Bank's decision-making and management processes. The entire process is supervised primarily by the Board of Directors ("BOD") and Senior Management (COMEX) chaired by CEO, who is responsible for measuring and controlling strategy risk at management level. The BOD oversees strategic planning and manages strategy risk mainly through its Strategy Committee. The committee also serves as a major part of the Bank's Corporate Governance.

The Bank strictly follows the global business strategy adopted by the Group. Our current strategy is based on the Bank's business development plan which is updated and revised based on the changing market conditions and opportunities arising. A revised growth plan has been adopted for the development of our client franchise as well as business lines. Targets are set on an annual basis and updated budgets are submitted to the BOD for approval.

It is assessed that the Bank's strategy risk is low.

## **11. Large Exposure management**

In accordance with the requirements of the NFRA and the "Measures for the Management of Large Exposures of Commercial Banks", the Bank has included all credit businesses in which banks bear credit risks into the regulatory framework for large exposure, specifically including six categories: (1) loans, Investment in bonds, deposits with banks and other on-balance sheet credit businesses; (2) investment in asset management products or asset securitization products; (3) transactions in bonds, stocks and their derivatives; (4) OTC derivatives, securities financing transactions; (5) guarantees, Off-balance sheet businesses such as commitments; (6) other businesses in which credit risks are borne by commercial banks in accordance with the principle of substance over form.

Accurate and timely measurement of large exposure is the basis for internal control and management. In addition to the IT system construction, in accordance with the requirements of the regulation, the Bank has established and improved the organizational structure for large exposure management, clarified the management responsibilities of the Board of directors, senior management, and relevant departments. Developed the procedure for large exposure management, and report to regulator for filling in a timely manner. in accordance with the regulatory requirements for large exposure management and based on the actual situation of the Bank, internal thresholds for large exposure are set, and continuous monitoring, early warning and control is carried out to implement large exposure management.

As of the end of 2023, the overall situation of all large exposure of our bank is well managed, and the large exposure of counterparties have been controlled within the 25% regulatory threshold.

## **PART II: RISK MANAGEMENT CAPABILITY**

### **1. Credit Risk**

#### **1.1 Financial Institutions Credit Risk**

##### **1.1.1 Organizational structure of RISK Teams covering financial institutions credit risks within BNPP China Ltd**

The RISK teams in BNPP China for financial institutions credit risk management consist of RISK MFI CCR CREDIT and RISK MFI Platform CCM EM (RISK Markets & Financial Institutions Platform Counterparty and Credit Metrics – Exposure Monitoring), both operating independently from the business lines.

RISK MFI CCR CREDIT is in charge of credit approval work. The Head of RISK MFI CCR CREDIT reports to the CRO of BNPP China Ltd.

RISK MFI Platform CCM EM team is mainly in charge of monitoring and reporting of the exposure utilization and limit excess. RISK MFI Platform CCM EM team reports to the CRO of BNPP China Ltd.

### **1.1.2 Implementation of risk policy in 2023**

In 2023, BNPP China followed the risk policies of the Bank and regulatory policies and requirement applicable to financial institutions to perform credit review, credit approval and credit monitoring.

### **1.1.3 Full compliance of predefined credit approval process**

In 2023, the credit files (including annual review, ad-hoc credit reviews and new counterparty requests) were approved by the relevant credit delegation holders in line with the existing procedure.

### **1.1.4 Local credit delegations**

Local credit delegation was granted to credit officers in RISK MFI CCR CREDIT to approve ad-hoc and regular credit requests whenever applicable. The credit files are submitted to credit committee to be in line with appropriate local delegation level and credit process. For credit files above local delegation, the credit assessment and recommendation from the FIC-ICAT team is submitted to the next higher level of credit committee. Upon approval from higher level of credit committees, the credit files need to be signed off by CEO and CRO of BNPP China.

### **1.1.5 Rating methodology**

BNPP China uses the BNPP global rating methodology to assess, measure and monitor counterparty risk to ensure credit quality of counterparties. Such rating methodology applies to credit assessment process for financial institution counterparties under coverage of RISK MFI CCR CREDIT.

### **1.1.6 Risk Monitoring**

RISK MFI CCR CREDIT monitors the credit standing of the counterparty on a regular basis. RISK MFI Platform CCM EM team monitor the limit excess on daily basis and report when necessary.

- 1) On-going monitoring of all existing counterparties
  - follow up the daily news on the counterparties to spot the early warning of counterparty risk
  - perform annual credit review and approval on existing counterparties based on credit analysis and recommendation provided by FIC-ICAT
  - daily monitoring limit excess
  - periodic review of financial asset risk classification
  - annual stress test of financial institution's credit risk. The stress test has taken into account potential challenges with China economy under both domestic and overseas environment, and set three adverse scenarios with corresponding different levels of influence. The stress test evaluate impact of adverse scenarios to financial Institutions' credit profile and assess the consequence to the Bank's Capital Adequacy Ratio ("CAR") along with additional cost of risk. The results are reported to BNPP China Management and submitted to the regulator. According to the stress test results, capital base of BNPP China has sufficient cushion to absorb the impact.
- 2) Close monitoring of credit files under watchlist or doubtful file if applicable
  - place or remove from watchlist and doubtful files
  - quarterly review and watchlist and doubtful file committee
  - review level of provision for doubtful files
- 3) Reporting to senior management of the bank
  - RISK MFI CCR CREDIT reports to CRO and CEO immediately on any significant risk issue whenever applicable.
  - Major credit events, issues, limits approved during the quarter, counterparty distribution, counterparty credit quality and exposure evolution are reported to the Risk Management Committee on a quarterly basis.
  - All local credit committee decisions are concurred by CEO whenever applicable.
  - RISK MFI Platform CCM EM team produces TMV trade excess report and send to Head of business, CRO and CEO whenever applicable.

### **1.1.7 Reporting and communication with the Board: Risk Management Committee**

In 2023, Risk Management Committee meetings have been taken place on quarterly basis. RISK MFI CCR CREDIT has presented risk analysis report to the Risk Management Committee, which further reports to the Board of BNPP China Ltd. The report summarizes the evolution of financial institutions credit exposure, quality of portfolio, counterparty ratings, watchlist/doubtful debt files if any, credit quality evolution and relevant credit limits approved during the quarter.

## **1.2 Corporate Credit Risk**

### **1.2.1 Organizational structure of corporate credit risk within BNPP China Ltd**

Risk Corporate operates independently from the business lines, reporting directly to the Chief Risk Officer. Risk Corporate in China as the 2<sup>nd</sup> line of defense is responsible for the oversight of credit risk control for corporate clients of the Bank and provide independent opinion.

### **1.2.2 Implementation of risk policy in 2023**

Risk Corporate is strictly following the Bank's risk policy to review all the requests for annual review/ new money/ amendments/ excesses and provide concurrence comments within authorization. Risk Corporate also followed up on early warning signals and implemented monitoring on risk exposure.

The team also continued to implement various guidance as provided by regulatory on-site inspection team.

The Bank continues to pay attention to the adjustment and phase-out of excessive capacity, and the increase in downside risks in certain industry cycles. Under the coordination by APAC Risk Strategy, the team conducted an annual update of <BNPP China Guidance Note on Corporate Industry Sectors RISK Profile>.

In addition, the Bank regularly conducts credit risk stress tests (at least once a year). The credit risk stress testing considers various global risk factors and potential direct/indirect challenges associated with Chinese economy. The impact on credit portfolio including additional cost of risk and the Capital Adequacy Ratio ("CAR") is tested in three adverse economic scenarios over the 3-year time horizon. According to the stress test results, the capital base of BNPP China has sufficient cushion to absorb the impact. The results are reported to BNPP China Management and submitted to the regulator.

### **1.2.3 Full compliance of pre-defined credit approval process**

All credit commitments of any amount or nature, whatsoever, even fully cash-collateralized or fully backed by stand-by letter of credit transaction, must be subject to duly approved credit proposal.

All credit proposals are approved either by way of circulation of files or under credit committee. Senior Credit Officer of Risk Corporate is the first recipient of all credit proposals/ requests recommended by Business line, and it will not take effect until it is formally signed via MyCreditApp system or by email.

Credit delegations have been granted to business delegation holders and Senior Credit Officers of Risk Corporate. A credit approval is considered granted when business delegation holder approves the credit proposal with concurrence from Risk Corporate.

### **1.2.4. Rating methodology**

All the commitment clients have been assigned with one internal counterparty rating intended to reflect this counterparty's default risk over its business cycle. The rating of each borrower is reviewed at least once a year based on in-depth analysis, comprehensive consideration of the results of the rating system CRF, and expert's judgment on the credit quality of the borrower.

### **1.2.5. Risk monitoring**

Risk Corporate, together with ITO-3C (Corporate Credit Control) has conducted risk monitoring via the following approaches:

(1) Standard credit risk monitoring – for performing loans

- Daily monitoring in the areas of unauthorized utilization and excess.

- Follow up of covenants, guarantees and collateral
  - Mandatory annual review of each file
  - Quarterly review on NFR asset classification based on updated information of the corporate clients.
- (2) Close monitoring of watchlist and doubtful debts files
- Placement on and removal from watchlist and doubtful debts
  - Quarterly watchlist and doubtful debts committee, and record the committee decision through the Wadoop system
  - Review/assess the level of provision for doubtful debts files
- (3) Reporting to CRO/CEO / Business Heads and / or Senior Credit Officers
- Collateral report, covenant monitoring report on monthly basis
  - Annualreview overdue report on monthly basis
  - Credit decision status report

#### **1.2.6. Reporting and communication with the Board**

Four Risk Management Committees were held in 2023. Head of Risk Corporate presented dynamic analysis reports to the Committee, which further reports to the Director of the Board of BNP Paribas (China) Ltd. The reports summarized the quality and distribution of the corporate client portfolio, utilization, limit excess, including portfolio ratings, industry concentration, watch-list / doubtful debts files and provision evolution and credit stress-testing.

#### **1.2.7. Overall assessment of Risk Management Capability**

Overall, we considered risk management capability for corporate clients sufficient and is in line with regulatory requirement and the Bank's risk policy.

### **2. Market Risk**

RISK Markets & Financial Institutions– Market and Liquidity Risk (RISK MFI-MLR) team is independent from business and has a local reporting line to the CRO of BNPP (China) Ltd.

The team is responsible for the market risk limits review/monitoring. This includes daily monitoring/reporting of a full set of limits, providing opinions/recommendations for limit reviews when deemed necessary, participating to NAC/TAC and LATAC committees and providing RISK MFI-MLR input on any transversal issue.

Any limit event (excesses, temporary/permanent limit changes) have been reported to BNPP (China) Ltd.'s CEO and CRO, as well as relevant business and RISK people. The required approval have been obtained.

The set of permanent limits used by BNPP (China) Ltd. is in line with the BNPP Group's set of limits and has been validated by the Board of the BNPP (China) Ltd. All limit events have also been reviewed and ratified by the Board of Directors.

The set of market risk limits for BNPP (China) Ltd. relates to two parts of businesses is divided into 2 parts: ALM Treasury (mainly Banking Books) and Global Markets (mainly Trading Books). Trading Books Limits are covering the main risks BNPP (China) Ltd. is facing including Interest Rate (PV01 by tenor, currency and + Basis Spreads), FX (Delta Limits), Issuer Risk, 1-Day Market VaR limit. Banking Books limits have been set-up mainly on Interest Rate gapping by currency.

Finally, on regular basis, stress-tests - validated by the Risk Management Committee and Asset and Liability Committee, ultimately by the Board of Directors - are performed on China Trading and Banking Books respectively and the results are communicated with business representatives as well as China Management.

In 2023, based on our capital and Capital Adequacy ratio, the Risk Management Committee and the BoD noted that there was no need to trigger any contingency plan.

### **3. Liquidity Risk**

Within BNPP (China), the Board assumes the ultimate responsibility of liquidity risk management and delegates to ALCO, which is a specialized committee under CEO's supervision, the mandate of liquidity risk management.

BNPP (China) Ltd. Liquidity Risk Management framework consists of 5 main policies which are validated by ALCO:

- Liquidity Risk Management Policy
- ALCO Terms of Reference (ToR)
- Liquidity Stress Testing Policy
- Intraday Liquidity Management Policy
- Liquidity Contingency Plan

The Bank implemented locally liquidity management principles simultaneously taking into account local needs/regulations and Group's global framework. These principles are designed to cover both normal conditions (BAU) and stressed situation.

BNPP (China) Ltd. ALM Treasury and Risk – in collaboration with local Finance - are taking the leading roles in the BNPP (China) Ltd. liquidity risk management framework.

ALMT monitors liquidity position thru Early Warning Indicators on a daily basis. When the EWI scores reach the trigger level, ALMT informs the ALCO, where the activation of Liquidity Contingency Plan may be considered under the leadership of CEO.

Risk team monitors the daily cash flow limits approved by ALCO, In addition to regulatory ratios applicable to BNPP (China) Ltd. and various other internal indicators.

Risk team also performs liquidity stress tests monthly and reports to BNPP China Management. The stress horizon applied in China is 30 days. The 30-days liquidity stress tests are performed considering three stress scenarios: a firm-specific (idiosyncratic), a market-related (systemic) and a combination of a firm-specific and market-related scenario (combined stress). The 30 days liquidity stress testing is carried out on the BNP Paribas (China) Ltd. perimeter (including all branches and sub-branches). The assumptions under different scenarios are regularly reviewed and validated by China ALCO.

Risk Team reports to CRO on any significant liquidity issue identified on its side.

BNP (China) carries out rehearsal of Liquidity Contingency Plan every year.

Overall, in 2023, BNPP China upheld the prudent strategy in our liquidity risk management and met all regulatory requirements.

#### **4. Interest Rate Risk in Banking Book**

BNPP (China) Ltd. IRRBB Management framework relies mainly on two complementary processes.

Market risk team has defined in collaboration with ALM Treasury a set of gapping limits. These limits are monitored daily by market risk team. They aim at capturing the mismatch between assets and liabilities at BNPP (China) Ltd. Level, by tenor bucket and currency. The limit framework also includes a control on gapping positions by tenor buckets across all currencies. The latter limits are owned by the ALCO. On yearly basis, ALM treasury proposes a review of the limits based on their needs and the development of the activity. The proposal is reviewed by RISK and finally validated by the ALCO meeting.

The second process on which BNP Paribas (China) Ltd IRRBB framework relies is stress test. BNP Paribas (China) Ltd conducts IRRBB stress test on quarterly basis. Paribas (China) Ltd applies a stress testing template based on the Guidelines for the Management of Interest Rate Risk in the Banking Book of Commercial Banks issued by CBIRC.

BNP Paribas (China) Ltd applies the following scenarios of interest rate shock when measuring the interest rate risk in the banking book: (1) the scenarios of interest rate shock used in the internal capital adequacy assessment procedures of the bank; (2) the historical or assumed scenarios of interest rate stress that are more serious than the scenarios set forth in the preceding paragraph; and (3) the scenarios of

interest rate shock under supervision requirements, including but not limited to the six scenarios of interest rate shock: (i) parallel shock up (ii) parallel shock down (iii) steeper shock (short rates down and long rates up) (iv) flattener shock (short rates up and long rates down) (v) short rates shock up and (vi) short rates shock down.

The IRRBB Stress Test as end of December 2023 showed that the worst stress test impact on the economic value in the Banking Book from above scenario is a loss of -387 million RMB (mainly from CNY) and the Capital Adequacy Ratio is still above the regulatory requirement after applying this stress test impact.

BNP Paribas (China) Ltd also applies a stress testing on the net interest income (NII) on quarterly basis. The stress testing on NII gives, for each of the next 3 years, the sensitivity of the Net Interest Income to shocks on interest rates:  $\pm 50$  bps for the first 6 months,  $\pm 100$  bps for the next 6 months,  $\pm 200$  bps in years 2 and 3.

	RAS Upward			RAS Downward		
	Year 1	Year 2	Year 3	Year 1	Year 2	Year 3
Total NII Sensitivity (kCNO)	-13,205	-18,838	-15,835	13,205	18,838	15,835
Total NII Sensitivity (KEUR eq)	-1,686	-2,406	-2,022	1,686	2,406	2,022
Limit (KEUR)	-19,000	-20,000	-14,000	-19,000	-20,000	-14,000
EWI (80% Limit) (KEUR)	-15,000	-16,000	-11,000	-15,000	-16,000	-11,000

The above table shows the NII sensitivity as end of December 2023. The impact is mainly from CNY.

It has been validated by ALCO not to make assumption on the customer behavior as BNPP (China) Ltd.'s business mainly cover corporate and financial institution clients and based on historical data, the ratio for client early repayment/early withdraw is fairly low.

## **5. Country Risk**

The Bank performed regular monitoring on Country Risk Limit Utilization. Utilization report will be submitted to CEO, CRO and all relevant department heads for information and action on monthly basis. Sovereign Internal Rating will be updated on an on-going basis via close coordination with the Country Risk Research Team.

Furthermore, the bank has paid close attention to the relevant reports and regulations (including but not limited to the internal country risk reports circulated from Country Risk Research Team in Head Office and guidance from the local regulators) in daily country risk management. The bank will enhance the frequency of the monitoring and take additional measures on the risk management of Country Risk, when necessary.

On a quarterly basis, the overall Country Risk situation (including but not limited to Country Risk Limit and Utilization, Sovereign Internal Rating, Country Risk Limit Excess and Significant Country Risk Exposure) as well as new or additional limits requests if any, need to be submitted to Risk Management Committee for review and endorsement before submitting to the Board for approval.

Overall speaking, country risk is prudently managed by the Bank.

## **6. Operational Risk**

### **Transversal**

#### **Local Activity and Transaction Approval Committee**

All new risks and products are required to be approved by the Local Activity and Transaction Approval Committee (LATAAC). It applies to all new activities and new products or new risk situation that can generate risk of any nature, which have not been arisen before under similar conditions and / or need



additional monitoring. Specialists in all areas affected by the new product or risk situation must perform an analysis of impact and must sign-off confirming that risk, legal and compliance issues have been addressed and that risk monitoring limits and controls, compliance monitoring and procedures are in place before they can begin.

The permanent members of this committee chaired by the Bank's Chief Executive Officer are: the Bank's Chief Operating Officer, the Bank's relevant representatives from Risk Function Department, the Operational Permanent Control representative, the Bank's Compliance representative, the Bank's Legal representative, the Bank's Finance representative, the Bank's Operations representative and the relevant Business and other functions' managers to attend the LATAC meeting, depending on the nature of the concerned product/service/transaction.

### 6.1. Operational risk management framework

In accordance with regulatory measures on operational risk management, the Bank has established the management system and control framework corresponding to the scale of operation, business nature, risk appetite and risk profile.

The operational risk management framework is part of the Permanent Control framework and is defined in the Internal Control Charter of the Bank, according to which the operational risk must be:

- identified, assessed and when relevant quantified while considering external and business data as well as internal control factors,
- managed within a formalized framework based on procedures, organizational principles based on a strict segregation of duties and controls, which can be performed pre-or- post execution, automated or not,
- communicated to the various management levels so they can define the necessary actions in compliance with the risk tolerance and then monitor their proper implementation.

### 6.2. Three line of defense and governance

The Board takes the ultimate responsibility for operational management and the senior management takes the responsibility for the implementation of operational risk management. The management of operational risk is carried out through three line of defense. The 1<sup>st</sup> line of defense, including business lines and operational departments are the direct bearers and managers of operational risk, who are responsible for operational risk management in their respective fields. The 2<sup>nd</sup> line of defense, including departments to perform independent controls, guides and supervisors the operational risk management by 1<sup>st</sup> line of defense, who will direct report to senior management. 1<sup>st</sup> line and 2<sup>nd</sup> line of defense constitute the permanent control framework. The 3<sup>rd</sup> line of defense Inspection Générale supervises and evaluate the performance of duty by the 1<sup>st</sup> and 2<sup>nd</sup> line of defense and its effectiveness through periodic control.

In the meanwhile, the following three committees are held regularly:

- The quarterly Risk Management Committee (RMC) chaired by a Board Director that designated by the Bank, and the members are CEO and two independent board directors. The invitees include CRO, COO, Compliance Head, CIO and risk head of each stream etc.

It is delegated by the Board that RMC is in charge of case risk control, management and evaluation. Case risk prevention becomes the permanent agenda of quarterly RMC, and the result as part of RMC document is reported to the Board. RMC, according to the authorization of board is responsible for case risk control, management and evaluation for the bank. Its responsibility covers the follows:

- review and approve the internal policies and procedures of case risk prevention work, and set up case risk prevention control system of the Bank;
- clarify the relevant case risk prevention duties and responsibilities of the senior management, and ensure the senior management to take necessary measures to effectively supervise, alert and process case risk issues;
- propose the requirements for the case risk prevention task and review related reports;
- assess and evaluate the effectiveness of the case risk prevention task;

- ensure the case risk is covered in internal audit missions.
- The semi-annual Territory Internal Control Committee chaired by the Chairman of BNP Paribas (China) Limited and attended by the senior management, all Heads of Business and Function to
  - Further strengthen the operational risk control awareness and improve the Bank's continuous management and monitoring of operational risk;
  - ensure a good monitoring and escalation of internal control issues within the Bank;
  - improve the follow-up and monitoring of risks remediation actions in the Bank.
- The quarterly Operational Risk Incident Review Committee, chaired by the COO to review with the parties involved the incidents occurred since the last committee in order to agree on their analysis, the corrective and preventive actions to be implemented and to follow up their implementation.

## **7. Compliance Risk**

### **7.1 Compliance structure**

As of 2023, we have 17 compliance officers in Shanghai and each branch still keep to have one full time compliance officer to ensure the effectiveness of compliance risk control.

### **7.2 Compliance policy implementation**

We have set a target of our compliance management, that is, through the construction of a comprehensive management structure, to achieve effective identification and managements against compliance risks. Promote the building of a risk management system for the purpose of ensuring a compliance and legal operation of our businesses.

The guidelines of our compliance management are:

- A Collective Responsibility: Compliance is the responsibility of every staff. It could not be removed from any business activities of any line. Everyone shall take their own compliance responsibility.
- A Comprehensive Compliance: The mission and responsibilities of compliance run through the whole bank. For the purpose of achieving this mission, we shall ensure that compliance staffs are able to get all necessary information. Compliance or authorized person who performs the same responsibilities shall guarantee their independence when making judgments or conducting actions.
- The Construction of Compliance Culture: The board of directors and senior management shall set the tone of compliance and the expectation of compliance by all employees, on a pro-active basis, and of compliance adding value, promote the values and ethical standards of honesty and integrity throughout the organization, enhance awareness of compliance by all employees, and ensure that the compliance function in the bank interact effectively with external regulators.
- Perform according to the highest level of requirements: Regarding Compliance, if the Group Policies regulates a stricter internal standard than Chinese laws and regulations, the internal procedures shall be complied in advance. Conversely, if Chinese laws and regulations are more stringent than those standards will be applied and met.

### **7.3 Compliance control**

Compliance head attended the Comex meeting and various business meetings, so as to understand the bank's business status, assess the compliance risk, report to the senior management and establish control procedure to ensure the compliance risk is under proper control. Regular compliance and control committee meetings were arranged semi-annually with the participant of Compliance, OPC, Legal, CRO and COO. The meeting discusses comprehensive compliance and controlling issues of the bank such as regulatory development, regulatory examination or internal self-assessment, internal policy and procedure setup or updating, AML and sanction compliance, new products and business plan, etc. As leading department of AML work, Compliance also arranges annual AML Working Group meeting with the participation of COO and working group members to discuss and summarize annual AML work, new AML working plan etc.

As second line of defense, compliance control is one of the important measures of our bank on risk management and control. Compliance risk management and control inspections cover anti-money

laundering, related party transaction management, corporate governance, reputational risk, major event reporting, financial licenses, employee professional ethics, market integrity, and services including loans, bills, capital pools, derivatives, bond transactions, Various business areas including structured deposits, bond capital markets, interbank business, QFII/RQFII custody, and QDII Trust domestic custody. The specific inspection items are listed as follows:

- “Know Your Customer” for new client on-boarding & re-identification
- Suspicious transaction monitoring judgment inspection
- Review of related party transactions
- Working capital loan and fixed asset loan transaction check
- Bill business transaction check
- Real estate loan transaction checks
- Entrusted loan transaction check
- Asset transfer
- Use of funds under capital account
- Capital pool
- Financial license and announcement inspection
- Major event reporting
- Inspections related to professional ethics: employee personal investment, anti-commercial bribery, etc.
- Inspections related to market integrity: information segregation, telephone recording, training, deviation from market prices, etc.

In 2023, the compliance department carried out and implemented the above-mentioned compliance control in a planned, targeted, regular and orderly manner. Operational errors were discovered and corrected in a timely manner, which lead the business departments to improve daily risk prevention and control while supervising the rectification, and further enhance the intensity of post-event business risk review. At the same time, in the process of changing regulations, compliance will continue to update the key points of risk management and control inspections, and refresh the inspection points with the business departments in a timely manner, which also strengthens the implementation of new regulations by the business department.

## **8. Money Laundering and Terrorist Financing Risks**

Bank confirms that anti-money laundering, anti-bribery and corruption, combating financing of terrorism and sanction compliance is the responsibility of each staff. Bank sets up AML Working Group to be responsible for the detailed organization, management, allocation of resources, and assignment of AML (Anti-money Laundering) /CFT (Combating Financing of Terrorism) related works of the bank. COO as the leader of AML Working Group Committee is in charge of AML & CFT issue of the Bank in general; Compliance is leading department in charge of AML & CFT work of the Bank; other member departments cover bank’s front lines, middle and back offices, and internal audit which is responsible for independent inspection. At branch level, a correspondent AML Working Team is set up to be responsible for branch AML/CFT related works and chaired by branch manager. For FTZ Sub-branch (including respective FTU business), respective AML/CFT work is directly under HO AML Working Group’s coverage.

Bank’s main AML/CFT work includes:

- (1) Establishment of internal AML & CFT procedures;
- (2) Execution of KYC procedure and transaction monitoring;
- (3) Reporting of Big-Amount Transactions and Suspicious Transactions to the PBOC and reporting to the Police when suspicious criminal case is detected;
- (4) Reporting of Clients and Transactions Suspected to be related to Terrorist Financing and Measures to Freeze Assets Related to Terrorist Activities
- (5) Confidentiality of AML & CFT information;
- (6) Record-keeping of account opening documentation and transaction documentation;

- (7) Assistance to supervisory bodies in investigation;
- (8) Schedule staff training on KYC, AML and CFT and organize AML Publicity activities;
- (9) Make annual AML/CFT report and organize AML risk self-assessment and report the result to the PBOC

AML Working Group Committee meeting is called on quarterly basis to review AML/CFT related work of this year, to set up work plan for next year, discuss and set up AML Strategy based on key focus of current AML work and regulatory requirements, etc. On semi-annually basis, in Compliance & Control Committee meeting and Territory Compliance Committee meeting, compliance will present to senior management & business departments the updates of Group and local AML internal control policies/procedures, utilization of information technology in AML work, quarterly AML internal control result, self-assessment result on ML/TF Risk based on the PBOC approach and according to Group Compliance methodology. The KPRIs of AML work are also presented to Board in quarterly Risk Committee meeting.

## **9. Reputational Risk**

According to newly released regulation, our bank revised the internal policy PRC99 "Guidelines for Reputational Risk Management". The reputational risk management framework has been further improved. The responsibilities of the board of directors, supervisors and senior management have been clarified. The responsibilities of relevant departments of daily monitoring, processing and reporting of risk events have been clarified.

The Board of Directors assumes the ultimate responsibility for reputation risk management of the Bank, and the chairman of the board is the primary responsible person.

The supervisor shall respectively assume the supervisory responsibility for reputational risk management. The supervisors shall be responsible for supervising the performance of duty by the board of directors and senior management in the aspect of reputational risk management and incorporating the relevant information into the work report of the supervisors.

The senior management shall respectively assume the management responsibility for reputational risk management. Its main responsibilities include:

- Ensure a sound corporate governance structure and mechanism being properly set up within the Bank;
- Ensure the implementation of reputation risk management system and measures;
- Clarify the responsibilities of all departments of the Bank in regard to reputation risk management;
- Formulating a reputational risk response plan and addressing plan for material events, and arranging and advancing the addressing of reputational events.
- Lead the reputation risk incident handling work, in order to ensure necessary actions to be taken, continuous and effective monitoring to be conducted, and reputation risks to be controlled and reported, reputation risk incident to be handled in timely manner;
- Ensure related training program in place so as to staff are aware of the importance of reputation risk management; and
- Set up the corporate culture of reputation risk management within the Bank and promote staff's awareness of reputation risks.
- Reputational risk management shall be assessed at least once a year.

As soon as a material reputation risk incident is identified, an ad hoc Reputation Risk Committee will be created. The ad hoc Reputation Risk Committee consists of:

- the Comex members
- Head of Legal, Head of Brand & Communications, Head of Finance & Control, and any other involved parties.

## **10. Strategic Risk**

The Strategy Committee

- Supports the Board of Directors in fulfilling its oversight responsibilities with regards to the bank's strategy.
- Advises the Board of Directors with regards to the business strategy for the sustainable development of the Bank.
- Discusses and advises the Board of Directors as to whether the governance, risk appetite, financial and capital planning, liquidity and funding management, control environment and resources to support the Bank's strategic objectives.
- Oversees the Management's implementation of the strategic plan and the execution progress against strategic milestones and goals.

#### COMEX meeting

- The Bank holds bi-weekly COMEX meetings comprising Senior Management and heads of business lines. The Chairman of the Board can attend the meeting.
- The meeting focuses on day-to-day management issues of the Bank. Business, operational, administrative and compliance issues are discussed and monitored to ensure strategy risk is assessed on a timely manner.
- Business review sessions are organized on a monthly basis to review the operational performance of the Bank, and to ensure that latest legal, compliance and regulatory issues are discussed and complied with.

### **11. Large Exposure management**

With the joint efforts of the Bank's Senior Management, RISK department and Business departments, the Bank's Large Exposure management has received strong support from the Group, with the assistance of the Asia-Pacific RISK team and the Global Market department, the Bank had developed local Large Exposure calculation tool, which is used for monitoring the Large Exposure.

In addition to the calculation tool development, for the purpose of implementing local regulatory requirements in terms of organizational structure and internal control, the Bank has established a Large Exposure management working group to coordinate related work. The working group is directly led by Chief Executive Officer, and Chief Risk Officer is responsible for coordination and liaison.

The current Large Exposure management framework is as follows:

1. The local Credit Risk Control reporting officer is responsible for producing daily Large Exposure report, and reporting to relevant business department heads, senior management and RISK departments.
2. The Bank established internal early warning threshold, which is set as 90% of the Internal Tier 1 capital as the basis for internal early warning threshold.
3. In the Bank's "Risk Appetite Statement", the cap of credit limit for a single non-bank borrower and the cap of the comprehensive limit for a single non-bank client/a single non-bank group are set, as well as the cap of risk exposure for a single inter-bank client and a single inter-bank group. In response to situations where the relevant early warning thresholds and risk appetite thresholds are exceeded, the Bank strictly follows the internal escalation process of relevant procedure and conducts continuous monitoring, early warning and control.
4. The management status and plans of Large Exposure are reported to the Bank's Risk Management Committee by the Chief Risk Officer on a quarterly basis, and the Risk Management Committee reports to the Board of Directors thereafter.

## IV Corporate Governance

### 1. Board Members and Performance

#### 1.1 Members of the Board of Directors

The Board of Directors consists of Chairman, four Directors and three independent Directors as below:

Names	Gender	Roles
Paul YANG	Male	Legal Representative/Chairman
Chang Geng LAI	Male	Executive Director/ CEO
Bruno Philippe WEILL	Male	Director
Chung Mei Sandra YIU	Female	Director
Ying KANG	Female	Director
Jean-Claude BERGADAA	Male	Independent Director
Yan YAN	Male	Independent Director
Chee Kay Terry TSE	Male	Independent Director

#### **Paul YANG**

Paul Yang is the legal representative and Chairman of BNPP China Limited. He is also the Head of Asia Pacific at BNP Paribas, overseeing the bank's strategic development across all business lines in the region.

Mr. Yang is a veteran banker with extensive experience across a wide range of financial services. He joined BNP Paribas in Paris in 1988 and has held various senior positions in France and Asia since then.

Prior to his current role of Head of Asia Pacific at BNP Paribas, Mr. Yang was the Chief Executive Officer, Corporate & Institutional Banking for Asia Pacific, a role he has held since October 2019. Mr. Yang was Head of Greater China from 2014 to 2019 and CEO of BNP Paribas' Hong Kong Branch from 2011 to 2019.

He was Deputy Head of Corporate Finance for Greater China from 2007 to 2011, during which time he led a number of high profile IPOs and share placements.

Amongst Mr. Yang's other roles were Deputy CEO of BNP Paribas Hong Kong Branch from 2004 to 2007, and Head of Territory for Taiwan from 2001 to 2004.

Mr. Yang holds a Bachelor Degree of Science in Information Systems from the University of Paris XII.

#### **Chang Geng LAI**

Mr. CG Lai is the Executive Director on the Board of BNP Paribas (China) Ltd. and also the CEO. He is responsible for overseeing the bank's strategic growth and overall business development in this rapidly growing and vital market.

CG joined BNP Paribas in 1996. Before being appointed CEO for BNP Paribas China Limited, CG was Deputy CEO of BNP Paribas China Limited, leading China Capital Market platform. He was also the Head of Global Markets for Greater China.

Prior to joining BNP Paribas, he has worked for Chase Manhattan Bank and American Express Bank.

CG holds a Master in Business Administration Degree from the University of Washington.

### **Bruno Philippe WEILL**

Mr. Bruno Weill has been a Director on the Board of BNPP China Limited since November 2014.

He is responsible to coordinate and develop BNP Paribas businesses in China. He also contributed to the establishment of Group operating strategy and represents all the activities of Group in China towards the Chinese financial regulators.

BNP Paribas has multiple legal entities and joint ventures in China. As a Group representative, he assumed the role of Director or Supervisor on the Boards of most of these legal entities and joint ventures. He is also the Group Executive Sponsor for a few Chinese and International strategic clients in China.

After his baccalaureate in Spain, Bruno obtained a Master degree in Physics and Engineering diploma from the French Ecole des Mines de Paris.

### **Chung Mei Sandra YIU**

Ms. Sandra Yiu is a Director on the Board of BNPP China Limited.

Sandra joined BNP Paribas in 2018 and is currently the Head of Corporate Coverage Hong Kong. Sandra leads a team of senior bankers and relationship managers covering HK and mainland Chinese corporates.

Prior to joining BNP Paribas, she worked in HSBC and ING Bank holding various senior management positions across Asia.

Sandra graduated from Scripps College, Claremont California with a degree in Economics and Accounting.

### **Ying KANG**

From December 2020 to December 2022, Ms. Kang was a Director on the Board of BNP Paribas (China) Limited. Ms. Kang is a Non-executive Director of the Bank from January 2023. Ms. Kang's term of service expired in July 2023 and she ceased to be a Director of the Bank.

Ms. Kang joined BNP Paribas Group in April 1998. Prior to joining BNP Paribas Group, Ms. Kang worked in Deloitte Touche Tohmatsu in New York. After joining BNP Paribas Group, she successively worked in the Internal Audit Department and Global Securities Services Department, BNP Paribas Peregrine Securities, and Changjiang BNP Paribas Peregrine Securities Co., Ltd., holding different positions in New York, Hong Kong and Shanghai, China. Ms. Kang was seconded to BNP Paribas Shanghai Branch as the Manager of Risk Management Department in January 2007 and transferred to BNP Paribas (China) Limited in September 2007 as the Head of Financial Institutions Credit Risk in China.

From March 2019 to December 2022, Ms. Kang was the Chief Risk Officer of BNP Paribas (China) Limited, responsible for the overall risk management of BNP Paribas (China) Limited, and reported to the Board on the overall risk management as the Chairman of the Risk Management Committee. She was also the Co-head of RISK I2S APAC.

Ms. Kang Ying holds a Bachelor degree in English from Beijing International Studies University and a Master degree in Business Administration from Pace University, US. She is a member of American Institute of Certified Public Accountants (AICPA).

### **Jean- Claude BERGADAA**

Mr. Jean- Claude BERGADAA has been an Independent Director of BNPP China Limited since September 2019.

Before retirement in December 2015, Mr. Jean- Claude BERGADAA had assumed managerial roles with BNPP entities in Hong Kong, New York, Singapore and Paris.

Mr. Jean- Claude BERGADAA graduated in 1973 from HEC (Paris), a Business and Management School.

### **Yan YAN**

Mr. Yan Yan has been an Independent Director of BNPP China Limited since January 2021.

Mr. Yan Yan is a lawyer at Beijing Long An Law Firm in Shanghai Office. Currently, he is also an Independent Director and the Chairman of Audit Committees of Suyin Wealth Management, Jiangsu Tongxingbao Intelligent Transportation Technology Co., Ltd. and Baowu Carbon Technology Co., Ltd. In the past, he was an Independent Director of Bank of Nanjing, Bank of Jiangsu and Jiangsu Financial Leasing Co., Ltd.

Mr. Yan Yan holds a Doctor's Degree in Law, PHD Degree in Management and post-Doctoral Degree in Business Administration. He also holds Lawyer's License of the People's Republic of China and is a non-practise member of Chinese Institute of Certified Public Accountant.

### **Terry Chee Kay TSE**

Mr. Terry TSE assumed the role of Independent Director of BNPP China Limited from February 2021.

Mr. Terry TSE has engaged in the financial industry for over 20 years. He started his career as a financial engineer with Moody's and Vice President with Deutsche Bank, and is currently the venture partner for Alpha JWC Ventures, a technology VC fund focused on APAC. He currently serves as an Independent Director for LBX Pharmacy Chain Joint Stock Company and Funding Societies Pte. Ltd.

Mr. Terry TSE holds Bachelor and Master's Degrees in Science from Stanford University.

### 1.2 Powers and Authorities of the Board of Directors

The Board of Directors exercises powers and authorities including but not limited to below:

- (1) Reporting its work to the Shareholder as required;
- (2) Implementing the decisions of the Shareholder;
- (3) Resolving on the business policies and plans and investment strategies and plans of the Bank;
- (4) Reviewing the Bank's annual financial budget and final accounts, any budget for capital expenditure, and any material variations to any of the foregoing as formulated by the Finance & Control Department of the Bank;
- (5) Formulating a plan for profit distribution and loss make-up of the Bank;
- (6) Formulating a proposal for the increase or reduction of the Bank's registered capital or the issuance of bonds;
- (7) Formulating a proposal for the merger, de-merger, change of corporate form and dissolution of the Bank;
- (8) Resolving on the internal management organization of the Bank;
- (9) Resolving on the engagement or dismissal of the Chief Executive of the Bank and his/her remuneration; deciding on the engagement or dismissal of the Deputy Chief Executive and other Senior Management Personnel according to the nomination by the Chief Executive of the Bank and their remunerations;
- (10) Ratifying the approval authority of different levels of Senior Management;



- (11) Delegating to the Senior Management and other officers of the Bank the power to execute and deliver certain types of documents and contracts in the name of the Bank on either a general basis or a transaction by transaction basis;
- (12) Formulating the basic management system of the Bank;
- (13) Overseeing local liquidity policy and limits as formulated by the ALCO and in accordance with internal delegations, policies and relevant laws and regulations;
- (14) Overseeing the management of the business and affairs of the Bank;
- (15) Reviewing the performance of the Bank in the light of its strategy, objectives, plans and budgets;
- (16) Approving the change of the Bank's business scope and geographic areas; and
- (17) Exercising other authorities vested by the AOA or by laws, regulations and regulatory provisions or authorized by the Shareholder.

### 1.3 Performance of the Board of Directors

Board Meetings were held on a quarterly basis to review CEO business performance reports covering QoQ and YTD performance, important changes in Bank activities and laws and regulations in the PRC, to make resolutions, review reports by Board Committees, and reports by Heads of Business and Functions, etc.

## **2. The Board of Supervisors and Performance**

For the Bank as a single shareholder entity, the Board of Supervisors was not set up. Rather a Supervisor was appointed.

Effective from December 15, 2022, Mr. Jai SHETH assumed the role of Supervisor of the Bank.

Mr. Jai SHETH is a senior member of staff from BNP Paribas SA with considerable experience working in the banking industry. Mr. Jai SHETH assumed the role of BNPP SA APAC COO from January 1, 2023. With BNP Paribas he has held senior positions in ISPL, IT & Operations in the past.

In order to monitor the performance of the Board of Directors, the work done by the Supervisor included the followings:

- Review of Board meeting agenda, presentations, proposals of resolutions, proposals of appointments, proposals for revision of Terms of References of committees.
- Attendance to Board meetings.
- Attended the Risk Committee and Audit Committee meetings.

In order to monitor the company's important financial affairs, the work done by the Supervisor included the followings:

- Review of BNP Paribas China Ltd financial statements for 2023.
- Review of financial information provided to Board of Directors.

In order to ensure Directors' and senior management's performance of functions and duties related to compliance management, the Supervisor has performed the following work:

- Review material changes in laws and regulations, regulatory interactions, regulatory rating updates, annual compliance reports, CBIRC annual ratings/corporate governance ratings, etc.
- Attendance of Audit Committee meetings to review internal audit results and management remediation progress.
- Review risk reports, e.g. case risk report

In order to complement his review of above listed documents, the Supervisor has performed the following work:

- Regular meetings with China Ltd Chief Executive Officer and Chairman
- Regular contacts, conference calls and meetings with the Chief Operational Officer.

During the due diligence work described above, the Supervisor has not been made aware of any conduct by senior management, Board member or committee members that would be in contravention of the Article of Association or Bank's policies or any law or regulation applicable to the Bank.

### **3. The senior management and basic information**

The senior positions of the Bank are assumed by suitably qualified and experienced staff members.

The annual appraisals for those staff in 2023 have minimum performance ratings of 'meet expectation'.

The CEO, deputy CEO, COO, CRO, Head of Global Markets, Head of Transaction banking, Head of Multi-National Corporate, Head of Corporate Coverage, Head of Treasury, Head of Financial Institution, Head of Asset Custody, Beijing Branch Manager, Guangzhou Branch Manager, Tianjin Branch Manager, Head of Credit & Risk Control, Head of Credit Management, Head of Compliance and Head of HR make up the Executive Committee of BNP Paribas (China) Limited (Comex), which meets twice every month chaired by the CEO.

The bios of key senior managers are as follows.

**Chang Geng LAI, CEO** *Please refer to section 1.1 for bio.*

#### **Youfang ZHANG, Deputy CEO**

From June 1991 to September 1995, Mr. Zhang worked in the Shaanxi Provincial Government. Mr. Zhang joined BNP Paribas Singapore Branch in June 1997 and successively worked as Analyst, AVP and VP in the Project Finance Asia Team. In October 2004, Mr. Zhang was transferred to BNP Paribas (China) Limited to carry out onshore structured finance business. Mr. Zhang took up the role of Head of Energy & Commodity from March 2008, and was responsible for the energy and commodity finance business in Greater China from November 2011. Mr. Zhang was the Greater China Head of the Energy & Commodity since January 2017. Mr. Zhang has been the Deputy CEO of BNP Paribas (China) Limited since August 2018, assisting the CEO in managing the Bank's operations.

Mr. Youfang Zhang holds a Bachelor and Master degree in Engineering from Xi'an Jiaotong University, and a Master degree in Finance from National University of Singapore.

#### **James ZHANG, Deputy CEO / COO**

James Zhang joined BNP Paribas Tianjin Branch in July 1998 and performed the role of Credit Analysis Officer and Finance & Control Manager respectively. He was then transferred to BNP Paribas Beijing Branch in July 2001 for the role of Senior Manager of Financial & Control. In September 2007, he was transferred to BNP Paribas (China) Limited for the role of Head of Finance & Control and was promoted as Chief Financial Officer in May 2016. Since January 2023, Mr. Zhang has been performing the role of Chief Operating Officer of BNP Paribas (China) Limited.

Mr. Zhang holds a Bachelor degree in International Economics and Trade from Nankai University. In addition, he is a member of the Chinese Institution of Certified Public Accountant, Fellow Member of Association and Chartered Certified Accounts and Fellow Member of Chartered Institute of Management Accountants.

Fang ZHANG, Deputy CEO / Head of Corporate Coverage China

Ms. ZHANG joined BNP Paribas (China) Ltd. Beijing Branch in September 2007 as the North China Head, Local Corporate Team of the Corporate Banking Department, responsible for the business

management of the Chinese corporate clients in the North China and the credit, compliance and operational risk maintenance of the business under her jurisdiction. In August 2012, Ms. ZHANG was transferred to BNP Paribas Hong Kong Branch as the Head of China Desk, Corporate Banking Group, responsible for the business management of Chinese corporate clients in Hong Kong and the credit, compliance and operational risk maintenance of the business under her jurisdiction. In September 2020, Ms. ZHANG was relocated to BNP Paribas (China) Ltd. and was appointed the Head of Corporate Coverage in China, focusing on the business development of corporate clients in China, managing the RM teams of local Chinese and multinational corporate clients and being responsible for the credit, compliance and operational risk maintenance of the business under her jurisdiction.

Ms. ZHANG holds a bachelor degree in English from Beijing Foreign Studies University, and a master degree in Management and Regulation of Risk from London School of Economics and Political Science. Ms. ZHANG started her career at Xinhua News Agency as English Editor of International News Department, and then at McKinsey & Company as Communication Specialist. She started to pursue her career in the banking industry from September 2002, and had worked at Deutsche Bank as Risk Analyst and Approver firstly then at ABN AMRO as Senior Relationship Manager.

### **Howard JIA, CRO**

Howard JIA joined BNP Paribas (China) Limited in December 2022 as Chief RISK Officer, responsible for the overall risk management of BNP Paribas (China) Limited. Prior to that, Mr. Jia had successfully worked at Morgan Stanley Bank International (China) Limited as Chief Risk Officer, Santander Bank Shanghai Branch as Head of Risk Management in China, Standard Chartered Bank (China) Limited as Senior Risk Manager in Market & Liquidity Risk Management Department, Standard Chartered Bank (Hong Kong) Limited as Senior Risk Manager in Greater China/North Asia, Trafigura Investments (China) Co., Ltd. as the Director of Credit Risk for China, and HSBC Bank (China) Limited Shenzhen Branch as Vice President of Credit Risk Department for South China.

Mr. Jia possesses over 16 years of extensive experience in banking and financial institutions.

Mr. Jia holds a Master degree in Business Finance from the University of New South Wales, Australia and a Master degree in Business Accounting from the University of Sydney, Australia.

### **George SUN, Deputy CEO / Head of Global Markets**

George Sun joined BNP Paribas Hong Kong Branch in April 2017 as the Head of FXLM & Commodity Derivatives Institutional Sales and Head of Domestic Clients for Global Markets APAC, responsible for FX, rates and commodity derivatives businesses with the Bank's institutional clients as well as domestic clients in the region. George was relocated to BNP Paribas (China) Limited in Sep 2019 and was appointed the Head of Global Markets, Greater China, focusing on leading and developing BNP Paribas' fixed income and equities business in Mainland China, Hong Kong and Taiwan.

He started his career as a Corporate Lawyer at the Law Firm of Thacher Proffitt & Wood in New York, and then worked as a Structured Finance Credit Analyst at Standard & Poor's in New York and London. George started to pursue his career in the banking industry from 2004, and had held various roles in HK, including Managing Director in Global Structured Credit Products at Merrill Lynch, Head of Credit Sales in Asia Pacific ex-Japan at Lehman Brothers, Co-Head of Fixed Income, Currencies, and Commodities Sales in Asia Pacifica ex-Japan at Nomura International, and Head of Institutional Sales in Asia Pacific/Head of Corporate Sales in North Asia at Standard Chartered Bank.

Throughout over 20 years of GM experience in Asia, the US and Europe, George accumulated extensive experience in the products, market intelligence, team management, risk evaluation, etc.

Mr. George Sun holds a Bachelor degree in Economics from Harvard University, and a Juris Doctor degree from Harvard Law School.

**Xutao BAO, Head of Compliance**

Mr. Bao possesses nearly 30 years of experience in the banking industry, having successfully worked at Standard Chartered Bank Shanghai Branch, Donghai Bank Shanghai Branch, UFJ Bank Shanghai Branch and Bank of America Limited Shanghai Branch to hold various positions in compliance, financial control and operations. In particular, Mr. Bao possesses rich and extensive experience in compliance management. Mr. Bao joined BNP Paribas (China) Limited in September 2008 as Head of Compliance, and has been performing this role till now.

Mr. Bao Xutao holds a Bachelor degree in Applied Accounting and a Master degree in Business Administration from Oxford Brookes University, UK.

**Catherine ZHU, Head of Internal Audit**

Since 2006, Ms. Zhu has been engaged in auditing and internal control at ABN AMRO Bank (China) Limited, DBS Bank (China) Limited and HSBC Bank (China) Limited. Ms. Zhu joined BNP Paribas (China) Limited in September 2010 as Internal Auditor and was promoted as the Head of Internal Audit of BNP Paribas (China) Limited in January 2016 and has been holding this role until now.

Ms. Zhu holds a Bachelor degree in Economics & Finance from the University of Hong Kong and a Master degree in Economics & Finance from Warwick Business School, University of Warwick, UK.

**Sandy YANG, Chief Information Officer**

Sandy Yang joined BNP Paribas (China) Limited in January 2013 as Business Analyst. He was promoted as the Head of Global Banking IT in July 2018 and then Deputy Chief Information Officer in August 2021. Since April 2022, he has been performing the role of Chief Information Officer of BNP Paribas (China) Limited. Prior to that, Mr. Yang worked in HSBC Bank (China) Limited from July 2004 to January 2013, responsible for IT service delivery.

Sandy holds a Bachelor degree in Computer Science and Technology from Shanghai Jiaotong University and a MBA degree from Hong Kong University.

**Katie QIU, Beijing Branch Manager**

Ms. Qiu had successively worked at ANZ Banking Group Beijing Branch as Assistant Manager of Trade Finance, Assistant Manager of Risk Management, Operations Manager and Deputy General Manager, ICICI Bank Shanghai Representative Office as the Chief Representative, and Deputy Branch Manager of Deutsche Bank Beijing Branch. Ms. Qiu joined BNP Paribas (China) Limited Beijing Branch in December 2012 for the role of Head of Local Corporates North China, and was promoted to the Branch Manager of BNP Paribas (China) Ltd. Beijing Branch in December 2013, responsible for the overall branch management and has been performing this role till now.

Ms. Qiu holds an MBA degree from Victoria University of Technology, Melbourne.

**Wei WU, Tianjin Branch Manager**

From July 1998 to December 2001, Wei worked in Bank of China Tianjin Branch at the International Settlement Department. Mr. Wu joined BNP Paribas Beijing Branch in January 2002 as Clerk of Operations Department. In April 2009, Wei was transferred to BNP Paribas (China) Limited Tianjin Branch to take up the role of Head of Operations for the branch. In December 2019, Wei was promoted as the Deputy Branch Manager of BNP Paribas (China) Limited Tianjin Branch. Since March 2023, Mr. Wu has been performing the role of Branch Manager of BNP Paribas (China) Limited Tianjin Branch, responsible for the overall branch management and operations.

WU Wei holds a Bachelor degree in International Finance of English Dept, from Tianjin Foreign Studies University.

**Paul JIE, Guangzhou Branch Manager**

Mr. Jie had worked successively at Bank of China Guangdong Branch, Citibank N.A. (Shenzhen Branch, Xiamen Representative Office and Guangzhou Branch), Deutsche Bank Guangzhou Branch, ABN AMRO Bank (Shenzhen Branch and Guangzhou Representative Office) to perform various roles, including Relationship Manager, Chief Representative and Branch Manager. Mr. Jie joined BNP Paribas (China) Limited Guangzhou Branch in September 2007, responsible for the branch management and client relationship management. Mr. Jie was promoted as the Branch Manager of BNP Paribas (China) Limited Guangzhou Branch in November 2007, responsible for the overall branch management, and has been performing this role till now.

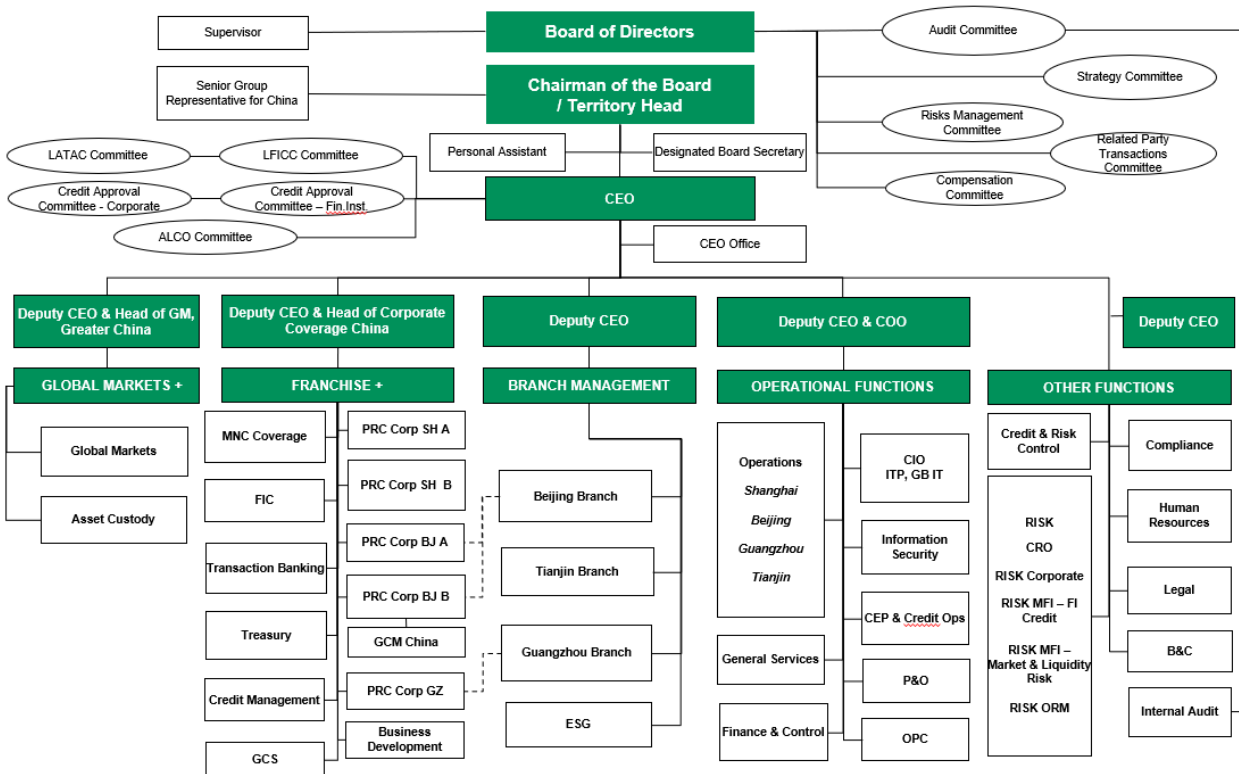
Mr. Jie holds a Bachelor degree in Economics from Sun Yat-sen University.

**Lynn Qiu, Head of Finance & Control**

Ms. Lynn Qiu possesses extensive financial and accounting experience, having worked in the field since 2003. Her career began with auditing roles at Shanghai Certified Public Accountants Firm (2003-2005) and Ernst & Young (2005-2007). In 2008, she joined BNP Paribas (China) Ltd., where she steadily progressed through their reporting team structure. She was promoted to Reporting Team Manager in 2012 and most recently to Head of Finance & Control in August 2022. This latter promotion was officially approved by the CBIRC in Shanghai in May 2023. In addition to her professional experience, Ms. Qiu holds a Bachelor's Degree in Accounting from Shanghai University (1999-2003) and has earned the Certified Internal Auditor (CIA) designation.

**4. Organizational Structure**

**BNPP (CHINA) LTD ORGANIZATION CHART**



**5. Disclosure of the performance of independent directors**

BNP Paribas (China) Limited has three Independent Directors in its Board:

- Mr. Jean-Claude BERGADAA's first tenor as an independent director expired on September 17, 2022. On August 9, 2022, shareholder re-appointed him as Independent Directors for a tenor of three years.
- Mr. Yan YAN was appointed as independent director for the first time in 2021. The appointment was approved by CBIRC on 22 March 2021.
- Mr. Terry Chee Kay TSE was appointed as independent director for the first time in 2021. The appointment was approved by CBIRC on 22 March 2021.

## **6. Compensation Management System**

The Compensation Management Committee (hereafter "Committee") of BNP Paribas (China) Limited (hereafter "Bank") is formulated in accordance with the "Supervisory Guidelines on Sound Compensation in Commercial Banks" of China Banking and Insurance Regulatory Commission ("CBIRC"). The Committee is primarily responsible for establishing compensation system which is good for the Bank's strategic and enhancing its competitiveness, is suitable for fostering and retaining talent as well as controlling risks. The Committee reports directly to the Board of Directors of the Bank.

The Committee is made up of 3 members and is chaired by an Independent Director. Committee members include:

- Two Independent Directors, and
- Chairman of the Board of the Bank.

The Committee is responsible for:

- Reviewing the relevant Compensation system and policies effectively in line with the corresponding policies of the BNP Paribas Group;
- Establishing a scientific and reasonable Compensation Management system that can ensure the Bank's long-term, sound and sustainable development;
- Establishing a scientific system of performance assessment with relevant indicators;
- Establishing an effective mechanism for the supervision of Compensation; and
- Reporting on Compensation Management to the Bank's Board of Directors annually.

Two Committee meetings were held to review and approve the general guidelines on performance bonus and next year's salary increase.

In accordance with the BNP Paribas Group's relevant policies and compensation guidelines, the Compensation Management Committee is mainly responsible for establishing and regularly reviewing the Bank's related compensation systems/ policies and performance evaluation mechanism. These policies are applicable to all permanent employees (including those who have signed a labour contract with the Bank and expatriates who are assigned to work for the Bank from overseas entities of the Group).

The Committee has developed a competitive compensation management mechanism that is suitable for risk control, which is designed to attract talents and motivate outstanding employees to pursue long-term

career development in the Group, so as to achieve sustainable business development of the Bank's business. This mechanism will ensure that Risk and Compliance staff's compensation is independent of the business performance under their monitoring. This compensation management mechanism is also one of the main components of corporate governance, which effectively combines the compensation system with the development strategy of the Bank.

## **7. Compensation Review**

For the measurement of annual remuneration, the Bank emphasizes total compensation and considers the factors of risk control as well as combining employee incentive mechanisms and performance management, so that compensation is linked with performance. Total compensation takes all the components of compensation into consideration, including fixed compensation (basic salary, allowance, etc.), variable compensation (performance bonuses and mid/long-term incentives), social benefits (social securities and housing fund) and other benefits provided by the Bank. This will not only balance the difference in basic salary, but also ensure the fairness and consistency of the Bank's internal compensation design. In determining variable compensation, considering factors include a variety of financial data, which reflects sustainable operation level including risk indicators. The variable compensation reflects sufficient types of risks, and the incentive and restraint requirements of the sustainable development of the Bank.

To promote the sound operation and sustainable development of the Bank, and ensure that the compensation and benefit schemes of the Bank are in line with the market, the Bank's management will continuously review the compensation and benefit schemes to ensure objectivity in the process of compensation planning and in line with the relevant human resources policies of BNP Paribas Group, as well as ensuring that remuneration will play a guiding role in the risk management of the Bank.

Meanwhile, the Bank regularly participates in market surveys of compensation and benefits for banks. This kind of information from market surveys provides the Bank with the basis to formulate and update our compensation plans so that the Bank can remain fair and competitive in terms of compensation and benefits in the job market, so as to attract, motivate, retain and reward all employees who are contributing to the Bank's business development.

The Bank usually conducts compensation review annually. In line with the Bank's compensation review guidelines, all increments and bonuses will be determined according to the performance of the whole bank and business lines' results, market conditions, performance of individual employees (in particular, respect of the Code of Conduct, regulations and policies related to risk control, compliance requirements and Group values), and such other factors that the Bank considers relevant.

## **8. Deferred Compensation Policy and Payment**

For senior management personnel and employees with material impact on risks, the Bank has established a deferred compensation policy in line with the local regulatory requirements and the BNPP Group policies. Depending on the amount of the individual employee's performance bonus, a certain percentage of the performance-based compensation will be deferred, and the deferred payment period is generally not less than 3 years.

For the deferred performance compensation, the relevant employees must satisfy the corresponding payment conditions, as well as the performance indicators set by each business line and the Bank. Dismissal due to employees' misconduct (or if the employee has left the Bank but his/her previous misconduct, which will lead to the employee's dismissal if he/she was still employed, discovered after he/she had already left the Bank), the Bank also reserves the right to claw back all or part of the cash bonuses or deferred bonuses paid in accordance with relevant local laws. The Bank may exercise this right within 5 years from the date of the last payment of the deferred bonus plan or from other periods (which may be less or longer than 5 years in accordance with local laws and regulations).

In 2023, the Bank has paid the performance bonus of CNY 27.23 million to employees, who are senior management executives and employees with material impact on risks. This amount includes a total of CNY 17.21 million of the performance bonus deferred from the previous three years. In addition, the Bank has not made any severance payment to any of the senior management executives or employees with material impact on risks.

Specific remuneration information for senior management executives and employees with material impact on risks is as follows:

	Fixed Compensation	Variable Compensation	Deferred Compensation	Others
Senior Management Executives and Employees with Material Impact On Risks	CNY 52.83 million	CNY 10.01 million	CNY 17.21 million	CNY 7.67 million

For deferred and retained compensation, the Bank has not made any explicit or implicit adjustment in 2023.

## 9. Basic Information of Major Senior Management Executives and Employees with Material Impact On Risks

The list of Major Senior Management Executives and Employees with Material Impact On Risks for 2023 is as follows:

SN	Name	Position	Department
1	LAI Chang-geng	Chief Executive Officer	CEO Office
2	Fang ZHANG	Deputy Chief Executive Officer (Appointment of Deputy CEO on 11 May 2023.) Head of Corporate Coverage, China	Corporate Coverage



3	ZHANG Jin	Deputy Chief Executive Officer (Appointment of Deputy CEO on 21 June 2023.) Chief Operating Officer (Appointment of Chief Operating Officer on 18 January 2023.)	Finance & Control, IT and Operations
4	You Fang ZHANG	Deputy Chief Executive Officer	CEO Office
5	George H SUN	Deputy Chief Executive Officer (Appointment of Deputy CEO on 11 May 2023.) Head of Global Markets, China	Global Markets
6	JIA Minghao	Chief Risk Officer	Risk Management
7	QIU Ling	Head of Finance & Control (Appointment of Head of Finance & Control on 6 May 2023.)	Finance & Control
8	ZHU Yunlan	Head of Internal Audit	Internal Audit
9	BAO Xutao	Head of Compliance, China	Compliance
10	Yang Yi	Chief Information Officer	Information Technology
11	QIU Ju	Branch Manager	Beijing Branch
12	WU Wei	Branch Manager (Appointment of Branch Manager on Mar 22, 2023.)	Tianjin Branch
13	JIE Xiaobo	Branch Manager	Guangzhou Branch

## 10. Self-Assessment of Corporate Governance

In summary, the Bank's corporate governance is basically sound and effective. Meanwhile, the Bank actively took measures to continuously improve its corporate governance system.

## V. Annual Significant Events

### Changes on Structure:

Due to business and internal organizational adjustments, BNP Paribas (China) Co., Ltd. has decided to close the Shanghai FTZ branch with the approval of shareholders and the board of directors. The branch has surrendered its financial license and canceled its business license on January 30, 2024. The original business of this branch is undertaken by BNP Paribas (China) Co., Ltd.

### Changes on the Senior Management:

- Appointment of Mr. Zhang Jin as Chief Operating Officer of BNP Paribas (China) Limited with effect from Jan 18, 2023.
- Appointment of Mr. Jia Minghao as Chief Risk Officer of BNP Paribas (China) Limited with effect from Feb 15, 2023.
- Appointment of Mr. Zhang Jin as Deputy CEO of BNP Paribas (China) Limited with effect from Jun 21, 2023.
- Appointment of Mr. Zhang Fang as Deputy CEO of BNP Paribas (China) Limited with effect from May 11, 2023.
- Appointment of Mr. Sun Hongzhi as Deputy CEO of BNP Paribas (China) Limited with effect from May 11, 2023.
- Resignation of Ms. Cathy Kang from the position of Director of BNP Paribas (China) Limited on Jul 14, 2023.

### Regulatory Fine:

On November 13, 2023, our bank received the "Administrative Punishment Decision of the Shanghai Supervision Bureau of the National Financial Regulatory Administration" (Hu Jin Fa Jue [2023] No. 50). NFRA Shanghai Bureau ordered our bank to make corrections and fined us RMB 2.1 million for the findings of the related party bond trading that was not in line with commercial principles, internal control and performance evaluation management and violated the principles of prudent business operations. In response to the regulatory authorities' penalty decisions, our bank implemented rectification measures in strict accordance with regulatory requirements, further strengthened compliance risk management and control, and operated in compliance with laws and regulations.

### Others:

With the approval of the Shanghai Supervision Bureau of the National Financial Regulatory Administration, BNP Paribas (China) Co., Ltd. moved office starting from November 10, 2023. New address is: Rooms 1701-1708 and Rooms 1804-1807, Shanghai Tower, No. 479 Lujiazui Ring Road, Pudong New District, Shanghai.

## VI. Capital Adequacy Ratio Situation

## 1. Banking Group Name, Capital Adequacy Ratio calculation scope and consolidation scope and differences

BNP Paribas (China) Ltd. belongs to BNP Paribas Group and is the whole owned subsidiary of BNP Paribas S.A.

BNP Paribas calculates the capital adequacy ratio in accordance with "Rules for Regulating the Capital Adequacy Requirement of Commercial Banks" and relevant regulations. The scope of capital adequacy ratio calculation is legal person, including Head office and all branches.

BNP Paribas (China) Ltd. has no equity investment inside and outside China, therefore there is no need to consolidate financial statements or calculate capital adequacy ratio on consolidated basis. And there is no difference in the two scopes, both at legal person level. In the reporting period, there is no capital transfer constraint.

## 2. Amount of capitals and all level of capital adequacy ratios

Up to Dec. 31 2023, BNP Paribas (China) Ltd's correspondence between regulatory capital items and audited financial statement items are as follows:

Item	Audited Financial Statement
Paid-in capital	Paid-in capital
General reserve	General reserve
Surplus reserve	Surplus reserve
Retained earnings	Retained earnings
Other comprehensive income	Other comprehensive income
Intangible assets after deferred tax liability adjustment	Intangible assets
Other net deferred tax assets (deduct deferred tax liabilities) that depend on bank's future profitability	Deferred tax assets

In CNY'000

Item	Dec. 31 2023
The core tier one capital	
Paid-in capital	8,711,348
General reserve	659,373
Surplus reserve and retained earnings	1,716,779
Other comprehensive income	11,792
The core tier one capital	11,099,292
The core tier one capital deduction	
Intangible assets after deferred tax liability adjustment <sup>1</sup>	36,709
Net core tier one capital	11,062,583
Other tier one capital	-
Net tier one capital	11,062,583
Loan provision exceeding regulator limits	354,418
Other tier two capital	-
<b>Net capital</b>	<b>11,417,001</b>
Risk weighted assets	58,500,465
<b>Core tier one capital adequacy ratio</b>	<b>18.9%</b>

<b>Tier one capital adequacy ratio</b>	18.9%
<b>Capital adequacy ratio</b>	19.5%
Minimum regulatory requirements	
Core tier one capital adequacy ratio	7.50%
Tier one capital adequacy ratio	8.50%
Capital adequacy ratio	10.50%
Loan provision exceeding regulator upper limit and included as tier two capital	
The upper limit under weighted approach	529,714
The difference between actual amount and the upper limit	175,296
<b>Undeduction amount in threshold deduction</b>	
Intangible assets after deferred tax liability adjustment <sup>2</sup>	226,660
Limit of capital deduction (10% of core tier one capital)	1,106,258
Difference between the actual amount and limit	879,598

### 3 Risk Weighted Assets and Capital Requirement

Up to Dec. 31 2023, BNP Paribas (China) Ltd. adopted the following approach to calculate risk weighted assets: weighted approach in credit risk weighted assets, standardised approach in market risk weighted assets and basic indicator approach in operational risk weighted assets, that's an average 15% of total income in the last 3 years. The amount are as follows.

In CNY'000

<b>Item</b>	<b>Risk Weighted Assets</b>	<b>Capital Requirement</b>
Credit risk weighted assets	42,377,130	3,390,170
Market risk weighted assets	13,855,144	1,108,412
Operational risk weighted assets	2,268,191	181,455
<b>Total</b>	<b>58,500,465</b>	<b>4,680,037</b>

The market risk capital requirement are as follows:

In CNY'000

<b>Item</b>	<b>Amount as at Dec. 31 2023</b>
Market risk weighted assets requirement (standardised approach)	1,108,412
-interest rate risk	948,139
-foreign exchange risk	132,825
-Option risk	27,448

### 4 Internal Capital Adequacy Assessment Process, Capital Planning and capital adequacy ratio monitoring

The Internal capital adequacy assessment process of BNP Paribas (China) Ltd. includes governance framework, risk identification and assessment, stress test, capital assessment, capital planning and emergency management, which assess the capital adequacy under comprehensive considering and evaluation of the major risk faced by the bank. Capital planning is to ensure the capital adequacy ratio level is in line with the china business development strategy, risk appetite, risk management ability and external operating environment, to fulfil short term and long term capital needs, and take into consideration the

capital supplement source and long term sustainability. BNP Paribas (China) Ltd. monitors dynamically and closely the capital adequacy ratio situation through calculation of capital adequacy ratio, and reasonably forecast and improve the efficiency of capital utilization.

## VII. Liability Quality Management

General Guideline of Liability Quality Management serves as an overarching guideline for the governance in liquidity / liability management in BNPP (China) Ltd. (referred to as “BNPP China” or “the Bank” hereafter).

Within BNPP China, the Board assumes the ultimate responsibility of liabilities quality management. ALCO, which is a specialized committee under CEO’s supervision, assumes the mandate of steering liabilities quality management.

On a more frequent basis, CHAM committee meets and reviews various client deposit related topics, and meeting minutes are submitted to ALCO for review.

The main departments that are involved in the liability related activities include: ALMT, LIS, TB, Coverage, Risk and Finance. Among them, in principle, ALMT is mainly responsible for the interbank liability business, while LIS coordinates corporate deposit relevant business with support from TB and Coverage etc. Risk is in charge of reviewing and monitoring relevant risk indicators while Finance delivers the computation and reporting of regulatory data.

In 2023, in line with bank’s business strategy, risk appetite and overall business characteristics, BNPP China reviewed the General Guideline of Liability Quality Management and only some minor changes were deemed required and were validated by ALCO. The elements of liabilities quality management meet the requirement of the measure issued by CBIRC.

The following main regulatory ratios are monitored on a daily basis and were in compliance throughout the year of 2023:

1. Onshore Interbank Funding Ratio;
2. High-Quality Liquidity Assets Adequacy Ratio
3. Liquidity Matching Ratio;
4. Liquidity Ratio.

## VIII. Corporate Social Responsibility

“We are at the service of our clients and the world we live in”, BNP Paribas’ mission is to contribute to responsible and sustainable economy by financing and advising its clients according to the highest ethical standards. We offer secure, sound and innovative financial solutions to individuals, professional clients, corporate and institutional investors while striving to address the fundamental challenges of today with regard to the environment, local development and social inclusion.

Our Corporate Social Responsibility approach allows us to take part in building a sustainable future while promoting the Group’s performance and stability. This strategy relies on four pillars of responsibility: The Economy, Our People, The Community and The Environment, which are in line with the United Nations 17 Sustainable Development Goals (SDGs). As the bank for a changing world, BNP Paribas has become one of the first companies to include a clear reference to the SDGs in our CSR strategy since 2015. In line with its company purpose, BNP Paribas’ 2025 strategic plan, named “Growth, Technology, Sustainability” (GTS), placed sustainability, including climate-related issues, at the heart of its strategy, reaffirmed its responsibility to leverage its European leadership to provide a full contribution to a more sustainable and inclusive economy. Within the Sustainability pillar of the plan strategic plan, The Group has defined three strategic areas to accelerate the implementation of its commitments in CSR and sustainable finance: Aligning our portfolios with our carbon neutrality commitment; Engaging with clients to accompany them in the transition towards a sustainable & low-carbon economy; Strengthening our sustainability culture and expertise, steering tools, processes & set-ups.

In line with BNP Paribas group policy, BNP Paribas (China) Limited (“BNPP China” or the “Bank”) has established the BNP Paribas China CSR Committee to help achieve the Group's global vision of becoming a leader in CSR in the banking sector, while deepening the Bank's CSR initiatives in China. The Committee's main responsibilities include setting guidelines for BNPP China's CSR strategy and monitoring its progress. The Committee is composed of 15 staff members holding senior positions in China, representing different business lines, branches and functional departments. The Committee discusses plans and budgets for annual work and ad-hoc projects through regular meetings, and regularly reviews and summarizes project progress.

### The Economic Responsibility

#### Financing the economy in an ethical manner

BNP Paribas’ primary mission is to meet its clients’ needs, in particular by financing the projects of individual clients and businesses in an ethical manner, in order to drive economic development and create jobs. Given its leading positions in financial services in the 65 locations in which it operates, the Group’s financing capacity and the way it conducts its business can have a direct impact on local economies. Aware of this economic responsibility, BNP Paribas bases its actions on its three commitments:

- Investments and financing with a positive impact
- Ethics of the highest standard
- Systematic integration and management of environmental, social and governance risks

BNP Paribas believes that rigorous risk control is an important responsibility of the bank to its customers or the entire financial system. Under the guidance of the Group, BNP Paribas China provides customers with complete financial solutions by strictly controlling risks, complying with Chinese laws and regulations, and adhering to regulations and strict business ethics.

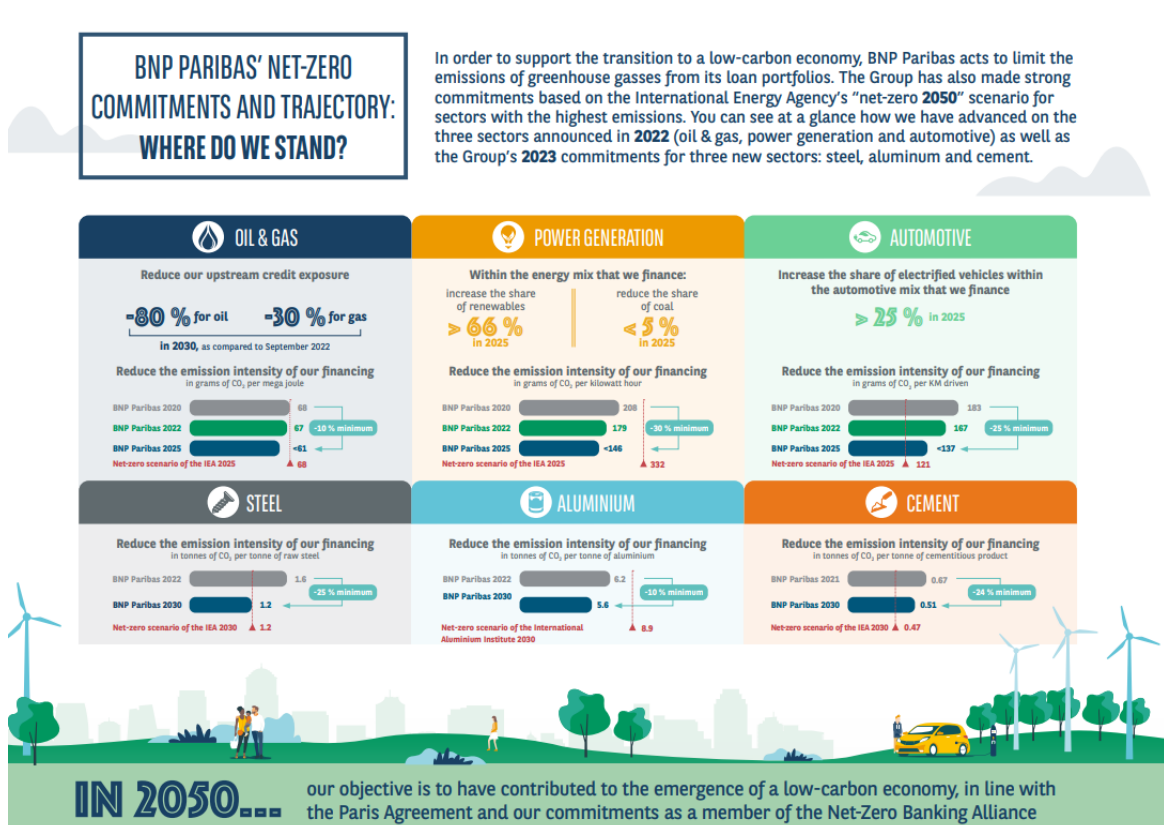
## Investments and financing with a positive impact

BNP Paribas is committed to managing its financing and investment activities for a net zero economy by 2050.

BNP Paribas mobilize its integrated model and all business lines in supporting clients in the transition towards a sustainable & low-carbon economy. Aligning our portfolios with our carbon neutrality commitment, trajectory for a reduction in CO2 emissions corresponding to financing of the sectors with the highest levels of emissions (NZBA). Aligning the objectives of Group's business lines with shared objectives by sectors taking into account client transition.

Mobilised alongside customers to support them in the transition to a sustainable economy and align portfolios with the commitment to carbon neutrality. BNP Paribas has set up a CSR dashboard to help guide its strategy in this area. As part of the launch of its GTS 2025 strategic plan, the Group has defined new CSR indicators, with commitments for 2025. Under Economic Responsibility, the indicators includes Amount of sustainable loans, Amount of sustainable bonds, Amount of article 8 and 9 assets under management according to the SFDR, Amount of the support enabling our clients to transition to a low carbon economy. BNP Paribas will invest 350 billion Euros in sustainable loans and sustainable bonds by 2025 to help corporate clients deal with key issues such as environment and social development. By 2025, BNP Paribas will provide 200 billion Euros financial support enabling clients' transition to a low-carbon economy.

In order to support the transition to a low-carbon economy, BNP Paribas acts to limit the emissions of greenhouse gasses from its loan portfolios. The Group has also made strong commitments based on the International Energy Agency's "net-zero 2050" scenario for sectors with the highest emissions. The graphics below indicates our advances in the three sectors with decarbonization targets announced in 2022 (oil & gas, power generation and automotive) as well as the Group's 2023 commitments in three new sectors: steel, aluminum and cement.





Following the Group's low-carbon transition path and China's "carbon peak and carbon neutrality" strategy, BNP Paribas China has formulated a transition finance strategy suitable for the Chinese market to support the low-carbon transition of high-carbon emission industries with innovative and diversified finance solutions, to develop low-carbon sustainable finance with BNPP's characteristics and tailored to the local market environment.

### **Ethics of the Highest Standard**

BNP Paribas strives to conduct its businesses in an ethical and responsible way as a major provider in financial products and services. By contributing to economic development and job creation in worldwide markets, the Group makes every effort to pursue this commitment. The respect of the most rigorous ethical standards is a prerequisite at BNP Paribas. All Group employees, including China employees are required to strictly respect all laws, rules and regulations in effect, as well as all professional standards that apply to their activities. In the event of conflict between the laws of a country and BNP Paribas' ethical rules, each individual is required to respect local legislation while at the same time looking for ways to apply and respect internal ethical rules.

### **A Comprehensive ESG Risk Management Approach**

BNP Paribas group's global credit policy and procedure has incorporated ESG risks, especially climate related risks into the group risk management framework, with internal system and mechanism to identify, assess and manage relevant risks. Our business lines, CSR department and Risk department work together to manage risks related to climate and energy transition in their daily work.

Since 2011, BNP Paribas has gradually deepened and broadened its framework to manage the ESG risks that may affect its activities. Initially focused on the most sensitive sectors from an ESG point of view with the development of CSR policies towards those sectors of most environmental and social exposure, the framework is now becoming more exhaustive to gradually cover all the sectors of the economy in which we have customers. At the same time, sectoral policies are regularly updated to better address new challenges facing the relevant sectors.

BNP Paribas takes ESG criteria into account in its decision-making processes. ESG criteria are integrated into the Know Your Client (KYC) and in credit and rating policies. In addition to the current ESG risk assessment tools, a new ESG assessment framework has been deployed since June 2021: ESG Assessment. It makes it possible to identify, assess and monitor the performance and ESG risks of corporate clients by sector with a common approach within the Group for a given customer segment. Overall, the assessment aims to perform a systematic ESG analysis as part of the credit process, one of the foundations of the banking activity, thus integrating ESG criteria with the other criteria included in the assessment of the counterparty's credit profile. The ESG Assessment covers the environmental (climate and biodiversity), social (health, safety and impact on communities) and governance (business ethics) dimensions through a set of questions, supplemented by an analysis of the controversies affecting the client. The questionnaires developed in this context are specific to each sector in order to better integrate the challenges and issues specific to their activities. This tool will assess clients' compliance with sectoral policies, as well as the maturity of their ESG strategy and its implementation. The deployment of ESG Assessment, included in the credit files for all business sectors and business groups, will enable the RISK Function to exercise greater control over the ESG dimensions during credit committees, on a documented basis. Currently designed for large companies, this framework will be gradually adapted and extended to different customer segments

A new ESG Assessment tool has been progressively rolled out in BNP Paribas (China) Ltd since Jun 2021 as per the Group's requirement. Up to date, we have applied such more comprehensive new ESG assessment framework to part of our client portfolio. For companies not yet reviewed by the new tool, the existing ESG framework (i.e. specific CSR policy towards 9 high sensitive sectors / CSR screening

towards medium risk sectors) is applied per CIB policy. In both cases of ESG assessment, RM and CTCM should ensure that client groups' ESG risk profile analysis and Relationship Manager's opinions be included in Credit Proposals. Such credit proposals are submitted to and reviewed and approved by Credit Committee with relevant ESG information presented.

In 2021, BNP Paribas China rolled out a new ESG assessment framework in accordance with the requirements of the Group, gradually expand and deepen the requirements, and strengthen the bank's ESG risk management of customers. For companies not yet on-boarded in the new tool, current ESG framework (CSR Policy/Screen) is applied per CIB ESG risk assessment. During deployment of new ESG assessment, Group's ESG risk profile analysis as well as Relationship Manager's opinions need to be included in the Credit Proposals which will be submitted to the credit committee for approval based on ESG-related information.

BNP Paribas considerably enhanced its ESG training offering. It now covers a broad spectrum ranging from general awareness-raising on the major ESG issues related to the energy transition, the protection of biodiversity and respect for human rights, to expert training on ESG risk management setups and the offer of sustainable finance products and services. In 2022, more than 1700 sustainable development training courses were carried out for China staff.

### **Supporting the Transition by Offering a Wide Range of Sustainable Products**

Sustainability is at the heart of BNP Paribas' strategy.

BNP Paribas accompanies our clients with complete solutions, providing financial toolbox to answer clients' sustainability financing and investing needs.

In terms of financing, BNP Paribas provides products and products linked to ESG performance, including green loans, green bonds, transition bonds, sustainable indicator-linked loans/bonds, sustainable supply-chain financing, sustainable deposits and etc. On investment, BNP Paribas provides services to help enterprises adapt their business models to sustainable development, help clients achieve sustainable transition and development through mergers and acquisitions and industrial investments, help clients invest in sustainable assets and meet their ESG investment strategies. BNP Paribas also offers sustainable hedging solution, such as interest-rate derivatives linked to sustainable indicators to encourage clients meet their ESG performance targets.

BNP Paribas China is one of the most active international banks in sustainable finance market in China. We develop sustainable finance business accordance the guidance of Group strategy and the relevant regulatory policies, focusing on energy transition and designated sustainable industries and fields. In 2023, the sustainable finance business has covered several sectors, including new energy vehicle and green vessel production, low carbon energy project development and operation and green building, etc. BNPP China actively cooperate with the Group and international institutions to enhance sustainable finance business in offshore market for domestic financial institution and corporates through sustainable bond and loan, as well as provide finance solutions to support Chinese corporates and Multinational Corporation on domestic sustainable business.

- **In 2023, we successfully concluded or assisted in closing several sustainable finance transactions related to China:**
  - BNP Paribas supported Bank of China Luxembourg branch to issue the world's first steel sector specific green transition bond issued by a financial institution. The €300 million transition bond will drive investment into the development of the steel sector's

decarbonisation in the Hebei Province, China's top steel province.

- BNP Paribas supported Sunny Optical to implement its dual carbon strategy by issuing the first sustainability-linked bond by China private-owned enterprise in the offshore market.
  - BNP Paribas provided a green loan to Shanghai Chemical Industry Park Industrial Gases Co., Ltd (SCIPIG), a subsidiary of Air Liquide, to partly finance SCIPIG's two hydrogen production units and related infrastructure in Shanghai Chemical Industry Park (SCIP). The deal is the first Green Loan worldwide to support low carbon hydrogen production in alignment with the new China-EU Common Ground Taxonomy. It is also the 1st Green Loan for BNPP to support low carbon hydrogen production in APAC.
  - BNP Paribas supported CATL in arranging a USD 600 million syndicated loan to finance the group's international expansion of its green battery business.
  - BNP Paribas assisted Genius Auto Finance in successfully issuing green asset-backed securities, Green ABS, with a total issuance size of RMB 3 billion.
  - BNP Paribas assisted SAIC-GM-Wuling Financing Indonesia Co., Ltd. in signing the first green loan obtained by an overseas wholly-owned auto finance company.
- **Assisting Chinese enterprises in cooperating with multinational companies, to share internationally advanced green technologies in their low carbon transition.**  
For example, we financed the joint venture project between Envision Energy and Total in distributed solar energy and the partnership between Xiaoju and BP in EV charging business, etc. Projects in the pipeline include hydrogen energy utilization, carbon dioxide capture and utilization, circular economy and etc.
  - **BNP Paribas China also actively cooperates and coordinates with the head office and our international network, to leverage our own advantages to help Chinese financial institutions develop their sustainable finance business in both the onshore and offshore markets :**

#### **China Merchants Bank**

August 2023, BNP Paribas acted as joint bookrunner to assist CMB London branch in its first Blue Bond issuance. The transaction applied the Green Bond Principles 2021 published by International Capital Market Association. The net proceeds of the issuance will be used to support renewable energy, sustainable water and wastewater management. The issuance is aligned to the Green Bond Endorsed Projects Catalogue (2021 Edition) and verified by EY via its Pre-issuance Attestation Reports.

#### **Industrial and Commercial Bank of China**

October 2023, BNP Paribas acted as joint bookrunner for ICBC HK's USD Green Bond issuance. The net proceeds of this green bond will be used to support green projects with certain environmental benefits, including clean energy projects and green transportation projects. The projects are in compliance with the Green Bond Endorsed Projects Catalogue (2021 Edition) and the Notice by NAFMII on "Clarifying Mechanisms in Relation to Carbon Neutrality Bonds". The issuance is verified by Beijing Zhongcai Green Financing Consultant via its Pre-issuance Attestation Reports.

#### **China Construction Bank**

November 2023, BNP Paribas acted as joint bookrunner for CCB Luxembourg for its Green Bond issuance. The transaction applied the Green Bond Principles 2021 published by International Capital Market Association. The net proceeds of this green bond will be allocated to finance and/or refinance green projects in eligible Green projects in China. The issuance is verified by EY via its Pre-issuance Attestation Reports.

- **BNP Paribas China maintains close communication with relevant regulatory authorities to promote the development of related businesses in China.**
  - In the first quarter of 2023, BNP Paribas (China) Co., Ltd. was included in the scope of financial institutions of the People's Bank of China's carbon emission reduction support tools. BNP Paribas China started applying for PBOC funding under the carbon emission reduction support tool in the second quarter of 2023. As of the end of 2023, the amount of PBOC carbon reduction funding support BNP Paribas China had received is the largest among all international banks.
  - BNP Paribas China actively participated in the research on establishing a green and sustainable financial business regulatory system organized by the People's Bank of China and other regulatory agencies, providing a large amount of information on the relevant regulatory framework of European financial regulatory authorities and the development trends of green financial business of European banks and contributed to the establishment of domestic green finance standards and regulatory systems.
  - BNP Paribas China is also a key member of China Green Finance Committee and the Founding Chairman of the Green Finance Professional Committee of Shanghai Financial Industry Federation. By actively engaging in committee's activities, BNP Paribas provided strong and professional contribution to the development of China Green Finance industry with its global network expertise and technology.
  - BNP Paribas China is also the founding chairman of the Green Finance Professional Committee of the Shanghai Financial Association. At the Green Finance Parallel Forum of the Carbon Expo in June 2023, the Green Finance Special Committee of the Shanghai Financial Industry Federation was officially unveiled. The Green Finance Committee of Shanghai Financial Association held its first plenary working meeting at BNP Paribas (China) Co., Ltd on 8 December in 2023.
- **We actively strengthen the internal sustainable finance construction, conduct relevant training and improve business capabilities.**
  - In line with relevant local regulations and BNP Paribas Group's business strategy, BNP Paribas (China) Limited releases Sustainable Finance Procedure Guidelines in 2023 to define scope of responsibility and work procedures including business scope, governance and organization, validation and approval, reporting, monitoring, performance appraisal and internal control, to further improve the management of Sustainable Finance and accelerate the transition towards sustainable development.
  - Monthly China Sustainable Finance marketing meeting across departments to update business status, market info and regulatory evolution in sustainable finance in and outside of China.
  - Strengthening our sustainability culture and provide ESG related training to staff. More than 900 online and offline ESG sustainable development trainings for China staff were organized in 2023.

## **BNP Paribas is an important participant in China-EU green financial cooperation**

BNP Paribas is an important participant and actively promotes global harmonization of standards through dialogues. We made contribution for establishment and improvement of EU China Common Ground Taxonomy and actively promote its implementation in the business development. In June 2022, BNP Paribas supported Bank of China Frankfurt Branch for completing the 1st ever green bond under the updated version of the EU-China Common Ground Taxonomy. Published by the International Platform for Sustainable Finance on June 3, the updated Common Ground Taxonomy covers a list of shared economic activities that will make substantial contributions to climate change mitigation. Bonds issued under the Common Ground Taxonomy are set to offer transparency, comparability and standardization for investors. BNP Paribas also assisted China Industrial Bank in printing green bond. The transaction marks the first green bonds in alignment with China-EU “Common Ground Taxonomy” from Chinese joint stock banks.

BNP Paribas is member as well as co-chair Sino-French Business Council, which was establishment in 2018 and BNP Paribas China actively coordinate and supported the council. In May 2023, French President Emmanuel Macron had state visit to China. Chairman Lemierre accompanied the visit as a member of delegation of French business leaders. During the visit, the 5<sup>th</sup> meeting of the Sino-French Business Committee was held in Beijing. Several high level meetings took place between the French business delegation and senior Chinese government officials on ways to further enhance and develop bilateral trade and investment ties, and to promote green and low-carbon cooperation. In the presence of Chinese and French government officials, BNP Paribas and Bank of China signed a new Memorandum of Understanding (MoU) to further strengthen and broaden the existing scope of good cooperation between the two parties, including ESG and other areas of cooperation.

At the 9th China-France high-level economic and financial dialogue in 2023, China and France reviewed the long-term and effective cooperation between the two countries in the financial field and hoped to further strengthen this cooperation. The two sides reached a number of consensuses and cooperation results. In the field of green finance cooperation, China and France encourage their bank & institutions to participate in the sustainable development and follow internationally recognized green finance standards in relevant projects. BNP Paribas will continue to leverage its advantages in green finance, continue to actively promote the application of carbon emission reduction support tools, support projects in line with the "China-EU Common Taxonomy", help China's economy transform into green and low-carbon, and promote global sustainable development.

In 2023, BNP Paribas assisted EU in carrying out various green finance and sustainable development-related research activities in China, such as the EU's CBAM(carbon border adjustment mechanism): rational for climate policy and its implications on Chinese companies. BNP Paribas also actively coordinated and organized dialogues between Chinese banks and the Head of EU DG FISMA (The Directorate General for Financial Stability, Financial Services and Capital Markets Union, European Commission) to discuss their institutions' business operations in the EU.

BNP Paribas will continue to promote global sustainable development cooperation, actively integrate into global green governance, mobilize and coordinate global green financial resources, and jointly foster for deep and solid cooperation in green finance between China and EU.

## **BNP Paribas Senior Leadership’s Engagement in China’s Sustainable Development Forums**

Continuous confidence and support of the BNP Paribas Group Senior Management to the sound, green

and sustainable development of the Chinese economy and to the service of our Chinese and international clients through numerous participations of our Group Chairman, China Leadership to events, conferences and seminars in 2023:

- In April 2023, Mr. Jean Lemierre, Chairman of BNP Paribas Group, accompanied French President Macron on his two-day state visit to China. Several high level meetings took place between the French business delegation and senior Chinese government officials on ways to further enhance and develop bilateral trade and investment ties, and to promote green and low-carbon cooperation.
- In 2023, BNP Paribas China participated the 1st Pudong Green Finance Conference, and 12 green finance projects were signed and implemented, including BNP Paribas China's a five-year project related corporate green loan of RMB500 million (US\$75 million equivalent) with Shanghai Chemical Industry Park Industrial Gases Co., Ltd (SCIPIG), a subsidiary of Air Liquide, to partly finance SCIPIG's two hydrogen production units and related infrastructure in Shanghai Chemical Industry Park (SCIP).
- BNP Paribas joined the 1st Shanghai International Carbon Neutrality Expo. BNP Paribas China showcased its sustainable finance practice, reiterated its commitment to sustainability, and conducted exchanges with corporates, institutions, media and public, through a whole set of speaking engagements. Group Chairman Jean Lemierre delivered a video speech during Green Finance Forum, per invitation of the Shanghai Financial Association (SFA) and Bank of Communications, to share BNP Paribas' sustainable finance practices, as well as the Group's long-term support to China's real economy and sustainable development through its fully owned subsidiary, BNP Paribas China, diverse joint venture projects, and partnerships. At the event, as the Founding Chairman of the Green Finance Committee (the Committee) of the SFA, Youfang Zhang, Deputy CEO of BNP Paribas (China) Ltd representing BNP Paribas inaugurated the Committee, accompanied by Youfu Tu, Secretary General of the SFA. The Committee will play a professional role to coordinate joint efforts from its financial institution members to strengthen collaboration and innovation in sustainable finance. BNP Paribas China will be co-chairing the Committee together with Bank of Communications, both parties will reinforce existing ties, and broaden cooperation on all fronts. Youfang Zhang moderated a roundtable to discuss about the opportunities and challenges of green finance and transition finance. Panelists from corporates, financial institutions, ESG consulting institutions shared views on 'ways to build a green finance ecosystem to underpin low carbon transition', and 'the global consensus to promote sustainable finance innovation'. BNP Paribas was also invited by Shanghai Council for the Promotion of International Trade to a discussion titled 'Vision Net Zero'. Youfang Zhang joined the session to share the Bank's practice in green finance disclosure and reporting together with other Chinese and Foreign institutions, and government officials.
- In 2023, Mr. Jean Lemierre, Chairman of BNP Paribas Group, participated in the 2023 International Advisory Committee Annual Meeting of China Investment Corporation (CIC).
- In October 2023, BNP Paribas participated in the 35th International Business Leaders' Advisory Council for Shanghai Mayor, focusing on the theme of "Changes and new opportunities: making Shanghai a more robust and resilient international metropolis" to listen to international entrepreneurs sharing insights and cases to jointly promote Shanghai and international companies to deepen cooperation and seek common development.

## Our Social Responsibility

### Promoting employee development and commitment

Our social responsibility is rooted in three principles: promoting diversity, equity and inclusion; providing a “good place to work” and ensuring responsible employment management; and acting as a learning business offering dynamic professional path. By adopting these three ambitious objectives, our aim is to facilitate employee development and commitment.

- Promotion of diversity, equity inclusion in the workplace
- A good place to work and responsible employment management
- A learning company supporting dynamic professional path

Diversity, equity and inclusion are core commitments of BNP Paribas.

Going beyond regulatory and legal requirements, BNP Paribas has for years developed a committed and responsible Diversity, Equity & Inclusion policy in all countries where the Group does business. Diversity & Inclusion, ensuring respect and professional equity for all within the Group. Wide diversity and a real inclusion of differences are essential ingredients for everyone to flourish and for the continuous reinforcement of our “Agility”, “Openness” and “Good Place to Work” values.

BNP Paribas has based its policy on three priorities that we pursue on an international level: Professional equity between women and men, Multiculturalism and Diversity of origin, Disability.

Taking action for diversity, equity and inclusion also requires training and raising the awareness of all employees. BNP Paribas reaches out to all its employees through an increasing number of local initiatives (e-learning, conferences, signing of charters, etc.), while also contributing to developing these values beyond our company gates. Diversity, Equity & Inclusion Week is a highlight for BNP Paribas and all of its employees around the world: an opportunity for the Group to promote diversity, respect for others and to demonstrate the importance of everyone’s commitment on a daily basis.

BNP Paribas employees have a personalized space to monitoring their professional development. Throughout the year, employees can enrich their Personal Development Plan to receive development offers tailored to their needs and those of the company, by providing information on their skills. The platform also enables staff to enrich their interactions between their manager and HR, thus promoting professional development and notably transversal mobility within the Group.

BNP Paribas develops a dedicated, personalised and increasingly digital experience to support the professional development of all employees. Continuously grow and develop. This is what we are committed to - the professional development of our people day after day, and belief in continuously learning. They can choose from a wide range of learning programmes in innovative formats. We also want them to be proactive: they decide which courses they want to take and when.

During the recruitment process (and at every step in their careers), all of our employees benefit from an equal playing field. They have access to the same level of information concerning job openings, while we always evaluate their skills and qualifications in total objectivity.

Our human resources approach is rooted in a strong principle: diversity. In other words, we welcome people from every background so that our company represents the diversity of our society. All of our sites and locations are also managed in a way that respects our own values – outlined by general management and our employees in the BNP Paribas Way – and promotes diversity and equal opportunity!

## Civic Responsibility

### Being a positive agent for change

Committed participant in society, BNP Paribas instigates and takes part in numerous initiatives to combat social exclusion and promote education and the arts. In the context of its civic responsibility, the Group uses all the available tools, as a banker, employer and philanthropist, to foster a sustainable and harmonious development of society. These actions are in line with its three commitments:

- Products and services that are widely accessible
- Combat social exclusion and support human rights
- Corporate philanthropy policy focused on the arts, solidarity and the environment

The highlights of 2023 include:

#### **Sponsoring China Development Research Foundation**

Since 2016, BNP Paribas supported China Development Research Foundation(CDRF), as one of sponsoring corporates, for RMB 1.4 million annual sponsorship . Funding is used to support China policy research, publications, leadership training, development forums, and academic exchanges. CDRF is a public foundation initiated by the Development Research Center of the State Council (DRC). Its mission is to advance good governance and public policy to promote economic development and social progress.

#### **Microfinance**

MicroCred Nanchong is one of the first microfinance institutions under the People's Bank of China initiative. It is a foreign-owned enterprise licensed by the Sichuan AIC on September 3, 2007. Over the following 2 years, PBOC granted MicroCred Nanchong permission to expand into Gaoping, Langzhong, Nanbu, Peng'an, Shunqing, Xichong, Yingshan and Yilong districts. MicroCred Nanchong's mandate is to provide financial services to the under-served and unserved micro and small entrepreneurs in both rural and urban areas.

MicroCred Sichuan is a regulated Microcredit Company (MCC) which was established in November 2010 and launched its activities in January 2011. It provides individual microloans to farmers, business owners and micro enterprises in the namely Sichuan province.

MicroCred Sichuan benefits from MicroCred Nanchong experience in the region (Nanchong being the northeast of Sichuan Province). They are Sisters Company. Their management and processes are the same.

Following the global microfinance initiative as well as existing relationship with MircoCred in Senegal and Ivory Coast, BNP Paribas (China) Ltd. decided in 2011 to provide credit facility to MicroCred Nanchong and Sichuan. As of December 2022, MicroCred China serves 20,262 clients, for a total gross loan portfolio of EUR 194 million. It has 52 fast-growing branches spread over 12 regions. They offer 2 types of products: micro and SME loans. Both are individual loans.



## **BNP Paribas Continued its Commitment to Support Sichuan Underprivileged Children by “Dream Up” Creative Development Project and Sichuan Scholarship**

“Dream Up” is the flagship programme conducted by BNP Paribas Foundation at the group level. Under the Dream Up umbrella, the three-year Creative Development Project was launched by BNP Paribas (China) Ltd. in September 2015 to support children in Qingshen, Sichuan with a total grant of 60,000 euros. By providing music, dancing and art workshops, the Creative Development project has been helping to build up the confidence along the growing path of the underprivileged children. The project engages professional teachers to provide two hours workshops on music, dancing and art each week for students of Ruifeng, Hebazi and Luobo elementary schools in Qingshen county, Sichuan.

Dream Up project had been renewed from September 2018 for another 3 years. BNP Paribas Foundation sponsored Euro 20,000 annually for regular art, music and dance workshops at 3 beneficiary schools. Leveraging BNPP China CSR budget, we expanded the project from 3 to 6 beneficiary schools, increased workshops from add instrumental music class Teachers’ workshop for experience sharing.

From 2021, BNP Paribas extend its 3<sup>rd</sup> stage of the Dream Up project with 7 beneficiary schools. In order to allow more rural school students to benefit from the edification of arts education, 5 schools were replaced among the original 6 schools. In addition to dance, art, instrumental music, and music, Qingshen's unique traditional skill bamboo weaving courses were added to the curriculum. The project sponsored 16 professional art teachers from the county to teach at 7 rural primary and secondary schools in order to ensure the quality and quantity of the teaching plan and achieve the goals according to the project plan.

In more than 8 years, totally 6372 workshops with more than 286k minutes had been brought to more than 4000 students in 10 beneficiary schools in Qingshen, Sichuan.

In 2023, nearly 30 BNP Paribas staff and their family members travelled to Qingshen County in Sichuan to visit the "Dream Up" project. The volunteers immersed themselves in the children's art education courses at Hebazi Primary School, one of the project schools, and also experienced Qingshen's characteristic bamboo weaving courses.

Moreover, BNP Paribas China has been distributing scholarship to 102 left behind students in Qingshen Sichuan, the same region under Dream up project, to subsidize the living expenses of those children in need(RMB 1,500 per student per year). Since the Sichuan Scholarship first launch in 2014, the accumulative contributions have been totalled RMB 1.3 million.

### **1MillionHours2Help Global Volunteering Campaign**

BNP Paribas launched 1MillionHours2Help employee volunteering program and made a commitment to volunteer one million hours of our employees’ collective working hours to support communities where we operate. The campaign is an important facet of the Group’s commitment to building a more sustainable and equitable world. The Group has identified 4 priority themes:

- Promote the social inclusion of youth
- Accelerate the energy transition
- Support social entrepreneurs' initiatives
- Improve local communities in the territories where we operate

In 2023, 451 volunteers at BNP Paribas China contributed 2529 volunteering hours in total, to various events including the following:

- Participation in new school opening at Shanghai Congquan Children Training Institute, annual charity event and sports day for autistic children
- Sustainable farm visits to learn natural farming and experience friendly planting
- We Are Tennis Cup Tournament and Tennis for Good
- Music for Love -2023 APAC Fundraising Campaign China Charity Concert
- Translation project for Thank You Letter
- Stay Healthy, Walk for Good- Support Chi Heng Foundation's Students Summer Camp
- Food bank volunteering and fighting food waste
- Running in the Dark for a more inclusive world
- Give an Hour for Earth-BNP Paribas China Celebrate the Earth Hour
- Dream up project visit in Sichuan
- Chi Heng Foundation Summer Camp in Shanghai and Beijing
- China ITO & Finance Impact Day on Earth Day
- Beach clean up on the World Clean up Day
- Volunteer for “Do Good Do Circular” China Sustainable Family Day

### **APAC Fundraising Campaign in China**

In 2023, BNP Paribas continued APAC Fundraising Campaign to help more children in rural areas with equal access to quality education. Through both online and offline fundraising events including charity bazaar, charity walk, online bake sale, charity concert, raffle ticket, online quiz, students’ summer camp etc. During the whole fundraising campaign in APAC, BNP Paribas also matched the donation of staff contribution.

### **“Help2Help” Projects**

The “Help2Help” projects were introduced to BNP Paribas staff in China since year 2013. It is sponsored directly by the BNP Paribas Foundation in Paris aiming to encourage the staff engagement in volunteering activities.

In the year of 2023, 2 “Help2Help” projects supported by China employees were each granted sponsorship from Euro 4,000 including:

- Shanghai Qingcongquan Training center for Children with Special Needs: Provide professional rehabilitation training courses for a group of autistic children from special families. through the implementation of the project and subsidies.
- Junior Achievement International China Inc.: Life Quest - a blended learning platform of career and principled entrepreneurship readiness for university students

### **Nutrition & Health Status Improvement in Western China**

BNP Paribas China sponsored Shanghai Guofeng Foundation in 2023 with RMB 80,000 for Nutrition & Health status improvement project to alleviate poverty in the underprivileged

population of the Tibetan Plateau by improving nutrition, food habits and primary healthcare conditions at the village level, with a special focus for the children.

### **Sponsorship to Shanghai Qingcongquan Training Center to support autistic children**

BNP Paribas China has sponsored Shanghai Qingcongquan(QCQ) Training Center since 2015 to support autistic children's training course, sports day, new school opening, annual charity event on autism awareness day. The accumulative contributions have been totalled more than RMB 680k. We also organized many staff engaged volunteering events with QCQ.

## **Environmental Responsibility**

### **Accelerating the Ecological and Energy Transition**

BNP Paribas has made the ecological and energy transition its top environmental priority as a global player that finances the energy sector. Our commitment aligns with the Paris agreement, which aims to make financial flows compatible with low-carbon development. The Group deploys its environmental responsibility in 3 complementary areas:

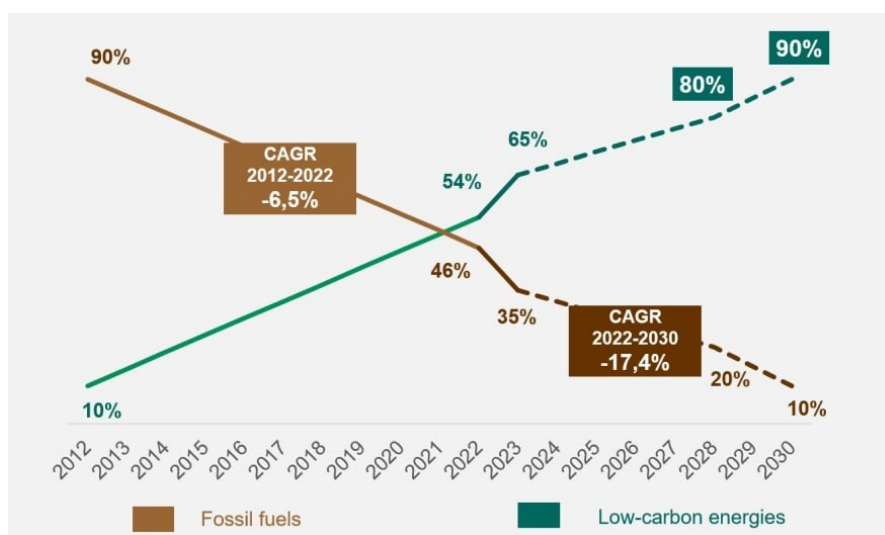
- Enabling our clients to transition to a low-carbon, respectful of the environment economy
- Reduce the environmental impact of our operations
- Advance awareness and sharing of best environmental practices

As a financial player, it is by supporting the clients in their energy and environmental transition that BNP Paribas can have the greatest impact in terms of protecting the environment, tackling climate change and aligning with the objective of a net zero world in 2050. The Group contributes towards building collective knowledge and awareness, involving its stakeholders in this process. It is in fact convinced that the energy and environmental transition can only succeed if stakeholders work together to bring about the necessary transformation of society as a whole.

### **BNP Paribas enters a new phase of rapid acceleration of energy transition**

BNP Paribas has been working on its climate strategy for more than a decade. Over 10 years, we've gone from 90% of financing dedicated to fossil fuels and 10% of financing for low-carbon energy, to currently having close to 65% financing for low-carbon energy production and 35% for fossil fuels. At the end of 2023, outstanding of low-carbon energy loans granted by the Group is 32 billion euros, 28.8 billion euros of which is dedicated to renewable energies. A majority of financing for low-carbon energy.

For BNP Paribas, the year 2023 was marked by a simultaneous acceleration of financing for the production of low-carbon energy, and the shift away from financing for the production of fossil fuels. This has allowed the Group to advance the timing for some of its objectives.



BNPP China develops sustainable finance business accordance the guidance of Group strategy and the relevant regulatory policies, focusing on energy transition and designated sustainable industries and fields.

### **BNP Paribas is no longer a major player in fossil financing**

To reduce the fossil portion of its portfolio, BNP Paribas significantly reduced its production of new loans to the oil and gas sector in 2023. For example, as of the end of 2023, the ratio of financing flows granted by BNP Paribas to oil and gas extraction and production companies compared to financing flows to renewable energy projects was 1 to 11.

According to Dealogic, out of the 256 billion dollars granted by the global banking industry to the oil and gas sector, BNP Paribas' market share is now 0.3%. Previously, and up until 2020, it had fluctuated between 2% and 3%.

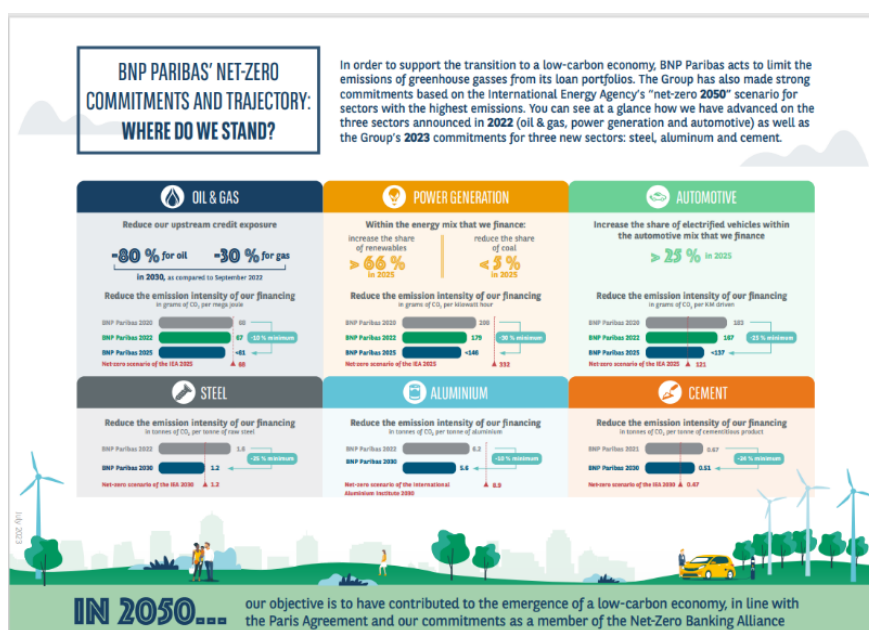
Lastly, BNP Paribas has not participated in any bonds in the oil and gas sector since mid-February 2023.

BNPP China develops sustainable finance business accordance the guidance of Group strategy and the relevant regulatory policies, focusing on energy transition and designated sustainable industries and fields.

### **BNP Paribas published its Climate Report in 2023**

In 2022, the Group unveils its first 'Climate Analytics and Alignment Report' which will steer the alignment of its portfolio with its net-zero commitment. The Report includes a series of financed carbon emissions intensity reduction targets for three key sectors (from 2020 baseline): power generation (a reduction of at least 30% by 2025), upstream oil and gas and refining (a reduction of at least 10% by 2025), and automotive (a reduction of at least 25% by 2025).

In 2023, BNP Paribas published Climate Report, showing the strong commitments contribute to the emergence of a carbon neutral economy by 2050, aligned with the International Energy Agency's "Net-zero 2050" scenario, in the sectors with the highest emissions. The report showed how the Group has progressed with the three sectors announced in 2022 - oil and gas, electricity generation and automotive – and the commitments made in 2023 by the Group in three new sectors: steel, aluminium and cement.



BNPP China develops sustainable finance business accordance the guidance of Group strategy and the relevant regulatory policies, focusing on energy transition and designated sustainable industries and fields.

### BNP Paribas China releases its first environmental information disclosure report in 2023

In the first quarter of 2023, BNP Paribas China decided to join the environmental information disclosure pilot project for banking and financial institutions organized by the People's Bank of China. In the third quarter of 2023, BNP Paribas (China) Co., Ltd. submitted the 2022 BNP Paribas China Environmental Information Disclosure Report to the People's Bank of China.

### BNP Paribas Carbon Neutral on its operational scope since 2017

BNP Paribas has been carbon neutral on its operational scope (direct greenhouse gas emissions and indirect emissions linked to the purchase of energy and to business travels) since 2017, through careful monitoring and reductions of CO2 emissions, the use of renewable energy and offsetting residual emissions. However, the work toward reducing the Group's carbon footprint did not stop there. For more than 10 years, the Group has pursued a proactive policy to reduce its direct impact, meaning the environmental impact generated by its own operational perimeter. Between 2012 and 2022, the Group has reduced these emissions by half. BNP Paribas calculates its CO2 emissions by calculating the energy used to run its buildings and the emissions generated by business travel. By the end of 2022, the Group had already achieved several of the objectives it had set for 2025.

BNPP China continued its efforts to reduce the environmental footprint linked to its own operations. such as replacing LED light sources, eliminating disposable plastic cups, promoting video conferencing technology and platforms, non-office hour light switch-off, improving printer settings and sourcing sustainable paper to reduce paper consumption. At the same time, we manage and monitor operational carbon footprint data such as business travel, paper consumption, electricity consumption and water consumption.

### Control the direct impact of business activities on the environment

The direct natural resource consumption of BNP Paribas China's operating activities involves gasoline consumed by its own transportation and water used in business offices. In 2023, the self-owned vehicles

of BNP Paribas China's head office and branches used 14,136.53 liters of gasoline, and the total water consumption was 924.39 tons. Per capita oil consumption The amount of water consumption decreased by 11.27% year-on-year compared with 2022, the water consumption level increased slightly from last year, and the per capita water consumption increased by 8.5% year-on-year. Our bank will continue to strengthen the management of office operation resource consumption. Indirect resource consumption by BNP Paribas' China operations includes electricity, paper and fossil energy consumed by employee travel vehicles. In 2023, our bank's total electricity consumption is 1.5757 million kilowatt hours, and per capita electricity consumption is 3,100 kilowatt hours, a year-on-year decrease of 14.18%; our bank's paper consumption in 2023 is 15.96 tons. In 2023, the total travel mileage of BNP Paribas employees in China was 1,733,364 kilometers, with carbon emissions of 353,652.32 kilograms.

### **Green Company for Employee**

The Green Company For Employees Programme encourages and supports the reduction of all of BNP Paribas' direct impacts on the environment, by according a central role to the participation of all employees. One of the key focus is to fight against single-use plastic. In 2023, BNPP China has almost achieved:

- Eliminate disposable plastic cups at water fountains
- Eliminate plastic bottles, disposable plastic cups, plastic packaging in vending machines
- Eliminate plastic bottles at staff canteens and cafeterias
- Eliminate disposable plastic containers/accessories in canteens an cafeterias
- Eliminate plastic bottles in client foodservice areas
- Eliminate food/drink plastic containers and accessories, provided by external caterers
- Remove all single-use plastic references from our office supplies catalogue
- Increase the part of eco-designed and eco-labelled products in our office supplies catalogue
- Stop providing promotional items for internal use
- Eliminate promotional items that are single-use or have a limited lifetime

In 2023, BNPP China organized many educational events and activities to promote “Green Company for Employees” and encouraged individual efforts within company to reduce carbon footprint:

- City Oasis: Using waste plastic and metal bottles and cans, wrapped in old knitted clothing, it presents a vibrant "oasis". Feel the greenery surrounded by the concrete forest outside the window.
- Office Exhibition of “52 Little Things for Low Carbon Life”. Invite colleagues to vote the most popular action.
- Encourage our staff to share daily low-carbon action to reduce direct impacts on the environment
- Sustainable Farm Visit: "Harvest Season in the Fields" to experience the sustainable lifestyle of rural communities.
- Reuse & Recycle Workshop-DIY Tote Bag

In December, BNPP China organized China Family Day event themed on “Do Good Do Circular”. Our employees and their families enjoyed a lot of interactive games, recycling activities, SDG education workshops and experience an interesting sustainable lifestyle while spending family time together. More than 150 families, 300 participants joined the event in 4 cities of Shanghai, Beijing, Guangzhou and Tianjin.

### **Sustainable Development Goals Education Series**

As the bank for a changing world, BNP Paribas has become one of the first companies to include a clear reference to the Sustainable Development Goals (SDGs) in our CSR strategy since 2015. BNP Paribas believes that the energy and ecological transition can only succeed if all stakeholders (businesses, public

authorities, associations, citizens/consumers) work together to bring about change. Employees, the Group's best sustainable development ambassadors. Given the importance of achieving SDGs to our success in creating a more sustainable future, BNP Paribas launched SDG education series to connect employees across Asia Pacific with practical knowledge about how these ambitions relate to our lives and works, and how we can help in achieving them.

BNP Paribas China also organized many ESG education staff workshops and events across China offices. In 2023, more than 900 ESG training courses were carried out for BNP Paribas China staff. Highlights include:

- **ESG business essentials** is a training and communications program created to ensure staff are confident and equipped to engage with clients on one of their most strategic and critical topics- ESG.
- **We Engage:** Mini series consisting of bite-sized episodes dedicated to sustainable finance and current environment and social issues to encourage everyone to participate.
- **BNP Paribas' Sustainability Videos:** This video series arms you with all you need to know about the stakes, the challenges, and the solutions of sustainable finance at CIB.
- **Climate Fresk:** 3-hour workshop created under a global movement dedicated to raising participants' awareness on the complexity of climate change. It is an engaging, collaborative tool for better understanding climate change.
- **Lunch and Learn:** focus on sustainable finance and climate strategy
- **Sector policies & commitments:** to introduce BNP Paribas' sector policies and why we implement these policies.

BNP Paribas also provide informative material of Sustainable Finance on Echonet for everyone

- **ESG Assessment Framework:** provides an overview of the Bank's ESG Assessment Framework for corporate clients and projects
- **The Sustainable Finance Toolbox:** The tool to help staff to engage with clients on sustainable finance, consists of the list of positive banking products and solutions developed by BNPP teams across the different Metiers of the Group
- **FIC Sustainable Finance Academ:** It provides training to drive wide-angle upskilling, and further develop sectorial and thematic expertise for FIC bankers to enhance their strategic dialogue with their clients and help to continue to drive business opportunities for the group ahead of COP26.

### **Raising client awareness through high-level presentations**

BNP Paribas frequently organises targeted meetings with its clients on the energy and ecological transition. In 2023, BNP Paribas' flagship annual conference Sustainable Future Forum returned for its eighth edition, and specially inaugurated in Shanghai its very first China edition this year, as one of the 16 in-person events around the globe. Under the theme Accelerating Transition in China: from Awareness to Action, BNP Paribas China jointly hosted the forum with the renowned China Europe International Business School (CEIBS). The one-day forum brings together policy interpretation and academic views, real-life cases of transition from corporations, responsible investment updates from institutions, to annotate China's sustainability journey as the country strides towards its ambitious 'dual-carbon' goal.