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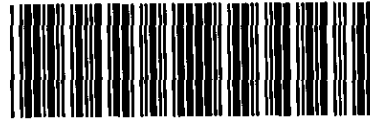
Statement of details of parent law and other
information for an overseas company

Companies House

✓ What this form is for
You may use this form to
accompany your accounts
disclosed under parent law.

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Part 1 Corporate company nameCorporate name of
overseas company ①

CHINA MINSHENG BANKING CORP., LTD

REPRESENTATIVE OFFICE

UK establishment
number

B R 0 1 8 7 9 5

→ Filling in this form

Please complete in typescript or in
bold black capitals.All fields are mandatory unless
specified or indicated by *① This is the name of the company in
its home state.**Part 2 Statement of details of parent law and other
information for an overseas company****A1****Legislation**Please give the legislation under which the accounts have been prepared and
audited.

Legislation ②

COMPANY LAW OF THE P.R. CHINA

② This means the relevant rules or
legislation which regulates the
preparation of accounts.**A2****Accounting principles**

Accounts

Have the accounts been prepared in accordance with a set of generally accepted
accounting principles?

Please tick the appropriate box.

☐ No. Go to Section A3.☒ Yes. Please enter the name of the organisation or other
body which issued those principles below, and then go to Section A3.③ Please insert the name of the
appropriate accounting organisation
or body.Name of organisation
or body ③

China Accounting Standards of Business Enterprise

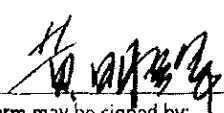
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A3**Audited accounts**

Audited accounts	Have the accounts been audited in accordance with a set of generally accepted auditing standards? Please tick the appropriate box. ☐ No. Go to Part 3 'Signature'. ☒ Yes. Please enter the name of the organisation or other body which issued those standards below, and then go to Part 3 'Signature'.	1 Please insert the name of the appropriate accounting organisation or body.
Name of organisation or body 1	CICPA IFS	

Part 3**Signature**

Signature	I am signing this form on behalf of the overseas company.	
	Signature X  X	
	This form may be signed by: Director, Secretary, Permanent representative.	

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Statement of details of parent law and other information for an overseas company

Presenter information

You do not have to give any contact information, but if you do it will help Companies House if there is a query on the form. The contact information you give will be visible to searchers of the public record.

Contact name	
Company name	Alliotts LLP
Address	6th Floor Manfield House 1 Southampton Street
Post town	London
County/Region	
Postcode	W C 2 R 0 L R
Country	
DX	
Telephone	02072409971

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- ☐ You have completed all sections of the form, if appropriate.
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DX ED235 Edinburgh 1

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中國民生銀行股份有限公司
CHINA MINSHENG BANKING CORP., LTD.

(A joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 01988)

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

The Board of Directors (the “**Board**”) of China Minsheng Banking Corp., Ltd. (the “**Bank**”) hereby announces the audited results of the Bank and its subsidiaries for the year ended 31 December 2023. This announcement, containing the full text of the 2023 Annual Report of the Bank, complies with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**SEHK**”) in relation to information to accompany preliminary announcements of annual results.

Publication of Annual Results Announcement and Annual Report

This results announcement will be published on the HKEXnews website of SEHK (www.hkexnews.hk) and the Bank's website (www.cmbc.com.cn). This results announcement is prepared in Chinese and English, respectively. Should there be any discrepancies between the two versions, the Chinese version shall prevail.

The 2023 Annual Report of the Bank will be published and uploaded on the website of the Bank and the HKEXnews website of the SEHK in due course.

Profit Distribution

On 28 March 2024, the 47th meeting of the eighth session of the Board of the Bank approved the profit distribution plan to declare to holders of A shares and H shares whose names appear on the registers as at the record dates as indicated in the notice of the 2023 Annual General Meeting of the Bank to be published by the Bank in due course, a cash dividend of RMB2.16 (tax inclusive) for every 10 shares being held. The above profit distribution plan is subject to the approval of the 2023 Annual General Meeting of the Bank. The cash dividend is expected to be paid to holders of H shares on 10 July 2024. Notice of 2023 Annual General Meeting of the Bank will announce the date of the 2023 Annual General Meeting of the Bank and details of its book closure, as well as the arrangement of book closure for profit distribution.

By Order of the Board
CHINA MINSHENG BANKING CORP., LTD.
GAO Yingxin
Chairman

Beijing, PRC
28 March 2024

As at the date of this announcement, the Executive Director of the Bank is Mr. GAO Yingxin; the Non-Executive Directors are Mr. ZHANG Hongwei, Mr. LU Zhiqiang, Mr. LIU Yonghao, Mr. SHI Yuzhu, Mr. WU Di, Mr. SONG Chunfeng, Mr. YANG Xiaoling and Mr. ZHAO Peng; and the Independent Non-Executive Directors are Mr. QU Xinjiu, Ms. WEN Qiuju, Mr. SONG Huanzheng, Mr. YEUNG Chi Wai, Jason, Mr. CHENG Fengchao and Mr. LIU Hanxing.

IMPORTANT NOTICE

The Board of Directors, the Board of Supervisors, and the Directors, Supervisors and Senior Management of the Bank warrant the truthfulness, accuracy and completeness of the contents of this Annual Report and there are no misstatements, misleading representations or material omissions in this Annual Report, and shall assume several and joint liability.

This Annual Report was considered and approved on 28 March 2024 at the 47th meeting of the eighth session of the Board of Directors of the Bank. Of the 16 Directors who were entitled to attend the meeting, 7 Directors attended the meeting in person, and 9 Directors participated in the meeting by teleconference or video conference. 6 Supervisors of the Bank attended the meeting as non-voting delegates.

PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers, auditors of the Bank, have audited the financial reports of 2023 prepared in accordance with the Chinese Accounting Standards (“CAS”) and the International Financial Reporting Standards (“IFRSs”), respectively, and issued standard and unqualified auditors’ reports, respectively.

GAO Yingxin (Chairman), WANG Xiaoyong (Acting President), LI Bin (person in charge of finance and accounting), and YIN Xuwen (person in charge of the accounting department) declare to warrant the truthfulness, accuracy and completeness of the financial reports included in this Annual Report.

The profit distribution plan for 2023 was approved by the Board of Directors, pursuant to which, on the basis of the total number of shares of the Bank as at the record dates of profit distribution, a cash dividend of RMB2.16 (tax inclusive) will be distributed to all shareholders of the Bank for every 10 shares held. The above profit distribution plan is subject to approval by the Shareholders’ General Meeting of the Bank.

The financial data and indicators contained in this Annual Report are prepared according to the rules of the IFRSs. Unless otherwise specified, all amounts are the consolidated data of the Group and denominated in RMB.

The forward-looking statements about matters such as future plans in this Annual Report do not constitute substantive commitments of the Bank to the investors, and the investors and related persons shall maintain sufficient risk awareness in this regard, and shall understand the difference among plans, forecasts and commitments.

Material Risk Warning: the Bank has not found any material risks that will adversely affect the Bank’s future development strategy and business objectives. The Bank has taken active measures to effectively manage various risks. For details, please refer to the relevant contents under “Chapter 3 Management Discussion and Analysis” of this Annual Report.

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DEFINITIONS

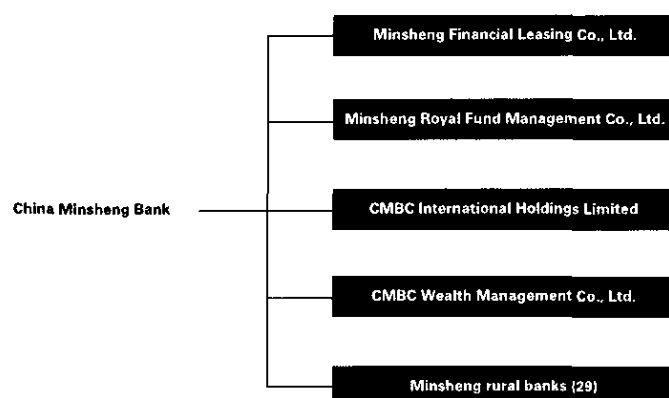
In this Annual Report, unless the context otherwise requires, the following terms shall have the meanings set out below.

Bank, Company, China Minsheng Bank, Minsheng Bank	China Minsheng Banking Corp., Ltd.
Group	the Bank and its subsidiaries
Minsheng Financial Leasing	Minsheng Financial Leasing Co., Ltd.
Minsheng Royal Fund	Minsheng Royal Fund Management Co., Ltd.
CMBC International	CMBC International Holdings Limited
CMBC Wealth Management	CMBC Wealth Management Co., Ltd.
National People's Congress (NPC)	The National People's Congress of the People's Republic of China
CPPCC National Committee	The National Committee of the Chinese People's Political Consultative Conference
ACFIC	All-China Federation of Industry and Commerce
PBOC	The People's Bank of China
CSRC	China Securities Regulatory Commission
former CBIRC	former China Banking and Insurance Regulatory Commission
former CBRC	former China Banking Regulatory Commission
former CIRC	former China Insurance Regulatory Commission
SSE	Shanghai Stock Exchange
SZSE	Shenzhen Stock Exchange

SEHK	The Stock Exchange of Hong Kong Limited
Hong Kong Listing Rules	The Rules Governing the Listing of Securities on SEHK
SFO	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Hong Kong Listing Rules
Articles of Association	the Articles of Association of China Minsheng Banking Corp., Ltd.
Reporting Period	the period from 1 January 2023 to 31 December 2023

LAYOUT OF CHINA MINSHENG BANK

(Subsidiaries of the Bank included in consolidated financial statements)



MESSAGE FROM CHAIRMAN

The year 2023 was the first year of fully implementing the spirit of the 20th National Congress of the Communist Party of China (CPC), and a crucial year to march in the new journey towards China's second centenary goal. During the year, China Minsheng Bank comprehensively implemented the decisions and arrangements of the CPC Central Committee and the State Council, and strictly met the requirements of regulatory authorities. The Bank adhered to the original aspiration of serving the real economy, integrated itself into the great picture of economic and social development, consolidated the development foundation while preventing and mitigating risks, and created distinctive advantages while continuously deepening reform. The Bank maintained the development momentum of making steady progress and quality improvement.

In 2023, the Group recorded a net profit attributable to holders of equity shares of the Bank of RMB35,823 million, representing an increase of 1.57%. As at the end of 2023, total equity attributable to holders of equity shares of the Bank amounted to RMB624,600 million, representing an increase of 4.11%. Total assets amounted to RMB7.67 trillion, representing an increase of 5.78%. As key reform and development measures continued to take effect, the Bank further consolidated its customer base, optimised its business structure, further demonstrated its distinctive advantages, and enhanced the quality and efficiency of serving the real economy. The whole bank has taken solid steps in pursuing high-quality development.

We are deeply aware that, as a systematically important bank in China, China Minsheng Bank shoulders new missions and new tasks in the course of building China into a strong financial country and advancing the new journey of Chinese path to modernisation. We deeply understood the political significance of financial work and its importance to the interest of the people, kept in mind "the top priorities of the country", focused on the primary responsibilities and businesses, and made solid efforts to support the "five major sectors" of sci-tech finance, green finance, inclusive finance, pension finance and digital finance. In terms of sci-tech finance, we upgraded our strategy, set up the Sci-Tech Finance Department at the Head Office as well as distinctive business units and sub-branches for sci-tech finance in key regions, introduced innovative products such as "E-Easy Innovation Loan (易創E貸)", which have gained market recognition, and offered in-depth services to more than 18 thousand "dedicated, refined, distinctive and innovative (DRDI)" enterprises. In terms of green finance, we improved the service quality to empower development, and strengthened innovation in products and business models. The balance of green loans achieved a growth rate of 47%. In terms of inclusive finance, we pushed forward innovative development and optimised and upgraded small business finance. The amount of small business loans and the number of inclusive small business loan accounts increased by 15.8% and 27.4%, respectively, as compared with the end of the previous year, further demonstrating our advantage as a "leading bank of small business finance". In terms of pension finance, we made sustained efforts, won the bids for 30 occupational annuity programmes at the provincial or municipal levels, and opened over 1.7 million pension accounts. In terms of digital finance, we made solid progress, completed the construction of large model base, improved the quantity and quality of ecosystem-based finance, and doubled the number of core corporate clients and the balance of financing as compared with the corresponding period of the previous year. We have stepped into a new phase in developing intelligent banking and achieved new outcomes in building the open bank ecosystem.

We proactively recognised, adapted to and sought for changes, continuously deepened reform and transformation, and stimulated new momentum for high-quality development. Seizing the opportunities of the times and focusing on value growth, we continuously deepened the reforms in areas such as organisational structure, systems and mechanisms, strategic planning, management processes, business development, human resources, assessment and evaluation, and digital transformation, and made coordinated progress in important matters, including the marketing model for strategic clients, the integrated management of micro, small, medium enterprises (MSMEs), large enterprises and individual customers, new small business models, the upgrading of community-based finance, corporate account services, the optimisation of loan placement procedures, active and smart credit granting, and outlet transformation. In the process, we diversified application scenarios and innovated products and services while paying attention to details to better satisfy the diversified and differentiated financial needs of customers. For instance, we launched the unified due diligence platform and optimised and upgraded account services, greatly shortening the average account-opening time. Another example is that we also comprehensively used multi-dimensional data and launched the “Minsheng Benefits (民生惠)”, a small business credit product that can be operated on mobile phones, which brought convenient user experience of “getting funds from home” to micro and small enterprises (MSEs).

We upheld the philosophy of prudent and steady operation, stuck to the bottom line of risk compliance to remain stable in changes and make steady progress for long-term development. We continued to strengthen the concept that “compliant operation is the core competitiveness”, enhanced risk governance system and capacity building, established and improved regular and long-term mechanisms, gave play to the roles of three lines of defense, and promoted full coverage of comprehensive risk management in all business areas. We fully released the effectiveness of the credit approval system reform, implemented the three-level (execution, management, and supervision) post-loan management mechanism, and pursued more forward-looking and active risk management in key areas. Meanwhile, we maintained the intensity and momentum in disposing non-performing assets, accomplished the “three-year plan” for the collection and disposal of such assets, and basically mitigated existing risks. In 2023, the amount of non-performing loans (NPLs), the NPL ratio, the formation rate of NPLs, the amount of special-mentioned loans, and the special-mentioned loan ratio all decreased and the allowance to NPLs increased. The formation rate of NPLs stood at 1.58%, representing a decrease of 0.43 percentage points as compared with the corresponding period of the previous year, and declined steadily for three consecutive years. The formation rate of NPLs in terms of corporate business, small business, mortgage business and consumer loan business all decreased as compared with the corresponding period of the previous year, indicating that the asset quality tended to get better in stability.

We gave full play to the leading role of corporate culture to foster greater team cohesion and build the “warm power”. Facing the changing circumstances, we took advantage of the situation to optimise and upgrade the corporate culture philosophy and structure, in a bid to increase internal cohesion, build business image to the public, lead development, and create value. Adhering to the mission of “serving the public, caring about people’s livelihood”, we committed ourselves to “supporting customers, contributing to the society, and delivering happiness to employees”. Besides, we practised the corporate values of “customer first, people-oriented, and steady progress for long-term development”, respected, focused on, and supported our customers by providing better experiences and creating greater value for them. We adhered to the belief of long-termism, maintained strategic focus, worked on difficult yet right things, and strove for steady, sustainable, and high-quality development. Focusing on the strategic positionings of “a bank for non-state-owned enterprises (NSOEs), an agile and open bank, and a bank with considerate services”, we gave full play to the characteristics of the systems and mechanisms, and dedicated to becoming the preferred bank for NSOEs as well as MSMEs. We stayed open and connected, implemented ecosystem-sharing, and empowered customers to achieve win-win cooperation. We adhered to being honest and professional, being attentive and sincere, and dedicated to becoming a reliable bank with heart-warming services.

We insisted on giving back to the society with gratitude, took innovative moves in social responsibility practices, and made contributions in building a harmonious and beautiful society. We have provided paired assistance to Fengqiu County and Hua County in Henan Province for 22 consecutive years, and cumulatively donated more than RMB200 million free assistance fund. We have implemented the “ME Charity Innovation Funding Scheme” for nine consecutive years and cumulatively donated over RMB100 million, providing financial support for 216 innovative public welfare projects and directly benefiting 290 thousand persons. We have carried out the “Guangcai • Minsheng Medical Care Programme for Children with Congenital Heart Disease” for 11 consecutive years, successively supported the treatment of over 1,100 children with congenital heart disease. We also carried out cultural welfare works by sponsoring the operation of art institutions, and conducted the “Civilisation” series exhibitions, and cumulatively served 46 million public participants through online services. We also optimised and improved ESG-related works, with the ESG rating by MSCI elevated two levels to “AA”, demonstrating the recognition of the industry on our efforts in practising the sustainable development strategy.

Looking back on the past year, the achievements did not come easily. We are deeply aware that each and every new achievement and progress we have made would have been impossible without the diligent and unremitting efforts made by all staff of the Bank, and without the care and support given by the customers, shareholders and the people from all societies. I hereby would like to, on behalf of the Board of China Minsheng Bank, express my sincere gratitude to them all!

The year 2024 marks the 75th anniversary of the founding of the People’s Republic of China, and a crucial year to implement the 14th Five-Year Plan (2021-2025). We will take high-quality development as the theme, regard preventing and mitigating risks as a priority, insist on the leadership of Party building, stick to innovation and seek improvement, and make the best efforts in supporting the “five major sectors”, to contribute to the development of new quality productive forces and empower high-quality economic and social development.

We will focus on high-quality development, improve the quality and efficiency of financial services, and contribute to building China into a strong financial country. We will adhere to the comprehensive Party leadership over financial work and continuously open up new chapters of high-quality development led by high-quality Party building. We will stick to the fundamental purpose of serving the real economy, continuously optimise the business structure, invest more resources into key fields and weak links of economic and social development, and take solid moves in supporting the “five major sectors”. We will make better use of the business model of integrated management of MSMEs, large enterprises and individual customers, give full play to the pivot role of strategic clients, and serve more MSMEs in the upstream and downstream and along the industry chains in a coordinated manner. We will focus on featured scenarios and innovate ecosystem-based financial products to meet the diversified financing needs of MSMEs. We will speed up digital and smart transformation, strengthen the effect of centralised operations, increase management efficiency, improve customer experiences, and enhance the distinctive advantages in different regions, business segments, and customer groups.

We will adhere to use innovation to empower development, develop new quality productive forces, and foster new drivers and advantages for development. We will thoroughly study and understand the theory of new quality productive forces and use it to guide the whole bank’s high-quality development in practice. We will stay firm on reform and innovation, adopt new organisational structure, organisational models and technologies to improve organisational effectiveness, explore new development fields and paths, and enhance the Bank’s productivity and efficiency. Focusing on the diverse needs of enterprises in terms of sci-tech innovation and green development, we will strengthen support to strategic emerging industries and high-tech industries to facilitate high-end, smart and green renovations, and contribute to the cultivation and development of new quality productive forces.

We will adhere to the original aspiration and mission, improve professional services, and firmly become “a companion of NSOEs”. We will always regard serving NSOEs as a strategic priority of the whole bank, continue to innovate business models, products and services, constantly enhance the distinctive advantages in financial services to NSOEs, and dedicate to becoming the preferred bank for NSOEs. With regard to strategic NSOEs, we will deepen “head office-to-head office” cooperation, become strategic partners, customers and ecosystems of each other with them, and provide all-round services with integration of the Head Office, branches and sub-branches. As for small and medium NSOEs, we will expand industry chains and ecosystems around strategic clients, advance integrated management of MSMEs, large enterprises and individual customers, and serve more MSMEs in the upstream and downstream and along the industry chains in a coordinated manner.

We will uphold the belief of long-termism, strengthen the bottom line thinking, and continue to improve the level of compliant operation and management. While continuing to take compliance as the foundation, risk as the basis, and development as the top priority, we will regard comprehensive compliant operation according to law as the premise and starting point of all tasks, take internal control and compliance management as the core work of value creation, and coordinate efforts to promote development and control risks simultaneously. We will improve the internal risk control system, optimise business processes, standardise code of conduct, intensify risk prevention and control from the source, as well as monitoring and early warning, fulfill primary responsibilities at each level, and enhance the restraint of risk management. At the same time, we will promote the building of compliance culture, truly understand and implement internal control and compliance requirements, thus creating a clean, righteous and entrepreneurial environment throughout the whole bank.

With a strong will, one can reach any goal, no matter how distant it might seem. Embarking on the new journey, we will, under the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, thoroughly implement the spirit of the Central Financial Work Conference, adhere to people-centric financial development, continue to serve the real economy and national strategies, and firmly tread a path of financial development with Chinese characteristics. We will work hard and make persistent efforts to create greater value for our customers, shareholders and staff through our own high-quality development, and make greater financial contributions in advancing Chinese modernisation on all fronts and achieving the great rejuvenation of the Chinese nation!

MESSAGE FROM PRESIDENT

2023 marked the first year of fully implementing the spirit of the 20th National Congress of the CPC, and it was also a critical year for China Minsheng Bank in promoting reform and transformation. The Bank thoroughly implemented the decisions and arrangements of the CPC Central Committee on economic and financial work, and coordinated efforts to advance reform and transformation, risk prevention and control, and business development. We were steadfast in returning to the origins of banking business, and adhered to the philosophy of “customer-centric”. We optimised the end-to-end and full-journey customer service processes, implemented the small and medium enterprise (SME) credit plans, accelerated the transformation of small business models, and promoted the outlet transformation and the upgrading of community-based financial services. We strengthened risk prevention and control, successfully completed the “three-year plan” for the collection and disposal of non-performing assets, optimised resource allocation and performance evaluation, enhanced talent cultivation, and upgraded the corporate culture philosophy and structure. The overall effectiveness of the whole bank’s reform was gradually released, with a continuously consolidated customer base, sustained optimisation of business structure, vigorous risk prevention and control measures, and an effectively improved brand image, thus laying a more solid foundation for high-quality development. As at the end of the year, total assets of the Group reached RMB7.67 trillion, representing an increase of 5.78% as compared with the end of the previous year. The NPL ratio was 1.48%, representing a decrease of 0.20 percentage points as compared with the end of the previous year. The allowance to NPLs was 149.69%, representing an increase of 7.20 percentage points as compared with the end of the previous year. The capital adequacy ratio was 13.14%, the same as that at the end of the previous year. In 2023, China Minsheng Bank ranked 22nd in the Top 1000 World Banks released by The Banker and stood at No. 329 in the Fortune Global 500 published by Fortune. MSCI elevated our annual ESG rating from BBB to AA, the highest in the domestic banking industry, making us the first bank in China to elevate two levels in the ratings within a year.

2024 is a crucial year for China Minsheng Bank to implement its five-year development plan and achieve high-quality development. **In the new year, we will make solid efforts to support the “five major sectors” of sci-tech finance, green finance, inclusive finance, pension finance and digital finance.** Firstly, we will strengthen the development of sci-tech finance by optimising the systems and mechanisms, creating distinctive products, services and business models, enhancing risk management and control, and promoting sustainable and healthy development. Secondly, we will optimise the development of green finance. We will thoroughly implement the concept of green development, innovate green financial service models, iterate and optimise the “Minsheng Carbon Peak and Carbon Neutrality (民生峰和)” series of green finance products, and continue to increase efforts in green credit placements. Thirdly, we will reinforce inclusive finance. We will further enhance the service capacity for inclusive small business, and build a golden brand for small business finance. We will vigorously support rural revitalisation, promote products and services such as “Agricultural Loan Express (農貸通)”, “Cotton Grower Loan (棉農貸)” and “Photovoltaic Loan (光伏貸)”, and increase loan placements related to agriculture, rural areas and farmers. Additionally, we will strengthen services for new citizens by deeply understanding their needs and pain points, and continuously optimising the supply of products and services. Fourthly, we will deepen pension finance by comprehensively upgrading the pension service system, carrying out elderly-friendly transformations, and improving the safety and convenience of financial services at outlets, communities, and online platforms. Finally, we will prioritise digital finance by continually advancing digital transformation, constructing “eco-bank” and “intelligent bank”, developing distinctive products such as “E-Minsheng Family (民生e家)”, expanding the supply chain-based ecosystems and scenarios, and facilitating the integration of industry and finance as well as corporate digital transformation.

In the new year, we will strictly implement the regulatory requirements. We will stick to the political significance of financial work and its importance to the interest of the people, practise the concept of “customer first”, thoroughly implement the integrated management of MSMEs, large enterprises and individual customers, innovate and optimise products and services, enhance financial inclusiveness, ensure consumer rights protection, and diligently serve various types of customers with attentiveness and sincerity. We will remain committed to serving the real economy as our fundamental purpose, continuously optimise products and services such as finance for NSOEs, small business finance, supply chain finance, cross-border finance and others, enhance service concepts, capabilities, quality and effectiveness, and achieve high-quality development when serving the real economy. We will coordinate development and security, strictly implement the capital management rules for systemically important banks and commercial banks, strengthen liquidity risk management, and ensure the steady operation of capital and liquidity indicators in compliance with regulatory requirements. Meanwhile, we will actively cultivate and earnestly practise the excellent financial culture of being honest and trustworthy, generating ethical profit, being steady and prudent, sticking to the right path and being innovative, and complying with laws and regulations. In combination with the reality of the Bank, we will continue to improve our own cultural structure and enhance the “soft power”.

In the new year, we will focus on preventing and mitigating financial risks. We will deeply implement the concept that “compliant operation is the core competitiveness”, continue to promote the construction of internal risk control systems, deepen law-based and compliant operations, strengthen the management of key personnel, key events, and key behaviours, and continuously enhance the effectiveness of internal control. We will strengthen comprehensive risk management, effectively fulfill the responsibilities of the “three lines of defense”, and continuously improve the full-process pre-loan, in-loan, and post-loan management. We will strengthen the construction of the smart risk control system, to empower business development while safeguarding the bottom line of risks. Additionally, we will continue to promote the collection and disposal of non-performing assets, maintain the trend of getting better in stability in terms of asset quality, and further solidify the foundation for high-quality development across the whole bank.

In the new year, we will vigorously promote high-quality development. We will actively integrate into the great picture of national development, combine with our own realities, find the right entry point, and comprehensively enhance the quality and efficiency of financial services. Focusing on new quality productive forces, we will strive to cultivate new drivers and shape new advantages of development. As a “companion of NSOEs”, we will accelerate the innovation and implementation of business models targeting the SME customer group, continue to deepen the transformation of our business model for the small business customer group, and endeavour to become the preferred bank for NSOEs and MSMEs. Upholding retail banking as a long-term, strategic and foundational business, we will deepen specialised and digitised management of the retail customer group, continuously promote outlet transformation and upgrade community-based financial services, and enhance service experience for customers. Adhering to long-termism and maintaining strategic focus, we will strengthen our sense of responsibility, deeply implement the ESG philosophy, and advance shoulder to shoulder with customers, investors, and various sectors of the society to promote high-quality economic and social development through high-quality financial services.

“Diligence generates wealth.” Going forward, China Minsheng Bank will uphold the corporate mission of “serving the public, caring about people’s livelihood”, and adhere to the strategic positionings of “a bank for NSOEs, an agile and open bank, and a bank with considerate services”. We will deeply practise the values of “customer first, people-oriented, and steady progress for long-term development”, earnestly carry out various tasks in reform, transformation, and business development, and strive to build a first-class commercial bank “with distinctive features, continuous innovation, increasing value and steady operation”.

DEVELOPMENT STRATEGIES AND CORE COMPETITIVENESS OF THE BANK

I. Development Strategies of the Bank

(I) Development goals

A first-class commercial bank with distinctive features, continuous innovation, increasing value and steady operation

(II) Strategic goals

2021-2025 is the strategic period for the Bank, which is divided into two development stages. The first stage (2021-2022) is the period to consolidate foundation, during which, the Bank has transformed the growth pattern by laying a sound foundation and consolidating the origins of businesses. The second stage (2023-2025) is the period of continuous growth, during which, the Bank will enhance its market competitiveness and achieve high-quality and sustainable development by strengthening capabilities and improving quality and effectiveness.

(III) Strategic positionings

A bank for NSOEs. The Bank sticks to the customer positioning and strategic choice it has followed over the years, and keeps its distinctive features unchanged. The Bank continues to leverage the advantages of market-oriented system and mechanism, wholeheartedly supports the development of the real economy, and strives to become a bank with the best services for NSOEs and build a golden brand of China Minsheng Bank in the field of financial services to micro, small and medium customers, so as to truly implement the mission of “serving the public, caring about people’s livelihood”.

An agile and open bank. Following the development trend of digital economy, the Bank promotes continuous innovation and seeks for breakthroughs in technology-driven eco-bank to optimise comprehensive services such as scenario integration and ecosystem co-construction. The Bank creates value for customers and grows together with them by empowering the whole production process and life journey of small, medium and large customers as well as individual customers. The Bank strives to push the data-driven intelligent banking to a new level and elevate the digital intelligence level of operation and management in all aspects, in a bid to provide agile and efficient comprehensive services with ultimate customer experience.

A bank with considerate services. The Bank stays customer-centric and puts special emphasis on its origins of service and business, compliance and steadiness. Based on the deep understanding of customer needs, the Bank strives to build up trust through professional services, enhance customer experience through optimised procedures, strengthen customer stickiness through value creation, and maintain security through risk management and control, so as to unite with customers and partners, become customers of each other, grow together and achieve common prosperity.

(IV) Development strategies

The year 2024 is a key stage for the Bank to enter the period of continuous growth outlined in the Five-Year Development Plan (2021-2025) (《五年發展規劃(2021-2025)》). It must resonate with the Chinese economy at the same frequency, conform to the national strategies and development trends, and follow the decisions and arrangements of the Central Financial Work Conference, to grasp future economic growth opportunities and comprehensively promote high-quality development. The Bank will focus on three aspects: Firstly, adopting a long-term perspective and reinforcing its foundation. The Bank will establish enduring confidence and embrace a counter-cyclical operational philosophy. Respecting the market and maintaining resilience, the Bank will, in the transition from old to new growth drivers, foster new momentum and explore innovative arenas, and grow together with customers. Secondly, respecting customers and pursuing common development. The Bank will pay more attention to basic customers and services, integrated operations and one-stop services, in order to improve customer satisfaction and create value for customers. Thirdly, following cultural guidance and making steady progress for long-term development. Adhering to the philosophies of being honest and trustworthy, generating ethical profits, being prudent and cautious, and putting people first, the Bank will unite ordinary efforts to create extraordinary outcomes, and spread the positive energy of China Minsheng Bank.

The whole bank will maintain its strategic focus, seek progress while maintaining stability, promote stability through progress, and further practise the core values of corporate culture, namely “customer first, people-oriented, and steady progress for long-term development”. Around the work mainstay of “seizing opportunities, optimising structure, controlling risks and promoting growth”, the Bank will enhance resilience, stabilise interest margin, further strengthen strategic focus, make breakthroughs in key businesses, products and regions, and create differentiated competitive advantage. In terms of overall strategy, the Bank will focus on restructuring on the asset side and breakthroughs on the liability side. The Bank will optimise customer and asset structures by adjusting the asset side, reduce cost on the liability side by deepening customer management, make in-depth application of key products, in order to stabilise net interest margin and income levels. The Bank will keep up with the pace of the Chinese economy’s transition from old to new growth drivers, seize the opportunities in the transformation and upgrading of traditional industries to overpass economic cycles. The Bank will also target strategic emerging industries, green energy, advanced manufacturing, and macro consumption sectors, identify and take advantage of trends and opportunities, and gradually build a new model of “industry-technology-finance”. In terms of asset construction, the Bank will underscore portfolio management and comprehensive efficiency improvement to achieve “Two Stabilities and Four Advancements (Two stabilities refer to stabilities of the general situation and the foundation. Four advancements refer to advancements in economic growth, maintaining social harmony and stability, cultural development and ecosystem construction). The Bank will consolidate the “base” of strategic clients and high value customers, engage in in-depth development, ensure the preservation of high-quality assets, and further optimise business structure. The Bank will accelerate efforts in advancing “growth segments” including supply chain business, small and medium-sized sci-tech innovation enterprises, inclusive small business, and consumer credit. In terms of liability quality management and intermediate business income, the Bank will optimise the asset-liability structure, deepen five aspects including payment and settlement, institutional ecosystems, payroll agency, asset synergy and wealth management. This strategy will enable the Bank to effectively reduce liability costs and steadily increase intermediate business income.

II. Core Competitiveness

The Bank advanced steadily to cultivate competitive advantages through distinctive operations. Firstly, the Bank established a service model integrating micro, small, medium, large and individual customers with the strategic clients as the pivot and the key, strove to become customers of each other with strategic clients, and promoted the integrated development of “points, chains, ecosystems, and parks”. Secondly, the Bank made new breakthroughs in small business model. The Bank has maintained a spirit of innovation in small business operations for 15 years, and had the highest proportion of small business loans in total loans among joint stock banks. In the future, the Bank will continue creating the distinctive advantages of small business finance, focusing on four continuous enhancements in “scenarios, credit, online services, and digital intelligence”. Thirdly, the Bank released a new version of Community Finance 3.0. While maintaining the leading position in the number of community sub-branches, the Bank upgraded and launched the new version of community finance, repositioned community finance, built a community finance butler service system, and shaped a new ecosystem involving property management, convenient consumer services and group purchasing.

The Bank made steady improvement to continuously consolidate customer base. Firstly, the Bank continued to optimise the professional service models for customer groups. Regarding the strategic client group, the Bank advanced head office-to-head office marketing, becoming the strategies and ecosystems of each other and attracting customers for each other. The Bank advanced the comprehensive development with integration of micro, small, medium, large and individual customers, extended industry chains and expanded ecosystems. Secondly, the Bank optimised the management models for high value and basic customer groups, enhanced the brand competitiveness of small business, and promoted the implementation of inclusive finance plans. Thirdly, the Bank prioritised layered and classified management of the retail customer group, established a service system for the entrepreneur customer group, upgraded service models at private banking centres, and improved remote expert services and personalised services of “Minsheng Intelligent Butler (民生慧管家)”. The Bank also refined the wealth management product shelf and non-financial benefit system to enhance the value contribution of retail customer group management. The continuously enhanced customer base laid a solid foundation for the in-depth management and comprehensive development of customers.

The Bank maintained a positive momentum and pursued sustained innovations to cultivate internal dynamics. Firstly, the Bank restructured the balance sheet to enhance operational resilience. Returning to the business origin, the Bank proactively expanded credit placement to key sectors such as the manufacturing industry, green development, rural revitalisation and inclusive small business. At the same time, by deepening relationships with basic customers, consolidating basic products and connecting customers' fund and asset chains, the Bank explored low-cost liabilities and improved the stability and diversity of liability sources. Secondly, the Bank strengthened digital empowerment and enhanced value creation. Further deepening digital product innovation, the Bank actively integrated into external ecosystems such as enterprises, individuals, and government affairs through "connectivity and openness". Relying on data-driven customer insights, the Bank explored new product categories and service models, comprehensively enhanced customer experience and value creation. The Bank launched an ecosystem service platform for MSMEs to provide quality non-financial services by centring on enterprises' production, operation and management scenarios, thus empowered their development. Thirdly, the Bank optimised institutional mechanisms for empowerment, and balanced "solid" and "agile" states of the organisation. From the perspective of "whole journey of customers", the Bank optimised end-to-end processes, resolved the blind spots of strategic execution, breakpoints of coordination, and bottlenecks of businesses across departments and institutions, to jointly "pave way for business development".

The Bank ensured steady advancement to continuously consolidate the foundation for development. Firstly, the Bank proactively engaged in counter-cyclical operations, fully explored business opportunities emerged from the transition from old to new growth drivers, correctly interpreted economic cycle patterns, maintained a rational outlook on market fluctuations and adjustments, and focused more on enhancing basic customer management and improving basic products and services. Secondly, the Bank reinforced the bottom line of compliant operation, and proactively moved the compliance risk control to the front. This approach not only met regulatory requirements, but also enhanced market competitiveness, making compliant operation the core competitive advantage. Thirdly, the Bank clarified responsibility boundaries for the three lines of defense for risk management, highlighted the responsibilities of the first line of defense, strengthened source management, and enhanced the capabilities of the second and the third lines of defense, so as to genuinely empower the first line of defense. Fourthly, the Bank continued to increase disposal of non-performing assets, accelerate the liquidation of risk assets, and has initially released historical burdens. The key indicators, such as total NPL, NPL ratio, and the formation rate of NPLs showed a declining trend for five consecutive quarters.

The Bank maintained steady progress and integrated cultural strategies to keep the business everlasting. Firstly, the Bank underscored cultural guidance, and practised the values of “customer first, people-oriented, and steady progress for long-term development”. The Bank established a cultural strategy system. The deeply ingrained philosophies of value creation for customers, sustainable development, and compliant operation, coupled with a culture of simplicity, efficiency, and entrepreneurial spirit, provided unwavering support for the execution of the overall strategy at the Bank. Secondly, the Bank maintained strategic determination, remained committed to long-termism, and kept moving forward until the goal is met. It unswervingly pushed forward the construction of “a bank for NSOEs, an agile and open bank, and a bank with considerate services”. Despite short-term performance pressures, the Bank remained resolute in executing its strategies, while continually promoting reform and transformation, consolidating the foundation for long-term development, and laying a solid foundation for accelerated growth in the future. Thirdly, the Bank reshaped the code of conduct of employees, established a logical transmission mechanism of “Culture-Strategy-Employee Behaviour”, enhanced the three major service awareness of “the head office serves the branches, the branches serve the front office, and the front office serves customers”, proactively empowered the front office, and elevated the ability to create value for customers.

ANNUAL AWARDS

“Advanced Unit in Green Bank Evaluation (綠色銀行評價先進單位)” by China Banking Association

“2023 Best Practical Cases for Rural Revitalisation of Listed Companies (2023年上市公司鄉村振興最佳實踐案例)” by China Association for Public Companies

“2022 Best Practice of Annual Performance Briefing (2022年報業績說明會最佳實踐)” by China Association for Public Companies

“Innovative Model Award for Outstanding Inclusive Finance Case (普惠金融優秀案例創新模式獎)” by People.com.cn

“China’s ESG Pioneer 100 Listed Companies (“中國ESG上市公司先鋒100”榜單)” by Finance.cctv.com

“Outstanding Bond Investment Institution (Self-operated) (優秀債券投資機構(自營類))” by Shanghai Stock Exchange

“Award for 2023 Best Comprehensive Strength of Enterprise Digital Finance (2023年企業數字金融最佳綜合實力獎)” by China Financial Certification Authority (CFCA) and cebnet.com.cn

“Service Excellence Award (優質服務獎)” by China Financial Futures Exchange

“Best Bank for Small Business Financial Services of the Year (年度最佳小微金融服務銀行)” by Financial Times

“Best Private Bank for Ultra High Net Worth Individuals (最佳超高淨值個人私人銀行)” in the 16th Selection of the “Stars of China 2023” (2023年第16屆“中國之星”評選) by Global Finance

“Listed Company with Excellent Investor Relations (卓越投資者關係管理上市公司)” in the China Securities Golden Bauhinia Awards (中國證券金紫荊獎)

“2023 Excellent Case of Risk Management Innovation (2023年度風險管理創新優秀案例)” at the China Financial Innovation Forum (金融創新論壇) by The Chinese Banker

“Best Custodian Bank of the Year (年度最佳資產託管銀行)” by Financial Times

“Bank of Excellent Competitiveness in Supply Chain Financial Services (卓越競爭力供應鏈金融服務銀行)” by China Business Journal

“Platinum Award for Commercial Banks (商業銀行組白金獎)” in the 2022 “International ARC Awards (2022年“國際年報大賽”)” by the League of American Communications Professionals LLC (LACP)

“Best 30 Employers in China of the Year (中國年度最佳僱主30強)” by Zhaopin.com

CHAPTER 1 BANK PROFILE

1. Registered Chinese Name of the Company: 中國民生銀行股份有限公司(Abbreviation: 中國民生銀行)
Registered English Name of the Company: CHINA MINSHENG BANKING CORP., LTD. (Abbreviation: "CMBC")
2. Legal Representative of the Company: GAO Yingxin
3. Authorised Representatives of the Company: YEUNG Chi Wai, Jason,
CHEUNG Yuet Fan
4. Board Secretary: LI Bin
Company Secretary: CHEUNG Yuet Fan
Representative of Securities Affairs: WANG Honggang
5. Mailing Address: No. 2 Fuxingmennei Avenue, Xicheng District, Beijing, China
Postal Code: 100031
Telephone: 86-10-58560975; 86-10-58560824
Facsimile: 86-10-58560720
Email: cmbc@cmbc.com.cn
Hotline for Service Supervision: 86-95568
Hotline for Credit Card Service Supervision: 86-400 66 95568
6. Registered and Office Address: No. 2 Fuxingmennei Avenue, Xicheng District, Beijing, China
Postal Code: 100031
Website: www.cmbc.com.cn
Email: cmbc@cmbc.com.cn
7. Branch Office and Place of Business in Hong Kong: Flat 3701-02, 3712-16, 37/F and 40/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong
8. Newspapers and Websites for Publishing Annual Report of the Company: China Securities Journal (www.cs.com.cn), Shanghai Securities News (www.cnstock.com) and Securities Times (www.stcn.com)
www.sse.com.cn
Stock Exchange Website for Publishing A Share Annual Report of the Company: www.hkexnews.hk
Stock Exchange Website for Publishing H Share Annual Report of the Company:
Place for Collection of the Annual Reports: Office of the Board of the Bank
9. Legal Adviser as to PRC Law: Grandall Law Firm, Beijing Office
Legal Adviser as to Hong Kong Law: Clifford Chance

10. Domestic Accounting Firm: PricewaterhouseCoopers Zhong Tian LLP
Office Address: 42/F, New Bund Centre, No. 588 Dongyu Road, Pudong New Area, Shanghai, China
Signing Accountants: YAN Lin, ZHANG Honglei
International Accounting Firm: PricewaterhouseCoopers
Office Address: 22/F, Prince's Building, 10 Chater Road, Central, Hong Kong
11. A Share Registrar: China Securities Depository and Clearing Corporation Limited (Shanghai Branch)
Office Address: No. 188 Yanggao Nan Road, Pudong New Area, Shanghai
H Share Registrar: Computershare Hong Kong Investor Services Limited
Office Address: Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
Domestic Preference Share Registrar: China Securities Depository and Clearing Corporation Limited (Shanghai Branch)
12. Places of Listing, Stock Names and Stock Codes:
A Shares: SSE Stock Name: MINSHENG BANK;
Stock Code: 600016
H Shares: SEHK Stock Name: MINSHENG BANK;
Stock Code: 01988
Domestic Preference Shares: SSE Stock Name: Minsheng Preference 1;
Stock Code: 360037
13. Initial Date of Registration: 7 February 1996
Initial Place of Registration: No. 4 Zhengyi Road, Dongcheng District, Beijing, China
14. Date of Registration for Subsequent Change: 20 November 2007
Place of Registration: No. 2 Fuxingmennei Avenue, Xicheng District, Beijing, China
15. Unified Social Credit Code: 91110000100018988F
16. Business Summary of the Company

Formally established in Beijing in 1996, the Bank is the first national joint-stock commercial bank in China primarily initiated and founded by the NSOEs.

Upon the approval of relevant regulatory authorities, the Bank operates the following commercial banking businesses: taking deposits from the public, granting short-, mid- to long-term loans, handling domestic and foreign settlements; accepting and discounting negotiable instruments, and issuing financial bonds; issuing, settling and underwriting government bonds as an agent; buying and selling government bonds and financial bonds; operating interbank borrowing and lending; buying and selling foreign exchange, and buying and selling foreign exchange as an agent; settling and selling foreign exchange; operating bank card business; providing letter of credit services and guaranty; receiving and paying funds as an agent; providing safe deposit box service; operating other businesses approved by the banking regulatory authority of the State Council; operating insurance business as a sideline agent; selling securities investment funds and providing custody services for securities investment funds. (The market entity independently chooses and operates businesses in accordance with laws. Operations of sideline insurance agency, sales of securities investment funds, custody of securities investment funds, and businesses subject to approvals according to laws shall be carried out upon approvals of relevant authorities and within the approved scopes. It is not allowed to operate businesses prohibited or restricted by national and municipal industry policies.)

For the main changes of the Bank's business philosophy during the Reporting Period, please refer to "Development Strategies and Core Competitiveness of the Bank".

CHAPTER 2 SUMMARY OF ACCOUNTING DATA AND FINANCIAL INDICATORS

I. Major Accounting Data and Financial Indicators

	2023	2022	Changes of the Reporting Period over the corresponding period of the previous year	2021	2020	2019
			Increase/ decrease (%)			
Operating results (RMB million)						
Operating income	137,391	139,219	-1.31	165,554	181,807	177,745
Net interest income	102,431	107,463	-4.68	125,775	135,224	122,034
Net non-interest income	34,960	31,756	10.09	39,779	46,583	55,711
Operating expenses	52,807	52,602	0.39	51,181	50,485	50,016
Impairment losses on credit	45,707	48,762	-6.27	77,398	92,988	62,807
Profit before income tax	37,358	37,170	0.51	35,600	36,706	64,738
Net profit attributable to holders of equity shares of the Bank	35,823	35,269	1.57	34,381	34,309	53,819
Net cash flow from operating activities	73,676	166,273	-55.69	155,417	-82,402	-84,927
Data per share (RMB)						
Basic earnings per share	0.72	0.71	1.41	0.71	0.71	1.22
Diluted earnings per share	0.72	0.71	1.41	0.71	0.71	1.22
Net cash flow per share from operating activities	1.68	3.80	-55.79	3.55	-1.88	-1.94
			Changes in percentage points			
Profitability indicators (%)						
Return on average assets	0.48	0.50	-0.02	0.50	0.51	0.87
Return on weighted average equity	6.10	6.31	-0.21	6.59	6.81	12.40
Cost-to-income ratio	37.00	36.44	0.56	29.74	26.64	27.14
Net fee and commission income to operating income ratio	14.00	14.56	-0.56	16.65	15.22	15.87
Net interest spread	1.37	1.51	-0.14	1.81	2.12	2.14
Net interest margin	1.46	1.60	-0.14	1.91	2.14	2.14

	31 December 2023	31 December 2022	Changes from the end of the previous year to the end of the Reporting Period	31 December 2021	31 December 2020	31 December 2019
Scale indicators (RMB million)			Increase/ decrease (%)			
Total assets	7,674,965	7,255,673	5.78	6,952,786	6,950,233	6,681,841
Total loans and advances to customers	4,384,877	4,141,144	5.89	4,045,692	3,853,931	3,487,601
Of which: Corporate loans and advances	2,617,355	2,399,276	9.09	2,304,361	2,257,290	2,080,024
Personal loans and advances	1,767,522	1,741,868	1.47	1,741,331	1,596,641	1,407,577
Allowance for impairment losses on loans	97,444	98,868	-1.44	105,108	97,637	84,647
Total liabilities	7,037,164	6,642,859	5.94	6,366,247	6,408,985	6,151,012
Total deposits from customers	4,283,003	3,993,527	7.25	3,775,761	3,728,174	3,604,088
Of which: Corporate deposits	3,068,931	2,966,375	3.46	2,944,013	2,961,617	2,878,931
Personal deposits	1,206,587	1,020,544	18.23	825,423	758,712	718,363
Other deposits	7,485	6,608	13.27	6,325	7,845	6,794
Share capital	43,782	43,782	-	43,782	43,782	43,782
Total equity attributable to holders of equity shares of the Bank	624,602	599,928	4.11	574,280	529,537	518,845
Total equity attributable to holders of ordinary shares of the Bank	529,640	504,966	4.89	484,316	459,677	448,985
Net assets per share attributable to holders of ordinary shares of the Bank (RMB)	12.10	11.53	4.94	11.06	10.50	10.26
Asset quality indicators (%)			Changes in percentage points			
NPL ratio	1.48	1.68	-0.20	1.79	1.82	1.56
Allowance to NPLs	149.69	142.49	7.20	145.30	139.38	155.50
Allowance to total loans	2.22	2.39	-0.17	2.60	2.53	2.43
Capital adequacy ratio indicators (RMB million)			Increase/ decrease (%)			
Net capital base	755,416	725,136	4.18	733,703	707,472	673,741
Of which: Net core tier-1 capital	533,852	505,978	5.51	486,552	461,921	455,088
Net other tier-1 capital	96,036	96,021	0.02	90,527	70,427	70,871
Net tier-2 capital	125,528	123,137	1.94	156,624	175,124	147,782
Risk-weighted assets	5,750,072	5,517,289	4.22	5,379,458	5,425,856	5,117,026
			Changes in percentage points			
Core tier-1 capital adequacy ratio (%)	9.28	9.17	0.11	9.04	8.51	8.89
Tier-1 capital adequacy ratio (%)	10.95	10.91	0.04	10.73	9.81	10.28
Capital adequacy ratio (%)	13.14	13.14	-	13.64	13.04	13.17
Total equity to total assets ratio (%)	8.31	8.45	-0.14	8.44	7.79	7.94

Notes:

1. Return on average assets = net profit/average balance of total assets at the beginning and the end of the period.
2. Earnings per share and return on weighted average equity: calculated according to the Preparation Rules for Information Disclosure by Companies Offering Securities to the Public No. 9 – Calculation and Disclosure of Return on Equity and Earnings per Share (2010 Revision) (《公開發行證券的公司信息披露編報規則第9號 – 淨資產收益率和每股收益的計算及披露》(2010年修訂)) and other regulations. The effect of the distribution of dividends for preference shares and perpetual bond interest was taken into account in calculating the above indicators.
3. Cost-to-income ratio = (operating expenses and other operating expenses – tax and surcharges)/operating income.
4. Net interest spread = average return ratio on interest-earning assets – average cost ratio of interest-bearing liabilities.
5. Net interest margin = net interest income/average balance of interest-earning assets.
6. Total loans and advances to customers, total deposits from customers and the compositions of which did not include accrued interests.
7. Allowance for impairment losses on loans includes allowance for impairment losses on loans measured at amortised cost, and allowance for impairment losses on loans at fair value through other comprehensive income.
8. Other deposits include issuing certificates of deposit, outward remittance and remittance payables.
9. NPL ratio = total NPLs/total loans and advances to customers.
10. Allowance to NPLs and allowance to total loans were calculated according to the Notice on Adjusting the Regulatory Requirements on Allowance for Impairment Losses on Loans of Commercial Banks (Yin Jian Fa[2018] No.7) (《關於調整商業銀行貸款損失準備監管要求的通知》(銀監發[2018]7號)). As at the end of the Reporting Period, the regulatory standards for allowance to NPLs and allowance to total loans applicable to the Group and the Bank were 130% and 1.8%, respectively. Allowance to NPLs = allowance for impairment losses on loans/total NPLs; allowance to total loans = allowance for impairment losses on loans/total loans and advances to customers.

II. Supplementary Accounting Data and Financial Indicators

Important indicators (%)	Benchmark	31 December 2023	31 December 2022	31 December 2021
Liquidity ratio (RMB and foreign currencies)	≥25	66.63	51.30	47.06
Liquidity ratio (RMB)	≥25	64.05	46.83	43.65
Liquidity ratio (Foreign currency)	≥25	157.07	145.10	100.94
Liquidity coverage ratio	≥100	146.06	134.89	133.42
Net stable funding ratio	≥100	106.91	104.55	104.11
Leverage ratio	≥4 before 2023; ≥4.125 starting from 2023	7.43	7.46	7.60
Percentage of loans to the single largest loan customer	≤10	3.44	2.17	1.57
Percentage of loans to the top ten loan customers	≤50	10.45	11.17	9.76

Notes:

1. The above data were calculated based on the relevant regulations of China's banking regulatory authorities.
2. Percentage of loans to the single largest loan customer = total loans to the single largest loan customer/net capital base.
3. Percentage of loans to the top ten loan customers = total loans to the top ten loan customers/net capital base.

Migration ratio of loans (%)	31 December 2023	31 December 2022	31 December 2021
Pass	1.69	2.22	2.36
Special-mentioned	29.74	34.46	36.44
Substandard	45.06	65.39	68.41
Doubtful	46.63	52.14	50.00

Note: The migration ratio of loans was calculated according to the Bank's standards based on the Notice of the China Banking and Insurance Regulatory Commission on Revising the Definition and Calculation Formula for the Basic Indicators of Off-site Supervision in the Banking Industry (Yin Bao Jian Fa [2022] No.2) (《中國銀保監會關於修訂銀行業非現場監管基礎指標定義及計算公式的通知》(銀保監發[2022]2號)). Data of the previous periods were adjusted synchronously.

CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

I. Overview of Operations

During the Reporting Period, the Bank fully implemented the spirit of the 20th National Congress of the CPC, implemented the decisions and arrangements made by the CPC Central Committee and the State Council, integrated its development strategy into the national strategy, and continuously increased support for the real economy. The Bank continued to take high-quality development as the top priority, implemented the new development concept, practised the strategic positionings of “a bank for NSOEs, an agile and open bank, and a bank with considerate services”, pursued the main operating target of “grasping opportunities, promoting development, preventing risks and increasing revenues”, coordinated the implementation of various supporting reforms, and promoted the implementation of the Bank’s strategies from the “period to consolidate foundation” to the “period of continuous growth”. The Bank strengthened the “customer-centric” business philosophy, accelerated digital transformation, reshaped the end-to-end customer journeys, optimised asset-liability structure, improved internal risk control and management, and continued to release the reform momentum, thus achieving the steady and sustainable development of the Bank in the process of constantly creating value for customers.

The scale of assets and liabilities expanded steadily, and the asset-liability structure tended to be further optimised. During the Reporting Period, the Group adhered to the strategic orientation, deepened reform and transformation, strengthened coordinated management, and further promoted the adjustments to the asset-liability structure. On the asset side, the Bank focused on key business areas and concentrated resources to promote credit placements, leading to a more stable asset structure. As at the end of the Reporting Period, total assets of the Group amounted to RMB7,674,965 million, representing an increase of RMB419,292 million, or 5.78%, as compared with the end of the previous year. Of which, total loans and advances to customers amounted to RMB4,384,877 million, representing an increase of RMB243,733 million, as compared with the end of the previous year, and an increase of RMB148,281 million, or 5.89%, as compared with the increment in the corresponding period of the previous year. Total loans and advances to customers accounted for 57.13% of total assets, representing an increase of 0.06 percentage points as compared with the end of the previous year. The loans to key fields and key areas of the Bank maintained relatively rapid growth, and the growth rates were higher than the average growth rate of all loans. On the liability side, the Bank optimised the liability development mechanism, strengthened liability quality management, and continuously consolidated the liability foundation. As at the end of the Reporting Period, total liabilities of the Group amounted to RMB7,037,164 million, representing an increase of RMB394,305 million, or 5.94%, as compared with the end of the previous year. Of which, total deposits from customers reached RMB4,283,003 million, representing an increase of RMB289,476 million, as compared with the end of the previous year, and an increase of RMB71,710 million, or 7.25%, as compared with the increment in the corresponding period of the previous year, and accounted for 60.86% of total liabilities, representing an increase of 0.74 percentage points as compared with the end of the previous year. Personal deposits accounted for 28.17% of total deposits from customers, representing an increase of 2.62 percentage points as compared with the end of the previous year.

The regular and long-term management mechanisms for risk management and internal control system were perfected and the asset quality tended to get better in stability. During the Reporting Period, in accordance with the overall strategy of “stability and prudence, staying active and comprehensive, optimising structure and improving quality”, the Group solidly promoted the construction of the internal risk control system, steadily improved comprehensive risk management, and implemented the risk management objectives of “preventing risks, promoting development, consolidating foundation and strengthening smart control”. During the Reporting Period, total NPLs and the NPL ratio of the Group decreased quarter by quarter. The allowance to NPLs improved quarter by quarter and the asset quality tended to get better in stability. As at the end of the Reporting Period, total NPLs of the Group amounted to RMB65,097 million, representing a decrease of RMB4,290 million as compared with the end of the previous year. The NPL ratio was 1.48%, representing a decrease of 0.20 percentage points as compared with the end of the previous year. The allowance to NPLs was 149.69%, representing an increase of 7.20 percentage points as compared with the end of the previous year. The allowance to total loans was 2.22%, representing a decrease of 0.17 percentage points as compared with the end of the previous year.

The profit level increased as compared with the corresponding period of the previous year, and the income constantly tended to get better. The Group continued to push forward reform and transformation to promote the improvement of operating quality and efficiency, contributing to an increase in net profit, a continuous reduction in the decrease degree of operating income, and an increase in the proportion of net non-interest income, as compared with the corresponding period of the previous year. During the Reporting Period, the Group recorded a net profit attributable to holders of equity shares of the Bank of RMB35,823 million, representing an increase of RMB554 million, or 1.57%, as compared with the corresponding period of the previous year. The Group recorded an operating income of RMB137,391 million, representing a decrease of RMB1,828 million, or 1.31%, as compared with the corresponding period of the previous year. The Group recorded a net non-interest income of RMB34,960 million, representing an increase of RMB3,204 million, or 10.09%, as compared with the corresponding period of the previous year. The net non-interest income accounted for 25.45% of operating income, representing an increase of 2.64 percentage points as compared with the corresponding period of the previous year.

II. Conditions of the Industry

In 2023, China's economy continued to rebound as a whole and accumulate positive factors constantly, but there were still internal and external challenges against steady economic development. Internationally, geopolitical conflicts intensified, world economic uncertainties increased, interest rates in developed economies remained at high levels, and the spillover risks may still impact emerging market economies via exchange rate, capital flow, foreign debt and other channels. Domestically, the efficiency of debt-driven economic growth decreased, the relationship between supply and demand of real estate experienced major changes, and the urgency of accelerating economic transformation increased. Moreover, problems such as insufficient effective demand, overcapacity in some industries, weak social expectations and many potential risks still existed to varying degrees, and the foundation for a stable recovery of domestic economy still needed to be consolidated. However, the fundamentals of long-term improvement in China's economy remained unchanged, demonstrating development resilience, potential and vitality continuously. It is necessary to make sustained efforts, take advantage of the momentum and solidly promote the high-quality development of the economy.

Facing multiple internal and external challenges, China's macro-economic policies remained steady and pursued progress in stability to make good use of policies, identify the direction for making efforts and form policy synergy, and to expand domestic demand, boost confidence and prevent risks. The proactive fiscal policy improved the people's well-being and stabilised the economy. Measures for taxation expenses improved, and the burden for enterprises was alleviated continuously. In the fourth quarter, RMB1 trillion treasury bonds were issued additionally to support post-disaster reconstruction and the improvement of disaster prevention, mitigation and relief capacity. The fiscal deficit ratio was elevated from 3% to approximately 3.8%. The prudent monetary policy was precise and powerful, enhancing counter-cyclical and cross-cyclical adjustment. Interest rate and required reserve ratio reduction, and structured monetary policy instruments were used comprehensively to maintain reasonable and adequate liquidity, and promote the moderate total quantity and stable pace of monetary credit. The reform in loan prime rate achieved remarkable results, the role of deposit interest rate liberalisation adjustment mechanism was given into effective play, and the transmission efficiency of monetary policies was improved. In the foreign exchange market, the supply and demand were kept basically balanced, current accounts had stable surplus, foreign exchange reserve was sufficient, and RMB exchange rate fluctuated in two directions with stabilising expectation, and was kept basically stable at a reasonable equilibrium level. The financial regulatory reform moved forward in an orderly way. The National Financial Regulatory Administration (NFRA) was established, and the financial regulatory system entered a new pattern of "PBOC + NFRA + CSRC". The Central Financial Work Conference set the tone for the financial development road with Chinese characteristics, and highlighted the efforts to accelerate the building of a strong financial country, comprehensively tighten financial supervision, and effectively prevent and mitigate financial risks.

During the Reporting Period, the banking industry closely followed the policies of the Party and the State, continued to increase support for the real economy, and realised multiple targets of "stabilising total amount, adjusting structure, reducing cost". The scale of asset and credit maintained steady growth. In 2023, RMB loans increased by RMB22.75 trillion in cumulative terms, representing an increase of RMB1.31 trillion as compared with the increment in the corresponding period of the previous year. As at the end of December, the balance of RMB loans increased by 10.6% as compared with the end the previous year. The

credit structure was continuously optimised. Efforts were made in five key areas, namely sci-tech finance, green finance, inclusive finance, pension finance and digital finance, and the real estate market was supported effectively. The interest rates of various new loans hit historical lows, and the reduction in interest rate of outstanding housing mortgage loans was implemented at a faster pace, thus helping stimulate the vitality of micro entities. The liability quality management was further tightened, and the pricing of interest rates of deposits was optimised. The major commercial banks lowered the nominal interest rate of deposits for three times in the year, and lowered the interest rate of domestic USD deposits as well, which improved the synergy of interest rate policies and facilitated to stabilise interest margin and profit at a reasonable level. The asset quality management and control were continuously strengthened. High attention was paid to preventing and defusing financial risks. The works of finance supporting debt risk defusion of financing platform were pressed ahead in an orderly way, and commercial banks witnessed steady credit asset quality and further declined NPL ratio. The empowerment of fintech was enhanced, and digital means were adopted to reshape channels, scenarios and services via the internet thinking, so as to enhance cross-industry and trans-boundary capacity in an all-round manner and constantly improve the quality and efficiency of financial services.

III. Analysis of Major Items of Statement of Profit or Loss

(I) *Changes of major items of statement of profit or loss*

During the Reporting Period, the Group recorded a net profit attributable to holders of equity shares of the Bank of RMB35,823 million, representing an increase of RMB554 million, or 1.57%, as compared with the corresponding period of the previous year.

Item (RMB million)	2023	2022	Change (%)
Operating income	137,391	139,219	-1.31
Of which: Net interest income	102,431	107,463	-4.68
Net non-interest income	34,960	31,756	10.09
Operating expenses	52,807	52,602	0.39
Impairment losses on credit	45,707	48,762	-6.27
Impairment losses on the other assets	1,519	685	121.75
Profit before income tax	37,358	37,170	0.51
Less: Income tax expenses	1,372	1,393	-1.51
Net profit	35,986	35,777	0.58
Of which: Net profit attributable to holders of equity shares of the Bank	35,823	35,269	1.57
Profit or loss attributable to non-controlling interests	163	508	-67.91

(II) Operating income

During the Reporting Period, the operating income of the Group amounted to RMB137,391 million, representing a decrease of RMB1,828 million, or 1.31%, as compared with the corresponding period of the previous year.

The amounts, percentages and changes of major items of the Group's operating income are as follows:

Item (RMB million)	2023		2022		Change (%)
	Amount	Proportion (%)	Amount	Proportion (%)	
Net interest income	102,431	74.55	107,463	77.19	-4.68
Interest income	267,126	194.42	262,937	188.87	1.59
Of which: Interest income from loans and advances to customers	186,571	135.79	186,386	133.88	0.10
Interest income from financial investments	59,155	43.05	56,447	40.55	4.80
Interest income from long-term receivables	6,992	5.09	6,799	4.88	2.84
Interest income from placements with banks and other financial institutions	6,541	4.76	5,742	4.12	13.92
Interest income from balances with central bank	4,886	3.56	5,034	3.62	-2.94
Interest income from financial assets held under resale agreements	1,620	1.18	1,970	1.42	-17.77
Interest income from balances with banks and other financial institutions	1,361	0.99	559	0.40	143.47
Interest expenditure	-164,695	-119.87	-155,474	-111.68	5.93
Net non-interest income	34,960	25.45	31,756	22.81	10.09
Net fee and commission income	19,236	14.00	20,274	14.56	-5.12
Other net non-interest income	15,724	11.45	11,482	8.25	36.94
Total	137,391	100.00	139,219	100.00	-1.31

(III) Net interest income and net interest margin

During the Reporting Period, the net interest income of the Group amounted to RMB102,431 million, representing a decrease of RMB5,032 million, or 4.68%, as compared with the corresponding period of the previous year. The net interest margin of the Group was 1.46%, representing a decrease of 0.14 percentage points as compared with the corresponding period of the previous year.

Item (RMB million)	Average balance	2023 Interest income	Average return (%)	Average balance	2022 Interest income	Average return (%)
Interest-earning assets						
Total loans and advances to customers	4,315,037	186,571	4.32	4,111,246	186,386	4.53
Of which: Corporate loans and advances	2,566,046	99,596	3.88	2,373,128	93,325	3.93
Personal loans and advances	1,748,991	86,975	4.97	1,738,118	93,061	5.35
Financial investments	1,903,895	59,155	3.11	1,780,428	56,447	3.17
Balances with central bank	322,202	4,886	1.52	339,336	5,034	1.48
Placements with banks and other financial institutions	211,712	6,541	3.09	205,071	5,742	2.80
Long-term receivables	115,497	6,992	6.05	116,314	6,799	5.85
Financial assets held under resale agreements	82,776	1,620	1.96	114,555	1,970	1.72
Balances with banks and other financial institutions	77,939	1,361	1.75	62,826	559	0.89
Total	7,029,058	267,126	3.80	6,729,776	262,937	3.91

Item (RMB million)	Average balance	2023 Interest expenses	Average cost ratio (%)	Average balance	2022 Interest expenses	Average cost ratio (%)
Interest-bearing liabilities						
Deposits from customers	4,252,558	98,301	2.31	4,065,038	93,254	2.29
Of which: Corporate deposits	3,110,295	72,336	2.33	3,153,083	72,277	2.29
Demand	1,087,317	15,248	1.40	1,149,334	15,617	1.36
Time	2,022,978	57,088	2.82	2,003,749	56,660	2.83
Individual deposits	1,142,263	25,965	2.27	911,955	20,977	2.30
Demand	293,072	797	0.27	258,276	856	0.33
Time	849,191	25,168	2.96	653,679	20,121	3.08
Deposits from banks and other financial institutions	1,354,584	32,400	2.39	1,238,580	28,953	2.34
Debt securities issued	611,287	16,795	2.75	709,281	20,118	2.84
Borrowings from central bank and other financial institutions and others	315,002	10,011	3.18	326,472	10,428	3.19
Financial assets sold under repurchase agreements	123,547	2,965	2.40	70,367	1,466	2.08
Placements from banks and other financial institutions	108,673	4,223	3.89	73,812	1,255	1.70
Total	6,765,651	164,695	2.43	6,483,550	155,474	2.40
Net interest income		102,431			107,463	
Net interest spread			1.37			1.51
Net interest margin			1.46			1.60

Note: In this table, outward remittance and remittance payables are included in corporate demand deposits; issuance of certificates of deposit is included in corporate time deposits.

The impacts of changes in scale and changes in interest rate on interest income and interest expenses of the Group are as follow:

Item (RMB million)	Changes in scale from the corresponding period of the previous year to 2023	Changes in interest rate from the corresponding period of the previous year to 2023	Net Increase/ decrease
Changes in interest income:			
Total loans and advances to customers	9,239	-9,054	185
Financial investments	3,914	-1,206	2,708
Balances with central bank	-254	106	-148
Placements with banks and other financial institutions	186	613	799
Long-term receivables	-48	241	193
Balances with banks and other financial institutions	134	668	802
Financial assets held under resale agreements	-547	197	-350
Sub-total	<u>12,624</u>	<u>-8,435</u>	<u>4,189</u>
Changes in interest expenses:			
Deposits from customers	4,302	745	5,047
Deposits from banks and other financial institutions	2,712	735	3,447
Debt securities issued	-2,779	-544	-3,323
Borrowings from central bank and other financial institutions and others	-366	-51	-417
Placements from banks and other financial institutions	593	2,375	2,968
Financial assets sold under repurchase agreements	1,108	391	1,499
Sub-total	<u>5,570</u>	<u>3,651</u>	<u>9,221</u>
Changes in net interest income	<u>7,054</u>	<u>-12,086</u>	<u>-5,032</u>

Note: Change in scale is measured by the change of average balance; change in interest rate is measured by the change of average interest rate.

1. Profit income

During the Reporting Period, the interest income of the Group amounted to RMB267,126 million, representing an increase of RMB4,189 million, or 1.59%, as compared with the corresponding period of the previous year, mainly due to the impact of the increase in interest income from financial investments.

(1) Interest income from loans and advances to customers

During the Reporting Period, the interest income from loans and advances to customers of the Group amounted to RMB186,571 million, representing an increase of RMB185 million, or 0.10%, as compared with the corresponding period of the previous year, mainly due to the impact of the increase in the interest income from corporate loans. The interest income of corporate loans of the Bank amounted to RMB99,364 million. Of which, the interest income of short-term corporate loans was RMB28,735 million, the daily average balance was RMB892,242 million, and the average return ratio was 3.22%; the interest income of mid- to long-term corporate loans was RMB70,629 million, the daily average balance was RMB1,669,252 million, and the average return ratio was 4.23%.

(2) Interest income from financial investments

During the Reporting Period, the interest income from financial investments of the Group amounted to RMB59,155 million, representing an increase of RMB2,708 million, or 4.80%, as compared with the corresponding period of the previous year, mainly due to the impact of the increase in the daily average scale of financial investments.

(3) Interest income from balances and placements with banks and other financial institutions and financial assets held under resale agreements

During the Reporting Period, the interest income from balances and placements with banks and other financial institutions and financial assets held under resale agreements of the Group amounted to RMB9,522 million, representing an increase of RMB1,251 million, or 15.13%, as compared with the corresponding period of the previous year, mainly due to the impact of the increase in the average return ratio.

(4) Interest income from long-term receivables

During the Reporting Period, the interest income from long-term receivables of the Group amounted to RMB6,992 million, representing an increase of RMB193 million, or 2.84%, as compared with the corresponding period of the previous year.

(5) Interest income from balances with central bank

During the Reporting Period, the interest income from balances with central bank of the Group amounted to RMB4,886 million, representing a decrease of RMB148 million, or 2.94%, as compared with the corresponding period of the previous year.

2. *Interest expenses*

During the Reporting Period, the interest expenses of the Group amounted to RMB164,695 million, representing an increase of RMB9,221 million, or 5.93%, as compared with the corresponding period of the previous year, mainly due to the impact of the increase in interest expenses on deposits from customers and on deposits and placements from banks and other financial institutions.

(1) Interest expenses on deposits from customers

During the Reporting Period, the interest expenses on deposits from customers of the Group amounted to RMB98,301 million, representing an increase of RMB5,047 million, or 5.41%, as compared with the corresponding period of the previous year, mainly due to the impact of the increase in the daily average scale of deposits from customers.

- (2) Interest expenses on deposits and placements from banks and other financial institutions and financial assets sold under repurchase agreements

During the Reporting Period, the interest expenses on deposits and placements from banks and other financial institutions and financial assets sold under repurchase agreements of the Group amounted to RMB39,588 million, representing an increase of RMB7,914 million, or 24.99%, as compared with the corresponding period of the previous year, mainly due to the combined impact of increases in the daily average scale and the average cost ratio.

- (3) Interest expenses on debt securities issued

During the Reporting Period, the interest expenses on debt securities issued of the Group amounted to RMB16,795 million, representing a decrease of RMB3,323 million, or 16.52%, as compared with the corresponding period of the previous year, mainly due to the impact of the decrease in the daily average scale of debt securities issued.

- (4) Interest expenses on borrowings from central bank and other financial institutions and other interest expenses

During the Reporting Period, the interest expenses on borrowings from the central bank and other financial institutions and other interest expenses of the Group amounted to RMB10,011 million, representing a decrease of RMB417 million, or 4.00%, as compared with the corresponding period of the previous year.

(IV) Net non-interest income

During the Reporting Period, the net non-interest income of the Group amounted to RMB34,960 million, representing an increase of RMB3,204 million, or 10.09%, as compared with the corresponding period of the previous year.

Item (RMB million)	2023	2022	Change (%)
Net fee and commission income	19,236	20,274	-5.12
Other net non-interest income	15,724	11,482	36.94
Total	34,960	31,756	10.09

1. Net fee and commission income

During the Reporting Period, the net fee and commission income of the Group was RMB19,236 million, representing a decrease of RMB1,038 million, or 5.12%, as compared with the corresponding period of the previous year, mainly due to that impacted by the capital market, the scale of asset management products such as wealth management decreased, which led to a decrease in commission income from custody and other fiduciary services. At the same time, however, the Bank continued to consolidate customer base and achieved rapid growth in the income from basic intermediary business such as agency services, settlement and clearance services.

Item (RMB million)	2023	2022	Change (%)
Service charge and commission income	25,476	25,470	0.02
Of which: Bank card services	11,029	10,909	1.10
Agency services	5,888	5,469	7.66
Trust and other fiduciary services	4,855	5,960	-18.54
Settlement and clearance services	1,968	1,619	21.56
Credit commitments	1,085	1,207	-10.11
Others	651	306	112.75
Service charges and commission expense	6,240	5,196	20.09
Net fee and commission income	19,236	20,274	-5.12

2. Other net non-interest income

During the Reporting Period, the Group realised other net non-interest income of RMB15,724 million, representing an increase of RMB4,242 million, or 36.94%, as compared with the corresponding period of the previous year. The Bank seized market opportunities to increase bonds allocation and circulation, and improved asset valuation, achieving growth in the overall income as compared with the corresponding period of the previous year.

Item (RMB million)	2023	2022	Change (%)
Net trading gain	4,748	4,690	1.24
Net gain from investment securities	8,529	4,357	95.75
Other net operating income	2,447	2,435	0.49
Total	15,724	11,482	36.94

(V) Operating expenses

During the Reporting Period, the operating expenses of the Group amounted to RMB52,807 million, representing an increase of RMB205 million, or 0.39%, as compared with the corresponding period of the previous year. The Group continued to optimise the allocation of financial resources by increasing allocation to some sectors while decreasing allocation to others, in a bid to provide support and guarantee for various business development. On the one hand, the Bank deepened the work of reducing costs and increasing efficiency, strengthened the management of major financial resource input matters, reinforced the overall planning and construction of public marketing platforms, advocated green travel and office frugality, and gradually improved the accuracy and output efficiency of financial resource input. On the other hand, the Bank continued to increase the support for strategic transformation such as IT and customer group management, and in the field of business infrastructure. It advanced the input of financial resources, ensured the necessary expenditure requirements of business operations, and promoted the sustainable improvement of service capacity and business quality and efficiency.

Item (RMB million)	2023	2022	Change (%)
Staff costs (including Directors' emoluments)	32,176	31,455	2.29
Depreciation and amortisation	6,346	5,896	7.63
Tax and surcharges	1,973	1,873	5.34
Short-term lease expenses, low-value lease expenses and property management expenses	1,035	912	13.49
Business expenses/office expenses and others	11,277	12,466	-9.54
Total	52,807	52,602	0.39

(VI) Impairment losses on credit

During the Reporting Period, the impairment losses on credit of the Group amounted to RMB45,707 million, representing a decrease of RMB3,055 million, or 6.27%, as compared with the corresponding period of the previous year.

Item (RMB million)	2023	2022	Change (%)
Loans and advances to customers	39,816	41,695	-4.51
Financial assets measured at amortised cost	3,843	4,038	-4.83
Long-term receivables	1,184	1,900	-37.68
Financial assets at fair value through other comprehensive income	420	370	13.51
Others	444	759	-41.50
Total	<u>45,707</u>	<u>48,762</u>	-6.27

(VII) Income tax expenses

During the Reporting Period, the income tax expenses of the Group amounted to RMB1,372 million, representing a decrease of RMB21 million, or 1.51%, as compared with the corresponding period of the previous year.

IV. Analysis of Major Items of Statement of Financial Position

(I) Assets

As at the end of the Reporting Period, total assets of the Group amounted to RMB7,674,965 million, representing an increase of RMB419,292 million, or 5.78%, as compared with the end of the previous year.

Item (RMB million)	31 December 2023		31 December 2022	
	Amount	Proportion (%)	Amount	Proportion (%)
Total loans and advances to customers	4,384,877	57.13	4,141,144	57.07
Add: Accrued interests on loans	35,824	0.47	29,477	0.41
Less: Allowance for impairment losses on loans at amortised cost	96,793	1.26	97,639	1.35
Net loans and advances to customers	4,323,908	56.34	4,072,982	56.13
Net financial investments	2,272,142	29.60	2,225,870	30.68
Cash and balances with central bank	390,367	5.09	338,552	4.67
Balances and placements with banks and other financial institutions and financial assets held under resale agreements	338,229	4.41	274,149	3.78
Long-term receivables	119,434	1.56	111,456	1.54
Property and equipment	60,490	0.79	58,896	0.81
Others	170,395	2.21	173,768	2.39
Total	7,674,965	100.00	7,255,673	100.00

1. *Loans and advances to customers*

As at the end of the Reporting Period, total loans and advances to customers of the Group amounted to RMB4,384,877 million, representing an increase of RMB243,733 million, or 5.89%, as compared with the end of the previous year, and accounted for 57.13% of total assets, representing an increase of 0.06 percentage points as compared with the end of the previous year. This was mainly due to that the Group continued to increase credit placements, achieving relatively rapid growth in the loans to key fields and key areas.

2. *Financial bonds*

As at the end of the Reporting Period, total financial investments of the Group amounted to RMB2,258,086 million, representing an increase of RMB43,894 million, or 1.98%, as compared with the end of the previous year, and accounted for 29.42% of total assets, representing a decrease of 1.10 percentage points as compared with the end of the previous year.

Item (RMB million)	31 December 2023		31 December 2022	
	Amount	Proportion (%)	Amount	Proportion (%)
Financial assets measured at amortised cost	1,521,395	67.38	1,357,029	61.29
Of which: Bonds	1,472,756	65.22	1,293,134	58.40
Trust and asset management plans	34,670	1.54	49,789	2.25
Other investments	13,969	0.62	14,106	0.64
Financial assets at fair value through profit and loss	320,547	14.19	389,070	17.57
Of which: Bonds	146,091	6.47	112,641	5.09
Trust and asset management plans	17,185	0.76	14,185	0.64
Investment funds	131,557	5.82	235,452	10.63
Equity instruments	19,637	0.87	21,427	0.97
Other investments	6,077	0.27	5,365	0.24
Financial assets at fair value through other comprehensive income	416,144	18.43	468,093	21.14
Of which: Bonds	407,673	18.05	457,501	20.66
Equity instruments	8,471	0.38	10,592	0.48
Total	2,258,086	100.00	2,214,192	100.00

Note: Other investments include debt financing plan and others.

The bonds held by the Group in terms of issuers are as follows:

Item (RMB million)	31 December 2023		31 December 2022	
	Amount	Proportion (%)	Amount	Proportion (%)
Government	1,269,814	62.66	1,131,818	60.74
Policy banks	143,326	7.07	106,132	5.70
Banks and non-banking financial institutions	246,955	12.19	219,898	11.80
Corporates	366,425	18.08	405,428	21.76
Total	2,026,520	100.00	1,863,276	100.00

The financial bonds held by the Bank were mainly policy financial bonds and financial bonds of commercial banks. The top ten financial bonds in terms of par value are as follows:

Item (RMB million)	Par value	Coupon rate (%)	Maturity	Allowance for impairment losses
2021 financial bonds	9,440	2.98	8 January 2024	0.03
2021 financial bonds	6,250	3.00	17 June 2024	0.40
2021 financial bonds	5,890	3.30	3 March 2026	0.82
2020 financial bonds	5,840	3.34	14 July 2025	0.80
2021 financial bonds	5,340	2.83	10 September 2026	0.73
2020 financial bonds	4,890	3.23	10 January 2025	0.68
2019 financial bonds	4,280	3.30	1 February 2024	0.05
2022 financial bonds	4,000	2.77	24 October 2032	0.53
2022 financial bonds	3,810	2.73	21 February 2025	0.43
2021 financial bonds ^(Note)	3,710	2.71	4 March 2024	0.09
Total	53,450			4.56

Note: The bonds adopt floating interest rates. The interest rate disclosed herein is the interest rate as at the end of the Reporting Period.

3. *Balances and placements with banks and other financial institutions and financial assets held under resale agreements*

As at the end of the Reporting Period, the balances and placements with banks and other financial institutions and financial assets held under resale agreements of the Group amounted to RMB338,229 million, representing an increase of RMB64,080 million, or 23.37%, as compared with the end of the previous year, and accounted for 4.41% of total assets, representing an increase of 0.63 percentage points as compared with the end of the previous year.

4. *Derivative financial instruments*

Item (RMB million)	31 December 2023			31 December 2022		
	Nominal amount	Fair value		Nominal amount	Fair value	
		Assets	Liabilities		Assets	Liabilities
Currency derivatives	2,554,436	22,130	22,011	2,311,820	29,129	26,883
Interest rate derivatives	1,916,448	1,733	676	1,428,101	2,889	589
Precious metal derivatives	70,252	908	6,585	70,434	1,836	5,186
Others	1,352	26	4	1,456	24	17
Total		24,797	29,276		33,878	32,675

(2) *Liabilities*

As at the end of the Reporting Period, total liabilities of the Group amounted to RMB7,037,164 million, representing an increase of RMB394,305 million, or 5.94%, as compared with the end of the previous year, mainly due to that the Group continued to strengthen liability management, continuously consolidated the liability base, and increased the sources of funds to serve the real economy.

Item (RMB million)	31 December 2023		31 December 2022	
	Amount	Proportion (%)	Amount	Proportion (%)
Deposits from customers	4,353,281	61.86	4,051,592	60.99
Of which: Total deposits from customers (excluding accrued interest)	4,283,003	60.86	3,993,527	60.12
Deposits and placements from banks and other financial institutions and financial assets sold under repurchase agreements	1,433,192	20.37	1,583,181	23.83
Debt securities issued	675,826	9.60	648,107	9.76
Borrowings from central bank and other financial institutions	442,169	6.28	250,030	3.76
Others	132,696	1.89	109,949	1.66
Total	7,037,164	100.00	6,642,859	100.00

1. *Deposits from customers*

As at the end of the Reporting Period, total deposits from customers of the Group amounted to RMB4,283,003 million, representing an increase of RMB289,476 million, or 7.25%, as compared with the end of the previous year. This was mainly due to that the Group focused on customer demand, continued to improve products and services, and increased deposit absorption efforts. In respect of customer structure, the proportions of corporate deposits and personal deposits in total deposits were 71.65% and 28.17%, respectively. In respect of maturity structure, the proportions of demand deposits and time deposits in total deposits were 30.84% and 68.98%, respectively.

Item (RMB million)	31 December 2023		31 December 2022	
	Amount	Proportion (%)	Amount	Proportion (%)
Corporate deposits	3,068,931	71.65	2,966,375	74.28
Of which: Demand deposits	1,024,828	23.93	1,014,133	25.39
Time deposits	2,044,103	47.72	1,952,242	48.89
Individual deposits	1,206,587	28.17	1,020,544	25.55
Of which: Demand deposits	295,892	6.91	289,671	7.25
Time deposits	910,695	21.26	730,873	18.30
Certificates of deposit	4,976	0.12	4,159	0.10
Outward remittance and remittance payables	2,509	0.06	2,449	0.07
Total	4,283,003	100.00	3,993,527	100.00

2. *Deposits and placements from banks and other financial institutions and financial assets sold under repurchase agreements*

As at the end of the Reporting Period, the deposits and placements from banks and other financial institutions and financial assets sold under repurchase agreements of the Group amounted to RMB1,433,192 million, representing a decrease of RMB149,989 million, or 9.47%, as compared with the end of the previous year, mainly due to the decrease in the balance from banks along with steady increase in deposits.

3. *Debt securities issued*

As at the end of the Reporting Period, the debt securities issued by the Group amounted to RMB675,826 million, representing an increase of RMB27,719 million, or 4.28%, as compared with the end of the previous year.

(III) Analysis of liability quality

The Bank attached great importance to liability quality management, formulated the Administrative Measures on Liability Quality of China Minsheng Bank (《中國民生銀行負債質量管理辦法》), established a liability quality management system in line with the scale and complexity of its liabilities, and clarified responsibilities of the Board, the Senior Management, the relevant functional departments and institutions in liability quality management. The Board and the Senior Management of the Bank implemented effective management of and monitoring on liability quality, the Board undertook the ultimate responsibility for liability quality management, while the Senior Management took on specific management duties.

During the Reporting Period, the Bank continued to strengthen liability quality management based on changes in internal and external environments, and continuously improved the refined management level. Firstly, the Bank continuously improved its liability quality management system, standardised management procedures, and effectively strengthened the coordinated management of liability quality of the Group. Secondly, the Bank optimised its liability development mechanisms, strengthened cultivation of basic customers, enhanced product and service capabilities, and consolidated the foundation for sustainable growth of deposits. The Bank also proactively explored low-cost and stable sources of funds, and improved internal and external pricing mechanisms to promote the coordinated development of scale and price of liability business. Thirdly, the Bank enhanced monitoring and assessment of liability quality, and dynamically adjusted liability management strategies in light of internal and external business situations to constantly enhance the appropriateness and effectiveness of liability management.

During the Reporting Period, the Group maintained sound liability quality, and the liability quality management indicators remained within a healthy range. Of which, the regulatory indicators consistently conformed to the regulatory requirements. As at the end of the Reporting Period, the net stable funding ratio of the Group was 106.91%, and the liquidity coverage ratio was 146.06%. During the Reporting Period, the cost ratio of interest-bearing liabilities of the Group was 2.43%.

(IV) Shareholders' equity

As at the end of the Reporting Period, total shareholders' equity of the Group amounted to RMB637,801 million, representing an increase of RMB24,987 million, or 4.08%, as compared with the end of the previous year. Of which, total equity attributable to holders of equity shares of the Bank amounted to RMB624,602 million, representing an increase of RMB24,674 million, or 4.11%, as compared with the end of the previous year.

Item (RMB million)	31 December 2023	31 December 2022	Change (%)
Share capital	43,782	43,782	—
Other equity instruments	94,962	94,962	—
Of which: Preference shares	19,975	19,975	—
Perpetual bonds	74,987	74,987	—
Reserves	214,213	203,307	5.36
Capital reserve	58,149	58,149	—
Surplus reserve	58,805	55,276	6.38
General reserve	95,237	90,494	5.24
Other reserves	2,022	-612	Negative for the previous period
Retained earnings	271,645	257,877	5.34
Total equity attributable to holders of equity shares of the Bank	624,602	599,928	4.11
Non-controlling interests	13,199	12,886	2.43
Total	637,801	612,814	4.08

(V) Off-balance sheet items

Item (RMB million)	31 December 2023	31 December 2022	Change (%)
Bank acceptances	476,334	495,920	-3.95
Unused credit card commitments	514,685	489,137	5.22
Guarantees	130,996	134,395	-2.53
Letters of credit	107,030	82,175	30.25
Irrevocable credit commitments	50,575	62,261	-18.77
Capital commitments	13,339	25,339	-47.36
Leasing commitments	113	71	59.15

Note: Leasing commitments refer to leasing payments related to leasing contracts already signed by the Group but not yet commenced in implementation.

V. Qualitative Analysis of Loans

(I) Loan distribution by five-category classification

As at the end of the Reporting Period, total NPLs of the Group amounted to RMB65,097 million, representing a decrease of RMB4,290 million as compared with the end of the previous year. The NPL ratio was 1.48%, representing a decrease of 0.20 percentage points as compared with the end of the previous year. Total special-mentioned loans amounted to RMB118,527 million, representing a decrease of RMB1,193 million as compared with the end of the previous year. The proportion of special-mentioned loans was 2.70%, representing a decrease of 0.19 percentage points as compared with the end of the previous year.

Item (RMB million)	31 December 2023		31 December 2022		Change (%)
	Amount	% of total	Amount	% of total	
Performing loans	4,319,780	98.52	4,071,757	98.32	6.09
Of which: Pass	4,201,253	95.82	3,952,037	95.43	6.31
Special-mentioned	118,527	2.70	119,720	2.89	-1.00
NPLs	65,097	1.48	69,387	1.68	-6.18
Of which: Substandard	26,978	0.61	27,729	0.67	-2.71
Doubtful	18,004	0.41	23,107	0.56	-22.08
Loss	20,115	0.46	18,551	0.45	8.43
Total	4,384,877	100.00	4,141,144	100.00	5.89

(II) Loan distribution by product types

As at the end of the Reporting Period, total corporate loans (including discounted bills) of the Group amounted to RMB2,617,355 million, representing an increase of RMB218,079 million as compared with the end of the previous year, accounting for 59.69% of total loans, representing an increase of 1.75 percentage points as compared with the end of the previous year. Total personal loans amounted to RMB1,767,522 million, representing an increase of RMB25,654 million as compared with the end of the previous year, accounting for 40.31% of total loans, representing a decrease of 1.75 percentage points as compared with the end of the previous year.

As at the end of the Reporting Period, total corporate NPLs (including discounted bills) of the Group amounted to RMB38,242 million, representing a decrease of RMB5,034 million as compared with the end of the previous year, and the NPL ratio was 1.46%, representing a decrease of 0.34 percentage points as compared with the end of the previous year. Total personal NPLs amounted to RMB26,855 million, representing an increase of RMB744 million as compared with the end of the previous year, and the NPL ratio was 1.52%, representing an increase of 0.02 percentage points as compared with the end of the previous year.

Item (RMB million)	31 December 2023				31 December 2022			
	Total loans	% of total	Total NPLs	NPL ratio (%)	Total loans	% of total	Total NPLs	NPL ratio (%)
Corporate loans and advances	2,617,355	59.69	38,242	1.46	2,399,276	57.94	43,276	1.80
Of which: Discounted bills	277,579	6.33			246,058	5.94	637	0.26
Personal loans and advances	1,767,522	40.31	26,855	1.52	1,741,868	42.06	26,111	1.50
Of which: Loans to MSEs	651,788	14.86	7,811	1.20	621,598	15.01	9,986	1.61
Residential mortgage	546,300	12.46	3,684	0.67	573,274	13.84	2,876	0.50
Credit card overdrafts	487,973	11.13	14,531	2.98	462,788	11.18	12,346	2.67
Others ^(Note)	81,461	1.86	829	1.02	84,208	2.03	903	1.07
Total	4,384,877	100.00	65,097	1.48	4,141,144	100.00	69,387	1.68

Note: Others include comprehensive consumer loans, automobile loans and other personal loans.

(III) Loan distribution by industries

The Group adhered to high-quality development, and fully implemented the spirit of the 20th National Congress of the CPC and the Central Economic Work Conference as well as various policy requirements of regulatory authorities. Continuously focusing on the new development pattern of “industrial upgrading, economic development and transition to new from old economic engines”, the Bank increased supports for the real economy, and continued to increase policy support for the key fields such as the manufacturing industry, inclusive finance, green and low-carbon development, rural revitalisation, and sci-tech innovation. Based on the new development models of the real estate, the Group adjusted and optimised real estate policies in due time, effectively increased the proportion of assets of high-quality customers, fully implemented the requirements of “16 financial measures”, and promoted the steady and healthy development of the real estate business. As at the end of the Reporting Period, the corporate loan business of the Group was mainly concentrated in the industries of leasing and commercial services, manufacturing, and real estate. Of which, total loans to the leasing and commercial services industry amounted to RMB556,874 million, representing an increase of RMB33,531 million as compared with the end of the previous year. Total loans to the manufacturing industry amounted to RMB465,092 million, representing an increase of RMB68,784 million as compared with the end of the previous year. Total loans to the real estate industry amounted to RMB346,298 million, representing a decrease of RMB17,046 million as compared with the end of the previous year.

As at the end of the Reporting Period, the corporate NPLs of the Group were mainly concentrated in the real estate, leasing and commercial services, and manufacturing industries. Total NPLs of the three major industries amounted to RMB29,440 million, accounting for 76.98% of total corporate NPLs. The increase of NPLs was mainly due to the combined impacts of the macro-economic environment, industries and other factors. Total NPLs of the leasing and commercial services industry and the real estate industry increased by RMB2,645 million and RMB1,493 million, respectively, as compared with the end of the previous year. Total NPLs of other industries decreased by RMB9,172 million as compared with the end of the previous year, and the asset quality remained stable or tended to get better. Of which, due to the accelerated collection and disposal of existing NPLs, total NPLs of the mining industry decreased by RMB5,077 million as compared with the end of the previous year, and the NPL ratio of the mining industry decreased by 6.86 percentage points, as compared with the end of the previous year.

Item (RMB million)	31 December 2023				31 December 2022			
	Total loans	% of total	Total NPLs	NPL ratio (%)	Total loans	% of total	Total NPLs	NPL ratio (%)
Corporate loans and advances								
Leasing and commercial services	556,874	12.70	6,418	1.15	523,343	12.64	3,773	0.72
Manufacturing	465,092	10.61	5,984	1.29	396,308	9.57	7,507	1.89
Real estate	346,298	7.90	17,038	4.92	363,344	8.77	15,545	4.28
Wholesale and retail	286,014	6.52	3,880	1.36	263,607	6.37	5,497	2.09
Water, environment and public utilities management	170,648	3.89	514	0.30	167,684	4.05	355	0.21
Transportation, storage and postal service	168,187	3.84	469	0.28	154,492	3.73	1,061	0.69
Financial services	165,194	3.77	372	0.23	115,764	2.79	416	0.36
Production and supply of electric power, heat, gas and water	130,512	2.98	–	–	103,403	2.50	351	0.34
Construction	119,477	2.72	1,229	1.03	109,689	2.65	884	0.81
Mining	69,034	1.57	1,698	2.46	72,705	1.76	6,775	9.32
Information transmission, software and information technology services	42,602	0.97	268	0.63	41,727	1.01	322	0.77
Agriculture, forestry, animal husbandry and fishery	21,376	0.49	53	0.25	20,420	0.49	34	0.17
Accommodation and catering	16,248	0.37	25	0.15	17,578	0.42	577	3.28
Others	59,799	1.36	294	0.49	49,212	1.19	179	0.36
Subtotal	2,617,355	59.69	38,242	1.46	2,399,276	57.94	43,276	1.80
Personal loans and advances	1,767,522	40.31	26,855	1.52	1,741,868	42.06	26,111	1.50
Total	4,384,877	100.00	65,097	1.48	4,141,144	100.00	69,387	1.68

(IV) Loan distribution by geographical regions

Around the national strategy for the development of major regions and the strategy of regional coordinated development, the Group focused on key projects in each region, served the real economy, and enhanced credit policy support and credit placements to the key regions. In the meantime, it also took into account the coordinated business development of other regions. As at the end of the Reporting Period, total loans of the Group to the Yangtze River Delta, the Bohai Rim and the Pearl River Delta ranked top three, being RMB1,125,915 million, RMB701,020 million and RMB689,726 million, respectively, accounting for 25.68%, 15.99% and 15.73%, respectively. In terms of increase in loans, total loans to the Yangtze River Delta, the Pearl River Delta and the Bohai Rim increased by RMB80,337 million, RMB59,713 million and RMB56,704 million, respectively, as compared with the end of the previous year. Total increase in loans to the three regions accounted for 80.73% of total increase in loans.

As at the end of the Reporting Period, the NPLs of the Group were mainly concentrated in the Head Office, the Western Region and the Yangtze River Delta, total NPLs of which amounted to RMB16,154 million, RMB12,771 million and RMB12,070 million, respectively, accounting for 62.98% of total NPLs. Of which, NPLs of the Head Office mainly came from credit card business. In terms of NPL increment, it was higher in the Yangtze River Delta, which increased by RMB4,237 million as compared with the end of the previous year, and the NPL ratio increased by 0.32 percentage points as compared with the end of the previous year, mainly due to the downgrading of certain corporate clients in the region.

Item (RMB million)	31 December 2023				31 December 2022			
	Total loans	% of total	Total NPLs	NPL ratio (%)	Total loans	% of total	Total NPLs	NPL ratio (%)
Head Office	492,829	11.24	16,154	3.28	488,895	11.81	14,565	2.98
Yangtze River Delta	1,125,915	25.68	12,070	1.07	1,045,578	25.25	7,833	0.75
Pearl River Delta	689,726	15.73	8,061	1.17	630,013	15.21	10,101	1.60
Bohai Rim	701,020	15.99	7,039	1.00	644,316	15.56	7,543	1.17
Northeastern Region	100,418	2.29	1,159	1.15	97,380	2.35	2,237	2.30
Central Region	509,089	11.61	5,420	1.06	497,398	12.01	11,756	2.36
Western Region	660,499	15.06	12,771	1.93	630,687	15.23	14,001	2.22
Institutions outside the Chinese mainland and subsidiaries	105,381	2.40	2,423	2.30	106,877	2.58	1,351	1.26
Total	4,384,877	100.00	65,097	1.48	4,141,144	100.00	69,387	1.68

Note: For details of the geographical distribution of institutions of the Group, please refer to Note 5 “Segment Information” to the financial statements.

(V) Loan distribution by types of collateral

As at the end of the Reporting Period, total secured loans of the Group amounted to RMB2,360,936 million, representing an increase of RMB22,025 million as compared with the end of the previous year, accounting for 53.84% of total loans. Total unsecured loans amounted to RMB1,249,400 million, representing an increase of RMB118,604 million as compared with the end of the previous year, accounting for 28.50% of total loans. Total guaranteed loans amounted to RMB774,541 million, representing an increase of RMB103,104 million as compared with the end of the previous year, accounting for 17.66% of total loans. Due to the downgrading of certain corporate clients and the increase of NPLs of credit card business, the NPL ratio of unsecured loans increased by 0.22 percentage points as compared with the end of the previous year. Total amounts of NPLs and NPL ratios of guaranteed loans and secured loans all decreased.

Item (RMB million)	31 December 2023				31 December 2022			
	Total loans	% of total	Total NPLs	NPL ratio (%)	Total loans	% of total	Total NPLs	NPL ratio (%)
Unsecured loans	1,249,400	28.50	20,031	1.60	1,130,796	27.31	15,637	1.38
Guaranteed loans	774,541	17.66	10,350	1.34	671,437	16.21	14,566	2.17
Secured loans	2,360,936	53.84	34,716	1.47	2,338,911	56.48	39,184	1.68
Of which: Secured by tangible assets other than monetary assets	1,757,179	40.07	29,985	1.71	1,750,267	42.27	33,471	1.91
Secured by monetary assets	603,757	13.77	4,731	0.78	588,644	14.21	5,713	0.97
Total	<u>4,384,877</u>	<u>100.00</u>	<u>65,097</u>	<u>1.48</u>	<u>4,141,144</u>	<u>100.00</u>	<u>69,387</u>	<u>1.68</u>

(VI) Top ten loan customers

As at the end of the Reporting Period, the aggregate amount of total loans to the top ten loan customers of the Group was RMB78,912 million, accounting for 1.80% of total loans and advances to customers and 10.45% of net capital base. The top ten loan customers are as follows:

Item (RMB million)	Amount	% of total loans	% of net capital base
Customer A	26,000	0.59	3.44
Customer B	7,898	0.18	1.04
Customer C	6,800	0.16	0.90
Customer D	6,611	0.15	0.88
Customer E	5,575	0.13	0.74
Customer F	5,500	0.13	0.73
Customer G	5,450	0.12	0.72
Customer H	5,341	0.12	0.71
Customer I	4,912	0.11	0.65
Customer J	4,825	0.11	0.64
Total	<u>78,912</u>	<u>1.80</u>	<u>10.45</u>

(VII) Restructured loans and overdue loans

As at the end of the Reporting Period, total restructured loans of the Group amounted to RMB22,958 million, representing an increase of RMB9,404 million as compared with the end of the previous year, accounting for 0.52% of total loans and advances to customers, representing an increase of 0.19 percentage points as compared with the end of the previous year. Total overdue loans amounted to RMB87,904 million, representing an increase of RMB5,543 million as compared with the end of the previous year, accounting for 2.00% of total loans and advances to customers, representing a slight increase of 0.01 percentage points as compared with the end of the previous year.

Item (RMB million)	31 December 2023		31 December 2022	
	Amount	% of total	Amount	% of total
Restructured loans ^(Note 1)	22,958	0.52	13,554	0.33
Of which: Restructured loans overdue for more than 90 days	12,759	0.29	9,895	0.24
Overdue loans ^(Note 2)	87,904	2.00	82,361	1.99
Of which: Overdue within 3 months	27,853	0.63	22,508	0.54
Overdue from 3 months up to 1 year	32,354	0.74	28,480	0.69
Overdue from 1 year up to 3 years	22,471	0.51	27,069	0.66
Overdue more than 3 years	5,226	0.12	4,304	0.10

Notes:

1. Restructured loans are loans that the loan agreement has been adjusted by the Group in favour of the debtor, or provision of refinancing for the debtor's existing debts, including granting new loans for repayment of previous debts, new debt financing, etc., as a result of financial difficulty of the debtor in order to enable the debtor to repay.
2. Overdue loans are loans that the repayment of principal or interest is overdue for one or more days.

(VIII) Repossessed assets

Item (RMB million)	31 December 2023	31 December 2022
Reposessed assets	5,299	5,479
Of which: Real estate and land use right	2,927	4,551
Motor vehicles	2,287	847
Others	85	81
Allowance for impairment losses	752	959

(IX) Changes in allowance for impairment losses on loans

Item (RMB million)	31 December 2023	31 December 2022
Opening balance	98,868	105,108
Charge for the period, net	39,816	41,695
Write-offs and transfer out during the period	-48,806	-53,919
Recoveries	9,343	7,221
Others	-1,777	-1,237
Ending balance	97,444	98,868

Method for assessing allowance for impairment losses on loans:

According to the Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments (《企業會計準則第22號——金融工具確認和計量》), the Bank calculates the allowance for impairment losses on loans with the expected credit loss model as the basis and the forward-looking information as reference. Of which, for retail loans and corporate loans in phase 1 and phase 2, the allowance for impairment losses is calculated based on risk parameters such as probability of default of customers and loss given default. For corporate loans in phase 3, the allowance for impairment losses is calculated based on the expected recovery of cash flow. In line with the Implementation Rules for Expected Credit Loss Approach of Commercial Banks (Yin Bao Jian Gui [2022] No. 10) (《商業銀行預期信用損失法實施管理辦法》(銀保監規[2022]10號)) and relevant internal management rules, the Bank reviewed and optimised the expected credit loss model on a regular basis, and updated forward-looking information and relevant parameters in a timely manner.

VI. Analysis of Capital Adequacy Ratio

(I) Capital adequacy ratio

The Group calculated its capital adequacy ratio (the “CAR”) in accordance with relevant regulatory provisions. The calculation of the CAR covers the Bank and the financial institutions directly or indirectly invested by the Bank in accordance with regulatory provisions. According to regulatory requirements, during the Reporting Period, the minimum regulatory requirements on the Group and the Bank’s core tier-1 CAR, tier-1 CAR and the CAR were 5%, 6%, and 8%, respectively. Based on the aforesaid minimum capital requirements, provisions of reserve capital, counter-cyclical capital and additional paid-in capital should also be made at the ratios of 2.5%, 0%, and 0.25%, respectively. During the Reporting Period, the core tier-1 CAR, tier-1 CAR, and the CAR of the Group and the Bank should be no less than 7.75%, 8.75%, and 10.75%, respectively.

As at the end of the Reporting Period, the core tier-1 CAR, tier-1 CAR and the CAR of the Group were 9.28%, 10.95% and 13.14%, respectively. The core tier-1 CAR and tier-1 CAR increased by 0.11 percentage points and 0.04 percentage points, respectively, as compared with the end of the previous year. The CAR was the same as compared with the end of the previous year. Among the investees in which the Bank holds the majority equity interest or the right of control, there was one rural bank with regulatory capital shortfall of RMB352 million. The table below sets out the CAR of the Group and the Bank:

Item (RMB million)	31 December 2023		31 December 2022	
	The Group	The Bank	The Group	The Bank
Net core tier-1 capital	533,852	500,186	505,978	473,481
Net tier-1 capital	629,888	595,144	601,999	568,437
Total net capital base	755,416	717,080	725,136	687,392
Core tier-1 capital	537,693	518,265	512,909	494,518
Core tier-1 capital deductions	-3,841	-18,079	-6,931	-21,037
Other tier-1 capital	96,036	94,962	96,021	94,962
Other tier-1 capital deductions	–	-4	–	-6
Tier-2 capital	125,528	121,945	123,137	118,966
Tier-2 capital deductions	–	-9	–	-11
Total risk-weighted assets	5,750,072	5,471,667	5,517,289	5,223,266
Of which: Credit risk-weighted assets	5,413,859	5,159,864	5,144,232	4,870,020
Market risk-weighted assets	65,225	56,493	72,760	66,701
Operational risk-weighted assets	270,988	255,310	300,297	286,545
Core tier-1 CAR (%)	9.28	9.14	9.17	9.06
Tier-1 CAR (%)	10.95	10.88	10.91	10.88
CAR (%)	13.14	13.11	13.14	13.16

As at the end of the Reporting Period, the leverage ratio of the Group was 7.43%, the same as compared with the end of September 2023. The leverage ratio of the Group is as follows:

Item (RMB million)	31 December 2023	30 September 2023	30 June 2023	31 March 2023
Leverage ratio (%)	7.43	7.43	7.29	7.39
Net tier-1 capital	629,888	622,222	615,595	620,321
On-and off-balance sheet assets after adjustment	8,479,272	8,371,927	8,450,150	8,392,807

For details of the regulatory capital, please refer to the section headed “Investors Relations – Announcements and Disclosures – Regulatory Capital” on the Bank’s website (www.cmbc.com.cn).

(II) Evaluation of internal capital adequacy

In accordance with relevant regulatory requirements, the Bank initiated the establishment of a system for evaluating internal capital adequacy. So far, the Bank has established relatively comprehensive evaluation procedures and a governance framework of internal capital adequacy, including risk preference, identification and evaluation of major risks, second pillar capital surcharge, capital plan, and CAR stress testing. The Bank has formulated related policies and systems of internal capital adequacy, which specified the responsibilities of the Board, the Senior Management and related departments in the evaluation procedures of internal capital adequacy. In addition, through continuous establishment and improvement of effective evaluation measures and management procedures, the comprehensiveness and effectiveness of the capital management and risk management of the Bank have been ensured.

(III) Capital plan and CAR management plan

To cope with the complicated economic and financial situation of domestic and international markets, conform to the deepening financial reform, further enhance its capital management to take advantage of the leading role of capital, and to facilitate sustainable and healthy business growth, the Bank formulated the 2024-2026 Capital Management Plan of China Minsheng Banking Corp., Ltd. (《中國民生銀行股份有限公司2024-2026年資本管理規劃》) (the “Capital Management Plan”) in accordance with regulatory requirements and development strategy and business plan, which was considered and approved by the Board. In formulating the Capital Management Plan, the Bank considered factors including domestic and foreign economic and financial situations, capital regulatory trends and continuous promotion of strategic transformation, and the principles and targets for capital management were clarified in the Plan. Adhering to the principle of creating values for its shareholders and the society and on the basis of capital management, the Bank formulated reasonable capital plans, enhanced its capital budget and allocation management, strengthened the capital appraisal and constraints, and promoted the optimisation and adjustment of its business structure, so as to support business development with high quality and efficiency as well as improve the capital utilisation efficiency. In addition, the Bank further improved its evaluation system for internal capital adequacy and capital contingency plan so as to continuously improve capital management.

(IV) Credit risk exposure

The following table sets forth the exposure to credit risk of the Group measured according to the regulatory requirements.

Item (RMB million)	31 December 2023	31 December 2022
On-balance sheet credit risk exposure	7,581,914	7,126,634
Off-balance sheet credit risk exposure	743,125	788,714
Counterparty credit risk exposure	39,693	40,189
Total	<u>8,364,732</u>	<u>7,955,537</u>

The asset-backed securitisation risk exposure of the Group is as follows:

Item (RMB million)	31 December 2023	31 December 2022
Asset-backed securitisation on-balance sheet risk exposure	179,289	214,549
Asset-backed securitisation off-balance sheet risk exposure	27	17

(V) Capital requirements for market risks

The Group adopted standardised approach to measure capital requirements for market risks. The following table sets forth capital requirements for different types of market risk of the Group as at the end of the Reporting Period.

Item (RMB million)	31 December 2023	31 December 2022
Interest rate risk	3,671	3,645
Stock risk	67	302
Foreign exchange risk	1,256	1,834
Commodity risk	157	26
Option risk	67	14
Specific risk of asset-backed securitisation risk exposure in the trading books	—	—
Total	<u>5,218</u>	<u>5,821</u>

(VI) Capital requirements for operational risks

As at the end of the Reporting Period, the capital requirements for operational risks of the Group measured according to basic indicator approach amounted to RMB21,679 million.

VII. Liquidity Indicators

(I) *Liquidity coverage ratio*

As at the end of the Reporting Period, the liquidity coverage ratio of the Group was 146.06%, 46.06 percentage points higher than the regulatory requirements, indicating that the Group had an adequate reserve of high-quality current assets and maintained its liquidity stability.

Item (RMB million)	31 December 2023	31 December 2022
Liquidity coverage ratio (%)	146.06	134.89
High-quality current assets	1,125,729	1,003,957
Net cash outflow in 30 days	770,717	744,278

(II) *Net stable funding ratio*

As at the end of the Reporting Period, the net stable funding ratio of the Group was 106.91%, 6.91 percentage points higher than the regulatory requirements, indicating that the available stable funding sources of the Group was capable to support the sustainable and stable business development.

Item (RMB million)	31 December 2023	30 September 2023	30 June 2023
Net stable funding ratio (%)	106.91	104.25	103.22
Stable funding available	4,408,200	4,251,470	4,307,447
Stable funding required	4,123,164	4,078,014	4,173,138

VIII. Segment Report

The business segments of the Group are categorised as corporate banking business, retail banking business and others for the purposes of management, reporting and evaluation. The geographical segments are categorised into eight including the Head Office, the Yangtze River Delta, the Pearl River Delta, the Bohai Rim, Northeastern Region, Central Region, Western Region, and the institutions outside the Chinese mainland and the subsidiaries for the purposes of management, reporting and evaluation.

(I) Segment operating results by business line

Item (RMB million)	31 December 2023	2023	
	Total assets	Operating income	Profit before income tax
Corporate banking	4,746,660	68,348	26,464
Retail banking	1,869,630	62,316	24,668
Others	1,004,083	6,727	-13,774
Total	7,620,373	137,391	37,358

Item (RMB million)	31 December 2022	2022	
	Total assets	Operating income	Profit before income tax
Corporate banking	4,406,031	67,966	29,290
Retail banking	1,785,335	64,951	23,030
Others	1,008,606	6,302	-15,150
Total	7,199,972	139,219	37,170

Note: Total assets exclude deferred income tax assets.

(II) Segment operating results by geographical region

Item (RMB million)	31 December 2023	2023	
	Total assets	Operating income	Profit before income tax
Head Office	3,369,881	45,538	8,610
Yangtze River Delta	1,260,635	23,333	7,521
Pearl River Delta	758,206	15,502	4,607
Bohai Rim	1,490,154	15,953	3,832
Northeastern Region	154,292	1,689	-2,362
Central Region	563,519	11,650	6,240
Western Region	667,749	14,233	5,703
Institutions outside the Chinese mainland and subsidiaries	397,135	9,493	3,207
Inter-region adjustment	-1,041,198	—	—
Total	7,620,373	137,391	37,358

Item (RMB million)	31 December 2022	2022	
	Total assets	Operating income	Profit before income tax
Head Office	3,245,459	42,044	3,603
Yangtze River Delta	1,231,497	23,163	9,475
Pearl River Delta	684,996	16,357	3,834
Bohai Rim	1,332,535	19,108	8,764
Northeastern Region	169,176	1,950	22
Central Region	545,393	11,121	3,905
Western Region	633,344	15,097	3,334
Institutions outside the Chinese mainland and subsidiaries	364,375	10,379	4,233
Inter-region adjustment	-1,006,803	—	—
Total	7,199,972	139,219	37,170

Note: Total assets exclude deferred income tax assets.

IX. Other Financial Information

(1) Items relating to fair value measurement

1. Internal control system relating to fair value measurement

In order to regulate fair value measurement, improve the quality of financial information, strengthen risk control and protect the legitimate interests of investors and all relevant parties, the Bank has formulated the Administrative Measures Regarding Account Valuation of Financial Instruments at Fair Value of China Minsheng Bank (《中國民生銀行金融工具公允價值入賬估值管理辦法》) based on the Accounting Standards for Business Enterprises (《企業會計準則》), and established a clear and effective governance framework and internal control procedure, expanding the scope of fair value measurement to cover certain financial assets and financial liabilities, and clarifying and refining the policies, methods and procedures for fair value measurement. To enhance the rationality and reliability of fair value measurement, the Bank has assigned specific working responsibilities for fair value measurement to the Board, the Board of Supervisors, the Senior Management and execution bodies at various levels, so as to continuously strengthen research on the fair value measurement of its asset and liability businesses and improve internal valuation capabilities, gradually optimise the valuation models and systems, and to strengthen the verification of parameters obtained externally. Moreover, the Bank has taken strict internal control measures over the fair value measurement process, conducted double-checking system for the measurement of fair value, and adopted a valuation procedure of fair value featuring multiple check and early-warning and monitoring on valuation results, etc. Furthermore, by supervising and checking the measurement scope, methodology and procedures of fair value, the audit departments constantly improved internal control within the Bank.

The Bank has adopted new accounting standards including the International Financial Reporting Standard 9: Financial Instruments (《國際財務報告準則第9號：金融工具》) (IFRS9) and the Accounting Standards for Business Enterprises No. 22-Recognition and Measurement of Financial Instruments (《企業會計準則第22號——金融工具確認和計量》), Accounting Standards for Business Enterprises No. 23-Transfer of Financial Assets (《企業會計準則第23號——金融資產轉移》), Accounting Standards for Business Enterprises No. 24-Hedge Accounting (《企業會計準則第24號——套期會計》) and Accounting Standards for Business Enterprises No. 39-Fair Value Measurements (《企業會計準則第39號——公允價值計量》) promulgated by the Ministry of Finance. During the Reporting Period, the Bank completed the SPPI test, product classification, valuation, and impairment assessment of financial instruments, and conducted fair value measurement in accordance with the new accounting standards.

2. Financial instruments measured at fair value

For details of the scope of the Bank's financial instruments measured at fair value, measurement methodologies and relevant parameters, etc., please refer to Note XI "Fair Value of Financial Instruments" to the Financial Statements.

(II) Overdue and outstanding liabilities

As at the end of the Reporting Period, the Group had no material outstanding liabilities that were overdue.

(III) Cash flow

During the Reporting Period, the Group's net cash flow from operating activities amounted to RMB73,676 million, and the net inflow decreased by RMB92,597 million as compared with the corresponding period of the previous year, mainly due to the decrease in net inflow of deposits and placements from banks and other financial institutions, and the increase in net outflow of loans and advances to customers. The net cash flow from investment activities amounted to RMB41,764 million, and the net inflow increased by RMB154,091 million as compared with the corresponding period of the previous year, mainly due to the increase in cash received from recovery of investments and investment income. The net cash flow from financing activities amounted to -RMB7,260 million, and the net outflow decreased by RMB88,945 million as compared with the corresponding period of the previous year, mainly due to the increase in cash received from issuance of debt securities.

Item (RMB million)	2023	2022	Change
Net cash flow from operating activities	73,676	166,273	Net inflow decreasing by 92,597
Of which: Net deposits and placements from banks and other financial institutions	-237,078	185,579	Net inflow decreasing by 422,657
Net loans and advances to customers	-283,409	-144,656	Net outflow increasing by 138,753
Net borrowings from central bank	180,427	-133,367	Net inflow increasing by 313,794
Net cash flow from investment activities	41,764	-112,327	Net inflow increasing by 154,091
Of which: Cash received from recovery of investments and investment income	1,437,468	1,035,119	Inflow increasing by 402,349
Cash paid for investments	-1,389,186	-1,139,805	Outflow increasing by 249,381
Net cash flow from financing activities	-7,260	-96,205	Net outflow decreasing by 88,945
Of which: Cash received from issuance of debt securities	1,021,482	836,972	Inflow increasing by 184,510
Cash paid for repaying debts	-992,773	-910,525	Outflow increasing by 82,248

X. Operational Concerns

(I) Deposits from customers

During the Reporting Period, the deposits of the Bank increased steadily in scale with continuously optimised structure. As at the end of the Reporting Period, total deposits from customers of the Bank reached RMB4,247,418 million, representing an increase of RMB287,624 million, as compared with the end of the previous year, and an increase of RMB76,310 million, or 7.26%, as compared with the increment in the corresponding period of the previous year, and accounted for 62.23% of total liabilities, representing an increase of 1.05 percentage points as compared with the end of the previous year. Of which, the daily average balance of personal deposits accounted for 26.59% of the daily average balance of various deposits from customers, representing an increase of 4.44 percentage points as compared with the previous year.

During the Reporting Period, focusing on customer demands, the Bank continued to improve products and services and enhanced liability management ability. Meanwhile, the Bank proactively responded to the market trend, enhanced refined management of liability management, optimised liability cost and term structure, and promoted the coordinated development of scale and price of deposits. Looking forward to 2024, the Bank will continue to effectively carry out management of customer groups, optimise resource allocation, strengthen the cultivation of basic customers, exert business linkage efficiency, and facilitate absorption of low-cost settlement deposits, in a bid to promote sustainable deposit growth.

(II) Loan placement

During the Reporting Period, the loans of the Bank maintained steady growth. As at the end of the Reporting Period, total loans and advances to customers of the Bank amounted to RMB4,371,029 million, representing an increase of RMB252,612 million, as compared with the end of the previous year, and an increase of RMB157,031 million, or 6.13%, as compared with the increment in the corresponding period of the previous year, and accounted for 58.77% of total assets, representing an increase of 0.45 percentage points as compared with the end of the previous year.

During the Reporting Period, the Bank conscientiously implemented the decisions and arrangements of the CPC Central Committee and the State Council and the working requirements of the regulators, pursued progress in stability, and served the high-quality development of the real economy. Firstly, focusing on the demand of high-quality development, the Bank worked hard to promote loan placement and strengthened resources guarantee for key areas and weak links to effectively support high-quality development and steady growth of the real economy. As at the end of the Reporting Period, the loans to the manufacturing industry, the inclusive loans to MSEs, and the green credit of the Bank grew by 17.48%, 11.51%, and 46.87%, respectively, all higher than the average growth rate of various loans. Secondly, the Bank proactively integrated into China's regional development strategy, providing stronger support to the key regions such as the Guangdong-Hong Kong-Macau Greater Bay Area, the Yangtze River Delta, Beijing-Tianjin-Hebei, and the Chengdu-Chongqing economic zone. As at the end of the Reporting Period, the proportion of loans to the four key regions amounted to 61.88%, representing an increase of 1.62 percentage points as compared with the end of the previous year. Thirdly, the Bank actively reduced fees and surcharges, deeply optimised products and services, and helped decrease the financing costs for market players in stability.

Looking forward to 2024, the Bank will continue to firmly promote reform and transformation, adhere to serving the real economy, promote the reasonable and moderate growth of credit scale, and more balanced and stable credit placement. Additionally, focusing on the "five major sectors" of sci-tech finance, green finance, inclusive finance, pension finance and digital finance, the Bank will continue to increase loan support for key areas, optimise capital supply, and improve the quality and efficiency of financial services.

(III) Net interest margin

During the Reporting Period, the net interest margin of the Group was 1.46%, representing a decrease of 14BP as compared with the corresponding period of the previous year, mainly due to the decline in pricing on the asset side and the strong rigidity of liability cost. On the asset side, both loan and rate of investment income declined due to the decrease in LPR and low market interest rates. At the same time, insufficient consumption slowed down the growth of high-yield retail loans, weakening their effect on the improvement of asset returns. On the liability side, though the self-regulation cap on deposit rates decreased, the liability cost was still showing a slight upward trend due to the impact of fixed-term inclination of deposits and the US dollar interest rate hikes. The Group proactively responded to market changes, vigorously optimised the asset-liability structure, and pushed for increases in the proportions of deposits and loans, effectively slowing down the decline in net interest margin. During the Reporting Period, the daily average loan balance of the Group accounted for 61.39% of interest-earning assets, representing an increase of 0.30 percentage points as compared with the previous year. The daily average balance of deposits accounted for 62.86% of interest-bearing liabilities, representing an increase of 0.16 percentage points as compared with the previous year.

Looking ahead to 2024, the Group will continue to strengthen net interest margin management, fully grasp market opportunities, promote the growth of quality assets, and accelerate the pace to guide liability cost to decrease. In terms of assets, the Group will firmly implement the national strategic arrangements, provide more support to the “five major sectors”, unswervingly implement the work requirements of finance serving the real economy, constantly increase the proportion of loans in assets, while continuing to vigorously promote the growth of retail loans, and steadily build a high-quality asset structure. In terms of liabilities, focusing on the goal of maintaining the appropriateness of liability cost, the Group will strive to achieve coordinated development of liability scale and price, and focus on promoting the growth of low-cost settlement-based demand deposits. Additionally, the Group will effectively take advantage of the opportunity to reduce the self-regulation cap on deposit rates to guide the rapid decline of liability cost, and will make every effort to alleviate the downward pressure on net interest margin by “optimising the structure and reducing costs”.

(IV) Net non-interest income

During the Reporting Period, the net non-interest income of the Group amounted to RMB34,960 million, representing an increase of RMB3,204 million, or 10.09%, as compared with the corresponding period of the previous year, and accounted for 25.45% of operating income, representing an increase of 2.64 percentage points as compared with the corresponding period of the previous year. Of which, settlement, agency and trading income effectively supported the growth of non-interest net income.

Firstly, the income from basic services increased in stability. Focusing on basic settlement scenarios, the Bank deeply explored customer demands, and carried out basic settlement services around scenarios such as payment, corporate tax payment, payroll agency, fund supervision and cross-border foreign trade. During the Reporting Period, the number of transactions of fast payment of debit card of the Bank increased by 2,144 million, representing an increase of 17.61% as compared with the corresponding period of the previous year. The business volume of cross-border RMB settlement of the Bank amounted to RMB218,776 million, representing an increase of 107.87% as compared with the corresponding period of the previous year. The daily average balance of general deposits of settlement customers of the Bank amounted to RMB1,291,649 million, representing an increase of RMB193,927 million, or 17.67%, as compared with the previous year. During the Reporting Period, the income from settlement business of the Group amounted to RMB1,968 million, representing an increase of RMB349 million, or 21.56%, as compared with the corresponding period of the previous year.

Secondly, the contributions of agency business increased. The Bank continued to deepen the standardised management of the general customer group and the professional management of the wealth customer group, practised sound wealth management system, and continued to enrich the full-scenario shelves of wealth management products to meet the needs of customers for stable investment. As at the end of the Reporting Period, total retail AUM of the Bank amounted to RMB2,741,086 million, representing an increase of 6.78% as compared with the end of the previous year. During the Reporting Period, the income from agency business of the Group amounted to RMB5,888 million, representing an increase of RMB419 million, or 7.66%, as compared with the corresponding period of the previous year.

Thirdly, the income from investments increased as compared with the corresponding period of the previous year. The Bank seized market opportunities to increase bonds allocation and circulation, and improved asset valuation, achieving growth in the overall income as compared with the corresponding period of the previous year. During the Reporting Period, the net income from investment securities of the Group amounted to RMB8,529 million, representing an increase of RMB4,172 million, or 95.75%, as compared with the corresponding period of the previous year.

(V) Formation and collection and disposal of non-performing assets

The Bank constantly enhanced the full-process management of credit risks, gave play to the leading role of risk preference and credit policy, optimised the management of credit lines of the Group and industry limits, and continued to adjust and optimise the credit structure. The Bank released the efficiency of the reform on the credit approval system, implemented the three-level post-loan management mechanism of “execution, management and supervision”, strengthened early warning and monitoring to prevent potential risks, and strictly implemented risk prevention and control in key areas, so as to effectively prevent new credit risks. During the Reporting Period, the formation rate of NPLs¹ of the Bank was 1.58%, representing a decrease of 0.43 percentage points as compared with the corresponding period of the previous year. The formation rate of NPLs of the Bank decreased in three consecutive years. Of which, the formation rates of NPLs of corporate business, small business, mortgage and consumer loan business all recorded decreases as compared with the corresponding period of the previous year.

The Bank continuously advanced the collection and disposal of non-performing assets, adhered to the philosophy of managing non-performing assets, further optimised the asset preservation management model, improved supporting mechanisms to give full play to management efficiency, and intensified the results of collection and disposal by refining the segmentation and classification of assets and taking comprehensive measures. During the Reporting Period, the Bank collected and disposed a total of RMB78,756 million non-performing assets, including RMB69,926 million NPLs. Divided by disposal method, RMB25,155 million NPLs were written off, RMB22,960 million were transferred, RMB10,086 million were collected in cash, RMB10,524 million were securitised, and RMB1,201 million were collected and disposed through repossession and other methods. RMB8,830 million non-credit non-performing assets were also collected and disposed. Meanwhile, the Bank consistently tapped the recovery clues of written-off assets to effectively reduce loss and improve recovery value, achieving sound results. During the Reporting Period, the Bank recovered RMB10,112 million written-off loans, representing an increase of 22.44% as compared with the corresponding period of the previous year.

¹ Formation rate of NPLs=New NPLs of the period/total loans and advances to customers as at the beginning of the period ×annualised coefficient.

In the next stage, the Bank will pay close attention to changes in the macroeconomic situation and formulate forward-looking risk prevention and mitigation measures to maintain continuous improvement in asset quality. The Bank will firmly promote the refined and dynamic management of credit policies and risk authorisation, give full play to the effectiveness of policies, and promote the high-quality development of credit business. The Bank will strengthen access management, improve the ability to select industries and customers, and ensure that the Bank will expand access to some industries and customers while controlling or reducing access to others. The Bank will continue to strengthen the daily monitoring and risk investigation of key industries, key institutions, and key customers, and actively and prudently prevent and control risks in key areas. Additionally, the Bank will continue to strengthen the disposal of non-performing assets, deepen the leading role of valuation in collection and disposal, and give full play to the role of asset preservation in stopping loss and impairment, in a bid to improve the effectiveness of recovery of non-performing assets.

(VI) Risk management and control of the real estate industry

The Group attached great importance to the risk prevention in the real estate sector and thoroughly implemented relevant national policies and regulatory requirements concerning the real estate industry. Following the general principles of “stabilising total amount, adjusting structures, strengthening management and controlling risks”, and based on the new model for real estate development, the Group supported the “three major projects” such as affordable housing and the rental housing financial services, and maintained reasonable credit support for high-quality real estate NSOEs. Meanwhile, the Group strengthened risk tracking and monitoring of key real estate enterprises, adopted multiple measures and effectively managed projects in their durations in a segmented and classified manner.

As at the end of the Reporting Period, the balance of credit business assuming credit risks, such as loans, off-balance sheet credit, standard debt investment, non-standard debt investment and bond investment in relation to corporate real estate business of the Group was RMB419,674 million, representing a decrease of RMB28,319 million, or 6.32%, as compared with the end of the previous year. Of which, the balance of loans to the real estate industry was RMB346,298 million, representing a decrease of RMB17,046 million, or 4.69%, as compared with the end of the previous year, and accounted for 82.52%. The balance of off-balance-sheet credit businesses, such as letters of guarantee, amounted to RMB2,775 million, representing a decrease of RMB673 million as compared with the end of the previous year. The balance of commercial mortgage-backed securitisation (CMBS), mortgage-backed securitisation (MBS) and other asset-backed securities businesses amounted to RMB27,284 million, representing a decrease of RMB8,223 million as compared with the end of the previous year. The balance of interbank investments amounted to RMB30,742 million, representing a decrease of RMB2,477 million as compared with the end of the previous year. The balance of real estate corporate debts business amounted to RMB10,831 million, representing an increase of RMB447 million as compared with the end of the previous year. The real estate business assuming credit risks of the Group was mainly project financing, and the projects were mainly concentrated in the tier-1 and tier-2 cities, and were secured by project lands and construction projects in progress as collaterals, and additional equity pledges of the project companies and guarantees of their group companies. The risks of real estate business were generally controllable. As at the end of the Reporting Period, the balance of non-performing loans of corporate real estate business of the Bank amounted to RMB17,038 million, representing an increase of RMB1,493 million as compared with the end of the previous year and a decrease of RMB2,560 million as compared with the end of the first half of 2023. The NPL ratio of corporate real estate business of the Group was 4.92%, representing an increase of 0.64 percentage points as compared with the end of the previous year and a decrease of 0.21 percentage points as compared with the end of the first half of 2023.

As at the end of the Reporting Period, the balance of businesses not assuming credit risks in relation to the real estate industry of the Group, such as net-worth wealth management, entrusted loans, and debt financing instruments with the Bank as the leading underwriter, amounted to RMB64,609 million, representing an increase of RMB2,260 million, or 3.62%, as compared with the end of the previous year. The business scale was small on the whole. Of which, the balance of net-worth wealth management business amounted to RMB24,913 million, representing an increase of RMB1,686 million as compared with the end of the previous year. The balance of bond underwriting business amounted to RMB35,625 million, representing an increase of RMB682 million as compared with the end of the previous year. The balance of entrusted loans business amounted to RMB4,071 million, representing a decrease of RMB108 million as compared with the end of the previous year.

In the next stage, the Group will continue to strictly implement the national decisions and deployments and regulatory requirements concerning the real estate industry, actively respond to national policies, and advance the implementation of the “16 financial measures” and the urban real estate financing coordination mechanism, so as to promote the steady and healthy development of its real estate business. On the one hand, the Group will adhere to the “two unwaverings (to unswervingly consolidate and develop the public sector of the economy and to unswervingly encourage, support and guide non-public economic development)” and equally meet the reasonable financing needs of real estate enterprises of different ownerships. Based on the new model for real estate development, the Group will increase credit placements in the “three major projects” as well as the rental housing sector. Additionally, the Group will optimise customer and business structures and support residential projects with ordinary rigid needs and improvement needs as well as operational property mortgage financing projects in a steady and orderly manner. On the other hand, the Group will intensify post-loan management of existing projects in the real estate sector and actively cooperate with local governments in various tasks of “ensuring housing project delivery, safeguarding people’s livelihood and securing stability”. The Group will adopt multiple measures and move faster to defuse financial risks of existing real estate projects in accordance with the principles of market orientation and rule of law. It is expected that in the context of macroeconomic recovery and stabilisation of real estate market, the risks of the real estate sector of the Group will be generally controllable.

(VII) Capital management

During the Reporting Period, the Group took “enhancing efficiency, creating values, strengthening constraints, optimising structure, strengthening endogenous accumulation and replenishing reasonably” as the principle of capital management, continuously adjusted the asset-liability structure, fully guaranteed credit placement, guided the reasonable and effective allocation of resources, and promoted strategic transformation and value enhancement. As at the end of the Reporting Period, the Group’s core tier-1 CAR, tier-1 CAR and CAR were 9.28%, 10.95% and 13.14%, respectively, remaining stable in general.

With the official implementation of additional regulatory requirements on systemically important banks and the revised Capital Rules for Commercial Banks, the Bank will deepen the concept of capital conservation, strictly control capital consumption, optimise the structure of capital occupation, and improve capital efficiency. At the same time, the Bank will continue to improve the capital replenishment mechanism, actively expand financing channels, replenish capital in due time and appropriate amount, and improve the capital adequacy level and risk resistance capability of the whole bank.

XI. Review of Main Businesses

(I) Corporate banking business

1. Strategic measures

During the Reporting Period, the Bank constantly optimised the layered and classified customer management system, built a business system consisting of multiple drivers of “strategic customer group + basic customer group + small business customer group + institutional customer group” and a business system with two wings of “basic products + eco-finance”, and promoted the transformation of corporate business operation model, so as to improve the sustainable development capability of corporate business. Meanwhile, the Bank actively integrated itself into the great picture of national development, thoroughly implemented the spirit of the Central Financial Work Conference, regarded corporate finance as a vital method for promoting the high-quality development of the real economy, and continued to strengthen financial support for green finance, rural revitalisation, high-end manufacturing and other important fields of the real economy, in an effort to fulfill “Minsheng Bank’s responsibility”.

During the Reporting Period, the corporate business of the Bank maintained a steady growth. As at the end of the Reporting Period, the balance of corporate deposits of the Bank amounted to RMB3,054,420 million, representing an increase of 3.50% as compared with the end of the previous year. The balance of general corporate loans amounted to RMB2,346,175 million, representing an increase of 9.13% as compared with the end of the previous year.

2. Management of customer groups

The integrated management of micro, small, medium, large enterprises and individual customers driven by strategic clients was deepened continuously. During the Reporting Period, the Bank implemented the service philosophy of “being customer-centric and creating value for customers”, consolidated the marketing relationship with strategic clients, extended their industry chains, jointly built up ecosystems with them, and has made achievements in the following three areas:

Firstly, head office-to-head office marketing was enhanced constantly, making the foundation more “solid”. During the Reporting Period, the Bank held altogether 198 high-level meetings, and signed head office-to-head office strategic cooperation agreements with 33 strategic clients. As at the end of the Reporting Period, the Bank had 1,689 strategic clients at Head Office and branch levels, representing an increase of 338 as compared with the end of the previous year. The balance of deposits amounted to RMB1,253,093 million, representing an increase of 10.42% as compared with the end of the previous year. The balance of loans (including discounted bills) amounted to RMB1,167,734 million, representing an increase of 8.68% as compared with the end of the previous year.

Secondly, the driving force of pivot was strengthened constantly, making the chain “longer”. During the Reporting Period, the Bank centred on strategic clients to develop the supply chain customer conventions (客商大會) with the theme of “Supply Chain-Based Development (以鏈為基, 綻放光芒)”. A total of 101 conventions were hosted throughout the year, enabling the acquisition of nearly 10,000 clues of customers along the supply chains. As at the end of the Reporting Period, the balance of eco-finance business of the Bank amounted to RMB147,062 million, representing an increase of RMB73,348 million as compared with the end of the previous year. The number of financing corporate clients along the supply chains was 19,142, representing an increase of 11,753 as compared with the end of the previous year.

Thirdly, the empowerment benefits packages were constantly iterated, making the ecosystem “wider”. During the Reporting Period, the Bank iterated and upgraded 24 benefits in the three segments of Vpac (VIP Package) benefits for existing strategic clients to 28 benefits in four segments. The Bank primarily released the segment of alliance with other industries, aiming to provide comprehensive and customised solutions for its strategic clients from the five perspectives of clothing, food, housing, travel and welfare, and to deepen the ecosystem of cooperation with strategic clients. During the Reporting Period, the Bank witnessed 550 newly contracted strategic clients for payroll agency, representing an increase of 273 as compared with the corresponding period of the previous year, which brought it 195,600 new individual customers, representing an increase of 49,100 as compared with the corresponding period of the previous year. The scale of payroll agency amounted to RMB35,266 million, representing an increase of RMB7,827 million as compared with the corresponding period of the previous year. The new payroll agency clients brought 39,700 contracted customers of consumer loans, with an approval amount of RMB8,313 million.

The new system for basic customer group management was deepened and implemented in an orderly and in-depth manner. During the Reporting Period, the Bank proactively responded to national policies and regulatory requirements, resolutely implemented relevant decisions and deployments of the Board and the Party Committee of the Bank in relation to “finance supports the real economy and serves SMEs”, adhered to the “customer-centric” philosophy, constantly enhanced the development of corporate basic customer group, reinforced the cultivation of basic customer group, and concentrated efforts on promoting the orderly implementation of the new system for basic customer group management. The Bank entrenched the supporting measures such as distinctive model, non-financial benefits, marketing support, digital operation and risk synergy, steadily released the new momentum of the basic customer group, and continuously established the differentiated competitiveness. The Bank further improved the comprehensive financial services for the basic customer group with concrete actions, and increased the sense of gain and satisfaction of SMEs.

Firstly, the effectiveness of distinctive business models was elevated. During the Reporting Period, the Bank focused on “points, chains, ecosystems and parks” and regional distinctive models, formed 143 plans of distinctive models under seven themes, helped achieve batch customer acquisition and precise marketing under the guidance of the models, and guided the development orientation of the basic customer group. Secondly, the non-financial benefits system for the basic customer group was established. During the Reporting Period, the Bank released the Benefits Manual for Micro, Small and Medium Enterprise Customers (《中小微企業客戶權益手冊》) and the benefits platform of “E-Minsheng Family”, which covered the four series of “operation, intelligence, benefits and family (營、智、惠、家)”, forming the comprehensive service solution covering the full cycle and whole journey of the basic customer group to create “financial + non-financial” differentiated comprehensive services. Thirdly, the quality and efficiency of the “Park Visits (園區萬里行)” was advanced. During the Reporting Period, the Bank launched the marketing activity of “Park Visits” in 2023 under the theme of “Park Visits for Joint Success (園於初心, 成於同行)”, which promoted the head office-to-head office cooperation with industrial parks including JD.com and Liando, introduced the working paradigm for park activities, empowered the frontline to improve the cultivation and comprehensive development of the basic customer group, and constantly elevated the market influence of the Bank in serving parks. Fourthly, the digital operation capacity was enhanced. During the Reporting Period, the Bank launched the corporate Weixin accounts for enterprises, developed the working paradigm for digital marketing, and carried out precise and namelist-based digital marketing to empower business transformation and development. As at the end of the Reporting Period, the balance of credit to SMEs of the Bank amounted to RMB842,209 million, representing an increase of 22.87% as compared with the end of the previous year. The number of SME customers of loans was 28,193, representing an increase of 47.48% as compared with the end of the previous year.

In the meantime, the Bank proactively implemented the national strategy of building technology power, and took multiple measures to enhance support for sci-tech innovation enterprises represented by dedicated, refined, distinctive and innovative (DRDI) enterprises. Firstly, the Bank enriched the products of “Equity Investment, Debt Financing, Wealth Management and Wisdom Consulting (投、融、富、慧)” in the Easy Innovation (易創) product system, and launched the online unsecured loan product of “E-Easy Innovation Loan” to improve the quality and efficiency of customer services. Secondly, the Bank improved the establishment of the “Sparks Platform (螢火平台)” covering customer evaluation, financial products, industry research support and eco-system empowerment, to consolidate the service foundation for the sci-tech innovation customer group. Thirdly, the Bank continued to host series marketing activities such as “Easy Growth for the Future (易成長•創未來)” and “Inside the Little Giant Enterprises (走進小巨人)” to create sci-tech innovation brands. As at the end of the Reporting Period, the Bank provided in-depth services for more than 18,000 DRDI customers.

Primary-level marketing for the institutional customer group was enhanced while steadily promoting high-quality business development. The Bank regarded high-quality and sustainable development as the main operating target, remained customer-centric, relied on qualification development and primary-level marketing while being committed to becoming the preferred bank of administrative bodies, public institutions, social organisations and other institutional customers at all levels. As at the end of the Reporting Period, the number of institutional customers of the Bank amounted to 34,182, representing an increase of 12.42% as compared with the end of the previous year.

Qualification development was strengthened while enhancing primary-level marketing. During the Reporting Period, the Bank enhanced the qualification development of institutional business, and successfully won the bid of centralised payment agent for the central finance and the state treasury, marking that the Bank has become a systematic bank providing specialised financial services for the central government. The Bank pushed marketing down to the primary-level areas, intensively cultivated primary-level administrative and public institutions in districts, counties, townships, sub-districts and communities, as well as hospitals, schools, sports, publication and other segmented fields, so as to provide services for primary-level institutional customers and consolidate the foundation of institutional customers.

Comprehensive services were optimised while fulfilling social responsibility. The Head Office took the lead in establishing the special marketing working programme, continuously conducted marketing services of medical insurance business in four major areas, and proactively supported various regions in reforming medical insurance to provide benefits and convenience for the public. The Bank signed strategic cooperation agreements with the People's Government of Xinjiang Uygur Autonomous Region, Chongqing Municipal People's Government and other local governments to provide financial services and support for local governments. The Bank underwrote local government bonds to vigorously support the efforts of local governments to ensure the people's well-being and economic development. As at the end of the Reporting Period, the investment in local bonds amounted to RMB179,478 million. The Bank also proactively participated in the successful issuance of overseas bonds by Shenzhen Municipal People's Government.

3. *Implementation of policies*

Policy finance: comprehensively implementing national strategic arrangements and vigorously supporting the development of the real economy

The model of green finance products was innovated constantly. During the Reporting Period, the Bank maintained strategic focus, resolutely implemented national low-carbon transformation strategy, proactively integrated itself into the great picture of green development, constantly improved the multidimensional marketing management system, and continuously improved the quality and efficiency of green finance services. Firstly, by focusing on clean energy, low-carbon transformation, clean production, green building, eco-system governance and other key fields, the Bank closely followed national industrial development plans, met the green development demands of strategic clients and local enterprises with distinctive features, and provided comprehensive services along full industry chains. Secondly, the Bank continued to enrich and iterate the products of “Green Investment Express, Green Finance Express, Green Supply Chain Express and Green Operation Express (綠投通、綠融通、綠鏈通、綠營通)” in the “Minsheng Carbon Peak and Carbon Neutrality” product and service system, and enhanced the innovation of product and comprehensive service models under segmented scenarios. The Bank vigorously promoted the product of “Emission Reduction Loan (減排貸)” by centring on the “carbon emission reduction supporting tools” released by the PBOC, to support clean energy and low-carbon technology transformation projects. The Bank optimised the product of “E-Carbon Loan (碳e貸)” to jointly facilitate the green and low-carbon development of MSMEs. Focusing on energy, transportation, infrastructure construction, cultural tourism and other fields, the Bank stepped up innovation and popularisation of green bonds, providing low-cost capital support for green and low-carbon transformation of high-quality enterprises. Additionally, the Bank proactively built investment ecosystems, and launched the comprehensive service solutions for the energy storage industry and the financial service solutions for the iron and steel industry, with a focus on the green development of the energy storage industry and the green transformation of the iron and steel industry. Thirdly, the Bank intensified marketing in key regions, successively promoted green credit business in the Yangtze River Delta, Beijing-Tianjin-Hebei, the Guangdong-Hong Kong-Macao Greater Bay Area, and central and western key regions, and strengthened visits to strategic clients in clean energy, green manufacturing, exchanges and other key fields, so as to jointly facilitate the green and low-carbon development of these regions. Fourthly, the Bank carried out innovation and exploration of carbon finance, and reinforced the collateral-related policy development. The Bank closely tracked market dynamics and financing demands for green upgrading and transformation of industrial sectors, deepened cooperation with carbon trading exchanges, and successfully implemented multiple emission rights-based secured loans and carbon allowance-based pledge loans.

As at the end of the Reporting Period, the balance of green credit of the Bank amounted to RMB264,241 million, representing an increase of 46.87% as compared with the end of the previous year, with higher growth rate than the average of all loans. Thanks to the outstanding performance in green and low-carbon fields, the Bank was awarded a number of awards, including the “Advanced Unit in Green Bank Evaluation” by the Professional Committee for the Green Credit Business of China Banking Association, the “Low-carbon Role Model of 2023 (2023年度低碳榜樣)” by the China News Service, “Zero Carbon Future • Green Finance ESG Innovative Practice Cases (0碳未來•綠色金融類ESG創新實踐案例)” by the wallstreetcn.com, “2023 Innovative and Excellent Institution of ESG Financial Service (2023年度銀行家ESG金融服務創新卓越機構)” by the Chinese Banker, “2023 Outstanding Green Finance Practice Bank (2023年度卓越綠色金融實踐銀行)” by The Economic Observer, and “Green Financial Service Institutions of 2023 (2023年度綠色金融服務機構)” by China Times.

Feature 1: Serving “Carbon Peak and Carbon Neutrality” Goals and Strengthening Innovation in Carbon Finance

The Bank actively served the financing needs of enterprises for green upgrading and transformation, deepened cooperation with national and regional carbon trading exchanges, strengthened the exploration of carbon finance business models, and launched multiple innovative carbon allowance-based pledge businesses.

The Shenyang Branch of the Bank cooperated with a subsidiary of a central enterprise, established a professional service team to innovate the cooperation model, effectively solved the problem of “difficult supervision” and “difficult disposal” of carbon rights-based pledge, and provided a carbon emission allowance-based pledge loan of RMB100 million to the enterprise, revitalising its “carbon assets” and expanding its financing channels.

In order to address the operating turnover of a private small and medium-sized manufacturing enterprise and meet its financing demands for energy conservation and carbon reduction, the Wuhan Branch of the Bank issued a one-year-term carbon allowance-based pledge loan of RMB3 million to the enterprise. As the first carbon allowance-based pledge loan in local carbon market after the implementation of the Operational Guidelines for Carbon Emission Rights-Based Pledge Loans in Hubei Province (Provisional) (《湖北省碳排放權質押貸款操作指引(暫行)》), it helped the enterprise revitalise carbon assets, expand the financing channels for energy conservation and carbon reduction, and improve the capability of green and low-carbon development.

The Shanghai Branch of the Bank issued the first domestic letter of credit pledged with carbon emission allowance in Shanghai for a foreign-funded enterprise. On the basis of sound cooperation, the Shanghai Branch continued to serve the upstream and downstream supply chain of the enterprise' production of quality chemical fiber products, and accelerated the exploration of new paths and new models of financial support for green development. It established a task force, streamlined the financing process, provided special green channels, and developed and designed the innovative financial product of pledge of carbon emission allowances to issue domestic letter of credit. This guided the flow of corporate bills towards green raw material procurement and other fields, and further expanded and extended the green supply chain.

The Bank supported comprehensive rural revitalisation with finance. During the Reporting Period, the Bank resolutely implemented the strategy of fully advancing rural revitalisation and strengthening the building of agricultural power, proactively fulfilled ESG responsibilities, built a distinctive and differentiated rural revitalisation product and service system by focusing on five aspects, and enhanced financial supply capability related to agriculture, rural areas and farmers, so as to make economic and social achievements and further improve the quality and efficiency of the Bank's services.

Firstly, the Bank supported the enhancement and upgrading of industry chains by focusing on leading enterprises. During the Reporting Period, around the demands of leading enterprise in five sectors, i.e. "grain, milk, meat, cotton and liquor", the Bank created an exclusive business model and product portfolio covering all kinds of scenarios in the industry chains of agriculture by taking "Agricultural Chain Express (農鏈通)" series of business as the carrier.

Secondly, the Bank provided exclusive service solutions by focusing on regional characteristics. During the Reporting Period, the Bank released exclusive service solutions for micro, small and medium customers of river snail rice noodle industry chain in Liuzhou, Guangxi Province, to improve the financial services for new-type agricultural operation entities and facilitate the industrial development and transformation. On the other hand, the Bank utilised the digital service system and cotton planting & trading data of the China National Cotton Exchange to realise the online application, approval and disbursement of special loans for cotton planting, which effectively met the production demands of the cotton growers and empowered the development of the cotton industry.

Thirdly, the Bank expanded the radius of services by focusing on convenient functions. During the Reporting Period, by conducting extensive cooperation with governments, various institutions and leading enterprises and making full use of digital technology means, the Bank effectively addressed information asymmetry, low process efficiency, high financing price, poor availability and other issues in traditional rural financial services, providing accessible high-quality services for individual farmers. The Bank provided the online credit-based product of “Agricultural Loan Express” for agricultural growers in Heilongjiang Province and offered financial support for farmers to install photovoltaic equipment on their roofs.

Fourthly, the Bank enhanced customer experience by focusing on the service system. During the Reporting Period, leveraging emerging technologies based on big data and the internet, the Bank continuously launched a series of universally-applicable online credit-based loan services such as “Minsheng Benefits” and “Minsheng Express Loan (民生快贷)” for the MSMEs. In response to the needs of agricultural product export processing enterprises, the Bank developed a dedicated product of “E-Export Finance (出口e融)” solution aimed at solving the capital problem of enterprises, effectively improving the efficiency of capital turnover and promoting the export of agricultural products.

Fifthly, the Bank achieved win-win results by focusing on cooperation with chambers of commerce. During the Reporting Period, the Bank established close cooperation with the Agriculture Industry Chamber of Commerce of ACFIC, gave full play to the advantages of both sides, actively integrated agricultural and rural resources, jointly built the platform for connecting industrial services and production and marketing channels, provided high-quality financial services for member enterprises, jointly explored new models of rural revitalisation, and worked with the chamber of commerce to promote the high-quality development of agriculture.

As at the end of the Reporting Period, the balance of loans related to agriculture, rural areas and farmers of the Bank amounted to RMB373,576 million, representing an increase of RMB41,970 million, or 12.66%, as compared with the end of the previous year. Both the amount and the rate of increment reached the best level in recent years. Loans for consolidating the results of poverty alleviation achieved double increases, i.e. loans to the areas lifted out of poverty and the loans to the counties receiving focused paired assistance from the State in rural revitalisation increased by RMB3,118 million and RMB1,749 million, respectively, as compared with the end of the previous year.

The efficiency of services for the manufacturing industry improved significantly. During the Reporting Period, the Bank comprehensively implemented the decisions and deployments of the CPC Central Committee and the State Council for “implementing the strategy of building China into a leading manufacturer” as well as the spirit of the Central Financial Work Conference, proactively seized the opportunities in the high-end, intelligent and green development of the manufacturing industry, and consistently intensified financial support by focusing on key areas such as advanced manufacturing industry, non-stated-owned manufacturing industry, green manufacturing industry and small and medium-sized manufacturing industry. The Bank closely focused on industrial policies and regional planning of the manufacturing industry, strengthened planning guidance, released marketing guidelines, clarified development strategies for key areas, and improved the capability of precise marketing services. Centring on manufacturing enterprises in equipment upgrade, technical transformation, low-carbon transformation, merger and reorganisation and other scenarios, the Bank enhanced mid- and long-term financial support. By making full use of M&A, syndicated and project loans as well as eco-finance products such as E-Credit Finance (信融e) and E-Order (訂單e), the Bank provided integrated financial service solutions for MSMEs and large enterprises in the manufacturing industry. In addition, the Bank strove to intensify innovation in product models, and launched new products such as “E-Easy Innovation Loan” and Intellectual Property Loan (知識產權貸), to further facilitate the financing for sci-tech manufacturing enterprises. At the same time, diversified themed activities such as “Minsheng Benefits for Enterprises (民生益企行)”, “Supply Chain-Based Development”, “Easy Growth for the Future” were held, and the government-bank-enterprise relationship was upgraded to a new level.

As at the end of the Reporting Period, the balance of loans to the manufacturing industry of the Bank amounted to RMB463,487 million, representing an increase of 17.48% as compared with the end of the previous year, and accounted for 10.60% of total loans of the Bank, representing an increase of 1.02 percentage points as compared with the end of the previous year.

4. Product support

Transaction banking: consolidating the foundation of digital and intelligent products and creating new service experience for customers

During the Reporting Period, based on the eight basic needs of enterprises, i.e. “business, finance, tax, expense, bill, letter of credit, foreign exchange and financing”, the Bank established and optimised the product system of transaction banking, consolidated the foundation of digital and intelligent products, and developed product solutions including basic packages, recommended packages, exclusive packages and premium packages according to customer demands, providing corporate clients with the full-process facilitation services from account management, payment and settlement to trade financing.

The Bank provided new payment and settlement experience for corporate clients with digital products. During the Reporting Period, the Bank iterated and upgraded the “E-Account Opening (開戶e)” series products, and provided self-service options for enterprises such as online change of account information and online adjustment to limits for internet banking, continuously enhancing the experience of account services. The Bank pushed forward the wide application of tax payment agency, payroll agency and other basic services, and launched payment, settlement and fund supervision solutions for hot scenarios and industries including macro consumption, new energy vehicle sales, and supervision of wages of migrant workers. It also built the brand of “Minsheng Treasury Cloud (民生財資雲)” to empower the digital management of enterprises. During the Reporting Period, the daily average balance of general deposits of settlement customers of the Bank amounted to RMB1,291,649 million, representing an increase of RMB193,927 million, or 17.67%, as compared with the previous year.

The Bank improved operation efficiency of enterprises with full-process online trade financing products. During the Reporting Period, the Bank launched the full-process e-letter of credit, which supported buyers and sellers to handle business via internet banking in a one-stop manner. It iterated and upgraded e-letter of guarantee (e-LG) 3.0, and launched the “e-LG-Business and Finance Express (電子保函－業財直通車)” to achieve coordination between business personnel and financial personnel of enterprises. The business volume of e-LG amounted to RMB48,291 million, representing an increase of 52.93%, as compared with the corresponding period of the previous year. 14,507 e-LGs were handled, representing an increase of 85.11%, as compared with the corresponding period of the previous year. The Bank reshaped the end-to-end process of factoring business, comprehensively put into operation the new system platform for factoring, and provided account receivable financing services for customer groups in key industries such as the manufacturing industry. The business volume of factoring amounted to RMB169,551 million, representing an increase of 80.03%, as compared with the corresponding period of the previous year. The Bank promoted the construction of the new-generation bills business system, and continuously expanded the customer groups served by advantageous products such as self-service discounting, “Acceptance and Discount Express (承貼直通車)”, and “Bills Butler 4.0 (票據管家4.0)”. As at the end of the Reporting Period, the balance of bills discounting of the Bank amounted to RMB277,579 million, representing an increase of RMB31,524 million, or 12.81%, as compared with the end of the previous year.

The Bank continuously elevated the facilitation level for cross-border finance. During the Reporting Period, focusing on the demands and experiences of enterprises, the Bank made constant iterations and upgrades in terms of smart products, online processes, convenient services, and diversified scenarios, providing high-quality cross-border financial services for more than 29 thousand enterprises. For import and export MSMEs, the Bank launched smart credit granting products including “E-Export Finance” and “E-Customs Express (關e 通)”, effectively solving the pain points of difficult and high-cost financing faced by MSMEs. The Bank continued to elevate its online operation capability of products, and provided enterprises with online cross-border financial services of the full life cycle covering account opening, settlement, exchange, and financing, reducing the cost of enterprises in counter formalities handling. In collaboration with government departments, insurance companies and other institutions, the Bank organised 34 special promotion meetings for nearly 2,000 enterprises in multiple cities across China, analysing and interpreting foreign exchange policies, international trade status and exchange rate trends to nearly 500 thousand participants through online and offline channels, so as to support the creation of new development models by enterprises in the new era and under new business formats.

The Bank became the first bank in China to launch the pilot program of foreign exchange business facilitation, and continuously promoted RMB internationalisation. The Bank constantly improved the internal control system, established a full-process mechanism for foreign exchange business facilitation, and created a bank-wide unified digital foreign exchange business facilitation platform. The Shenzhen Branch, the Chongqing Branch and the Suzhou Branch took the lead nationwide in launching the pilot program of foreign exchange business facilitation, and handled nearly USD4.2 billion facilitation business for pilot enterprises. The Bank continuously promoted RMB internationalisation. During the Reporting Period, the business volume of cross-border RMB settlement of the Bank amounted to RMB218,776 million, representing an increase of 107.87% as compared with the corresponding period of the previous year.

Feature 2: Empowering the Iteration and Upgrading of Corporate Accounts with Digital Intelligence and Enhancing Basic Financial Service Capabilities

The Bank proposed the service philosophy of “taking account as the first product delivered to customers”, systematically improved the “integrated” and coordinated management of corporate accounts from the perspective of customers, and formulated differentiated account management strategies, to enhance the convenience and sense of gain of corporate clients in enjoying basic financial services. The Bank launched a unified due diligence platform, applied financial technologies such as the “Account Robot (賬戶機器人)” and the robotic process automation (RPA), effectively utilised internal and external data, and upgraded the product of E-Corporate Account Opening 2.0 (企業開戶e2.0). The Bank realised self-service change of account information and self-service adjustment to limits for corporate internet banking, significantly enhancing the convenience of daily use of corporate accounts.

At the same time, the Bank actively practised the “Account + (賬戶+)” product and service concept, and linked account opening with tax payment, payroll agency, online banking, mobile banking and other basic, high-frequency financial products and services. Customers only need to go to the bank counter once to complete the “one-stop” contract signing, meeting their basic financial service demands in an all-round manner.

Feature 3: Launching New Digital Cross-Border Financial Product of “E-Export Finance” and Constantly Improving the Comprehensive Cross-border Services

The Bank strove to build an online product system for international business, and continued to enrich cross-border financial services by taking “optimising customer experience” as the primary starting point. Focusing on the end-to-end customer operation journey of foreign trade MSMEs and the pain points of “difficult and complex financing” faced by them, the Bank launched a new credit-based, online and smart trade financing product of “E-Export Finance” for export MSMEs. The “E-Export Finance” features innovative interaction with the data of the cross-border financial service platform of the State Administration of Foreign Exchange, smart risk models of cross-border trading behaviours, and automatic approval of credit limit by the system, which enables enterprises to handle credit application, contract signing, and financing fund disbursement online throughout the whole process. The dual engines of “technology + data” are used to break through the compulsory mortgage guarantee constraints of traditional credit granting. This product effectively improved the capital liquidity of foreign trade MSMEs, helped them avoid exchange rate risks, truly integrated financial services of the Bank into their trade operation journeys, and achieved the seamless connection to customers’ economic activities and financial demands.

Only six months in operation, the “E-Export Finance” has granted a total of RMB2.6 billion credit limits for export trade financing of foreign trade MSMEs in 89 cities across China, effectively implementing the policy of “stabilising foreign trade” with the full-journey digital innovation.

Investment banking: continuously enriching application scenarios and steadily improving comprehensive service capabilities

During the Reporting Period, adhering to strategic orientation, services for customer groups, consistency and innovation, and risk prevention, the Bank continued to enrich application scenarios, and innovated operation models, so as to meet customers' financial demands in an all-round, diversified and comprehensive manner. Firstly, the Bank proactively responded to the policies of the State, and enhanced resource allocation in key fields supported by the State, such as large infrastructure, the manufacturing industry, new energy and new materials, thereby facilitating the development of the real economy. As at the end of the Reporting Period, the balance of M&A loans of the Bank amounted to RMB173,534 million, basically unchanged as compared with the end of the previous year. The balance of domestic syndicated loans (excluding M&A syndicated loans) amounted to RMB185,802 million, representing an increase of 65.53% as compared with the end of the previous year. Secondly, the Bank strove to develop sci-tech finance, and further improved the quality and efficiency of finance in serving sci-tech innovation enterprises by strengthening the top-level design, upgrading products and services, strengthening risk management and control, accelerating smart application and other measures. As at the end of the Reporting Period, the Bank provided credit support for technology enterprises represented by the DRDI customer group exceeding RMB160 billion, representing an increase of 36% as compared with the end of the previous year. Thirdly, the Bank focused on serving national key strategies, and innovatively underwrote carbon neutrality bonds, green finance bonds, sustainable development-linked bonds, rural revitalisation bonds, and high-growth bonds, etc. During the Reporting Period, the bonds issued by the Bank amounted to RMB331,144 million, of which, the Bank underwrote 706 debt financing instruments of non-financial enterprises with the amount of RMB318,188 million.

5. Risk management

The Bank deepened the management mechanism of the first line of defense, and promoted the self-balance between risks and returns. During the Reporting Period, the Bank's corporate banking segment further consolidated its primary responsibilities of the first line of defense, and improved customer-level risk management from four aspects. Firstly, in terms of the in-loan process, the Bank launched a comprehensive reform, gave full play to the "platform" advantages of the credit granting mid-office, improved the quality and efficiency of business loan disbursement, and promoted the self-balance between risks and returns. Secondly, in terms of the post-loan process, the Bank implemented a three-layer post-loan and post-investment management system encompassing "execution, management and supervision" to make the post-loan and post-investment management of corporate customer group more proactive, forward-looking and effective in an all-round manner. Thirdly, in terms of internal control and compliance, the Bank deepened the application of three major tools, integrated the bottom line thinking of "giving priority to risks and taking compliance as the key" into the full-process business management in the first line of defense, and consolidated the "firewall" of business compliance. Fourthly, in terms of anti-money laundering (AML) management, the Bank developed and launched the money laundering risk level monitoring system for corporate clients, and supervised the corporate banking segment to keep carrying out problem data governance, in an effort to effectively enhance the level of AML governance.

The Bank strengthened digital empowerment and deepened the application of system tools. During the Reporting Period, the Bank continued to iterate the system of “Palm Eye (掌中眼)”, improved digital risk control, and enriched financial report recognition, image data collection and other functions, in order to help account managers enhance their operation quality and efficiency and ensure the authenticity and accuracy of pre-loan, in-loan and post-loan on-site operations. During the Reporting Period, the marketing behaviours of account managers in the system reached 500 thousand times, representing an increase of 66% as compared with the corresponding period of the previous year.

The Bank strictly executed the risk strategies, and ensured a steady and bettering asset quality. During the Reporting Period, the Bank’s corporate banking segment strictly executed the Bank’s risk preferences of “implementing strategies, safeguarding the bottom line, centring on risk control and pursuing steady progress”, and practiced the risk-related core concepts of “steadiness, prudence, comprehensiveness and proactiveness”. It continuously strengthened the risk management capability for the corporate customer group. During the Reporting Period, the asset quality of the Bank’s corporate business continued to improve, and the risk resilience capability continued to enhance.

As at the end of the Reporting Period, the total NPLs of corporate business of the Group amounted to RMB38,242 million, representing a decrease of RMB5,034 million as compared with the end of the previous year. The NPL ratio was 1.46%, representing a decrease of 0.34 percentage points as compared with the end of the previous year.

(II) Retail banking business

1. Strategic measures

During the Reporting Period, the Bank continued to implement the development strategy of taking retail business as a long-term and fundamental strategic business, pushed forward the integrated development of customer groups, and continuously enhanced the capability of segmented customer groups management. The Bank upgraded the product and service system, strengthened digital management capabilities, and delivered extraordinary customer experience, in an aim to foster competitive advantages of retail business in the market.

In terms of customer acquisition, the Bank upgraded integrated development system and promoted high-quality ecosystem-based customer acquisition. The Bank adhered to the integrated development of micro, small, medium, large and individual customers, regarded payroll agency as a “connector” of retail and corporate businesses, strengthened the construction of the brand system of “Salary-Based Happy Life (薪悦生活)”, and enhanced the well-being of enterprise employees. The Bank optimised the process for coordinated issuance between debit card and credit card and comprehensively promoted the “National Referral Officer (全民推薦官)” for credit card to enhance the efficiency of customer marketing and referral. Focusing on high-frequency scenarios such as “clothing, food, housing and transportation” of residents’ lives, the Bank expanded the depth and breadth of UnionPay ecosystem, deepened the traffic attraction in internet ecosystem-based scenarios, and provided customers with financial and non-financial benefits. During the Reporting Period, the number of new individual customers was 5,164.2 thousand. Financial assets brought by the new customers increased by RMB114,730 million.

In terms of customer group management, the Bank focused on the demand of layered customer groups and created advantages in the segmented markets. The Bank adopted the standard business model for new customers and matched precise marketing for the exclusive products and benefits of new customers. The Bank enhanced services for the segmented retail customer group and gained in-depth insight into the needs of elderly care, parent-children, merchant and other customer groups, so as to reach them more precisely. Focusing on the sound wealth management service system, the Bank continued to build a professional management team for the wealth management customer group. The Bank upgraded special business models of private banking centre to deepen the tailor-made management of the private banking customer group. Through the “Minsheng Intelligent Butler” service system, the Bank met the needs of the entrepreneur customer group for customised services in one stop. The Bank created ecosystem scenarios, enhanced the ability of integrated collaborative management, and effectively carried out refined management of the credit card customer group.

In terms of products and services, the Bank strengthened product competitiveness and continuously improved customer experience. Firstly, the Bank enriched the basic product shelf. The Bank enhanced the competitiveness of savings deposit products, improved cross-border finance and personal foreign exchange services, and deepened the construction of Cross-Border Wealth Management Connect (跨境理財通). The Bank strengthened the support of the tripartite depository business system, and realised the system switching of all 97 cooperative securities traders. Secondly, the Bank upgraded the product shelf for wealth management and private banking to meet the differentiated needs of different customer groups and enhance investment experience of customers. Thirdly, the Bank perfected the customer experience monitoring system, realising real-time and extensive monitoring of customer journeys and closed-loop management of clues. The Bank deepened the payment integration strategy, and continued to organise online and offline payment marketing activities to facilitate the payment of electricity bills. The Bank issued payment coupon benefits through mobile banking to enhance customer activity level. During the Reporting Period, the transaction volume of consumer electronic payment with credit cards amounted to RMB850,556 million, representing an increase of 7.19% as compared with the corresponding period of the previous year.

During the Reporting Period, the profit before income tax of retail business of the Bank amounted to RMB24,668 million, representing an increase of 7.11% as compared with the corresponding period of the previous year. The operating income from retail business amounted to RMB62,316 million, representing a decrease of 4.06% as compared with the corresponding period of the previous year, accounting for 47.55% of operating income of the Bank, representing a decrease of 1.83 percentage points as compared with the corresponding period of the previous year (accounting for 47.69% of operating income from corporate and retail businesses of the Bank, representing a decrease of 1.18 percentage points as compared with the corresponding period of the previous year). Of which, the net interest income from retail business amounted to RMB50,737 million, representing a decrease of 2.92% as compared with the corresponding period of the previous year, accounting for 81.42% of operating income from retail business. The net non-interest income from retail business amounted to RMB11,579 million, representing a decrease of 8.75% as compared with the corresponding period of the previous year, accounting for 18.58% of operating income from retail business and 41.19% of net non-interest income from corporate and retail businesses of the Bank. During the Reporting Period, fee and commission income from retail wealth management of the Bank (excluding wealth management fee) amounted to RMB3,973 million, representing an increase of 10.31% as compared with the corresponding period of the previous year, accounting for 34.31% of the net non-interest income from retail business. Of which, income from agency sales of funds amounted to RMB1,137 million, income from agency sales of insurance amounted to RMB1,289 million, and income from agency sales of wealth management products amounted to RMB1,505 million.

As at the end of the Reporting Period, total retail AUM² of the Bank amounted to RMB2,741,086 million, representing an increase of RMB174,023 million, or 6.78%, as compared with the end of the previous year. Of which, the financial assets of customers holding gold and higher level cards amounted to RMB2,315,549 million, representing an increase of 7.16% as compared with the end of the previous year, accounting for 84.48% of total retail AUM of the Bank. Total assets of private banking customers amounted to RMB757,285 million, representing an increase of RMB52,044 million, or 7.38%, as compared with the end of the previous year. Retail savings deposits amounted to RMB1,185,519 million, representing an increase of RMB183,458 million, or 18.31%, as compared with the end of the previous year.

As at the end of the Reporting Period, total retail loans (including credit card overdraft business)³ of the Bank amounted to RMB1,902,316 million, representing an increase of RMB103,158 million, or 5.73%, as compared with the end of the previous year, and accounted for 43.52% of total loans of the Bank, representing a decrease of 0.17 percentage points as compared with the end of the previous year. Of which, credit card overdrafts amounted to RMB487,973 million, representing an increase of RMB25,185 million as compared with the end of the previous year. The balance of mortgage loans amounted to RMB543,845 million, representing a decrease of RMB26,551 million as compared with the end of the previous year.

2. *Customer groups*

As at the end of the Reporting Period, the number of retail customers⁴ of the Bank was 128,719.4 thousand, representing an increase of 5.65% as compared with the end of the previous year. The number of private banking customers⁵ was 55,906, representing an increase of 4,412, or 8.57%, as compared with the end of the previous year. The number of VIP customers was 3,922.6 thousand, representing an increase of 259.6 thousand as compared with the end of the previous year. The number of retail loan customers was 3,263.6 thousand, representing an increase of 324.8 thousand as compared with the end of the previous year.

2 The statistical information on total retail AUM has added in the scale of non-guarantee money of retail customers of the Bank at third-party institutions.

3 The small business loans of the Bank are coordinated and managed by the Small Business Finance SBU. The retail loans in this paragraph include loans to small business legal persons.

4 Number of retail customers refers to individual customers (including class I, II, and III accounts), customers who only hold credit cards, and legal person customers of small business with normal customer status.

5 Private banking customers refer to individual customers of the Bank with RMB6 million (inclusive) or above monthly and daily average scale of financial assets.

The Bank optimised the open platform and the organic growth-oriented customer acquisition system. In terms of external expansion-oriented customer acquisition from ecosystems, centring on the business philosophy of “becoming customers and ecosystems of each other (互為客戶, 互為生態)”, the Bank focused on core scenarios and capabilities to improve customer acquisition quality, and has built a unified UnionPay benefits platform for the whole bank, strengthened local cooperation of branches, and deepened UnionPay ecosystem services for benefits sharing and activity interoperability. For new citizens, the Bank improved the financial service plans, provided free online consultations in cooperation with JD Health, and provided free traffic accident insurance in conjunction with insurance companies, covering more than 30,000 new citizens. The Bank cooperated with internet platforms, launched new types of exclusive co-branded debit cards, carried out the marketing activities of “Accumulation Fund (積存金)” on internet platforms, and cooperated with tourism booking service platforms to develop customised tourism services. Additionally, the Bank promoted the joint issuance of debit and credit cards at shopping mall and supermarket ecosystems, explored the establishment of featured community sub-branches around shopping malls and supermarkets. In terms of organic growth-oriented customer acquisition, the Bank strengthened the building of “Salary-Based Happy Life” brand for payroll agency, continued to optimise “end-to-end” customer joinery, and promoted the sharing of clues in the connected marketing of corporate and private banking customers. During the Reporting Period, the Bank served 3,856.5 thousand individual customers for payroll agency, representing an increase of 188.6 thousand as compared with the corresponding period of the previous year. The Bank enabled seamless connection of debit card account opening with credit card application, strengthened the issuance of debit card products supporting credit card repayment, and improved synergy efficiency. During the Reporting Period, the number of new customers holding both credit cards and debit cards of the Bank was 1,855.1 thousand.

The Bank has built a solid foundation of high-quality customer groups and upgraded the standardised management of general customer group. The Bank optimised the standardised marketing process for the first service of new customers to the outlets, and introduced data-driven supplementary marketing. New breakthroughs were made in the management of existing customers. The Bank established in-depth operation encompassing six dimensions of “strategy, customer group, product, data, content and operation”, segmented customer groups to develop relevant strategies, and carried out multi-wave, full-channel marketing according to customer journey. During the Reporting Period, 2,751.4 thousand existing basic customers jumped to a higher deposit level. 37.70% of new target customers reached the deposits level of RMB1,000. Focusing on the segmented customer groups such as payroll agency, the elderly, parent-children, and small business, etc., the Bank integrated payment and settlement, financing, property, cross-border and other production and life scenarios and strengthened the development of the service referral system, highlighting the exclusive benefits and brand characteristics.

Feature 4: Promoting “Pension Finance” Services across the Whole Chain

From the perspective of personal pension financial services, the Bank studied the needs of customers in the two stages of preparation for elderly care and elderly care, combined the personal pension plan for the customer group preparing for elderly care with the exclusive service of “Minsheng Enjoyment (民生悦享)” for the elderly customers, and integrated financial services with non-financial services, in a bid to provide customers with “one-stop, full-cycle and heart-warming” pension financial services.

The Bank promoted the development of the third pillar of personal pension with high quality. According to the needs of preparation for elderly care, the Bank established exclusive pension product series shelves, covering pension savings deposits, wealth management products, commercial pension insurance, public funds and other product series. Meanwhile, the Bank improved the service processes such as fund deposit, product allocation, tax planning and pension collection, and launched the full-life cycle business scenario of personal pension. As a result, customers can smoothly handle personal pension account opening and deposit through online and offline channels from home. As at the end of the Reporting Period, the Bank had provided personal pension account opening services for 1,701.6 thousand customers in total.

The Bank strove to build the “Minsheng Enjoyment” brand. Focusing on the seven enjoyment segments of “wealth, privilege, health, class, stage, travel and convenience (悦享财富、悦享禮遇、悦享健康、悦享課堂、悦享舞台、悦享出游、悦享便利)”, the Bank established a brand image of pension finance and matched products and services for elderly customers. In conjunction with strong safety demands of elderly customers, the Bank created a series of exclusive products for the customer group such as “Assured Deposit (安心存)” and “Daily Profit (天天盈)” featuring low-risk product portfolio strategy, so as to fully meet customers’ pursuit of stable investment income. Focusing on the needs of elderly customers for social entertainment and health care, the Bank relied on its physical outlets to give play to the advantages of grid-based services. The Bank has built a convenient service matrix, set up the Enjoyment financial class, and provided various forms of exclusive activities for the customer group with rich content, such as karaoke contest and Enjoyment travel. More than 5,000 events were held throughout the year. As at the end of the Reporting Period, the size of elderly customer group of the Bank had exceeded 14 million accounts.

The Bank optimised elderly-oriented services on the channels. According to the business handling habits of elderly customers, the Bank launched a brand new mobile banking of elderly version 2.0, which aimed to help elderly customers bridge the digital service gap by introducing features such as “knowing total assets at a glance, knowing recommended products at a glance, convenient version switching, convenient benefits collection, and rich investment education services”. The Bank promoted the renovation of service facilities for elderly customers at physical outlets, and 100% of bank lobbies have been renovated to elderly-friendly ones that provide considerate and convenient on-site services. Additionally, by giving full play to the advantages of grid-based services in communities, some branches piloted the establishment of community sub-branches with the theme of pension finance, developed in-depth pension financial services and created a strong atmosphere of filial piety and love for the elderly.

The Bank carried out publicity and education activities on pension finance. Relying on both internal and external channels, the Bank promoted all-round education for pension finance investors. The Bank carried out publicity via the Bank’s own channels such as Weixin official account, mobile banking and outlets, and provided professional and high-quality materials regarding pension finance to mainstream media and self-media, in an effort to help the public understand the pension finance system, cultivate the awareness for pension planning, improve the ability in reserving wealth, and live a happy elderly life.

The Bank improved the professional management of the wealth management customer group based on a stable wealth management service system. Firstly, the Bank continuously enriched full-scenario shelves of wealth management products with a focus on steady wealth management products and guarantee-based insurance products. Supported by the service system with exceptional experiences, the Bank worked to meet customer demands for sound investment. Secondly, the Bank deepened the standardised process management of the wealth team, promoted the new standardised operation process, upgraded the marketing strategy system, and reshaped the “Wealth Management Desk (財富工作台)” of the SA system, in a bid to constantly improve the team’s productivity and service capabilities. Thirdly, the Bank pushed forward the development of the digital business operation system for private banking, optimised the wealth journey of mobile banking, upgraded key business scenarios such as Apex Privileges (非凡禮遇), yield centre, and online smart audio & video recording (智能雙錄), and enhanced customer diversion promotion capabilities, so as to improve customer experience of online services.

The Bank upgraded the distinctive business model of private banking centre and deepened personalised management of the private banking customer group. Firstly, the Bank accelerated the construction of private banking centre, and upgraded the physical places of private banking centre to create “private banking centres for customers”. Secondly, the Bank improved the professional skills of the private banking team, strengthened the construction of wealth manager teams, and promoted the full coverage of two-way maintenance of private banking customers. In conjunction with the empowerment from investment advisors, the Bank continued to improve the ability to serve complex businesses including private equity, family trust, and tailor-made services. Thirdly, the Bank promoted innovative business models and deepened distinctive services such as Apex Privileges, remote expert, and tailor-made services, in an aim to enhance customer experience of personalised services. During the Reporting Period, seven of the Bank’s private banking centres were successfully selected into the “Top 100 Private Banking Centres in 2023 (2023百強私人銀行中心)” by the Retail Banking magazine, and the Bank achieved continued improvements in both market reputation and brand influence of its private banking business.

The Bank practised the strategic positioning of “a bank for NSOEs” and effectively conducted customised management of the entrepreneur customer group. Firstly, the Bank deepened the distinctive service system of “Minsheng Intelligent Butler” by integrating expert resources from the whole market to build the remote expert platform, and provided high-net-worth customers with nearly 1,800 sessions of exclusive customised exchanges throughout the year, offering one-stop services to meet diversified demands of customers for wealth management, family inheritance, family property management, and enterprise operation. Secondly, the Bank launched the service system of “Tailor-Made by Minsheng (民生私人定制)” by integrating rare internal and external expert and institution resources to customise exclusive investment strategies and asset allocation plans for customers. Throughout the year, the Bank provided more than 1,780 private customisation services.

The Bank deepened integrated coordination and ecosystem development and made a strong push in refined management of the credit card customer group. Firstly, the Bank deepened cooperation with strategic NSOEs. With co-branded cards as the effective means, the Bank built a new model for customer acquisition in ecosystem-based scenarios in cooperation with leading enterprises in business travel, e-commerce and other fields, explored innovative service models in the scenario of chain shopping malls and supermarkets, and achieved scenario traffic conversion and joint operation with customers. Secondly, the Bank promoted integration and coordination. The Bank improved the coordinated customer acquisition model in terms of tools, products, data and other aspects, and strengthened effective support for community financial services. The Bank promoted the full connection of non-financial benefits and preferential services for debit card and credit card, as well as the two relevant Apps, and innovated the embedded customer acquisition model of co-issuance of debit card and credit card. During the Reporting Period, the number of new credit cards issued by the Bank was 4,394.4 thousand, representing an increase of 12.55% as compared

with the corresponding period of the previous year. Thirdly, the Bank optimised the refined management strategy for customer groups, laid out early warning for active cardholder churn in advance, and carried out targeted promotion and precise marketing activities. The Bank introduced natural language processing (NLP) technology to analyse the reasons for customer churn and strengthened targeted retention. The 90-day active rate of new credit card customers increased by 10 percentage points as compared with the corresponding period of the previous year; the retention rate of card renewal customers and the activation rate of valid card renewal customers increased by 9.02 and 2.54 percentage points, respectively. Meanwhile, by innovating installment products, strengthening the precise delivery of installments, and enhancing the application of big data-based decision-making in differentiated installment pricing and channel marketing, the Bank achieved growth in the transaction volume of consumer installments for five consecutive months.

The Bank improved the capabilities in customer group inventory and management driven by business opportunities and strategies. The Bank created precise marketing brain to improve digital customer group management capabilities. Firstly, the retail strategy comprehensively covered all kinds of distinctive customer groups and went deep into the business scenarios such as AUM increase, comprehensive management of corporate clients, promotion on application, withdrawal and renewal of Minsheng Easy Loan (民易贷). During the Reporting Period, the Bank totally reached 471 million customers, served 33,940.4 thousand customers, and the average financial assets per customer increased by RMB4,100. Secondly, the Bank improved marketing organisation capabilities and during the Reporting Period, the Bank conducted 372 high-quality online activities, representing an increase of 48.80% as compared with the corresponding period of the previous year. These activities covered 6,175.4 thousand customers, representing an increase of 285.96% as compared with the corresponding period of the previous year, and acquired 1,766.7 thousand customers, representing an increase of 252.21% as compared with the corresponding period of the previous year. Thirdly, the Bank further promoted the application of mobile operating platforms, opened up online and offline employee referrals, and expanded high-frequency mobile application scenarios supporting non-lobby field operations. Fourthly, the Bank deepened online and large-scale operations. The Bank created the “Minsheng Studio (民生工作室)” on corporate Weixin account to provide marketing and compliance management tools. To build connections, increase customer activity and promote conversion, the Bank used corporate Weixin account, telephone outbound calls and other methods to carry out online direct business with long-tail customers. Additionally, the Bank improved the anthropomorphic experience of AI intelligent outbound calls, upgraded the online companion system of mobile banking, established 13 scenario entrances, and realised intelligent and differentiated recommendation of marketing contents based on user tags. Along with manual services, the Bank realised the organic integration of standardisation with personalisation and fintech with manual services. As at the end of the Reporting Period, the number of customers who added corporate Weixin accounts of the Bank reached 14,200.1 thousand and 21.5 thousand corporate Weixin groups were established.

The Bank made greater efforts to improve the quality and efficiency of serving the real economy, and expand the breadth and depth of serving the small business customer group. As at the end of the Reporting Period, the balance of small business loans⁶ of the Bank amounted to RMB791,216 million, representing an increase of RMB107,775 million, or 15.77%, as compared with the end of the previous year. The balance of inclusive small business loans of the Bank amounted to RMB612,269 million, representing an increase of RMB63,218 million, or 11.51%, as compared with the end of the previous year. The number of inclusive small business loan accounts of the Bank was 513.3 thousand, representing an increase of 110.3 thousand as compared with the end of the previous year. During the Reporting Period, total inclusive small business loans issued by the Bank amounted to RMB698,295 million. The average interest rate of inclusive small business loans was 4.65%, representing a decrease of 12BP as compared with the corresponding period of the previous year. As at the end of the Reporting Period, the NPL ratio of inclusive small business loans was 1.14%, representing a significant decrease of 0.56 percentage points as compared with the end of the previous year. 2,459 business outlets of the Bank provided comprehensive financial services to small business customers.

During the Reporting Period, China Minsheng Bank made efforts to build “six bases” in the field of small business finance, including: the base of integration of micro, small, medium, large and individual customers, the base of Micro Control System (MCS) for small business, the base of smart risk control of dedicated task force, the base of online channel of “Weixin mini program + App”, the base of “five-in-one” product system and the base of small business iron team (小微鐵軍團隊), in an aim to constantly empower small business development.

The Bank vigorously promoted digital inclusive finance through online operation of standard services. Firstly, the Bank created the “exclusive pocket bank for MSEs” and built an online integrated service platform of “Minsheng Small Business App + Weixin mini program”. The Bank upgraded and launched Minsheng Small Business App 3.0, highlighting the functional features of services for MSEs by adding exclusive functions such as corporate tax payment, cross-border remittance, foreign exchange settlement and sales, self-service invoicing, and hardware-level digital certificate services for mobile U-key (手機U寶). As at the end of the Reporting Period, the number of users of Minsheng Small Business App exceeded 1,680 thousand. At the same time, in line with the development trend of mobile operation of small business services, the Bank launched Minsheng Small Business Mini Program on Weixin, realising lightweight digital inclusive finance service models such as ready-to-use loan application and referral. Secondly, the Bank moved most links of secured small business loans online through the implementation of “end-to-end process optimisation”, while accelerating the online transfer of existing business, in an effort to further improve the efficiency of online service and handling for small business customers. Thirdly, the Bank comprehensively promoted the unsecured loan product of “Minsheng Benefits”, created the model of smart decision-making and proactive credit granting, and iterated the strategies and rules for anti-fraud and taxation of the smart decision-making base, thereby improving the risk identification ability while achieving accurate limit measurement. As at the end of the Reporting Period, the balance of Minsheng Benefits unsecured loans amounted to RMB13,361 million.

6 Small business loans include loans to small business legal persons, the same hereinafter.

The Bank effectively enhanced the quality and efficiency to serve the real economy with scenario-based management. The Bank fully carried out the “Honeycomb Plan (蜂巢計劃)” for small business customers, strengthened online and offline connectivity and interactions, tailor-made six exclusive services for MSEs including “exclusive credit support, exclusive account opening channel, exclusive settlement service, exclusive account management, exclusive benefits system, exclusive online platform”, and created a customised smart small business credit service model, so as to facilitate the development of regionally distinctive business. During the Reporting Period, the Bank “customised” financing plans for nearly 100 distinctive small business customer groups and distinctive small business scenarios, providing over RMB18 billion credit lines.

The Bank vigorously enhanced customer service capabilities with integrated services. Firstly, the Bank adhered to the philosophy of “layered management + professional management” and promoted the construction of customer group manager teams for SMEs. At present, the Bank has set up customer group manager teams for SMEs at 32 tier-1 branches across the country, with nearly 600 team members, serving nearly 590 thousand customers. Secondly, the Bank deepened the construction of the “five-in-one” comprehensive service system, continued to strengthen payment and settlement, made efforts in online financing, strengthened ecosystem-based SaaS services, built an exclusive benefits system for small business customers, and promoted the “Dual Butler (雙管家)” services for the integration of corporate banking and private banking.

The Bank improved risk identification and management capabilities with smart risk control. Firstly, the Bank has built a small business credit risk management system by comprehensively launching the exclusive credit risk management system for small business credit granting, which integrated the four processes of unified credit management, credit application, rating management, and collateral evaluation in one step and increased the approval efficiency by more than 50%. Secondly, the Bank has built a full-process smart risk control system and formed the panoramic and three-dimensional portraits of customers and the proactive credit granting lists based on multi-dimensional data inside and outside the Bank. The Bank has established the open and adaptive risk control model strategy system, achieving pre-loan, in-loan and post-loan full-process automatic decision-making, and loan approval within 3 seconds and T+0 loan disbursement for customers within the namelist.

3. *Businesses and products*

The Bank strengthened basic products and services. Firstly, the Bank has created the full-channel, multi-customer group, scenario-based distinctive deposit product of “Assured Deposit”, the scale of which achieved a compound annual growth rate (CAGR) of over 100% in the past two years. The Bank launched the upgraded version of notification deposit, and launched the reservation function for large-denomination certificate of deposit products. Secondly, the Bank deepened cross-border financial services and launched comprehensive service plans for salary collection and settlement of foreign exchange for employees posted to abroad, and maintained a leading market share of Cross-Border Wealth Management Connect, thus to improve personal foreign exchange services and account services for overseas personnel coming to China. Thirdly, the Bank upgraded the parent-children service program, launched the fund classification management service of “Future Stars Programme (未來之星計劃)”, and upgraded the function of “Little Wealth Butler (財富小管家)”, which was awarded the “2023 Excellent Case of Retail Banking Innovation (2023年度零售銀行創新優秀案例)” by The Chinese Banker. Fourthly, the Bank conducted integrated development of payment business to expand brand influence. During the Reporting Period, the brand exposure of “Preferential Minsheng Day (聚惠民生日)” reached over 225 million views, bringing in 3,638.8 thousand newly contracted users of fast payment of debit card, and 2,144 million transactions, representing an increase of 17.61% as compared with the corresponding period of the previous year. Fifthly, the Bank enriched the monitoring coverage of NPS⁷ system, added the monitoring of 9 customer journeys, and covered 49 customer journeys in cumulative term. During the Reporting Period, the NPS of the Bank increased by 1.60 percentage points as compared with the corresponding period of the previous year.

The Bank upgraded the customer benefit system. Firstly, the Bank expanded the V+ benefits and the system of rewards points shopping mall, launched consumer loan coupons, added new red envelopes for credit card installment and discount coupons for phone/electricity payment, and launched benefits zone of branches, in a bid to provide inclusive benefits for multiple scenarios. During the Reporting Period, the Bank provided 18 new benefits and 30,163.7 thousand services to V+ members with 6,009.4 thousand benefits redemption. The rewards points shopping mall provided 7,341.4 thousand services with a total of 504.8 thousand rewards redemption. Secondly, the Bank continued to enrich the “Apex Privileges” VIP benefits system and optimised the service process. Focusing on medical security, expert appointment, one-click travel and other boutique benefits, the Bank optimised and integrated the three channels of mobile banking App, telephone reservation and agency booking services and established a customer experience monitoring mechanism. Throughout the year, the retention rate of private banking customers was improved by 11.24% through the “Apex Privileges” benefits. The “Apex Privileges” benefits system won the award of “Best Value-Added Service Award of the Year for Private Banking in China (中國地區私人銀行年度最佳增值服務獎)” in the 2023 Wealth and Social Responsibility Selection sponsored by The Asian Banker.

⁷ NPS (Net Promoter Score) is an indicator that measures the possibility of a customer in recommending an enterprise or service to others.

The Bank comprehensively upgraded the shelf of wealth management and private banking products. Firstly, the Bank comprehensively upgraded the shelf of agency sales of wealth management products, formed five series and nine categories of products depending on the risk and return characteristics of the products, and focused on the main products of “Current Deposit Management (活錢管理)”, “Assured Wealth Management (安心理財)” and “Sound Selection (穩健優選)” to meet customer demands for sound wealth management. Secondly, the Bank adhered to the principle of selecting the best in the best and exclusive customisation, created insurance shelves with market leading advantages, and focused on the long-term security needs of customers. During the Reporting Period, the scale of premiums of security insurance increased by 37.73% as compared with the corresponding period of the previous year. Thirdly, the business of agency sales of fund newly upgraded the brand of “Minsheng Bedrock (民生磐石)”, bringing together high-quality resources to provide better investment experience for investors. Fourthly, the Bank deepened the family trust brand of “Minsheng Inheritance (民生傳世)”, further optimised the allocation process, and promoted the rapid growth in the scale of family trust business. As at the end of the Reporting Period, the existing scale of family trust and insurance trust increased by RMB12,261 million, doubling as compared with end of the previous year. Fifthly, the Bank reshaped the shelf of private placement products and created a differentiated strategy system from the customers’ perspective, so as to meet the personalised allocation demands of private banking customers.

The Bank achieved the target of phased transformation of consumer loan business. Firstly, the Bank advanced the digital transformation of mortgage business, reshaped business processes, increased service quality and efficiency, and continuously increased the placement. During the Reporting Period, the Bank issued RMB82,501 million personal housing loans, representing an increase of RMB12,474 million, or 17.81%, as compared with the corresponding period of the previous year. Secondly, the Bank continued to develop the digital system for Minsheng Easy Loan, achieving full-process online operation and automation of the business. It implemented an integration strategy, tapped deep into the value of outlet channels, and launched the sub-product of “Easy Owners (業主易)”. As at the end of the Reporting Period, the balance of “Minsheng Easy Loan” – a personal unsecured consumer loan of the Bank amounted to RMB46,369 million, representing an increase of RMB9,414 million, or 25.47%, as compared with the end of the previous year. Thirdly, the automobile finance business achieved ice breaking, with comprehensive cooperation with XPeng Motors, a new energy vehicle maker, and the consumer credit product system was further improved.

The Bank pushed forward the transformation of outlets and upgraded community-based services. The Bank accelerated the transformation of outlets from the three areas of construction, operation and management. Firstly, the Bank comprehensively upgraded outlet space design by integrating the concept of serving all channels, all customer groups, and all scenarios, with the first showroom unveiled in Beijing. Relying on big data, it optimised outlet location selection systems for steady layout optimisation. Secondly, the Bank built all-rounder employee teams, with nearly 9 thousand lobby staff providing comprehensive “operation + management” services. Thirdly, the Bank kicked off the building of the grid-based marketing system and started pilot operation, while exploring digital marketing map. Fourthly, on the tenth anniversary of community-based financial services, the Bank fully launched community service upgrades, positioning itself as a “convenient intelligent bank, inclusive service bank”. It promoted “one-stop” comprehensive management, and made efforts in customer acquisition and non-financial activities within the community ecosystem. With its services, the Bank was selected as a “Banking ESG Annual Inclusive Finance Model Case (銀行業ESG年度普惠金融典範案例)” by China Banking and Insurance News. As at the end of the Reporting Period, the balance of community-based financial assets was RMB423,374 million; the whole bank launched characteristic community ecosystem projects such as Property Pass (物業通) and Convenient Life Circle (便民生活圈), with Property Pass products serving 511.9 thousand households.

Physical distribution channels. The Bank has established an effective domestic distribution network that covered all provinces in the Chinese mainland with a focus on the Yangtze River Delta, the Pearl River Delta, the Bohai Economic Rim and other regions. As at the end of the Reporting Period, the sales network of the Bank covered 138 cities in the Chinese mainland, including 146 branch-level institutions (comprising 41 tier-1 branches (excluding the Hong Kong Branch), and 105 tier-2 branches (including remote sub-branches)) and 2,459 business outlets of sub-branches, including 1,248 general sub-branches (including business departments), 1,072 community sub-branches, and 139 small business sub-branches.

Feature 5: Fully Upgrading Customer Experience and Sharing a Better Era of Digitalisation

Based on the positioning of “a bank with considerate services”, the Bank has strengthened efforts to coordinate customer service, improved management mechanisms, and established professional experience teams in recent years. Thanks to technologies such as big data and AI, the Bank has initiated the construction of a closed-loop management system for digital customer experience, utilising digital and online methods to promote the transformation of experience management to operational value. Over the past three years, NPS has increased by 14.51 percentage points cumulatively.

The Bank has built benchmark outlets of the best services and images in the banking industry. The Bank developed showrooms to display the upgraded outlet image, where the outlets can satisfy the needs of various customer groups such as individuals, enterprises, and small business customers. The outlets featured spaces for multi-scenario activities and meetings, and utilised digital and smart technologies to showcase its products and services via multimedia. The Bank set up the consulting and meeting rooms, and innovatively adopted remote expert video service models, making the customers “feel at home” while getting professional financial services. During the Reporting Period, the Renmin Road Sub-branch in Nanyang and the Weixing Sub-branch in Changchun were awarded the title of “Top 100 Demonstration Outlets of Civilised and Standardised Services in the Banking Industry of China (中國銀行業文明規範服務百佳示範網點)”.

The Bank continuously optimised end-to-end service journeys. The Bank accurately identified problems related to customer experience, implemented end-to-end journey optimisation projects in categories, effectively improved process deficiencies and solved customers’ pain points. Taking the most basic personal account opening journey of retail business as an example, in 2023, the Bank comprehensively transformed the processes and systems in a way that made them standardised, automated, and online, and upgraded multiple experiences such as “one-time facial recognition, multi-request joint processing, online personal due diligence, smart recommendations on account limits, and product package subscription”. The Bank also achieved batch card issuance for payroll agency business by innovating online and offline operations, and provided customers with diversified and convenient service options, with the service efficiency increasing by 50% as compared with the traditional counter model. In addition, the Bank offered new customers with integrated exclusive events and benefits in a smart manner, and achieved overall experience improvement of financial and non-financial services.

The Bank strengthened the role of experience officers to understand customer demands. During the Reporting Period, the Bank established an online management platform for digital experience officers and formed internal and external experience officer teams. Through digital information collection, transmission, and management mechanisms, experience officers provided their opinions throughout the product and service lifecycles, which were directly conveyed to the product design department and the management. By respecting its customers and listening to their voices, the Bank strove to win more loyal customers and make its products and services better suit their needs. As at the end of the Reporting Period, the internal and external experience officer teams across the whole bank exceeded 10 thousand participants.

4. *Risk management*

The Bank continuously strengthened the building of consumer credit risk management system, and enhanced digital and smart risk management.

Firstly, the Bank optimised the post-loan monitoring and early-warning system for smart risk control, steadily iterated and optimised the monitoring and inspection system for mortgage real estate and developers, and continuously improved automatic risk early warning level. Secondly, the Bank iterated automatic monitoring and early-warning indicators for cooperation loans with enhanced accuracy. Thirdly, the Bank improved real-time control rules for fund flow of personal unsecured loans, and increased the accuracy and coverage of interception of illegal transactions. Fourthly, the Bank established an interactive anti-fraud handling system, resulting in a continuous decrease in fraud risk events.

During the Reporting Period, the overall quality of retail assets remained stable. As at the end of the Reporting Period, the NPLs of retail banking business (credit card inclusive)⁸ amounted to RMB26,855 million, representing an increase of RMB744 million as compared with the end of the previous year. The NPL ratio of retail banking business was 1.52%, representing an increase of 0.02 percentage points as compared with the end of the previous year. Total special-mentioned retail (credit card inclusive) loans⁹ amounted to RMB21,398 million, and the special-mentioned loan ratio was 1.21%. The NPLs of credit card business amounted to RMB14,531 million, representing an increase of RMB2,185 million as compared with the end of the previous year. The NPL ratio of credit card business was 2.98%, representing an increase of 0.31 percentage points as compared with the end of the previous year. The NPL ratio of mortgage loans was 0.67%, representing an increase of 0.17 percentage points as compared with the end of the previous year. The NPL ratio of non-mortgage consumer loans was 1.02%, representing a decrease of 0.05 percentage points as compared with the end of the previous year.

⁸⁻⁹ The NPLs of retail banking business (credit card inclusive) and the special-mentioned retail (credit card inclusive) loans were information of the Group, excluding loans to small business legal persons.

(III) Treasury business

1. Strategic measures

The Bank has conscientiously adhered to the core philosophy of “customer-centric” and closely focused on the strategic deployment of reform and transformation, aiming to promote the high-quality development of various financial markets businesses. Firstly, the Bank continuously deepened the comprehensive management of strategic financial institution customers, carried out layered and classified management of financial institution customers, enhanced customer group marketing quality and efficiency, focused on increasing product revenue and efficiency, refined risk management, and comprehensively implemented the integrated marketing coordination. Secondly, the Bank adhered to equal emphasis on the two-wheel drivers of “proprietary + agency” business, deepened its presence in three major fields, namely fixed income, foreign exchange, precious metals and bulk commodities, and implemented the transformation strategy for agency business in an in-depth manner. Thirdly, around the reshaping of custody business, the Bank focused on key products for customer groups, promoted the integration of business and technology, enhanced product management quality and effectiveness and operational duty performance capabilities, strengthened risk and compliance control, and facilitated the smooth and orderly development of custody and pension business.

2. Customer groups

The Bank diligently implemented the philosophy of “comprehensive management of strategic financial institution customers”, continuously improved centralised marketing, centralised credit extension and other working mechanisms, consistently strengthened technological empowerment, and actively expanded high-quality customer base, aiming to enhance the comprehensive services for financial institution customers. Firstly, the Bank deepened comprehensive management of the financial institution customer group. Focusing on the bank customer group, the non-bank customer group, and the factor market customer group, the Bank strengthened product support, optimised marketing mechanisms, and realised the comprehensive value enhancement of financial institution customers. Secondly, the Bank enhanced the refined management of “layered risks”. Focusing on the needs of financial institution customers, the Bank enhanced risk management efficiency, and consolidated the risk functions of the first line of defense for financial institution customers. Thirdly, the Bank practised the “One Minsheng” concept, and deepened and expanded coordination among business lines, operating units, customer groups and products, so as to create ecosystems among financial institutions and enhance the quality and efficiency of integrated coordination.

3. *Businesses and products*

(1) Interbank treasury business

In terms of interbank treasury business, the Bank adhered to the customer-centric philosophy and market-oriented operation, promoted the continuous optimisation of treasury business structure and realised steady operation of assets and liabilities. Firstly, the Bank reduced the scale of interbank liabilities in an orderly manner, adjusted the structure of liability products, increased the issuance of interbank negotiable certificate of deposits (IBNCD), and focused on enhancing the stability of interbank liabilities. Additionally, it increased low-cost demand deposits from financial institutions to reduce liability costs. As at the end of the Reporting Period, total interbank liabilities (including IBNCD) amounted to RMB1,895,760 million, representing a decrease of 5.73% as compared with the end of the previous year. Secondly, the Bank effectively seized market opportunities to promote asset placement. As at the end of the Reporting Period, total assets of financial institutions business amounted to RMB328,610 million, representing an increase of 15.95% as compared with the end of the previous year.

(2) Financial markets business

In terms of fixed-income business, the Bank deepened the reform of its bond investment business, strengthened business coordination, and continued to build integrated Minsheng fixed-income brands covering investment, trading, sales, agency and others. On the one hand, the Bank improved the market-oriented, specialised and standardised management of bond business. The Bank effectively improved the liquidity and profitability of bond portfolios by appropriately arranging asset maturity terms, strengthening portfolio structure adjustments, and making focused allocation of treasury bonds, local government bonds, policy financial bonds and high-rating unsecured bonds. On the other hand, acting as the mainstay in serving the real economy, the Bank focused on participating in investment in bonds and asset-backed securitisation products in areas such as sci-tech finance, green finance, inclusive finance, and digital finance to enhance the quality and efficiency of serving the real economy, thus supporting the high-quality economic development and the building of a strong financial country. As at the end of the Reporting Period, total bond assets of the Bank amounted to RMB1.96 trillion, of which, the bond assets denominated in RMB amounted to RMB1.85 trillion and those denominated in foreign currencies amounted to USD14,914 million.

In terms of foreign exchange business, based on serving the real economy, the Bank consistently advocated the philosophy of exchange rate risk neutral and provided high-quality risk hedging services to customers. It actively promoted foreign exchange market-making business, strengthened system construction, enhanced business exchanges and cooperation with domestic and foreign financial institutions, and continuously expanded market-making varieties to meet the exchange and hedging transaction needs of small and medium financial institutions in foreign exchange settlement and sale, and foreign exchange trading with premium services. By strengthening the research and development of foreign exchange risk hedging products, optimising and upgrading business systems, optimising credit granting systems for small business customers and other measures, the Bank continued to improve customer service efficiency, reduced the cost of enterprises in information acquisition and hedging transaction, and provided corporate clients with high-quality exchange rate risk hedging services. During the Reporting Period, the trading volume of derivatives in the domestic interbank foreign exchange market amounted to USD1,391,583 million, and the Bank ranked among the top in the comprehensive ranking of market makers in the interbank foreign exchange market.

In terms of precious metals business, based on customer demands, the Bank created and upgraded the precious metals business brand of “Minsheng Gold (民生金)”, and established the integrated service platform for gold encompassing “physical object, stocking, investment, trading, financing and risk hedging”. As for retail business, the Bank applied digital means to promote the innovation of products and channels, bringing higher-quality service experience for customers. As for corporate business, starting from customer demands, the Bank provided gold leasing, price risk hedging, agency trading of precious metals, agency sales of precious metals products, clearing bank and other services to meet the production demands of enterprises in the gold industry chain, and effectively support the development of the real economy. Meanwhile, as one of the best market makers in the interbank price asking market of Shanghai Gold Exchange, and a gold-medal winner market maker of futures in Shanghai Futures Exchange, the Bank proactively fulfilled its responsibilities of a market maker, and prudently conducted proprietary trading within the risk limits. During the Reporting Period, the trading volume of gold of the Bank amounted to 1,521.57 tons with the trading amount reaching RMB688,473 million. The trading volume of silver amounted to 1,824.91 tons with the trading amount reaching RMB10,572 million.

(3) Asset custody business

In terms of asset custody business, the Bank closely adhered to the positioning of a distinctive and premier custody bank in the industry, and focused on core asset management products and specialised brand businesses, achieving sustainable and healthy development of asset custody business. As at the end of the Reporting Period, the balance of total assets under the custody of the Bank amounted to RMB12.05 trillion, of which, total securities investment funds and total insurance funds under custody reached RMB1,160,708 million and RMB493,249 million, respectively, representing increases of 6.17% and 44.07% as compared with the end of the previous year. During the Reporting Period, the Bank launched new services such as “Xin Guan+ (鑫管+)” for fund sales supervision and “Cross-Border+ (跨境+)” for global custody, steadily enhancing its market influence. The Bank successively won awards such as the “Award of Excellent Asset Custody Institution of the Year (年度優秀資產託管機構獎)” by the China Central Depository & Clearing Co., Ltd., the “Best Custodian Bank of the Year (年度最佳資產託管銀行獎)” by Financial Times, the “2023 Tianji Award for Outstanding Asset Custody Bank of the Year (2023年度傑出資產託管銀行天璣獎)” by the Securities Times, and the “2023 Custodian Bank of the Year Award (2023年度託管銀行獎)” by the 21st Century Business Herald.

In terms of pension business, the Bank vigorously organised pension business market promotion activities, strengthened internal coordination mechanisms, improved duty performance service levels, enhanced value-added service capabilities, and promoted the diversified development of pension business. As at the end of the Reporting Period, the size of corporate annuity under custody and the number of accounts under corporate annuity account management business reached RMB54,909 million and 246,700, respectively, representing increases of 9.14% and 40.89%, respectively, as compared with the end of the previous year. During the Reporting Period, the Bank officially launched its first commercial pension product custody business, and successively won awards such as the award of “Innovative Bank in Pension Financial Services (養老金融服務創新銀行)” by the Sina Finance and the honorary title of “2023 Pension Management Institution of the Year (2023年度養老金管理機構)” by The Economic Observer.

4. Risk management

(1) Credit granting to the financial institution customer group

The Bank continuously optimised the centralised and unified management model of credit granting to the financial institution customer group, and enhanced risk prevention responsibilities of the first line of defense. During the Reporting Period, the Bank further fulfilled the primary responsibilities for the operation of credit granting to the financial institution customer group, and adopted antecedent risk management of the financial institution customer group. The Bank enhanced unified management efficiency in credit granting to financial institution customers, standardised access management of interbank partners, and enhanced post-loan management and risk early warning of financial institution customers by focusing on such areas as strengthening institutional improvement, optimising management mechanisms, firmly holding on to critical links and reinforcing duty performance capabilities, thus realising effective risk control and promoting continuous and healthy development of financial institutions business.

(2) Financial markets business

According to the risk preferences, business plans and risk forecast of the Board of Directors, the Bank set market risk limits for 2023 and relevant business authorisations, carried out analysis on the risks of interest rates, exchange rates and commodities in time, and continued to strengthen the monitoring and reporting of risks in financial markets. During the Reporting Period, the Bank conducted reviews and approvals by taking into account the macro-economy, credit policy and subject qualifications, enhanced risk evaluation and early-warning capabilities concerning unsecured bond issuers, enhanced re-inspection and self-inspection frequency concerning relevant assets of key regions, key industries and key enterprises, effectively safeguarded the bottom line of credit risk, and served the unified management system for bonds of the whole bank. Meanwhile, following the principle of safe and steady bond investment, the Bank balanced bond risks and returns, optimised the structure of bond portfolios denominated in RMB and foreign currencies, and maintained high-liquidity asset portfolios such as government bonds and policy financial bonds at a reasonable level. During the Reporting Period, the credit qualifications of the proprietary bond investments were generally excellent.

(IV) Digital transformation

The Bank deeply understood the new connotation of digital finance, continuously and comprehensively deepened digital transformation, accelerated the building of data and technical capabilities, and strongly supported the development of eco-bank and intelligent bank. The Bank achieved significant results in various aspects such as enhancing customer experience, innovating products and services, and transforming operation and management models, injecting new momentum into high-quality development. During the Reporting Period, the Bank invested RMB5,987 million in IT, representing an increase of 27.19% as compared with the corresponding period of the previous year, which accounted for 4.57% of the operating income, representing an increase of 0.99 percentage points as compared with the corresponding period of the previous year. As at the end of the Reporting Period, the number of fintech personnel of the Bank was 4,559, representing an increase of 12.48% as compared with the end of the previous year.

1. Vigorously promoting coordinated planning to continuously enhance the momentum of digital transformation

Starting from the Bank's business strategy, in accordance with national and regulatory policy guidelines, the Bank formulated and issued the new three-year sci-tech planning and the Bank's first data strategy to provide strong support for the implementation of digital finance strategy.

The IT Development Planning of China Minsheng Bank (2023-2025) (《中國民生銀行信息科技發展規劃(2023-2025年)》) set out the goal of “becoming one of the leading commercial banks in China in terms of sci-tech level”. According to the IT Development Planning, the Bank will take a set of sci-tech governance system, three basic security capabilities, four-in-one enterprise architecture and seven digital solutions as the core to support and promote the construction of eco-bank and intelligent bank, and realise the goal of building an agile and efficient digital bank with ultimate customer experiences and value growth.

The Data Strategy of China Minsheng Bank (2023-2025) (《中國民生銀行數據戰略(2023-2025年)》) outlined the vision of “becoming a data-driven bank to realise data-based insight, decision-making and management”, clarified five goals concerning data, i.e. “visible and accessible”, “usable and understandable”, “easy to connect and available to share”, “empowering and value-adding”, and “secure and trustworthy”, as well as the areas and tasks for enhancing data capabilities and empowering business development.

By systematically implementing the sci-tech planning and data strategy, the capabilities in technology and data-driven digital transformation were significantly enhanced.

Optimising sci-tech governance to enhance work efficiency. The Leading Group for Digital Finance made decisions and deployments for major digital finance projects of the whole bank and consistently deepened the cross-departmental agile coordination mechanism. It further strengthened structure control and program management, promoted transformation toward agile and lean research and development, improved the quality management system, built a digital transformation evaluation system, and deepened the integrated and intensive sci-tech management of the whole Group.

Improving infrastructure to guarantee business resilience. The Bank continued to promote the transformation of infrastructure cloud architecture and put the co-location technology into operation. The Bank further improved the disaster recovery coverage rate, with the disaster recovery coverage rate of important information systems reaching 100%. The Bank enriched drill scenarios and conducted 14 switch drills during the Reporting Period. The Bank implemented the Group's integrated security operation, and strengthened authority management, application security services and anti-telecom fraud prevention and control system construction, so as to protect the bottom line of safe operation. During the Reporting Period, the Bank obtained three external accreditations on data security capability maturity, trusted R&D and operation security capability maturity, and digital identity governance.

Consolidating data support to release data value. The Bank improved the data governance system, promoted data classification and grading and data accountability, and focused on solving key data quality problems. The regulatory statistics reporting ability was increased steadily, and the automation rate of key reporting systems continued to improve. The Bank has built the lake and warehouse data base, established the data asset management system, tracked the factor-based development trend of data, and explored the entry of data resources into the balance sheet. Additionally, the Bank continued to build and operate data middle platform, BI middle platform and AI middle platform to improve data application efficiency.

Optimising enterprise structure to consolidate basic capabilities. The Bank improved the enterprise architecture management system and explored a systematic approach to transforming business strategy into IT capabilities. The Bank promoted the optimisation and evolution of architectures of data, application, technology and security in an orderly manner, so as to support the development of enterprise-level capabilities. As at the end of the Reporting Period, the application rate of cloud native of business applications reached 30%, and the full-stack low-code platform released more than 1,000 application functions, showing significantly improved R&D efficiency.

Focusing on key areas and accelerating enterprise-level capacity building The Bank has established basically complete digital marketing capabilities, laying a solid foundation for conducting online and offline digital marketing activities on a regular and efficient basis. In terms of digital risk control, the Bank completed the implementation of the first phase of the smart risk control project, improved the ability to identify, evaluate and manage risks, and effectively supported the development of key products and the improvement of process efficiency. In terms of digital operation, the Bank improved efficiency and customer experience through smart technology applications and process reshaping, while effectively controlling operational risks.

Sticking to the right path, staying innovative and exploring the application of new technologies. The Bank explored and incubated the application of new technologies in five key sectors, namely the IoT, digital human, large models, blockchain, and privacy computing, and actively participated in pilot projects of financial regulatory innovation. In the meantime, the Bank steadily promoted the construction of large models, and carried out application pilots in internal scenarios such as knowledge Q&A, code assistance, customer hotline services, office document writing, data analysis, and marketing copy.

2. *Deepening the agile innovation mechanism to promote rapid growth of the eco-finance business*

Relying on the agile innovation mechanism, the Bank achieved a number of breakthroughs in the innovative incubation of eco-finance. **The Bank has established an eco-finance product series**, including 32 online products across four major categories of “Minsheng E-Chain (民生E鏈)”, “Scenario Express Loan (場景快貸)”, “E-Minsheng Family”, and internet consumer loans, and has simultaneously built online, centralised operation support capabilities. The Bank iteratively upgraded the data-based credit enhancement products for supply chain finance, and developed exclusive products dedicated to customer groups including import and export MSMEs and “DRDI” enterprises. Meanwhile, the Bank launched a number of products such as “E-Export Finance”, “E-Customs Express”, “E-Easy Innovation Loan”, “L/G E-Connect (保函e鏈通)”, “Goods Order Fast Loan (訂貨快貸)”, and “Goods Supply Fast Loan (供貨快貸)”. **The Bank has created a one-stop digital service platform of “E-Minsheng Family” to facilitate the digital transformation of MSMEs.** Extending financial services to enterprise operation and management scenarios, the Bank worked with digital service providers to provide personnel management, payroll and tax payment agency, employee welfare, financial accounting, invoice management, expense control and reimbursement services for MSMEs. During the Reporting Period, a total of RMB244,430 million was disbursed in eco-finance business, representing an increase of 106.34% as compared with the corresponding period of the previous year. As at the end of the Reporting Period, the Bank had 56.2 thousand online financing customers, representing an increase of 575.11% as compared with the end of the previous year. The number of core enterprises was 2,027, representing an increase of 110.49% as compared with the end of the previous year.

Feature 6: Building Internet-based Small Business Credit Product System for Five Ecosystem-based Scenarios

Relying on the agile mechanism of eco-finance of the whole bank and starting from the scenario-based application, the project of Minsheng Express Loan deeply dug data value, independently developed the big data risk control model, created online modeled small business loan products, and enriched the credit product system for small business legal persons. Simultaneously, based on market differences and customer group characteristics, the Bank rapidly iterated featured products to better serve the vast number of the inclusive customer group of small business in different ecosystem-based scenarios.

During the Reporting Period, the five major ecosystem-based scenarios of Minsheng Express Loan were all launched and put into operation, including the Goods Supply Fast Loan under the scenario of the upstream of the supply chain; the Goods Ordering Fast Loan under the scenario of the downstream of the supply chain; the Government Procurement Fast Loan (政採快貸) under the scenario of government cooperation; the small business loan jointly provided with WeBank and the small business loan jointly provided with Kincheng Bank under the scenario of quality traffic platform; and the universal Minsheng Express Loan products under the basic and open scenario. In addition, the Minsheng Express Loan series of products delivered the ultimate product experience for customers through continuous model innovation and process innovation. Through external data application, the Bank developed a big data-based independent risk control model system, strengthened and kept iterating data risk control measures, and improved the digital risk control ability for products. As at the end of the Reporting Period, the balance of Minsheng Express Loan series of products amounted to RMB7,316 million; RMB24,115 million of credit was granted in total; RMB11,282 million was disbursed in total; 27.5 thousand MSEs were financially supported. This demonstrated the proactiveness of the Bank in practising the digital finance and inclusive finance strategies.

Retail ecosystem-based scenario platform supported continuous innovation of joint customer acquisition model. The Bank provided financial services in personal cross-border digital scenarios, created a three-party joint ecosystem-based customer acquisition model, launched new ecosystem-based scenarios including the mini programmes of Minsheng Sports (民生運動) and Benefits Around You (惠聚身邊), and worked with eight partners to co-build a new model of customer acquisition. Additionally, the Bank has built a tripartite benefits aggregation ecosystem and an enterprise-level benefits platform. During the Reporting Period, the UnionPay benefits covered 40 branches, which pushed the Class I customers in the UnionPay ecosystem to double in number.

The integrated government service platform connected the “G-B-C” ecosystem-based digital linkage. The Bank connected with finance bureaus at all levels, and has reached 85% of provinces in the country. The Bank added the function of new medical insurance settlement and successfully connected with four provincial medical insurance systems such as “Beijing Medical Insurance” and “Chengdu Human Resources and Social Security”, enhancing the convenience of payments for medical treatment and medicine purchase. The Bank created the product of “Tax and Fees Express (稅費通)”, providing one-stop online service to enhance the tax payment experiences for enterprises. In addition, the Bank established a shared payment platform and optimised the services for daily living of the people.

Platform cooperation enhanced the “financial + non-financial” service capabilities of open bank. The Bank expanded the integrated solution of cloud wallet, promoted the application of mini programmes across sports, tourism, social security, electronic business cards and other scenarios, and provided comprehensive financial services for network freight, agency bookkeeping, brand chain stores and other fields. As at the end of the Reporting Period, the total number of contracted corporate clients of the cloud series of products and services of the Bank was 15.2 thousand, representing an increase of 82.98% as compared with the end of the previous year. During the Reporting Period, the daily average balance of corporate deposits amounted to RMB5.3 billion, representing an increase of 182.52% as compared with the previous year. As at the end of the Reporting Period, the number of retail accounts brought by open bank increased by 1,784.0 thousand, representing an increase of 14.08% as compared with the end of the previous year.

3. *Deeply empowering operation and management and comprehensively upgrading intelligent financial services*

Reshaping the end-to-end customer journey and enhancing digital operation capabilities. The Bank has built a longitudinal full-process operation system and a horizontal cross-business line integrated management system. During the Reporting Period, the Bank implemented 10 process optimisation projects. The Bank strengthened its capabilities in operating the corporate Wexin account and has built an enterprise-level benefits platform. The small business account manager desk supported offline referral process, and the “Daily Work App (全民工作App)” supported lean process management, precise clue distribution and smart marketing assistance. The marketing content of each channel realised smart quality inspection. The Bank put into operation the corporate client data platform, AB experiment platform, event awareness and real-time strategy platform, and explored the application of generative AI technology, further improving the intelligent application capability. During the Reporting Period, the Bank created a unified retail strategy map with more than 10,000 strategies, representing an increase of 247% as compared with the corresponding period of the previous year.

Using “data + model algorithm + system” to continue to build a smart risk control system. Based on the data lake and warehouse, the Bank integrated internal and external data, improved the risk data mart, risk indicators, risk characteristics, and information cross-checking, embedded the due diligence function into the account opening process, and strengthened **account risk management and control**. The Bank launched the marketing behaviour management system and established a multi-dimensional early warning model and a smart collection system. The Bank upgraded the fund chain governance and anti-fraud platform, established the dual-engine anti-fraud model of “Expert + AI”, which formed full pictures of fraud risks. Through customer tags, characterised rule engine, and configured processing platform, the Bank conducted real-time early warning and in-process interception of customers’ abnormal transaction behaviours and operational risks **to improve risk prevention and control capabilities**. The Bank has established a smart legal person credit approval system, realising differentiated post-loan monitoring of **corporate** accounts. The Bank has built an active credit granting and smart decision-making system for small business and launched products such as “Minsheng Benefits”. The Bank realised the effective monitoring of **individual** suspicious accounts and launched the full-channel abnormal transaction real-time interception model and quasi-real-time abnormal transaction monitoring model.

Adopting “centralised operations + smart application” to comprehensively improve the quality and efficiency of operational services. The “centralised operations + auxiliary smart verification model” improved the efficiency of risk control regarding corporate loan disbursement. The Bank deepened the full-scenario smart operations and significantly improved the core capabilities of account services, payment and settlement, and corporate loans. The Bank has built new models such as “account robot”, “characteristics label system for corporate accounts” and “remote empowerment”, realising full-process, online operation of account opening, due diligence and information change. Additionally, the Bank launched the “Enterprise Cloud Counter (企業雲櫃台)”, promoting “one-stop” online handling of high-frequency corporate services. The average timeliness of reply of the blockchain electronic letter platform increased by 78%, and the efficiency of payment and settlement such as automatic processing of incoming bills was also greatly improved. Through automatic certificate identification, business processing automation, system direct connection and data sharing, manual operation was significantly substituted.

Putting customer first to deliver secure and convenient mobile financial services. In terms of retail online financial services, the Bank launched the mobile banking 8.0 and enriched information channel, significantly shortening the operation time of small value transfers and purchases of wealth management products. It featured a new panoramic view of customer assets and earnings, covering more than 20 main products and more than 40 indicators. Meanwhile, the Bank launched the mobile banking elderly version 2.0, providing mobile banking services on dedicated sections such as smart companionship, personal cross-border finance, parent-child services, payroll agency, and pensions. The Bank also improved the smart ledger service system, introducing a “one-stop” bill service. Additionally, the Bank introduced mobile U-key and upgraded digital human intelligent services. **In terms of corporate online financial services,** the Bank launched corporate mobile banking 5.0, which realised the convenient connectivity between corporate online banking and corporate mobile banking and optimised the settlement scenario, helping enterprises improve the quality and efficiency of mobile office. The corporate mobile banking 5.0 connected services of multi-channels for the small business customer group and provided English version for overseas customers. As at the end of the Reporting Period, the number of online retail platform users of the Bank was 112,660.2 thousand, representing an increase of 8.76% as compared with the end of the previous year. The number of monthly active users of online retail platform was 28,088.4 thousand, representing an increase of 8.22% as compared with the corresponding period of the previous year. As at the end of the Reporting Period, the number of online corporate platform users of the Bank amounted to 3,620.4 thousand, representing an increase of 10.47% as compared with the end of the previous year. The number of bank-enterprise direct connect customers amounted to 5,184, representing an increase of 24.98% as compared with the end of the previous year.

Feature 7: China Minsheng Bank Rolling out Innovative Mobile Banking V8.0 and Launching Inaugural “Minsheng New Look Festival (民生焕新节)”

In its endeavour to practise the concept of inclusive finance, the Bank iterated and upgraded the wealth scenario, smart ledger, and security services, and created mobile financial services featuring “lifelong companionship, handy mobile wealth management, wealth maintenance, digital technology and intelligence integration, safety and convenience”, delivering more secure and considerate experiences to the customers.

Firstly, the Bank accelerated the digitalisation process, laying a solid foundation for enriching personalised services. The Bank provided customers with smooth user experiences and personalised services through deepening insights into user behaviours and customer needs, end-to-end examination and customer journey optimisation. Secondly, the Bank improved the smart level to provide customers with the ultimate experiences. By upgrading smart search and smart customer service, and strengthening digital human services, the Bank provided customers with safe, friendly and smart services with ultimate experiences. Thirdly, the Bank deepened its professional capabilities to serve the people’s well-being. By creating distinctive and specialised wealth management services for different customer groups, the Bank provided rich financial information to help customers increase their wealth and improve their life quality.

At the same time, the Bank meticulously created the first “mutual benefit and reciprocity” festival between the Bank and its customers with the theme of “Minsheng New Look Festival”. Based on mobile banking 8.0, the “Minsheng New Look Festival” promoted the attractive activities in regard to wealth management, private banking, personal finance, cross-border finance, consumer loans and other products and services in an “online + offline” and all-channel manner, providing customers with unique heart-warming services and good experiences.

The new version of Minsheng mobile banking was recognised by both customers and the market due to its excellent customer experience and rich functions and services. It currently has more than 84 million users, ranking in the top tier among those of joint-stock banks and winning honours such as the “Award of Most Featured Function of Mobile Banking (手機銀行最具特色功能獎)” in 2023. In the future, the Bank will adhere to all-round digital transformation, actively integrate into the national strategy, continue to create convenient, beneficial, high-quality and preferential digital financial services, and contribute more “Minsheng power” to the high-quality economic and social development.

Extending customer service accessibility and continuing to upgrade intelligent financial services. The Bank promoted outlet transformation and community-based finance upgrading, and has built a three-dimensional service system featuring “on-site and remote coordination + man-machine coordination”, and enhanced comprehensive operation service capabilities, effectively increasing the availability and convenience of financial services. **The Bank provided the remote banking services that better “understood you”**, with customer coverage continuing to expand. The Bank provided remote witness, due diligence assistance and other services, with customer satisfaction remaining above 99%. What’s more, the Bank’s 95568 customer service provided a “direct service” channel for the elderly customers and customers with emergency need. **The Bank fully operated the “service breakpoint” experience monitoring mechanism**, conducted real-time identification of business processing interruptions encountered by customers across different channels, and proactively responded to customers to provide services. As at the end of the Reporting Period, the Bank had opened a total of 12 “intelligent bank experience stores”, and the “heart-warming” intelligent services were highly recognised by the public.

Building a digital product factory and significantly improving product and service quality and efficiency. The Bank established an integrated credit product factory, increasing the efficiency of billing process of corporate loans by 20%. The Bank created a multi-level account system and strengthened the component development ability of basic products, allowing for flexible and differentiated pricing of deposit products according to customer groups. The Bank provided functions such as reservation and automatic investment management, innovated distinctive deposit products such as “Assured Deposit”, and created the high-liquidity wealth portfolio products of “Daily Series”. **The Bank deepened the development of payment integration**, connected the preferential scenarios, and significantly improved the ability to acquire corporate acceptance customers. **The Bank continued to explore the application of e-CNY**, initiated for the first time the innovative application of the scenarios of e-CNY fund sales and redemption transactions, and added the service of purchasing accumulation fund using e-CNY. In addition, both the mobile banking App and the Daily Life App simultaneously launched the function of credit card repayment using e-CNY. The Bank was among the first banks in the industry to launch the function of “one QR code for all” for e-CNY and to join the e-CNY App payment platform of the PBOC. Additionally, the Bank was the first bank to support hardware wallet among the bank partners of the PBOC. The Daily Life App launched the industry-first overseas QR code payment business on the UnionPay cloud network platform, covering 46 countries and regions outside the Chinese mainland and more than 4.1 million overseas merchants.

Making data-driven decisions and continuously improving the efficiency of operation and management. The Bank has built a digital decision-making support platform and integrated large model technology capability, to build up the agile and smart decision analysis capability and the decision indicator system. The Bank has established the Data Operations (DataOps) system and analysis tools, enhancing the convenience of full-link data analysis, with the application efficiency of data visualisation increased by 30%. In the meantime, the Bank expanded the application of digital decision-making capability in customer group analysis, marketing analysis, risk analysis, business analysis and other fields to achieve data-driven decision-making and data-empowered management. Additionally, the Bank has built a new digital office platform of “iMinsheng (i民生)” and promoted its use throughout the Group to foster an efficient coordination culture and promote a profound change in management model and corporate culture.

(V) Business outside the Chinese mainland

During the Reporting Period, the Hong Kong Branch implemented the development strategy of the Bank, gave full play to its role as a platform for business outside the Chinese mainland under the coordination mechanism of “One Minsheng”, continuously enhanced cross-border synergy and coordination, carried out in-depth management of the strategic client group of the Head Office and branches, resolutely developed distinctive business fields, focused on building differentiated competitive advantages, and enhanced its capabilities in providing comprehensive cross-border financial services. All the three major businesses, namely corporate banking, financial markets, private banking and wealth management, achieved high-quality and steady development.

As at the end of the Reporting Period, total assets of the Hong Kong Branch amounted to HKD180,289 million, representing a decrease of 7.07% as compared with the end of the previous year. Among them, total loans and advances to customers¹⁰ amounted to HKD100,160 million, accounting for 55.56% of the total assets and representing an increase of 1.19 percentage points as compared with the end of the previous year; total deposits from customers¹¹ amounted to HKD121,309 million, accounting for 67.29% of the total liabilities and representing an increase of 3.67 percentage points as compared with the end of the previous year. The decrease in total assets was mainly due to the further adjustment and optimisation of asset structure of the Hong Kong Branch, which actively reduced the scale of investment in interbank assets and bonds. During the Reporting Period, the net income amounted to HKD2,601 million, representing a decrease of 1.29% as compared with the corresponding period of the previous year. The slight decrease in net income was mainly due to the certain impact on the net interest margin caused by the trend of fixed-term deposits driven by continuous USD interest rate hikes. At the same time, the Hong Kong Branch effectively compensated for the impact of interest rate hikes on net income by hedging interest rate risk and vigorously expanding intermediate business.

1. Taking root in Hong Kong and focusing on the Greater Bay Area to strengthen cross-border coordination and seek for more businesses with the strategic client group

The Hong Kong Branch implemented the development concept of “One Minsheng”, took Hong Kong SAR as the base and focused on the Guangdong-Hong Kong-Macau Greater Bay Area to expand its advantages in cross-border coordination and synergy, and provided customers with professional and integrated cross-border financial solutions. During the Reporting Period, the Hong Kong Branch implemented 33 significant synergy projects of strategic clients, and the credit assets in cross-border cooperation reached RMB15,761 million, representing an increase of 63.60% as compared with the end of the previous year.

¹⁰ According to the calibre of the Hong Kong Monetary Authority, total loans and advances to customers mainly include the loans and advances issued by the Hong Kong Branch to corporate clients, retail customers and non-bank financial institutions clients.

¹¹ According to the calibre of the Hong Kong Monetary Authority, total deposits from customers mainly include the deposits with the Hong Kong Branch from corporate clients, retail customers and non-bank financial institutions clients.

The Hong Kong Branch attached great importance to the adjustment of credit customer structure and the improvement of customer quality. During the Reporting Period, in new disbursement of credit assets, high-quality corporate clients with high ratings accounted for 60.50%. The Branch attached importance to the in-depth development of the strategic client group, and provided over 200 corporate strategic clients of the Bank with comprehensive financial services. As at the end of the Reporting Period, total credit assets of corporate strategic clients amounted to HKD44.833 billion. In addition, the Branch focused on cross-border wealth management of mid- to high-end retail customers. As at the end of the Reporting Period, the AUM of the private banking and wealth management customer groups exceeded HKD30.4 billion.

2. *Following the philosophy of “customer first and considerate services” to develop featured business and build core advantages*

Committed to creating values for customers, the Hong Kong Branch explored business opportunities in distinctive business fields, and achieved good development in asset custody, foreign exchange trading, green finance and other businesses. In terms of asset custody, the Branch enhanced comprehensive custody service capability and built a cross-border custody brand by relying on the overseas custody centre (Hong Kong) platform. As at the end of the Reporting Period, the assets under custody amounted to HKD146,910 million, representing an increase of 10.06% as compared with the end of the previous year, taking the lead among comparable Chinese joint-stock banks in Hong Kong. In terms of foreign exchange trading, the Branch continuously enriched product functions and scenario applications, and achieved sound growth in agency business of foreign exchange and derivatives. During the Reporting Period, the trading volume of agency business of foreign exchange and derivatives amounted to USD13,858 million, representing an increase of 31.91% as compared with the corresponding period of the previous year. In terms of green finance, the Branch adhered to sustainable and green development, deepened the development of green financial system, and promoted the green and low-carbon transformation and upgrading of asset structure. As at the end of the Reporting Period, the green assets¹² amounted to HKD15,152 million, representing an increase of 44.62% as compared with the end of the previous year. During the Reporting Period, the Branch successfully issued RMB2 billion offshore RMB medium-term notes with a term of two-year, becoming the first Chinese joint-stock bank issuing green dim sum bonds. With its outstanding performance in the field of green finance, the Branch was awarded the honour and certificate of appreciation in the “ESG Achievement Programme 2023 (ESG表彰計劃2023)” by the Hong Kong Economic Journal, as well as the two awards – “Visionary Green Bond Framework (卓越遠見綠色債券框架)” and “Visionary Sustainability-linked Loan Performance Metrics (卓越遠見可持續發展貸款績效指標)” by the Hong Kong Quality Assurance Agency.

¹² Green assets include green loans and bonds.

The Hong Kong Branch adhered to the customer-centric philosophy, enriched retail product offerings, and innovated the model of value-adding services, thereby constantly enhancing its capabilities in providing comprehensive cross-border financial services. During the Reporting Period, the Branch strove to build a private banking and wealth management platform, continuously expanded the scope of cooperation with insurance companies, and maintained a leading position in overseas insurance business among comparable Chinese joint-stock banks in Hong Kong. Attribute to its professional competence and premium services, it won the “Best Private Banking – International Services and Investment” Gold Award (“最佳私人銀行－國際服務與投資”金獎) issued by the Asian Private Banker. The Branch constantly deepened cooperation with the financial institution customer group and maintained its leading advantages of bank-securities transfer business platform in the market. During the Reporting Period, the Branch cooperated with 24 securities companies in bank-securities transfer business with 24/7 online FX trading volume of HKD43,331 million. Regarding the “Cross-Border Wealth Management Connect”, the Branch has realised electronic operation of account opening and trading. As at the end of the Reporting Period, the market share of “Cross-Border Wealth Management Connect” of the Bank maintained a leading position among over 30 banks with similar business. The Branch was continuously committed to enhancing and improving customer service quality. During the Reporting Period, the Hong Kong Branch won the award of “Excellent Customer Services Bank” (“卓越客戶服務銀行”大獎) of 2023 by the Hong Kong Economic Journal.

3. *Taking risk first and enhancing management and control to pursue comprehensive risk management and compliant and steady operation*

The Hong Kong Branch comprehensively implemented the philosophy of compliant operation, continued to improve the overall risk management system, insisted on paying equal attention to business development and risk constraint, and formulated and implemented risk preference, to effectively ensure its steady operation. During the Reporting Period, the Branch continued to strengthen credit risk management, optimised and adjusted the credit asset portfolio, appropriately increased the allocation of assets in Hong Kong and outside the Chinese mainland, increased the proportion of high-rating loans, and strengthened the management of customer concentration and industry limit management, thereby enhancing risk resistance capabilities. It actively implemented regulatory requirements, attached great importance to climate risk management, integrated climate risks into the comprehensive risk management system, established quantitative indicators and conducted regular monitoring. During the Reporting Period, the Branch compiled and officially disclosed the first Special Disclosure Report on Green Finance and Climate Risk Management (《綠色金融與氣候風險管理專題披露報告》). In addition, it proactively responded to drastic changes in the financial markets, adopted a forward-looking liquidity risk management strategy, and continued to optimise the type, maturity term and currency structure of liabilities to effectively reduce the concentration of liability sources. During the Reporting Period, the Hong Kong Branch kept all its liquidity indicators at a sound and steady level. It closely tracked changes in market interest rates, and timely formulated and actively implemented the interest rate risk hedging strategies, so as to effectively resolve the impact of rapid USD interest rate rise on the interest rate risk of banking book. During the Reporting Period, attribute to its excellent market performance of transactions of financial interest rate derivatives, the Hong Kong Branch won the award of “Most Active Settlement Member – USD Over-the-Counter Derivatives” (“最活躍結算會員－美元場外衍生品”卓越大獎) issued by the HKEX.

(VI) Major equity investments and management of consolidated financial statements

As at the end of the Reporting Period, the Bank had long-term equity investments of RMB13,413 million. For details, please refer to the notes to the financial statements.

1. Minsheng Financial Leasing

Minsheng Financial Leasing, one of the first five financial leasing companies with banking background approved by the former CBRC, was established in April 2008 with a registered capital of RMB5,095 million. 54.96% of equity interest of Minsheng Financial Leasing was held by the Bank. The main business scope of Minsheng Financial Leasing includes financial leasing and operating leasing of vehicles, vessels, commercial aircraft, business jets and large equipment.

During the Reporting Period, Minsheng Financial Leasing adhered to the origins of leasing, firmly promoted reform, transformation and high-quality development, maintained stable operating performance and continued to optimise its business structure. During the Reporting Period, the disbursement of leasing business amounted to RMB72,933 million, representing an increase of 41.07% as compared with the corresponding period of the previous year, the highest in history since its establishment. Among new disbursements, the retail and inclusive finance businesses accounted for 73.82%, representing an increase of 12.14 percentage points as compared with the corresponding period of the previous year. During the Reporting Period, Minsheng Financial Leasing recorded an operating income of RMB6,776 million. As at the end of the Reporting Period, total assets of Minsheng Financial Leasing amounted to RMB190,836 million, and its net assets amounted to RMB23,271 million.

In 2023, Minsheng Financial Leasing won a number of awards, including three awards granted by regulatory authorities, one government-level award and eight national commendations. It was the first financial leasing company that won the award for consumer rights protection (the service innovation case of China's banking industry and insurance industry of the year) presented by the China Banking and Insurance News, the award of the best fintech financial leasing company of the year by the Financial Times, and the second prize of innovation case by the Tianjin Local Financial Supervision and Administration.

2. *Minsheng Royal Fund*

Minsheng Royal Fund is a Sino-foreign fund management joint venture established in November 2008 under the approval of the CSRC, with a registered capital of RMB300 million. 63.33% of equity interest of Minsheng Royal Fund was held by the Bank. Minsheng Royal Fund mainly engages in fund management, fund sales, specific customer asset management and other businesses approved by the CSRC.

The performance of mid- to long-term investments of Minsheng Royal Fund was outstanding. It won the Golden Bull Awards (金牛獎) for 24 times in total, and has been fully recognised by the investors and the industry. As at the end of the Reporting Period, Minsheng Royal Fund had total assets of RMB3,291 million. Its net assets amounted to RMB1,794 million. During the Reporting Period, its net profits amounted to RMB148 million, and its net profit attributable to holders of equity shares of the Bank amounted to RMB89 million. The AUM of Minsheng Royal Fund amounted to RMB170,171 million, representing an increase of 11.50% as compared with the end of the previous year.

3. *CMBC International*

CMBC International is a wholly-owned subsidiary of the Bank established on 11 February 2015 in Hong Kong under the approval of the former CBRC, with a registered capital of HKD4,207 million. The principal business of CMBC International includes sponsorship of listing in Hong Kong, financial advisory, underwriting and issuance of bonds, asset management and wealth management, stock brokerage, direct investment and structured financing. CMBC International is an important and strategic platform for the comprehensive development and international expansion of the Bank. As at the end of the Reporting Period, CMBC International had total assets and total liabilities of HKD20,342 million and HKD17,107 million, respectively. Its net assets amounted to HKD3,235 million, and total equity attributable to holders of equity shares of the Bank amounted to HKD2,702 million.

4. *Minsheng rural banks*

Since September 2008, the Bank has invested a total of RMB1,427 million, and initiated the establishment of 29 subsidiary rural banks with 83 business outlets and 1,916 employees. During the Reporting Period, the Bank continuously pushed rural banks to hold firm to their business origin and positioning, and actively respond to policies and regulatory requirements. The rural banks continued to deepen services for “agriculture, rural areas and farmers”, small business customers and community residents, served the rural revitalisation strategy in a solid manner, proactively fulfilled social responsibilities, comprehensively strengthened corporate governance, risk management and internal management, and constantly improved the quality of development, so as to achieve sound social and operational benefits. As at the end of the Reporting Period, total assets, total deposits from customers and total loans and advances to customers of the rural banks amounted to RMB42,279 million, RMB36,181 million, and RMB26,218 million, respectively, and these rural banks served a total of 590.2 thousand customers of various types.

5. *CMBC Wealth Management*

CMBC Wealth Management is a wealth management company established on 24 June 2022 under the approval of the former CBIRC. With a registered capital of RMB5 billion, CMBC Wealth Management is a wholly-owned subsidiary of the Bank. Its main businesses include issuance and investment management of publicly offered wealth management products, issuance and investment management of private equity wealth management products, wealth management advisory and consultancy services, and other businesses approved by the former CBIRC.

During the Reporting Period, CMBC Wealth Management adhered to the corporate mission of “creating long-term and stable wealth management returns for the people and helping achieve common prosperity”, and firmly established the values of “investors’ interest first” and the investment concept of “long-term stability and absolute returns”. It persisted in serving the real economy and national strategies and practicing inclusive finance. As at the end of the Reporting Period, total assets of CMBC Wealth Management amounted to RMB7,585 million, and the net assets amounted to RMB7,189 million. During the Reporting Period, its net profits amounted to RMB1,152 million. The total scale of wealth management products that were independently issued and under entrusted management amounted to RMB868,474 million.

CMBC Wealth Management established the product graph of “Minsheng Bamboo (民生竹)” series of wealth management products, and the wealth management products under its management won many awards in its industry in 2023. At the selection of the Fourth Wealth Management Golden Bull Awards for the Banking Industry organised by China Securities Journal, CMBC Wealth Management won the “Bank Wealth Management Company Golden Bull Innovation Award (銀行理財公司金牛創新獎)”, and “Gui Zhu Fixed-Income Enhancement Refinancing-Themed 19M Closed-End No. 5 Wealth Management Product (貴竹固收增強再融資主題19M封閉5號理財產品)” won the “Bank Wealth Management Product Golden Bull Award (銀行理財產品金牛獎)”. At the selection of the third “Gold Medal of Honour Awards (金譽獎)” organised by PY Standard in 2023, CMBC Wealth Management won the awards of “Excellent Innovative Wealth Management Company (卓越創新理財公司)” and “Excellent Wealth Management Company in Return on Investment (卓越投資回報理財公司)”, and “Jin Zhu FOF 1-Year No. 1 Wealth Management Product (金竹FOF一年持有期1號理財產品)” was presented the award of “Outstanding Equity-Based Bank Wealth Management Product (優秀權益類銀行理財產品)”. The ESG-themed wealth management product of “Gui Zhu Enhancement Low-carbon Leading Products 1-Year Regular Opening (貴竹增強低碳領先產品一年定開)” was granted the honour of 2023 Technology Empowerment Model Case of ESG in the Banking Industry (2023銀行業ESG年度科技賦能典範案例) by China Banking and Insurance Media Company Limited.

6. *Consolidated management*

The Bank conducted consolidated management of subsidiaries in strict accordance with the Guidelines for the Consolidated Management and Supervision of Commercial Banks (《商業銀行並表管理與監管指引》), and enhanced professional management of corporate governance, capital and financial management, risk management and other aspects, promoting the steady and high-quality development of the Group. Firstly, adhering to the strategic positioning of subsidiaries, the Bank strengthened the process management of tracking, supervision and review of strategy implementation, so as to ensure the steady implementation of the group-based strategy of the Bank. Secondly, the Bank coordinated the formulation of the 2023 development goals of the Group, continuously enhanced the management of annual business plans and financial budgets of subsidiaries, and guided the organic combination of business activities and strategies. Thirdly, the Bank constantly optimised the corporate governance system for its subsidiaries, selected and appointed competent directors and supervisors that the Bank had the right to nominate, and strengthened the assessment and guidance of corporate governance of its subsidiaries, so as to further improve the effectiveness of corporate governance. Fourthly, the Bank strengthened comprehensive risk management, and enhanced risk monitoring and early-warning for the subsidiaries, thus ensuring that the overall risk status of the Group remained stable and controllable. Fifthly, the Bank continuously pushed forward the development of the consolidated system of the Group and the digital transformation of subsidiaries, and gave full play to the supporting role of the information technology in consolidated management.

(VII) Structured entities

The structured entities in which the Group invested, issued and managed mainly consisted of wealth management products, asset-backed securities, funds, trust plans and asset management plans, of which, the amount of consolidated structured entities of the Group was RMB80.977 billion. For details, please refer to Note 7 “Interests in Structured Entities” to the financial statements.

XII. Risk Management

The Bank fully implemented the spirit of the 20th National Congress of the CPC and the Central Financial Work Conference, understood and carried out the internal risk control and management work for banks from the overall picture of the Party and the country, and implemented various policies and arrangements of regulatory authorities. The Bank deepened the philosophy that “compliant operation is the core competitiveness”, implemented the risk preferences of “implementing strategies, safeguarding the bottom line, centring on risk control and pursuing steady progress” and consolidated the foundation of comprehensive risk management. By paying equal attention to preventing risks and promoting development, the Bank strove to use high-quality financial services to facilitate the realisation of the goal of building China into a strong financial country, protect the long-term interests of shareholders, employees and customers, and to maximise shareholder value.

(I) Comprehensive risk management

Comprehensive risk management refers to that the Board of Directors, Board of Supervisors, Senior Management and the three lines of defense of risk management of the Bank perform their respective duties, and effectively control all risks in all fields and dimensions and at all levels, thus providing rational guarantee for the realisation of all goals of operation and management.

During the Reporting Period, firstly, the Bank constantly consolidated the development of internal risk control system featuring “four beams and eight pillars (四梁八柱)”. The Bank issued the Guidelines on Consolidating the Internal Risk Control System Featuring “Four Beams and Eight Pillars” (《關於築牢“四梁八柱”風險內控體系的指導意見》), standardised operational requirements and long-term mechanisms, and strengthened the closed-loop management for system development covering implementation, review and improvement. Taking “management under the Party’s leadership, comprehensive management, and active management” as the core, the Bank implemented the Party committee’s antecedent research on major risk issues, and fulfilled the primary responsibilities of Party committees at different levels for risk management. It closely followed the national policies, regulatory requirements and digital waves, and improved the offline policy system and online smart risk control system, to effectively support the real economy, and strengthen proactive and forward-looking management. It focused on “key individuals”, “key issues” and “key behaviours”, executed strict “management of individuals”, comprehensive “management of issues”, and refined “management of funds”, and tightened the chain of responsibilities thoroughly, in order to exert a strong constraint on illegal and non-complaint behaviours. The Bank consolidated the support of “eight pillars”, continuously solidified the foundation of internal risk control and management from eight aspects, i.e. structure, policy, process, system, team, implementation, supervision and culture, and constantly enhanced the support capability for development and management. It also optimised the “four beams” mechanism, strengthened examination for rectification and evaluation for better performance, and achieved a virtuous cycle of “examination-evaluation-rectification-improvement”. Secondly, the Bank optimised the transmission mechanism of risk management. The Bank created a seven-in-one transmission system featuring “risk preferences + risk management strategies + credit policies + special risk policies + risk limits + risk reports + risk assessment”, deepened the application level, and improved the transmission effect to make it play a leading role in business development. Thirdly, the Bank steadily pushed forward the implementation of the Capital Rules for Commercial Banks (《商業銀行資本管理辦法》). On the basis of effective management of traditional risks, the Bank strengthened the management of risks in model, fraud, concentration, consolidated financial statements, country and others, optimised policy, process, and system construction, and ensured that risk management effectively covered all risk categories, all business lines, all procedures, all units and all personnel. Fourthly, the Bank completed the development of phase I of digital, intelligent risk control projects. Based on the 5I development vision (“Innovative, Immediate, Intelligent, Insightful, Inter-connected”), the Bank built mechanisms, unified management, and strengthened advocacy, to ensure the launch by the scheduled time and complete implementation of the 43 projects planned in phase I. At present, the Bank has established a four-layer, four-end digital and intelligent risk control system, which covers all the business segments such as corporate banking, small business and retail banking. It includes

whole-process scenarios such as due diligence, examination and approval, early warning, collateral, preservation, AML and profiling, and covers full risk categories including credit, market, operation, and fraud risks, effectively improving the automation of processes, the precision of models, and the digitalisation of management. Through the development of a series of projects such as smart due diligence, smart examination and approval, smart early warning, smart preservation, smart collateral, and smart legal review, “human control” was replaced by “machine control”, enabling the refined management of risks, and achieving remarkable results. Among them, the Bank put into operation the smart decision-making foundation for proactive small business credit granting of “Minsheng Benefits”. By introducing authoritative data of the State, scenario-based data, transaction data and the existing data, the smart decision-making foundation has reshaped the risk control logic and realised the “dual engine” function of proactive customer acquisition and open customer acquisition, first of its kind in the industry, which has changed the business model of inclusive small business. It won the “Innovative Model Award for 2023 Outstanding Case of Inclusive Finance (2023 普惠金融優秀案例創新模式獎)” by people.com.cn.

(II) Credit risk management

Credit risk is the risk that a borrower or a counterparty fails to make repayments in a timely manner in full amount for whatever reasons. A platform consisting of risk strategies, credit policies, portfolio management, risk measurement tools and information system support has been established by the Bank to control risks and support the steady development of businesses. The credit risk management system covers the full process including pre-approval investigation, approval review, and post-loan management. Credit risks of loans extension and non-credit business are also strictly controlled. As at the end of the Reporting Period, total NPLs, NPL ratio, total special-mentioned loans, special-mentioned loan ratio and formation rate of NPLs of the Group all decreased and allowance to NPLs increased as compared with the end of the previous year, and the quality of assets remained the tendency of getting better in stability.

The Bank adjusted and optimised the credit structure. The Bank optimised its credit policy system, increased support for key fields and key customer groups, and strove to promote high-quality development. In accordance with the decisions and arrangements of the CPC Central Committee, focusing on the new development pattern of “industrial upgrading, economic development and transition to new from old economic engines”, the Bank grasped the momentum of regional economic recovery and growth after policy optimisation, proactively integrated itself into the regional mainstream economy, focused on key priorities, and proactively guided operating units to catch key projects in various regions and business opportunities to serve the real economy, in a bid to resonate with the high-quality development of the regional economy at the same frequency. As the Bank consistently promoted the inclusive finance strategy, the “integrated” credit management model for inclusive businesses gradually achieved results, and the scale of inclusive finance business and the number of customers increased steadily.

The Bank improved the quality and efficiency of credit approval. Since the reform of credit approval system for legal person customers, the Bank has improved the quality and efficiency of credit approval. The Bank focused on key areas, prevented credit risks, and empowered first-line development. Firstly, the Bank increased credit support for key areas and key regions, and strengthened approval for areas including the manufacturing industry, “DRDI SMEs”, green finance, inclusive finance, and rural revitalisation, as well as for regions including the Guangdong-Hong Kong-Macau Greater Bay Area, Beijing-Tianjin-Hebei, the Yangtze River Delta, and the Chengdu-Chongqing economic circle. Secondly, the Bank improved the quality and efficiency of credit approval. Through the mechanism of “sunshine communications (陽光溝通)” and green approval channels, the Bank prioritised major projects by accelerating approval. Thirdly, the Bank orderly pushed forward the implementation of SME credit plans and optimised the review and approval model for SMEs. Focusing on regional segmented industries, the Bank conducted in-depth research and argumentation and leveraged digital technology to make accurate profiling of customer groups, thus to improve risk prevention and control capabilities. Fourthly, the Bank optimised the small business credit approval mechanism and implemented smart review and one-time approval mode, making the process simpler and more efficient. Fifthly, the Bank constantly carried out industry research and market research, strengthened the reexamination of major projects, timely corrected the approval scale, and improved professional capabilities. Sixthly, the Bank continued to optimise the standardisation of credit approval, formulated approval guidelines for “DRDI SMEs” and international business, optimised the due diligence report template, and standardised approval comments. Seventhly, the Bank promoted the construction of smart credit approval, and has initially built a highly flexible, highly scalable, and highly open enterprise-level smart due diligence management platform. The Bank also launched investigation report templates for key business scenarios, and established digital support for smart review, smart consideration, mobile approval and other scenarios.

The Bank strengthened risk prevention and control in key areas. The Bank strictly implemented the decisions and arrangements of the CPC Central Committee and the State Council on preventing and defusing local debt risks of financing platforms, implemented the latest national policies and regulatory requirements, proactively implemented the development strategies of key regions, and promoted credit placement in key regions. In accordance with the general principles of “complying with laws and regulations, controlling total quantity, selecting preferred regions and making structural adjustment (合法合規、總量控制、優選區域、結構調整)”, the Bank timely adjusted and improved credit policies, comprehensively strengthened risk management in the field of urban construction, and pushed branches to actively implement debt risk defusing policies. The Bank strengthened communications with the government and customers, focused on key customers and projects, and effectively mitigated risks of financing platforms. The Bank actively and prudently defused real estate risks. In accordance with the general principles of “stabilising total amount, adjusting structures, strengthening management and controlling risks”, the Bank dynamically optimised credit policies in the real estate sector and mainly supported the housing projects of ordinary rigid demand and improvement demand, so as to promote the steady and healthy development of the real estate market. The Bank stuck to city access management of real estate and the namelist-based management of the real estate customer group, constantly tracked the risk mitigation of distressed housing enterprises, and optimised the structure of existing customers, hence effectively increasing the proportion of assets of high-quality customers. The Bank strictly implemented the regulatory requirements of “16 financial measures” and proactively defused the risks of existing real estate projects on the premise of marketisation and legalisation.

The Bank enhanced post-loan management capability. The Bank comprehensively implemented optimisation plans for post-loan and post-investment management system, and has built a three-level management structure involving “execution”, “management” and “supervision”, among which, the first line of defense effectively undertook the management responsibility of organisation and implementation, and the second line of defense took charge of improving layered and classified management, and intensifying supervision and inspection. The Bank also completed the launch of supporting system functions, and realised the online operation of key tasks and process of the first line of defense. The Bank strengthened risk investigation, assessment and judgment, achieved early identification, early warning, and early disposal, so as to defuse potential risks in advance. The Bank optimised the post-loan examination mode for the supply chain scenario, elevated the automation rate of post-loan examination, and effectively improved the post-loan examination quality and completion efficiency.

The Bank enhanced its capabilities in collection and disposal of non-performing assets. Firstly, the Bank optimised the special assets management mode and comprehensively consolidated the management system featuring integration of the Head Office and branches and centralised and professional collection. Secondly, the Bank improved and promoted supporting management mechanisms such as supervision, monitoring and analysis, assessment, incentives and constraints, comprehensively consolidated the management foundation, and stimulated management efficiency. Thirdly, in conjunction with the economic situation and market trends, the Bank optimised the collection and disposal strategy. Fourthly, upholding the philosophy of compliant disposal, the Bank formulated policies before taking actions to improve the standardisation and normalisation of operations. Fifthly, the Bank fulfilled the concept of operating non-performing assets and took comprehensive measures to strengthen the effectiveness of collection and disposal. Sixthly, the Bank stepped up efforts to carry out collection and disposal of written-off assets. During the Reporting Period, the cash collection of written-off assets of the Bank grew by 22.44% as compared with the corresponding period of the previous year, which further improved the value contribution of collection and disposal.

(III) Large-amount exposure

Large-amount exposure refers to the credit risk exposure of a commercial bank exceeding 2.5% of its net tier-1 capital (including various kinds of credit risk exposures arising in the banking book and the trading book) to a single customer or a group of connected customers. The Bank proactively established and improved the management mechanism for large-amount exposures, improved management rules, developed management systems, clarified large-amount exposure management limits in annual risk preference, and orderly implemented the measurement, monitoring and reporting of large-amount exposures, thus ensuring the compliance and effectiveness of management.

As at the end of the Reporting Period, except for customers exempted by the regulators, the non-peer single customers, non-peer group customers, peer single customers, and peer group customers of the Bank meeting large-amount exposure standards all satisfied the regulatory requirements.

(IV) Market risk management

Market risk refers to the risk of adverse changes in market prices (interest rates, exchange rates, stock prices and commodity prices), inflicting losses in on- and off-balance sheet businesses of commercial banks. With compliance requirements as the bottom line, the Bank proactively responded to changes in the external environment and market fluctuations, with both the occupation of market risk capital and trading book profit and loss remaining stable within the scope of risk preference.

During the Reporting Period, combining the development plan and management strategies for investment trading businesses, the Bank continuously improved the market risk management system and continued to improve its market risk management capabilities in terms of risk preference and limit transmission, risk measurement and monitoring, capital measurement system development, product access and evaluation control, etc. Firstly, the Bank established a sound and effective market risk limit management system. Starting from risk preference indicators such as capital and loss tolerance, the Bank established a market risk limit indicator system including stop loss, exposure and sensitivity, and transmitted it to operating units through different levels of authorisation management and approval procedures. Secondly, the Bank optimised market risk management responsibilities, and built a four-in-one market risk monitoring system featuring product control, measurement monitoring, capital management and performance management. Market risk monitors were segmented by business areas such as interest rates, exchange rates, precious metals and commodities, achieving the full-process monitoring of each trading desk. Thirdly, the Bank continued to improve product access management to support the business development of front office. The Bank constructed the synergy mechanism for comprehensive risk management, business procedures management, rules compliance management, and data model management through antecedent examination on investment trading businesses, ensuring that the Bank had management and control capacity over each investment trading product recorded in the banking book and the trading book of the Bank. Fourthly, according to the latest requirements of the Capital Rules for Commercial Banks, the Bank optimised and improved market risk capital measurement tools, and launched multiple versions of the FRTB (Fundamental Review of the Trading Book) system and the SACCR (Standardised Approach For Measuring Counterparty Credit Risk Exposure) system. Fifthly, the Bank optimised the intelligence level of market risk reports by adopting risk graph and made them more real-time, visualised and dynamically interactive.

(V) Operational risk management

Operational risk refers to the risk of loss due to deficient or flawed internal procedures, personnel and IT system or external events. The major operational risk of the Bank comprises internal and external fraud, employment system, safety of working places, and events related to customers, products and operation, damages of tangible assets, interruption of business, paralysis of IT system and management of execution, transfer and processes. The Bank proactively guarded against and responded to various operational risks through full identification, continuous monitoring, and examination and evaluation, and controlled the loss ratio of operational risks within the risk limit set by the Board.

During the Reporting Period, under the guidance of the Capital Rules for Commercial Banks, the Bank implemented the new capital regulations and operational risk management requirements of the NFRA in advance, and improved the operational risk management system. The Bank carried out the activity of “Year of Operational Risk Management”, promoting the comprehensive improvement of operational risk management efficiency from four aspects: strengthening concept, building foundation, strictly managing and controlling, and imposing serious investigation and severe punishment. Firstly, the Bank formulated work plans and made preparations aimed at meeting regulatory requirements such as system sorting, measurement and calculation, system development, training promotion and implementation, and optimisation of tool application. The Bank actively pushed forward the implementation of the new standardized approach for the measurement of operational risk capital to strengthen the effectiveness of operational risk management and control. Secondly, the Bank optimised operational risk management tools, and supervised the reexamination of the list of managed targets and key risk indicators. The Bank regularly conducted operational risk identification and evaluation, indicator monitoring, loss data governance and other works, continuously iterated and upgraded system functions, and has built an integrated system of “overall operational risk management”. Thirdly, the Bank implemented the new mechanism of outsourcing risk control, compliantly carried out outsourcing projects, and dynamically updated the type reference of outsourcing activities, outsourcing risk assessment guidelines, and outsourcing service provider access standards. Fourthly, the Bank implemented business continuity management optimisation initiatives, formulated and issued business continuity management measures, working rules for the Business Continuity Management Committee, business continuity plans and overall contingency plans for business continuity. The Bank carried out key resource construction planning and real drills for important businesses, and developed innovative plans for improving business continuity management capabilities of tier-1 branches.

(VI) Liquidity risk management

Liquidity risk refers to the risk that a commercial bank is unable to promptly obtain funds at reasonable cost to repay maturing liabilities, discharge other payment obligations and meet other funding needs in the course of normal operations. The Bank established a scientific and complete liquidity risk governance framework, set up a clear and efficient system for division of duties regarding liquidity risk management, formulated effective management rules, processes, strategies and policies for liquidity risks, and developed and optimised advanced risk management tools, thus constantly improving its capabilities in identifying, measuring, monitoring, controlling and reporting liquidity risks.

During the Reporting Period, the Bank strictly safeguarded the bottom line of liquidity risks, adhered to prudent liquidity risk preference, closely monitored the changes in domestic and international macro economy, currency and regulatory policies, market liquidity and price level, and proactively judged and predicted future trends. The Bank strengthened monitoring and active management around core risk factors, and improved the level of refined management. The monitoring indicators of liquidity risks remained sound and met the standards, and daytime liquidity risks stayed safe and controllable. Firstly, the Bank optimised the Group's consolidated management system for liquidity risks, enhanced the development of institutional system, and effectively reinforced the overall management of liquidity risks of the Group. Secondly, by systematically analysing and summarising risk event experiences of international commercial banks, the Bank further strengthened the management of limit and monitoring of liquidity risks, and improved the risk monitoring and limit management system based on the risk factors such as asset-liability maturity mismatch, liability structure stability, high-quality liquidity assets, cash flow gap distribution, and customer and industry concentration degrees. Thirdly, the Bank optimised the asset-liability structure, guided the increase of the proportion of core liabilities, strictly managed and controlled the size and maturity structure of interbank liabilities, and flexibly used high-quality liquid assets. Fourthly, the Bank carried out high-frequency management of early-warning of liquidity risks, continuously improved the stress test scenario and parameter systems, and used systematic tools to increase the frequency and efficiency of stress testing. The Bank regularly conducted emergency drills for liquidity risks, and improved its capabilities in risk identification and emergency response. Fifthly, the Bank reinforced the development of information systems and management tools, enhanced digital risk control capabilities, and optimised and perfected the risk monitoring statement system.

(VII) Country risk management

Country risk refers to the risk of borrower or debtor in a certain country or region failing or unwilling to repay debts to the Bank, or the Bank suffering from commercial losses in a country or region or incurring other losses due to economic, political and social changes and incidents in such country or region.

During the Reporting Period, the Bank timely judged the new circumstances of country risk management and carried out various country risk management in a steady, sustained and effective manner, based on country risk management objectives, size of country risk exposures and business complexity. Firstly, the Bank improved the institutional system for country risk, formulated operational procedures for country risk contingency plans, and strengthened emergency response to country risks. Secondly, the Bank optimised the management and control of country risk limits to guide and control the overall risk level. Thirdly, the Bank strengthened basic management and actively promoted the process of information system development. Fourthly, the Bank calculated in full amount the allowance for impairment losses of country risks. During the Reporting Period, neither the total country risk exposure nor risk exposure to a single country of the Bank exceeded the limit. The country risk exposures of the Bank were mainly distributed in countries with “low” and “relatively low” country risk ratings. The country risk of the Bank was generally safe and controllable, and the country risk prevention and control capabilities continued to improve.

(VIII) Management of interest rate risk in banking book

Interest rate risk in banking book refers to the adverse changes in the level of interest rate, maturity structure and other factors which lead to loss on the economic value and overall revenue of banking book, primarily including gap risk, benchmark risk and option risk.

During the Reporting Period, the Bank optimised and improved the governance and management system of interest rate risk in banking book, proactively adjusted asset-liability structure, strictly managed and controlled the mismatch level of asset and liability repricing, and strengthened the interest rate sensitivity analysis and stress tests, in a bid to ensure the steady operation of regulatory indicators and internal management indicators of interest rate risk in banking book. Firstly, the Bank improved the Group’s consolidated management system of interest rate risk in banking book, effectively strengthening the coordinated management of interest rate risk in banking book of the Group and supervising and guiding subsidiaries to improve their risk management. Secondly, the Bank constantly enhanced the identification, measurement, monitoring and control system for interest rate risk in banking book, comprehensively adopted repricing gap analysis, duration analysis, sensitivity analysis, stress test and other methods to analyse and monitor risks, closely followed changes in internal and external market environment as well as internal business structure, enhanced forward-looking judgment, and adjusted asset-liability term structure and business management strategies in a dynamic manner, so as to ensure the steady operation of indicators of interest rate risk in banking book. Thirdly, the Bank optimised the limit system, appraisal and supervision and early-warning and reminder of interest rate risk in banking book, practised strict and effective management in terms of repricing gap, maturity mismatch, duration, and valuation fluctuation, etc., so as to ensure that all risk factors were kept at a prudent and healthy level. Fourthly, the Bank enhanced the early-warning management of interest rate risk in banking book, constantly enriched and perfected scenario-based assumption and parameter setting for stress tests, used systematic tools to elevate the frequency of stress tests, and strengthened its capability in risk identification and emergency response. Fifthly, the Bank optimised the functions of the asset-liability risk management system, improved management models and data foundation, increased the automatic measurement and monitoring frequency of the indicators of interest rate risk in banking book, and enhanced its capabilities in risk data analysis, early-warning and mining.

(IX) Reputation risk management

Reputation risk refers to the risk that stakeholders, the public, media and other parties negatively evaluate the Bank due to the institutional behaviours, behaviours of practitioners or external events, etc., which then undermines the brand value, goes against normal operation, and even affects market stability and social stability. The Bank regards effective reputation risk management as one of the important means and necessary measures to safeguard normal business development, create a harmonious public opinion environment, safeguard its sound image in the industry and fulfill corporate citizenship responsibilities.

During the Reporting Period, the Bank optimised the mechanism and process, and improved the response strategy, which further enhanced the timeliness and effectiveness of reputation risk management, and effectively maintained the market image and brand reputation of the Bank. Firstly, the Bank assessed the potential threats of contagion among risks in a timely manner within the purview of comprehensive risk management, anticipated public opinion trends, deployed special monitoring, and formulated plans in advance. Secondly, the Bank took the initiative to deal with and resolve reputation events and potential hazards, so as to guarantee proactive and effective prevention, and to minimise the loss and negative impact caused to the public. Thirdly, the Bank achieved the coverage of public opinion monitoring tools throughout the Group, further broadening the monitoring scope and increasing the monitoring accuracy. Fourthly, the Bank planned topics in time and continuously spread positive voices and enhanced corporate reputation through multiple channels, creating a favourable public opinion environment for the operation and development of the Bank.

(X) IT risk management

IT risk refers to the operational, legal and reputation risk and other risks due to natural factors, human factors, technical flaws and management defects in relation to the IT application in a commercial bank.

During the Reporting Period, the Bank comprehensively promoted digital transformation and development, and continued to perfect the IT risk management system and improve IT risk management. Firstly, the Bank issued the Plan for IT Development of China Minsheng Bank (2023-2025) and the Data Strategy of China Minsheng Bank (2023-2025), to specify the objectives, major tasks and implementation paths of IT work of the Bank, as well as the strategic vision, development objectives and key measures for data work in the next three years, providing clear guidance for the Bank to build up its IT capability, data capability and IT risk management capability. Secondly, the Bank carried out the activity of “IT and Operational Risk Management Year (信息科技操作風險管理年)” throughout the whole bank to consolidate all staff’s consciousness of IT risk bottom-line, and enhance IT risk management capability. Thirdly, the Bank continuously pushed forward digital transformation and empowerment, and strengthened the assessment of operational risks of technical framework and the system optimisation. Fourthly, the Bank safeguarded the stable operation of production system, improved the processes of event handling and system change management, regularly conducted drills on real-time switch of important systems, improved the security of critical information infrastructure, and built an intelligent and reliable operation and maintenance system, thus enhancing controllability of security. Fifthly, the Bank continued to improve the establishment of information security and compliance management system, strove to

strengthen the full-life cycle management and control of data security and network security, and consistently improved IT risk management. Sixthly, the Bank established and improved the IT risk monitoring indicator system, designed monitoring indicators and promoted systematic reporting. Seventhly, the Bank organised IT risk assessment at the group level, and supervised the acceptance of rectification of problems found.

(XI) Legal risk management

Legal risk refers to the risk that the Bank may assume criminal, administrative and civil legal liabilities because it fails to abide by laws, administrative regulations, regulatory provisions, contractual agreements, or fails to properly exercise its rights or properly fulfill its obligations. The Bank has put in place a relatively perfect legal risk management system and mechanism, providing guarantee for the law-based and compliant operation of the Bank.

During the Reporting Period, the Bank organised demonstration activities on rule of law, solidly implemented various legal measures, further improved the legal risk management functions, systems, rules and mechanisms, and enhanced the Bank's ability to operate and manage according to law. Firstly, the Bank consolidated the foundation of legal risk management. Centering on the construction of system legalisation, the Bank optimised the business system process and orderly built a three-in-one legal risk management standard system featuring "business standard + legal review standard + standard text", and upgraded the smart legal review management platform and the smart litigation management system, making a more stable foundation of legal risk management. Secondly, the Bank strengthened the full-process management and control of legal risks. The Bank released the opinions on legal norms and guidelines on early-warning, strictly implemented full-coverage legal risk access review, and organised assessment of legal risks of key businesses and rectification for improvements. By doing so, the Bank effectively defused hidden risks and prevented business risks. Thirdly, the Bank intensified efforts in litigation management and dealing with cases. The Bank coordinated the promotion of litigation management, case handling and litigation source management, comprehensively strengthened the unified management of litigation cases, vigorously improved the ability to defuse risks in legal cases, and solidly conducted source tracing and rectification of litigation risks. As a result, existing litigation cases were concluded at a faster pace, the number of new litigation cases decreased significantly, and the effect of "double decreases and double increases" of lawsuit cases continued to consolidate. Fourthly, the Bank pushed forward the "8th Five Year" law popularisation activity, conducted classified and layered legal trainings, and carried out public education on laws with various themes and forms, to further increase the awareness and ability of the whole bank for rule of law, enhance public literacy on rule of law, and to optimise the business environment under rule of law. Fifthly, the Bank implemented the regulatory requirements of carrying out regular operations to eradicate gang-related crimes, and deepened risk governance and risk prevention and control across key links. The Bank focused on early signs, prevention and rectification of problems, kept a tough stance on eradicating gang-related crimes, and strengthened the long-term mechanism for preventing and eradicating gang-related crimes. Sixthly, the Bank strengthened the legal risk management of subsidiaries by issuing normative opinions on their legal risk management, improving their legal risk management system and mechanism, and by reinforcing the monitoring, guidance and supervision of legal risk management of subsidiaries.

(XII) Compliance risk management

Compliance risk refers to the risk of possibly suffering from legal sanction, regulatory punishment, major financial loss and reputation loss due to the failure in abiding by laws, rules and norms. The Bank comprehensively considers the relevance between compliance risk and credit risk, market risk, operational risk and other risks, establishes and improves the compliance management framework, and promotes the development of the comprehensive risk management system, thus ensuring legal and compliant operation.

During the Reporting Period, the Bank steadily promoted the construction and optimisation of the internal control and compliance management system, identified defects, consolidated foundation, improved capabilities, promoted development, and comprehensively enhanced the quality and efficiency of internal control and compliance management. Firstly, the Bank proactively implemented regulatory policies. The Bank continued to strengthen the transmission of regulatory policies and orderly promoted the implementation of new regulations on compliance management. In strict accordance with regulatory requirements, the Bank deepened the governance of illegal loan intermediaries and equity and related-party transaction data governance, carried out major economic decision-making arrangements in the credit field, rectification of shadow banking and cross-finance business, and conducted self-examination and rectification on the compliance of resource project financing and platform projects, which effectively promoted the optimisation of management processes. The Bank continued to promote the rectification of problems found in internal and external inspections, carried out in-depth activities to upgrade regulatory ratings, and significantly improved the evaluation of a number of corporate rating elements. Secondly, the Bank continued to consolidate the long-term mechanism of compliance management. The whole bank promoted the guidelines on duty performance in internal control and compliance covering all levels to improve the standardisation of the duty performance system. The Bank promoted stricter governance of institutional documents, continued to carry out the screening of “formal rules over 5 years and trial rules over 2 years” for amendment or abolition, and the optimisation of institutional systems, in a bid to effectively empower the frontline. Thirdly, the Bank strengthened its risk prevention capability. The Bank rectified employee behaviours on a regular basis and the grid-based system for practitioners was in effective operation. The Bank optimised employee behaviour monitoring system and back check mechanism, as well as due diligence and accountability exemption management mechanism, so as to strictly manage and control employee behaviours. The Bank carried out in-depth inspections on rural banks, optimised the rectification mechanism, and built a strong closed loop covering inspection and rectification. The Bank continued to improve the case prevention and control system, strengthened the reporting of information related to lawsuits and cases, optimised the management of criminal cases, and sped up the handling of existing cases. As a result, the number of new cases (risks) decreased sharply as compared with the corresponding period of the previous year. Fourthly, the Bank vigorously enhanced its compliance digitalisation capabilities. The Bank actively promoted compliance data governance, accelerated the construction of compliance monitoring models, optimised related-party transaction, inspection, problem management and other systems, and comprehensively enhanced the smart level of compliance management.

(XIII) Money laundering risk management

Money laundering risk refers to the risk that the Bank may be utilised by “money laundering activity”, “financing of terrorism” and “diffusion financing” during business development and operating management. The Bank has established a relatively perfect system for managing money laundering risk, and constantly improved the management mechanism, providing guarantee for the steady and compliant operation of the Bank.

During the Reporting Period, the Bank continued to improve the “group-based” money laundering risk management system, further strengthened the money laundering risk management defense line led by the Senior Management, accelerated the innovation and iteration of AML IT system, consolidated the quality and efficiency of performance of core obligations, and strove to maintain national security and financial order. Firstly, the Bank carried out money laundering risk assessment of institutions. The Bank completed the money laundering risk assessment of corporate financial institutions in 2022 and the self-assessment of money laundering risk of the whole bank under the new indicator system. Institutions at all levels of the Bank applied money laundering risk assessment results in a layered and classified manner, checked leaks and filled gaps, and further consolidated the AML work system. Secondly, the Bank improved the prevention and control system for sanction risk facing institutions. The Bank continued to improve the compliance and internal control management system for sanctions, optimised risk prevention and control strategies, and strictly implemented prevention and control according to sanction lists. Thirdly, the Bank independently developed and launched a new generation of smart AML system, which applied leading technologies and algorithms such as big data, machine learning, knowledge graph, and distributed methods to realise the smart upgrade of AML duty performance and management, and won the award of “2023 Third Fintech Application Scenario Innovation Case (2023 第三届金融科技应用场景创新案例)” issued by the Zhongguancun Internet Finance Institute. Fourthly, the Bank optimised the research mechanism of money laundering risk. Focusing on pain points and blocking points, the Bank released 8 important research results, which were published in the special edition publications and circulars of the regulatory authorities. Fifthly, the Bank enhanced “group-based” joint prevention and control of money laundering risks. The Bank pushed forward the capacity building for independent duty performance of AML of rural banks, guided subsidiaries to optimise money laundering risk management strategies, completed the acceptance of rectification of problems found in the AML inspections to the subsidiaries, and carried out “one-on-one” on-site inspection and investigation visits to and rectification guidance on business outlets outside the Chinese mainland. Sixthly, the Bank broadened the scope of publicity and education. The Bank constantly strengthened the construction of money laundering risk management culture, and carried out various forms of AML warning education and publicity. The Bank built a layered training system of “1+N” and implemented differentiated AML targeted training following the principle of “job position-based training”, and the proportion of employees holding AML qualification certificates reached 62.46%.

XIII. Prospects

(I) Layout and trend of the banking industry

Looking into 2024, as China's economic growth is projected to rebound to the potential growth level, the banking industry will face a business environment where strategic opportunities and risk challenges coexist. In terms of opportunities, policies will strengthen counter-cyclical and cross-cyclical adjustments, new momentum and new advantages of high-quality development will continue to grow, and credit demand is expected to rise steadily. In terms of challenges, the Central Economic Work Conference required "promoting the steady and moderate reduction in social comprehensive financing costs". This, coupled with the repricing of existing loans and the centralised arrangements of "interest rate cuts and loan renewal" to help dissolve local government debts, loan interest rates will be still under downward pressure, and the pressure on bank net interest margin will be difficult to change in the short term.

In this context, the banking industry will thoroughly implement the spirit of the Central Financial Work Conference and the Central Economic Work Conference, adhere to the main tone of "seeking progress while maintaining stability, promoting stability through progress, establishing first then breaking it", strive to optimise the asset business structure, accelerate digital transformation, strictly safeguard the bottom line of risk compliance, further consolidate the foundation of sustainable operation, and lay a solid foundation for high-quality development.

Firstly, the banking industry shall optimise the asset business structure. The banking industry shall optimise the increment and tilt new credit resources in favour of key fields and weak links such as sci-tech innovation, high-end manufacturing industry, green development, inclusive finance, and rural revitalisation. The banking industry shall revitalise existing resources, improve existing credit structure, and release inefficient resource occupation. The banking industry shall expand business volume, actively cope with national strategies, and devote to "five major sectors" of sci-tech finance, green finance, inclusive finance, pension finance and digital finance. Meanwhile, the banking industry shall also focus on "three major projects" including construction of affordable housing, urban village renovation, and construction of public infrastructure that can be used in both normal times and in emergencies.

Secondly, the banking industry shall accelerate digital transformation. Based on the scientifically formulated digital transformation strategy, the banking industry shall build an agile and open digital finance innovation system by gradually improving organisational structure and mechanism process. The banking industry shall strengthen the in-depth application of data and technology in all fields of operation, management and decision-making, actively develop industrial digital finance, promote the digital transformation of financial services, improve the digital level of financial market transactions, and put more efforts in building digital operation and risk control systems. Additionally, the banking industry shall continue to improve data and sci-tech application capabilities, complete data governance system, enhance the support ability of sci-tech architecture, strengthen the autonomy and controllability of softwares and hardwares, and consolidate the foundation of digital finance.

Thirdly, the banking industry shall strictly safeguard the bottom line of risk compliance. The banking industry shall well manage counter-cyclical financial risks, strengthen monitoring, early warning, analysis and handling, and ensure stable asset quality and overall controllability of various risks. The banking industry shall strengthen law-abiding and compliant operation, effectively take the comprehensive law-abiding and compliant operation as the premise and starting point of all works, take internal control and compliance management as the core work in value creation, further improve the institutional systems for compliant operation, optimise various systems and work processes, and block all kinds of hidden risks and loopholes. The banking industry shall continue to cultivate compliance culture, strengthen the compliance awareness and ability training of personnel, and make the compliance concept deep-root in the mind of employees and translated into their real actions.

(II) Potential risks

On the international front, the US Federal Reserve's monetary policy has interfered with global asset prices, the elections in the US and Russia and geopolitical conflicts have exacerbated the fluctuations in capital market, and the changes in international industrial layout have affected trade structure. Relevant risks have been transmitted to financial institutions through capital chain, supply chain and industry chain, etc., posing greater challenges to the risk management of commercial banks.

On the domestic front, the real estate adjustment cycle is still continuing, the debt burden in some regions is relatively heavy, and the risks of some small and medium-sized financial institutions cannot be ignored. It is therefore necessary to continue to effectively prevent and defuse risks in key areas. This, coupled with the narrowing interest margin of deposit and loan, makes banks face two-way pressure on operating efficiency and asset quality.

Firstly, the risk of real estate market. The lack of resident willingness to increase leverage affects the operating cash flow, the low risk preference of financial institutions affects the financing cash flow, the operating pressure of real estate enterprises is still significant, and the real estate market remains in the stage of risk release.

Secondly, the risk of local government debts. The debt ratio of some local governments is relatively high, and the pressure to repay the principal and interest will remain heavy. It is therefore urgent to establish a long-term mechanism to prevent and defuse local government debt risks.

Thirdly, the risk of small and medium-sized financial institutions. As some small and medium-sized financial institutions operate in violation of regulations and are bound to local governments, relevant risks may also rise under the background of entering a new adjustment stage of the real estate market and the increasing risk of local debts.

CHAPTER 4 CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

I. Ordinary Shares

(I) Changes in ordinary shares

	31 December 2023		Changes over the Reporting Period	31 December 2022	
	Number of shares (share)	Percentage (%)	Number of shares (share)	Number of shares (share)	Percentage (%)
I. Shares subject to restriction on sales	-	-	-	-	-
II. Shares not subject to restriction on sales	43,782,418,502	100.00	-	43,782,418,502	100.00
1. Ordinary shares in RMB	35,462,123,213	81.00	-	35,462,123,213	81.00
2. Domestic listed foreign invested shares	-	-	-	-	-
3. Offshore listed foreign invested shares	8,320,295,289	19.00	-	8,320,295,289	19.00
4. Others	-	-	-	-	-
III. Total number of ordinary shares	43,782,418,502	100.00	-	43,782,418,502	100.00

(II) Shares subject to restriction on sales and restrictions

During the Reporting Period, no shareholder of the Bank held shares subject to restriction on sales.

II. Sufficiency of Public Float

According to the public information available to the Bank and to the knowledge of the Directors, the Bank has maintained sufficient public float as stipulated under the Hong Kong Listing Rules during the Reporting Period and as at the disclosure date of this Report.

III. Issuance and Listing of Securities

During the Reporting Period, the Bank did not issue new ordinary shares, there were no changes in the total number and structure of the ordinary shares, and the Bank had no employee shares.

According to the 20th meeting of the seventh session of the Board in 2020 and the resolutions approved at the 2019 Annual General Meeting, and pursuant to the approvals by the former CBIRC and the People's Bank of China (PBOC), the Bank issued the financial bonds with an amount of RMB20,000 million for a term of three years with fixed coupon rate of 2.68% in the domestic market in May 2023. According to applicable laws and the approval of the regulatory authorities, the proceeds from the issuance of the bonds will be used to meet the Bank's needs for assets and liabilities allocation. For details of other outstanding bonds of the Bank, please refer to Note 4 to the Financial Statements.

IV. Shareholders

(I) Total number of holders of ordinary shares and shareholdings of the top 10 shareholders

As at the end of the Reporting Period, the total number of holders of ordinary shares of the Bank was 340,280, of which 322,498 were holders of A shares and 17,782 were holders of H shares. As at the end of the month immediately prior to the disclosure date of the Annual Report, the total number of holders of ordinary shares of the Bank was 328,612, of which 310,885 were holders of A shares and 17,727 were holders of H shares. There was no holder of preference shares whose voting rights had been restored.

Particulars of shareholding of the top 10 holders of ordinary shares (excluding shares lent for refinancing)

Name of shareholder	Type of shareholder	Shareholding percentage (%)	Number of shares held as at the end of the Reporting Period (share)	Changes over the Reporting Period (share)	Class of shares	Status	Shares pledged/ marked/frozen Number (share)
HKSCC Nominees Limited	Other	18.92	8,285,374,792	23,938	H Shares		Unknown
Dajia Life Insurance Co., Ltd. – Universal Product	Domestic legal person	10.30	4,508,984,567	–	A Shares		Nil
Dajia Life Insurance Co., Ltd. – Traditional Product	Domestic legal person	6.49	2,843,300,122	–	A Shares		Nil
Tongfang Guoxin Investment Holding Co., Ltd.	Domestic legal person	4.31	1,888,530,701	–	A Shares	Pledged	1,850,802,321
New Hope Liuhe Investment Co., Ltd.	Domestic non-state-owned legal person	4.18	1,828,327,362	–	A Shares		Nil
China Oceanwide Holdings Group Co., Ltd.	Domestic non-state-owned legal person	4.12	1,803,182,618	–	A Shares	Pledged Frozen Marked	1,803,182,617 388,800,001 1,414,382,617
Shenzhen Liye Group Co., Ltd.	Domestic non-state-owned legal person	3.37	1,474,289,863	980,686,977	A Shares	Pledged	1,159,500,000
Shanghai Giant Lifetech Co., Ltd.	Domestic non-state-owned legal person	3.15	1,379,679,587	–	A Shares	Pledged	1,379,678,400
China Shipowners Mutual Assurance Association	Domestic non-state-owned legal person	3.02	1,324,284,453	–	A Shares		Nil
Huaxia Life Insurance Co., Ltd. – Universal Insurance Product	Domestic non-state-owned legal person	2.96	1,294,743,579	-55,459,762	A Shares		Nil

Name of shareholder	Type of shareholder	Shareholding percentage (%)	Number of shares held as at the end of the Reporting Period (share)	Changes over the Reporting Period (share)	Class of shares	Status	Shares pledged/ marked/frozen Number (share)
Statement on the special accounts for repurchase of top 10 shareholders				Uninvolved			
Statement on entrusting, being entrusted with and waiving the voting rights of the aforesaid shareholders				Uninvolved			
Statement on the related relationship or concerted actions among the aforesaid shareholders				1. Dajia Life Insurance Co., Ltd. – Universal Product and Dajia Life Insurance Co., Ltd. – Traditional Product have the same legal person; 2. Save as mentioned above, the Bank is not aware of any related relationship or concerted action among the above shareholders.			
Statement on margin trading, short selling and refinancing engaged by the top 10 holders of ordinary shares and the top 10 holders of ordinary shares not subject to restriction on sales (if any)				1. The margin account of Shenzhen Liye Group Co., Ltd. holds 313,808,367 shares of the Bank, representing 0.72% of the total share capital of the Bank; Save as mentioned above, the Bank is not aware of any margin trading and short selling engaged by the above other shareholders. 2. According to the record of opening/ending shares lent for refinancing in 2023 by the shareholders with shareholding of 5% or more, the top 10 holders of ordinary shares and the top 10 holders of circulating shares not subject to restriction on sales of the Bank provided by China Securities Finance Corporation Limited, there was no refinancing engaged by the top 10 holders of ordinary shares and the top 10 holders of ordinary shares not subject to restriction on sales of the Bank.			

Notes:

1. The number of shares held by holders of A shares and the number of shares held by holders of H shares in the above table were recorded in accordance with the registers of shareholders of the Bank provided by China Securities Depository and Clearing Corporation Limited (Shanghai Branch) and Computershare Hong Kong Investor Services Limited, respectively;
2. No shareholder of the Bank held shares subject to restriction on sales;
3. Total number of the shares held by HKSCC Nominees Limited acting as an agent represents the total amount of H shares of the Bank held by all institutional and individual investors that registered in the account of such investors as at the end of the Reporting Period;
4. Shares held and pledged by Tongfang Guoxin Investment Holding Co., Ltd. included 1,850,802,321 shares transferred to "Tongfang Guoxin Investment Holding Co., Ltd. – special account for pledge of convertible corporate bonds non-publicly issued to professional investors (同方國信投資控股有限公司 – 面向專業投資者非公開發行可交換公司債券質押專戶)" (five tranches in total) due to issuing bonds.

(II) Substantial shareholders' and other persons' interests or short positions in the shares and underlying shares of the Bank under Hong Kong laws and regulations

As at 31 December 2023, substantial shareholders and other persons (other than the Directors, Supervisors and chief executives of the Bank as defined in the Hong Kong Listing Rules) had the following interests or short positions in the shares of the Bank as recorded in the register required to be kept by the Bank pursuant to Section 336 of the SFO and as the Bank is aware of:

Name of substantial shareholder	Class of shares	Long/short position	Capacity	Number of shares (share)	Notes	Percentage of the relevant shares in issue (%)	Percentage of all the issued ordinary shares (%)
Dajia Life Insurance Co., Ltd.	A	Long position	Beneficial owner	7,352,284,689	1	20.73	16.79
	H	Long position	Beneficial owner	457,930,200	1	5.50	1.05
Dajia Insurance Group Co., Ltd.	A	Long position	Interest held by the corporation(s) controlled by this substantial shareholder	7,352,284,689	1	20.73	16.79
	H	Long position	Interest held by the corporation(s) controlled by this substantial shareholder	457,930,200	1	5.50	1.05
New Hope Liuhe Investment Co., Ltd.	A	Long position	Beneficial owner	1,828,327,362*	2	5.16	4.18
New Hope Liuhe Co., Ltd.	A	Long position	Interest held by the corporation(s) controlled by this substantial shareholder	1,828,327,362*	2	5.16	4.18

Name of substantial shareholder	Class of shares	Long/short position	Capacity	Number of shares (share)	Notes	Percentage of the relevant shares in issue (%)	Percentage of all the issued ordinary shares (%)
New Hope Group Co., Ltd.	A	Long position	Interest held by the corporation(s) controlled by this substantial shareholder	1,930,715,189*	2 and 5	5.44	4.41
LI Wei	A	Long position	Interest held by the corporation(s) controlled by the spouse of this substantial shareholder	1,930,715,189*	3 and 5	5.44	4.41
LIU Chang	A	Long position	Interest held by the corporation(s) controlled by this substantial shareholder	1,930,715,189*	4 and 5	5.44	4.41
China Oceanwide Holdings Group Co., Ltd.	A	Long position	Beneficial owner	1,803,182,618	6 and 7	5.08	4.12
Oceanwide Group Co., Ltd.	A	Long position	Interest held by the corporation(s) controlled by this substantial shareholder	1,803,182,618	6 and 7	5.08	4.12
Tohigh Holdings Co., Ltd.	A	Long position	Interest held by the corporation(s) controlled by this substantial shareholder	1,803,182,618	6 and 7	5.08	4.12
Alpha Frontier Limited	H	Long position	Beneficial owner	713,501,653	8 and 9	8.58	1.63
Shanghai Cibi Business Information Consulting Co., Ltd.	H	Long position	Interest held by the corporation(s) controlled by this substantial shareholder	713,501,653	8 and 9	8.58	1.63
Giant Investment Co., Ltd.	H	Long position	Interest held by the corporation(s) controlled by this substantial shareholder	713,501,653	8 and 9	8.58	1.63

* In accordance with the SFO, the changes in the interests did not result in a percentage subject to disclosure obligation. Relevant changes were not reported in the disclosure forms completed by the above-mentioned substantial shareholders.

Notes:

1. Dajia Insurance Group Co., Ltd. was deemed to have interests in the 7,352,284,689 A shares and 457,930,200 H shares of the Bank as it held 99.98% of the share capital of Dajia Life Insurance Co., Ltd.

The interests that Dajia Insurance Group Co., Ltd. and Dajia Life Insurance Co., Ltd. held in the 7,352,284,689 A shares and 457,930,200 H shares, as set out in the above table, were the same block of shares.

2. According to the SFO, New Hope Group Co., Ltd. was deemed to have interests in the 102,387,827 A shares held by South Hope Industrial Co., Ltd. and in the 1,828,327,362 A shares held by New Hope Liuhe Investment Co., Ltd. through direct and indirect control over several enterprises. As Mr. LIU Yonghao (a Non-Executive Director of the Bank) had control over New Hope Group Co., Ltd., he was deemed to be interested in the 1,930,715,189 A shares held by New Hope Group Co., Ltd.
3. Ms. LI Wei is the spouse of Mr. LIU Yonghao (a Non-Executive Director of the Bank). According to the SFO, Ms. LI was deemed to have interests in the 1,930,715,189 A shares of the Bank in which Mr. LIU Yonghao had interests (Mr. LIU Yonghao's interests in shares are disclosed in this Annual Report in the section headed "Interests of the Directors, Supervisors and chief executives in the securities of the Bank or its associated corporations under Hong Kong laws and regulations").
4. Ms. LIU Chang held equity interest of New Hope Group Co., Ltd. (see note 2 above), Ms. LIU was deemed to have interests in the 1,930,715,189 A shares of the Bank in which New Hope Group Co., Ltd. had interests. Ms. LIU Chang is the daughter of Mr. LIU Yonghao (a Non-Executive Director of the Bank).
5. The interests that New Hope Group Co., Ltd., Ms. LI Wei and Ms. LIU Chang held in the 1,930,715,189 A shares, as set out in the above table, were the same block of shares.
6. According to the SFO, Tohigh Holdings Co., Ltd. was deemed to have interests in the 1,803,182,618 A shares held by China Oceanwide Holdings Group Co., Ltd. through direct and indirect control over Oceanwide Group Co., Ltd. and China Oceanwide Holdings Group Co., Ltd. As Mr. LU Zhiqiang (a Non-Executive Director of the Bank) held 77.14% of the share capital of Tohigh Holdings Co., Ltd., he was also deemed to be interested in the 1,803,182,618 A shares held by China Oceanwide Holdings Group Co., Ltd. (Mr. LU Zhiqiang's interests in shares are disclosed in this Annual Report in the section headed "Interests of the Directors, Supervisors and chief executives in the securities of the Bank or its associated corporations under Hong Kong laws and regulations").
7. The interests that China Oceanwide Holdings Group Co., Ltd., Oceanwide Group Co., Ltd. and Tohigh Holdings Co., Ltd. held in the 1,803,182,618 A shares, as set out in the above table, were the same block of shares.
8. According to the SFO, Giant Investment Co., Ltd. was deemed to have interests in the 713,501,653 H shares held by Alpha Frontier Limited through direct and indirect control over Shanghai Cibi Business Information Consulting Co., Ltd. (上海賜比商務信息諮詢有限公司) and Alpha Frontier Limited. As Mr. SHI Yuzhu (a Non-Executive Director of the Bank) held 97.86% of the share capital of Giant Investment Co., Ltd., he was also deemed to have interests in the 713,501,653 H shares of the Bank held by Alpha Frontier Limited (Mr. SHI Yuzhu's interests in shares are disclosed in this Annual Report in the section headed "Interests of the Directors, Supervisors and chief executives in the securities of the Bank or its associated corporations under Hong Kong laws and regulations").
9. The interests that Giant Investment Co., Ltd., Shanghai Cibi Business Information Consulting Co., Ltd. and Alpha Frontier Limited held in the 713,501,653 H shares, as set out in the above table, were the same block of shares.

Save as disclosed above and in the section headed "Interests of the Directors, Supervisors and chief executives in the securities of the Bank or its associated corporations under Hong Kong laws and regulations", the Bank is not aware of any other person having any interests or short positions in the shares and underlying shares of the Bank as at the end of the Reporting Period as recorded in the register required to be kept by the Bank pursuant to Section 336 of the SFO.

(III) Controlling shareholder and ultimate controller

The Bank does not have any controlling shareholder or ultimate controller. According to the Rules Governing the Listing of Stocks on Shanghai Stock Exchange (《上海證券交易所股票上市規則》), the largest shareholder and its ultimate controller shall comply with corporate governance regulations by referring to the requirements for controlling shareholder or ultimate controller. As at the end of the Reporting Period, the top 10 single shareholders of the Bank held an aggregate of 44.82% of the Bank's shares. Dajia Life Insurance Co., Ltd. – Universal Product is the single largest shareholder who held 10.30% of the total shares of the Bank. There was no shareholder who could control more than half of the voting rights of the Board or at the general meetings in accordance with the shareholding percentage, the Articles of Association or any agreements.

(IV) Corporate shareholders with 10% or more equity in the Bank

As at the end of the Reporting Period, Dajia Life Insurance Co., Ltd. held more than 10% of the total shares of the Bank.

Name of corporate shareholder	Person-in-charge or legal representative	Date of incorporation	Registered capital	Principal business or management activities
Dajia Life Insurance Co., Ltd.	HE Xiaofeng	23 June 2010	RMB30.79 billion	Various life insurance businesses such as life insurance, health insurance and accidental injury insurance, reinsurance of the above insurance businesses, insurance fund application business permitted under the PRC laws and regulations, and other businesses approved by the former CIRC.

(V) Substantial shareholders

1. Substantial shareholders with aggregate shareholding of 5% or more of the Bank were as follows:

- (1) Dajia Life Insurance Co., Ltd.: It was incorporated on 23 June 2010; its registered capital was RMB30,790 million; its unified social credit code is 91110000556828452N; its legal representative is HE Xiaofeng; its controlling shareholder is Dajia Insurance Group Co., Ltd.; the controlling shareholder, the ultimate controller and the ultimate beneficiary of Dajia Insurance Group Co., Ltd. is China Insurance Security Fund Co., Ltd.; it has no party acting in concert; its principal business includes: various life insurance businesses such as life insurance, health insurance and accidental injury insurance, reinsurance of the above insurance businesses, insurance fund application business permitted under the PRC laws and regulations, and other businesses approved by the former CIRC. As at the end of the Reporting Period, the shares of the Bank held by Dajia Life Insurance Co., Ltd. had not been pledged.

- (2) China Oceanwide Holdings Group Co., Ltd.: It was incorporated on 7 April 1988; its registered capital was RMB20,000 million; its unified social credit code is 911100001017122936; its legal representative is LU Zhiqiang; its controlling shareholder is Oceanwide Group Co., Ltd.; its ultimate controller is LU Zhiqiang; its ultimate beneficiaries are LU Zhiqiang and Oceanwide Foundation; its parties acting in concert are Oceanwide International Equity Investment Limited, China Oceanwide International Investment Company Limited and Long Prosper Capital Company Limited; its principal business includes: finance, real estate and investment management, etc. As at the end of the Reporting Period, China Oceanwide Holdings Group Co., Ltd. had pledged over 50% of the shares of the Bank it held, being 1,803,182,617 ordinary shares, representing 4.12% of the total share capital of the Bank. Of which, 388,800,001 shares were under judicial freezing, and 1,414,382,617 shares were under judicial marking.

Oceanwide International Equity Investment Limited: It was incorporated on 17 March 2016; its registered capital was USD50.0 thousand; its controlling shareholder is Wuhan CBD (Hong Kong) Company Limited; its ultimate controller is LU Zhiqiang; its ultimate beneficiaries are LU Zhiqiang and Oceanwide Foundation; its parties acting in concert are China Oceanwide Holdings Group Co., Ltd., China Oceanwide International Investment Company Limited and Long Prosper Capital Company Limited; its principal business includes: investment holding, etc. As at the end of the Reporting Period, Oceanwide International Equity Investment Limited had pledged over 50% of the shares of the Bank it held, being 401,457,117 ordinary shares, representing 0.92% of the total share capital of the Bank.

China Oceanwide International Investment Company Limited: It was incorporated on 15 October 2008; its registered capital was HKD1,548,058,790; its controlling shareholder is China Oceanwide Holdings Group Co., Ltd.; its ultimate controller is LU Zhiqiang; its ultimate beneficiaries are LU Zhiqiang and Oceanwide Foundation; its parties acting in concert are China Oceanwide Holdings Group Co., Ltd., Oceanwide International Equity Investment Limited and Long Prosper Capital Company Limited; its principal business includes: investment holding, etc. As at the end of the Reporting Period, China Oceanwide International Investment Company Limited had pledged over 50% of the shares of the Bank it held, being 8,237,520 ordinary shares, representing 0.02% of the total share capital of the Bank.

Long Prosper Capital Company Limited: It was incorporated on 31 August 2016; its registered capital was USD50.0 thousand; its controlling shareholder is Oceanwide International Equity Investment Limited; its ultimate controller is LU Zhiqiang; its ultimate beneficiaries are LU Zhiqiang and Oceanwide Foundation; its parties acting in concert are China Oceanwide Holdings Group Co., Ltd., Oceanwide International Equity Investment Limited and China Oceanwide International Investment Company Limited; its principal business includes: investment holding, etc. As at the end of the Reporting Period, Long Prosper Capital Company Limited had pledged over 50% of the shares of the Bank it held, being 6,676,000 ordinary shares, representing 0.02% of the total share capital of the Bank.

2. *In accordance with the Interim Measures on Equity Management of Commercial Banks (《商業銀行股權管理暫行辦法》) under the order of the former CBRC (2018 No. 1), other substantial shareholders of the Bank were as follows:*

- (1) Shanghai Giant Lifetech Co., Ltd.: It was incorporated on 12 July 1999; its registered capital was RMB245,400,640; its unified social credit code is 913101041346255243; its legal representative is WEI Wei; its controlling shareholder is Giant Investment Co., Ltd.; its ultimate controller is SHI Yuzhu; its ultimate beneficiary is SHI Yuzhu; its parties acting in concert are Alpha Frontier Limited and Liberal Rise Limited; its principal business includes: production and sales of food (through its subsidiaries), sales of cosmetics, cleaning products, healthcare equipment and kitchenware, technology development, consultancy services and transfer in healthcare food aspect, wholesale of non-physical goods; pre-packaged food (excluding cooked or braised and refrigerated or frozen food), investment management, asset management, investment consultancy, business information consultancy and business management consultancy. As at the end of the Reporting Period, Shanghai Giant Lifetech Co., Ltd. had pledged over 50% of the shares of the Bank it held, being 1,379,678,400 ordinary shares, representing 3.15% of the total share capital of the Bank.

Alpha Frontier Limited: It was incorporated on 24 June 2016; its registered capital was USD17.519 thousand; its controlling shareholder is Shanghai Cibi Business Information Consulting Co., Ltd.; its ultimate controller is SHI Yuzhu; its ultimate beneficiaries are SHI Yuzhu and SHI Jing; its parties acting in concert are Shanghai Giant Lifetech Co., Ltd. and Liberal Rise Limited; its principal business includes: investment holding. As at the end of the Reporting Period, Alpha Frontier Limited had pledged 38.54% of the shares of the Bank it held, being 275,000,000 ordinary shares, representing 0.63% of the total share capital of the Bank.

Liberal Rise Limited: It was incorporated on 9 January 2018; its registered capital was USD50.0 thousand; its controlling shareholder is Abhaya Limited; its ultimate controller is SHI Jing; its ultimate beneficiary is SHI Jing; its parties acting in concert are Shanghai Giant Lifetech Co., Ltd. and Alpha Frontier Limited; its principal business includes: investment holding. As at the end of the Reporting Period, the shares of the Bank held by Liberal Rise Limited had not been pledged.

- (2) New Hope Liuhe Investment Co., Ltd.: It was incorporated on 25 November 2002; its registered capital was RMB576,555,600; its unified social credit code is 91540091744936899C; its legal representative is WANG Pusong; its controlling shareholder is New Hope Liuhe Co., Ltd.; its ultimate controller is LIU Yonghao; its ultimate beneficiary is LIU Yonghao; its party acting in concert is South Hope Industrial Co., Ltd.; its principal business includes: venture capital investment, investment management, financial advisory, wealth management consultancy, corporate reorganisation consultancy, market research, credit investigation, technology development and transfer, and technology consultancy services, etc. As at the end of the Reporting Period, the shares of the Bank held by New Hope Liuhe Investment Co., Ltd. had not been pledged.

South Hope Industrial Co., Ltd.: It was incorporated on 17 November 2011; its registered capital was RMB1,034,313,725; its paid-up registered capital was RMB951,438,725; its unified social credit code is 9154009158575152X0; its legal representative is LI Jianxiong; its controlling shareholder is New Hope Group Co., Ltd.; its ultimate controller is LIU Yonghao; its ultimate beneficiary is LIU Yonghao; its party acting in concert is New Hope Liuhe Investment Co., Ltd.; its principal business includes: research and development of feeds, wholesale and retail, electronic products, hardware and electrical appliances, daily sundry goods, textiles, office equipment (excluding colour copier), building materials (excluding hazardous chemicals and wood materials), agricultural by-products and special products (excluding products specified by the State), chemical products (excluding hazardous chemicals), mechanical equipment, investment and consultancy services (excluding intermediary services). As at the end of the Reporting Period, the shares of the Bank held by South Hope Industrial Co., Ltd. had not been pledged.

- (3) Tongfang Guoxin Investment Holding Co., Ltd.: It was incorporated on 23 May 2007; its registered capital was RMB2,574,162,500; its unified social credit code is 91500000660887401L; its legal representative is LIU Qinqin; its largest shareholder is Tongfang Innovation Investment (Shenzhen) Co., Ltd., a wholly-owned subsidiary of Tongfang Co., Ltd., a subsidiary controlled by China Baoyuan Investment Co., Ltd.; it has no controlling shareholder; it has no ultimate controller; its ultimate beneficiary is Tongfang Guoxin Investment Holding Co., Ltd.; its party acting in concert is Chongqing International Trust Inc; its business includes: investments with its own funds (excluding financial businesses such as accepting public deposits or accepting public deposits in any form, extending loans or securities and futures); consultancy services in relation to investment information and policies for its related party companies; transportation facilities maintenance; engineering management services; standardisation services; planning and design management; corporate headquarters management; corporate management; management services of commercial complex; international project contracting; property management. As at the end of the Reporting Period, Tongfang Guoxin Investment Holding Co., Ltd. had pledged over 50% of the shares of the Bank it held, being 1,850,802,321 ordinary shares (all being held by “Tongfang Guoxin Investment Holding Co., Ltd. – special account for pledge of convertible corporate bonds non-publicly issued to professional investors (同方國信投資控股有限公司 – 面向專業投資者非公開發行可交換公司債券質押專戶)”), representing 4.23% of the total share capital of the Bank.

Chongqing International Trust Inc: It was incorporated on 22 October 1984; its registered capital was RMB15,000 million; its unified social credit code is 91500000202805720T; its legal representative is WENG Zhenjie; its controlling shareholder is Tongfang Guoxin Investment Holding Co., Ltd; it has no ultimate controller; its ultimate beneficiary is Chongqing International Trust Inc; its party acting in concert is Tsinghua Tongfang Guoxin Investment Holding Co., Ltd.; its principal business includes: funds trust, chattel trust, real estate trust, negotiable securities trust, other properties or property rights trusts; investment fund business as a promoter of investment fund or fund management companies; providing asset reorganisation, mergers and acquisitions, project financing, corporate wealth management, financial advisory and other services of enterprises; securities underwriting business approved by the relevant authorities of the State Council; intermediary business, consultancy, credit investigation; safe custody and safe deposits box business; use of inherent properties as balance with banks and other financial institutions, placements with banks and other financial institutions, loans, leasing and investment; providing collateral for others with inherent properties; interbank lending, and other businesses permitted under the laws and regulations and approved by the former CBIRC. The above business scope includes businesses denominated in RMB and foreign currencies. As at the end of the Reporting Period, the shares of the Bank held by Chongqing International Trust Inc had not been pledged.

- (4) China Shipowners Mutual Assurance Association: It was incorporated on 1 January 1984; its registered capital was RMB100,000; its unified social credit code is 51100000500010993L; its legal representative is SONG Chunfeng; it has no controlling shareholder; it has no ultimate controller; it has no ultimate beneficiary; it has no party acting in concert; its principal business includes: marine mutual assurance, business training, marine information exchange, international cooperation and consultancy service. As at the end of the Reporting Period, the shares of the Bank held by China Shipowners Mutual Assurance Association had not been pledged.
- (5) Orient Group Incorporation: It was incorporated on 16 August 1989; its registered capital was RMB3,658,744,935; its unified social credit code is 91230199126965908A; its legal representative is SUN Mingtao; its controlling shareholder is Orient Group Co., Ltd.; its ultimate controller is ZHANG Hongwei; its ultimate beneficiary is ZHANG Hongwei; its party acting in concert is Orient Group Co., Ltd.; its principal business includes: permitted items: food production (through its subsidiaries), grain processing and food production (through its subsidiaries), bean product manufacturing (through its subsidiaries), operation of crop seeds (through its subsidiaries), employment agency activities. General items: grain procurement, import and export of goods, import and export of technologies, international project contracting, property management, sales of light building materials, sales of building materials, sales of construction machines, sales of furniture, wholesale of hardware products, sales of sanitary wares, sales of metal materials, technology research and development of new materials, sales of grain, plantation of grain (through its subsidiaries), corporate headquarters management, and primary processing of edible agricultural products (through its subsidiaries). As at the end of the Reporting Period, Orient Group Incorporation had pledged over 50% of the shares of the Bank it held, being 1,277,949,488 ordinary shares, representing 2.92% of the total share capital of the Bank.

Orient Group Co., Ltd.: It was incorporated on 26 August 2003; its registered capital was RMB1,000 million; its unified social credit code is 911100007541964840; its legal representative is ZHANG Xianfeng; its controlling shareholder is Mingze Orient Investment Co., Ltd. (名澤東方投資有限公司); its ultimate controller is ZHANG Hongwei; its ultimate beneficiary is ZHANG Hongwei; its party acting in concert is Orient Group Incorporation; its principal business includes: engaging in investment activities with self-owned funds; information system integration services; agent domestic trade; agent import and export; import and export of technology; property management; coal sales; wholesale of hardware products, etc. As at the end of the Reporting Period, Orient Group Co., Ltd. had pledged over 50% of the shares of the Bank it held, being 35,000,000 ordinary shares, representing 0.08% of the total share capital of the Bank.

- (6) Good First Group Co., Ltd.: It was incorporated on 2 May 1995; its registered capital was RMB133 million; its unified social credit code is 91310000612260305J; its legal representative is WU Di; its controlling shareholder is WONG Hei; its ultimate controller is WONG Hei; its ultimate beneficiary is WONG Hei; its parties acting in concert are Tibet Heng Xun Corporate Management Co., Ltd. and Tibet Fujun Enterprise Management Co., Ltd.; its principal business includes: research, development and sales of high-tech products; industrial investment; investments in education, agriculture, secondary industry, entertainment industry and healthcare products; sales of photographic equipment and new-type construction materials; wholesale and retail of chemicals (excluding hazardous chemicals and chemicals subject to supervision and control), textiles, hardware and electrical appliances, daily sundry goods, metal materials, construction materials, automobiles (excluding passenger cars) and parts, general machinery, electronic products and telecommunication devices and mineral products approved by the State. As at the end of the Reporting Period, Good First Group Co., Ltd. had pledged over 50% of the shares of the Bank it held, being 133,200,000 ordinary shares, representing 0.30% of the total share capital of the Bank.

Tibet Heng Xun Corporate Management Co., Ltd.: It was incorporated on 26 December 2014, its registered capital was RMB10 million; its unified social credit code is 91540195321324233N; its legal representative is CHEN Jianjun; its controlling shareholder is Xiamen Gaoxiao Electronic Information Technology Co., Ltd. (廈門高校電子信息技術有限公司); its ultimate controller is ZHANG Jianhua; its ultimate beneficiary is ZHANG Jianhua; its parties acting in concert are Good First Group Co., Ltd. and Tibet Fujun Enterprise Management Co., Ltd.; its principal business includes: service of corporate image, marketing and brand planning, exhibition and display service, market research (other than those that involve state secrets and personal privacy), retail of building materials and ancillary materials, and sales of feeds and raw materials, chemical fertilisers, rubber products, chemical materials (other than hazardous chemical products and precursor chemicals), and metal materials. As at the end of the Reporting Period, Tibet Heng Xun Corporate Management Co., Ltd. had pledged over 50% of the shares of the Bank it held, being 80,500,000 ordinary shares, representing 0.18% of the total share capital of the Bank.

Tibet Fuju Enterprise Management Co., Ltd. (formerly known as Tibet Fuju Investment Co., Ltd.): It was incorporated on 3 May 2016, its registered capital was RMB300 million; its unified social credit code is 91540195MA6T1A2K32; its legal representative is CHEN Jianjun; its controlling shareholder is Xiamen Gaoxiao Electronic Information Technology Co., Ltd.; its ultimate controller is ZHANG Jianhua; its ultimate beneficiary is ZHANG Jianhua; its parties acting in concert are Good First Group Co., Ltd. and Tibet Heng Xun Corporate Management Co., Ltd.; its principal business includes: enterprise management; enterprise management consulting; corporate image planning; marketing planning; conference and exhibition services; market research (excluding foreign-related research). As at the end of the Reporting Period, Tibet Fuju Enterprise Management Co., Ltd. had pledged over 50% of the shares of the Bank it held, being 52,900,000 ordinary shares, representing 0.12% of the total share capital of the Bank.

(VI) Pledge and freezing of ordinary shares

As at the end of the Reporting Period, according to the A Share Registrar, 389,497,866 shares of the Bank were under judicial freezing and 1,414,382,617 shares were under judicial marking. As of the effective date of the Articles of Association upon approval, the voting rights of the substantial shareholders who pledged 50% or above of the shares of the Bank they held, as well as that of the directors they appointed, have been restricted at the shareholders' general meetings and the Board meetings.

CHAPTER 5 INFORMATION ON PREFERENCE SHARES

I. Issuance and Listing of Preference Shares in the Past Three Years

As at the end of the Reporting Period, the Bank did not issue preference shares in the past three years.

II. Number of Holders of Preference Shares and Particulars of Shareholding

As at the end of the Reporting Period, the number of holders of domestic preference shares (or nominees) of the Bank was 36. As at the end of the month prior to the disclosure date of this Annual Report (29 February 2024), the number of holders (or nominees) of domestic preference shares of the Bank was 44.

As at the end of the Reporting Period, particulars of shareholding of the top 10 holders (or nominees) of domestic preference shares of the Bank are set out as follows (the data below was based on the registered holders of preference shares as at 31 December 2023):

Name of shareholder	Type of shareholder	Class of shares	Changes over the Reporting Period (share)	Shareholding percentage (%)	Total number of shares held (share)	Number of shares subject to restriction on sales held	Number of shares pledged/frozen
Bosera Fund – ICBC – Bosera – ICBC – Flexible Allocation No. 5 Specific Multi-Customer Asset Management Plan	Other	Domestic preference share	–	10.00	20,000,000	–	Nil
Ping An Property & Casualty Insurance Company of China, Ltd. – Traditional – General Insurance Product	Other	Domestic preference share	–	7.00	14,000,000	–	Nil
CCB Trust Co., Ltd. – “Qian Yuan – Ri Xin Yue Yi” Open-Ended Wealth Management Product Single Fund Trust	Other	Domestic preference share	–	7.00	14,000,000	–	Nil
Jiangsu International Trust Corporation Limited – JSITC – He Xiang Tian Li No.1 Collective Fund Trust Plan	Other	Domestic preference share	–	6.11	12,220,000	–	Nil
China Resources SZITIC Trust Co., Ltd. – CR Trust Rui An No.6 Collective Fund Trust Plan	Other	Domestic preference share	12,000,000	6.00	12,000,000	–	Nil
China Life Insurance Company Limited – Traditional – General Insurance Product – 005L – CT001SH	Other	Domestic preference share	–	5.00	10,000,000	–	Nil

Name of shareholder	Type of shareholder	Class of shares	Changes over the Reporting Period (share)	Shareholding percentage (%)	Total number of shares held (share)	Number of shares subject to restriction on sales held	Number of shares pledged/frozen
Ping An Property & Casualty Insurance Company of China, Ltd. – Self-Owned Funds	Other	Domestic preference share	–	5.00	10,000,000	–	Nil
Taiping Life Insurance Co., Ltd. – Traditional – General Insurance Product – 022L – CT001SH	Other	Domestic preference share	–	5.00	10,000,000	–	Nil
Guotai Junan Securities Asset Management – Futong•Rixin H14001 RMB Wealth Management Product – Guojun Asset Management 0638 Targeted Asset Management Contract	Other	Domestic preference share	–	5.00	10,000,000	–	Nil
Everbright Securities Asset Management- Bohai Bank-EBSAM Xinyou No. 23 Collective Asset Management Plan	Other	Domestic preference share	8,310,000	4.16	8,310,000	–	Nil

Notes:

1. The number of shares held by the holders of domestic preference shares was recorded in accordance with the register of holders of domestic preference shares of the Bank;
2. “Ping An Property & Casualty Insurance Company of China, Ltd. – Traditional – General Insurance Product” and “Ping An Property & Casualty Insurance Company of China, Ltd. – Self-Owned Fund” have a related relationship. Save as disclosed above, the Bank does not know if there is any related relationship or concerted action among the above holders of domestic preference shares or among the above holders of domestic preference shares and the top 10 holders of ordinary shares;
3. “Shareholding percentage” refers to the number of shares held by the holders of domestic preference shares as a percentage of the total number of domestic preference shares of the Bank.

III. Distribution of Dividends of Preference Shares

1. Domestic preference shares

Pursuant to the resolution and authorisation passed at the first extraordinary general meeting for 2016, the First A Share Class Meeting for 2016 and the First H Share Class Meeting for 2016, and the relevant resolutions on extending the validity period and authorisation period in 2017-2019, the dividend distribution plan for the domestic preference shares was considered and approved at the 39th meeting of the eighth session of the Board on 30 August 2023. According to the relevant terms of domestic preference shares and calculated at the coupon rate of 4.38%, a cash dividend of RMB4.38 (tax inclusive) per domestic preference share shall be distributed. On the basis of the 200 million domestic preference shares issued, the Bank distributed dividends of RMB876 million (tax inclusive) in total on 18 October 2023 to holders of domestic preference shares whose names appeared on the register of members on the record date.

2. Distribution of dividends of preference shares in the past three years

(Unit: RMB million, except for percentage)

	2023		2022		2021	
	Dividend rate	Amount of dividend distributed	Dividend rate	Amount of dividend distributed	Dividend rate	Amount of dividend distributed
Offshore preference shares	-	-	-	-	4.95%	521
Domestic preference shares	4.38%	876	4.38%	876	4.38%	876

Notes: 1. Amount of dividend distributed includes tax;

2. The Bank redeemed offshore preference shares on 14 December 2021. During the Reporting Period, the Bank did not have existing offshore preference shares and did not distribute dividends of offshore preference shares.

For details of the distribution of dividends of the preference shares, please refer to the announcements of the Bank published on the website of the SSE, the HKEXnews website of the SEHK and the website of the Bank.

IV. Repurchase or Conversion of Preference Shares

During the Reporting Period, no preference shares of the Bank have been repurchased or converted.

V. Recovery of Voting Rights of Preference Shares

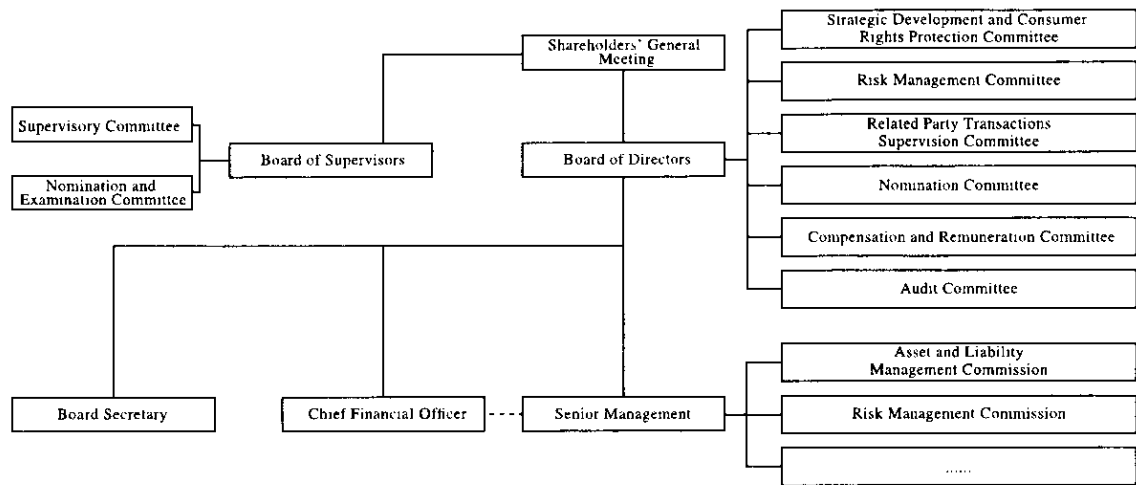
During the Reporting Period, no voting rights of preference shares of the Bank have been restored.

VI. Accounting Policies for Preference Shares and the Underlying Reasons

According to the requirements promulgated by the Ministry of Finance, such as the Accounting Standards for Business Enterprises No. 37 – Presentation of Financial Instruments (《企業會計準則第37號－金融工具列報》), there was no need for the issued and existing domestic preference shares of the Bank to be settled through delivery of cash or other financial assets or exchange of financial assets or financial liabilities. In the future, the Bank will have no obligation to deliver a variable quantity of its equity instruments. Therefore, the domestic preference shares are accounted as other equity instruments.

CHAPTER 6 CORPORATE GOVERNANCE

I. Corporate Governance Structure



II. Corporate Governance Overview

Based on its actual conditions, the Bank constantly improved the corporate governance system and advanced the organic integration of the Party's leadership with its corporate governance in an in-depth manner. The Shareholders' General Meeting, the Board of Directors, the Board of Supervisors, and the Senior Management followed the principles of "each performing its own duties, each taking responsibility for itself, coordinated operation, and effective checks and balances", the corporate governance became more scientific and effective, and the regulatory assessment results of corporate governance was significantly elevated.

The Bank fully implemented the spirit of the 20th National Congress of the CPC, and revised and improved the Articles of Association, which obtained the approval of the NFRA. The Bank actively implemented regulatory requirements, revised independent director management measures, policies for equity management, consumer rights protection and other aspects, and continuously improved the modern corporate governance system. The Bank facilitated the diversity of Board members, and one female director and one director from Hong Kong successively took office, further meeting the requirements on gender and geographical diversity of Board members. The Bank strengthened the building of the Board, innovated and built a digital platform for the Board to perform its duties, optimised the full-cycle operation mechanism of the Board meetings, and deepened the role of special committees in antecedent supervision and professional consultation. Both the decision-making quality and effectiveness of the Board were constantly improved. The Bank improved the independent director special meeting mechanism, the chairman-independent directors special meeting mechanism, and the independent director on-duty mechanism, and actively supported the Independent Directors in obtaining information, expressing opinions, and implementing suggestions, effectively playing the role of Independent Directors in decision-making, checks and balances of supervision, and professional consultation.

During the Reporting Period, the corporate governance of the Bank has been in line with the requirements of laws, administrative regulations as well as the provisions of regulatory authorities regarding governance of listed companies.

III. Powers of the Shareholders' General Meeting

The Shareholders' General Meeting is the organ of authority of the Bank, and exercises the following functions and powers in accordance with the laws: to decide on the Bank's operating policies and investment plans; to elect and replace Directors and Supervisors who are not employee representatives and decide on matters concerning the remuneration of relevant Directors and Supervisors; to consider and approve the annual financial budget and final accounts, profit distribution plans and plans for recovery of losses; to make resolutions regarding the increase or reduction of the Bank's registered capital, acquisition of the Bank's shares, issuance of preference shares, issuance of bonds, listing, merger, division and revision of the Articles of Association, and to consider other matters that shall be decided by the Shareholders' General Meeting in accordance with laws, administrative regulations, departmental rules, relevant provisions of the securities regulatory authority of the place where the Bank was listed or the provisions in the Articles of Association. The above-mentioned functions and powers of the Shareholders' General Meeting shall not be exercised by the Board of Directors or other institutions and individuals through authorisation.

IV. Shareholders' General Meetings

During the Reporting Period, the Bank held one shareholders' general meeting and considered and approved 25 resolutions and received briefings on three special reports. Details are as follows:

On 9 June 2023, the 2022 Annual General Meeting, the First A Share Class Meeting for 2023 and the First H Share Class Meeting for 2023 of the Bank were held in Beijing, at which the shareholders attended and voted on-site and online. For details of the resolutions of the meeting, please refer to the announcements published on the website of the Bank, the website of the SSE and the HKEXnews website of the SEHK on 9 June 2023, and on China Securities Journal, Shanghai Securities News and Securities Times on 10 June 2023.

V. Directors, Supervisors and Senior Management

(I) Basic information

Name	Gender	Year of birth	Position	Term of office	Shares held at the beginning of the Reporting Period (share)	Shares held at the end of the Reporting Period (share)	Aggregate remuneration during the Reporting Period (before tax, RMB ten thousand)	Any remuneration received from related parties
GAO Yingxin	M	1962	Chairman & Executive Director	July 2020 – Present	500,000	500,000	373.52	No
ZHANG Hongwei	M	1954	Vice Chairman & Non-Executive Director	January 2001 – Present	–	–	93.50	Yes
LU Zhiqiang	M	1951	Vice Chairman & Non-Executive Director	November 2006 – Present	–	–	93.25	Yes
LIU Yonghao	M	1951	Vice Chairman & Non-Executive Director	June 2009 – Present	–	–	93.50	Yes
SHI Yuzhu	M	1962	Non-Executive Director	March 2017 – Present	–	–	81.50	No
WU Di	M	1965	Non-Executive Director	March 2013 – Present	–	–	15.50	Yes
SONG Chunfeng	M	1969	Non-Executive Director	March 2017 – Present	–	–	–	Yes
WENG Zhenjie	M	1962	Non-Executive Director	February 2017 – Present	–	–	88.50	Yes

Name	Gender	Year of birth	Position	Term of office	Shares held at the beginning of the Reporting Period (share)	Shares held at the end of the Reporting Period (share)	Aggregate remuneration during the Reporting Period (before tax, RMB ten thousand)	Any remuneration received from related parties
YANG Xiaoling	M	1958	Non-Executive Director	March 2021 – Present	–	–	73.50	No
ZHAO Peng	M	1973	Non-Executive Director	June 2021 – Present	–	–	85.50	Yes
QU Xinjiu	M	1964	Independent Non-Executive Director	March 2021 – Present	–	–	92.50	No
WEN Qiuju	F	1965	Independent Non-Executive Director	August 2023 – Present	–	–	35.50	No
SONG Huanzheng	M	1968	Independent Non-Executive Director	August 2023 – Present	–	–	24.50	No
YEUNG Chi Wai, Jason	M	1955	Independent Non-Executive Director	October 2023 – Present	–	–	14.25	No
CHENG Fengchao	M	1959	Independent Non-Executive Director	February 2024 – Present	–	–	–	No
LIU Hanxing	M	1973	Independent Non-Executive Director	March 2024 – Present	–	–	–	No
YANG Yu	M	1964	Vice Chairman of the Board of Supervisors & Employee Supervisor	November 2021 – Present	–	–	247.45	No

Name	Gender	Year of birth	Position	Term of office	Shares held at the beginning of the Reporting Period (share)	Shares held at the end of the Reporting Period (share)	Aggregate remuneration during the Reporting Period (before tax, RMB ten thousand)	Any remuneration received from related parties
LU Zhongnan	M	1955	Shareholder Supervisor	January 2007 – Present	–	–	79.00	No
LI Yu	M	1974	Shareholder Supervisor	October 2020 – Present	–	–	79.50	No
ZHAO Fugao	M	1955	External Supervisor	June 2019 – Present	–	–	–	No
ZHANG Liqing	M	1963	External Supervisor	October 2020 – Present	–	–	73.50	No
GONG Zhijian	M	1967	Employee Supervisor	November 2021 – Present	–	–	209.27	No
WANG Xiaoyong	M	1970	President (Acting)	March 2024 – Present	–	–	–	No
ZHANG Juntong	M	1974	Executive Vice President (To be approved)	March 2024 – Present	350,000	350,000	307.04	No
			Former Chairman of the Board of Supervisors & Former Employee Supervisor	February 2017 – March 2024				
SHI Jie	M	1965	Executive Vice President	January 2017 – Present	350,000	350,000	258.21	No
LI Bin	F	1967	Executive Vice President	January 2017 – Present	350,000	350,000	258.21	No
			Board Secretary	February 2024 – Present				
LIN Yunshan	M	1970	Executive Vice President	January 2017 – Present	350,000	350,000	258.21	No
HUANG Hongri	M	1972	Executive Vice President (To be approved)	March 2024 – Present	–	–	–	No
ZHANG Bin	M	1967	Chief Information Officer	November 2021 – Present	–	–	211.27	No

Name	Gender	Year of birth	Position	Term of office	Shares held at the beginning of the Reporting Period (share)	Shares held at the end of the Reporting Period (share)	Aggregate remuneration during the Reporting Period (before tax, RMB ten thousand)	Any remuneration received from related parties
Resigned Directors, Supervisors and Senior Management								
ZHENG Wanchun	M	1964	Former Vice Chairman	December 2020 – March 2024	430,000	430,000	332.64	No
			Former Executive Director	March 2016 – March 2024				
			Former President	January 2016 – March 2024				
LIU Jipeng	M	1956	Former Independent Non-Executive Director	February 2017 – October 2023	150,000	150,000	81.00	No
LI Hancheng	M	1963	Former Independent Non-Executive Director	February 2017 – August 2023	–	–	81.75	No
XIE Zhichun	M	1958	Former Independent Non-Executive Director	March 2017 – March 2024	–	–	96.00	No
PENG Xuefeng	M	1962	Former Independent Non-Executive Director	March 2017 – February 2024	–	–	91.50	No
LIU Ningyu	M	1969	Former Independent Non-Executive Director	March 2017 – August 2023	–	–	77.00	No
YUAN Guijun	M	1963	Former Executive Director	March 2021 – March 2024	150,000	150,000	307.20	No
			Former Executive Vice President	December 2020 – March 2024				
WANG Yugui	M	1951	Former External Supervisor	February 2017 – March 2024	–	–	78.50	No
CHEN Qiong	F	1963	Former Executive Vice President	August 2018 – May 2023	350,000	350,000	107.75	No
BAI Dan	F	1963	Former Chief Financial Officer	May 2012 – December 2023	360,000	360,000	281.68	No
			Former Board Secretary	August 2018 – February 2024				

- Notes: 1. According to the regulations of the CSRC, the commencement date of the terms of office of re-elected Directors, Supervisors and Senior Management in the above table shall be the date of their first appointment and qualification approval. As the qualification of Mr. WENG Zhenjie as a Director is subject to the approval of the NFRA, the commencement date of his term of office is temporarily taken as the date when he was elected at the Shareholders' General Meeting.
2. On 15 November 2023, the Bank issued the Announcement on Solicitation of Candidates for Directors of the Ninth Session of the Board of Directors and the Announcement on the Solicitation of Candidates for Supervisors of the Ninth Session of the Board of Supervisors, publicly soliciting candidates for Directors and Supervisors of the new session. According to the relevant provisions, the Directors and Supervisors of the Bank may be re-elected after the expiration of their terms of office. Before the re-elected Directors and Supervisors take office, the former Directors and Supervisors shall continue to perform their duties as Directors and Supervisors.
 3. Due to retirement upon reaching the prescribed age, Mr. ZHENG Wanchun resigned from the positions of a Vice Chairman, an Executive Director and President of the Bank, as well as a member of the Strategic Development and Consumer Rights Protection Committee and the Risk Management Committee of the Board, which took effect from 12 March 2024. Due to retirement upon reaching the prescribed age, Mr. YUAN Guijun resigned from the positions of an Executive Director and an Executive Vice President of the Bank, as well as a member of the Risk Management Committee and the Related Party Transactions Supervision Committee of the Board, which took effect from 12 March 2024.
 4. Due to work adjustment, Mr. ZHANG Juntong resigned from the positions of Chairman of the Board of Supervisors and an Employee Supervisor of the Bank, as well as a member of the special committees of the Board of Supervisors, which took effect from 12 March 2024. On the same day, the 6th extraordinary meeting of the eighth session of the Board decided to appoint Mr. ZHANG Juntong as an Executive Vice President of the Bank, and he will formally take office upon the approval on his qualification as an Executive Vice President by the NFRA.
 5. On 12 March 2024, the 6th extraordinary meeting of the eighth session of the Board decided to appoint Mr. WANG Xiaoyong as President of the Bank, and he will formally take office upon the approval on his qualification as the President by the NFRA. The Board designated Mr. WANG Xiaoyong to perform the duties of President of the Bank on an acting basis from 12 March 2024, until his qualification as the President is approved by the NFRA.
 6. On 12 March 2024, the 6th extraordinary meeting of the eighth session of the Board decided to appoint Mr. HUANG Hongri as an Executive Vice President of the Bank, and he will formally take office upon the approval on his qualification as an Executive Vice President by the NFRA.
 7. During the Reporting Period, Mr. SONG Chunfeng did not receive the remuneration as a Director, and Mr. ZHAO Fugao did not receive the remuneration as a Supervisor.
 8. During the Reporting Period, the total pre-tax remuneration of incumbent and resigned Directors, Supervisors and Senior Management was RMB46,817,000. The total pre-tax remuneration of the incumbent Executive Directors, Chairman of the Board of Supervisors, Vice Chairman of the Board of Supervisors, Employee Supervisors and Senior Management is still under confirmation and further disclosure regarding such unconfirmed part will be made by the Bank in due course.
 9. During the Reporting Period, none of the incumbent Directors, Supervisors and Senior Management or Directors, Supervisors or Senior Management resigned during the Reporting Period had been subject to any penalty imposed by the securities regulatory authorities during the past three years.

(II) Appointment and resignation of Directors, Supervisors and Senior Management

Directors

On 9 June 2023, Ms. WEN Qiuju was elected as an Independent Non-Executive Director of the Bank at the 2022 Annual General Meeting, and her qualification was approved by the NFRA in August 2023. Mr. LIU Ningyu ceased to serve as an Independent Non-Executive Director of the Bank due to the expiration of his term of office.

On 9 June 2023, Mr. SONG Huanzheng was elected as an Independent Non-Executive Director of the Bank at the 2022 Annual General Meeting, and his qualification was approved by the NFRA in August 2023. Mr. LI Hancheng ceased to serve as an Independent Non-Executive Director of the Bank due to the expiration of his term of office.

On 9 June 2023, Mr. YEUNG Chi Wai, Jason was elected as an Independent Non-Executive Director of the Bank at the 2022 Annual General Meeting, and his qualification was approved by the NFRA in October 2023. Mr. LIU Jipeng ceased to serve as an Independent Non-Executive Director of the Bank due to the expiration of his term of office.

On 9 June 2023, Mr. CHENG Fengchao was elected as an Independent Non-Executive Director of the Bank at the 2022 Annual General Meeting, and his qualification was approved by the NFRA in February 2024. Mr. PENG Xuefeng ceased to serve as an Independent Non-Executive Director of the Bank due to the expiration of his term of office.

On 9 June 2023, Mr. LIU Hanxing was elected as an Independent Non-Executive Director of the Bank at the 2022 Annual General Meeting, and his qualification was approved by the NFRA in March 2024. Mr. XIE Zhichun ceased to serve as an Independent Non-Executive Director of the Bank due to the expiration of his term of office.

On 12 March 2024, Mr. ZHENG Wanchun resigned from the positions of a Vice Chairman, an Executive Director and President of the Bank, as well as a member of the Strategic Development and Consumer Rights Protection Committee and the Risk Management Committee of the Board due to retirement upon reaching the prescribed age.

On 12 March 2024, Mr. YUAN Guijun resigned from the positions of an Executive Director and an Executive Vice President of the Bank, as well as a member of the Risk Management Committee and the Related Party Transactions Supervision Committee of the Board due to retirement upon reaching the prescribed age.

Supervisors

On 12 March 2024, Mr. ZHANG Juntong resigned from the positions of Chairman of the Board of Supervisors and an Employee Supervisor of the Bank, as well as a member of the special committees of the Board of Supervisors due to work adjustment. On the same day, the 6th extraordinary meeting of the eighth session of the Board decided to appoint Mr. ZHANG Juntong as an Executive Vice President of the Bank, and he will formally take office upon the approval on his qualification as an Executive Vice President by the NFRA.

On 12 March 2024, Mr. WANG Yugui resigned from the positions of an External Supervisor of the Bank and a member of the special committees of the Board of Supervisors due to the expiration of his term of office for a cumulative period of six years.

Senior Management

On 26 May 2023, Ms. CHEN Qiong resigned from the position of an Executive Vice President of the Bank and retired upon reaching the prescribed age.

On 5 December 2023, the Board of Directors of the Bank appointed Ms. LI Bin as the Board Secretary of the Bank. Ms. BAI Dan resigned from the positions of Chief Financial Officer, Board Secretary and Company Secretary of the Bank. Ms. BAI Dan shall continue to perform her duties as the Board Secretary before the qualification of Ms. LI Bin is approved. On 22 February 2024, Ms. LI Bin, with her qualification approved, officially assumed the office of the Board Secretary of the Bank.

On 5 December 2023, the Board of Directors of the Bank appointed Ms. CHEUNG Yuet Fan as the Company Secretary of the Bank. Due to work adjustment, Ms. WONG Wai Yee, Ella ceased to act as a Joint Company Secretary of the Bank.

On 12 March 2024, the Board of the Bank appointed Mr. WANG Xiaoyong as President of the Bank, and he will formally take office upon the approval on his qualification as the President by the NFRA. The Board designated Mr. WANG Xiaoyong to perform the duties of President of the Bank on an acting basis from 12 March 2024, until his qualification as the President is approved by the NFRA.

On 12 March 2024, the Board of the Bank appointed Mr. ZHANG Juntong and Mr. HUANG Hongri as Executive Vice Presidents of the Bank, and they will formally take office upon the approval on their qualifications as Executive Vice Presidents by the NFRA.

(III) Positions held by incumbent Directors and Supervisors in shareholders' companies

Name	Name of the Bank's shareholder's company	Position	Term of Office
ZHANG Hongwei	Orient Group Co., Ltd.	Chairman of the board of directors	March 2014 – Present
LU Zhiqiang	China Oceanwide Holdings Group Co., Ltd.	Chairman of the board of directors	May 1999 – Present
LIU Yonghao	New Hope Liuhe Co., Ltd.	Director	January 2003 – Present
WU Di	Good First Group Co., Ltd.	Chairman of the board of directors and president	January 2003 – Present
SONG Chunfeng	China Shipowners Mutual Assurance Association	General manager	March 2016 – Present
WENG Zhenjie	Chongqing International Trust Inc.	Chairman of the board of directors	November 2014 – Present
ZHAO Peng	Dajia Life Insurance Co., Ltd.	Director	July 2021 – April 2023

(IV) Performance evaluation and incentive mechanism and remuneration system for Directors, Supervisors and the Senior Management

The performance evaluation on the Senior Management of the Bank highlighted strategic orientation, and focused on the succession and implementation of the key tasks of reform and transformation of the Bank. The Bank continuously paid attention to value returns to shareholders and sustainable development, fortified compliant operation, and intensified evaluations in fields of regulatory compliance and risk-related indicators.

The policy for remuneration of the Senior Management of the Bank was: To reflect strategies and guiding principles of human resources management under the premise of supporting the development strategy and achieving operating targets of the Bank, advocate value creation and encourage the Senior Management to advance reform and transformation and steady development; to formulate remuneration plans for the Senior Management with reasonable structure and market competitiveness, determine remunerations of the Senior Management in line with their duties, capabilities and contributions to operating results, and establish an incentive and restraint mechanism for the Senior Management.

The Senior Management's performance-based remuneration is closely linked to the attainment of key performance indicators and the annual evaluation results of the Senior Management as individuals. In accordance with the requirements of the regulatory guidelines, the Bank established a deferred payment mechanism for the performance-based remuneration of the Senior Management.

To objectively reflect the labour, risks and responsibilities undertaken by the Directors and Supervisors of the Bank, and to effectively encourage the Directors and Supervisors to actively participate in decision-making and management, the Bank paid remuneration to all Directors and Supervisors in accordance with the Rules for Remuneration of Directors and Supervisors of China Minsheng Banking Corp., Ltd. (《中國民生銀行股份有限公司董事、監事薪酬制度》). The remuneration of Directors comprises four parts, including annual fee, allowances for special committees, meeting fees and research fees. The remuneration of Supervisors comprises three parts, including annual fee, allowances for special committees and meeting fees. During the Reporting Period, any Director of the Bank abstained from the discussion of his/her remuneration by the Board of Directors. The Compensation and Remuneration Committee considered the remunerations of Directors and Senior Management and all members showed consent.

In accordance with regulatory requirements, the Articles of Association and rules of the Bank, the Board of Supervisors performed comprehensive evaluations on the performance of the Directors, Supervisors and Senior Management. Through attending meetings of the Board of Directors and its special committees as non-voting delegates and reviewing daily performance records, the Board of Supervisors supervised the legitimacy and compliance of meeting contents, discussion mechanism and procedures, and fully observed the issuance of opinions and suggestions by Directors and Supervisors. Through multiple ways such as receiving reports, conducting investigations, researches and inspections, issuing supervisory notices and carrying out enquiries and interviews, it supervised key matters and observed the performance of Directors and Supervisors in related fields. Through filling in the statistical forms of duty performance assessment, the Board of Supervisors organised self-evaluation and cross-evaluation to assess the annual performance of Directors and Supervisors. Through considering and reviewing various reports, the Board of Supervisors observed the business philosophy, operating results, risk management, internal control and compliance of the Senior Management. Through tracking and supervision, the Board of Supervisors observed the implementation of regulatory opinions and the progress and effectiveness of rectifications by the Senior Management. Through attending meetings as non-voting delegates, reviewing the annual work reports and rating the leadership capabilities, the Board of Supervisors gained a comprehensive understanding of the fulfillment of duty of loyalty, duty of diligence, compliance performance, and performance results, etc. Based on the information obtained through the above-mentioned ways and channels, the Board of Supervisors made objective and fair comprehensive evaluation on the performance of Directors, Supervisors and Senior Management, and finally formed the annual performance evaluations, and reported them to the Shareholders' General Meeting and the regulatory authorities.

(V) Main work experience of incumbent Directors, Supervisors and Senior Management

Directors

Executive Directors

Mr. GAO Yingxin, born in 1962, is Chairman and an Executive Director of the Bank and Chairman of the Strategic Development and Consumer Rights Protection Committee and a member of the Nomination Committee and the Compensation and Remuneration Committee of the Board. Mr. GAO is concurrently the chairman of CMBC International. Before joining the Bank, he was a vice chairman of the board and the chief executive of BOC Hong Kong (Holdings) Limited (listed on the SEHK (stock code: 02388)) and Bank of China (Hong Kong) Limited from January 2018 to May 2020, an executive director of Bank of China Limited (BOC) (listed on the SSE (stock code: 601988) and on the SEHK (stock code: 03988)) from December 2016 to January 2018, an executive vice president of BOC from February 2015 to January 2018, an executive director and a deputy chief executive of BOC Hong Kong (Holdings) Limited and Bank of China (Hong Kong) Limited from February 2005 to February 2015, the president and chief operating officer of BOC International Holdings Limited from July 2004 to February 2005, the general manager of the corporate banking department of BOC head office from June 1999 to July 2004, and a deputy general manager of the credit department and a deputy general manager of the corporate banking department of BOC head office from September 1996 to June 1999. Mr. GAO was a member of the 13th CPPCC National Committee. Mr. GAO obtained his Master's Degree in Engineering from East China University of Science and Technology in 1986 and is a senior economist.

Non-Executive Directors

Mr. ZHANG Hongwei, born in 1954, is a Vice Chairman and a Non-Executive Director of the Bank, and also a member of the Strategic Development and Consumer Rights Protection Committee and the Nomination Committee of the Board. Mr. ZHANG is the chairman of United Energy Group Limited (listed on the SEHK (stock code: 00467)) and Orient Group Co., Ltd. Mr. ZHANG was previously the honorary chairman and a director of Orient Group Incorporation (listed on the SSE (stock code: 600811)), the chairman of Jinzhou Port Co., Ltd. (listed on the SSE (stock code: 600190)), a member of the 11th CPPCC National Committee and a standing committee member of the 10th CPPCC National Committee. Mr. ZHANG served as a vice chairman of ACFIC from 1997 to 2007. Mr. ZHANG obtained his MBA Degree from Harbin Institute of Technology in 1996 and is a senior economist.

Mr. LU Zhiqiang, born in 1951, is a Vice Chairman and a Non-Executive Director of the Bank, and a member of the Nomination Committee of the Board. Mr. LU was a Director of the Bank from the establishment of the Bank to June 2003, Chairman of the Board of Supervisors of the Bank from June 2003 to December 2004, and a Vice Chairman of the Board of Supervisors of the Bank from December 2004 to June 2006. Mr. LU is the chairman and president of Tohigh Holdings Co., Ltd. and Oceanwide Group Co., Ltd., and the chairman of China Oceanwide Holdings Group Co., Ltd. Mr. LU was the president of China Oceanwide Holdings Group Co., Ltd. and the chairman of Oceanwide Holdings Co., Ltd. (listed on the SZSE (stock code: 000046)). Mr. LU was also a non-executive director of Legend Holdings Corporation (listed on the SEHK (stock code: 03396)) and a director of Haitong Securities Co., Ltd. (listed on the SSE (stock code: 600837) and on the SEHK (stock code: 06837)). Mr. LU served successively as a standing committee member and a vice chairman of ACFIC from 1998 to 2012, and a member of the 9th and 10th CPPCC National Committee and a standing committee member of the 11th and 12th CPPCC National Committee from 1998 to 2018. Mr. LU obtained his Master's Degree in Economics from Fudan University in 1995 and is a research fellow.

Mr. LIU Yonghao, born in 1951, is a Vice Chairman and a Non-Executive Director of the Bank, and a member of the Strategic Development and Consumer Rights Protection Committee and the Nomination Committee of the Board. He used to be a Vice Chairman of the Board from the establishment of the Bank to 2006. Mr. LIU is currently the chairman and president of New Hope Group Co., Ltd., a director of New Hope Liuhe Co., Ltd. (listed on the SZSE (stock code: 000876)), the chairman of the General Association of Sichuan Entrepreneurs, a member of the 14th CPPCC National Committee, a vice president of China Association for Public Companies and one of the promoters of China Guangcai Programme. Mr. LIU was also a vice chairman of the 7th and 8th sessions of ACFIC, a member of the 8th, 9th, 10th and 11th CPPCC National Committee, a standing committee member of the 9th and 10th CPPCC National Committee, a vice chairman of the Committee for Economic Affairs of the 10th and 11th CPPCC National Committee, a deputy to the 12th National People's Congress (NPC), a member of the 13th CPPCC National Committee, and a vice chairman of China Society for Promotion of the Guangcai Programme.

Mr. SHI Yuzhu, born in 1962, is a Non-Executive Director of the Bank and a member of the Strategic Development and Consumer Rights Protection Committee and the Nomination Committee of the Board. Mr. SHI was previously a Non-Executive Director of the Bank from 2006 to 2014. Mr. SHI is the chairman of Giant Network Group Co., Ltd. (formerly known as "Chongqing New Century Cruise Co., Ltd.", listed on the SZSE (stock code: 002558)), Giant Interactive Group Inc. (formerly known as "Shanghai ZhengTu Interactive Group Inc.") and Giant Charity Foundation. Mr. SHI was previously a director of Shanghai ZhengTu Interactive Group Inc. from 2006 to 2018, and a vice chairman of China Minsheng Investment Group Corp., Ltd. from 2014 to 2018. Mr. SHI obtained his Bachelor's Degree in Mathematics from Zhejiang University in 1984 and graduated from the postgraduate programme of soft science from Shenzhen University in 1990.

Mr. WU Di, born in 1965, is a Non-Executive Director of the Bank and a member of the Compensation and Remuneration Committee, the Risk Management Committee and the Related Party Transactions Supervision Committee of the Board. Mr. WU is the chairman and president of Good First Group Co., Ltd., a director of Hangzhou United Rural Commercial Bank, and the chairman and an executive director of Datang Group Holdings Limited (listed on the SEHK (stock code: 02117)). Mr. WU is also a deputy to the Fujian Provincial People's Congress, a vice chairman of Fujian Federation of Commerce & Industry, an honorary vice chairman of Fujian Society for Promotion of the Guangcai Programme, the honorary chairman of the Non-States-Owned Enterprise Chamber of Commerce in Fujian, a member of the CPPCC Xiamen Municipal Committee, a vice chairman of Xiamen Municipal Committee of China National Democratic Construction Association (CNDCA), the honorary chairman of the Xiamen Chamber of Commerce in Shanghai, the chairman of the Liaoning Chamber of Commerce in Fujian and a council member of Jimei University. Mr. WU obtained his Ph.D. Degree in Economics from Renmin University of China and now serves as a guest professor of Renmin University of China. Mr. WU is a senior economist.

Mr. SONG Chunfeng, born in 1969, is a Non-Executive Director of the Bank and a member of the Risk Management Committee, the Audit Committee and the Related Party Transactions Supervision Committee of the Board. Mr. SONG is the general manager of China Shipowners Mutual Assurance Association, a vice president of China Shipowners' Association, a vice chairman of Quanzhou Jinjiang COSCO Development Co., Ltd., an executive director of China P&I Management Co., Ltd., a director of China P&I Services (Hong Kong) Limited, an executive director of Shanghai Haixing Asset Management Limited, a director of CPI Services (UK) Limited, and a supervisor of Haitong Securities Co., Ltd. (listed on the SSE (stock code: 600837) and on the SEHK (stock code: 06837)). Mr. SONG was a managing director of COSCO (Hong Kong) Insurance Brokers Limited, the chairman and general manager of Shenzhen COSCO Insurance Brokers Limited, a manager of the commerce office under the transportation department of COSCO/China COSCO Holdings Co., Ltd. (listed on the SSE (stock code: 601919) and on the SEHK (stock code: 01919)), and a principal staff member, a deputy division director, and the division director of the commerce division under the transportation department of COSCO. Mr. SONG obtained his Ph.D. Degree in Law from Peking University in 2006 and is a senior economist.

Mr. WENG Zhenjie, born in 1962, is a Non-Executive Director of the Bank and a member of the Strategic Development and Consumer Rights Protection Committee, the Compensation and Remuneration Committee and the Audit Committee of the Board. Mr. WENG is the chairman of Chongqing International Trust Inc. and GuoDu Securities Co., Ltd. (listed on National Equities Exchange and Quotations (stock code: 870488)). Mr. WENG also serves as a director of China Trust Protection Fund Co., Ltd., and China Trust Registration Corporation Limited. Mr. WENG worked as the chairman and chief executive officer of Chongqing International Trust Inc., the chairman of Southwest Securities Co., Ltd. (listed on the SSE (stock code: 600369)), the chairman of Chongqing Three Gorges Bank Co., Ltd., a director of Hefei Science & Technology Rural Commercial Bank Company Limited (“Hefei Science & Technology Rural Commercial Bank”), a member of the 9th Central Economic Committee of CNDCA, a deputy officer of the 10th and 11th Central Financial Committee of CNDCA, a deputy to the third and fourth Chongqing Municipal People’s Congress and a standing committee member of the standing committee of the third and fourth Chongqing Municipal People’s Congress, a standing member of the 5th CPPCC Chongqing Municipal Committee, a deputy general manager of Beijing Centergate Technologies (Holding) Co., Ltd., an instructor of the Chinese People’s Liberation Army Institute of Telecommunication Engineering, and a vice chairman of the Chongqing Municipal Committee of CNDCA. Mr. WENG obtained his Master’s Degree in Engineering in 1986. He is a senior economist, an expert with special allowances of the State Council and has been granted the honorary title of National Model Worker.

Mr. YANG Xiaoling, born in 1958, is a Non-Executive Director of the Bank and a member of the Compensation and Remuneration Committee of the Board. Mr. YANG served as a deputy general manager and the chief operating officer of Dajia Insurance Group Co., Ltd., the general manager of Dajia Life Insurance Co., Ltd., an assistant general manager (chief digital officer) of China Pacific Insurance (Group) Co., Ltd. (listed on the SSE (stock code: 601601); on the SEHK (stock code: 02601); and on the London Stock Exchange (stock code: CPIC)), a deputy executive general manager and the director of transformation and promotion of China Pacific Life Insurance Co., Ltd., the general manager of strategic planning department of China Pacific Insurance (Group) Co. Ltd., the general manager of the Beijing branch of China Pacific Life Insurance Co., Ltd., a deputy director of the claim underwriting and settlement centre of China Pacific Life Insurance Co. Ltd., a department manager and a deputy general manager of the Shanghai branch of China Pacific Life Insurance Co., Ltd. Mr. YANG obtained his MBA Degree from Macau University of Science and Technology in 2002. He has the qualification for an intermediate-level insurance economist.

Mr. ZHAO Peng, born in 1973, is a Non-Executive Director of the Bank and a member of the Strategic Development and Consumer Rights Protection Committee and the Risk Management Committee of the Board. Mr. ZHAO is currently an assistant general manager and board secretary of Dajia Insurance Group Co., Ltd., a vice chairman of Financial Street Holdings Co., Ltd. (listed on the SZSE (stock code: 000402)) and a director of Sino-Ocean Group Holding Limited (listed on the SEHK (stock code: 03377)). Mr. ZHAO served as a director of Dajia Life Insurance Co., Ltd., a member of the team designated by the former CBIRC to take over Anbang Insurance Group, a deputy division director then division director of the development and reform department of the former CIRC, and an executive member of Rizhao Commercial Bank and a director of Beijing Tong Ren Tang Co., Ltd. (listed on the SSE (stock code: 600085)). Mr. ZHAO obtained his Ph.D. Degree in Economic Law from China University of Political Science and Law in 2014. He has the qualification for an economist.

Independent Non-Executive Directors

Mr. QU Xinjiu, born in 1964, is an Independent Non-Executive Director of the Bank, Chairman of the Nomination Committee and a member of the Audit Committee and the Related Party Transactions Supervision Committee of the Board. He is currently a professor of China University of Political Science and Law and a part-time lawyer of Beijing Fada Law Firm. Mr. QU served previously as a deputy dean and dean of the School of Criminal Justice of China University of Political Science and Law, the director of the Institute of Criminal Law of the School of Criminal Justice of China University of Political Science and Law, and served concurrently as a deputy director of the investigation supervision department of the Supreme People's Procuratorate of the People's Republic of China, a deputy procurator-general of People's Procuratorate of Fengtai District of Beijing Municipality, and a part-time lawyer of Beijing Dadi Law Firm. Mr. QU obtained his Ph.D. Degree in Procedural Law from China University of Political Science and Law in 2001. Mr. QU has the qualifications for university teachers and lawyers.

Mr. QU has many years of experience in legal practice and can promote the diversification of composition of the Board. He provides the Board valuable advice on policy making and compliant operation.

Ms. WEN Qiuju, born in 1965, is an Independent Non-Executive Director of the Bank, Chairman of the Audit Committee, and a member of the Nomination Committee, the Compensation and Remuneration Committee, the Risk Management Committee and the Related Party Transactions Supervision Committee of the Board. Ms. WEN currently serves as a managing partner of Da Hua Certified Public Accountants LLP and the chairman of Da Hua International Management Consulting (Beijing) Co., Ltd. (大華國際管理諮詢(北京)有限公司). Ms. WEN obtained a Master's Degree in Western Accounting from Dongbei University of Finance and Economics in 1989. She is a certified public accountant and a certified public valuer.

As an accounting professional, Ms. WEN has extensive experience in accounting, auditing and management consulting and can further contribute to the gender diversity of the composition of the Board. She provides valuable advice to the Board from the perspective of professional accounting and auditing.

Mr. SONG Huanzheng, born in 1968, is an Independent Non-Executive Director of the Bank, Chairman of the Related Party Transactions Supervision Committee and a member of the Strategic Development and Consumer Rights Protection Committee, the Nomination Committee, the Compensation and Remuneration Committee and the Risk Management Committee of the Board. Mr. SONG currently serves as the director and senior partner of Beijing S&P Law Firm, a consultant expert for Civil Administrative Cases of the Supreme People's Procuratorate, a member of the lawyer team of the China National Committee of the International Chamber of Commerce (ICC), a standing council member of the Chinese Civil Procedural Law Association of the China Law Society, a member of the Expert Committee for China Association of Trade in Services, a standing council member of the Corporate Governance Research Branch of the China Behaviour Law Association, an expert of the think tank of the China Academy of Management Science, a member of the Capital Market and Securities Legal Affairs Professional Committee, and the M&A and Reorganisation Legal Professional Committee of the Beijing Lawyers Association, an external director of a municipal state-owned enterprise under the State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality (Beijing SASAC) (appointed to Beijing State-owned Assets Management Co., Ltd.), an arbitrator and a member of the Expert Advisory Committee of the Chongqing Arbitration Commission, a part-time professor of the School of Law and the director of the Legal Practice Research Centre of Xiangtan University. Mr. SONG was the chief lawyer of China Real Estate Development Group, a standing council member of Chinese Society of International Economic Law and an external director of a municipal state-owned enterprise under the Beijing SASAC (appointed to the Beijing Enterprises Group Company Limited). Mr. SONG obtained a Master's Degree in Economic Law from Southwest University of Political Science & Law in 1993. He is qualified as a lawyer.

Mr. SONG has extensive experience in corporate law, financial law, securities law and bankruptcy law, with nearly 30 years of experience as a practicing lawyer. He can diversify the composition of the Board, and provide valuable advice to the Board on corporate governance, internal control and compliance.

Mr. YEUNG Chi Wai, Jason, born in 1955, Chinese (Hong Kong) nationality, is an Independent Non-Executive Director of the Bank, Chairman of the Compensation and Remuneration Committee and a member of the Strategic Development and Consumer Rights Protection Committee and the Nomination Committee of the Board. Mr. YEUNG currently serves as the Group Chief Compliance and Risk Management Officer of Fung Holdings (1937) Limited, and an independent non-executive director of China Telecom Corporation Limited. Mr. YEUNG served as an independent non-executive director of Bank of Communications Co., Ltd. and AviChina Industry & Technology Company Limited; a deputy chief executive (personal banking business) of Bank of China (Hong Kong) Limited, the board secretary of Bank of China (Hong Kong) Limited, the board secretary of Bank of China Limited; a director and legal counsel of China Everbright Limited and China Everbright International Ltd.; a lawyer and partner of Woo Kwan Lee & Lo; a member of the Hong Kong Hospital Authority Board; a director of The Hong Kong Mortgage Corporation Limited and the Financial Dispute Resolution Centre; a member of the Insurance Advisory Committee of HKSAR Government. He also worked in the Hong Kong Government and the Hong Kong Securities and Futures Commission. Mr. YEUNG obtained his Master's Degree in Business Administration from the Business School of the University of Western Ontario, Canada in 2001. Mr. YEUNG is qualified as a lawyer.

Mr. YEUNG has extensive experience in finance, legal and regulatory compliance and can diversify the composition of the Board. He provides valuable advice to the Board on corporate governance, bank management and other aspects.

Mr. CHENG Fengchao, born in 1959, is an Independent Non-Executive Director of the Bank and a member of the Nomination Committee, the Compensation and Remuneration Committee, the Audit Committee and the Related Party Transactions Supervision Committee of the Board. Mr. CHENG serves as the chairman of the Research Society for Finance and Industry (a social organisation), an independent non-executive director of PICC Property and Casualty Company Limited and Sinochem International Corporation, an external supervisor of Everbright Securities Company Limited, a member of the Academic Advisory Committee of the China Association for Public Companies, and a doctoral supervisor of Hunan University. Mr. CHENG was previously an equity director of Industrial and Commercial Bank of China Limited and Agricultural Bank of China Limited, an supervisor of China Everbright Group, an external supervisor of China CITIC Financial Asset Management Co., Ltd., an independent non-executive director of Minerals Capital Company Limited, Beijing GeoEnviron Engineering & Technology, Inc., Lihuayi Weiyuan Chemical Co., Ltd. and Tongfang Co., Ltd., the legal representative of Beijing Mingjia Zhibo Enterprise Management Consulting Co., Ltd. (北京名嘉智博企業管理諮詢有限公司), the general manager of the development research department, appraisal management department, etc. of China Great Wall Asset Management Company (currently known as "China Great Wall Asset Management Co., Ltd."), and a vice chairman and the secretary general of the Hebei Institute of Certified Public Accountants. Mr. CHENG obtained his Ph.D. Degree in Management majoring Management Science and Engineering from Business School of Hunan University in 2004. He is a financial science researcher, a senior accountant, a certified public accountant, and a certified public valuer in China.

Mr. CHENG has extensive experience in accounting, audit, appraisal, banking and securities business and can diversify the composition of the Board. He provides valuable advice to the Board on corporate governance and professional accounting.

Mr. LIU Hanxing, born in 1973, is an Independent Non-Executive Director of the Bank and also Chairman of the Risk Management Committee and a member of the Nomination Committee, the Compensation and Remuneration Committee and the Audit Committee of the Board. Mr. LIU is now the general manager of Mingzhe Maosheng (Hainan) Investment Co., Ltd. He previously served as the director of the general office, asset allocation & research department and equity management department of the National Council for Social Security Fund of the People's Republic of China, an non-executive director of Bank of Communications Co., Ltd., an vice president of Beijing branch of Bank of Communications Co., Ltd., a deputy division director of the non-bank department and a deputy division director of the information centre of the former China Banking Regulatory Commission, and a principal staff member of the general office of the People's Bank of China. Mr. LIU obtained his Ph.D. Degree in Management majoring Management Science and Engineering from the Graduate School of the Chinese Academy of Sciences in 2012. He holds the qualification of intermediate financial economist.

Mr. LIU specialises in asset allocation and equity investment with extensive experience in corporate governance and banking practice. He provides valuable advice to the Board on corporate governance and bank management.

Supervisors

Mr. YANG Yu, born in 1964, is a Vice Chairman of the Board of Supervisors and an Employee Supervisor of the Bank. He is also a member of the Supervisory Committee of the Board of Supervisors, and President of Beijing Branch of the Bank. Mr. YANG joined the Bank in 1996 and successively served as Division Director, a Deputy General Manager and then Deputy General Manager (in charge) of the Credit Management Department of the Head Office, a Deputy General Manager of the Beijing Administration Department, President of the Real Estate Finance SBU and General Manager of the Investment Banking Department of the Bank. From July 1989 to 1996, Mr. YANG successively served as a lecturer of Beijing Institute of Fashion Technology and a manager of the business department of Huayin International Merchants Company of Industrial and Commercial Bank of China, and from February 2012 to September 2016, he served as the president of Bairong Investment Holding Group Co., Ltd. (百榮投資控股集團有限公司). Mr. YANG obtained his Master's Degree in Economics, majoring in Business Management of Industrial Economics Department from Renmin University of China.

Mr. LU Zhongnan, born in 1955, is currently a Shareholder Supervisor of the Bank and is also a member of the Supervisory Committee and the Nomination and Examination Committee of the Board of Supervisors of the Bank. Mr. LU is currently an independent director of Yantai Bank Co., Ltd. and Harbin Bank Financial Leasing Co., Ltd. (哈銀金融租賃有限責任公司). Mr. LU was previously a division director of the PBOC Heilongjiang branch, a vice president of the PBOC Harbin branch, a vice president and then an executive vice president of the PBOC Heilongjiang branch, and a vice president of the PBOC Shenyang branch. He was previously also a director of Orient Group Incorporation (listed on the SSE (stock code: 600811)), a director of New China Life Insurance Co., Ltd. (listed on the SSE (stock code: 601336) and on the SEHK (stock code: 01336)), a vice chairman and the president of China Minzu Securities Co., Ltd., the chairman of Shenzhen New Industries Venture Capital Co., Ltd., a director, a vice chairman, and the chairman of the executive committee of the board of directors of New China Trust Co., Ltd. and an independent director of Qilu Bank Co., Ltd. (listed on SSE(stock code: 601665)). Mr. LU graduated from the postgraduate course for advanced studies in economic management from Heilongjiang Provincial Academy of Social Sciences. He is currently a senior economist.

Mr. LI Yu, born in 1974, is currently a Shareholder Supervisor of the Bank. He is also a member of the Supervisory Committee and the Nomination and Examination Committee of the Board of Supervisors. Mr. LI is a vice chairman of Shanghai Innovation Investment Limited (上海創新投資有限公司) and the CEO of Ranger-Duree Healthcare Management Group Co., Ltd. Mr. LI was previously the executive president of Shandong Yatai Zhonghui Group Co., Ltd. (山東亞太中慧集團) and a vice president of Pacific Alliance Group. Mr. LI obtained his Master's Degree in Economics (majoring in Finance) from the School of Finance of Renmin University of China.

Mr. ZHAO Fugao, born in 1955, is an External Supervisor of the Bank and a member of the Supervisory Committee and the Nomination and Examination Committee of the Board of Supervisors. Mr. ZHAO served as a staff member, a deputy section chief, a deputy division director, a division director, a vice president and the president of the CCB (listed on the SSE (stock code: 601939)) and on the SEHK (stock code: 00939) Sichuan branch, and the president of the CCB Chengdu branch. He was also the general manager of the personal deposit and investment department of the CCB head office, and the person in charge of the preparatory team of insurance business of CCB. He was also the president and a vice chairman of CCB Life Insurance Company Limited (which was renamed as CCB Life Insurance Co., Ltd. in 2016) and the head of the preparatory team of CCB Property & Casualty Insurance Co., Ltd. and CCB Life Insurance Asset Management Company Limited. Mr. ZHAO obtained his Bachelor's Degree in Economics from Hubei University of Finance and Economics (currently known as Zhongnan University of Economics and Law) in January 1982. He is a senior economist and an expert with special allowances of the State Council.

Mr. ZHANG Liqing, born in 1963, is an External Supervisor of the Bank and Chairman of the Nomination and Examination Committee of the Board of Supervisors. Mr. ZHANG currently works in the Central University of Finance and Economics as a professor of the School of Finance (a doctoral supervisor), the director of the Centre for International Finance Studies, and the director of Collaborative Innovation Centre for Global Financial Governance. He is also an independent non-executive director of E-Star Commercial Management Company Limited (listed on the SEHK (stock code: 06668)) and an independent non-executive director of Poly Property Services Co., Ltd. (listed on the SEHK (stock code: 06049)). Mr. ZHANG served as the dean of the School of Finance, a deputy director of the finance department and a director of the international finance teaching and research office of the Central University of Finance and Economics. He was also a visiting research fellow at the Fairbank Centre for Chinese Studies of Harvard University, a visiting research fellow at the Earth Institute of Columbia University, a senior visiting research fellow at the Peterson Institute for International Economics, a visiting scholar at the Economic Development Institute of the World Bank, a guest professor at the College of Asia and the Pacific of Australian National University, a guest professor at the Business School of University of Birmingham, and a guest professor at the German University of Applied Sciences. He was an independent director of China Securities Co., Ltd., an independent director of Poly Developments and Holdings Group Co., Ltd. (listed on the SSE (stock code: 600048)), an independent non-executive director of Gome Finance Technology Co., Ltd. (listed on the SEHK (stock code: 00628)) and an independent director of Bank of Ruifeng. Mr. ZHANG obtained his Ph.D. Degree in Economics from Renmin University of China (majoring in global economics).

Mr. GONG Zhijian, born in 1967, is an Employee Supervisor of the Bank and Chairman of the Supervisory Committee and a member of the Nomination and Examination Committee of the Board of Supervisors. He is also General Manager of the Human Resources Department of the Head Office of the Bank. Mr. GONG joined the Bank in 2001 and successively served as General Manager of the Human Resources Department of Shenzhen Branch, Division Director of the Human Resources Management Division, Division Director of the Remuneration and Compensation Management Division, an Assistant General Manager then a Deputy General Manager of the Human Resources Department of the Head Office, a Deputy General Manager (in charge) and then General Manager of the Development Planning Department of the Head Office, and President of Chengdu Branch. Prior to joining the Bank, Mr. GONG successively served as a teaching assistant of the lecturers' group and an officer of the corporate communications department of the publicity department of the CPC Yiyang Municipal Committee of Hunan Province, a deputy section chief of the social development planning section of Yiyang Municipal Commission of Planning of Hunan Province and the general manager of the personnel and education department of Zhuhai City Commercial Bank of Guangdong Province from July 1991 to February 2001. Mr. GONG obtained his Ph.D. Degree in Business Administration from Wuhan University.

Senior Management

Mr. WANG Xiaoyong, born in 1970, was appointed as President of the Bank on 12 March 2024, and will formally take office upon the approval on his qualification as the President by the NFRA. The Board designated Mr. WANG Xiaoyong to perform the duties of President of the Bank on an acting basis from 12 March 2024, until his qualification as the President is approved by the NFRA. Before joining the Bank, from September 2016 to February 2024, Mr. WANG had successively served as the president of the Chongqing branch, the general manager of the channel and operation management department, and the president of the Sichuan branch of China Construction Bank. From June 2006 to September 2016, he had successively served as an assistant general manager of the risk monitoring and control department, a deputy general manager of the credit management department, a vice president of the Shandong branch and a vice president of the Gansu branch of China Construction Bank. From April 1996 to June 2006, he had successively worked at the audit department, the office of the risk and internal control management committee and the risk management department of China Construction Bank. Mr. WANG graduated from Beijing Normal University with a Bachelor's Degree in 1991. Mr. WANG obtained his Master's Degree in Accounting from the Central University of Finance and Economics in 1996, and his Ph.D. Degree in Management Science and Engineering from Tianjin University in 2013. He is currently a senior economist.

Mr. ZHANG Juntong, born in 1974, was appointed as an Executive Vice President of the Bank on 12 March 2024, and will formally take office upon the approval on his qualification as an Executive Vice President by the NFRA. Mr. ZHANG served as Chairman of the Board of Supervisors of the Bank, an Employee Supervisor, and Chairman of the Supervisory Committee and a member of the Nomination and Examination Committee of the Board of Supervisors. Mr. ZHANG graduated from Peking University with a Bachelor's Degree in 1997, and obtained his Master's Degree in World Economy from Peking University in 2000.

Mr. SHI Jie, born in 1965, is an Executive Vice President of the Bank. Mr. SHI joined the Bank in 1998 and served as General Manager of Planning and Finance Department of Shijiazhuang Sub-Branch of the Bank. He successively served as General Manager of the Business Department of Shijiazhuang Branch since March 2001, Deputy Division Director (in charge) of the Risk Management Department of Head Office of the Bank since July 2001, an Assistant General Manager and a Deputy General Manager of the Credit Assessment Department of Head Office since February 2004, Head of the Preparatory Team and President of Changchun Branch since June 2008, General Manager of the Credit Assessment Department of Head Office since August 2009 and an Assistant President of the Bank since 2012. Prior to joining the Bank, Mr. SHI served as a section chief of the finance division of Hebei University of Economics and Business from 1995 to 1998 and an executive member of Taihang Industrial Co., Ltd. of Hebei Institute of Finance and Economics from 1992 to 1995. Mr. SHI obtained his Master's Degree in Management from Tianjin Institute of Finance and Economics.

Ms. LI Bin, born in 1967, is an Executive Vice President and Board Secretary of the Bank. Ms. LI joined the Bank in 1995 and served as Division Director (in charge) of the Capital Division of the International Business Department of the Bank. She served as a Deputy General Manager of the Financial Institutions Department since October 2000, General Manager of the Derivatives Products Department since May 2007, President of the Financial Markets Department since May 2009 and an Assistant President of the Bank since 2012. Prior to joining the Bank, Ms. LI worked in the international department of the Beijing branch of Agricultural Bank of China from August 1990 to July 1995. Ms. LI obtained her Ph.D. Degree in Finance from the School of Finance of Renmin University of China.

Mr. LIN Yunshan, born in 1970, is an Executive Vice President of the Bank and the chairman of the board of supervisors of China UnionPay Co., Ltd. Mr. LIN joined the Bank in 2001, and successively served as Division Director of the Bills Business Division of the Corporate Business Department from 2002 to 2003, an Assistant General Manager of the Corporate Business Department from 2003 to 2005, a Vice President of Shenzhen Branch from 2005 to 2007, Director of the Office of Corporate Banking Management Committee and then General Manager of the Corporate Banking Department from 2007 to 2012, and an Assistant President of the Bank since 2012. Prior to joining the Bank, Mr. LIN worked for the PBOC as a deputy principal staff member and a principal staff member of the payment and settlement division of the accounting department from 1993 to 1998, a principal staff member of the payment system division of the payment technology department from 1998 to 1999 and a principal staff member of the CCB supervisory division of the supervisory department I from 1999 to 2001. Mr. LIN obtained his Master's Degree in Economics from Renmin University of China.

Mr. HUANG Hongri, born in 1972, was appointed as an Executive Vice President of the Bank on 12 March 2024, and will formally take office upon the approval on his qualification as an Executive Vice President by the NFRA. Mr. HUANG is currently General Manager of the Credit Approval Department of the Bank. In China Minsheng Bank, Mr. HUANG used to serve as Division Director of the Information and Planning Centre of the Corporate Banking Department, the Marketing Director of the Energy Finance SBU, President of the Nanning Branch, General Manager of the Corporate Banking Department, General Manager of the Corporate Business Strategic Planning Department of the Corporate and Investment Banking SBU, President of the Guangzhou Branch and General Manager of the Credit Management Department. Mr. HUANG graduated from Hunan University of Finance and Economics with a Bachelor's Degree in 1993, and obtained his Master's Degree in International Finance from Hunan University in 2003. He is currently an economist.

Mr. ZHANG Bin, born in 1967, is Chief Information Officer of the Bank. Prior to joining the Bank, Mr. ZHANG served as the chief information officer of Ping An Bank from 2018 to 2021, a member of the preparatory team, a vice president and chief information officer, and an executive director of Zhongyuan Bank from 2014 to 2017, an assistant general manager, the deputy general manager (in charge), the general manager, and the technical director of the IT department of the head office of CITIC Bank from 2005 to 2014, an engineer, a manager, an assistant general manager, and a deputy general manager of the IT department of the Beijing branch of China Merchants Bank from 1996 to 2005, and an engineer of the technology section of No.1 Radio Factory in Huainan City of Anhui Province from 1989 to 1993. Mr. ZHANG obtained his Master's Degree in Software Engineering from the Institute of Software of the Chinese Academy of Sciences and EMBA Degree from China Europe International Business School.

Company Secretary

Ms. CHEUNG Yuet Fan is a director of Corporate Services of Tricor Services Limited (“Tricor”). Ms. CHEUNG has over 30 years of experience in the corporate secretarial field. Ms. CHEUNG is a Chartered Secretary, a Chartered Governance Professional and a Fellow of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute. Ms. CHEUNG obtained a Bachelor of Arts degree in Accountancy from City Polytechnic of Hong Kong (now known as City University of Hong Kong). (Note: The Bank has engaged Tricor as an external service provider and appointed Ms. CHEUNG as the Bank’s Company Secretary since 5 December 2023.)

(VI) Changes of information of Directors and Supervisors

1. Mr. SONG Chunfeng, a Non-Executive Director of the Bank, was appointed as a supervisor of Haitong Securities Co., Ltd. (listed on the SSE (stock code: 600837) and on the SEHK (stock code: 06837)).
2. Mr. ZHAO Peng, a Non-Executive Director of the Bank, ceased to serve as a director of Dajia Life Insurance Co., Ltd.
3. Mr. SONG Huanzheng, an Independent Non-Executive Director of the Bank, ceased to serve as an external director appointed to Beijing Enterprises Group Company Limited by the Beijing SASAC, and was appointed as an external director to Beijing State-owned Assets Management Co., Ltd. by the Beijing SASAC.

For details of the composition of special committees of the Board of Directors of the Bank, please refer to “VII. Special Committees of the Board of Directors” in “Chapter 6 Corporate Governance”.

(VII) Service contracts of Directors and Supervisors

The Bank has not entered into and does not intend to enter into any service contracts with its Directors or Supervisors in respect of their services as Directors or Supervisors (excluding the service contracts which will expire within one year or are terminable by the Bank within one year without payment of compensation, other than statutory compensation).

(VIII) Directors' interests in competing business

Mr. LU Zhiqiang, a Non-Executive Director of the Bank, is related to Oceanwide Industrial Co., Ltd., which holds 7.72% of the shares of China Bohai Bank Co., Ltd. ("China Bohai Bank"). To the best knowledge of the Bank, China Bohai Bank is a national joint-stock commercial bank established in December 2005. As at 30 June 2023, the unaudited total assets, net assets, net assets per share, deposits and loans of China Bohai Bank were RMB1,690,558 million, approximately RMB114,222 million, RMB5.31, RMB902,753 million and RMB955,013 million, respectively. In addition, in accordance with the Articles of Association, Mr. LU Zhiqiang shall abstain from voting on the proposals in relation to China Bohai Bank. As such, the interest of Mr. LU Zhiqiang in China Bohai Bank is not in conflict with his duties as a Director of the Bank.

Mr. LIU Yonghao, a Non-Executive Director of the Bank, is a director of Sichuan Xinwang Bank Co., Ltd. ("Sichuan Xinwang Bank") and holds 30% equity interest of Sichuan Xinwang Bank through New Hope Group Co., Ltd., which is controlled by him. To the best knowledge of the Bank, Sichuan Xinwang Bank was established on 28 December 2016 upon the approval by China's banking regulatory authorities and is an internet-based bank with scope of business including taking deposits from the general public, granting loans, handling domestic and foreign settlements; handling the acceptance and discounting of negotiable instruments; issuing financial bonds; engaging in the business of bank cards; buying and selling foreign exchange and acting as an agent for the purchase and sale of foreign exchange; engaging in interbank lending; providing letter of credit services and guaranty; acting as an agent for the receipt and payment of money and acting as an insurance agent. As at 31 December 2023, the unaudited total assets, net assets, net assets per share, deposits and loans of Sichuan Xinwang Bank were RMB102,926 million, RMB7,445 million, RMB2.48, RMB59,477 million and RMB75,347 million, respectively. Therefore, Sichuan Xinwang Bank is very different from the Bank in terms of operation mode and operation scale. Mr. LIU Yonghao is just one of the directors of Sichuan Xinwang Bank and not the chairman of the board of directors of Sichuan Xinwang Bank. In addition, in accordance with the Articles of Association, Mr. LIU Yonghao shall abstain from voting on the proposals in relation to Sichuan Xinwang Bank. As such, the interest of Mr. LIU Yonghao in Sichuan Xinwang Bank is not in conflict with his duties as a Director of the Bank.

Mr. WU Di, a Non-Executive Director of the Bank, is a director of Hangzhou United Rural Commercial Bank Co., Ltd. ("Hangzhou United Bank") and has no interest in the equity of Hangzhou United Bank. To the best knowledge of the Bank, Hangzhou United Bank was established on 5 January 2011. The customers of Hangzhou United Bank are mainly from agriculture, rural areas and farmers, and local communities as well as SMEs. Hangzhou United Bank is a joint-stock banking financial institution with a registered capital of RMB2,180 million. As at 31 December 2023, the unaudited total assets, net assets, net assets per share, deposits and loans of Hangzhou United Bank were RMB467,942 million, RMB31,352 million, RMB14.38, RMB329,498 million and RMB265,736 million, respectively. Therefore, Hangzhou United Bank is very different from the Bank in terms of scale and geographical coverage of business. Mr. WU Di is just one of the directors and not the chairman of the board of directors of Hangzhou United Bank. In addition, in accordance with the Articles of Association, Mr. WU Di shall abstain from voting on the proposals in relation to Hangzhou United Bank. As such, the interest of Mr. WU Di in Hangzhou United Bank is not in conflict with his duties as a Director of the Bank.

Save as disclosed above, none of other Directors of the Bank holds any interests in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Bank.

(IX) Interests of the Directors, Supervisors and chief executives in the securities of the Bank or its associated corporations under Hong Kong laws and regulations

1. As at 31 December 2023, the following Directors and Supervisors of the Bank had the following interests or short positions in the shares of the Bank as recorded in the register required to be kept by the Bank pursuant to Section 336 of the SFO and as the Bank is aware of:

Name	Position	Class of shares	Long/short position	Capacity	Number of shares (share)	Notes	Percentage of the relevant class of shares in issue (%)	Percentage of all the issued ordinary shares (%)
GAO Yingxin	Executive Director	A	Long position	Beneficial owner	200,000		0.0006	0.0005
		H	Long position	Beneficial owner	300,000		0.0036	0.0007
ZHENG Wanchun	Then Executive Director	A	Long position	Beneficial owner	180,000		0.0005	0.0004
		H	Long position	Beneficial owner	250,000		0.0030	0.0006
YUAN Guijun	Then Executive Director	A	Long position	Beneficial owner	150,000		0.0004	0.0003
LIU Yonghao	Non-Executive Director	A	Long position	Interest held by his controlled corporation(s)	1,930,715,189	1	5.44	4.41
		H	Long position	Interest held by his controlled corporation(s)	240,789,500	2	2.89	0.55
LU Zhiqiang	Non-Executive Director	A	Long position	Interest held by his controlled corporation(s)	1,803,182,618	3	5.08	4.12
		H	Long position	Interest held by his controlled corporation(s)	416,370,637	4	5.00	0.95
		H	Short position	Interest held by his controlled corporation(s)	401,457,117	4	4.83	0.92
SHI Yuzhu	Non-Executive Director	A	Long position	Interest held by his controlled corporation(s)	1,379,679,587	5	3.89	3.15
		H	Long position	Interest held by his controlled corporation(s)	713,501,653	6	8.58	1.63
ZHANG Hongwei	Non-Executive Director	A	Long position	Interest held by his controlled corporation(s)	1,315,117,123	7	3.71	3.00
ZHANG Juntong	Then Employee Supervisor	A	Long position	Beneficial owner	150,000		0.0004	0.0003
		H	Long position	Beneficial owner	200,000		0.0024	0.0005

Notes:

1. The 1,930,715,189 A shares comprised 102,387,827 A shares held by South Hope Industrial Co., Ltd. and 1,828,327,362 A shares held by New Hope Liuhe Investment Co., Ltd. According to the SFO, New Hope Group Co., Ltd. was deemed to be interested in the 102,387,827 A shares held by South Hope Industrial Co., Ltd. and 1,828,327,362 A shares held by New Hope Liuhe Investment Co., Ltd. through direct and indirect control over several enterprises. As Mr. LIU Yonghao had control over New Hope Group Co., Ltd., he was deemed to be interested in the 1,930,715,189 A shares as mentioned above.

Such interests held by Mr. LIU Yonghao and the interests held by New Hope Group Co., Ltd., Ms. LI Wei and Ms. LIU Chang, the details of which are disclosed in the section headed "Substantial shareholders' and other persons' interests or short positions in the shares and underlying shares of the Bank under Hong Kong laws and regulations" in this Annual Report, were the same block of shares.

2. The 240,789,500 H shares were held by South Hope Industrial Co., Ltd. (see note 1 above).
3. The 1,803,182,618 A shares were held by China Oceanwide Holdings Group Co., Ltd. According to the SFO, Tohigh Holdings Co., Ltd. was deemed to have interests in the 1,803,182,618 A shares held by China Oceanwide Holdings Group Co., Ltd. through direct and indirect control over Oceanwide Group Co., Ltd. and China Oceanwide Holdings Group Co., Ltd. As Mr. LU Zhiqiang held 77.14% of the share capital of Tohigh Holdings Co., Ltd., he was also deemed to be interested in the 1,803,182,618 A shares as mentioned above.
4. The 416,370,637 H shares comprised 8,237,520 H shares held by China Oceanwide International Investment Company Limited, 401,457,117 H shares held by Oceanwide International Equity Investment Limited and 6,676,000 H shares held by Long Prosper Capital Company Limited. The 401,457,117 H shares (short position) were held by Oceanwide International Equity Investment Limited. According to the SFO, Tohigh Holdings Co., Ltd. was deemed to have interests in the 416,370,637 H shares and 401,457,117 H shares (short position) as mentioned above through direct and indirect control over several enterprises. As Mr. LU Zhiqiang held 77.14% of the share capital of Tohigh Holdings Co., Ltd., he was also deemed to be interested in the H shares and short positions as mentioned above.
5. The 1,379,679,587 A shares were held by Shanghai Giant Lifetech Co., Ltd. According to the SFO, Giant Investment Co., Ltd. has control over Shanghai Giant Lifetech Co., Ltd. As Mr. SHI Yuzhu held 97.86% of the share capital of Giant Investment Co., Ltd., he was deemed to be interested in the 1,379,679,587 A shares as mentioned above.
6. The 713,501,653 H shares were held by Alpha Frontier Limited. According to the SFO, Shanghai Cibi Business Information Consulting Co., Ltd. has control over Alpha Frontier Limited. Giant Investment Co., Ltd. (see note 5 above) was deemed to be interested in the 713,501,653 H shares held by Alpha Frontier Limited through its control over Shanghai Cibi Business Information Consulting Co., Ltd.
7. The 1,315,117,123 A shares comprised 1,280,117,123 A shares held by Orient Group Incorporation and 35,000,000 A shares held by Orient Group Co., Ltd. Mingze Orient Investment Co., Ltd. (名澤東方投資有限公司) has direct and indirect control over Orient Group Incorporation and Orient Group Co., Ltd. Mr. ZHANG Hongwei was deemed to be interested in the 1,315,117,123 A shares as mentioned above through wholly-owning Mingze Orient Investment Co., Ltd.

2. As at 31 December 2023, the following Director of the Bank had the following interests in Pengzhou Minsheng Rural Bank Co., Ltd. (a subsidiary of the Bank):

Name	Position	Long/short position	Capacity	Contribution to the registered capital	Note	Percentage of the total registered capital (%)
LIU Yonghao	Non-Executive Director	Long position	Interest held by his controlled corporation(s)	RMB2,000,000	1	3.64

Note:

1. New Hope Group Co., Ltd. is interested in RMB2 million of the registered capital of Pengzhou Minsheng Rural Bank Co., Ltd. As Mr. LIU Yonghao had control over New Hope Group Co., Ltd., Mr. LIU Yonghao was deemed to be interested in the equity interest held by New Hope Group Co., Ltd. in Pengzhou Minsheng Rural Bank Co., Ltd. according to the SFO.

3. As at 31 December 2023, the following Director of the Bank had the following interests in Shanghai Songjiang Minsheng Rural Bank Co., Ltd. (a subsidiary of the Bank):

Name	Position	Long/short position	Capacity	Contribution to the registered capital	Note	Percentage of the total registered capital (%)
SHI Yuzhu	Non-Executive Director	Long position	Interest held by his controlled corporation(s)	RMB24,000,000	1	10

Note:

1. Shanghai Giant Lifetech Co., Ltd. is interested in RMB24 million of the registered capital of Shanghai Songjiang Minsheng Rural Bank Co., Ltd. Mr. SHI Yuzhu held 97.86% of the share capital of Giant Investment Co., Ltd., which had control over Shanghai Giant Lifetech Co., Ltd. Mr. SHI Yuzhu was deemed to be interested in the equity interest held by Shanghai Giant Lifetech Co., Ltd. in Shanghai Songjiang Minsheng Rural Bank Co., Ltd. according to the SFO.

4. As at 31 December 2023, the following Directors of the Bank had the following interests in Tibet Linzhi Minsheng Rural Bank Co., Ltd. (a subsidiary of the Bank):

Name	Position	Long/short position	Capacity	Contribution to the registered capital	Note	Percentage of the total registered capital (%)
SHI Yuzhu	Non-Executive Director	Long position	Interest held by his controlled corporation(s)	RMB2,500,000	1	10
LIU Yonghao	Non-Executive Director	Long position	Interest held by his controlled corporation(s)	RMB1,500,000	2	6

Notes:

- Shanghai Giant Lifetech Co., Ltd. is interested in RMB2.5 million of the registered capital of Tibet Linzhi Minsheng Rural Bank Co., Ltd. Mr. SHI Yuzhu held 97.86% of the share capital of Giant Investment Co., Ltd., which had control over Shanghai Giant Lifetech Co., Ltd. Mr. SHI Yuzhu was deemed to be interested in the equity interest held by Shanghai Giant Lifetech Co., Ltd. in Tibet Linzhi Minsheng Rural Bank Co., Ltd. according to the SFO.
- South Hope Industrial Co., Ltd. is interested in RMB1.5 million of the registered capital of Tibet Linzhi Minsheng Rural Bank Co., Ltd. Mr. LIU Yonghao had control over New Hope Group Co., Ltd., which had control over South Hope Industrial Co., Ltd. Mr. LIU Yonghao was deemed to be interested in the equity interest held by South Hope Industrial Co., Ltd. in Tibet Linzhi Minsheng Rural Bank Co., Ltd. according to the SFO.

Save as disclosed above, as far as the Bank is aware, as at the end of the Reporting Period, none of other Directors, Supervisors or chief executives held or was deemed to hold any interests and/or short positions in the shares, underlying shares or debentures of the Bank or any of its associated corporations (as defined in the SFO), which were recorded in the register required to be kept under Section 352 of the SFO, or which were required to be notified to the Bank and the SEHK pursuant to Divisions 7 and 8 of Part XV of the SFO and the Model Code set out in Appendix C3 to the Hong Kong Listing Rules, nor had any Directors, Supervisors or chief executives been granted such rights.

(X) Contractual rights and interests and service contracts of Directors and Supervisors

During the Reporting Period, Directors and Supervisors of the Bank and entities connected with a Director or Supervisor of the Bank had no material interest in the significant contracts that the Bank or any of its subsidiaries entered into. None of the Directors and Supervisors of the Bank has entered into any service contract with the Bank which is not terminable by the Bank within one year without payment of compensation (excluding statutory compensation).

(XI) Financial, business and family relationships among Directors, Supervisors and Senior Management

The Bank has made enquiries to confirm that, there is no relationship between the members of the Board and the Board of Supervisors (including financial, business, family or other material or relevant relationships).

VI. Board of Directors

The Board of Directors is responsible to the Shareholders' General Meeting and is the decision-making body of the Bank, and its functions and powers are exercised collectively by the Board of Directors.

(I) Composition of the Board of Directors and its performance

As at the end of the Reporting Period, the Board of the Bank had 18 members, of which nine were Non-Executive Directors, three were Executive Directors and six were Independent Non-Executive Directors. As at the disclosure date of this Report, two Executive Directors retired upon reaching the prescribed age and resigned from relevant positions such as Executive Directors of the Bank. All Non-Executive Directors held key positions in large renowned enterprises and were experienced in management, finance and accounting, while the Executive Directors had been engaged in banking operation and management for a long time with extensive professional experiences. The six Independent Non-Executive Directors were renowned experts in economics, finance, accounting and law respectively. One of them was from Hong Kong and was familiar with the IFRS and regulations of the Hong Kong capital market and equipped with extensive banking management experience. The number of Independent Non-Executive Directors of the Bank reached one-third of the total number of Board members, meeting the relevant regulatory requirements.

For the details and changes of the Board members, please refer to "V. Directors, Supervisors and Senior Management" in "Chapter 6 Corporate Governance".

The Board had reviewed the implementation and effectiveness of the diversity policy of the Bank, and included one female director into the Board. The structure of the Board embodies qualities including professionalism, independence and diversity, which helps ensure that the Board can make decision in a rational manner.

The Bank considers diversified composition of the Board is beneficial to enhance the operating quality of the Bank. Therefore, the Bank formulated the Policy of Board Diversity (《董事會成員多元化政策》) in August 2013, specifying that the Bank should take various factors, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and term of office, into consideration in determining the members of the Board for more diversified Board composition. The final candidates shall be elected based on his/her value and contributions to the Board. The Nomination Committee shall supervise the implementation of the Policy of Board Diversity, and shall analyse and assess the structure, composition and diversity of members of the Board based on the requirements for diversified composition of the Board and make suggestions to the Board for implementation of the strategies of the Bank annually.

(II) Duties of the Board of Directors

In accordance with the Articles of Association of the Bank, the Board of Directors mainly exercises the following functions and powers: to convene shareholders' general meetings and implement the resolutions of shareholders' general meetings; to decide on the Bank's operating plans, investment plans and internal management units setting; to formulate development strategies of the Bank and supervise the implementation; to formulate annual financial budget, final accounts and profit distribution plans; to appoint or remove senior executives and decide on matters relating to their remuneration, rewards and punishments; to formulate the Bank's basic management system; to take charge of the Bank's information disclosure; to review work reports of the President of the Bank and examine the President's performance; and to execute other duties and powers authorised by laws and regulations, department rules or the Articles of Association of the Bank. The Board of Directors shall continuously examine and update various corporate governance policies and systems such as the Articles of Association of the Bank in accordance with the laws and regulations applicable to the Bank, department rules, the Rules Governing the Listing of Stocks on Shanghai Stock Exchange and the Hong Kong Listing Rules, and ensure that the Bank complies with the policies and systems.

(III) Responsibilities of corporate governance of the Board of Directors

The corporate governance of the Bank is vested in the Board. The duties include: (1) to develop and review the corporate governance policy and practice of the Bank; (2) to review and monitor the training and continuous professional development of Directors and Senior Management; (3) to review and monitor the policies and practices in compliance with legal and regulatory requirements of the Bank; (4) to formulate, review and monitor the code of conduct for employees and Directors; and (5) to review the compliance of the Bank with the provisions of the Corporate Governance Code (《企業管治守則》) and disclosure in the Corporate Governance section in the Annual Report.

During the Reporting Period, through review and confirmation, the duty performance of the Board of the Bank abided by the provisions as set out in Appendix C1 to the Hong Kong Listing Rules.

(IV) Attendance of the Directors at meetings in 2023

Director	Attendance in person/Number of meetings Special Committees of the Board							
	Shareholders' General Meeting	Board of Directors	Strategic Development and Consumer Rights Protection Committee	Nomination Committee	Compensation and Remuneration Committee	Risk Management Committee	Audit Committee	Related Party Transactions Supervision Committee
Executive Directors								
GAO Yingxin	1/1	16/16	10/10	5/5	4/4			
Non-Executive Directors								
ZHANG Hongwei	1/1	16/16	10/10	5/5				
LU Zhiqiang	1/1	16/16	9/9	5/5				
LIU Yonghao	1/1	16/16	10/10	5/5				
SHI Yuzhu	1/1	16/16	10/10	5/5				
WU Di	1/1	16/16			4/4	13/13		8/8
SONG Chunfeng	1/1	16/16				13/13	8/8	8/8
WENG Zhenjie	1/1	16/16	10/10		4/4		8/8	
YANG Xiaoling	1/1	15/16			4/4			
ZHAO Peng	1/1	16/16	10/10			13/13		
Independent Non-Executive Directors								
QU Xinjiu	1/1	16/16		5/5			8/8	8/8
WEN Qiuju		7/7		2/2	1/1	5/5	2/2	2/2
SONG Huanzheng		5/5	1/1	2/2		4/4		2/2
YEUNG Chi Wai, Jason		4/4	1/1	2/2				
Resigned Directors								
ZHENG Wanchun	1/1	16/16	10/10			13/13		
LIU Jipeng	1/1	12/12		3/3	4/4			6/6
LI Hancheng	1/1	11/11		3/3	4/4	9/9		6/6
XIE Zhichun	1/1	16/16		5/5	4/4	13/13		
PENG Xuefeng	1/1	16/16		5/5	4/4		8/8	
LIU Ningyu	1/1	9/9		3/3	3/3	8/8	6/6	6/6
YUAN Guijun	1/1	16/16				13/13		8/8

Notes:

1. Director YANG Xiaoling entrusted Director ZHAO Peng to attend the 43rd meeting of the eighth session of the Board;
2. Independent Director CHENG Fengchao began to perform his duties from February 2024 and Independent Director LIU Hanxing began to perform his duties from March 2024. For the changes of other Directors, please refer to "V. Directors, Supervisors and Senior Management" in "Chapter 6 Corporate Governance";
3. According to the Working Rules for Involvement of Independent Directors in the Preparation of Annual Report (《獨立董事年報工作制度》) of the Bank, Independent Directors shall be invited to attend the meetings of the Audit Committee of the Board to consider issues related to annual report. Mr. LIU Jipeng, Mr. LI Hancheng and Mr. XIE Zhichun attended two meetings of the Audit Committee as non-voting delegates;
4. In order to give full play to the responsibility of Independent Directors to provide independent and impartial opinions on related-party transactions, Independent Directors XIE Zhichun and PENG Xuefeng were invited to attend four meetings of the Related Party Transactions Supervision Committee and Independent Director YEUNG Chi Wai, Jason was invited to attend one meeting of the Related Party Transactions Supervision Committee as non-voting delegates;
5. The Directors only attended but refrained from voting at the meetings prior to the NFRA's approval on their qualifications.

(V) Board meetings and resolutions

During the Reporting Period, the Board of Directors of the Bank convened a total of 16 meetings, considered 95 proposals, and received briefings on 78 matters. These meetings included 9 on-site meetings and 7 offline meetings.

Meeting	Date	Publication	Date of disclosure
31st meeting of the eighth session of the Board	31 January 2023	Shanghai Securities News, China Securities Journal, Securities Times	1 February 2023
32nd meeting of the eighth session of the Board	21 February 2023	Shanghai Securities News, China Securities Journal, Securities Times	22 February 2023
33rd meeting of the eighth session of the Board	24 March 2023	Shanghai Securities News, China Securities Journal, Securities Times	25 March 2023
34th meeting of the eighth session of the Board	27 March 2023	Shanghai Securities News, China Securities Journal, Securities Times	28 March 2023
35th meeting of the eighth session of the Board	28 April 2023	Shanghai Securities News, China Securities Journal, Securities Times	29 April 2023
36th meeting of the eighth session of the Board	16 May 2023	Shanghai Securities News, China Securities Journal, Securities Times	17 May 2023

Meeting	Date	Publication	Date of disclosure
3rd extraordinary meeting of the eighth session of the Board	24 May 2023	Shanghai Securities News, China Securities Journal, Securities Times	25 May 2023
37th meeting of the eighth session of the Board	27 June 2023	Shanghai Securities News, China Securities Journal, Securities Times	29 June 2023
38th meeting of the eighth session of the Board	31 July 2023	Shanghai Securities News, China Securities Journal, Securities Times	1 August 2023
4th extraordinary meeting of the eighth session of the Board	14 August 2023	Shanghai Securities News, China Securities Journal, Securities Times	15 August 2023
39th meeting of the eighth session of the Board	30 August 2023	Shanghai Securities News, China Securities Journal, Securities Times	31 August 2023
40th meeting of the eighth session of the Board	26 September 2023	Shanghai Securities News, China Securities Journal, Securities Times	27 September 2023
41st meeting of the eighth session of the Board	30 October 2023	Shanghai Securities News, China Securities Journal, Securities Times	31 October 2023
42nd meeting of the eighth session of the Board	30 November 2023	Shanghai Securities News, China Securities Journal, Securities Times	1 December 2023
5th extraordinary meeting of the eighth session of the Board	5 December 2023	Shanghai Securities News, China Securities Journal, Securities Times	6 December 2023
43rd meeting of the eighth session of the Board	26 December 2023	Shanghai Securities News, China Securities Journal, Securities Times	27 December 2023

Notes:

1. The “on-site meetings” refer to meetings held on-site, or through telephone and video that ensure timely communication and discussion among participants;
2. The “offline meetings” refer to meetings where proposals are separately delivered or circulated for consideration to make resolutions.

(VI) Independence and performance of Independent Non-Executive Directors

The qualifications, number, and proportion of the Independent Non-Executive Directors of the Bank meet regulatory provisions. None of the Independent Non-Executive Directors have any business or financial interests in the Bank and its subsidiaries; nor do they assume any management roles of the Bank. The Board of the Bank has received the annual report from each Independent Non-Executive Director upon self-inspection of his or her independence in accordance with the Measures for the Administration of Independent Directors of Listed Companies released by the CSRC and Article 3.13 of the Hong Kong Listing Rules and has assessed the report on independence self-inspection. The Board believed that the Independent Non-Executive Directors complied with the laws, administrative regulations and relevant requirements of regulatory authorities regarding independence.

During the Reporting Period, the Independent Non-Executive Directors of the Bank performed their duties faithfully, diligently and independently, and played their roles through multiple regular independent director working mechanisms. Firstly, the Bank held one chairman-independent directors special meeting, conducting in-depth communication and exchanges on important matters of the Bank such as the business strategy, reform and development, internal risk control, and corporate governance. Secondly, the Bank continued to perfect the independent director special meeting mechanism, implemented the requirement of prior approval of related-party transactions before special meetings of independent directors, and held five independent director special meetings, where special research was conducted on the Bank's related-party transactions, annual audit, consumer rights protection, etc. Thirdly, the Bank implemented the on-duty policy of Independent Directors, through which the Independent Directors received briefings on reports regarding audit, internal control, remuneration, nomination and other aspects of the Bank and provided constructive suggestions and advice. Fourthly, the Independent Non-Executive Directors attended the Board meetings and meetings of the special committees of the Board on time and expressed independent opinions on matters such as related-party transactions, nomination of Directors, remuneration of Directors and Senior Management, and appointment of accounting firms. The Independent Non-Executive Directors also actively participated in the Bank's shareholders' general meetings and briefings on performance, visited business outlets to conduct research and investigations, and proposed written optimisation suggestions on the construction of the credit supervision system and consumer rights protection. The Bank attached great importance to the relevant opinions and suggestions of the Independent Non-Executive Directors and has conscientiously implemented them accordingly based on the actual situation.

During the Reporting Period, none of the Independent Non-Executive Directors has raised objections to the proposals of the Board of Directors and its special committees. For details of the performance of the Independent Non-Executive Directors, please refer to the 2023 Work Report of Independent Directors published by the Bank on 28 March 2024.

(VII) Chairman of the Board of Directors and President

The roles and duties of Chairman of the Board of Directors and President of the Bank are performed by different persons with clearly defined responsibilities in line with the Hong Kong Listing Rules.

Mr. GAO Yingxin served as Chairman of the Board of Directors of the Bank. He was responsible for leading the Board and acting as Chairman of the Board meetings, and ensuring that all Directors were well informed of the issues to be discussed during the Board meetings. He was also responsible for managing the operation of the Board and ensuring that the Board discussed all major and relevant issues in a timely and constructive manner. To achieve this, Chairman of the Board collaborated with the relevant Senior Management to ensure that the Directors receive appropriate, complete and reliable information for their consideration and review.

On 12 March 2024, the Board of the Bank appointed Mr. WANG Xiaoyong as President of the Bank, and he will formally take office upon the approval on his qualification as the President by the NFRA. The Board designated Mr. WANG Xiaoyong to perform the duties of President of the Bank on an acting basis from 12 March 2024, until his qualification as the President is approved by the NFRA. President of the Bank was responsible for the business operation of the Bank, the implementation of strategies and business plans of the Bank, and the daily operation and management of the Bank.

(VIII) Securities transactions by Directors, Supervisors and relevant employees

The Bank has adopted its own code of conduct of the Directors and the Supervisors regarding transactions in securities, on terms no less exacting than the Model Code as set out in the Appendix C3 to the Hong Kong Listing Rules. The Bank has made specific enquiries to all Directors and Supervisors who have confirmed that they have complied with the above-mentioned code for the year ended 31 December 2023. The Bank also formulated the guidelines for dealings in securities of the Bank by employees, which are no more lenient than the Model Code. The Bank is not aware of any non-compliance with these guidelines by the relevant employees.

(IX) Responsibility statement of Directors regarding preparation of financial statements

All Directors of the Bank had acknowledged their responsibilities for the preparation of the financial statements of the Bank for the year ended 31 December 2023.

VII. Special Committees of the Board of Directors

As at the end of the Reporting Period, the Board of Directors of the Bank had the following six special committees: the Strategic Development and Consumer Rights Protection Committee, the Nomination Committee, the Compensation and Remuneration Committee, the Risk Management Committee, the Audit Committee, and the Related Party Transactions Supervision Committee. Except for the Strategic Development and Consumer Rights Protection Committee, all other special committees have an Independent Non-Executive Director as chairman. As at the disclosure date of this Report, Independent Non-Executive Directors account for more than 50% of members in the Nomination Committee, the Compensation and Remuneration Committee, the Audit Committee, and the Related Party Transactions Supervision Committee.

As at the disclosure date of this Report, the composition of special committees of the Board of Directors of the Bank was as follows:

Special Committee	Members
Strategic Development and Consumer Rights Protection Committee	GAO Yingxin (chairman), ZHANG Hongwei, LIU Yonghao, SHI Yuzhu, WENG Zhenjie, ZHAO Peng, SONG Huanzheng, YEUNG Chi Wai, Jason
Nomination Committee	QU Xinjiu (chairman), GAO Yingxin, ZHANG Hongwei, LU Zhiqiang, LIU Yonghao, SHI Yuzhu, WEN Qiuju, SONG Huanzheng, YEUNG Chi Wai, Jason, CHENG Fengchao, LIU Hanxing
Compensation and Remuneration Committee	YEUNG Chi Wai, Jason (chairman), GAO Yingxin, WU Di, WENG Zhenjie, YANG Xiaoling, WEN Qiuju, SONG Huanzheng, CHENG Fengchao, LIU Hanxing
Risk Management Committee	LIU Hanxing (chairman), WU Di, SONG Chunfeng, ZHAO Peng, WEN Qiuju, SONG Huanzheng
Audit Committee	WEN Qiuju (chairman), SONG Chunfeng, WENG Zhenjie, QU Xinjiu, CHENG Fengchao, LIU Hanxing
Related Party Transactions Supervision Committee	SONG Huanzheng (chairman), WU Di, SONG Chunfeng, QU Xinjiu, WEN Qiuju, CHENG Fengchao

- Note: 1. In February 2024, Independent Director CHENG Fengchao began to serve as a member of the Nomination Committee, the Compensation and Remuneration Committee, the Audit Committee and the Related Party Transactions Supervision Committee. Mr. PENG Xuefeng ceased to serve as a member of the Nomination Committee, the Compensation and Remuneration Committee and the Audit Committee due to the expiration of his term of office. In March 2024, Independent Director LIU Hanxing began to serve as Chairman of the Risk Management Committee and a member of the Nomination Committee, the Compensation and Remuneration Committee and the Audit Committee. Mr. XIE Zhichun ceased to serve as Chairman of the Risk Management Committee and a member of the Nomination Committee and the Compensation and Remuneration Committee due to the expiration of his term of office;
2. In March 2024, due to retirement upon reaching the prescribed age, Mr. ZHENG Wanchun resigned from the positions of a member of the Strategic Development and Consumer Rights Protection Committee and the Risk Management Committee; Mr. YUAN Guijun resigned from the positions of a member of the Risk Management Committee and the Related Party Transactions Supervision Committee.

(I) Strategic Development and Consumer Rights Protection Committee

1. Main duties

Studying and considering long-term development strategies and mid- to long-term development outlines, supervising and evaluating the implementation of the strategies; studying and considering the development and strategic planning, basic management system, and the annual business plan of the inclusive finance business; studying and considering the strategies, policies and goals, work plans and reports regarding consumer rights protection; considering the performance of social responsibilities in respect of the economy, environmental protection and public welfare; studying and considering major events related to data governance; studying and formulating relevant systems for external investments, proposing suggestions and plans for material investment decisions of the Bank; managing the consolidated financial statements of the Group, including the Bank and its subsidiaries; studying and formulating relevant systems for external merger and acquisition, studying strategies for merger and acquisition and proposing implementation plans.

2. Duty performance

During the Reporting Period, the Strategic Development and Consumer Rights Protection Committee convened a total of 10 meetings on 18 January, 21 February, 28 February, 27 March, 12 April, 27 June, 24 July, 30 August, 19 September, and 5 December, respectively, considered 32 proposals, and received briefings on and reviewed 19 reports. With a focus on promoting the Bank to implement national policies and regulatory requirements, the Committee constantly improved the strategic management system, studied and considered strategic plans for business operation, technology, data and other aspects, conducted evaluations on the implementation of strategies, and promoted effective implementation of strategies. The Committee reviewed reports on inclusive finance, small business finance, consumer rights protection, green finance and others, studied and circulated regulatory inspection and evaluation documents, and supervised rectification of problems. The Committee regularly considered work reports on social responsibility and ESG to push the Bank to implement national policies

and regulatory requirements, and actively perform its social responsibility. The Committee considered data governance reports and improved data governance and management of the Bank. The Committee strengthened the management of consolidated statements and subsidiaries, revised management policies for subsidiaries, and improved management systems.

(II) Nomination Committee

1. Main duties

Studying and formulating procedures and standards of selection and appointment of Directors and Senior Management of the Head Office and making suggestions to the Board of Directors regarding the candidates for Directors and for Senior Management of the Head Office; conducting pre-appointment qualification examinations for the newly appointed branch presidents, president of the Credit Card Centre, and candidates to be dispatched as the chairman, chairman of the board of supervisors and general managers of subsidiaries; examining the qualifications of candidates for Independent Non-Executive Directors, and annually examining the independence and performance of Independent Non-Executive Directors; formulating work procedures for adding members of Directors and Senior Management of the Head Office under special circumstances and carrying out the nomination for adding members when appropriate; guiding and urging the establishment and improvement of the comprehensive database for development and management personnel of the Bank; according to the development strategy of the Bank, annually analysing and evaluating the structure, number and diversity of the Board of Directors, and making suggestions to the Board of Directors.

2. Nomination procedures and process by the Nomination Committee

The procedures for nominating Directors of the Bank are as follows: (1) The Nomination Committee of the Board proposes candidates for Directors based on opinions of shareholders extensively collected, shareholders individually or jointly holding 3% or more of shares carrying voting rights of the Bank also have the right to nominate candidates for Directors to the Board; shareholders individually or jointly holding 1% or more of shares carrying voting rights of the Bank, the Nomination Committee of the Board and the Board of Supervisors have the right to nominate candidates for Independent Non-Executive Directors, but the number of candidates nominated shall comply with the Articles of Association of the Bank; (2) The Nomination Committee of the Board conducts preliminary examination of the qualifications of the candidates; (3) The Nomination Committee of the Board submits the list of qualified candidates to the Board for consideration; (4) The Nomination Committee of the Board submits the proposal in written to the Shareholders' General Meeting, which will vote on the candidates one by one; (5)

In case of temporary addition of members of Directors, the Nomination Committee of the Board or eligible shareholders propose the candidates to the Board. The list of candidates considered and approved by the Board shall be submitted to the Shareholders' General Meeting for election or replacement; (6) The number of candidates for Directors nominated by a shareholder and its related party shall not exceed one third of the total number of Board members in principle, unless otherwise specified by the state.

3. Duty performance

During the Reporting Period, the Nomination Committee convened a total of five meetings on 3 January, 21 February, 1 March, 15 November, and 5 December, respectively, and considered 8 proposals. The Committee conscientiously performed its duties in accordance with the Terms of Reference of the Nomination Committee of the Board (《董事會提名委員會工作細則》) and the Annual Work Plan of the Nomination Committee of the Board (《董事會提名委員會工作計劃》). The Committee examined the independence and duty performance of Independent Non-Executive Directors in their annual work, conducted the selection and nomination of two Independent Non-Executive Directors, preliminarily examined the qualification of one senior executive of the Head Office, reviewed and approved the qualifications of one branch president and one senior executive of a subsidiary, and initiated the change of the term of office of the Board in a law-based and compliant manner. The Committee effectively conducted daily analysis of the overall structure, number, and diversity of the Board of Directors and evaluated the implementation and improvement of the diversity policy of the Board according to measurable targets. In addition, the Committee introduced the “double-secretary system” management to the nomination committees of the boards of directors of subsidiaries, leading to higher work effectiveness and more scientific management of the Committee.

(III) Compensation and Remuneration Committee

As at the disclosure date of this Report, the Compensation and Remuneration Committee of the eighth session of the Board has a total of nine members, more than 50% of whom are Independent Non-Executive Directors. There is no Senior Management among the members. The Chairman of the Committee is YEUNG Chi Wai, Jason, an Independent Non-Executive Director; members include GAO Yingxin, WU Di, WENG Zhenjie, YANG Xiaoling, WEN Qiuju, SONG Huanzheng, CHENG Fengchao and LIU Hanxing.

1. Main duties

Studying and formulating remuneration policies and systems and due diligence evaluation systems of the Directors and Senior Management of the Head Office, making suggestions to the Board and supervising the implementation, and carrying out regular evaluations; studying and formulating performance evaluation standards and plans as well as resignation policy of the Directors and Senior Management of the Head Office; studying and determining the classes of positions and remuneration of the senior executives of the Head Office; determining the remuneration and incentive and restraint plans for the Directors and the senior executives of the Head Office, including non-pecuniary benefits, pension and compensations (including compensation for loss of office or appointment or removal from office or appointment which is not due to misconduct or termination of office or appointment) and making suggestions to the Board; examining and approving compensation arrangements for Directors and Senior Management in respect of their loss or termination of office or appointment, or dismissal or removal due to misconduct; studying and formulating incentive share option scheme of the Bank and its subsidiaries, and employee share ownership scheme, making suggestions to the Board on whether the conditions for the incentive grantee's obtainment and exercise of equities are met, and shareholding plan arrangements for the Directors and Senior Management in the subsidiary to be split; reviewing and/or approving matters related to share plan stated in the Hong Kong Listing Rules; reviewing the material remuneration system of the Bank, and making suggestions on improvement.

2. Duty performance

During the Reporting Period, the Compensation and Remuneration Committee convened a total of four meetings on 1 March, 9 March, 31 July, and 29 August, respectively, considered 7 proposals, and reviewed 1 proposal. The Committee actively conducted various work regarding remuneration and evaluation of Senior Management. The Committee considered remunerations for Directors and Senior Management for 2022; studied and determined the classes of positions and the remuneration of the senior executives of the Head Office; conducted annual due diligence evaluation of Senior Management, studied and formulated evaluation plan and organised the implementation; received briefings on the report on evaluation results of major heads of subsidiaries for 2022; and organised the implementation of recourse and recovery of performance-based remuneration of the Bank in 2023.

(IV) Risk Management Committee

1. Main duties

Studying the macro-economic situation, regulations, policies and systems issued by regulatory authorities, formulating risk preferences and risk management strategies, examining various major risk management policies, and ensuring the establishment of risk limit; reviewing important systems and procedures, key matters and plans regarding risk management, continuously improving the risk management structure and process, and supervising the Senior Management to effectively identify, measure, monitor, control and address various risks in a timely manner; staying updated on management of various types of risks, receiving briefings on and considering the reports on comprehensive risk management, reports on various specific risks, risk assessment reports and other reports related to risk management, and putting forward guiding opinions on comprehensive risk management; carrying out risk management investigation and research, assessing various risks, the effectiveness of risk management and the construction and implementation of comprehensive risk management system, reporting risk exposures and trends in a timely manner, putting forward specific rectification requirements and suggestions, and supervising the Senior Management to conduct comprehensive risk management; supervising and reviewing the handling of major risk events in the Bank's operation and management, examining the handling plans for major risk events, and matters in relation to writing off large-amount bad loans, etc.

2. *Duty performance*

During the Reporting Period, the Risk Management Committee convened a total of 13 meetings on 11 January, 18 January, 1 March, 28 March, 17 April, 1 June, 13 June, 24 July, 21 August, 12 September, 25 September, 14 November, and 14 December, respectively, considered 54 proposals, and received briefings on 38 reports. The Committee considered the annual comprehensive risk management report, the proposals on quarterly bad loans write-offs and other proposals, and achieved good results in the performance of risk management. The Committee received briefings on risk preferences and the implementation of strategies, continuously improved risk management, and further promoted the implementation of various institutional reforms and process optimisation and other key risk management tasks. The Committee continuously supervised the Management to consolidate the building of the internal risk control system, and steadily enhanced the comprehensive risk management capability. Focusing on improving the Board's risk management performance, the Committee has built a risk management link between the Board and the Senior Management, and strengthened in-depth communication and exchange by improving the risk governance system and reinforcing the top-down education. In terms of execution, the Committee gave full play to its functional advantages, and issued professional opinions on various proposals. Meanwhile, the Committee played its consideration function in writing off bad loans and intensified collection and disposal in principle regarding those in line with the write-off standards stipulated by the Ministry of Finance and the Administrative Measures on Writing off Bad Loans, in order to ensure the steady improvement in asset quality. In terms of management, the construction of risk management system and mechanism continued to improve. Adhering to the Party's leadership, the Committee organically combined the mechanism of risk management under the leadership of the Party and the risk governance system of the Board to guide the Management to implement the risk management mechanism of "management under the Party's leadership, comprehensive management, and active management", in order to improve risk policy system and reinforce the leading role of risk preferences and risk strategies. In terms of supervision, the Committee conducted risk assessment and research of the Board, guided, supervised and evaluated the assessment, understood and mastered the risk management of the first line of defense in primary-level institutions, and put forward management opinions and suggestions. It also evaluated and accepted the rectification and improvement of the comprehensive risk management system from the aspects of structure, policy, process, system and execution.

(V) *Audit Committee*

As at the disclosure date of this Report, the Audit Committee of the Board has four Independent Non-Executive Directors and two Non-Executive Directors. All the four Independent Non-Executive Directors are experts in finance and management, of whom the Chairman Ms. WEN Qiuju is a certified public accountant with extensive experience in accountancy and audit. The two Non-Executive Directors are the key persons in charge of renowned companies in China and have extensive experience in management and sufficient professional knowledge in finance and accounting. The Audit Committee is well-structured with sufficient specialty and independence, which ensures the Audit Committee to perform its supervisory duty effectively.

1. *Main duties*

Supervising and assessing the work of external auditors, making suggestions on the appointment or replacement of external auditors and reviewing the remuneration and terms of engagement of external auditors; examining the financial and accounting policies and practices of the Bank, reviewing regular financial reports to be disclosed by the Bank, and giving opinions on the truthfulness, completeness and accuracy of the information to be disclosed in such financial reports; supervising, evaluating, and guiding internal auditing; supervising and guiding the establishment of the internal control system of the Bank and organising the self-evaluation of the internal control of the Bank; coordinating the communications among the management, the internal auditors and external auditors, supervising the Senior Management to rectify problems identified during the internal audit, reviewing proposals provided to the management by the external auditors, and assisting the Senior Management to respond; reviewing and supervising irregularities whistle-blown by employees of the Bank in financial reports, internal control or other fields to ensure that whistle-blown matters are handled fairly and independently and that appropriate actions are taken.

2. *Duty performance*

During the Reporting Period, the Audit Committee convened a total of eight meetings on 11 January, 6 February, 1 March, 13 March, 19 April, 20 June, 16 August, and 23 October, respectively, considered 26 proposals, and received briefings on 10 reports. The Committee continuously supervised the construction of the internal control mechanism of the Bank, considered internal control evaluation plans and reports, and promoted the improvement of the internal control mechanism. The Committee supervised and guided internal audit, considered annual internal audit plans, regularly received briefings on reports on internal audit and special audits, guided internal audit, and urged the management to strengthen problem rectification. The Committee organised and completed the evaluation on the work of external auditors and gave suggestions on re-appointment and reviewed external audit expenses. The Committee supervised external audit, reviewed external audit plans, and urged the external auditors to exercise due diligence. In addition, the Committee received briefings on management suggestions from external auditors on internal control of the Bank, coordinated the Senior Management to make the response, and promoted the communication among the Senior Management, internal auditors and external auditors.

3. Reviewing regular reports

The main duties of the Audit Committee are reviewing and supervising and inspecting the financial declaration procedures and internal monitoring system of the Bank, and issuing opinions to the Board. The Committee has reviewed and confirmed the 2023 Annual Report and the 2023 annual results announcement for the year ended 31 December 2023.

(VI) Related Party Transactions Supervision Committee

1. Main duties

Managing related-party transactions of the Bank and controlling related risks, and formulating basic management system for related-party transactions; identifying related parties of the Bank and reporting to the Board and the Board of Supervisors; defining related-party transactions of the Bank in accordance with laws, regulations, and the Articles of Association; reviewing and filing related-party transactions of the Bank in accordance with the commercial principles of justness and fairness with a focus on the compliance, fairness, and necessity of transactions. The material related-party transactions of the Bank shall be examined and approved by the Related Party Transactions Supervision Committee and submitted to the Board for approval; If such material related-party transactions shall be submitted to the Shareholders' General Meeting for consideration in accordance with laws, administrative regulations, rules, and relevant provisions of the securities regulatory authorities of the place where the Bank's stocks are listed, it shall also obtain the approval of the Shareholders' General Meeting; examining the information disclosure of material related-party transactions of the Bank; taking the lead in the data governance of related-party transactions, and considering material matters related to data governance of related-party transactions; handling other matters as prescribed by laws, administrative regulations, rules, and provisions of securities regulatory authorities where the Bank's stocks are listed, and matters as authorised by the Board of Directors.

2. *Duty performance*

During the Reporting Period, the Related Party Transactions Supervision Committee convened a total of eight meetings on 12 January, 18 January, 28 February, 27 April, 24 May, 13 July, 25 October, and 12 December, respectively, considered 15 proposals, and received briefings on 5 reports. The Committee continued to consolidate the effectiveness of the implementation of the new supervisory regulations on related-party transactions, and received briefings on the reports on the implementation of the new regulations on related-party transactions. The Committee further enhanced the data governance capabilities concerning related-party transactions, supervised the Senior Management to carry out special data governance events regarding equity and related-party transactions, and considered the Detailed Rules for the Implementation of Data Governance of China Minsheng Bank (《中國民生銀行數據治理實施細則》). It kept carrying out dynamic management of the list of related parties, and proactively conducted investigation and identification of suspected related parties based on industrial and commercial data, to ensure the accuracy and completeness of the list of related parties. It strictly implemented the procedures of consideration, disclosure and filing of related-party transactions, and submitted major related-party transactions and daily related-party transactions with related parties to the Board/Shareholders' General Meeting for consideration and disclosure after reviewing the predicted limits one by one. The Committee supervised the Management of the Bank to further strengthen the construction of the related-party transaction management system, and continued to promote the connection of important business systems with the list of related parties, the identification, management and control of related-party transactions, and the automatic collection of data and information. It also effectively guided the internal transaction management of the Bank, and considered the Administrative Measures for the Internal Transactions of China Minsheng Banking Corp., Ltd. (《中國民生銀行股份有限公司內部交易管理辦法》).

VIII. Board of Supervisors

The Board of Supervisors is the supervisory body of the Bank. It exercises corresponding functions and powers according to the Company Law of the People's Republic of China (《中華人民共和國公司法》) and other laws and regulations, regulatory provisions and the Articles of Association, so as to promote the compliant operation and steady development of the Bank, protect the interests of the Bank and investors, and be responsible for the Shareholders' General Meeting.

(I) Composition of the Board of Supervisors and its performance

As at the disclosure date of this Report, the Board of Supervisors of the Bank had a total of six members, including two Shareholder Supervisors, two External Supervisors, and two Employee Supervisors. The two Shareholder Supervisors had extensive management experience and sufficient knowledge in finance and accounting. The two External Supervisors were all experts in finance and management. The two Employee Supervisors had been engaged in policy analysis and banking operation and management for a long time, possessing extensive professional experience.

The Board of Supervisors of the Bank is well-structured with high degree of specialty and independence, which can ensure that it brings its supervisory functions into full play.

(II) Duties of the Board of Supervisors

In accordance with the Articles of Association, the Board of Supervisors of the Bank mainly exercises the following functions and powers: to review regular reports of the Bank prepared by the Board and propose written opinions; to examine financial status of the Bank and (if necessary), engage other accounting firms to conduct independent auditing on financial status in the name of the Bank; to oversee the law-abidance and compliance of Directors and Senior Management of the Bank in performing their duties; to make proposals to remove any Director and/or member of Senior Management if he/she breaches any applicable laws, administrative regulations, the Articles of Association or resolutions of shareholders' general meetings; to supervise the establishment of sound operating philosophies, values and principles, as well as the formulation of development strategies that are in line with the Bank's situation by the Board; to evaluate the scientificity, rationality and soundness of the Bank's development strategy; to supervise and inspect the Bank's operation decisions, risk management and internal control, and supervise and urge rectifications; to supervise the procedures for the selection and appointment of Directors; to supervise the implementation of the remuneration management system and the scientificity and rationality of the remuneration schemes for Senior Management; to supervise the duty performance and responsibility fulfillment of the Board, the Senior Management, and their members; to make departure audit on Directors or Senior Management if needed; to express opinions on the engagement of accounting firms by the Bank; to guide and supervise internal audit; to propose to convene extraordinary general meetings and extraordinary board meetings; to file lawsuits against Director and Senior Management according to the Company Law of the People's Republic of China; to investigate irregularities in the operations of the Company; and to exercise other rights prescribed by the laws, regulations, regulatory rules, and Articles of Association or authorised by the Shareholders' General Meeting.

(III) Meetings of the Board of Supervisors and contents of resolutions

During the Reporting Period, the Board of Supervisors of the Bank convened a total of six meetings and considered and approved 28 proposals regarding regular reports, the work report of the Board of Supervisors, the report on duty performance evaluation, the profit distribution plan, and the report on internal control evaluation. The Board of Supervisors reviewed 37 reports including the annual report on risk management of key fields, the data governance report, the work report on consumer rights protection, the capital management report, and the report on related-party transactions. During the Reporting Period, the Board of Supervisors of the Bank raised no objections regarding supervised matters.

Meeting	Date	Publication	Date of disclosure
13th meeting of the eighth session of the Board of Supervisors	31 January 2023	Shanghai Securities News, China Securities Journal, Securities Times	1 February 2023
14th meeting of the eighth session of the Board of Supervisors	21 February 2023	Shanghai Securities News, China Securities Journal, Securities Times	22 February 2023
15th meeting of the eighth session of the Board of Supervisors	27 March 2023	Shanghai Securities News, China Securities Journal, Securities Times	28 March 2023
16th meeting of the eighth session of the Board of Supervisors	28 April 2023	Shanghai Securities News, China Securities Journal, Securities Times	29 April 2023
17th meeting of the eighth session of the Board of Supervisors	30 August 2023	Shanghai Securities News, China Securities Journal, Securities Times	31 August 2023
18th meeting of the eighth session of the Board of Supervisors	30 October 2023	Shanghai Securities News, China Securities Journal, Securities Times	31 October 2023

(IV) Attendance of the Supervisors of the Bank at the meetings in 2023

Supervisor	Special committees of the Board of Supervisors			
	Meeting of Board of Supervisors	Shareholders' General Meeting	Nomination and Examination Committee	Supervisory Committee
Attendance in person/Number of meetings				
YANG Yu	6/6	1/1	–	8/8
LU Zhongnan	6/6	1/1	6/6	8/8
LI Yu	6/6	1/1	6/6	8/8
ZHAO Fugao	6/6	1/1	6/6	8/8
ZHANG Liqing	6/6	1/1	6/6	–
GONG Zhijian	6/6	1/1	–	8/8
Resigned Supervisors				
ZHANG Juntong	6/6	1/1	6/6	8/8
WANG Yugui	6/6	1/1	6/6	8/8

Note: For the changes of Supervisors, please refer to “V. Directors, Supervisors and Senior Management” in “Chapter 6 Corporate Governance”.

(V) Duty performance of External Supervisors

During the Reporting Period, External Supervisors remained faithful, diligent and responsible, and actively performed their supervisory duties. During the performance of their duties, External Supervisors, by attending meetings of the Board of Supervisors and its special committees, attending important meetings of the Board of Directors and its special committees and important meetings of the Senior Management as non-voting delegates, and participating in research activities organised by the Board of Supervisors, gained an in-depth understanding of the Bank's operation and management dynamics and reform and transformation progress, and proposed objective and impartial supervision opinions and suggestions regarding material issues and problems identified, giving full play to the supervision function of External Supervisors.

(VI) Operation of the special committees of the Board of Supervisors

1. Nomination and Examination Committee

(1) Composition and main duties

As at the disclosure date of this Report, the Nomination and Examination Committee of the eighth session of the Board of Supervisors had five members with ZHANG Liqing as the chairman and LU Zhongnan, LI Yu, ZHAO Fugao and GONG Zhijian as members.

The major duties of the Nomination and Examination Committee of the Board of Supervisors include: Making suggestions to the Board of Supervisors on the size and composition of the Board of Supervisors according to the operation and management status, asset size and equity structure of the Bank; reviewing standards and procedures for the selection and appointment of Supervisors and making suggestions to the Board of Supervisors; extensively searching for suitable candidates for Supervisors; carrying out examination on qualification and conditions of the candidates for Supervisors nominated by shareholders; assessing and evaluating the performance of Directors, Supervisors and Senior Management during the year; studying and formulating remuneration policy and plan of Supervisors and submitting them to the Shareholders' General Meeting for approval after being considered by the Board of Supervisors; supervising procedures for the selection and appointment of Directors; supervising the implementation of remuneration management system of the Bank and supervising if the remuneration plan of Senior Management is efficient and reasonable; organising departure audit on Directors and Senior Management when necessary; and performing other duties authorised by the Board of Supervisors.

(2) Duty performance

During the Reporting Period, the Nomination and Examination Committee of the Board of Supervisors continuously improved the performance supervision and evaluation system with daily performance supervision as the basis and annual performance evaluation as the mainstay. The Committee convened a total of six meetings, and considered and reviewed 17 proposals. By urging the whole bank to strengthen the risk-compliance-oriented performance assessment, and improving the mechanism of deferred payment and recourse and recovery of remuneration, it has gradually established an incentive and restraint mechanism that balanced risks and returns, laid equal emphasis on long-term and short-term development, and reflected the principle of sustainable development. It continued to strengthen the connection between the performance supervision and evaluation of the Board of Supervisors and the evaluations of regulatory authorities, such as annual regulatory notification, corporate governance assessment, and financial institution rating. Focusing on the latest regulatory requirements, it broadened the dimensions, enriched the contents, and strengthened the application of results of performance evaluation, thereby promoting corporate governance entities to exercise rights and shoulder responsibilities in accordance with laws and regulations.

2. *Supervisory Committee*

(1) Composition and main duties

As at the disclosure date of this Report, the Supervisory Committee of the Board of Supervisors of the Bank had five members, with GONG Zhijian as the chairman and YANG Yu, LU Zhongnan, LI Yu, and ZHAO Fugao as members.

The major duties of the Supervisory Committee of the Board of Supervisors include: Formulating proposals on the examination and supervision on the financial activities of the Bank; formulating proposals on the examination and supervision of the development strategies, operation decisions, risk management and internal control of the Bank; evaluating the compliance and implementation of significant decisions of the Company; organising visits, researches, and investigations on business units of the Bank and supervising the rectification of relevant deficiencies; organising and implementing special investigations on specific projects as required by the regulatory authorities and submitting investigation reports in a timely manner; and performing other duties authorised by the Board of Supervisors.

(2) Duty performance

During the Reporting Period, the Supervisory Committee of the Board of Supervisors, based on the supervisory duties conferred by regulatory laws, regulations and the Articles of Association, focused on key supervision areas, explored characteristic supervision models, and continuously improved the quality and effectiveness of supervision. The Committee convened eight meetings, considered and reviewed 37 proposals, and studied, conveyed and implemented 33 important documents and issues. It achieved all-round coverage of supervision on key areas such as strategy execution, operation and management, internal control and compliance, and risk management. On the basis of routine supervision, it strengthened in-depth and substantive supervision and research, improved the capability to discover, analyse and study problems, put forward supervisory opinions, and promote problem rectification, and constantly improved the closed-loop work system of supervision. It formulated one supervision and evaluation report on reform implementation, two reports on business analysis of other financial institutions and the supervision on the Bank's operation indicators, sent out 34 supervisory notices to the Board and the Management, and formulated 10 summaries of supervision work based on the implementation and rectification of problems, thus effectively promoting the transformation of supervision outcomes to the corporate governance effectiveness.

IX. Senior Management

As at the date of disclosure of this Report, the Senior Management of the Bank had seven members, including President WANG Xiaoyong, Executive Vice President ZHANG Juntong, Executive Vice President SHI Jie, Executive Vice President & Board Secretary LI Bin, Executive Vice President LIN Yunshan, Executive Vice President HUANG Hongri and Chief Information Officer ZHANG Bin.¹³

The Bank's Senior Management is responsible to the Board of Directors and is subject to the supervision of the Board of Supervisors, carries out business management activities in accordance with the Articles of Association and authorisation of the Board of Directors, implements the resolutions of the shareholders' general meetings and the Board of Directors, and reports the operation and management of the Bank in a timely, accurate and complete manner in line with requirements of the Board of Directors and the Board of Supervisors. The business management activities conducted by the Senior Management within the scope of their power in accordance with the law shall be free from improper interference by shareholders and the Board of Directors. The major duties of President of the Bank include: Taking charge of the routine operation and management of the Bank and reporting to the Board of Directors; organising the implementation of resolutions of the Board of Directors, annual operation plans and investment schemes of the Bank; and formulating schemes on the setting of internal management departments and business outlets, basic management systems and specific rules and regulations of the Bank.

X. Employees

As at the end of the Reporting Period, the Group had 63,742 employees, of which 60,843 were employees of the Bank and 2,899 were employees of the subsidiaries of the Bank. Divided by work nature, 6,137 employees were categorised as employees in management posts and 54,706 employees as employees in professional posts.¹⁴ The Bank had 26,445 male employees and 34,398 female employees, accounting for 43.46% and 56.54%, respectively. 12,971 employees had graduate degree or above, accounting for 21.32%, 44,627 employees had bachelor's degree, accounting for 73.35%, and 3,245 employees had college degree or below, accounting for 5.33%. 1,075 employees of the Bank had retired. As at the end of the Reporting Period, the number of employees of Minsheng Financial Leasing, Minsheng Royal Fund, CMBC International, CMBC Wealth Management and Minsheng rural banks are 327, 294, 125, 237 and 1,916, respectively.

¹³ The Board designated Mr. WANG Xiaoyong to perform the duties of President of the Bank on an acting basis from 12 March 2024, until his qualification as President is approved by the NFRA. Mr. ZHANG Juntong and Mr. HUANG Hongri will formally take office upon the approval on their qualifications as Executive Vice Presidents by the NFRA.

¹⁴ Professional posts include product research and development, risk management, IT and operation support, etc.

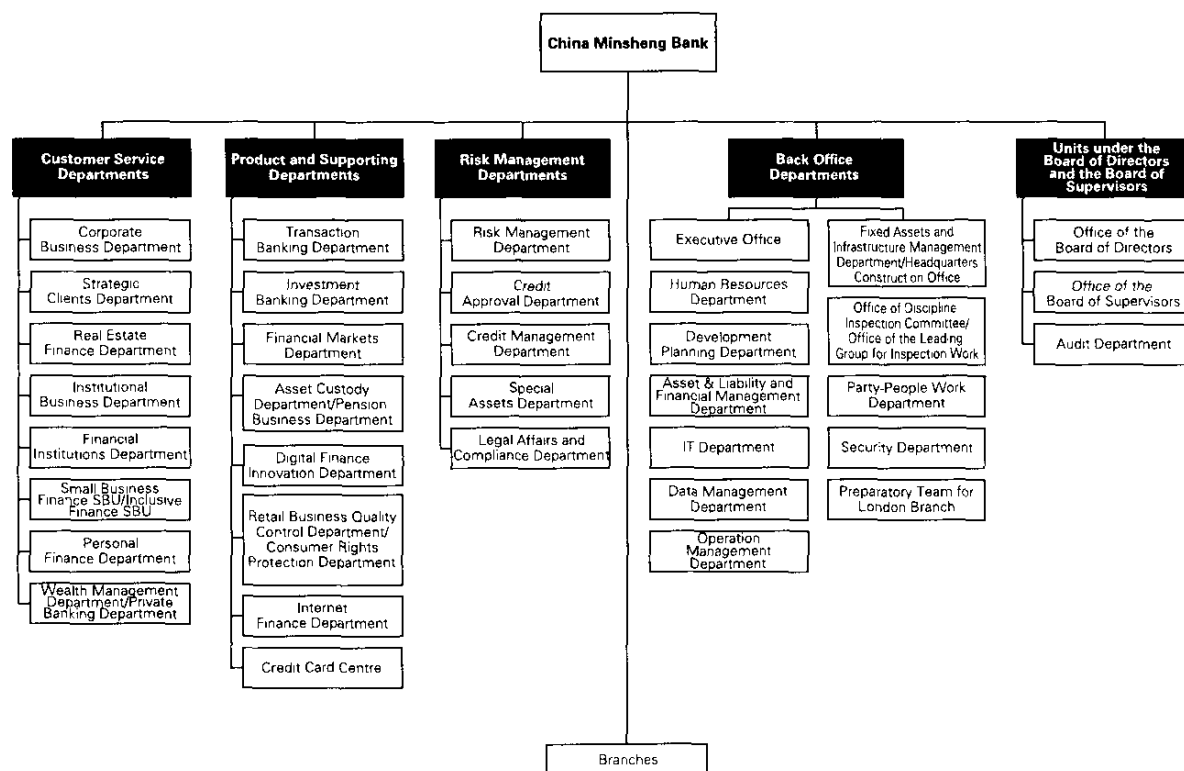
The guiding principles of human resources and remuneration policies of the Bank are: Focusing on strategic transformation requirements and mid- to long-term development goals, the Bank strives to establish high-quality strategic talent teams with adequate members and reasonable structure, maintain reasonable market competitiveness of remunerations with forward-looking and targeted human capital investment, focus on improving the internal income distribution structure and constantly optimise the remuneration and incentive mechanism with value creation as the core, establish a remuneration mechanism that matches remuneration and incentives with risks, strengthen the restraining role of remuneration and incentive policies in risk management and control, establish a high-quality and sustainable new development model, guide the whole bank to consolidate customer base, and push forward customer-centric transformation of business model.

In accordance with the internal management mechanism, the total annual remunerations of employees of the Bank are determined after comprehensively considering the total number and structure of employees, development of young employees, talent introduction and cultivation in strategic business areas, risk control, operating results and other factors. In addition, the performance-based remuneration of employees is pegged to the comprehensive performance of the business unit (department) and themselves. In terms of evaluation indicators, key performance indicators, such as sustainable development, customer base, risk control, economic efficiency and social responsibility, are set up to align the remuneration with operating results, risk prevention and social responsibilities. During the Reporting Period, the Bank basically completed the professional sequence evaluation and employment and the job position-based remuneration reform and established a dual-channel talent development system featuring with “management + professionalism”. Under the new system, the Bank strengthened incentives for strategic key areas, key positions, front-line employees and young talents to achieve reasonable allocation of incentive resources and scientific incentives in recognition of the actual value contribution of employees. Following the management principles of “setting up job positions as needed, setting remuneration according to job positions, changing remuneration when changing job positions, and getting paid according to performance”, the Bank fostered a cyclical dynamic system with “scientific value evaluation, reasonable value allocation and value creation in full strength”, in a bid to realise the incentive goal of “responsible senior management, efficient middle-level management and enthusiastic primary-level employees”.

In order to improve the incentive and restraint mechanism for performance-based remuneration, give full play to its leading role in corporate governance and risk management and control, strike a balance between current and long-term period as well as benefits and risks, and prevent radical operation behaviours and violations of laws and regulations, the Bank sets up the mechanism for deferred payment, recourse and recovery of performance-based remuneration regarding the senior management, employees in key posts and in posts having significant impact on risks. During the reporting period, according to the requirements of the relevant regulations, the Board of Directors reviewed the report on the recourse and recovery of performance-based remuneration of the Bank, including the construction of the recourse and recovery of performance-based remuneration mechanism of the Bank, and the implementation of the recourse and recovery of performance-based remuneration in the case of violations of laws, regulations and disciplines, occurrence of abnormal risk exposure, or major risk incidents, etc.

During the Reporting Period, the Bank carried out training work with focus on needs of the whole bank for strategic transformation, business advancement and talent team building, and practised “position-based training and precise empowerment”. The Bank completed the construction of learning maps covering 112 professional sequences, and allocated differentiated training resources for each professional sequence. The Bank continued to strengthen trainings of key teams, and carried out several key projects including training at Party schools for senior management, the “Digital Champions CampLive (數字化金融主力軍培養)”, “The Voice of Reform (改革V動力) Session III”, and others. The Bank continued to operate the “Minsheng Voice (全民生音)”, an audio-based learning channel, and started the “Minsheng Video Training (全民視訓)”, a learning channel that combined videos and live streaming courses, realising the function of live streaming of every employee. The live streaming training involved more than 100 thousand participants, and has become a new model explored by the Bank for training empowerment. The Bank organised the project of “Minsheng Trainer Incubation (創師紀)”, and promoted the systematic empowerment and cultivation of internal trainers within the whole bank. In addition, the Bank carried out the integrated construction framework of “learning, examination and evaluation”, organised and implemented job qualification attestation examinations with nearly 120 thousand participants. By improving the overall quality and efficiency of the training work, the Bank further strengthened the capabilities of employees to perform duties and cultivated their comprehensive qualities.

XI. Setting of Departments of the Bank



XII. Business Network

As at the end of the Reporting Period, the Bank had 42 tier-1 branches and 105 tier-2 branches (including remote sub-branches) in 41 cities across China. The total number of branch-level business outlets was 147.

Major branches of the Bank as at the end of the Reporting Period are shown as follows:

Name of branch	Number of outlets	Headcount	Total assets (in RMB million, excluding deferred income tax assets)	Address
Head Office	1	13,194	3,355,573	No.2 Fuxingmennei Avenue, Xicheng District, Beijing
Beijing Branch	167	4,293	1,072,675	Unit 02 on 1/F & 3/F-12/F, Tower B, Zhaotai International Centre, No. 10 Chaoyangmen Nan Avenue, Chaoyang District, Beijing
Shanghai Branch	93	2,837	563,168	No.100 Pudong Nan Road, Pudong New Area, Shanghai
Guangzhou Branch	109	2,826	342,255	Minsheng Tower, No. 68 Liede Avenue, Zhujiang New Town, Tianhe District, Guangzhou, Guangdong Province
Shenzhen Branch	60	2,039	267,419	Minsheng Finance Tower, Haitian Road, Futian District, Shenzhen, Guangdong Province
Wuhan Branch	82	1,603	97,686	China Minsheng Bank Tower, No. 396 Xinhua Road, Jianghan District, Wuhan, Hubei Province
Taiyuan Branch	110	1,533	127,716	3-5/F, 9-21/F, Block 3, Tower B, Shanxi International Finance Centre, No. 426 Nanzhonghuan Street, Xiaodian District, Taiyuan, Shanxi Province
Shijiazhuang Branch	139	2,097	126,568	Minsheng Bank Tower, No. 197 Yuhua Dong Road, Chang'an District, Shijiazhuang, Hebei Province
Dalian Branch	46	853	86,111	Minsheng International Finance Centre, No. 52 Renmin Dong Road, Zhongshan District, Dalian, Liaoning Province
Nanjing Branch	183	3,507	362,544	Minsheng Bank, Block One, Zijin Finance Centre, No. 399 Jiangdong Zhong Road, Jianye District, Nanjing, Jiangsu Province
Hangzhou Branch	91	2,092	264,302	Block Jinzun, Zunbao Mansion, No. 98 Shimin Street, Qianjiang New Town, Jianggan District, Hangzhou, Zhejiang Province
Chongqing Branch	111	1,367	132,060	Tongjuyuanjing Building, No. 9 Jianxin Bei Road, Jiangbei District, Chongqing
Xi'an Branch	96	1,418	87,207	Minsheng Bank, Building 5, Taihua Jinmao International, No. 16, Fenghui Nan Road, Gaoxin District, Xi'an, Shaanxi Province
Fuzhou Branch	43	986	51,166	No.282 Hudong Road, Fuzhou, Fujian Province
Jinan Branch	127	2,043	141,368	Bo'ao Building, No. 12376 Jingshi Road, Yaojia Sub-district, Lixia District, Jinan, Shandong Province
Ningbo Branch	42	779	55,462	No.815 Juxian Road, Gaoxin District, Ningbo, Zhejiang Province
Chengdu Branch	115	1,674	157,819	No.535 Jiaozi Avenue, Gaoxin District, Chengdu, Sichuan Province

Name of branch	Number of outlets	Headcount	Total assets (in RMB million, excluding deferred income tax assets)	Address
Tianjin Branch	49	982	105,021	China Minsheng Bank Tower, No. 43 Jianshe Road, Heping District, Tianjin
Kunming Branch	72	969	80,621	No.11800 Caiyun Bei Road, Kunming, Yunnan Province
Quanzhou Branch	43	671	33,797	No.689 Citong Road, Fengze District, Quanzhou, Fujian Province
Suzhou Branch	35	1,136	116,584	Minsheng Finance Tower, Block 23, Times Square, Suzhou Industrial Park, Suzhou, Jiangsu Province
Qingdao Branch	51	975	74,185	No.190 Hai'er Road, Laoshan District, Qingdao, Shandong Province
Wenzhou Branch	23	616	67,570	Minsheng Bank, Finance Tower, No. 1 Huaijiang Road, Lucheng District, Wenzhou, Zhejiang Province
Xiamen Branch	29	559	41,185	Xiamen Minsheng Bank Tower, No. 50 Hubin Nan Road, Xiamen, Fujian Province
Zhengzhou Branch	106	1,591	139,816	Minsheng Bank Tower, No. 1 CBD Shangwu Waihuan Road, Zhengdong New District, Zhengzhou, Henan Province
Changsha Branch	44	1,053	76,876	Minsheng Tower, No. 189 Binjiang Road, Yuelu District, Changsha, Hunan Province
Changchun Branch	24	570	23,812	Minsheng Tower, No. 500 Changchun Street, Nangan District, Changchun, Jilin Province
Hefei Branch	71	1,022	85,572	Yinbao Building, Intersection of Wuhu Xi Road and Jinzhai Road, Shushan District, Hefei, Anhui Province
Nanchang Branch	41	676	67,827	No.545, Huizhan Road, Honggutan New District, Nanchang, Jiangxi Province
Shantou Branch	29	527	33,240	1-3/F, Huajing Plaza, No. 17 Hanjiang Road, Longhu District, Shantou, Guangdong Province
Nanning Branch	42	673	71,570	1-3/F, 3M/F, 30-31/F and 36/F, Block C, China Resources Building, No. 136-5 Minzu Avenue, Nanning, Guangxi Zhuang Autonomous Region
Hohhot Branch	23	474	44,097	China Minsheng Bank Tower, Block C, Oriental Junzuo, No. 20 Chilechuan Avenue, Saihan District, Hohhot, Inner Mongolia Autonomous Region
Shenyang Branch	47	544	27,781	No.65 Nanjing Bei Street, Heping District, Shenyang, Liaoning Province
Hong Kong Branch	1	295	163,080	3701-02, 3712-16, 37/F and 40/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong
Guiyang Branch	41	584	52,612	Block 8, Tianyi International Plaza, No. 33 Changling Nan Road, Gaoxin District, Guiyang, Guizhou Province

Name of branch	Number of outlets	Headcount	Total assets (in RMB million, excluding deferred income tax assets)	Address
Haikou Branch	17	241	12,696	Zhonghuan International Plaza, No. 77 Binhai Avenue, Longhua District, Haikou, Hainan Province
Lhasa Branch	5	167	9,851	No.1, 1/F, Block F1, Hailiang Shiji Xincheng 2.1 Phase, No. 11 Beijing Avenue, Liuwu New Area, Lhasa, Tibet Autonomous Region
Shanghai Pilot Free Trade Zone Branch	1	122	67,833	40/F, No. 100 Pudong Nan Road, Pudong New Area, Shanghai
Harbin Branch	17	373	23,788	1-6/F, Zone One, Olympic Centre, No. 11 Aijian Road, Daoli District, Harbin, Heilongjiang Province
Lanzhou Branch	11	291	19,883	1-4/F, Gansu Daily Press Plaza, No. 123 Baiyin Road, Chengguan District, Lanzhou, Gansu Province
Urumqi Branch	9	249	21,320	No.314, Yangziji Road, Saybagh District, Urumqi, Xinjiang Autonomous Region
Xining Branch	6	152	13,061	1-4/F, Annex Building of Telecom Industrial Tower, No. 102 Kunlun Zhong Road, Chengzhong District, Xining, Qinghai Province
Yinchuan Branch	9	190	16,140	1-5/F, Block 19, Jinhaimingyue, No. 106 Shanghai Xi Road, Jinfeng District, Yinchuan, Ningxia Hui Autonomous Region
Inter-region adjustment	-	-	-1,394,599	
Total	<u>2,461</u>	<u>60,843</u>	<u>7,386,318</u>	

Notes:

1. The number of institutions takes into account all types of business outlets, including the Head Office, tier-1 branches, tier-2 branches (including remote sub-branches), business outlets of sub-branches (including business departments), community sub-branches, and small-business sub-branches;
2. Headcount of the Head Office includes the total number of employees in the departments of the Head Office, Credit Card Centre and centralised operation, exclusive of employees of branches. Of which, the headcount of the Credit Card Centre was 8,315;
3. Inter-region adjustment arises from the reconciliation and elimination of inter-region balances.

XIII. Incentive Share Option Scheme, Employee Share Ownership Scheme or Other Employee Incentive Measures and Their Implementations During the Reporting Period

Up to date, the Bank had no incentive share option scheme, employee share ownership scheme or other employee incentive measures.

XIV. Rights of Shareholders

(I) Procedures for convening extraordinary shareholders' general meetings

In accordance with the Articles of Association of the Bank, the Bank shall convene an extraordinary general meeting within two months at the request of the shareholders individually or jointly holding 10% or more of shares of the Bank with voting rights.

Shareholders may request to convene an extraordinary general meeting by the following procedures:

Shareholders individually or jointly holding no less than 10% of shares of the Bank with voting rights may have the right to request the Board of Directors in writing to convene an extraordinary general meeting. The Board of Directors shall, in accordance with the laws, administrative regulations and the Articles of Association, make a written response as to whether or not it will convene the extraordinary general meeting within 10 days upon receipt of the request. If the Board of Directors agrees to convene the extraordinary general meeting, a notice of convening such meeting shall be issued within 5 days after the resolution of the Board of Directors is passed. Approval of the relevant shareholders shall be sought if the resolution contained in the notice alters the original request.

If the Board of Directors refuses to convene the extraordinary general meeting, or fails to respond within 10 days upon receipt of the request, shareholders individually or jointly holding 10% or more of shares of the Bank with voting rights in the proposed meeting shall have the right to propose to the Board of Supervisors in writing to convene such extraordinary general meeting. If the Board of Supervisors agrees thereto, a notice of convening such extraordinary general meeting shall be issued within five days upon receipt of the proposal. Approval of the relevant shareholders shall be sought if the resolution contained in the notice alters the original request. If the Board of Supervisors fails to give the notice of such general meeting within the specified period, it shall be deemed to have failed to convene and preside over such meeting and shareholders who individually or jointly hold 10% or more of shares of the Bank with voting rights in the proposed meeting for not less than 90 consecutive days shall have the right to convene and preside over the meeting.

The Board of Directors and the Board Secretary shall provide assistance when necessary for the general meetings convened by the Board of Supervisors or shareholders. The Board of Directors shall provide the register of shareholders as at the record date. Necessary costs of such general meetings shall be borne by the Bank.

(II) Procedures for putting forward proposals at shareholders' general meetings

In accordance with the Articles of Association of the Bank, shareholders individually or jointly holding no less than 3% of shares of the Bank with voting rights may put forward proposals to the Bank and provisional proposals to the meeting convener in writing 10 days prior to the date of the general meeting. The convener of such general meeting shall issue a supplementary notice of the meeting setting out the content of the provisional proposals within two days upon the receipt of the proposals.

In the annual general meeting, shareholders holding more than 3% shares with voting rights of the Bank are entitled to put forward additional proposals to the Bank in writing. The Bank shall include the proposals that fall within the scope of power of the general meeting in the agenda of such meeting.

Shareholders may put forward proposals at general meetings through the Office of the Board of Directors of the Bank. The contact details are set out in the section headed "XV. Communications with Shareholders".

(III) Convening extraordinary meetings of the Board of Directors

The Bank's Articles of Association stipulates that shareholders representing more than 1/10 of the voting rights may propose to convene an extraordinary meeting of the Board of Directors. The Chairman of the Board of Directors shall convene and preside over the Board meeting within 10 days after receipt of the proposal.

(IV) Making enquiries to the Board of Directors

Shareholders have the right to make enquiries about relevant information of the Bank, including the Articles of Association, the status of share capital, audited financial statements, reports of the Board of Directors, reports of the Board of Supervisors, summaries of shareholders' general meetings, etc., in accordance with the Articles of Association after they provide the Office of the Board of Directors with written documents certifying the class and number of shares of the Bank held by them and the Bank verifies their identities. The contact details are set out in the section headed "XV. Communications with Shareholders".

XV. Communications with Shareholders

(I) Information disclosure

As a company listed both in Shanghai and Hong Kong, the Bank, in strict compliance with the regulations of the SSE and the SEHK, continued to improve the information disclosure system, built a compliant and long-term management mechanism, and effectively disclosed its information. Guided by the needs of investors, the Bank promoted excellent ideas and practices, enriched the presentation forms of periodic reports, and continuously improved the quality and efficiency of periodic reports from the aspects of content and form, leading to a year-by-year increase in investor recognition, as well as in response from the industry and the market. The Bank published all sorts of extraordinary announcements in a timely, accurate and integral manner. During the Reporting Period, the Bank published four regular reports and 68 extraordinary announcements on the SSE. The Bank also published 133 information disclosure documents on the SEHK. In compliance with the Hong Kong Listing Rules, the Bank issued the Environmental, Social and Governance Report (《環境、社會及管治報告》). The Bank had not been punished by the regulatory authorities due to information disclosure work. The Bank's 2022 Annual Report won the highest award "Platinum" in the Commercial Banking group of the LACP Annual Report Competition. The distinctive practice and management innovation measures regarding information disclosure were selected into the Best Practice Cases of the Board Office Work of Listed Companies (《上市公司董辦工作最佳實踐案例》) by China Association for Public Companies.

(II) Investor relations

Following the concept of serving and being responsible for investors, the Bank paid high attention to investors' appeals and suggestions, and organised investor relations activities efficiently, hence gaining the continuous recognition of the market. In 2023, the Bank was again awarded the "Listed Company with Excellent Investor Relations (卓越投資者關係管理上市公司)" in the "China Securities Golden Bauhinia Awards (中國證券金紫荊獎)" and the "Investor Relations Award – Excellence Certificate (投資者關係大獎——卓越證書)" by the Hong Kong Investor Relations Association.

The Bank formulated the Working Rules for Investor Relations Management of China Minsheng Banking Corp., Ltd. (《中國民生銀行股份有限公司投資者關係管理工作制度》) in compliance with the relevant requirements of domestic and overseas laws, regulations and normative documents and carries out investor relations management through investor relations website, telephone, fax, email, e-interaction platform of the SSE and other channels, and by means of shareholders' general meeting, investor briefing, roadshow, analysts' meeting, reception of visits, symposium and others. During the Reporting Period, the frequency, breadth and depth of the Bank's investor relations activities continued to increase, and the communication with investors was adequate and effective.

1. Annual general meeting

The 2022 Annual General Meeting was held in Beijing in June 2023, which was attended by 234 shareholders and authorised proxies in person or via online voting. All Directors, Supervisors attended the meeting, and all members of the Senior Management attended the meeting as non-voting delegates. Following the meeting, Chairman, President and the key members of the Senior Management had an in-depth communication with participating minority shareholders on the Bank's development strategy, transformation progress and operation, etc.

2. Performance briefing

In March 2023, the 2022 performance briefing was held in Beijing. Chairman, President, the representatives of Independent Directors and the key members of the Senior Management attended the briefing. The briefing was live streamed on Weixin, the mobile banking App and the online banking platform via "Minsheng Video Podcast Room (民生播客廳)", with over 5.3 thousand viewers. This live streaming activity was awarded as the "2022 Best Practice of Annual Performance Briefing (2022年報業績說明會最佳實踐)" by China Association for Public Companies. In October 2023, the third quarter performance briefing was held through the roadshow platform of the SSE. President, the representatives of Independent Directors and the key members of the Senior Management attended the briefing.

3. Adequate communications with institutional investors and capital market

During the Reporting Period, the Bank's Senior Management led teams to conduct performance roadshows in key areas such as Beijing, Shanghai, Guangzhou and Shenzhen. In addition, the Bank had 99 meetings with over 1,000 investors and analysts from home and abroad by the means of attending strategy meetings held by brokers, receiving special researches and organising communication meetings. During the Reporting Period, the capital market's attention to and recognition of the Bank significantly increased, with the Bank's stock price outperformed the average of peers.

4. Providing convenience for small and medium-sized investors

The Bank consistently provided convenience for small and medium-sized investors to participate in investor relations activities and exercise the rights of shareholders, and timely responded to their demands. Throughout the year, the Bank answered over 200 calls to the investors' hotline, handled nearly 200 consulting letters, and responded to 59 questions on the e-interaction platform of the SSE. The Bank launched the bilingual investor relations website in both Chinese and English, through which small and medium-sized investors could inquire and download visualised financial data, flexibly search announcements and circulars, subscribe to reminders of investor relations activities and make appointments for online and offline communications. The website also provided a special column of "Q&A for Investors" to take up the questions of common concern raised by small and medium-sized investors. The investor relations website of the Bank was nominated as the "Best Investor Relations Website (最佳投資者關係網站)" in Greater China by the IR Magazine, an international authoritative journal, for two consecutive years.

Investors may inquiry the Bank's relevant information or contact the investor relations team as follows:

Address: China Minsheng Bank Building, No. 2 Fuxingmennei Avenue, Xicheng District, Beijing, China

Postal code: 100031

Investor relations website: ir.cmbc.com.cn

Hotline for investors: 86-10-58560975, 86-10-58560824

Facsimile: 86-10-58560720

Email: cmbc@cmbc.com.cn

XVI. Amendments to Articles of Association in 2023

On 9 June 2023, it was considered and approved at the 2022 Annual General Meeting of the Bank the Resolution on Amending Certain Provisions of the Articles of Association of China Minsheng Banking Corp., Ltd. (《關於修訂〈中國民生銀行股份有限公司章程〉個別條款的議案》). In November, 2023, the Bank received the Reply of the National Financial Regulation Administration on Amending the Articles of Association of China Minsheng Bank (Jin Fu (2023) No. 436) (《國家金融監督管理總局關於民生銀行修訂公司章程的批覆》(金覆[2023]436號)). The amended Articles of Association of the Bank was approved and formally became effective. For details of the amendments to the Articles of Association of the Bank, please refer to the relevant announcements posted by the Bank on the website of the SSE (www.sse.com.cn) and the HKEXnews website of the SEHK (www.hkexnews.hk).

XVII. Continuous Professional Development Training of Directors

During the Reporting Period, every Director of the Bank abided by their obligations and duties as Directors and kept abreast of the business operation and development of the Bank. The Bank encouraged the Directors to take part in continuous professional development through various forms. In the meantime, the Directors improved and updated their knowledge and expertise through studying relevant books. All Directors participated in specific training or seminars organised by the Bank, studied and reviewed various special reports in relation to risks, capital, AML, related-party transactions and consumer rights protection, and listened to and discussed major matters in relation to the reform of the Bank to fully understand the reform progress and operation management of the Bank. The Directors, being GAO Yingxin, ZHANG Hongwei, LU Zhiqiang, ZHENG Wanchun, SHI Yuzhu, WU Di, SONG Chunfeng, ZHAO Peng, XIE Zhichun, QU Xinjiu, WEN Qiuju, SONG Huanzheng, YEUNG Chi Wai, Jason and YUAN Guijun, participated in the special training programmes organised by the regulatory authorities.

XVIII. Training of Company Secretary

During the financial year ended 31 December 2023, Ms. CHEUNG Yuet Fan, the Company Secretary, has undertaken not less than 15 hours of relevant professional training programmes organised by the SSE, the SEHK and other professional institutions.

XIX. Contact with Company Secretary

During the Reporting Period, Ms. CHEUNG Yuet Fan from Tricor Services Limited, the engaged service institution, has been engaged by the Bank as its Company Secretary. Mr. WANG Honggang, the Representative of Securities Affairs of the Bank, has served as the primary contact person of the Bank.

XX. Compliance with the Corporate Governance Code Set Out in Appendix C1 to the Hong Kong Listing Rules

During the Reporting Period, the Bank has fully complied with the code provisions of the Corporate Governance Code set out in Appendix C1 to the Hong Kong Listing Rules and has complied with most of the recommended best practices contained therein.

XXI. Risk Management of the Board of Directors

The Board of Directors is responsible for the establishment and improvement of effective risk management and internal control system, and supervises and evaluates the construction of internal control and risk management system as well as the risk status of the Bank (including the examination of the effectiveness). The system aims to provide reasonable (rather than absolute) assurance that there will not be material misrepresentation or loss, and to manage (rather than eliminate) the risk of failure to achieve business objectives. During the Reporting Period, the Board of Directors examined the adequacy and effectiveness of the Bank's risk management and internal control through its Risk Management Committee and Audit Committee. The Board of Directors considered and approved the 2023 Internal Control Evaluation Report of China Minsheng Bank (《中國民生銀行2023年度內部控制評價報告》), and received briefings on and reviewed the reports of the relevant special committees of the Board. PricewaterhouseCoopers Zhong Tian LLP issued standard and unqualified 2023 Internal Control Audit Report of China Minsheng Bank (《中國民生銀行2023年度內部控制審計報告》), which was published on the website of the SSE, the HKEXnews website of the SEHK, and the website of the Bank. The Board of Directors is of the view that the Bank's risk management and internal control are adequate and effective. For details of the Bank's risk management, please refer to the section headed "XII. Risk Management" in "Chapter 3 Management Discussion and Analysis" of this Report.

By focusing on improving risk management duty performance, the Board of Directors of the Bank established and continuously improved the list of duty performance for the Board of Directors and special committees, and strengthened lawful and compliant duty performance according to regulatory provisions such as the Guidelines on Macroprudential Policy (Trial) (《宏觀審慎政策指引(試行)》) issued by the PBOC and the Corporate Governance Standards for Banking and Insurance Institutions (《銀行保險機構公司治理準則》) issued by the former CBIRC as well as internal management needs of the Bank. It consolidated management foundation, improved institutional system, and optimised the risk management duties and powers, rules of procedure and working procedures of the Board of Directors and special committees, hence continuously improving refined management. It considered the annual statement of risk preference and reports on risk strategies and the implementation, paid attention to the key areas including risk management system optimisation, risk preference strategy formulation, system and procedure formulation, system and tool improvement, as well as digital and intelligent risk control, continuously improved the mechanism for identification, measurement, assessment, monitoring, reporting, control and mitigation of various risks, and supervised the Senior Management to carry out comprehensive risk management, in a bid to achieve more proactive, scientific and forward-looking risk management. The Risk Management Committee was set under the Board of Directors, and please refer to the section headed “(IV) Risk Management Committee” of “VII. Special Committees of the Board of Directors” in this Chapter for the details of its duties and duty performance.

Procedures for processing and publishing insider information and internal monitoring measures. The Bank has formulated the administrative rules for information disclosure and the administrative rules for insiders. The Board of Directors is responsible for information disclosure and insider information management of the Bank, and the Board Secretary is authorised to organise, coordinate and implement. Persons accountable for major information and insider information reporting, reporting links and disclosure approval procedures of major information and the requirements for confidentiality registration of insiders are clearly prescribed in relevant rules of the Bank. The Bank faithfully and comprehensively recorded the list of all insiders in all links before the information is made public, and files related to the content and time of insider information known to the insiders, and managed and monitored insider information.

XXII. Internal Control and Internal Audit

(I) Internal control evaluation

The Bank has set up a comprehensive corporate governance structure with clear division of responsibilities among the Board of Directors, the Board of Supervisors and the management team, and maintained effective operation of internal control management system. In compliance with the Law of the People's Republic of China on Commercial Banks (《中華人民共和國商業銀行法》), the Guidelines for Internal Control of Commercial Banks (商業銀行內部控制指引), the Basic Standard for Corporate Internal Control (《企業內部控制基本規範》) and other laws and regulations and regulatory rules, the Bank has gradually formed a set of rational and precise internal control policy systems and established internal control mechanisms for the advance prevention, process control, and subsequent supervision and rectification of risks.

The Bank gave full play to the role of internal audit in supervision and evaluation, constantly improved the evaluation and supervision system of internal control, continuously optimised procedures and tools of internal control evaluation, improved the internal control system and enhanced refined internal control management. During the Reporting Period, in accordance with the principles of internal control evaluation and annual audit plan, the Bank conducted inspection of internal control evaluation in 2023 on six subsidiaries under consolidated management and 11 tier-1 branches, which covered key businesses and major risks. The Bank supervised the effective rectifications of internal control and risk-related issues through various measures, including ongoing monitoring, subsequent centralised audits and assessment on effectiveness of internal control. Accountabilities for the violations of regulations and disciplines found in the inspections were made according to the regulations of the Bank. Through constant internal control evaluations, the Bank effectively improved the internal control system and enhanced the internal control management.

(II) Internal audit

The Bank has set up an internal audit organisation – the Audit Department, which adopted an independent internal audit model with a vertical management structure topped by the Head Office. The Bank has six regional audit centres in the North, East, South, Central, Northeast and West China. The Bank has set up the Corporate Banking Audit Centre, Retail Banking Audit Centre, Financial Markets Business and Group Audit Centre, Financial Operation and IT Audit Centre, Digital Audit Centre, Planning and Operation Management Centre, Rectification Supervision Center and Quality Control and Supervision Center according to the operation characteristics of the Bank. The Audit Department is responsible for performing independent inspection and evaluation on all businesses and management of the Bank, supervising and examining the effectiveness of internal control and carrying out independent and objective evaluation and consultation of internal control. To ensure the independence and effectiveness of internal audit, material audit findings and internal control defects would be directly reported to the Board of Directors and notices would be given to the Senior Management. The Bank has formulated and improved standardised policies and systems for internal audit. An integrated audit examination system comprising on-site and off-site audit was established with off-site audit covering all asset and liability businesses of the Bank. Risk-oriented audit on internal control was adopted, covering all business lines including corporate banking, retail banking, financial markets, credit card, IT, infrastructure projects, finance and accounting and risk management as well as all internal control management procedures. The Bank principally achieved full coverage of audit on risk exposures in credit, market, liquidity, operation and compliance.

The Bank performed supervision and examination on the internal control of operating units and subsidiaries under consolidated management through various forms including comprehensive audits, special audits and economic accountability audits. During the Reporting Period, in accordance with the annual audit plan, the Audit Department efficiently completed the audit tasks for the whole year and carried out a total of 42 special audits, 17 audits on internal control evaluation of operating units and subsidiaries under consolidated management and 75 economic accountability audits. It also issued 14 risk reminders and audit suggestions. Moreover, 19 reports concerning major events, updates and researches were issued. As a result, it gave full swing to the role of internal audit in supervision, evaluation and consultation. The problems identified in the audits were tracked and urged to be rectified by the audited units. All these efforts notably improved the internal control and management of the Bank.

XXIII. Management and Control of Subsidiaries During the Reporting Period

During the Reporting Period, the Bank continued to strengthen the professional management of major issues of subsidiaries, further improved the management system and mechanism of subsidiaries, improved the rules and regulations system, ensured that the requirements of the consolidated management of the Group were fully implemented, and has gradually built the Bank and the subsidiaries into an organic entity with strategic congeniality, effective governance, risk isolation and coordinated development. Firstly, the Bank further improved the management mechanism of subsidiaries' business plans, promoting the organic integration of subsidiaries' business operations with strategic planning. Secondly, the Bank further clarified the responsibility boundaries and duty performance requirements of each governance subject of subsidiaries, selected excellent and capable members of the board of directors and the board of supervisors of the subsidiaries that the Bank had the right to nominate, and carried out effective guidance and supervision on the operation development and risk management of subsidiaries. Thirdly, the Bank further improved the comprehensive risk management system, promoted the introduction of risk management technology, monitoring and information sharing, and guided the subsidiaries to effectively manage various types of risks associated with consolidated financial statements. Fourthly, the Bank further promoted the Group's business coordination and guided the subsidiaries to deeply integrate into the Bank's customer, product and operation management system, so as to enhance the Group's overall development resilience and anti-risk ability. Fifthly, the Bank further increased the sharing of sci-tech resources of the Group to improve the overall operating efficiency of the Group.

CHAPTER 7 REPORT OF THE BOARD OF DIRECTORS

I. Performance of Principal Business, Financial Results and Business Development

For details of the principal business, analysis of key indicators of financial results and business development of the Bank, please refer to “Chapter 2 Summary of Accounting Data and Financial Indicators” and “Chapter 3 Management Discussion and Analysis” of this Report.

II. Environmental Policy of the Bank and Its Performance

The Bank has published the 2023 Environmental, Social and Governance Report in accordance with Rule 13.91 of the Hong Kong Listing Rules and the Environmental, Social and Governance Reporting Guide contained in Appendix C2 to the Hong Kong Listing Rules. Please refer to the website of the SSE, the HKEXnews website of the SEHK and the website of the Bank.

III. Compliance with Relevant Laws and Regulations

The Board of Directors is of the view that during the Reporting Period, the Bank legally operated its business, and its decision-making procedure was in compliance with relevant laws, regulations and the Articles of Association. It is not aware of any breach of laws and regulations and the Articles of Association of the Bank or any act which would prejudice the interests of the Bank and its shareholders by any existing Directors, Supervisors or Senior Management when performing their duties during the Reporting Period.

IV. Subsequent Event

Save as disclosed above, from the settlement date of the financial year to the date of this Report, the Bank had no material events.

V. Profit and Dividend Distribution

(I) Annual dividend distribution for 2022

The Bank distributed dividends to all shareholders according to the Profit Distribution Plan for 2022, which was discussed and passed at the 34th meeting of the eighth session of the Board of Directors and the 2022 Annual General Meeting. On the basis of the total number of shares of the Bank as at the record dates, the Bank distributed a cash dividend for 2022 of RMB0.214 (tax inclusive) to all shareholders whose names appeared on the registers as at the record dates for every share being held. The total cash dividend amounted to RMB9,369 million. The cash dividend was denominated and declared in RMB and was paid in RMB to holders of A shares and in Hong Kong dollar to holders of H shares.

The Bank distributed the cash dividend to holders of A shares and investors of Northbound Trading in June 2023 in accordance with relevant provisions, and distributed the cash dividend to holders of H shares and investors of Southbound Trading in July 2023 in accordance with relevant provisions. The implementation of the distribution plan was thus completed. For details, please refer to the announcement of the Bank dated 9 June 2023 published on the HKEXnews website of the SEHK and the announcements dated 9 June 2023 and 15 June 2023 published on the website of the SSE, respectively.

(II) Annual profit distribution plan for 2023

According to the audited financial statements of the Bank for 2023, net profit of the Bank was RMB35,291 million. Dividend of perpetual bonds and domestic preference shares of RMB4,316 million was paid. 10% of the net profit of the Bank for 2023, being RMB3,529 million, was allocated to the statutory surplus reserve. The general provision of RMB4,379 million was made on the rate of 1.5% of the difference of the risky assets of the Bank as at the end of 2023.

According to the Articles of Association of China Minsheng Banking Corp., Ltd. in respect of profit distribution, having considered various factors including the capital adequacy ratio required by the regulatory authorities and the sustainable business development of the Bank, the Bank proposed to distribute a cash dividend of RMB2.16 (tax inclusive) to holders of A shares and H shares whose names appear on the registers as at the record dates for every 10 shares being held. Based on the number of shares of the Bank in issue, being 43,782 million shares, as at the end of 2023, the total cash dividend would be approximately RMB9,457 million.

The actual amount of total cash dividend to be paid will be subject to the total number of shares recorded on the register as at the record dates. The cash dividend was denominated and declared in RMB and was paid in RMB to holders of A shares and in Hong Kong dollar to holders of H shares. The actual amount of dividend to be paid in Hong Kong dollar shall be calculated based on the benchmark exchange rate of RMB against Hong Kong dollar as quoted by the PBOC on the date of the shareholders' general meeting.

VI. Dividend Distribution of Ordinary Shares in the Past Three Year

	2023	2022	2021
Dividend to be paid for every 10 shares (tax inclusive, RMB)	2.16	2.14	2.13
Number of shares issued on capitalisation of surplus reserve for every 10 shares (share)	—	—	—
Cash dividend (tax inclusive, RMB million)	9,457	9,369	9,326
Net profit attributable to holders of ordinary shares of the Company (RMB million)	31,507	31,163	31,053
Cash dividend/Net profit attributable to holders of ordinary shares of the Company (%)	30.02	30.06	30.03

Note: The profit distribution plan for 2023 is subject to the consideration and approval at the 2023 Annual General Meeting before implementation.

VII. Formulation and Implementation of Dividend Distribution Policy for Ordinary Shares

According to the Articles of Association, the distribution of profits of the Bank emphasises on reasonable investment income to investors and shall be sustainable and stable. The Bank shall distribute dividends in profit-making years. The Bank shall take full account of the opinions of the Independent Directors, External Supervisors and public investors in deliberating on its dividend distribution policy. The Bank shall fully consider the opinions and requests of the minority shareholders before the profit distribution policy is considered at the Shareholders' General Meeting. To the extent that the normal working capital requirement is fulfilled, the Bank shall distribute dividends primarily in cash.

The profit distributed to holders of ordinary shares in the form of cash dividend for each year shall not be less than ten percent (10%) of the distributable profit attributable to holders of ordinary shares of the Bank of the year. The Bank may distribute interim cash dividend.

If the Bank generated profits in the previous accounting year but the Board of Directors of the Bank did not make any cash profit distribution proposal after the end of the previous accounting year, the reasons thereof and the use of proceeds retained by the Bank not used for distribution shall be explained in detail in its periodic reports and the Independent Directors shall give an independent opinion in such regard. Online voting shall be made available, when such proposal is voted at the shareholders' general meeting.

In the event that adjustments are required to be made to the Bank's profit distribution policy due to the needs of operation and long-term development of the Bank, the profit distribution policy after adjustment shall not violate the relevant requirements of regulatory authorities of the places where the Bank is listed. Any proposal regarding adjustments to the profit distribution policy shall be subject to the prior review of the Independent Directors and the Board of Supervisors and due consideration of the opinions of minority shareholders and, after consideration by the Board, be proposed to the Shareholders' General Meeting of the Bank for approval. Any proposal regarding the adjustments to the Bank's cash dividend policy shall be approved by more than two-thirds of the votes of the shareholders attending the Shareholders' General Meeting of the Bank. Online voting shall be made available when such proposal is voted at the shareholders' general meeting. The voting results of the minority investors shall be disclosed separately.

During the Reporting Period, the profit distribution policy of the Bank complied with the Articles of Association and procedures of consideration. The policy, in the opinion of the Independent Directors, fully protected the legal interests of minority investors with clearly specified criteria and proportion of profit distribution.

VIII. Taxes and Tax Exemption

The shareholders of the Bank shall pay relevant taxes in accordance with the following provisions as well as tax laws and regulations updated from time to time, enjoy possible tax exemption where appropriate, and shall consult their professional tax and legal advisors regarding specific tax payment matters. All the tax laws and regulations cited below were released prior to 31 December 2023.

(I) Holders of A shares

In accordance with the Notice on Issues Concerning the Implementation of Differentiated Individual Income Tax Policies on Dividends and Bonuses of Listed Companies (《關於實施上市公司股息紅利差別化個人所得稅政策有關問題的通知》) (Cai Shui [2012] No. 85) and the Notice on Issues Concerning Differentiated Individual Income Tax Policies on Dividends and Bonuses of Listed Companies (《關於上市公司股息紅利差別化個人所得稅政策有關問題的通知》) (Cai Shui [2015] No. 101) jointly released by the Ministry of Finance, the State Administration of Taxation and the CSRC, if a shareholder holds shares for more than 1 year, his or her dividends and bonuses shall be temporarily exempt from individual income tax; if the shareholder holds shares for more than 1 month to 1 year (inclusive), 50% of his or her dividends and bonuses shall be temporarily included in taxable income; if the shareholder holds shares for within 1 month (inclusive), all of his or her dividends and bonuses shall be taxable income. A tax rate of 20% applies to all the aforesaid incomes for levying individual income tax. Individual income tax shall be levied on dividends and bonuses of securities investment funds acquired from listed companies also in accordance with the aforesaid provisions.

In accordance with the provisions of Item 2 of Article 26 of the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法》), dividends, bonuses and other equity investment proceeds distributed between qualified resident enterprises shall be tax-free incomes.

In accordance with the provisions of Article 83 of the Implementing Regulations of the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法實施條例》), dividends, bonuses and other equity investment gains generated between qualified resident enterprises as referred to in Item 2 of Article 26 of the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法》) are the returns of investment made directly by one resident enterprise in another resident enterprise. The income from such equity investments as dividends and bonuses, as mentioned in Item 2 of Article 26 of the Enterprise Income Tax Law of the People's Republic of China, shall not include the investment income acquired by continuously holding the listed common share of the resident enterprise for less than 12 months.

In accordance with the provisions of the Enterprise Income Tax Law of the People's Republic of China and the regulations on its implementation, enterprise income tax shall be levied on dividends acquired by shareholders of non-resident enterprises at a reduced rate of 10%.

(II) Holders of H shares

In accordance with the Notice on Issues Concerning the Administration of Individual Income Tax Collection after the Annulment of Document Guo Shui Fa [1993] No. 045 (《關於國稅發(1993)045號文件廢止後有關個人所得稅徵管問題的通知》) (Guo Shui Han [2011] No. 348), individual income tax shall be withheld at a rate of 10% on the dividends distributed to offshore individual resident shareholders by a domestic enterprise with no foreign investment issuing shares in Hong Kong. Offshore individual resident shareholders may enjoy relevant tax preference in accordance with the provisions of the tax agreement signed between the home country of their identity and China as well as the tax arrangements between the Chinese Mainland and Hong Kong (Macao). Regarding the matters in connection with distribution of dividends to individual holders of H shares whose names appeared on the register of H-share shareholders on the record date of dividends distribution, the Bank shall withhold and pay individual income tax at the rate of 10%, unless otherwise provided by tax laws and regulations as well as relevant tax agreements.

In accordance with the provisions of the Enterprise Income Tax Law of the People's Republic of China and the regulations on its implementation, the withholding agent shall withhold and pay enterprise income tax at a rate of 10% on the income of a non-resident enterprise acquired from the Chinese mainland. Therefore, any H shares registered in the name of non-individual enterprises, including HKSCC Nominees Limited, other proxies or trustees or other organisations and groups, shall be deemed the shares held by shareholders of non-resident enterprise, and the Bank shall withhold and pay enterprise income tax at a rate of 10% when distributing dividends to the shareholders.

In accordance with the current practice of the Inland Revenue Department, there is no need to pay tax in Hong Kong on the H share dividends distributed by the Bank.

The tax matters regarding Shanghai-Hong Kong Stock Connect (滬港通) shall be undertaken in accordance with the provisions of the Notice on Taxation Policies Concerning the Pilot Programme of an Interconnection Mechanism for Transactions in the Shanghai and Hong Kong Stock Markets (Cai Shui [2014] No. 81) (《關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知(財稅[2014]81號)》) jointly released by the Ministry of Finance, the State Administration of Taxation, and the CSRC.

The tax matters regarding Shenzhen-Hong Kong Stock Connect (深港通) shall be undertaken in accordance with the provisions of the Notice on Taxation Policies Concerning the Pilot Programme of an Interconnection Mechanism for Transactions in the Shenzhen and Hong Kong Stock Markets (Cai Shui [2016] No. 127) (《關於深港股票市場交易互聯互通機制試點有關稅收政策的通知(財稅[2016]127號)》) jointly released by the Ministry of Finance, the State Administration of Taxation, and the CSRC.

(III) Holders of domestic preference shares

The matters regarding payment of individual income tax on individually acquired dividends from non-publicly issued domestic preference shares shall be undertaken in accordance with relevant tax laws and regulations of China.

The resident enterprise shareholders (including institutional investors) as stipulated by the Enterprise Income Tax Law of the People's Republic of China shall pay tax on their income from cash dividends; the payment of tax by other shareholders on their income from cash dividends shall comply with relevant provisions.

In accordance with the Guiding Opinions of the State Council on Conducting Pilot Program on Preference Shares (《國務院關於開展優先股試點的指導意見》), the dividends, bonuses, and other investment yields that an enterprise acquires by investing in preference shares and that meets conditions as stipulated by the tax laws can be tax-free enterprise incomes.

IX. Substantial Shareholders

For details of substantial shareholders of the Bank, please refer to "Chapter 4 Changes in Share Capital and Information on Shareholders" in this Report.

X. Share Capital and Issuance of Shares and Bonds

For details of share capital and issuance of shares and bonds of the Bank as at 31 December 2023, please refer to "Chapter 4 Changes in Share Capital and Information on Shareholders" and "Chapter 5 Information on Preference Shares" in this Report.

XI. Auditing Opinions Issued by the Accounting Firm

The 2023 annual financial statements of the Bank prepared in accordance with the IFRS had been audited by PricewaterhouseCoopers, and the standard and unqualified auditors' report had been issued accordingly.

XII. Pre-Emptive Rights

Pre-emptive rights are not prescribed in the Company Law of the People's Republic of China (《中華人民共和國公司法》) and the Articles of Association, and the Bank is not required by the above provisions to issue new shares to the current shareholders based on the holding proportion of the shareholders. In accordance with Article 29 of the Articles of Association, the Bank may increase its registered capital by public offering of ordinary shares, issuance of ordinary shares to its existing shareholders, distribution of new ordinary shares to its existing shareholders, private placing of ordinary shares, conversion of preference shares to ordinary shares, and any other methods permitted by the applicable laws and administrative regulations. There is no compulsory rule in relation to pre-emptive rights in the Articles of Association.

XIII. Charity and Other Donations

During the Reporting Period, the total amount of charitable donations of the Group was RMB124 million.

XIV. Directors, Supervisors and Senior Management

For details of the name list, profiles, contract arrangements and remunerations of Directors, Supervisors and Senior Management of the Bank, please refer to “Chapter 6 Corporate Governance” in this Report. As at the date of disclosure of this Annual Report, the directorship qualification of Mr. WENG Zhenjie is subject to the approval of the NFRA.

The details of retirement benefits provided by the Bank to its employees during the Reporting Period are set out in Note 4.33 “Other liabilities” to the Financial Statements.

XV. Contracts of Management and Administrative Management

During the Reporting Period, the Bank did not enter into any administrative management contract relating to overall businesses or major businesses of the Bank.

XVI. Indemnity and Insurance of Directors, Supervisors and Senior Management

During the Reporting Period, the Bank has maintained effective liability insurance for the Directors, Supervisors and Senior Management in respect of potential legal proceedings arising from the business operation of the Bank.

XVII. Relationship with Customers and Employees

The Group considers that it is important to maintain good relationship with its customers and strives to provide more efficient and convenient services to customers so as to maximise the value and return. In 2023, there were no significant or material disputes between the Group and its customers.

For details of the relationship between the Bank and its employees, please refer to the 2023 Social Responsibility Report (《2023年度社會責任報告》) and the 2023 Environmental, Social and Governance Report (《2023年度環境、社會及管治報告》).

XVIII. Consumer Rights Protection

During the Reporting Period, the Bank continuously implemented the “people-centred” philosophy of development and practised the “customer-centric” business philosophy while performing its duties in consumer rights protection. Guided by the five-year plan for consumer rights protection and by taking the five measures of strengthening high-level overall guidance, strengthening key mechanism construction, reinforcing control in key areas, strengthening the empowerment of the new complaint system, and strengthening culture and team building, the Bank consistently pushed forward consumer rights protection management work to deeply embed it in the full process of business and management, thereby promoting the healthy development of business and the improvement of service level. In terms of strengthening high-level overall guidance, the Bank consistently promoted in-depth integration of consumer rights protection into corporate governance. In 2023, the Board of Directors considered the work reports on and work plans for consumer rights protection,

considered and revised the basic rules on consumer rights protection, carried out special studies on key documents on consumer rights protection released by regulatory authorities, conducted research on major issues and policies concerning consumer rights protection, and gave work guidance, in an effort to urge the Management to continue to build a compliant and efficient performance mechanism for consumer rights protection. The Board of Supervisors constantly strengthened the routine supervision over consumer rights protection and performance supervision over the Board of Directors and the Senior Management, kept abreast of the consumer rights protection work in a timely manner in such forms as consideration and review of reports, promoted the rectification of problems, and constantly improved the performance evaluation system for supervision over consumer rights protection. The Senior Management earnestly implemented the requirements of regulatory authorities, the Board of Directors and the Board of Supervisors, and deployed, guided and supervised the implementation of consumer rights protection of the Bank through diversified methods such as the work meetings of presidents, the meetings of the Consumer Rights Protection Committee, interviews and instructions. In terms of strengthening the construction of key mechanisms, the Bank continuously improved the management systems and mechanisms for consumer rights protection regarding institutional systems, the review of consumer rights protection, and the constraint for the assessment of consumer rights protection, in a bid to continue to build a refined and professional management structure for consumer rights protection. In 2023, taking the implementation of new regulatory rules as an important point, the Bank continued to consolidate the construction of the three-tier institutional management system covering the special rules on consumer rights protection, the internalised rules and the operational rules. The Bank further optimised the mechanism for the review of consumer rights protection, continuously integrated the review of consumer rights protection into the Bank's risk management and internal control and compliance system, enriched and perfected the review rules and review guidance system. The Bank strengthened the management of review and approval personnel, consistently optimised the system for the review of consumer rights protection, and enhanced digital management of the review of consumer rights protection. Additionally, the Bank further optimised the constraint mechanism for the assessment of consumer rights protection, focused on work in key areas, and strengthened process management and improvements in the supervision and guidance for key institutions. In terms of reinforcing control in key areas, in accordance with regulatory requirements and changes in the external market environment, the Bank deeply promoted work in such key areas as protection of consumers' financial information, consumer suitability management, marketing and publicity, information disclosure, cooperating organisations, and service charges. The Bank deepened the integration of consumer rights protection work into business and promoted more compliant development of business. In terms of strengthening culture and team building, the Bank consistently reinforced consumer education and publicity and training on consumer rights protection and launched the "15 March" Publicity Week, the Financial Knowledge Promotion Tour (金融知識萬里行), the Consumer Rights Protection Education and Publicity Month and other centralised education and publicity activities. In the meantime, the Bank continuously carried out thematic and regular education and publicity activities such as the development of "consumer rights protection column", prevention against illegal intermediaries, and serving key groups while reinforcing the brand image of "Minsheng's Consumer Rights Protection in Action". The relevant work was recognised by the regulatory authorities and the public. Moreover, based on its business development and work demands, the Bank continued to conduct multi-level and full-coverage consumer rights protection training with a highlighted focus, in a bid to continuously improve the professional ability of the whole bank in consumer rights protection.

In terms of complaint management, the Bank strictly implemented the regulatory requirements. With the launch of the new complaint management system as a starting point, the Bank vigorously launched system functions, effectively promoted management improvement, product optimisation and service enhancement through source-tracing and rectification, and constantly pushed forward the diversified settlement of disputes and advanced problem-solving, in a bid to continuously improve the quality and efficiency of complaint handling as well as customer satisfaction. In 2023, the Bank handled a total of 198,430 complaints from financial consumers. In terms of business distribution, the complaints were concentrated in credit card (65.82%), debit card (20.19%), loan (7.23%) and other business areas; in terms of geographic distribution, the complaints were concentrated in Beijing (69.72%, including the complaints related to Credit Card Centre), Guangdong (4.11%) and Jiangsu (3.16%). The Bank will continue to listen to the voice of customers, monitor and analyse customer complaints, tap into the real needs of customers, and strive to facilitate product optimisation, management improvement and service enhancement through complaint management, so as to effectively safeguard the legitimate rights and interests of consumers.

XIX. Evaluation on the Implementation of Administrative Rules for Information Disclosure by the Board of Directors

On 30 November 2023, the 42nd meeting of the eighth session of the Board of Directors of the Bank discussed and passed the Proposal on Amending the Administrative Rules for Information Disclosure of China Minsheng Banking Corp., Ltd. (《關於修訂〈中國民生銀行股份有限公司信息披露事務管理制度〉的議案》) to further clarify the responsibility boundary and procedure of the Bank's information disclosure management and continue to perfect the institutional system for information disclosure. During the Reporting Period, the Bank, in strict compliance with the laws and regulations and regulatory requirements concerning information disclosure, actively performed the obligation of information disclosure, meticulously implemented the administrative rules for information disclosure, and disclosed true, accurate and complete information in a timely and fair manner.

By Order of the Board of Directors
GAO Yingxin
Chairman
28 March 2024

CHAPTER 8 REPORT OF THE BOARD OF SUPERVISORS

During the Reporting Period, based on the duties and functions entrusted by the Company Law of the People's Republic of China (《中華人民共和國公司法》), the Articles of Association (《公司章程》) and the regulatory provisions, the Board of Supervisors took the decisions and arrangements of the CPC Central Committee and the State Council as well as the policy requirements of the regulatory authorities as the fundamental guidelines for its work. The Board of Supervisors proactively promoted the organic integration between the Party leadership and corporate governance, gave full play to the critical role of investigation and research, attached importance to realities, studied on actual situation and sought for substantial results. It focused on key supervisory areas, adopted antecedent supervision, improved the supervision operation mechanism, and promoted joint efforts among various supervisory forces, and empowered the Bank to accelerate its high-quality development.

During the Reporting Period, according to the regulatory requirements and the needs for duty performance, a total of 23 meetings of the Board of Supervisors and its special committees were organised and convened throughout the year, including six meetings of the Board of Supervisors with 65 matters considered and reviewed, three non-resolution meetings of the Board of Supervisors with 30 matters reviewed, six meetings of the Nomination and Examination Committee with 17 matters considered and reviewed, and eight meetings of the Supervisory Committee with 37 matters considered and reviewed. 33 important documents and matters were studied, conveyed, and circulated. One shareholders' general meeting and 17 meetings of the Board of Directors (including one non-decision-making meeting) were attended according to law. 34 supervisory notices, 10 summaries of supervision work, two supervision reports on peer comparison and business analysis, and one supervision evaluation report on reform and implementation were issued to the Board of Directors and the Senior Management.

The Board of Supervisors constantly enhanced political consciousness, proactively performed its supervisory functions and continuously improved systems and mechanisms, so as to contribute to quality and efficiency enhancement of the supervisory work. Firstly, it remained problem- and objective-oriented, continued to strengthen regular supervision on key areas of regulatory focus, propelled the whole bank to bear in mind "matters of national significance", accurately and effectively supported key fields and weak links of the real economy, and remained firm and careful in work safety, thus effectively safeguard the legitimate rights and interests of financial consumers, all investors, employees and other stakeholders. Secondly, it proactively established the multi-dimensional and long-term supervisory system for strategic development, business management, financial management, risk management, internal control and compliance, continued to strengthen in-depth and substantial supervision and research, carried out continuous tracking and supervision on the implementation status of the five-year development plan, annual business plan, the financial management conditions, and the development of internal risk control system of the Bank, and urged the whole bank to maintain strategic concentration, deepen reform and transformation, accelerate the replacement of old growth drivers with new ones, and establish sound and scientific performance outlook and steady incentive and restraint mechanism. Thirdly, it explored and established the ways and routes of the grand supervisory system of the whole bank, shared with audit, compliance, risk control, discipline inspection and other departments the issues found in supervision and inspection as well the rectification thereof in a timely way. It conducted research with other departments on the supervision and accountability system and mechanism from the perspective of corporate governance, and maintained effective communication, coordinated operation and effective checks and balances with the Board of Directors and the Senior Management, thus to exert joint efforts in corporate governance.

Independent Opinions of the Board of Supervisors:

I. Law-abiding Operation of the Company

During the Reporting Period, the Bank maintained law-abiding operation and the decision-making procedures were in compliance with the applicable laws and regulations and the Articles of Association. There was no breach of the applicable laws and regulations and the Articles of Association or any act which would harm the interests of the Bank and its shareholders by any Directors or Senior Management of the Bank in performing their duties.

II. Authenticity of the Financial Statements

The annual financial statements of the Bank have been audited by PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers in accordance with the CAS and the ISAs, respectively. Standard and unqualified auditors' reports have been issued accordingly. The financial statements of the Bank for the year truthfully, accurately and completely reflected the Bank's financial position and business performance.

III. Use of Proceeds from Fund-Raising Activities

During the Reporting Period, the use of proceeds from fund-raising activities was consistent with the use of proceeds stated in the prospectus of the Bank.

IV. Acquisition and Disposal of Assets

During the Reporting Period, as far as the Board of Supervisors was aware, there was no acquisition and disposal of assets of the Bank that involved insider transaction, would harm the interests of shareholders or resulted in any loss of assets of the Bank.

V. Related-Party Transactions

During the Reporting Period, the management of related-party transactions was in compliance with the relevant national laws, regulations and the Articles of Association. There was no act which would harm the interests of the Bank and its shareholders.

VI. Implementation of Resolutions Approved at Shareholders' General Meetings

The Board of Supervisors raised no objection to the reports and proposals submitted by the Board of Directors to the shareholders' general meetings for consideration and approval in 2023 and supervised the implementation of the resolutions approved at general meetings. The Board of Supervisors is convinced that the Board of Directors implemented the resolutions in real earnest.

VII. Internal Control

The Bank continued to strengthen and improve its internal control. The Board of Supervisors raised no objection to the Evaluation Report on Internal Control for 2023 (《2023年度内部控制評價報告》) of the Bank. During the Reporting Period, no material deficiencies were found in respect of the completeness, reasonableness and effectiveness of the internal control mechanism and system of the Bank.

VIII. Implementation of Information Disclosure

During the Reporting Period, the Board of Supervisors raised no objection to the implementation of information disclosure of the Bank. The Bank earnestly implemented the administrative rules for information disclosure and performed the obligation of information disclosure. No violation of laws and regulations was found in connection with information disclosure.

By Order of the Board of Supervisors
YANG Yu
Vice Chairman of the Board of Supervisors
28 March 2024

CHAPTER 9 ESG GOVERNANCE, ENVIRONMENTAL AND SOCIAL RESPONSIBILITIES

In 2023, the Bank gave full play to its own advantages, promoted the establishment of a high-level ESG management system, constantly improved the ESG governance structure, strengthened the practice of ESG philosophy, innovated ESG practice, fully integrated ESG into corporate governance and operation management, and continuously improved the level of ESG management.

The Bank attached great importance to the common value of all stakeholders, focused on key areas of ESG, continuously improved ESG management, and actively performed environmental and social responsibilities. For details of the performance of social responsibilities and ESG, please refer to the 2023 Social Responsibility Report (《2023年度社會責任報告》) and the 2023 Environmental, Social and Governance (ESG) Report (《2023年度環境、社會及管治(ESG)報告》), as well as the ESG section on the website of the Bank.

I. ESG Governance

The Board of the Bank attached great importance to ESG work, comprehensively supervised the implementation of ESG policies and plans to ensure the improvement of its sustainable development capability. It guided and supervised the Management to carry out ESG-related works by regularly considering ESG reports and social responsibility reports, discussing ESG matters, and paying attention to the inspection and evaluation results made by the ESG regulatory authorities and external auditing institutions. The Strategic Development and Consumer Rights Protection Committee of the Board took charge of considering issues on the performance of economic, environmental and social responsibilities, providing professional opinions and suggestions to the Board, regularly monitoring the implementation status of policies and plans, supervising the implementation effectiveness, and assisting the Board in supervising the Management to carry out ESG-related works.

The Bank continuously improved the ESG working mechanism to ensure proper management of business-related ESG risks and effective fulfillment of ESG responsibilities. The Bank pushed forward the ESG work from the perspective of strategic planning, and has built a three-level working mechanism including the “decision-making team, management team and implementation team”, among them, an ESG leading group has been set up with Chairman as the leader and President as the deputy leader, and an ESG working group composed of relevant departments was established, which managed, organised and executed ESG works from three aspects, namely overall planning, coordinated promotion and implementation.

During the Reporting Period, the Board considered and approved the 2022 Environmental, Social and Governance (ESG) Report and the 2022 Social Responsibility Report, specifying ESG management strategies, risk analysis, important matters and other contents. The Board, on the basis of fully understanding the results and progress of ESG work of the Bank, took the global best practices of other banks as the objectives of ESG work, and worked with the management team to carry out targeted improvements in key areas of ESG, including financing environment impact, consumer rights protection, green finance and business ethics, etc.

The Bank actively communicated with the stakeholders. By establishing a long-term communication mechanism, it understood the demands of stakeholders in a timely manner and made active responses. The ESG issues to which the stakeholders paid close attention were taken as the direction of actions and reference for information disclosure of the Bank. During the Reporting Period, to have an in-depth and comprehensive understanding of the feedback of internal and external stakeholders on the importance evaluation of ESG topics, the Bank conducted a special questionnaire survey among shareholders, institutional investors, customers, suppliers and employees. It invited the participants to evaluate the importance of ESG topics of the Bank from their own perspectives, and on the basis of investigations and researches, conducted substantial analysis and importance evaluation on the topics. These initiatives provided help and guidance for the Bank's ESG management and disclosure.

II. Performance of Environmental Responsibilities

The Bank paid high attention to environmental protection and climate change, took the initiative to recognise the risks and opportunities of policies related to "carbon peak and carbon neutrality" and green finance for the Bank, formulated goals for green finance, resolutely implemented the green development strategy, and constantly improved the green finance system. The philosophy of environmental protection and low carbon was incorporated into the procurement and operation process of the Bank so that the carbon footprint during operation was continuously reduced and the construction of ecological civilisation was further promoted.

The Bank closely followed green development and improved top-level design. During the Reporting Period, the Bank perfected and updated multiple ESG-related policies and systems, and established and perfected the mechanisms. In terms of green finance, the Bank implemented the Five-Year Development Plan for Green Finance of China Minsheng Bank (2021-2025) (《中國民生銀行綠色金融五年發展規劃(2021-2025)》) and other work deployments, formulated the Administrative Measures on Green Finance of China Minsheng Bank (《中國民生銀行綠色金融管理辦法》), and specified the green finance management system in which "the Board undertakes primary responsibility, the Senior Management is responsible for organising implementation, and multiple departments execute in a coordinated manner". The Bank regarded customers' ESG risk management as an important part of due diligence, review and approval, fund appropriation and disbursement, post-loan management and other links, proactively carried out risk management and control work to realise the full-process management of credit with ESG risks. The Bank clearly put forward the green credit development strategy and annual target in the Green Finance Credit Policy (《綠色金融信貸政策》). It clearly proposed to strengthen the management of ESG risks across the whole process of investment and financing in the Administrative Measures on Green Finance.

The Bank deployed green finance products to respond to climate change. The Bank actively promoted the deployment of green finance to support environment-friendly financing needs. It iterated the sustainable development and green finance product system to satisfy funds support needed for green development in all aspects. During the Reporting Period, on the basis of the “Peak and Neutrality (峰和)” series of green finance product system, the Bank further strengthened its support for key areas of green finance such as new energy and carbon emissions reduction, and supported product innovation and model innovation such as “Emission Reduction Loan” and “Photovoltaic Loan”. In terms of products for sustainable development, the Bank made breakthroughs in the businesses of green bonds and sustainable development-linked bonds to support project financing in the field of carbon emission reduction. It jointly launched innovative products such as “Farmer Photovoltaic (農戶光伏)” to support the low-carbon transformation of enterprises and farmers, and underwrote and issued the first targeted green carbon neutrality affordable housing bond. In its push to facilitate finance for transformation, the Bank held the “Carbon Peak and Carbon Neutrality for Iron and Steel Giants – Press Conference on Financial Service Solutions of China Minsheng Bank for the Iron and Steel Industry’s Low-carbon Transformation (鋼鐵巨人峰和綠轉——中國民生銀行鋼鐵行業低碳轉型金融服務方案發布會)”, in an effort to help iron and steel enterprises achieve green development and enhance ESG value in the three fields of “carbon free (無碳)” from the source, “carbon reduction (減碳)” during production and “carbon utilisation (活碳)” in the following stages. As at the end of the Reporting Period, the amount of energy conservation and emission reduction of green credit of the Bank was equivalent of saving 4,013.3 thousand tons of standard coal, and reducing emissions of 8,075.3 thousand tons of carbon dioxide equivalent, 381.0 thousand tons of chemical oxygen demand, 11.3 thousand tons of ammonia nitrogen, 220.3 thousand tons of sulfur dioxide and 253.3 thousand tons of nitrogen oxide, and saving 1,945.4 thousand tons of water.

The Bank carried out green operations to facilitate the achievement of “carbon peak and carbon neutrality” goals. The Bank implemented the philosophy of resource conservation and environmental protection throughout the whole process and all aspects of business operation, so as to attain an organic unity of economic benefits, social benefits and environmental protection benefits, and achieve sustainable development. The Bank has comprehensively built a green operation system, vigorously constructed the eco-bank and intelligent bank, and promoted the establishment of a multi-dimensional green operation service system. It consistently strengthened the innovation of online and smart ecological product models, and explored the launch of inclusive paperless financial products such as “Account Robot” and “Enterprise Cloud Counter”. The Bank also constantly updated online services, innovated online products, increased the number of monthly active users of online platforms and expanded the transaction scale of payment business, and cut down the consumption of resources by reducing the use of paper and personnel travel. The Bank practised the philosophy of green publicity, and has set up electronic advertising screens in all operating units, business outlets and office areas to play promotion videos of corporate image and businesses.

The Bank advocated green office and practised the philosophy of environmental protection. The Bank practised the philosophy of green and low-carbon sustainable development, promoted energy conservation, carbon reduction and emission reduction across various dimensions and links such as procurement and office work, and practised the philosophy of environmental protection. The Bank advocated green procurement, strengthened procurement management and supplier management, actively promoted the implementation of green procurement policies, pushed suppliers to improve their environmental and social risk management level, and worked with suppliers to assume social responsibilities. The Bank adhered to green office, strengthened awareness building in terms of system construction, philosophy publicity and implementation and other aspects, and took multiple measures to advocate conservation and recycling in water use, electricity use, catering, office supplies and other aspects. The Bank vigorously advocated its employees to practise green, environment-friendly, cyclic and sustainable development lifestyle. The Bank launched the collaborative office platform of “iMinsheng” and actively carried out digital, online and paperless office operation, and replaced more than 140 paper-based approval processes by online agile management. Meanwhile, the Bank encouraged and guided to put conferences online. During the Reporting Period, the Bank held a total of 272,710 online conferences, including 270,924 “iMinsheng” video conferences and 1,786 integrated video conferences.

III. Performance of Social Responsibilities

The Bank stuck to close integration of its own development with social progress, strove to provide digital, professional and integrated financial services to create a symbiotic, sharing and win-win ecosystem, and advanced the incorporation of ESG-related philosophy into business development, customer service, rural revitalisation, charity and public welfare.

The Bank provided high-quality services based on the values of “customer first”. The Bank upheld the values of “customer first” and attached great importance to customer services. During the Reporting Period, the Bank consistently optimised the layout of outlets, strengthened the deployment of community outlets, and further expanded the coverage of financial service channels to ensure that its financial services benefited more underdeveloped regions. The Bank also improved offline service networks. The Bank concentrated on elderly-friendly services and adopted dedicated design for the elderly across outlet, telephone, online banking and other channels. In terms of products, the Bank has built a financial service system of elderly care, actively provided customers with financial service solutions for elderly care, and improved the service quality and experience for elderly customers. The Bank cared for special groups. For example, the Hangzhou Branch established a pilot “Digital and Intelligent Interpretation Platform for Sign Language (手語姐姐數智翻譯平台)” that supported calling professional sign language interpreters through the lobby service pad, in a bid to assist those with hearing difficulties better communicate and express their needs for financial services. In terms of consumer rights protection, the Bank established fair product and service marketing policies, privacy protection policies and complaint management procedure to protect financial information, privacy and security of consumers and provide high-quality service experience.

The Bank served NSOEs and MSEs by implementing inclusive finance. The Bank fully supported the development of the real economy, gave full play to its advantages in serving NSOEs and MSEs, and provided financial support for the development of the real economy. The Bank enriched the inclusive credit product system, innovated and launched online credit products such as “Minsheng Benefits (民生惠)” unsecured loan and mortgage loan featuring active credit granting and smart decision-making mode. It created the “Honeycomb Plan” to support the batch development of customer groups with regional characteristics, developed digital “Agricultural Loan Express” and put online products related to agriculture, rural areas and farmers. The Bank focused on the in-depth management of inclusive finance customer groups, and continued to enhance inclusive financial service capabilities. The Bank created “Minsheng Small Business App (民生小微App)” 3.0, an exclusive pocket bank for MSEs, and provided customers with one-stop services around the three positionings of Minsheng financial assistant, Minsheng credit commissioner and Minsheng service commissioner. As at the end of the Reporting Period, the balance of small business loans of the Bank amounted to RMB791,220 million, representing an increase of RMB107,780 million, or 15.77%, as compared with the end of the previous year. The balance of inclusive small business loans amounted to RMB612,270 million, representing an increase of RMB63,220 million, or 11.51%, as compared with the end of the previous year. The number of users of “Minsheng Small Business App” exceeded 1.69 million. The amount of loans disbursed exceeded RMB360 billion in the year.

The Bank facilitated common prosperity by promoting rural revitalisation. The Bank consciously integrated itself into the national strategy to financially support rural revitalisation and facilitate common prosperity. In terms of business support, the Bank continued to increase financial supply and used the “Agricultural Chain Express” series of business as a carrier to create exclusive business model and product portfolio covering various scenarios across the agricultural industry chain. The Bank made full use of digital technology means, effectively addressed information asymmetry, low process efficiency, high financing price, poor availability and other issues in traditional rural financial services, and provided accessible high-quality services for individual farmers. In response to the needs of agricultural product export processing enterprises, the Bank developed an exclusive product solution of “E-Export Finance” to solve the financial difficulties of enterprises, effectively improving the efficiency of capital turnover and promoting the development of agricultural product export enterprises. In terms of rural revitalisation and paired assistance, the Bank carried out diversified assistance covering organisation, finance, industry, talent, culture, education, ecosystem and other aspects. Total amount of consumption assistance to the areas lifted out of poverty nationwide was RMB48.88 million, and the balance of loans granted to 832 state-level counties lifted out of poverty nationwide amounted to RMB44,302 million. The Bank continuously promoted economic development in areas lifted out of poverty and improved the quality of life of local residents. The Bank has provided paired assistance to Fengqiu County and Hua County in Henan Province for 22 consecutive years, and cumulatively donated more than RMB200 million free assistance fund and granted more than RMB1,200 million loans to the two counties. The Bank won the highest level of “Good” in the paired assistance assessment on the central unit for many consecutive years. During the Reporting Period, the Bank implemented 79 assistance projects and working mechanisms, provided free assistance fund of RMB37.53 million, introduced free assistance fund of RMB33.97 million and trained 18 thousand trainees from key groups for rural revitalisation, benefiting 23.6 thousand persons and strongly promoting local economic and social development.

The Bank delivered the warmth of Minsheng through charity and public welfare works. Adhering to the philosophy of sharing development results with the society, the Bank donated RMB124 million fund (including RMB32.7 million goods and materials) in 2023, benefiting more than 53 million persons. The Bank continued to carry out public welfare practices and supported the “AIDS Prevention and Control Programme” of China Red Ribbon Foundation for the 16th consecutive year. The Bank carried out the “Guangcai•Minsheng” Medical Care Programme for Children with Congenital Heart Disease (“光彩•民生”先天性心臟病患兒救治項目) for the 11th consecutive year, cumulatively donated RMB65 million and financially supported 1,165 children with congenital heart disease with free treatments. The Bank has implemented the “Power of Minsheng’s Love – ME Charity Innovation Funding Scheme (我決定民生愛的力量——ME創新資助計劃)” for nine consecutive years and cumulatively donated more than RMB100 million, funding 216 innovative public welfare projects and directly benefiting more than 290 thousand persons, with the projects covering fields including rural revitalisation, community development, educational support, health and well-being, ecological civilisation and other areas. The Bank also focused on biodiversity conservation by supporting multiple public welfare programmes including the “Protection Network for Saving Great Bustard (拯救大鵝保護網絡)” and “New Habitat Plan for Castor Fiber Birulai (蒙新河狸新家園計劃)”.

The Bank carried out cultural welfare works and served the society with arts. The Bank has remained committed to cultural welfare for 17 consecutive years. The six public welfare art institutions sponsored and operated by the Bank focused on serving national strategies and the public. The Bank meticulously planned the series of exhibitions of “Civilisation (文明)”, including “The Trace of Civilisation: The Great Art of Dunhuang (文明的印記: 敦煌藝術大展)”, “The Inheritance of Civilisation: The Great Art of Century-Old Masters (文明的傳承: 以啟山林——百年巨匠藝術大展)”, and “The Integration of Civilisation: Echoes of Camel Bells: Arts, Civilisations Along the Silk Roads (文明的融合: 駝鈴聲響——絲綢之路藝術大展)”. During the Reporting Period, the public welfare art institutions of the Bank cumulatively served 46 million public participants through online services. They organised 108 public education events involving 25 thousand participants online and offline. The Bank has successfully explored a distinctive cultural welfare path to serve the national strategy and the public.

During the Reporting Period, the ESG practices of the Bank were highly recognised by government authorities, authoritative organisations and mainstream media, and have won a range of honours, including having its annual ESG rating upgraded to AA (the highest in the domestic banking industry) by MSCI, an international authoritative index institution, becoming the first bank in China to elevate 2 levels in the ratings in one year; being recognised with the “2023 Best ESG Practices of Listed Companies (2023年上市公司ESG最佳實踐)” by China Association for Public Companies; getting on the list of “China’s ESG Pioneer 100 Listed Companies” by CCTV; being recognised as the “2023 Innovative and Excellent Institution of ESG Financial Service” by the Chinese Banker; and being rated AAA in the “List of Comprehensive ESG Performance of Banks (銀行ESG綜合表現榜單)” by China Banking and Insurance Media Company Limited. **In terms of environmental responsibilities**, during the Reporting Period, the Bank was granted a series of honours and awards, including the “Advanced Unit in Green Bank Evaluation” by the Professional Committee for the Green Credit Business of the China Banking Association, the “Low-carbon Role Model of 2023” by the China News Service, the “Zero Carbon Future • Green Finance ESG Innovative Practice Cases” by the wallstreetcn.com, and the “2023 Outstanding Green Finance Practice Bank” by The Economic Observer. **In terms of social responsibilities**, the Bank won the “Top Ten NSOEs” in the “Social Responsibility Development Index of Chinese Enterprises 2023 (2023中國企業社會責任發展指數民企十強)” (Top One in the Banking Industry) by Chinese Academy of Social Sciences and the “Strong Bull Award • ESG Carbon Peak and Carbon Neutrality Pioneer (犇牛獎•ESG雙碳先鋒)” in respect of social responsibility by the China Social Responsibility 100 Forum. The Social Responsibility Report has been rated “Five-Star (Excellent) (五星級(卓越))” by the Expert Committee for China Corporate Social Responsibility Report Rating for many consecutive years.

CHAPTER 10 MAJOR EVENTS

I. Material Litigation and Arbitration

During the Reporting Period, the Bank had no litigation or arbitration proceeding that had significant impact on its operations. As at the end of the Reporting Period, there were 2,573 pending litigations with disputed amount of over RMB1 million involving the Bank as plaintiff, with an involved amount of approximately RMB53,225 million, and 150 pending litigations involving the Bank as defendant, with an involved amount of approximately RMB3,800 million.

For litigation proceeding the Bank disclosed in interim announcements and the progress thereof during the Reporting Period, please refer to Announcement No. 2023-007, Announcement No. 2023-054 and Announcement No. 2023-059.

II. Purchase and Disposal of Assets and Mergers and Acquisitions

During the Reporting Period, the Bank had no material purchase and disposal of assets and mergers and acquisitions.

III. Material Contracts and Their Performances

The Bank participated in and won the bid for the land use right of Plot Z4 at Core Area of Beijing CBD in East Third Ring Road, Chaoyang District, Beijing. Currently, the major structure construction is under progress.

The Bank participated in and won the bid for the land use right of the granted parcel of land of Plot 2012-8 in the north of Headquarters Economic Zone in Donghai Sub-District, Quanzhou. The construction commenced in May 2016. The main part of the project officially passed the joint acceptance for completion of the Quanzhou Municipal Bureau of Housing and Urban-Rural Development on 5 July 2023. The second-round refined decoration passed the joint acceptance for completion of the Quanzhou Municipal Bureau of Housing and Urban-Rural Development on 14 December 2023 and passed the fire protection acceptance on 29 December 2023.

The Bank participated in and won the bid for the land use right of Plot G at the Strait Financial Business District on the south of Aofeng Road and the east of Aofeng Side Road in Taijiang District, Fuzhou. The basement structure construction was completed on 28 February 2023. The major structure was completed on 28 September 2023. Currently, the installation of mechanical and electrical equipment is in progress and the outer curtain wall is under construction.

The Phase I of Shunyi Headquarters in Beijing has been accepted for completion and put into operation. The settlement and auditing of the construction have been completed and the transfer of property ownership is in progress. As at the end of the Reporting Period, the determination of land premium had been completed. The curtain wall of the data centre has been fully completed. The installation of mechanical and electrical equipment in progress and the fire engineering is under construction currently.

IV. Major Guarantees

During the Reporting Period, no major guarantees of the Bank were required to be disclosed except for the financial guarantees provided within the business scope approved by the PBOC.

Specific Explanation and Independent Opinions of the Independent Directors Regarding External Guarantees of China Minsheng Banking Corp., Ltd.

In accordance with the Regulatory Guidelines for Listed Companies No. 8 – Regulatory Requirements for Fund Transactions and External Guarantees of Listed Companies (《上市公司監管指引第8號——上市公司資金往來、對外擔保的監管要求》) and relevant rules of the SSE, the Independent Directors of China Minsheng Banking Corp., Ltd. carried out an investigation on the external guarantees of the Bank in 2023 on an open, fair and objective basis. Specific explanation and independent opinions are issued as below:

Upon investigation, the external guarantee business carried out by the Bank in 2023 mainly involved issuance of letters of guarantee. It is a regular banking business within the business scope of the Bank approved by relevant regulatory authorities. The Bank attached great importance to the compliance and risk management of guarantee business. Based on risk characteristics of this business, the Bank has formulated and strictly implemented relevant operating process and approval procedures. As at 31 December 2023, the balance of letters of guarantee issued by the Bank amounted to RMB130,992 million. Such business was normally operated.

During the Reporting Period, no material illegal guarantee was found in the Bank.

Independent Directors
QU Xinjiu, WEN Qiuju, SONG Huanzheng,
YEUNG Chi Wai, Jason, CHENG Fengchao, LIU Hanxing
28 March 2024

V. Commitments by the Bank and Its Relevant Entities

According to the relevant rules of the CSRC, the Bank considered and approved the Proposal on Impacts on Dilution of Current Returns of the Non-public Issuance of Preference Shares and the Relevant Remedial Measures of China Minsheng Banking Corp., Ltd. (《關於中國民生銀行股份有限公司非公開發行優先股攤薄即期回報及填補措施的議案》) at the first extraordinary meeting for 2016 on 1 February 2016, in which remedial measures on the dilution of current returns that might arise from the non-public issuance of preference shares were formulated. These measures included strengthening capital management and optimising resources allocation, promoting the transformation of business model and management mechanism, enhancing comprehensive management and refined management, improving comprehensive risk management, and further increasing its corporate value. At the same time, the Directors and the Senior Management of the Bank also made commitments to effectively execute the remedial measures on current returns. During the Reporting Period, the Bank and the Directors and the Senior Management of the Bank did not violate any of the aforesaid commitments.

VI. Appointment of Accounting Firms

The 2022 Annual General Meeting of the Bank approved to engage PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers as the external auditors of the Bank, being the auditing firms responsible for domestic and international auditing of the Bank for 2023, respectively.

According to the terms of contracts, the total remuneration agreed between the Bank and the above auditors in respect of their audit services for the year, including (domestic and international) auditing of financial reports, review of interim report, agreed procedures for quarterly financial reports, internal control auditing and auditing of tier-2 capital bonds and financial bonds projects, amounted to RMB9.89 million, including a service fee of RMB1.0 million for the auditing of the effectiveness of internal control. At the same time, the total amount of non-audit business expenses paid to PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers in 2023 was approximately RMB7.17 million. PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers confirmed that such non-audit business did not compromise their audit independence.

As at the end of the Reporting Period, PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers have been providing audit services to the Bank for the fifth year. YAN Lin and ZHANG Honglei, the signing accountants, had provided services for the Bank for the fifth year.

VII. Material Related-Party Transactions

During the Reporting Period, there is no controlling relationship between the related parties of the Bank, and the related-party transactions of the Bank were mainly loans to shareholders and related parties. All loans to related parties were provided in compliance with relevant laws and regulations and according to the loan terms and approval procedures of the Bank. The loans did not have any adverse impacts on the operating results and financial position of the Bank. For other related-party transactions of the Group, please refer to Note 9 “Related parties” to the financial report.

In accordance with the rules 14A.49 and 14A.71 under Chapter 14A of the Hong Kong Listing Rules, the related-party transactions and the continuing related-party transactions of the Bank during the Reporting Period were as follows:

Continuing related-party transactions between the Bank and Dajia Life Insurance Co., Ltd. for agency sales of financial products

1. Details of the transactions

On 31 January 2023, the 31st meeting of the eighth session of the Board of the Bank considered and approved the Proposal on Entering into Business Cooperation Framework Agreement for Agency Sales of Financial Products between the Bank and Dajia Life Insurance Co., Ltd. (《關於本行與大家人壽保險股份有限公司簽署金融產品代理銷售業務合作框架協議的議案》). Within the limit of related-party transactions of the Group approved by the Board, the Bank entered into a business cooperation framework agreement for agency sales of financial products with Dajia Life Insurance Co., Ltd., with a term from 1 January 2023 to 31 December 2023. Pursuant to the agreement, subject to the laws and regulations, regulatory requirements and internal management policies, the Bank shall provide agency sales services of financial products to Dajia Life Insurance Co., Ltd., including agency sales of insurance products, and charge of service fees of agency sales. For the year from 1 January 2023 to 31 December 2023, the annual cap of the service fees was RMB350 million.

On 31 July 2023, the 38th meeting of the eighth session of the Board of the Bank considered and approved the Proposal on Entering into Supplementary Agreement on Business Cooperation Framework for Agency Sales of Financial Products between the Bank and Dajia Life Insurance Co., Ltd. (《關於本行與大家人壽保險股份有限公司簽署金融產品代理銷售業務合作框架補充協議的議案》). Within the limit of related-party transactions of the Group approved by the Shareholders’ General Meeting, the Bank entered into a supplementary agreement on business cooperation framework for agency sales of financial products with Dajia Life Insurance Co., Ltd., adjusting the annual cap of the service fees for 2023 for the agency sales business of financial products from RMB350 million to RMB700 million, with a term from 1 January 2023 to 31 December 2023; adding the annual cap of the service fees for 2024 at RMB1,200 million, with a term from 1 January 2024 to 31 December 2024; adding the annual cap of the service fees for 2025 at RMB1,000 million, with a term from 1 January 2025 to 8 June 2025. As at 31 December 2023, the actual service fees incurred were RMB377 million.

The cooperation between the Bank and Dajia Life Insurance Co., Ltd. was beneficial for both parties to achieve sharing of resources and mutual complementing of advantages which in turn can further increase the Bank's incomes from its retail banking intermediary business. Entering into the business cooperation framework agreement and supplementary agreement can simplify the disclosure procedure and reduce compliance cost of the Bank.

As at the date of the agreement, Dajia Life Insurance Co., Ltd. held approximately 17.84% equity interests of the Bank, and was therefore a substantial shareholder of the Bank. Thus, Dajia Life Insurance Co., Ltd. constituted a related party of the Bank and the transactions between the Group and Dajia Life Insurance Co., Ltd. constituted continuing related-party transactions under the Hong Kong Listing Rules. As the highest applicable percentage ratio for the annual cap of the service fees receivable from Dajia Life Insurance Co., Ltd. under the business cooperation framework agreement for agency sales of financial products exceeded 0.1% but was less than 5%, the transactions constituted non-exempted continuing related-party transactions of the Bank, and were subject to the requirements on reporting and announcement but were exempted from the requirement for independent shareholders' approval under Chapter 14A of the Hong Kong Listing Rules. For details, please refer to the related-party transaction announcements of the Bank published on 31 January 2023 and 31 July 2023 on the HKEXnews website of the SEHK and the website of the Bank.

2. *Opinions of the Independent Directors*

The Independent Non-Executive Directors of the Bank have reviewed the continuing related-party transactions regarding the business cooperation with Dajia Life Insurance Co., Ltd. for agency sale services of financial products, and confirmed that the transactions were:

- (1) entered into in the day-to-day business of the Bank;
- (2) based on general or more favourable business terms; and
- (3) based on the provisions of agreement governing the relevant transactions, which were fair and reasonable, and in the overall interests of the Bank's shareholders.

3. Opinions of the auditors

Pursuant to rule 14A.56 of the Hong Kong Listing Rules, the Board engaged PricewaterhouseCoopers, the international auditor of the Bank, to perform relevant procedures on the continuing related-party transactions regarding the business cooperation with Dajia Life Insurance Co., Ltd. for agency sales of financial products according to Hong Kong Standard on Assurance Engagements 3000 “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” and with reference to the Practice Note 740 “Auditor’s Letter on Continuing Related-Party Transaction under the Hong Kong Listing Rules” issued by the Hong Kong Institute of Certified Public Accountants. The Board confirmed that the auditor has reported the results of its procedures to the Board. Regarding the disclosed continuing related-party transactions, nothing below has come to the attention of the auditor that:

- (1) the disclosed continuing related-party transactions have not been approved by the Board of the Bank;
- (2) for transactions involving the provision of goods or services by the Group, such transactions were not carried out, in all material aspects, in accordance with the pricing policies of the Group;
- (3) such transactions were not carried out, in all material aspects, in accordance with the relevant agreements governing such transactions;
- (4) the aggregate amount of such continuing related-party transactions has exceeded the annual caps prescribed by the Bank.

VIII. Repurchase, Sale or Redemption of Shares

Save as disclosed in this Annual Report, during the 12 months ended 31 December 2023, the Group had neither sold any securities of the Bank nor repurchased or redeemed any listed share of the Bank.

IX. Restriction Commitments Regarding Additional Shares for Shareholders with Shareholding of 5% or More in the Bank

Not applicable.

X. Administrative Penalties Imposed on the Bank and Directors, Supervisors, Senior Management and Controlling Shareholders of the Bank

During the Reporting Period, the Bank was not subject to any investigation by the competent authorities according to law due to suspected crime, nor was any of its Directors, Supervisors or Senior Management subject to mandatory measures according to law due to suspected crime; neither the Bank nor any of its Directors, Supervisors or Senior Management was subject to criminal penalty, nor was any of them subject to examination or administrative penalty by the CSRC, or subject to material administrative penalty by other competent authorities; none of the Directors, Supervisors or Senior Management of the Bank was detained by discipline inspection and supervision authorities due to severe violation of disciplines and laws or duty-related crimes, which then affected their performance of duties; none of the Directors, Supervisors or Senior Management of the Bank was subject to mandatory measures imposed by other competent authorities due to suspected illegalities and irregularities, which then affected their performance of duties; neither the Bank nor any of its Directors, Supervisors or Senior Management was subject to administrative regulatory measures imposed by the CSRC and disciplinary sanction imposed by stock exchanges.

XI. Integrity of the Bank, Controlling Shareholders and Ultimate Controllers

The Bank does not have any controlling shareholder or ultimate controller. Dajia Life Insurance Co., Ltd. is the largest shareholder. During the Reporting Period, the largest shareholder and its ultimate controller did not have any effective court ruling which was not implemented or any overdue debt in large amounts.

XII. Non-Operating Fund Occupation by Controlling Shareholders and Other Related Parties

The Bank does not have any controlling shareholder. Dajia Life Insurance Co., Ltd. is the largest shareholder. The Bank does not have any condition of non-operating fund occupation by the largest shareholder and its ultimate controller and other related parties.

XIII. External Guarantees

During the Reporting Period, the Bank did not enter into any guarantee contracts in violation of the external guarantee procedures prescribed by laws, administrative regulations and the CSRC.

FINANCIAL REPORTS

- I. Independent Auditor's Report
- II. Financial Statements for the Year 2023 (Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows)
- III. Notes to the Consolidated Financial Statements for the Year 2023
- IV. Unaudited Supplementary Financial Information for the Year 2023

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of China Minsheng Banking Corp., Ltd.
(incorporated in the People's Republic of China with limited liability)

Opinion

What we have audited

The consolidated financial statements of China Minsheng Banking Corp., Ltd. (the "Bank") and its subsidiaries (the "Group"), which are set out on pages 258 to 416, comprise:

- the consolidated statement of financial position as at 31 December 2023;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Key Audit Matters

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

Key audit matters identified in our audit are summarised as follows:

- Measurement of expected credit losses for loans and advances to customers and financial investments
- Consolidation of structured entities

Key Audit Matter

How our audit addressed the Key Audit Matter

Measurement of expected credit losses for loans and advances to customers and financial investments

Refer to Note 2.10, Note 3.2, Note 4.17 and Note 4.18 to the consolidated financial statements.

As at 31 December 2023, gross loans and advances to customers and accrued interest, as presented in the Group's consolidated statement of financial position, amounted to RMB4,420,701 million, for which the management recognized allowance for impairment losses of RMB97,444 million; total financial investments and accrued interest included for the purpose of expected credit loss measurement amounted to RMB1,953,334 million, for which the management recognized allowance for impairment losses of RMB12,386 million.

The balances of allowances for impairment losses for loans and advances to customers and financial investments represent the management's best estimates of expected credit losses ("ECL") at the reporting date by applying ECL models under IFRS 9: Financial Instruments.

We obtained an understanding of the management's internal control and assessment process of ECL measurement for loans and advances to customers, and financial investments, and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors.

We evaluated and tested the key internal controls relating to ECL measurement for loans and advances to customers, and financial investments, primarily including:

- (1) Governance over ECL models, including the selection, approval and application of modelling methodology; and the internal controls relating to the on-going monitoring and optimization of the models;
- (2) Internal controls relating to significant management judgments and assumptions, including the assessment and approval of portfolio segmentation, model selections, parameters estimation, identification of significant increase in credit risk, defaults and credit-impaired and forward-looking adjustments;

Key Audit Matters (continued)

Key Audit Matter

How our audit addressed the Key Audit Matter

Measurement of expected credit losses for loans and advances to customers and financial investments (continued)

The management assesses whether the credit risk of loans and advances to customers and financial investments have increased significantly since their initial recognition, and applies a three-stage impairment model to calculate their ECL. For corporate loans and financial investments in stages 1 and 2, and all personal loans, the management assesses allowance for impairment losses using the risk parameter modelling approach that incorporates key parameters, including probability of default, loss given default and exposure at default. For corporate loans and financial investments in stage 3, the management assesses allowance for impairment losses using discounted cash flows model.

The models of ECL involves significant management judgments and assumptions, primarily including:

- (1) Segmentation of business operations sharing similar credit risk characteristics, selection of appropriate models and determination of relevant key measurement parameters;
- (2) Criteria for determining whether or not there is a significant increase in credit risk, or a default and impairment loss is incurred;
- (3) Economic indicators for forward-looking measurement, and the application of economic scenarios and weightings;

- (3) Internal controls over the accuracy and completeness of key inputs used in the models;
- (4) Internal controls relating to estimated future cash flows and calculations of present values of such cash flows for corporate loans and financial investments in stage 3;
- (5) Internal controls over the information systems for ECL measurement;
- (6) Evaluation and approval of the measurement result of ECL for loans and advances to customers, and financial investments.

We involved our credit risk experts in relevant assessment. The substantive procedures we performed primarily included:

According to the risk characteristics of assets, we evaluated the reasonableness of segmentation of business operations. We assessed the appropriateness of the modelling methodologies adopted in ECL measurement by comparing with the industry practice. We also examined the ECL calculations on a sample basis, to test whether or not the models reflect the modelling methodologies documented by the management.

Key Audit Matters (continued)

Key Audit Matter

How our audit addressed the Key Audit Matter

Measurement of expected credit losses for loans and advances to customers and financial investments (continued)

- (4) The estimation of future cash flows for corporate loans and financial investments in stage 3.

The management established governance processes and internal controls for the measurement of ECL.

For the measurement of ECL, the management adopted complex models, used numerous parameters and data inputs, and applied significant management judgments and assumptions. In addition, the loans and advances to customers, financial investments and the related allowance for impairment losses involve significant amounts, and the measurement has a high degree of estimation uncertainty. In view of these reasons, we identified this as a key audit matter.

We have examined the accuracy of data inputs for the ECL models, and evaluated the reasonableness of the relevant parameters, covering: (i) examination of supporting information on a sample basis, including contractual information and borrowers' financial and non-financial information at historical and reporting date, which have been agreed with the underlying data used to generate probability of default and internal credit ratings, and assessment of the reasonableness of probability of default; (ii) assessment of the reasonableness of the loss given default using historical data and benchmarking against industry practices; and (iii) examination of borrowing contracts on a sample basis and assessment of the reasonableness of exposure at default.

We selected samples, in consideration of the financial information and non-financial information of the borrowers, relevant external evidence and other factors, to assess the appropriateness of the management's identification of significant increase in credit risk, defaults and credit-impaired.

For forward-looking measurements, we assessed management's selection of economic indicators and their analysis of correlation with the performance of the credit risk portfolios by using statistical techniques. We evaluated the reasonableness of the prediction of economic indicators by performing back-testing and comparing with available forecasts from third-party institutions. In addition, we performed sensitivity analysis on the economic indicators and weightings under different economic scenarios.

Key Audit Matters (continued)

Key Audit Matter

How our audit addressed the Key Audit Matter

Measurement of expected credit losses for loans and advances to customers and financial investments (continued)

For corporate loans and financial investments in stage 3, we examined, on a sample basis, forecasted future cash flows prepared by the management based on financial information of borrowers and guarantors, latest collateral valuations and other available information together with discount rates in supporting the computation of allowance for impairment losses.

Based on the procedures performed, we considered that the models, key parameters, significant judgement and assumptions adopted in ECL measurement together with the measurement results were acceptable.

Key Audit Matters (continued)

Key Audit Matter

How our audit addressed the Key Audit Matter

Consolidation of structured entities

Refer to Note 2.4(1), Note 3.5 and Note 7 to the consolidated financial statements.

Structured entities primarily included wealth management products, asset-backed securities, funds, trust plans and asset management plans invested, sponsored and managed by the Group.

As at 31 December 2023, the carrying amount of unconsolidated structured entities invested by the Group amounted to RMB366,258 million. In addition, as at 31 December 2023, the balances of wealth management products, funds and asset management plans sponsored and managed by the Group which were not included in the consolidated statement of financial position were RMB867,693 million and RMB107,869 million, respectively.

Management had determined whether the Group had control of certain structured entities based on the assessment of the Group's power over, its exposure to variable returns from its involvement with, and its ability to use its power to affect the amount of its returns from these structured entities.

The significant judgement exercised by management in assessing whether the Group had control of structured entities and the significant amount of such structured entities resulted in this matter being identified as a key area of audit focus.

We understood, evaluated and tested the Group's relevant key internal controls over consolidation assessment of structured entities. These included controls over management's assessment of the transaction structures and contractual terms, calculations of variable returns, as well as approval of the consolidation assessment results.

We selected samples of structured entities and performed the following tests:

- reviewed contracts and other supporting documents, analysed the Group's contractual rights and obligations in light of the transaction structures, and evaluated the Group's power over the structured entities.
- performed independent analysis and tests on the variable returns from the structured entities, including but not limited to commission income, asset management fees, the retention of residual income, and, if any, the liquidity and other support provided to the structured entities.
- assessed whether the Group acted as a principal or an agent, through analysis and assessment of the scope of the Group's decision-making authority over the structured entities, the remuneration to which the Group was entitled for asset management services, the Group's exposure to variability of returns from other interests in the structured entities, and the rights held by other parties in the structured entities.

Based on the procedures performed, we found management's consolidation judgement of these structured entities acceptable.

Other Information

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Ma Yui Man.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 28 March 2024

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2023

(Expressed in millions of Renminbi, unless otherwise stated)

	Note 4	Year ended 31 December	
		2023	2022
Interest income		267,126	262,937
Interest expense		(164,695)	(155,474)
Net interest income	1	102,431	107,463
Fee and commission income		25,476	25,470
Fee and commission expense		(6,240)	(5,196)
Net fee and commission income	2	19,236	20,274
Net trading gain	3	4,748	4,690
Net gain from investment securities	4	8,529	4,357
Including: disposals of financial assets measured at amortised cost		1,795	2,202
Net other operating income	5	2,447	2,435
Operating expenses	6	(52,807)	(52,602)
Credit impairment losses	7	(45,707)	(48,762)
Other impairment losses	8	(1,519)	(685)
Profit before income tax		37,358	37,170
Income tax expense	10	(1,372)	(1,393)
Net profit		35,986	35,777
Net profit attributable to:			
Equity holders of the Bank		35,823	35,269
Non-controlling interests		163	508
Earnings per share (expressed in RMB Yuan)			
Basic and diluted earnings per share	11	0.72	0.71

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

(Expressed in millions of Renminbi, unless otherwise stated)

	Note 4	Year ended 31 December	
		2023	2022
Net profit		35,986	35,777
Other comprehensive income of the year, net of tax	41	2,732	(846)
Items that will not be reclassified subsequently to profit or loss:			
Changes in fair value of equity instruments designated as measured at fair value through other comprehensive income		549	1,517
Items that may be reclassified subsequently to profit or loss:			
Financial assets at fair value through other comprehensive income		2,043	(2,824)
Changes in fair value		(48)	(521)
Allowance for impairment losses			
Effective hedging portion of gains or losses arising from cash flow hedging instruments		(18)	8
Exchange difference on translating foreign operations		206	974
Total comprehensive income of the year		38,718	34,931
Total comprehensive income attributable to:			
Equity holders of the Bank		38,365	34,143
Non-controlling interests		353	788

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

(Expressed in millions of Renminbi, unless otherwise stated)

	Note 4	31 December 2023	31 December 2022
ASSETS			
Cash and balances with central bank	12	390,367	338,552
Balances with banks and other financial institutions	13	129,678	88,705
Precious metals		28,285	25,167
Placements with banks and other financial institutions	14	172,778	182,434
Derivative financial assets	15	24,797	33,878
Financial assets held under resale agreements	16	35,773	3,010
Loans and advances to customers	17	4,323,908	4,072,982
Financial investments:	18		
– Financial assets at fair value through profit or loss		320,547	389,070
– Financial assets measured at amortised cost		1,531,024	1,363,589
– Financial assets at fair value through other comprehensive income		420,571	473,211
Long-term receivables	19	119,434	111,456
Property and equipment	20	60,490	58,896
Right-of-use assets	21(1)	13,279	13,146
Deferred income tax assets	22	54,592	55,701
Other assets	24	49,442	45,876
Total assets		7,674,965	7,255,673
LIABILITIES			
Borrowings from central bank		326,454	144,801
Deposits and placements from banks and other financial institutions	26	1,242,059	1,479,041
Financial liabilities at fair value through profit or loss	27	35,827	1,915
Borrowings from banks and other financial institutions	28	115,715	105,229
Derivative financial liabilities	15	29,276	32,675
Financial assets sold under repurchase agreements	29	191,133	104,140
Deposits from customers	30	4,353,281	4,051,592
Lease liabilities	21(2)	9,560	9,426
Provisions	31	1,787	2,456
Debt securities issued	32	675,826	648,107
Current income tax liabilities		1,392	5,040
Deferred income tax liabilities	22	214	236
Other liabilities	33	54,640	58,201
Total liabilities		7,037,164	6,642,859

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

As at 31 December 2023

(Expressed in millions of Renminbi, unless otherwise stated)

	Note 4	31 December 2023	31 December 2022
EQUITY			
Share capital	34	43,782	43,782
Other equity instrument		94,962	94,962
Including: Preference shares	35	19,975	19,975
Perpetual bonds	36	74,987	74,987
Reserves			
Capital reserve	34	58,149	58,149
Surplus reserve	38	58,805	55,276
General reserve	38	95,237	90,494
Other reserves	41	2,022	(612)
Retained earnings	38	271,645	257,877
Total equity attributable to equity holders of the Bank		624,602	599,928
Non-controlling interests	39	13,199	12,886
Total equity		637,801	612,814
Total liabilities and equity		7,674,965	7,255,673

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

Approved and authorised for issue by the Board of Directors on 28 March 2024.

Gao Yingxin
Chairman

Wang Xiaoyong
President (Acting)

Wen Qiuju
Director

 (Company Seal)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

(Expressed in millions of Renminbi, unless otherwise stated)

Attributable to equity shareholders of the Bank												
	Share capital	Other equity instrument	Reserves						Retained earnings	Total	Non-controlling interests	Total equity
			Capital reserve	Surplus reserve	General reserve	Investment revaluation reserve	Exchange reserve	Cash flow hedging reserve				
Note 4	34	35&36	34	38	38	41	41	41	38		39	
At 31 December 2022	43,782	94,962	58,149	55,276	90,494	(1,079)	466	1	257,877	599,928	12,886	612,814
(I) Net profit	-	-	-	-	-	-	-	-	35,823	35,823	163	35,986
(II) Other comprehensive income, net of tax	-	-	-	-	-	2,494	66	(18)	-	2,542	190	2,732
Total comprehensive income	-	-	-	-	-	2,494	66	(18)	35,823	38,365	353	38,718
(III) Profit distribution												
1. Appropriation to surplus reserve	-	-	-	3,529	-	-	-	-	(3,529)	-	-	-
2. Appropriation to general reserve	-	-	-	-	4,743	-	-	-	(4,743)	-	-	-
3. Cash dividends	-	-	-	-	-	-	-	-	(10,245)	(10,245)	(37)	(10,282)
4. Perpetual bond interest	-	-	-	-	-	-	-	-	(3,440)	(3,440)	-	(3,440)
(IV) Transfers within the owners' equity												
1. Other comprehensive income transferred to retained earnings	-	-	-	-	-	92	-	-	(92)	-	-	-
(V) Others												
1. Subsidiaries shares repurchased	-	-	-	-	-	-	-	-	(6)	(6)	(3)	(9)
At 31 December 2023	43,782	94,962	58,149	58,805	95,237	1,507	532	(17)	271,645	624,602	13,199	637,801

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the year ended 31 December 2023

(Expressed in millions of Renminbi, unless otherwise stated)

	Attributable to equity shareholders of the Bank												
	Reserves											Non-controlling interests	Total equity
	Share capital	Other equity instrument	Capital reserve	Surplus reserve	General reserve	Investment revaluation reserve	Exchange reserve	Cash flow hedging reserve	Retained earnings	Total			
Note 4	34	35&36	34	38	38	41	41	41	38		39		
At 31 December 2021	43,782	89,964	58,149	51,843	87,013	573	(181)	(7)	243,144	574,280	12,259	586,539	
(I) Net profit	-	-	-	-	-	-	-	-	35,269	35,269	508	35,777	
(II) Other comprehensive income, net of tax	-	-	-	-	-	(1,781)	647	8	-	(1,126)	280	(846)	
Total comprehensive income	-	-	-	-	-	(1,781)	647	8	35,269	34,143	788	34,931	
(III) Capital injection and deduction by equity holders													
1. Capital injection by other equity instrument holders	-	4,998	-	-	-	-	-	-	-	4,998	-	4,998	
(IV) Profit distribution													
1. Appropriation to surplus reserve	-	-	-	3,433	-	-	-	-	(3,433)	-	-	-	
2. Appropriation to general reserve	-	-	-	-	3,481	-	-	-	(3,481)	-	-	-	
3. Cash dividends	-	-	-	-	-	-	-	-	(10,202)	(10,202)	(129)	(10,331)	
4. Perpetual bond interest	-	-	-	-	-	-	-	-	(3,230)	(3,230)	-	(3,230)	
(V) Transfers within the owners' equity													
1. Other comprehensive income transferred to retained earnings	-	-	-	-	-	129	-	-	(129)	-	-	-	
(VI) Others													
1. Subsidiaries shares repurchased	-	-	-	-	-	-	-	-	(61)	(61)	(32)	(93)	
At 31 December 2022	43,782	94,962	58,149	55,276	90,494	(1,079)	466	1	257,877	599,928	12,886	612,814	

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

(Expressed in millions of Renminbi, unless otherwise stated)

	Year ended 31 December	
	2023	2022
Cash flows from operating activities:		
Profit before income tax	37,358	37,170
<i>Adjustments for:</i>		
– Credit impairment losses	45,707	48,762
– Other impairment losses	1,519	685
– Depreciation and amortisation	8,314	7,805
– Gains on disposal of property and equipment	(51)	(124)
– Losses from changes in fair value	2,726	8,089
– Net gains on disposal of investment securities	(9,061)	(9,707)
– Interest expense on debt securities issued	16,795	20,118
– Interest expense on lease liabilities	330	386
– Interest income from financial investments	(59,155)	(56,447)
Subtotal	44,482	56,737
<i>Changes in operating assets:</i>		
Net decrease in balances with central bank, banks and other financial institutions	10,022	829
Net decrease/(increase) in placements with banks and other financial institutions	15,731	(33,148)
Net increase in financial assets held under resale agreements	(32,747)	(1,649)
Net increase in loans and advances to customers	(283,409)	(144,656)
Net increase in financial assets held for trading purposes	(21,737)	(31,455)
Net increase in other operating assets	(24,680)	(16,380)
Subtotal	(336,820)	(226,459)
<i>Changes in operating liabilities:</i>		
Net increase/(decrease) in borrowings from central bank	180,427	(133,367)
Net increase in deposits from customers	289,476	217,766
Net (decrease)/increase in deposits and placements from banks and other financial institutions	(237,078)	185,579
Net increase in financial assets sold under repurchase agreements	87,001	67,415
Income tax paid	(4,604)	(9,212)
Net increase in other operating liabilities	50,792	7,814
Subtotal	366,014	335,995
Net cash generated from operating activities	73,676	166,273

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

For the year ended 31 December 2023

(Expressed in millions of Renminbi, unless otherwise stated)

		Year ended 31 December	
	Note 4	2023	2022
Cash flows from investing activities:			
Proceeds from sale and redemption of investments and investment income		1,437,468	1,035,119
Proceeds from disposal of property and equipment, intangible assets and other long-term assets		2,159	3,071
Cash payment for investments		(1,389,186)	(1,139,805)
Cash payment for purchase of property and equipment, intangible assets and other long-term assets		(8,677)	(10,712)
Net cash generated from investing activities		41,764	(112,327)
Cash flows from financing activities:			
Capital injection by holders of other equity instruments		–	4,998
Proceeds from issue of debt securities		1,021,482	836,972
Repayment of debt securities issued		(992,773)	(910,525)
Subsidiaries shares repurchased		(9)	(93)
Dividends paid and interest paid on debt securities issued		(28,729)	(20,636)
Interest paid on perpetual bonds		(3,440)	(3,230)
Cash payment in other financing activities		(3,791)	(3,691)
Net cash generated from financing activities		(7,260)	(96,205)
Effect of exchange rate changes on cash and cash equivalents		851	7,146
Net increase/(decrease) in cash and cash equivalents		109,031	(35,113)
Cash and cash equivalents at 1 January		128,305	163,418
Cash and cash equivalents at 31 December	42	237,336	128,305

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

(Expressed in millions of Renminbi, unless otherwise stated)

1 GENERAL INFORMATION

China Minsheng Banking Corp., Ltd. (the “Bank”) is a national joint-stock commercial bank established in the People’s Republic of China (the “PRC”) on 7 February 1996 with the approval of the State Council of the PRC and the People’s Bank of China (“PBOC”).

The Bank obtained the financial service certificate No. B0009H111000001 as approved by the China Banking and Insurance Regulatory Commission (The former “CBIRC”) (In 2023, the regulator was renamed as the National Financial Regulation Administration, The “NFRA”); and the business license as approved by the Beijing Administration for Industry and Commerce; the unified social credit code is No. 91110000100018988F.

The Bank’s A Shares and H Shares are listed in the Shanghai Stock Exchange and the Stock Exchange of Hong Kong Limited, the stock codes are 600016 and 01988, respectively.

In these consolidated financial statements for the year ended 31 December 2023, China mainland refers to the PRC excluding the Hong Kong Special Administrative Region of the PRC (“Hong Kong”), the Macau Special Administrative Region of the PRC (“Macau”) and Taiwan. Abroad of China refers to Hong Kong, Macau, Taiwan and other countries. Overseas refers to areas of other countries and regions, outside mainland China, Hong Kong, Macau, and Taiwan.

The Bank and its subsidiaries (collectively the “Group”) mainly provide corporate and personal banking, treasury business, financial leasing, fund and asset management, investment banking and other financial services in the PRC.

As at 31 December 2023, the Bank had 42 tier-one branches and 33 subsidiaries.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES

The accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated.

2.1 Basis of preparation

(1) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board (“IFRS Accounting Standards”). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance (Cap.622) for this financial year and the comparative period.

(2) Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of consideration given in exchange for assets and that is received (or in some circumstances the amount expected to be paid) with respect to liabilities.

The preparation of financial statements in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.2 Standards and amendments effective in 2023 relevant to and adopted by the Group

In current period, the Group has adopted the following IFRS Accounting Standards and amendments issued by the International Accounting Standards Board ("IASB").

Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax Related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12	International Tax Reform – Pillar Two Model Rules
Amendments to IFRS 17	Insurance Contracts

Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies

The IASB issued amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies. The amendments provide guidance to help entities apply materiality judgements to accounting policy disclosures. The amendments replace the requirement for entities to disclose their "significant" accounting policies with a requirement to disclose their "material" accounting policies. The amendments add guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

Amendments to IAS 8: Definition of Accounting Estimates

The IASB issued amendments to IAS 8: Definition of Accounting Estimates. The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. It introduces a new definition of "accounting estimates". The amendments are designed to clarify distinction between changes in accounting estimates and changes in accounting policies and correction of errors.

Amendments to IAS 12: Deferred Tax Related to Assets and Liabilities arising from a Single Transaction

The IASB issued amendments to IAS 12: Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction. The amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations and will require the recognition of additional deferred tax assets and liabilities. The amendments should be applied to transactions that occur on or after the beginning of the earliest comparative period presented.

Amendments to IAS 12: International Tax Reform – Pillar Two Model Rules

The IASB issued amendments to IAS 12: International Tax Reform – Pillar Two Model Rules. The amendments give companies temporary relief from accounting for deferred taxes arising from the Organisation for Economic Co-operation and Development's ("OECD") international tax reform. The Group has adopted the relief for deferred taxes under the amendments.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.2 Standards and amendments effective in 2023 relevant to and adopted by the Group (continued)

Amendments to IFRS 17: Insurance Contracts

IFRS 17 Insurance Contracts was issued in May 2017 and will be effective from 1 January 2023. IFRS 17 established principles for the recognition, measurement, presentation, and disclosure of insurance contracts. The main impacts are as follows:

- IFRS 17 requires that insurance contracts subject to similar risks and managed together shall be included in one portfolio, and each portfolio is further divided into groups of contracts mainly based on factors including profitability of each contract. The unit of account for the recognition and measurement of insurance contracts is each individual group of contracts.
- Investment components are no longer included in insurance revenue or insurance service expenses.
- Under IFRS 17, estimated future profits for a group of insurance contracts are recognized as the contractual service margin within insurance contract liabilities. Such unearned profits will be released and recognized as insurance revenue over the coverage period of the insurance contracts as services are provided.
- IFRS 17 requires the discount rates used in the measurement of insurance contract liabilities shall be consistent with observable current market prices. On the initial application of IFRS 17, the Group is allowed to reassess the classification of financial assets in accordance with IFRS 9. In addition, the Group has an option to present the changes in the measurement of selected insurance contract liabilities due to changes in time value money and other financial risks in other comprehensive income.

The adoption of the above amendments did not have material impact on the Group's consolidated financial statements.

2.3 Standards and amendments relevant to the Group that are not yet effective in current year and have not been adopted before their effective dates by the Group

In current year, the Group has not adopted the following new or amended standards issued by the IASB and the IFRS Interpretations Committee ("IFRIC"), that have been issued but are not yet effective.

<u>Standards/Amendments</u>		<u>Effective date</u>
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture	The effective date has now been deferred.
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to IAS 1	Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants	1 January 2024
Amendments to IAS 7 and IFRS 7	Supplier finance arrangements	1 January 2024
Amendments to IAS 21	Lack of Exchangeability	1 January 2025

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.3 Standards and amendments relevant to the Group that are not yet effective in current year and have not been adopted before their effective dates by the Group (continued)

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture

The amendments address an inconsistency between IFRS 10 and IAS 28 in the sale or contribution of assets between an investor and its associate or joint venture.

A full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if those assets are in a subsidiary.

Amendments to IFRS 16: Lease Liability in a Sale and Leaseback

IFRS 16 Amendments introduce a new accounting model for variable payments and will require seller-lessees to reassess and potentially restate sale-and-leaseback transactions entered into since 2019. The amendments confirm the following: On initial recognition, the seller-lessee includes variable lease payments when it measures a lease liability arising from a sale-and-leaseback transaction. After initial recognition, the seller-lessee applies the general requirements for subsequent accounting of the lease liability such that it recognises no gain or loss relating to the right of use it retains.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants

Amendments made to IAS 1 Presentation of Financial Statements in 2020 and 2022 clarified that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the entity's expectations or events after the reporting date (e.g. the receipt of a waiver or a breach of covenant).

Covenants of loan arrangements will not affect classification of a liability as current or non-current at the reporting date if the entity must only comply with the covenants after the reporting date. However, if the entity must comply with a covenant either before or at the reporting date, this will affect the classification as current or non-current even if the covenant is only tested for compliance after the reporting date.

Amendments to IAS 7 and IFRS 7: Supplier finance arrangements

Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments clarify the characteristics of supplier finance arrangements (SFAs) and require additional disclosure of such arrangements. The objective of the new disclosures is to provide information about SFAs that enables investors to assess the effects on an entity's liabilities, cash flows and the exposure to liquidity risk.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.3 Standards and amendments relevant to the Group that are not yet effective in current year and have not been adopted before their effective dates by the Group (continued)

Amendments to IAS 21: Lack of Exchangeability

Amendments to IAS 21 elaborated the definitions of exchangeable, that is when an entity is able to exchange that currency for the other currency at the measurement date and for a specified purpose. When a currency is not exchangeable, an entity needs to estimate the spot exchange rate to reflect the rate at which an orderly exchange transaction would take place at the measurement date between market participants under prevailing economic conditions.

The Group anticipates that the adoption of the above amendments will not have material impact on the Group's consolidated financial statements.

2.4 Consolidation

(1) Basis of consolidation

The consolidated financial statements include the financial statements of the Bank and its subsidiaries as well as structured entities controlled by the Group. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Income and expense of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the date of acquisition or up to the date on which control ceases, respectively.

Adjustments are made to the financial statements of subsidiaries, where appropriate, to consistently reflect the accounting policies of the Group.

All intra-group transactions, balances and unrealized gains on transactions are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset.

Non-controlling interests of consolidated subsidiaries are presented separately from the controlling party's equity therein.

The carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Further, total comprehensive income of a subsidiary is attributed, based on the proportion of their respective holdings, to the equity holders of the Bank and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

In the Bank's statement of financial position, its investments in subsidiaries are stated at cost, less impairment losses, if any.

(2) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair value of the assets transferred by the Group, liabilities incurred or assumed by the Group, and any equity interests issued by the Group. Acquisition related costs are recognized in the consolidated income statement as incurred.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.4 Consolidation (continued)

(2) *Business combinations (continued)*

At the acquisition date, irrespective of non-controlling interests, the identifiable assets acquired and liabilities and contingent liabilities assumed are recognized at their fair values; except that deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with IAS 12 – Income Taxes and IAS 19 – Employee Benefits, respectively.

Goodwill is measured as the excess of the difference between (i) the consideration transferred, the fair value of any non-controlling interests in the acquiree, and the fair value of the Group's previously held equity interest in the acquiree (if any) and (ii) the net fair value of the identifiable assets acquired and the liabilities and contingent liabilities incurred or assumed.

Non-controlling interests that represent ownership interests in the acquiree, and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are accounted for at either fair value or the non-controlling interests' proportionate share in the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

(3) *Goodwill*

Goodwill represents the excess of the cost of an acquisition less the fair value of the Group's share of the net identifiable assets of acquired subsidiaries and associates at the date of acquisition. Goodwill on acquisitions of subsidiaries is presented separately in the consolidated statement of financial position. Goodwill on acquisition of associates is included in investment in associates.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units ("CGU") or groups of CGUs that is expected to benefit from the synergies of the business combination.

A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

A CGU to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the CGU, which is the higher of fair value less costs to sell and value in use, is less than its carrying amount, the deficit, reflecting an impairment loss, is allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to the other assets of the CGU on a pro-rata basis, based on the carrying amount of each asset in the CGU. Any goodwill impairment loss is recognized directly in the consolidated income statement. An impairment loss recognized for goodwill is not reversed in subsequent periods.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.4 Consolidation (continued)

(4) *Investment in associate*

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but does not constitute control or joint control over those policy decisions.

The post-acquisition profit or loss of an associate is incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investment in an associate is initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of loss of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further loss. Additional loss is recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

At the end of each reporting period, the Group considers whether there are circumstances that indicate the possibility of impairment of the Group's investment in an associate; when that is the case, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 – Impairment of Assets, as a single asset by comparing its recoverable amount (the higher of fair value less costs to sell and value in use) with its carrying amount, any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of an impairment loss is recognized, to the extent that the recoverable amount of the investment subsequently increases.

When an entity in the Group transacts with the Group's associate, profits and losses resulting from the transaction are recognized in the Group's consolidated financial statements only to the extent of the interest in the associate that are not related to the Group. Unrealized losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

2.5 Interest income and expenses

Interest income and expenses of financial instruments are calculated using the effective interest method and included in the current profit and loss.

For specific accounting policies related to the interest income of financial assets and the interest expense of financial liabilities, please refer to the Note 2.10(4) Subsequent measurement of financial instruments.

2.6 Fee and commission income

Fee and commission income is recognized when the Group fulfils its performance obligation, either over time or at a point in time when a customer obtains control of the service.

For the performance obligations satisfied at a point in time, the Group recognizes revenue when control is passed to the customer at a certain point in time, including insurance agency fee, merchant acquiring service fee, settlement and clearing services and bond underwriting fee, etc. For the performance obligations satisfied over time, the Group recognizes revenue according to the progress toward satisfaction of the obligation over the time, including consultancy and advisory fee and custodial fee, etc.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.7 Foreign currency translations

The functional currency of the Domestic Operations is Chinese Renminbi ("RMB"). The presentation currency of the Group and the Bank is RMB.

In preparing the financial statements of each individual Group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (*i.e. the currency of the primary economic environment in which the entity operates*) at the rates of exchange prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items *carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined*. Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognized in the consolidated income statement in the period in which they arise, except for the following:

- (1) Exchange differences arising on a monetary item that forms part of the Bank's net investment in the Overseas Operations;
- (2) Changes in the fair value of monetary assets denominated in foreign currency classified as financial investments at fair value through other comprehensive income are analyzed between translation differences resulting from changes in the amortized cost of the monetary assets and other changes in the carrying amount. Translation differences related to changes in the amortized cost are recognized in the consolidated income statement, and other changes in the carrying amount are recognized in other comprehensive income.

Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the consolidated income statement for the period except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which cases, the exchange differences are also recognized directly in other comprehensive income.

For the purpose of presenting the consolidated financial statements, the assets and liabilities of the Group's Overseas Operations are translated into the presentation currency of the Group at the rates of exchange prevailing at the end of the reporting period, and their income and expenses are translated at exchange rates at the date of the transactions, or a rate that approximates the exchange rates of the date of the transaction. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity under the foreign currency translation reserve and non-controlling interests, as appropriate. The accumulated foreign currency translation reserve related to the Overseas Operations will be reclassified from equity to the consolidated income statement on disposal of all or part of the Overseas Operations.

2.8 Income tax

Current income tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantially enacted at the end of each reporting period, and any adjustment to tax payable in respect of previous periods.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax also arises from unused tax losses and unused tax credits. A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.8 Income tax (continued)

At the end of each reporting period, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled according to the requirements of tax laws. The Group also considers the possibility of realisation and the settlement of deferred tax assets and deferred tax liabilities in the calculation.

Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if the Group has the legally enforceable right to offset current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity. Otherwise, the balances of deferred tax assets and deferred tax liabilities, and movements therein, are presented separately from each other and are not offset.

Current income tax and movements in deferred tax balances are recognised in profit or loss except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

2.9 Employee benefits

(1) *Short-term employee benefits*

In the reporting period in which an employee has rendered services, the Group recognises the short-term employee benefits payable for those services as a liability with a corresponding increase in the expenses in the consolidated statement of profit or loss, including salaries, bonuses, allowance, staff welfare, medical insurance, employment injury insurance, maternity insurance, housing funds as well as labour union fee and staff and workers' education fee.

(2) *Post-employment benefits-defined contribution plans*

The Group's post-employment benefits are primarily the payments for basic pension fund and unemployment insurance related to government mandated social welfare programs, as well as the annuity scheme established. The contribution amounts to the basic pension plan and unemployment insurance program are calculated based on the benchmarks and ratios stipulated by the state. In accordance with relevant annuity policies of the state, the Bank and some subsidiaries have also established supplementary defined contribution retirement plans, or annuity plans, for their qualified employees.

Contributions to the post-employment benefits plans are recognised in the consolidated income statement for the period in which the related payment obligation is incurred.

2.10 Financial instruments

(1) *Initial recognition, classification and measurement of financial instruments*

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

For purchases or sales of financial assets in a regular way, the related assets and liabilities are recognized or sold assets are derecognized at the trade date, along with the recognition of gains or losses on disposal and the receivables due from the buyer. The trade date is the date on which the Group commits to purchase or sell the financial asset.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.10 Financial instruments (continued)

(1) Initial recognition, classification and measurement of financial instruments (continued)

At initial recognition, the Group measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss.

(a) Financial assets

Financial assets are classified in the following measurement categories based on the Group's business model for managing the asset and the cash flow characteristics of the assets:

Amortized cost ("AC");

Fair value through other comprehensive income ("FVOCI"); or

Fair value through profit or loss ("FVPL").

The business model reflects how the Group manages the assets in order to generate cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of "other" business model and measured at FVPL. Factors considered by the Group in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows represent solely payments of principal and interest ("SPPI"). In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic leading risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic leading arrangement, the related financial asset is classified and measured at fair value through profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are SPPI.

The classification requirements for debt instruments and equity instruments are described as below:

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds etc. Classification and measurement of debt instruments depend on the Group's business models for managing the financial asset and the cash flow characteristics of the financial asset.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.10 Financial instruments (continued)

(1) *Initial recognition, classification and measurement of financial instruments (continued)*

(a) *Financial assets (continued)*

Based on these factors, the Group classifies its debt instruments into one of the following three measurement categories:

- AC: Financial assets that are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and the contractual terms give rise on specified dates to cash flows that are SPPI on the principal amount outstanding, and that are not designated at FVPL, are measured at amortized cost.
- FVOCI: Financial assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling the assets; and the contractual terms give rise on specified dates to cash flows that are SPPI, and that are not designated at FVPL, are measured at FVOCI.
- FVPL: Financial assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL.

The Group may also irrevocably designate financial assets at FVPL if doing so significantly reduces or eliminates a mismatch created by assets and liabilities being measured on different bases.

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Examples of equity instruments include basic ordinary shares.

The Group subsequently measures all equity investments at FVPL, except where the Group's management has elected, at initial recognition, to irrevocably designate an equity investment at FVOCI.

(b) *Financial liabilities*

The Group's financial liabilities are classified into financial liabilities at amortized cost and financial liabilities carried at FVPL on initial recognition. Financial liabilities at FVPL is applied to derivative financial liabilities, financial liabilities held for trading and financial liabilities designated as such at initial recognition.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.10 Financial instruments (continued)

(1) Initial recognition, classification and measurement of financial instruments (continued)

(b) Financial liabilities (continued)

The Group may, at initial recognition, irrevocably designate a financial liability as measured at fair value through profit or loss when doing so results in more relevant information, because either:

- It eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- A group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the Group is provided internally on that basis to the entity's key management personnel.
- The financial liability contains one or more embedded derivatives which significantly modify the cash flows otherwise required.

Financial liabilities arising from the transfer of financial assets which did not qualify for derecognition or when the continuing involvement approach applies, whereby a financial liability is recognized for the consideration received for the transfer. In subsequent periods, the Group recognizes any expenses incurred on the financial liability; In applying the continued involvement approach of accounting for the measurement of the transferred liability, please refer to the Note 2.10(7) Derecognition of financial assets.

(2) Reclassification of financial assets

When the Group changes the business model for managing its financial assets, it shall reclassify all affected financial assets, and apply the reclassification prospectively from the reclassification date. The Group does not restate any previously recognized gains, losses (including impairment gains or losses) or interest. Reclassification date is the first day of the first reporting period following the change in business model that results in the Group reclassifying financial assets.

(3) Determination of fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

For financial instruments traded in active markets, the determination of fair values of financial assets and financial liabilities is based on quoted market prices. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive. Indications that a market is inactive are when there is a wide bid-offer spread or significant increase in the bid-offer spread or there are few recent transactions.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.10 Financial instruments (continued)

(3) *Determination of fair value (continued)*

For financial instruments not traded in active markets, fair value is determined using appropriate valuation techniques. Valuation techniques include the use of recent transaction prices in an orderly transaction, fair value of other financial instruments that are substantially the same, discounted cash flow analysis, option pricing models and others commonly used by market participants. When measuring the asset or liability at fair value, the Group shall use valuation techniques that are appropriate in the circumstances and for which sufficient data and other information are available to measure fair value, select inputs that are consistent with the characteristics of the asset or liability that market participants would take into account in a transaction for the asset or liability. These valuation techniques include the use of observable and/or unobservable inputs, and observable inputs are preferred.

(4) *Subsequent measurement of financial instruments*

Subsequent measurement of financial instruments depends on the categories:

(a) *Amortized cost*

The amortized cost is the amount at which the financial asset or financial liability is measured at initial recognition: (i) minus the principal repayments; (ii) plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount; (iii) for financial assets, adjusted for any loss allowance.

Interest income and interest expenses from these financial assets and liability is included in “interest income” and “interest expenses” respectively using the effective interest rate method.

Effective interest method is used in the calculation of the amortised cost of a financial asset or a financial liability and in the allocation and recognition of the interest income or interest expense in profit or loss over the relevant period. Effective interest rate is that exactly discounts estimated future cash flows through the expected life of a financial asset or financial liability to the gross carrying amount of a financial asset or the amortised cost of a financial liability. When calculating effective interest rate, the Group estimates the expected cash flows by considering all contractual terms of the financial instrument but does not consider expected credit losses. The calculation includes all amounts paid or received by the Group that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets and is included in “Interest income”, except for:

- POCI financial assets, whose interest income is calculated, since initial recognition, by applying the credit-adjusted effective interest rate to their amortized cost. Credit-adjusted effective interest rate is that exactly discounts the estimated future cash flows through the expected life of the financial asset to the amortised cost of a financial asset that is a purchased or originated credit-impaired financial asset;
- Financial assets that are not POCI but have subsequently become credit-impaired, whose interest income is calculated by applying the effective interest rate to their amortized cost (i.e. net of the expected credit loss provision). If, in a subsequent period, the financial assets improve their qualities so that they are no longer credit-impaired and the improvement in credit quality is related objectively to a certain event occurring after the application of the above-mentioned rules, then the interest income is calculated by applying the effective interest rate to their gross carrying amount.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.10 Financial instruments (continued)

(4) *Subsequent measurement of financial instruments (continued)*

(b) *Fair value through other comprehensive income*

Debt instruments

Movements in the carrying amount are taken through other comprehensive income ("OCI"), except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortized cost which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss. Interest income from these financial assets is included in "Interest income" using the effective interest rate method.

Equity instruments

The equity instrument investments that are not held for trading are designated as FVOCI. When this election is used, fair value gains and losses are recognized in OCI and are not subsequently reclassified to profit or loss, including on disposal. Dividends, when representing a return on such investments, continue to be recognized in profit or loss as investment income when the Group's right to receive payments is established.

(c) *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are stated at fair value and a gain or loss on a financial assets that is measured at fair value should be recognised in profit or loss.

(d) *Financial liabilities at fair value through profit or loss*

Financial liabilities at FVPL are measured at fair value with all gains or losses recognized in the profit or loss of the current period, except for financial liabilities designated as at fair value through profit or loss, where gains or losses on the financial liabilities are treated as follows:

- changes in fair value of such financial liabilities due to changes in the Group's own credit risk are recognized in other comprehensive income; and
- other changes in fair value of such financial liabilities are recognized in profit or loss of the current period. If the accounting of changes in the credit risk of the financial liabilities in accordance with the above paragraph will create or enlarge accounting mismatches in profit or loss, the Group recognizes all gains or losses on such financial liabilities (including amounts arising from changes in its own credit risk) in the profit or loss of the current period.

When the liabilities designated as at fair value through profit or loss is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to retained earnings.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.10 Financial instruments (continued)

(5) *Impairment of financial instruments*

The Group assesses on a forward-looking basis the ECL associated with its debt instrument assets carried at amortized cost and FVOCI and exposures arising from some loan commitments and financial guarantee contracts.

ECL is the weighted average of credit losses with the respective risks of a default occurring as the weights. Credit loss is the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, which are all cash shortfalls, discounted at the original effective interest rate (or credit-adjusted effective interest rate for POCI financial assets).

The Group measures ECL of a financial instrument reflects:

- (a) An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- (b) The time value of money; and
- (c) Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

For financial instruments whose impairment losses are measured using the ECL models, the Group assesses whether their credit risk has increased significantly since their initial recognition, and applies a three-stage impairment model to calculate their impairment allowance and recognize their ECL, as follows:

Stage 1: If the credit risk has not increased significantly since its initial recognition, the financial asset is included in stage 1.

Stage 2: If the credit risk has increased significantly since its initial recognition but is not yet deemed to be credit-impaired, the financial instrument is moved to Stage 2. The description of how the Group determines when a significant increase in credit risk has occurred is disclosed in Note 10.2(3).

Stage 3: If the financial instrument is credit-impaired, the financial instrument is then moved to Stage 3. The definition of credit-impaired financial assets is disclosed in Note 10.2(3).

Financial instruments in Stage 1 have their ECL measured at an amount equivalent to the ECL of the financial asset for the next 12 months ("12m ECL"). Financial instruments in Stage 2 or Stage 3 have their ECL measured at an amount equivalent to the ECL over the lifetime of the financial instruments ("Lifetime ECL"). The description of inputs, assumptions and estimation techniques used in measuring the ECL is disclosed in Note 10.2(3).

The Group applies the impairment requirements for the recognition and measurement of a loss allowance for debt instruments that are measured at FVOCI. The loss allowance is recognized in other comprehensive income and the impairment loss is recognized in profit or loss, and it should not reduce the carrying amount of the financial asset in the statement of financial position.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.10 Financial instruments (continued)

(5) *Impairment of financial instruments (continued)*

If the Group has measured the loss allowance for a financial instrument other than POCI at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that the credit risk on the financial instruments has increased significantly since initial recognition is no longer met, the Group measures the loss allowance at an amount equal to 12-month expected credit losses at the current reporting date and the amount of expected credit losses reversal is recognized in profit or loss. For POCI financial assets, at the reporting date, the Group only recognizes the cumulative changes in lifetime expected credit losses since initial recognition.

(6) *Modification of loans*

The Group sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. When this happens, the Group assesses whether the new terms are substantially different to the original terms.

If the terms are substantially different, the Group derecognizes the original financial asset and recognizes a new asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for *impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred*. However, the Group also assesses whether the new financial asset recognized is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognized in profit or loss as a gain or loss on derecognition.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Group recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognizes a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate (or credit-adjusted effective interest rate for POCI financial assets).

(7) *Derecognition of financial assets*

Financial asset is derecognized when one of the following conditions is met: (i) the Group's contractual rights to the cash flows from the financial asset expire; (ii) the financial asset has been transferred and the Group transfers substantially all of the risks and rewards of ownership of the financial asset; or (iii) the financial asset has been transferred, although the Group neither transfers nor retains substantially all of the risks and rewards of ownership of the financial asset, it does not retain control over the transferred asset.

The financial asset has been transferred, if the Group neither transfers nor retains substantially all the risks and rewards of the asset, and retains control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset, whereby the related liabilities is recognized accordingly.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and, where applicable, the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in the consolidated income statement.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.10 Financial instruments (continued)

(8) *Derecognition of financial liabilities*

A financial liability (or a part of a financial liability) is removed when the obligation specified in the contract is discharged or cancelled or expires in whole or in part. An exchange between the Group and lender of debt instruments with substantially different terms shall be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, shall be recognized in profit or loss.

(9) *Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. A financial instrument is an equity instrument if, and only if, both conditions (i) and (ii) below are met:

- (i) The financial instrument includes no contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; and
- (ii) If the financial instrument will or may be settled in the Group's own equity instruments, it is a non-derivative instrument that includes no contractual obligations for the Group to deliver a variable number of its own equity instruments; or a derivative that will be settled only by the Group exchanging a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

Equity instruments issued by the Group are recorded at the fair value of proceeds received, net of direct issuance expenses.

(10) *Derivative financial instruments*

Derivatives are initially recognized at fair value at the date a derivative contract is entered into and are subsequently re-measured at their fair value at the end of the reporting period. The resulting gain or loss is recognized in the consolidated income statement.

(11) *Embedded derivative financial instruments*

Certain derivatives are embedded in hybrid contracts, such as the conversion option in a convertible bond. If the hybrid contract contains a host that is a financial asset, then the Group assesses the entire contract as described in the financial assets section above for classification and measurement purposes. Otherwise, the embedded derivatives are treated as separate derivatives when:

- (a) Their economic characteristics and risks are not closely related to those of the host contract;
- (b) A separate instrument with the same terms would meet the definition of a derivative; and
- (c) The hybrid contract is not measured at fair value through profit or loss.

These embedded derivatives are separately accounted for at fair value, with changes in fair value recognized in the consolidated income statement unless the Group chooses to designate the hybrid contracts at fair value through profit or loss.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.10 Financial instruments (continued)

(12) Hedge accounting

The Group uses cash flow hedge accounting and fair value hedge accounting. The Group documents, at inception, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. The Group assesses the hedge effectiveness both at hedge inception and on an ongoing basis.

(a) Cash flow hedge

Cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability (such as all or some future interest payments on variable rate debt) or a highly probable forecast transaction that could ultimately affect the profit or loss.

The effective portion of changes in the fair value of hedging instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in equity in the "other comprehensive income". The ineffective portion is recognised immediately in the profit or loss. Amounts accumulated in equity are reclassified to the profit or loss in the same periods when the hedged item affects the profit or loss.

When a hedging instrument expires or is sold, or the hedge designation is revoked or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss on the hedging instrument existing in equity at that time remains in equity and is reclassified to the profit or loss when the forecast transaction ultimately occurs. When a forecast transaction is no longer expected to occur, the cumulative gain or loss existing in other comprehensive income is immediately transferred to the profit or loss.

(b) Fair value hedge

Fair value hedge is a hedge of the exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect profit or loss.

The changes in fair value of hedging instruments that are designated and qualify as fair value hedges are recorded in profit or loss, together with the changes in fair value of the hedged item attributable to the hedged risk. The net difference is recognised as ineffectiveness in the profit or loss.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity. If the hedged item is de-recognised, the unamortised carrying value adjustment is recognised immediately in the profit or loss.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.10 Financial instruments (continued)

(13) Offsetting financial assets and financial liabilities

When the Group has a legal right to set off the recognized amounts and the legal right is currently enforceable, and the Group intends either to settle on a net basis, or to realize the financial asset and settle the financial liability simultaneously, financial assets and liabilities are offset and the net amount presented in the consolidated statement of financial position. Besides, financial assets and liabilities shall be settled respectively but not offset each other. The legally enforceable right of set-off must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

(14) Financial assets held under repurchase agreement, financial assets sold under resale agreements and securities lending

Financial assets transferred as collateral in connection with repurchase agreements, involving fixed repurchase dates and prices, are not derecognized. They continue to be recorded as investments classified as financial assets before sale or loan. The corresponding liability is included in financial assets sold under repurchase agreements. The items which are not derecognized are disclosed in Note 6.3 Contingent Liabilities and Commitments – Collateral.

Consideration paid for financial assets held under agreements to resell are recorded as Financial assets held under resale agreements, the related financial assets accepted is not recognized in the consolidated statement of financial position (Note 6.3 Contingent Liabilities and Commitments – Collateral).

The difference between the purchase and sale price is recognized as interest expense or income over the term of the agreements using the effective interest method.

Securities lending transactions are generally secured, with collateral taking the form of securities or cash. Securities lent to counterparties by the Group are recorded in the consolidated financial statements. Securities borrowed from counterparties by the Group are not recognised in the consolidated financial statements of the Group. Cash collateral received or advanced is recognised as a liability or an asset in the consolidated financial statements.

2.11 Precious metals

Precious metals comprise gold, silver and other precious metals.

Precious metals that are related to the Group's trading activities are initially recognized at fair value, with changes in fair value arising from re-measurement recognized directly in the consolidated income statement in the period in which they arise.

2.12 Property and equipment

Property and equipment including buildings held for use in the supply of services, or for administrative purpose (other than construction in progress) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any. When the costs attributable to the land use rights cannot be reliably measured and separated from that of the building at inception, the costs are included in the cost of buildings and recorded in property and equipment.

Subsequent expenditure incurred for the property and equipment (other than construction in progress) is included in the cost of the property and equipment (other than construction in progress) if it is probable that economic benefits associated with the asset will flow to the Group and the subsequent expenditure can be measured, and the carrying amount of the replaced part is derecognized. Other subsequent expenditure is recognized in the consolidated income statement in the period in which they are incurred.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.12 Property and equipment (continued)

Depreciation is recognized as a component of operating expenses in the consolidated income statement so as to recognize the consumption of the economic value of property and equipment (other than construction in progress), less their estimated residual values, over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation rates are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The useful lives, estimated residual value rates and annual depreciation rates of each class of property and equipment are as follows:

	Estimated useful lives	Estimated net residual value	Annual depreciation rates
Buildings	5 – 30 years	5%	3.17% – 19.00%
Operating equipment	3 – 20 years	5%	4.75% – 31.67%
Scientific and technological equipment	3 – 10 years	5%	9.50% – 31.67%
Transportation facility	5 years	5%	19.00%
Other fixed assets	5 – 30 years	5%	3.17% – 19.00%

Properties in the course of construction for supply of services or administrative purposes are carried at cost, as *construction in progress*, less any impairment loss. *Construction in progress* is reclassified to the appropriate category of property and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property and equipment, commences when the assets are ready for their intended use.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from its continued use. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in other operating income or operating expenses in the consolidated income statement. The accounting policies of impairment of property and equipment are included in Note 2.19 Impairment of tangible and intangible assets other than goodwill.

2.13 Land use rights

Land use rights are classified in right-of-use assets and amortized over a straight-line basis over their authorized useful lives.

2.14 Foreclosed assets

Foreclosed financial assets are initially recognized at fair value, and foreclosed non-financial assets are initially measured at the fair value of the waived creditors' rights and other costs such as taxes directly attributable to the assets. At the end of each reporting period, foreclosed non-financial assets are measured at the lower of their carrying amount and fair value less costs to sell. When the fair value less costs to sell is lower than a foreclosed non-financial asset's carrying amount, an impairment loss is recognized in the consolidated income statement.

When a foreclosed asset is disposed, the difference between the disposal proceeds and the carrying amount is recognised in profit or loss.

When a foreclosed asset needs to be transferred for own use, it is transferred at its carrying amount including the impairment allowance at the transition day.

The Group disposes of foreclosed assets through various means. In principle, foreclosed assets should not be transferred for own use, but, in the event that they are needed for the Group's own business or management purposes, they are managed as newly acquired property and equipment.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.15 Investment property

Investment property is property held to earn rental income or for capital appreciation, or both.

Investment property is initially measured at its acquisition cost. Subsequent expenditure incurred for the investment property is included in the cost of the investment property if it is probable that economic benefits associated with the asset will flow to the Group and the subsequent expenditure can be measured reliably. Other subsequent expenditure is recognized in the consolidated income statement in the period in which they are incurred.

Investment properties are measured using the cost model. Depreciation and amortization is recognized the same way as property and equipment and land use rights.

The accounting policies of impairment of investment property are included in Note 2.19 Impairment of tangible and intangible assets other than goodwill.

Where an impairment loss subsequently reverses, the carrying amount of the investment property is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount had no impairment loss been recognized. A reversal of an impairment loss is recognized in the consolidated income statement.

When an investment property is sold, transferred, retired or damaged, the Group recognizes the amount of any proceeds on disposal, net of the carrying amount and related expenses, in the consolidated income statement.

2.16 Leases

Lease is a contract or part of a contract that conveys the right to use an asset for a period of time in exchange for consideration.

(1) Lessee

The Group recognized the right-of-use assets at the commencement date, and recognized the lease liabilities at the present value of the outstanding lease payments. Lease payments include fixed payments, the amounts expected to be payable by the Group if the Group is reasonably certain to exercises a purchase option or an option to terminate the lease.

The right-of-use assets of the Group include buildings, land use rights, office equipment and others. The right-of-use assets of the Group are measured at costs, which include the amount of the initial measurement of lease liabilities, any lease payments made at or before the commencement date, any initial direct costs and less any lease incentives received. If the Group could reasonably determine the ownership of the leased asset when the lease term expires, the right-of-use assets are depreciated over the asset's remaining useful life. Otherwise, the right-of-use assets are depreciated over the shorter period of the asset's useful life and the lease term on a straight-line basis. When the recoverable costs of right-of-use assets are lower than the carrying amount, the value of right-of-use assets will be decreased down to the recoverable costs.

Short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss instead of the right-of-use asset or lease liabilities. Short-term leases are leases with a lease term of 12 months or less. Leases of low value assets are the underlying assets are of low value when new.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.16 Leases (continued)

(2) Lessor

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. An operating lease is a lease other than a finance lease.

(a) Operating leases

The Group recognises lease payments from operating leases as income on a straight-line basis when the Group lease out owned buildings, machineries and equipment as well as motor vehicles.

(b) Finance leases

At the commencement date, the Group recognises finance lease receivables with the finance lease asset derecognized. The finance lease receivables are recorded as long-term receivables in the consolidated statement of financial position.

2.17 Cash and cash equivalents

Cash and cash equivalents include cash at bank and on hand, unrestricted balances held with central banks and highly liquid financial assets with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value.

2.18 Intangible assets

Intangible assets acquired separately and with finite useful lives are carried at cost less accumulated amortization and any accumulated impairment loss. Amortization for intangible assets with finite useful lives is recognized on a straight-line basis over their estimated useful lives which generally range from 5 to 20 years.

Intangible assets with indefinite useful lives are not amortized, but are subject to annual impairment assessment.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated income statement.

2.19 Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized in the consolidated income statement.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount had no impairment loss been recognized. A reversal of an impairment loss is recognized in the consolidated income statement.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.20 Dividend/Interest distribution

Dividend distribution to the Bank's ordinary equity holders is recognized as a liability in the Group's and the Bank's financial statements in the period in which the dividends are approved by the ordinary equity holders in the annual general meeting of the Bank.

As authorized by the ordinary equity holders in the annual general meeting, the Board of Directors has the sole discretion to declare and distribute dividends on preference shares or interests on perpetual bonds. Preference shares dividend or perpetual bonds interest distribution is recognized as a liability in the Group's and the Bank's financial statements in the period in which the dividends or interests are approved by the Board of Directors of the Bank.

2.21 Provisions

Provisions are recognized when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

2.22 Fiduciary activities

The Group acts as a custodian, trustee and in other fiduciary capacities to safeguard assets for customers in accordance with custody agreements between the Group and securities investment funds, social security funds, insurance companies, trust companies, qualified foreign institutional investors, annuity schemes and other institutions and individuals. The Group receives fees in return for its services provided under the custody agreements and does not have any interest in the economic risks and rewards related to assets under custody. Therefore, assets under custody are not recognized in the Group's consolidated statement of financial position.

The Group conducts entrusted lending arrangements for its customers. Under the terms of entrusted loan arrangements, the Group grants loans to borrowers, as an intermediary, according to the instruction of its customers who are the lenders providing funds for the entrusted loans. The Group is responsible for the arrangement and collection of the entrusted loans and receives a commission for the services rendered. As the Group does not assume the economic risks and rewards of the entrusted loans and the funding for the corresponding entrusted funds, they are not recognized as assets and liabilities of the Group.

2.23 Financial guarantee contracts and loan commitments

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due, in accordance with the terms of a debt instrument.

Financial guarantees are initially recognized at fair value on the date the guarantee was given. Subsequent to initial recognition, the Group's liabilities under such guarantees are measured at the higher of the initial amount, less amortization of guarantee fees, and the expected credit loss provision required to settle the guarantee. Any increase in the liability relating to guarantees is taken to the consolidated income statement.

The impairment allowance of loan commitments provided by the Group is measured using ECL models. The Group has not provided any commitment to provide loans at a below-market interest rate, or that can be settled net in cash or by delivering or issuing another financial instrument.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.23 Financial guarantee contracts and loan commitments (continued)

For loan commitments and financial guarantee contracts, the loss allowance is recognized as a provision. However, for contracts that include both a loan and an undrawn commitment and the Group cannot separately identify the expected credit losses on the undrawn commitment component from those on the loan component, the expected credit losses on the undrawn commitment are recognized together with the loss allowance for the loan. To the extent that the combined expected credit losses exceed the gross carrying amount of the loan, the expected credit losses are recognized as a provision.

2.24 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognized because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognized, but disclosed, unless the possibility of an outflow of resources embodying economic benefits is probable. The Group's contingent liabilities are disclosed in Note 6 Contingent liabilities and commitments.

A provision is recognized when it meets the criteria as set forth in Note 2.21 Provisions.

2.25 Operating segments

The Group determines its operating segments on the basis of its internal organisational structure, management requirements and internal reporting practices.

An operating segment is a component of the Group that meets all the following requirements: (i) it engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses relating to transactions with other components of the Group; (ii) its operating results are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and (iii) separate financial information is available. The operating segments that meet the specified criteria have been aggregated, and the operating segment that meets quantitative thresholds have been reported separately.

2.26 Preference shares and perpetual bonds

Preference shares issued by the Group contain no contractual obligation to deliver cash or another financial asset; or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Group. Preference shares issued are non-derivative instruments that will be settled in the Group's own equity instruments, but includes no contractual obligation for the Group to deliver a variable number of its own equity instruments. The Group classifies preference shares issued as an equity instrument. Fees, commissions and other transaction costs of preference shares issuance are deducted from equity.

Perpetual bonds issued by the Group contain no contractual obligation to deliver cash or another financial asset; or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Group. Perpetual bonds issued include no terms and arrangements that the bonds must or will alternatively be settled in the Group's own equity instruments. The Group classifies perpetual bonds issued as an equity instrument. Fees, commissions and other transaction costs of perpetual bonds issuance are deducted from equity.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.27 Materiality

Financial Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

The Group assesses whether the financial information is material depending on the nature and magnitude, or both, considering entity-specific situation. When considering the nature of the information, the Group considers whether the nature of such information is related to normal operating activity, whether it has significant impact on the Group's financial position, operating results, and cash flows. When considering the magnitude of the information, the Group considers the proportion of such information of total assets, total liabilities, total equity, total operating income, total operating expenses, profit after tax, total other comprehensive income, and respective financial statement line items.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In the application of the Group's accounting policies, which are described in Note 2, management is required to make judgments, estimates and assumptions that affect the carrying amounts of assets and liabilities. The estimates and related assumptions are based on historical experience and other relevant factors including reasonable expectations for future events.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in future periods as appropriate.

The following are the critical judgments and key estimates management has made in the process of applying the Group's accounting policies that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve months.

3.1 Classification of financial assets

The critical judgments the Group has made in determining the classification of financial assets include analysis of business models and characteristics of contractual cash flows.

The Group determines the business model for managing financial assets at the level of financial asset portfolio. The factors considered include how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

When assessing whether the contractual cash flow of financial assets is consistent with the basic lending arrangement, the Group has the following main judgments: Whether the principal may be subject to *change in the duration or amount of money due to prepayments during the duration*; whether interests only included time value of money, credit risk, other basic borrowing risks, and considerations for costs and profits. For example, whether the amount paid in advance reflect only the outstanding principal and interest on the outstanding principal, as well as reasonable compensation for early termination of the contract.

3.2 Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets measured at amortized cost and FVOCI and for exposures arising from some loan commitments and financial guarantee contracts, is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (the possibility of default of customers and expected losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in Note 10.2 Credit risk.

3.3 Fair value of financial instruments

The Group uses valuation techniques to estimate the fair value of financial instruments which are not quoted in an active market. These valuation techniques include the use of recent transaction prices of the *same or similar instruments, discounted cash flow analysis and generally accepted pricing models*. To the extent practical, market observable inputs and data, such as interest rate yield curves, foreign currency rates and implied option volatilities, are used when estimating fair value through a valuation technique. Where market observable inputs are not available, they are estimated using assumptions that are calibrated as closely as possible to market observable data. However, areas such as the credit risk of the Group and the counterparty, liquidity, volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the estimated fair value of financial instruments.

3.4 Taxes

There are certain transactions and activities in the ordinary course of the Group's business for which the ultimate tax effect is uncertain. The Group made certain estimation and judgement for items of uncertainty in the application of tax legislations, taking into account existing tax legislation and past practice of tax authorities. Where the final tax outcome of these matters is different from the amounts that were initially estimated, based on management's assessment, such differences will affect the current income tax and deferred income tax during the period in which such a determination is made.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

3.5 Consolidation of structured entities

Where the Group acts as asset manager of or investor in structured entities, the Group makes significant judgement on whether the Group controls and should consolidate these structured entities. When performing this assessment, the Group assesses the Group's contractual rights and obligations in light of the transaction structures, and evaluates the Group's power over the structured entities, performs analysis and tests on the variable returns from the structured entities, including but not limited to commission income and asset management fees earned as the asset manager, the retention of residual income, and, if any, the liquidity and other support provided to the structured entities. The Group also assesses whether it acts as a principal or an agent through analysis of the scope of its decision-making authority over the structured entities, the remuneration to which it is entitled for asset management services, the Group's exposure to variability of returns from its other interests in the structured entities, and the rights held by other parties in the structured entities.

3.6 Derecognition of financial assets

In its normal course of business, the Group transfers its financial assets through various types of transactions including regular way sales and transfers, securitization, financial assets sold under repurchase agreements, securities lending etc. The Group applies significant judgement in assessing whether it has transferred these financial assets which qualify for a full or partial derecognition.

Where the Group enters into structured transactions by which it transfers financial assets to structured entities, the Group analyses whether the substance of the relationship between the Group and these structured entities indicates that it controls these structured entities to determine whether the Group needs to consolidate these structured entities. This will determine whether the following derecognition analysis should be conducted at the consolidated level or at the entity level from which the financial assets are transferred.

The Group analyses the contractual rights and obligations in connection with such transfers to determine whether the derecognition criteria are met based on the following considerations:

- whether it has transferred the rights to receive contractual cash flows from the financial assets or the transfer qualifies for the "pass through" of those cash flows to independent third parties.
- the extent to which the associated risks and rewards of ownership of the financial assets are transferred. Significant judgment is applied in the Group's estimation with regard to the cash flows before and after the transfers and other factors that affect the outcomes of Group's assessment on the extent that risks and rewards are transferred.
- where the Group has neither retained nor transferred substantially all of the risks and rewards associated with their ownership, the Group analyses whether it has relinquished its controls over these financial assets by assessing whether the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer, and if the Group has continuing involvement in these transferred financial assets. Where the Group has not retained control, it derecognizes these financial assets and recognizes separately as assets or liabilities any rights and obligations created or retained in the transfer. Otherwise the Group continues to recognize these financial assets to the extent of its continuing involvement in the financial asset.

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4.1 Net interest income

	Year ended 31 December	
	2023	2022
Interest income arising from:		
Loans and advances to customers	186,571	186,386
Including: Corporate loans and advances	94,860	87,091
Personal loans and advances	86,975	93,061
Discounted bills	4,736	6,234
Financial investments	59,155	56,447
Including: Financial assets measured at amortised cost	46,598	43,673
Financial assets at fair value through other comprehensive income	12,557	12,774
Long-term receivables	6,992	6,799
Placements with banks and other financial institutions	6,541	5,742
Balances with central bank	4,886	5,034
Financial assets held under resale agreements	1,620	1,970
Balances with banks and other financial institutions	1,361	559
Subtotal	267,126	262,937
Interest expense arising from:		
Deposits from customers	(98,301)	(93,254)
Deposits and placements from banks and other financial institutions	(36,623)	(30,208)
Debt securities issued	(16,795)	(20,118)
Borrowings from central bank	(5,195)	(6,651)
Borrowings from banks and other financial institutions and others	(4,486)	(3,391)
Financial assets sold under repurchase agreements	(2,965)	(1,466)
Lease liabilities	(330)	(386)
Subtotal	(164,695)	(155,474)
Net interest income	102,431	107,463
Of which:		
Interest income from impaired loans and advances to customers	1,517	1,091

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4.2 Net fee and commission income

	Year ended 31 December	
	2023	2022
Fee and commission income from		
Bank card services	11,029	10,909
Agency services	5,888	5,469
Custodian and other fiduciary services	4,855	5,960
Settlement services	1,968	1,619
Credit commitments	1,085	1,207
Others	651	306
Subtotal	25,476	25,470
Fee and commission expense	(6,240)	(5,196)
Net fee and commission income	19,236	20,274

4.3 Net trading gain

	Year ended 31 December	
	2023	2022
Net gains from interest rate products	3,284	1,193
Net (losses)/gains from foreign-exchange and foreign exchange products	(131)	2,228
Others	1,595	1,269
Total	4,748	4,690

4.4 Net gain from investment securities

	Year ended 31 December	
	2023	2022
Financial assets at fair value through profit or loss	4,452	(191)
Financial assets at fair value through other comprehensive income	1,942	2,346
Financial assets measured at amortised cost	1,795	2,202
Others	340	—
Total	8,529	4,357

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4.5 Net other operating income

	Year ended 31 December	
	2023	2022
Operating leases income	4,043	4,436
Government subsidies	718	533
Operating leases costs	(2,593)	(2,505)
Others	279	(29)
Total	<u>2,447</u>	<u>2,435</u>

4.6 Operating expenses

	Year ended 31 December	
	2023	2022
Staff costs, including directors' emoluments		
– Salaries, bonuses, allowances and subsidies payables	29,372	29,004
– Post-employment benefits-defined contribution plan	2,804	2,451
Depreciation and amortisation	6,346	5,896
Short-term lease expenses, low-value lease expenses and property management expenses	1,035	912
Tax and surcharges		
– Urban Maintenance Construction Tax	846	860
– Educational fee surcharge	382	386
– Other	745	627
Office expenses, business expenses and others	11,277	12,466
Total	<u>52,807</u>	<u>52,602</u>

4.7 Credit impairment losses

	Year ended 31 December	
	2023	2022
Loans and advances to customers	39,816	41,695
Financial assets measured at amortised cost	3,843	4,038
Financial assets at fair value through other comprehensive income	420	370
Long-term receivables	1,184	1,900
Other receivables	857	472
Others	(413)	287
Total	<u>45,707</u>	<u>48,762</u>

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4.8 Other impairment losses

	Year ended 31 December	
	2023	2022
Foreclosed assets	1,090	571
Others	429	114
Total	<u>1,519</u>	<u>685</u>

4.9 Directors and supervisors' emoluments

(1) *The aggregate of the emoluments before individual income tax in respect of the directors and supervisors who held office during the year is as follows:*

For the year ended 31 December 2023 (in thousands of RMB)

	Year ended 31 December 2023			
	Basic salaries, allowances and other benefits	Contributions to pension schemes	Discretionary bonus	Total
Gao Yingxin ⁽ⁱ⁾⁽ⁱⁱ⁾	3,619	116	—	3,735
Zhang Hongwei	935	—	—	935
Lu Zhiqiang	933	—	—	933
Liu Yonghao	935	—	—	935
Zheng Wanchun ^(iv)	3,210	116	—	3,326
Shi Yuzhu	815	—	—	815
Wu Di	155	—	—	155
Song Chunfeng ⁽ⁱⁱⁱ⁾	—	—	—	—
Weng Zhenjie	885	—	—	885
Yang Xiaoling	735	—	—	735
Zhao Peng	855	—	—	855
Xie Zhichun ^(iv)	960	—	—	960
Peng Xuefeng ^(iv)	915	—	—	915
Qu Xinjiu	925	—	—	925
Wen Qiuju ^(iv)	355	—	—	355
Song Huanzheng ^(iv)	245	—	—	245
Yeung Chi Wai ^(iv)	143	—	—	143
Yuan Guijun ^(iv)	2,956	116	—	3,072
Zhang Juntong ^(iv)	2,954	116	—	3,070
Yang Yu ⁽ⁱ⁾⁽ⁱⁱ⁾	2,359	116	—	2,475
Lu Zhongnan	790	—	—	790
Li Yu	795	—	—	795
Wang Yugui ^(iv)	785	—	—	785
Zhao Fugao ⁽ⁱⁱⁱ⁾	—	—	—	—
Zhang Liqing	735	—	—	735
Gong Zhijian	1,977	116	—	2,093
Liu Jipeng ^(iv)	810	—	—	810
Li Hancheng ^(iv)	818	—	—	818
Liu Ningyu ^(iv)	770	—	—	770

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4.9 Directors and supervisors' emoluments (continued)

(1) The aggregate of the emoluments before individual income tax in respect of the directors and supervisors who held office during the year is as follows: (continued)

- (i) The Bank defers part of the performance remuneration of the Executive Directors, the Chairman and the Vice-chairman of the Supervisory Board, which is not included in the above disclosure. Refer to Note 9 for deferred payment matters.
- (ii) The emoluments before tax of the Executive Directors, the Chairman and Vice Chairman are pending for the approval of the Compensation and Remuneration Committee of the Board of Directors, the Bank will make further disclosure upon approval. The amount of the emoluments not accrued is not expected to have significant impacts on the Group's 2023 financial statements.
- (iii) During the Reporting Period, Mr. Song Chunfeng has not received remuneration as a Director, and Mr. Zhao Fugao has not received remuneration as a Supervisor.
- (iv) On 9 June 2023, Ms. Wen Qiuju was elected as an Independent Non-Executive Director of the Bank, and her qualification was approved by the NFRA in August 2023. Mr. Liu Ningyu ceased to serve as an Independent Non-Executive Director of the Bank due to the expiration of his term of office.

On 9 June 2023, Mr. Song Huanzheng was elected as an Independent Non-Executive Director of the Bank, and his qualification was approved by the NFRA in August 2023. Mr. Li Hancheng ceased to serve as an Independent Non-Executive Director of the Bank due to the expiration of his term of office.

On 9 June 2023, Mr. Yeung Chi Wai, Jason was elected as an Independent Non-Executive Director of the Bank, and his qualification was approved by the NFRA in October 2023. Mr. Liu Jipeng ceased to serve as an Independent Non-Executive Director of the Bank due to the expiration of his term of office.

On 9 June 2023, Mr. Cheng Fengchao was elected as an Independent Non-Executive Director of the Bank, and his qualification was approved by the NFRA in February 2024. Mr. Peng Xuefeng ceased to serve as an Independent Non-Executive Director of the Bank due to the expiration of his term of office.

On 9 June 2023, Mr. Liu Hanxing was elected as an Independent Non-Executive Director of the Bank, and his qualification was approved by the NFRA in March 2024. Mr. Xie Zhichun ceased to serve as an Independent Non-Executive Director of the Bank due to the expiration of his term of office.

On 12 March 2024, Mr. Zheng Wanchun resigned from the positions of a Vice Chairman, an Executive Director and President of the Bank, as well as a member of the Strategic Development and Consumer Rights Protection Committee and the Risk Management Committee of the Board due to retirement upon reaching the prescribed age.

On 12 March 2024, Mr. Yuan Guijun resigned from the positions of an Executive Director and an Executive Vice President of the Bank, as well as a member of the Risk Management Committee and the Related Party Transactions Supervision Committee of the Board due to retirement upon reaching the prescribed age.

On 12 March 2024, Mr. Zhang Juntong resigned from the positions of Chairman of the Board of Supervisors and an Employee Supervisor of the Bank, as well as a member of the special committees of the Board of Supervisors due to work adjustment.

On 12 March 2024, Mr. Wang Yugui resigned from the positions of an External Supervisor of the Bank and a member of the special committees of the Board of Supervisors due to the expiration of his term of office for a cumulative of six years.

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4.9 Directors and supervisors' emoluments (continued)

(1) *The aggregate of the emoluments before individual income tax in respect of the directors and supervisors who held office during the year is as follows: (continued)*

For the year ended 31 December 2022 (in thousands of RMB)

	Year ended 31 December 2022			
	Basic salaries, allowances and other benefits	Contributions to pension schemes	Discretionary bonus	Total
Gao Yingxin ⁽ⁱ⁾⁽ⁱⁱ⁾	3,781	110	2,263	6,154
Zhang Hongwei	980	—	—	980
Lu Zhiqiang	980	—	—	980
Liu Yonghao	980	—	—	980
Zheng Wanchun ⁽ⁱ⁾⁽ⁱⁱ⁾	3,355	110	2,073	5,538
Shi Yuzhu	860	—	—	860
Wu Di	940	—	—	940
Song Chunfeng ⁽ⁱⁱⁱ⁾	—	—	—	—
Weng Zhenjie	920	—	—	920
Yang Xiaoling	760	—	—	760
Zhao Peng	895	—	—	895
Liu Jipeng	1,005	—	—	1,005
Li Hancheng	1,105	—	—	1,105
Xie Zhichun	1,015	—	—	1,015
Peng Xuefeng	965	—	—	965
Liu Ningyu	1,240	—	—	1,240
Qu Xinjiu	965	—	—	965
Yuan Guijun ⁽ⁱ⁾⁽ⁱⁱ⁾	3,090	110	1,733	4,933
Zhang Juntong ⁽ⁱ⁾⁽ⁱⁱ⁾	3,088	110	1,393	4,591
Yang Yu ⁽ⁱ⁾⁽ⁱⁱ⁾	2,441	110	899	3,450
Lu Zhongnan	765	—	—	765
Li Yu	765	—	—	765
Wang Yugui	760	—	—	760
Zhao Fugao ⁽ⁱⁱⁱ⁾	—	—	—	—
Zhang Liqing	710	—	—	710
Gong Zhijian	2,427	110	880	3,417
Zhao Linghuan ^(iv)	498	—	—	498

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4.9 Directors and supervisors' emoluments (continued)

(1) *The aggregate of the emoluments before individual income tax in respect of the directors and supervisors who held office during the year is as follows: (continued)*

- (i) The Bank defers part of the performance remuneration of the Executive Directors, the Chairman the Vice-chairman of the Supervisory Board, which is not included in the above disclosure. Refer to Note 9 for deferred payment matters.
- (ii) The total pre-tax remuneration of the executive director, chairman of the Board of Supervisors and vice-chairman of the Board of Supervisors on full salary of the Bank has been approved by the Compensation and Appraisal Committee of the Board of Directors. The bank has made a supplementary disclosure in the Supplementary Announcement of China Minsheng Banking Corporation Limited in 2022. The relevant compensation amounts have been restated.
- (iii) During the Reporting Period, Mr. Song Chunfeng has not received remuneration as a Director, and Mr. Zhao Fugao has not received remuneration as a Supervisor.
- (iv) On 1 September 2022, Mr. Zhao Linghuan ceased to act as a Supervisor and a member of related special committee under the Board of Supervisors of the Bank due to his personal time and attention allocation.

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4.9 Directors and supervisors' emoluments (continued)

- (2) None of the five individuals with the highest emoluments for the year ended 31 December 2023 were directors or supervisors of the Bank (2022: None of the five individuals with the highest emoluments were directors or supervisors of the Bank). The aggregate of the emoluments in respect of the five individuals during the year was as follows (in thousands of RMB):

	Year ended 31 December	
	2023	2022
Basic salaries, allowances and benefits	8,972	2,617
Contributions to pension schemes	415	309
Discretionary bonus	22,006	40,303
Total	31,393	43,229

The number of the five highest paid individuals whose emoluments fell within the following bands is set out below:

	Year ended 31 December	
	2023	2022
From RMB5,000,001 to RMB7,000,000	4	–
From RMB7,000,001 to RMB9,000,000	1	4
Over RMB9,000,001	–	1

The Group had not paid any emoluments to the directors or supervisors or any of the five highest-paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4.10 Income tax expense

	Year ended 31 December	
	2023	2022
Current income tax for the year	956	4,963
Deferred income tax (Note 4.22)	416	(3,570)
Total	<u>1,372</u>	<u>1,393</u>

Reconciliation between income tax expense and accounting profit of the Group is listed as follows:

	Year ended 31 December	
	2023	2022
Profit before income tax	37,358	37,170
Income tax at the tax rate of 25%	9,340	9,293
Effect of non-taxable income (a)	(10,095)	(9,445)
Effect of non-deductible expenses (b)	2,601	2,609
Effect of interest expense on perpetual debt	(860)	(808)
Settlement variance and others	386	(256)
Income tax expense	<u>1,372</u>	<u>1,393</u>

- (a) The non-taxable income mainly represents interest income arising from PRC government bonds and municipal bonds, as well as dividends arising from fund investments, which are exempted from income tax.
- (b) It mainly includes tax effects of losses written-off that are not deductible before tax, as well as business entertainment expenses and deposit insurance premiums in excess of their respective pre-tax deductible limits.

OECD Pillar Two model rules

In December 2021, the OECD published Tax Challenges Arising from the Digitalisation of the Economy – Global Anti-Base Erosion Model Rules (the “Pillar Two”).

The Group is within the scope of the Pillar Two rules. Since the Pillar Two legislation was not effective in the locations of the Group at 31 December 2023, the Group is not required to recognise the related current income tax for the year 2023. Meanwhile, the Group applies the exception of recognising and disclosing information about deferred tax assets and liabilities related to the Pillar Two income taxes, as provided in the amendments to IAS 12-Income Taxes issued in May 2023. The Group is currently analysing the potential impact of Pillar Two.

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4.11 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to ordinary equity shareholders of the Bank by the weighted average number of issued ordinary shares during the period. Diluted earnings per share is calculated by dividing the adjusted profit attributable to ordinary equity shareholders of the Bank by the adjusted weighted average number of ordinary shares in issue.

The Bank issued non-cumulative preference shares and perpetual bonds in 2019, 2021 and 2022 respectively under the terms and conditions as detailed in Note 4.35 Preference Shares and Note 4.36 Perpetual Bonds.

The conversion feature of the preference shares is considered to fall within contingently issuable ordinary shares. The triggering events of conversion did not occur as at 31 December 2023 and 31 December 2022, therefore the conversion feature of preference shares has no effect on the basic and diluted earnings per share calculation for the years ended 31 December 2023 and 2022.

	Year ended 31 December	
	2023	2022
Profit for the year attributable to equity holders of the Bank	35,823	35,269
Less: profit for the year attributable to other equity instrument holders of the Bank	(4,316)	(4,106)
Net profit attributable to ordinary equity holders of the Bank	31,507	31,163
Weighted average number of ordinary shares in issue (in millions)	43,782	43,782
Basic/Diluted earnings per share (in RMB Yuan)	0.72	0.71

4.12 Cash and balances with central bank

	31 December 2023	31 December 2022
Cash	7,002	6,983
Balances with central bank		
Mandatory reserve deposits	291,972	311,294
Surplus reserve deposits	90,705	19,301
Fiscal deposits and others	556	837
Subtotal	383,233	331,432
Interest accrued	132	137
Total	390,367	338,552

The Group places mandatory reserve deposits in accordance with the relevant provisions of PBOC or local regulators. The mandatory reserve deposits are not available for use in the Group's daily business.

As at 31 December 2023 the mandatory reserve deposits rate applicable to domestic branches of the Bank for RMB deposits is 7.0% (31 December 2022: 7.5%) and the reserve rate for foreign currency deposits is 4.0% (31 December 2022: 6.0%). The amount of mandatory reserve deposits of the subsidiaries and overseas branches of the Group are determined by local jurisdiction.

Surplus reserve deposits maintained with the PBOC is for the purposes of clearing interbank transactions.

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4.13 Balances with banks and other financial institutions

	31 December 2023	31 December 2022
China mainland		
– Banks	103,176	67,859
– Other financial institutions	5,136	4,936
Subtotal	108,312	72,795
Overseas		
– Banks	19,795	14,324
– Other financial institutions	1,452	1,508
Subtotal	21,247	15,832
Interest accrued	123	86
Less: allowance for impairment losses	(4)	(8)
Total	129,678	88,705

For the years ended 31 December 2023 and 2022, the movements in carrying amount of book value and the impairment loss allowances of balances with banks and other financial institutions between stages were insignificant.

4.14 Placements with banks and other financial institutions

	31 December 2023	31 December 2022
China mainland		
– Banks	8,302	8,489
– Other financial institutions	142,298	162,399
Subtotal	150,600	170,888
Overseas		
– Banks	19,429	9,247
– Other financial institutions	3,866	3,806
Subtotal	23,295	13,053
Interest accrued	396	355
Less: allowance for impairment losses	(1,513)	(1,862)
Total	172,778	182,434

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4.14 Placements with banks and other financial institutions (continued)

Movements in allowance for impairment losses of placements with banks and other financial institutions

	Year ended 31 December 2023			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2023	(585)	–	(1,277)	(1,862)
Net reversal/(charge)	48	–	(271)	(223)
Write-offs and transfer out	–	–	572	572
Balance as at 31 December 2023	<u>(537)</u>	<u>–</u>	<u>(976)</u>	<u>(1,513)</u>

	Year ended 31 December 2022			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2022	(411)	–	(1,178)	(1,589)
Net charge	(172)	–	(99)	(271)
Others	(2)	–	–	(2)
Balance as at 31 December 2022	<u>(585)</u>	<u>–</u>	<u>(1,277)</u>	<u>(1,862)</u>

4.15 Derivatives

A derivative is a financial instrument, the value of which changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other similar variables. The Group uses derivative financial instruments mainly including forwards, swaps and options.

The notional amount of a derivative represents the amount of an underlying asset upon which the value of the derivative is based. It indicates the volume of business transacted by the Group but does not reflect the risk.

- (1) The notional amount and fair value of unexpired derivative financial instruments held by the Group are set out in the following tables:

	31 December 2023		
	Notional amount	Fair value	
		Assets	Liabilities
Foreign exchange derivatives	2,554,436	22,130	(22,011)
Interest rate derivatives	1,916,448	1,733	(676)
Precious metal derivatives	70,252	908	(6,585)
Others	1,352	26	(4)
Total		<u>24,797</u>	<u>(29,276)</u>

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4.15 Derivatives (continued)

(1) (continued)

	31 December 2022		
	Notional amount	Fair value	
		Assets	Liabilities
Foreign exchange derivatives	2,311,820	29,129	(26,883)
Interest rate derivatives	1,428,101	2,889	(589)
Precious metal derivatives	70,434	1,836	(5,186)
Others	1,456	24	(17)
Total		<u>33,878</u>	<u>(32,675)</u>

(2) Hedges

				31 December 2023	
		Notional amount	Fair value		
			Assets	Liabilities	
Cash flow hedges					
– Currency swap contracts	(a)	14,378	148	(136)	
Fair value hedges					
– Interest Rate swap contracts	(b)	64,261	968	(84)	
Total			1,116	(220)	

				31 December 2022		
			Notional amount	Fair value		
				Assets		Liabilities
Cash flow hedges						
– Currency swap contracts	(a)		6,498	150		–
Fair value hedges						
– Interest Rate swap contracts	(b)		28,353	1,603		(1)
Total					1,753	(1)

(a) The Group uses foreign exchange swaps to hedge against cash flow fluctuations arising from its exposures to foreign exchange risks. The hedged items include foreign bond investments of the Group, loans and advances denominated in foreign currencies, and foreign currency lending to other banks and financial institutions. For the years ended 31 December 2023 and 2022, the accumulative profits or losses recognised in other comprehensive income arising from fair value changes of cash flow hedging instruments were insignificant.

(b) The Group uses interest rate swaps to hedge against changes in fair value of fixed rate bonds. For the years ended 31 December 2023 and 2022, the fair value changes of hedging instruments and the net gains or losses arising from the hedged risk relating to the hedged items, which were the ineffective part of fair value hedging recognised in fair value changes, were insignificant.

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4.15 Derivatives (continued)

(3) Credit risk weighted amount

	31 December 2023	31 December 2022
Credit risk weighted amount for counterparty	<u>16,361</u>	<u>20,968</u>

The credit risk weighted amount represents the counterparty credit risk associated with derivative transactions and is calculated with reference to the guidelines issued by the former CBIRC. The amount calculated is dependent on, among other factors, the credit worthiness of the counterparty and the maturity characteristics of each type of contract. The credit risk weighted amounts stated above have taken the effects of netting arrangements into account.

4.16 Financial assets held under resale agreements

Financial assets held under resale agreements are listed as follows according to collateral:

	31 December 2023	31 December 2022
Bonds	35,325	2,549
Others	<u>435</u>	<u>464</u>
Subtotal	<u>35,760</u>	<u>3,013</u>
Interest accrued	39	25
Less: allowance for impairment losses	<u>(26)</u>	<u>(28)</u>
Total	<u><u>35,773</u></u>	<u><u>3,010</u></u>

For the years ended 31 December 2023 and 2022, the transfer of book value and the allowance for impairment losses of financial assets held under resale agreements between stages were insignificant.

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4.17 Loans and advances to customers

		<u>31 December 2023</u>	<u>31 December 2022</u>
Measured at amortised cost:			
Corporate loans and advances			
– Corporate loans		<u>2,337,357</u>	<u>2,144,501</u>
Personal loans and advances			
– Micro lending	(1)	<u>651,788</u>	621,598
– Residential mortgage		<u>546,300</u>	573,274
– Credit cards		<u>487,973</u>	462,788
– Others		<u>81,461</u>	<u>84,208</u>
Gross balance		<u>1,767,522</u>	<u>1,741,868</u>
Less: allowance for impairment losses		<u>(96,793)</u>	<u>(97,639)</u>
Subtotal		<u>4,008,086</u>	<u>3,788,730</u>
Measured at fair value through other comprehensive income:			
Corporate loans and advances			
– Corporate loans		<u>2,419</u>	8,717
– Discounted bills		<u>277,579</u>	<u>246,058</u>
Subtotal		<u>279,998</u>	<u>254,775</u>
Interest accrued		<u>35,824</u>	<u>29,477</u>
Total		<u><u>4,323,908</u></u>	<u><u>4,072,982</u></u>

(1) Micro lending is a loan product offered to the micro enterprise owners and proprietors.

(1) Loans and advances to customers (excluding interest accrued) analysed by types of collateral

	<u>31 December 2023</u>		<u>31 December 2022</u>	
	<u>Amount</u>	<u>(%)</u>	<u>Amount</u>	<u>(%)</u>
Unsecured loans	<u>1,249,400</u>	<u>28.50</u>	1,130,796	27.31
Guaranteed loans	<u>774,541</u>	<u>17.66</u>	671,437	16.21
Loans secured by				
– Tangible assets other than monetary assets	<u>1,757,179</u>	<u>40.07</u>	1,750,267	42.27
– Monetary assets	<u>603,757</u>	<u>13.77</u>	588,644	14.21
Total	<u><u>4,384,877</u></u>	<u><u>100.00</u></u>	<u><u>4,141,144</u></u>	<u><u>100.00</u></u>

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4.17 Loans and advances to customers (continued)

(2) Overdue loans (excluding interest accrued) analysed by overdue period

	31 December 2023				Total
	Less than 3 months	3 months to 1 year	1 to 3 years	More than 3 years	
Unsecured loans	15,008	12,647	3,638	1,729	33,022
Guaranteed loans	4,494	2,373	4,844	753	12,464
Loans secured by					
– Tangible assets other than monetary assets	7,774	17,064	13,571	1,639	40,048
– Monetary assets	577	270	418	1,105	2,370
Total	<u>27,853</u>	<u>32,354</u>	<u>22,471</u>	<u>5,226</u>	<u>87,904</u>
% of total loans and advances to customers	<u>0.63</u>	<u>0.74</u>	<u>0.51</u>	<u>0.12</u>	<u>2.00</u>
	31 December 2022				Total
	Less than 3 months	3 months to 1 year	1 to 3 years	More than 3 years	
Unsecured loans	14,037	9,305	4,493	1,111	28,946
Guaranteed loans	2,012	4,917	4,722	893	12,544
Loans secured by					
– Tangible assets other than monetary assets	6,167	11,233	15,827	1,637	34,864
– Monetary assets	292	3,025	2,027	663	6,007
Total	<u>22,508</u>	<u>28,480</u>	<u>27,069</u>	<u>4,304</u>	<u>82,361</u>
% of total loans and advances to customers	<u>0.54</u>	<u>0.69</u>	<u>0.66</u>	<u>0.10</u>	<u>1.99</u>

Overdue loans represent loans of which the principal or interest are overdue for 1 day or more.

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4.17 Loans and advances to customers (continued)

(3) Movements in allowance for impairment losses

- (a) Movements in allowance for impairment losses of loans and advances to customers measured at amortised cost are as follows:

	Year ended 31 December 2023			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2023	(23,379)	(33,602)	(40,658)	(97,639)
Transfer:				
to stage 1	(3,066)	2,597	469	–
to stage 2	554	(721)	167	–
to stage 3	429	8,901	(9,330)	–
Net charge	(556)	(2,574)	(36,619)	(39,749)
Write-offs and transfer out	–	–	48,161	48,161
Recoveries of amounts previously written off	–	–	(9,343)	(9,343)
Others	(15)	(23)	1,815	1,777
Balance as at 31 December 2023	<u>(26,033)</u>	<u>(25,422)</u>	<u>(45,338)</u>	<u>(96,793)</u>
	Year ended 31 December 2022			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2022	(20,197)	(37,076)	(46,533)	(103,806)
Transfer:				
to stage 1	(3,802)	3,303	499	–
to stage 2	998	(1,310)	312	–
to stage 3	722	10,456	(11,178)	–
Net charge	(1,016)	(8,858)	(31,812)	(41,686)
Write-offs and transfer out	–	–	53,757	53,757
Recoveries of amounts previously written off	–	–	(7,141)	(7,141)
Others	(84)	(117)	1,438	1,237
Balance as at 31 December 2022	<u>(23,379)</u>	<u>(33,602)</u>	<u>(40,658)</u>	<u>(97,639)</u>

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4.17 Loans and advances to customers (continued)

(3) Movements in allowance for impairment losses (continued)

- (b) Movements in allowance for impairment losses of loans and advances to customers at fair value through other comprehensive income are as follows:

	Year ended 31 December 2023			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2023	(361)	(10)	(858)	(1,229)
Net reversal/(charge)	162	8	(237)	(67)
Write-offs and transfer out	–	–	645	645
Balance as at 31 December 2023	<u>(199)</u>	<u>(2)</u>	<u>(450)</u>	<u>(651)</u>
	Year ended 31 December 2022			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2022	(286)	(104)	(912)	(1,302)
Net (charge)/reversal	(75)	94	(28)	(9)
Write-offs and transfer out	–	–	162	162
Recoveries of amounts previously written off	–	–	(80)	(80)
Balance as at 31 December 2022	<u>(361)</u>	<u>(10)</u>	<u>(858)</u>	<u>(1,229)</u>

4.18 Financial investments

		31 December 2023	31 December 2022
Financial assets at fair value through profit or loss	(1)	320,547	389,070
Financial assets measured at amortised cost	(2)	1,531,024	1,363,589
Financial assets at fair value through other comprehensive income	(3)	420,571	473,211
Total		<u>2,272,142</u>	<u>2,225,870</u>

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4.18 Financial investments (continued)

(1) Financial assets at fair value through profit or loss

	31 December 2023	31 December 2022
Held for trading purpose		
Debt securities		
Government	7,999	1,843
Policy banks	35,215	3,253
Banks and non-bank financial institutions	37,429	16,225
Corporates	50,859	78,685
Subtotal	131,502	100,006
Equity investments	1,931	1,695
Investment funds (a)	–	8,835
Subtotal	133,433	110,536
Other financial assets at fair value through profit or loss		
Debt securities		
Corporates	3,207	3,062
Banks and non-bank financial institutions	11,382	9,573
Equity investments	17,706	19,732
Investment funds (a)	131,557	226,617
Trust and asset management plans (b)	17,185	14,185
Others	6,077	5,365
Subtotal	187,114	278,534
Total	320,547	389,070
Listed	142,246	103,000
– Of which: listed in Hong Kong	3,910	7,787
Unlisted	178,301	286,070
Total	320,547	389,070

Debt securities traded in China Domestic Interbank Bond Market are classified as listed bonds.

- (a) As at 31 December 2023 and 31 December 2022, the underlying investment funds primarily include public bond funds and public money market funds.
- (b) As at 31 December 2023 and 31 December 2022, the underlying assets of trust and asset management plans primarily include bonds and others (Note 10.2 (9)).

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4.18 Financial investments (continued)

(2) Financial assets measured at amortised cost

	31 December 2023	31 December 2022
Debt securities		
Government	1,123,735	987,915
Policy banks	102,354	74,922
Banking and non-banking financial institutions	56,251	30,472
Corporates	190,416	199,825
Subtotal	1,472,756	1,293,134
Trust and asset management plans	34,670	49,789
Debt financing plans	9,935	11,398
Others	4,034	2,708
Interest accrued	19,839	17,852
Less: allowance for impairment losses	(10,210)	(11,292)
Total	1,531,024	1,363,589
Listed	1,460,835	1,284,826
– Of which: listed in Hong Kong	10,602	6,384
Unlisted	60,560	72,203
Interest accrued	19,839	17,852
Less: allowance for impairment losses	(10,210)	(11,292)
Total	1,531,024	1,363,589

(a) As at 31 December 2023 and 31 December 2022, the underlying assets of trust and asset management plans primarily are credit assets (Note 10.2 (9)).

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4.18 Financial investments (continued)

(2) Financial assets measured at amortised cost (continued)

Movements in allowance for impairment losses

	Year ended 31 December 2023			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2023	(1,500)	(925)	(8,867)	(11,292)
Transfer				
to stage 3	15	485	(500)	–
Net (charge)/reversal	(569)	100	(3,374)	(3,843)
Write-offs and transfer out	–	–	3,981	3,981
Recoveries of amounts previously written off	–	–	(104)	(104)
Others	38	–	1,010	1,048
Balance as at 31 December 2023	<u>(2,016)</u>	<u>(340)</u>	<u>(7,854)</u>	<u>(10,210)</u>
	Year ended 31 December 2022			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2022	(1,809)	(496)	(12,321)	(14,626)
Transfer				
to stage 2	58	(58)	–	–
to stage 3	6	67	(73)	–
Net reversal/(charge)	343	(438)	(3,943)	(4,038)
Write-offs and transfer out	–	–	8,201	8,201
Recoveries of amounts previously written off	–	–	(700)	(700)
Others	(98)	–	(31)	(129)
Balance as at 31 December 2022	<u>(1,500)</u>	<u>(925)</u>	<u>(8,867)</u>	<u>(11,292)</u>

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4.18 Financial investments (continued)

(3) *Financial assets at fair value through other comprehensive income*

	31 December 2023	31 December 2022
<i>Debt securities</i>		
Government	138,080	142,060
Policy banks	5,757	27,957
Banks and non-bank financial institutions	141,893	163,628
Corporates	121,943	123,856
Subtotal	407,673	457,501
Equity investments	8,471	10,592
Interest accrued	4,427	5,118
Total	420,571	473,211
<i>Listed</i>	389,848	438,614
– Of which: listed in Hong Kong	28,183	49,013
Unlisted	26,296	29,479
Interest accrued	4,427	5,118
Total	420,571	473,211

The Group designates certain non-trading equity investments as financial assets at fair value through other comprehensive income. For the year ended 31 December 2023, dividend income of RMB47 million (for the year ended 31 December 2022: RMB64 million) recognised for such equity investments was included in the profit or loss. The amount transferred from other comprehensive income to retained earnings on disposal of such equity instruments was RMB92 million for the year ended 31 December 2023 (for the year ended 31 December 2022: RMB129 million).

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4.18 Financial investments (continued)

(3) Financial assets at fair value through other comprehensive income (continued)

Fair value

	31 December 2023	31 December 2022
Debt securities		
Cost	414,890	469,061
Cumulative amount of change in fair value that is accrued to other comprehensive income	(2,790)	(6,442)
Fair value	412,100	462,619
Equity investment		
Cost	5,407	8,270
Cumulative amount of change in fair value that is accrued to other comprehensive income	3,064	2,322
Fair value	8,471	10,592
Total	420,571	473,211

Movements in allowance for impairment losses

	Year ended 31 December 2023			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2023	(749)	(14)	(1,058)	(1,821)
Transfer:				
to stage 2	2	(2)	–	–
Net reversal/(charge)	24	(50)	(394)	(420)
Write-offs and transfer out	–	–	119	119
Others	(54)	–	–	(54)
Balance as at 31 December 2023	(777)	(66)	(1,333)	(2,176)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4.18 Financial investments (continued)

(3) Financial assets at fair value through other comprehensive income (continued)

Movements in allowance for impairment losses (continued)

	Year ended 31 December 2022			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2022	(656)	(84)	(1,833)	(2,573)
Transfer:				
to stage 2	1	(1)	–	–
to stage 3	2	78	(80)	–
Net charge	(57)	(7)	(306)	(370)
Write-offs and transfer out	–	–	1,161	1,161
Others	(39)	–	–	(39)
Balance as at 31 December 2022	<u>(749)</u>	<u>(14)</u>	<u>(1,058)</u>	<u>(1,821)</u>

As at 31 December 2023, the financial assets at fair value through other comprehensive income included credit-impaired financial assets of which carrying amount was RMB885 million (31 December 2022: RMB1,139 million), with allowance for impairment losses of RMB1,333 million (31 December 2022: RMB1,058 million).

4.19 Long-term receivables

	31 December 2023	31 December 2022
Finance lease receivables	27,634	28,092
Sales and leaseback receivables	110,698	101,933
Less: unearned finance lease income	<u>(16,119)</u>	<u>(15,088)</u>
Present value of minimum finance lease receivables	122,213	114,937
Less: allowance for impairment losses	<u>(2,779)</u>	<u>(3,481)</u>
Total	<u>119,434</u>	<u>111,456</u>

(1) Finance lease receivables are analysed by the remaining terms as follows:

	31 December 2023	31 December 2022
Indefinite	(a) 8,280	8,889
Less than 1 year	57,444	52,666
1 year to 2 years	37,680	35,586
2 years to 3 years	18,107	17,127
3 years to 5 years	9,604	9,089
More than 5 years	<u>7,217</u>	<u>6,668</u>
Total	<u>138,332</u>	<u>130,025</u>

(a) The amount represents the balances being impaired or overdue for more than one month.

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4.19 Long-term receivables (continued)

(2) Movements in allowance for impairment losses of long-term receivables:

	Year ended 31 December 2023			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2023	(642)	(862)	(1,977)	(3,481)
Transfer:				
to stage 1	(19)	9	10	–
to stage 2	5	(7)	2	–
to stage 3	3	352	(355)	–
Net (charge)/reversal	(13)	72	(1,243)	(1,184)
Write-offs and transfer out	–	–	2,039	2,039
Recoveries of amounts previously written off	–	–	(112)	(112)
Others	(41)	–	–	(41)
Balance as at 31 December 2023	<u>(707)</u>	<u>(436)</u>	<u>(1,636)</u>	<u>(2,779)</u>
	Year ended 31 December 2022			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2022	(1,503)	(1,250)	(1,410)	(4,163)
Transfer:				
to stage 1	(57)	35	22	–
to stage 2	128	(182)	54	–
to stage 3	66	325	(391)	–
Net reversal/(charge)	722	210	(2,832)	(1,900)
Write-offs and transfer out	–	–	2,652	2,652
Others	2	–	(72)	(70)
Balance as at 31 December 2022	<u>(642)</u>	<u>(862)</u>	<u>(1,977)</u>	<u>(3,481)</u>

4.20 Property and equipment

	31 December 2023	31 December 2022
Property and equipment	60,484	58,889
Property and equipment to be disposed	6	7
Total	<u>60,490</u>	<u>58,896</u>

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4.20 Property and equipment (continued)

	Buildings	Leasehold improvement	Office equipment and others	Motor vehicles	Operating lease fixed assets	Construction in progress ("CIP")	Total
Original cost							
Balance as at 1 January 2023	22,469	4,007	9,301	467	42,488	7,921	86,653
Increase	33	623	1,443	36	3,636	811	6,582
CIP transfers	847	-	-	-	-	(847)	-
Decrease and other movement	(4)	(709)	(572)	(33)	(1,522)	-	(2,840)
Balance as at 31 December 2023	<u>23,345</u>	<u>3,921</u>	<u>10,172</u>	<u>470</u>	<u>44,602</u>	<u>7,885</u>	<u>90,395</u>
Accumulated depreciation							
Balance as at 1 January 2023	(6,456)	(2,775)	(7,027)	(390)	(10,452)	-	(27,100)
Increase	(741)	(596)	(830)	(22)	(1,968)	-	(4,157)
Decrease and other movement	2	742	541	30	967	-	2,282
Balance as at 31 December 2023	<u>(7,195)</u>	<u>(2,629)</u>	<u>(7,316)</u>	<u>(382)</u>	<u>(11,453)</u>	<u>-</u>	<u>(28,975)</u>
Impairment losses							
Balance as at 1 January 2023	-	-	-	-	(594)	(70)	(664)
Increase	-	-	-	-	(41)	(342)	(383)
Decrease and other movement	-	-	-	-	112	(1)	111
Balance as at 31 December 2023	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(523)</u>	<u>(413)</u>	<u>(936)</u>
Carrying amount							
Balance as at 1 January 2023	<u>16,013</u>	<u>1,232</u>	<u>2,274</u>	<u>77</u>	<u>31,442</u>	<u>7,851</u>	<u>58,889</u>
Balance as at 31 December 2023	<u>16,150</u>	<u>1,292</u>	<u>2,856</u>	<u>88</u>	<u>32,626</u>	<u>7,472</u>	<u>60,484</u>

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4.20 Property and equipment (continued)

	Buildings	Leasehold improvement	Office equipment and others	Motor vehicles	Operating lease fixed assets	Construction in progress ("CIP")	Total
Original cost							
Balance as at 1 January 2022	22,249	4,135	8,705	470	38,315	7,523	81,397
Increase	238	519	1,020	22	3,418	1,193	6,410
CIP transfers	3	–	–	–	–	(3)	–
Decrease and other movement	(21)	(647)	(424)	(25)	755	(792)	(1,154)
Balance as at 31 December 2022	<u>22,469</u>	<u>4,007</u>	<u>9,301</u>	<u>467</u>	<u>42,488</u>	<u>7,921</u>	<u>86,653</u>
Accumulated depreciation							
Balance as at 1 January 2022	(5,729)	(2,860)	(6,860)	(392)	(8,272)	–	(24,113)
Increase	(729)	(520)	(567)	(22)	(1,909)	–	(3,747)
Decrease and other movement	2	605	400	24	(271)	–	760
Balance as at 31 December 2022	<u>(6,456)</u>	<u>(2,775)</u>	<u>(7,027)</u>	<u>(390)</u>	<u>(10,452)</u>	<u>–</u>	<u>(27,100)</u>
Impairment losses							
Balance as at 1 January 2022	–	–	–	–	(503)	–	(503)
Increase	–	–	–	–	(44)	(70)	(114)
Decrease and other movement	–	–	–	–	(47)	–	(47)
Balance as at 31 December 2022	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(594)</u>	<u>(70)</u>	<u>(664)</u>
Carrying amount							
Balance as at 1 January 2022	<u>16,520</u>	<u>1,275</u>	<u>1,845</u>	<u>78</u>	<u>29,540</u>	<u>7,523</u>	<u>56,781</u>
Balance as at 31 December 2022	<u>16,013</u>	<u>1,232</u>	<u>2,274</u>	<u>77</u>	<u>31,442</u>	<u>7,851</u>	<u>58,889</u>

As at 31 December 2023 and 31 December 2022, the Group did not have any property and equipment which were acquired by means of finance lease or held for sale.

As at 31 December 2023, there were still certain properties and buildings, with a carrying value of RMB341 million (31 December 2022: RMB458 million), in the process of registration for certificates of ownership. The management believes such proceedings would not weaken the Group's rights to these assets nor have any significant impact on the Group's operations.

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4.21 Lease contract

(1) Right-of-use assets

	Buildings	Office equipment and others	Land use rights	Total
Original cost				
Balance as at 1 January 2023	18,646	71	4,646	23,363
Increase	3,766	33	–	3,799
Decrease	(3,254)	(9)	–	(3,263)
Balance as at 31 December 2023	<u>19,158</u>	<u>95</u>	<u>4,646</u>	<u>23,899</u>
Accumulated depreciation/ amortization				
Balance as at 1 January 2023	(8,799)	(25)	(1,393)	(10,217)
Increase	(2,896)	(11)	(118)	(3,025)
Decrease	2,614	8	–	2,622
Balance as at 31 December 2023	<u>(9,081)</u>	<u>(28)</u>	<u>(1,511)</u>	<u>(10,620)</u>
Carrying amount				
Balance as at 1 January 2023	<u>9,847</u>	<u>46</u>	<u>3,253</u>	<u>13,146</u>
Balance as at 31 December 2023	<u>10,077</u>	<u>67</u>	<u>3,135</u>	<u>13,279</u>
	Buildings	Office equipment and others	Land use rights	Total
Original cost				
Balance as at 1 January 2022	17,677	64	4,646	22,387
Increase	2,944	16	–	2,960
Decrease	(1,975)	(9)	–	(1,984)
Balance as at 31 December 2022	<u>18,646</u>	<u>71</u>	<u>4,646</u>	<u>23,363</u>
Accumulated depreciation/ amortization				
Balance as at 1 January 2022	(6,981)	(24)	(1,277)	(8,282)
Increase	(3,067)	(8)	(116)	(3,191)
Decrease	1,249	7	–	1,256
Balance as at 31 December 2022	<u>(8,799)</u>	<u>(25)</u>	<u>(1,393)</u>	<u>(10,217)</u>
Carrying amount				
Balance as at 1 January 2022	<u>10,696</u>	<u>40</u>	<u>3,369</u>	<u>14,105</u>
Balance as at 31 December 2022	<u>9,847</u>	<u>46</u>	<u>3,253</u>	<u>13,146</u>

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4.21 Lease contract (continued)

(2) Lease liabilities

	31 December 2023	31 December 2022
Lease liabilities	<u>9,560</u>	<u>9,426</u>

As at 31 December 2023, the Group's lease payments relating to lease contracts signed but yet to be executed amounted to RMB113 million (31 December 2022: RMB71 million).

4.22 Deferred income tax assets and liabilities

(1) Deferred income tax items

	31 December 2023	31 December 2022
Deferred income tax assets	54,592	55,701
Deferred income tax liabilities	<u>(214)</u>	<u>(236)</u>
Total	<u>54,378</u>	<u>55,465</u>

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4.22 Deferred income tax assets and liabilities (continued)

- (2) Deferred income tax assets and liabilities without taking into consideration the offsetting of balances within the same tax jurisdiction are as follows:

	31 December 2023		31 December 2022	
	Deferred income tax assets/(liabilities)	Deductible/(taxable) temporary differences	Deferred income tax assets/(liabilities)	Deductible/(taxable) temporary differences
Deferred income tax assets				
Asset impairment allowance	50,886	203,545	51,775	207,280
Employee benefits payable	3,488	13,952	3,502	14,009
Fair value losses of derivatives	7,244	28,975	8,168	32,674
Fair value losses of financial assets at fair value through other comprehensive loss	272	1,088	802	3,209
Financial assets at fair value through profit or loss	2,062	8,247	2,099	8,394
Lease liabilities	2,387	9,568	2,355	9,444
Others	1,069	4,284	363	1,477
Subtotal	67,408	269,659	69,064	276,487
Deferred income tax liabilities				
Fair value gains of derivatives	(5,895)	(23,578)	(7,989)	(31,958)
Fair value gain of financial assets at fair value through other comprehensive income	(920)	(3,681)	(779)	(3,117)
Financial assets at fair value through profit or income	(3,508)	(14,112)	(2,156)	(8,866)
Right-of-use assets	(2,533)	(10,152)	(2,472)	(9,911)
Others	(174)	(640)	(203)	(815)
Subtotal	(13,030)	(52,163)	(13,599)	(54,667)
Deferred income tax assets, net	54,378	217,496	55,465	221,820

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4.22 Deferred income tax assets and liabilities (continued)

- (3) Movements in deferred income tax assets and liabilities without taking into consideration the offsetting of balances within the same tax jurisdiction are as follows:

	Asset impairment allowance	Fair value losses	Others	Gross deferred income tax assets	Gross deferred income tax liabilities
Balance as at 1 January 2023	51,775	11,069	6,220	69,064	(13,599)
Recognised in profit or loss	(889)	(961)	724	(1,126)	710
Recognised in other comprehensive income	—	(530)	—	(530)	(141)
Balance as at 31 December 2023	<u>50,886</u>	<u>9,578</u>	<u>6,944</u>	<u>67,408</u>	<u>(13,030)</u>
Balance as at 1 January 2022	49,521	7,090	6,104	62,715	(11,058)
Recognised in profit or loss	2,254	3,283	116	5,653	(2,083)
Recognised in other comprehensive income	—	696	—	696	(458)
Balance as at 31 December 2022	<u>51,775</u>	<u>11,069</u>	<u>6,220</u>	<u>69,064</u>	<u>(13,599)</u>

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4.23 Investment in subsidiaries

(1) Directly held subsidiaries

	31 December 2023	31 December 2022
Minsheng Financial Leasing Co., Ltd. ("Minsheng Financial Leasing")	3,302	3,302
CMBC International Holdings Limited ("CMBC International")	3,494	3,494
Minsheng Royal Fund Limited ("Minsheng Royal Fund")	190	190
CMBC Wealth Management Co., Ltd. ("CMBC Wealth Management")	5,000	5,000
Pengzhou Rural Bank Co., Ltd. ("Pengzhou Rural Bank")	20	20
Cixi Rural Bank Co., Ltd. ("Cixi Rural Bank")	107	107
Songjiang Rural Bank Co., Ltd. ("Songjiang Rural Bank")	70	70
Qijiang Rural Bank Co., Ltd. ("Qijiang Rural Bank")	30	30
Tongnan Rural Bank Co., Ltd. ("Tongnan Rural Bank")	25	25
Meihekou Rural Bank Co., Ltd. ("Meihekou Rural Bank")	169	169
Ziyang Rural Bank Co., Ltd. ("Ziyang Rural Bank")	172	172
Jiangxia Rural Bank Co., Ltd. ("Jiangxia Rural Bank")	41	41
Changyuan Rural Bank Co., Ltd. ("Changyuan Rural Bank")	26	26
Yidu Rural Bank Co., Ltd. ("Yidu Rural Bank")	26	26
Jiading Rural Bank Co., Ltd. ("Jiading Rural Bank")	102	102
Zhongxiang Rural Bank Co., Ltd. ("Zhongxiang Rural Bank")	36	36
Penglai Rural Bank Co., Ltd. ("Penglai Rural Bank")	51	51
Anxi Rural Bank Co., Ltd. ("Anxi Rural Bank")	74	74
Funing Rural Bank Co., Ltd. ("Funing Rural Bank")	52	52
Taichang Rural Bank Co., Ltd. ("Taichang Rural Bank")	76	76
Ningjin Rural Bank Co., Ltd. ("Ningjin Rural Bank")	20	20
Zhangpu Rural Bank Co., Ltd. ("Zhangpu Rural Bank")	25	25
Puer Rural Bank Co., Ltd. ("Puer Rural Bank")	15	15
Jinghong Rural Bank Co., Ltd. ("Jinghong Rural Bank")	60	60
Zhidan Rural Bank Co., Ltd. ("Zhidan Rural Bank")	7	7
Ningguo Rural Bank Co., Ltd. ("Ningguo Rural Bank")	20	20
Yuyang Rural Bank Co., Ltd. ("Yuyang Rural Bank")	25	25
Guichi Rural Bank Co., Ltd. ("Guichi Rural Bank")	26	26
Tiantai Rural Bank Co., Ltd. ("Tiantai Rural Bank")	31	31
Tianchang Rural Bank Co., Ltd. ("Tianchang Rural Bank")	20	20
Tengchong Rural Bank Co., Ltd. ("Tengchong Rural Bank")	20	20
Xiang'an Rural Bank Co., Ltd. ("Xiang'an Rural Bank")	36	36
Linzhi Rural Bank Co., Ltd. ("Linzhi Rural Bank")	45	13
Total	<u>13,413</u>	<u>13,381</u>

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4.23 Investment in subsidiaries (continued)

(2) Basic information of directly held subsidiaries

Name		Place of incorporation and operation	Principal activities	Registered capital	% of ownership held by the Bank	% of voting rights held by the Bank
Minsheng Financial Leasing		Tianjin China	Leasing	RMB 5,095 million	54.96%	54.96%
CMBC International		Hong Kong China	Investment banking	HKD 4,207 million	100.00%	100.00%
Minsheng Royal Fund		Guangdong China	Fund management	RMB 300 million	63.33%	63.33%
CMBC Wealth Management		Beijing China	Wealth Management	RMB 5,000 million	100.00%	100.00%
Pengzhou Rural Bank	(a)	Sichuan China	Commercial bank	RMB 55 million	36.36%	36.36%
Cixi Rural Bank		Zhejiang China	Commercial bank	RMB 189 million	64.68%	64.68%
Songjiang Rural Bank	(a)	Shanghai China	Commercial bank	RMB 150 million	35.00%	35.00%
Qijiang Rural Bank	(b)	Chongqing China	Commercial bank	RMB 61.57 million	48.73%	51.27%
Tongnan Rural Bank	(a)	Chongqing China	Commercial bank	RMB 50 million	50.00%	50.00%
Meihekou Rural Bank		Jilin China	Commercial bank	RMB 193 million	95.36%	95.36%
Ziyang Rural Bank		Sichuan China	Commercial bank	RMB 211 million	81.41%	81.41%
Jiangxia Rural Bank		Hubei China	Commercial bank	RMB 86 million	51.00%	51.00%
Changyuan Rural Bank		Henan China	Commercial bank	RMB 50 million	51.00%	51.00%
Yidu Rural Bank		Hubei China	Commercial bank	RMB 52.4 million	51.00%	51.00%
Jiading Rural Bank		Shanghai China	Commercial bank	RMB 200 million	51.00%	51.00%
Zhongxiang Rural Bank		Hubei China	Commercial bank	RMB 70 million	51.00%	51.00%
Penglai Rural Bank		Shandong China	Commercial bank	RMB 100 million	51.00%	51.00%
Anxi Rural Bank		Fujian China	Commercial bank	RMB 128 million	57.99%	57.99%
Funing Rural Bank		Jiangsu China	Commercial bank	RMB 85 million	51.00%	51.00%

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4.23 Investment in subsidiaries (continued)

(2) Basic information of directly held subsidiaries (continued)

Name		Place of incorporation and operation	Principal activities	Registered capital	% of ownership held by the Bank	% of voting rights held by the Bank
Taicang Rural Bank		Jiangsu China	Commercial bank	RMB 135 million	51.00%	51.00%
Ningjin Rural Bank		Hebei China	Commercial bank	RMB 40 million	51.00%	51.00%
Zhangpu Rural Bank		Fujian China	Commercial bank	RMB 50 million	51.00%	51.00%
Puer Rural Bank		Yunnan China	Commercial bank	RMB 30 million	51.00%	51.00%
Jinghong Rural Bank		Yunnan China	Commercial bank	RMB 75 million	80.40%	80.40%
Zhidan Rural Bank		Shaanxi China	Commercial bank	RMB 15 million	51.00%	51.00%
Ningguo Rural Bank	(c)	Anhui China	Commercial bank	RMB 41.6 million	51.00%	51.00%
Yuyang Rural Bank	(d)	Shaanxi China	Commercial bank	RMB 59.4 million	51.00%	51.00%
Guichi Rural Bank	(e)	Anhui China	Commercial bank	RMB 53 million	51.00%	51.00%
Tiantai Rural Bank		Zhejiang China	Commercial bank	RMB 60 million	51.00%	51.00%
Tianchang Rural Bank	(f)	Anhui China	Commercial bank	RMB 43.68 million	51.00%	51.00%
Tengchong Rural Bank		Yunnan China	Commercial bank	RMB 52 million	51.00%	51.00%
Xiang'an Rural Bank		Fujian China	Commercial bank	RMB 77 million	51.00%	51.00%
Linzhi Rural Bank	(g)	Tibet China	Commercial bank	RMB 56.6 million	86.11%	86.11%

- (a) Although the Bank holds half or less than half of the voting rights in these rural banks, it has the majority of the seats in their boards of directors, which enables it to govern their operating policies. These companies are regarded as the Bank's subsidiaries and have been consolidated in these financial statements.
- (b) Some natural person shareholders and the Bank signed a concerted action agreement, stipulating that the parties should take "concerted action" in the general meeting of shareholders. Therefore, the Bank acquires control over Qijiang Rural Bank and classifies the investment in Qijiang Rural Bank as investment in a subsidiary.

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4.23 Investment in subsidiaries (continued)

(2) Basic information of directly held subsidiaries (continued)

- (c) Ningguo Rural Bank converted RMB1.60 million retained earnings to paid-in capital. After the increase of capital, the Bank's ownership of equity shares and voting rights in this subsidiary remains at 51%. As at 31 December 2023, the registered capital of Ningguo Rural Bank was RMB41.60 million as it had completed the registration of changes with industry and commerce authorities.
- (d) Yuyang Rural Bank converted RMB5.40 million retained earnings to paid-in capital. After the increase of capital, the Bank's ownership of equity shares and voting rights in this subsidiary remains at 51%. As at 31 December 2023, the registered capital of Yuyang Rural Bank was RMB59.40 million as it had completed the registration of changes with industry and commerce authorities.
- (e) Guichi Rural Bank converted RMB3 million retained earnings to paid-in capital. After the increase of capital, the Bank's ownership of equity shares and voting rights in this subsidiary remains at 51%. As at 31 December 2023, the registered capital of Guichi Rural Bank was RMB53 million as it had completed the registration of changes with industry and commerce authorities.
- (f) Tianchang Rural Bank converted RMB3.68 million retained earnings to paid-in capital. After the increase of capital, the Bank's ownership of equity shares and voting rights in this subsidiary remains at 51%. As at 31 December 2023, the registered capital of Tianchang Rural Bank was RMB43.68 million as it had completed the registration of changes with industry and commerce authorities.
- (g) In June 2023, Linzhi Rural Bank confirmed the capital injection from the Bank of RMB31.60 million. After the capital injection, the Bank's ownership of equity shares and voting rights of Linzhi Rural Bank increased to 86.11%. As at 31 December 2023, the registered capital of Linzhi Rural Bank was RMB56.60 million as it had completed the registration of changes with industry and commerce authorities.

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4.24 Other assets

		31 December 2023	31 December 2022
Interest receivable	(1)	7,499	7,274
Items in the process of clearance and settlement		6,653	6,401
Other debt receivables and advances		5,799	4,715
Prepayments for leased assets	(2)	5,472	5,263
Foreclosed assets	(3)	5,299	5,479
Fee and commission receivable		3,147	4,153
Investment properties		2,969	3,006
Prepayment		2,737	1,855
Intangible assets	(4)	2,730	2,301
Research and development engineering		2,328	1,247
Long-term deferred expenses		1,795	1,413
Legal costs receivable		1,243	1,277
Continuously involved assets		1,038	1,038
Assets transfer receivable		603	232
Goodwill	(5)	208	205
Operating lease receivable		169	168
Others		4,760	4,440
Subtotal		54,449	50,467
Less: allowance for impairment losses			
– Foreclosed assets		(752)	(959)
– Others		(4,255)	(3,632)
Total		49,442	45,876

- (1) In accordance with the requirements of the Notice on the Revision and Issuance of the Format of Financial Statements of Financial Enterprises in 2018, the interests of financial instruments at the reporting date are listed in the financial instruments using the effective interest rate method. Interests of relevant financial instruments which were past due but have not been collected at the reporting date are listed in other assets.
- (2) Prepayments for leased assets are the prepayments made by the Group for acquiring leased assets which would be finance leased out or operating leased out.
- (3) Foreclosed assets include buildings, land use rights and transportation facilities. The Group disposed foreclosed assets of RMB2,339 million for the year ended 31 December 2023 (For the year ended 31 December 2022: RMB1,426 million).

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4.24 Other assets (continued)

(4) Intangible assets

	Year ended 31 December 2023	Year ended 31 December 2022
Cost		
Balance as at 1 January	7,790	6,659
Increase	1,338	1,131
Decrease	(14)	–
Balance as at 31 December	<u>9,114</u>	<u>7,790</u>
Accumulated amortization		
Balance as at 1 January	(5,489)	(4,742)
Increase	(908)	(747)
Decrease	13	–
Balance as at 31 December	<u>(6,384)</u>	<u>(5,489)</u>
Carrying amount		
Balance as at 1 January	<u>2,301</u>	<u>1,917</u>
Balance as at 31 December	<u>2,730</u>	<u>2,301</u>

(5) Goodwill arising from CMBC International

	Year ended 31 December 2023	Year ended 31 December 2022
Balance as at 1 January	205	188
Exchange difference	3	17
Balance as at 31 December	<u>208</u>	<u>205</u>

As at 31 December 2023 and 31 December 2022, no impairment loss of the Group's goodwill is recognised.

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4.25 Allowances for impairment losses

		Year ended 31 December 2023				
		Balances as at 1 January 2023	Net (reversal)/ charge for the year	Write-offs and transfer out	Other	Balances as at 31 December 2023
	Note 4					
Balances with banks and other financial institutions	13	8	(6)	–	2	4
Placements with banks and other financial institutions	14	1,862	223	(572)	–	1,513
Financial assets held under resale agreements	16	28	(2)	–	–	26
Loans and advances to customers	17	98,868	39,816	(48,806)	7,566	97,444
Financial investments	18	13,113	4,263	(4,100)	(890)	12,386
Long-term receivables	19	3,481	1,184	(2,039)	153	2,779
Property and equipment	20	664	383	–	(111)	936
Other assets	24	4,591	1,997	(1,583)	2	5,007
Total		<u>122,615</u>	<u>47,858</u>	<u>(57,100)</u>	<u>6,722</u>	<u>120,095</u>
Year ended 31 December 2022						
		Balances as at 1 January 2022	Net charge for the year	Write-offs and transfer out	Other	Balances as at 31 December 2022
	Note 4					
Balances with banks and other financial institutions	13	8	1	–	(1)	8
Placements with banks and other financial institutions	14	1,589	271	–	2	1,862
Financial assets held under resale agreements	16	20	8	–	–	28
Loans and advances to customers	17	105,108	41,695	(53,919)	5,984	98,868
Financial investments	18	17,199	4,408	(9,362)	868	13,113
Long-term receivables	19	4,163	1,900	(2,652)	70	3,481
Property and equipment	20	503	114	–	47	664
Other assets	24	4,064	1,043	(553)	37	4,591
Total		<u>132,654</u>	<u>49,440</u>	<u>(66,486)</u>	<u>7,007</u>	<u>122,615</u>

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4.26 Deposits and placements from banks and other financial institutions

	31 December 2023	31 December 2022
China mainland		
Banks	108,030	196,106
Other financial institutions	1,044,337	1,200,610
Overseas		
Banks	55,831	38,617
Other financial institutions	27,384	37,327
Subtotal	1,235,582	1,472,660
Interest accrued	6,477	6,381
Total	<u>1,242,059</u>	<u>1,479,041</u>

4.27 Financial liabilities at fair value through profit or loss

	31 December 2023	31 December 2022
Financial liabilities related to precious metals	2,320	1,645
Financial liabilities designated at fair value through profit or loss	(1) 33,475	–
Others	32	270
Total	<u>35,827</u>	<u>1,915</u>

- (1) As at 31 December 2023, financial liabilities designated at fair value through profit or loss are interests attributable to other unitholders in consolidated structured entities. For the year ended 2023, there were no significant changes in the fair value of the Group's financial liabilities designated at fair value through profit or loss attributable to the changes in the Group's own credit risk.

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4.28 Borrowings from banks and other financial institutions

	31 December 2023	31 December 2022
Unsecured borrowings	100,224	88,333
Borrowings secured by		
– Tangible assets and monetary assets	14,722	16,323
Subtotal	114,946	104,656
Interest accrued	769	573
Total	115,715	105,229

As at 31 December 2023 and 31 December 2022, the secured borrowings were secured by property and equipment and finance lease receivables as collateral; the above collateral has been included in the disclosure of assets pledged (Note 6.3(1)).

4.29 Financial assets sold under repurchase agreements

Financial assets sold under repurchase agreements by underlying assets are shown as follows:

	31 December 2023	31 December 2022
Bonds	132,510	55,617
Bills rediscounted	58,271	48,163
Subtotal	190,781	103,780
Interest accrued	352	360
Total	191,133	104,140

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4.30 Deposits from customers

	31 December 2023	31 December 2022
Demand deposits		
– Corporate customers	1,024,828	1,014,133
– Personal customers	295,892	289,671
Time deposits (including call deposits)		
– Corporate customers	2,044,103	1,952,242
– Personal customers	910,695	730,873
Certificates of deposit	4,976	4,159
Outward remittance and remittance payables	2,509	2,449
Subtotal	4,283,003	3,993,527
Interest accrued	70,278	58,065
Total	<u>4,353,281</u>	<u>4,051,592</u>

The pledged deposits included in deposits from customers are analysed as follows:

	31 December 2023	31 December 2022
Pledged deposits for bank acceptances	209,868	184,557
Pledged deposits for letters of credit and guarantees	24,313	16,429
Other pledged deposits	33,553	49,234
Total	<u>267,734</u>	<u>250,220</u>

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4.31 Provisions

		31 December 2023	31 December 2022
Credit loss of off-balance sheet credit commitments	(1)	1,212	1,844
Litigation provision		459	517
Others		116	95
Total		<u>1,787</u>	<u>2,456</u>

(1) The movements of credit loss of off-balance sheet credit commitments are as follows:

	Year ended 31 December 2023			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2023	(1,424)	(344)	(76)	(1,844)
Transfer:				
to stage 1	(104)	89	15	–
to stage 2	28	(31)	3	–
to stage 3	15	97	(112)	–
Net reversal	420	43	169	632
Balance as at 31 December 2023	<u>(1,065)</u>	<u>(146)</u>	<u>(1)</u>	<u>(1,212)</u>
	Year ended 31 December 2022			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2022	(1,227)	(524)	(83)	(1,834)
Transfer:				
to stage 1	(133)	109	24	–
to stage 2	29	(33)	4	–
to stage 3	12	84	(96)	–
Net (charge)/reversal	(102)	20	75	(7)
Other movements	(3)	–	–	(3)
Balance as at 31 December 2022	<u>(1,424)</u>	<u>(344)</u>	<u>(76)</u>	<u>(1,844)</u>

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4.32 Debt securities issued

		31 December 2023	31 December 2022
Certificates of interbank deposit		474,754	446,888
Financial bonds	(1)	105,577	99,992
Tier-two capital bonds	(2)	89,992	89,991
Medium-term and short-term notes	(3)	1,996	7,658
Subtotal		672,319	644,529
Interest accrued		3,507	3,578
Total		<u>675,826</u>	<u>648,107</u>

For the years ended 31 December 2023 and 2022, there were no overdue principal and interest or other defaults with respect to these bonds. None of these bonds are secured.

(1) Financial bonds

		31 December 2023	31 December 2022
2023-3-year fixed rate financial bonds	(a)	19,997	—
2023-3-year fixed rate financial bonds	(b)	1,596	—
2023-3-year fixed rate financial bonds	(c)	1,595	—
2023-3-year fixed rate financial bonds	(d)	2,393	—
2022-3-year fixed rate financial bonds	(e)	19,999	19,998
2021-3-year fixed rate financial bonds	(f)	29,998	29,997
2021-3-year fixed rate financial bonds	(g)	29,999	29,997
2020-3-year fixed rate financial bonds	(h)	—	20,000
Total		<u>105,577</u>	<u>99,992</u>

- (a) RMB20 billion worth of fixed-rate financial bonds were issued on 18 May 2023, with a term of 3 years, and a fixed coupon rate of 2.68% per annum.
- (b) RMB2 billion worth of fixed-rate financial bonds were issued on 20 March 2023, with a term of 3 years, and a fixed coupon rate of 3.40% per annum. This bond is issued by Minsheng Financial Leasing Co., Ltd. The Bank subscribed RMB400 million.
- (c) RMB2 billion worth of fixed-rate financial bonds were issued on 25 May 2023, with a term of 3 years, and a fixed coupon rate of 3.27% per annum. This bond is issued by Minsheng Financial Leasing Co., Ltd. The Bank subscribed RMB400 million.
- (d) RMB3 billion worth of fixed-rate financial bonds were issued on 25 July 2023, with a term of 3 years, and a fixed coupon rate of 3.19% per annum. This bond is issued by Minsheng Financial Leasing Co., Ltd. The Bank subscribed RMB600 million.

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4.32 Debt securities issued (continued)

(1) Financial bonds (continued)

- (e) RMB20 billion worth of fixed-rate financial bonds were issued on 7 April 2022, with a term of 3 years, and a fixed coupon rate of 2.95% per annum.
- (f) RMB30 billion worth of fixed-rate financial bonds were issued on 8 December 2021, with a term of 3 years, and a fixed coupon rate of 3.02% per annum.
- (g) RMB30 billion worth of fixed-rate financial bonds were issued on 10 November 2021, with a term of 3 years, and a fixed coupon rate of 3.02% per annum.
- (h) RMB20 billion worth of fixed-rate financial bonds were issued on 18 March 2020, with a term of 3 years, and a fixed coupon rate of 2.75% per annum. The Bank repaid all of them on 20 March 2023.

(2) Tier-two capital bonds

		31 December 2023	31 December 2022
2020-10-year fixed rate tier-two capital bonds	(a)	49,996	49,996
2019 1st tranche-10-year fixed rate tier-two capital bonds	(b)	39,996	39,995
Total		<u>89,992</u>	<u>89,991</u>

- (a) Tier-two capital bonds with a nominal value of RMB50 billion, a term of 10 years, and a fixed coupon rate of 3.75% per annum, were issued on 24 June 2020. The Bank has an option to redeem all or part of the bonds at par value during the period from the last day of the fifth year to the maturity date.
- (b) Tier-two capital bonds with a nominal value of RMB40 billion, a term of 10 years, and a fixed coupon rate of 4.48% per annum, were issued on 27 February 2019. The Bank has an option to redeem all or part of the bonds at par value during the period from the last day of the fifth year to the maturity date.

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4.32 Debt securities issued (continued)

(3) Medium-term and short-term notes

		31 December 2023	31 December 2022
2023-2-year medium-term notes	(a)	1,996	–
2020-3-year medium-term notes	(b)	–	3,480
2018-5-year medium-term notes	(c)	–	4,178
Total		<u>1,996</u>	<u>7,658</u>

- (a) Medium-term notes with a nominal value of RMB2 billion of medium-term notes were issued on 10 January 2023, with a term of 2 years. The coupon rate is 3.15%.
- (b) Medium-term notes with a nominal value of USD500 million of medium-term notes were issued on 22 October 2020, with a term of 3 years, floating interest rate. The Bank repaid all of them on 22 October 2023.
- (c) Medium-term notes with a nominal value of USD600 million of medium-term notes were issued on 9 March 2018, with a term of 5 years. The coupon rate is 5.77%. The Bank repaid all of them on 9 March 2023.

4.33 Other liabilities

		31 December 2023	31 December 2022
Items in the process of clearance and settlement		15,380	16,134
Employee benefits payable	(1)	14,439	14,414
Lease payments received in advance		7,918	7,225
Other tax payable	(2)	3,774	4,679
Output value added tax to be transferred		2,740	4,039
Notes payable		2,138	2,211
Accrued expenses		1,693	942
Payable to the leasing company		1,378	1,334
Continuously involved liabilities		1,038	1,038
Payable for long-term assets		328	231
Deferred fee and commission income		317	251
Intermediate collection and payment		281	495
Others		<u>3,216</u>	<u>5,208</u>
Total		<u>54,640</u>	<u>58,201</u>

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4.33 Other liabilities (continued)

(1) Employee benefits payable

	1 January 2023	Increase	Decrease	31 December 2023
Short-term employee benefits				
– Salaries, bonuses and allowances	13,766	24,063	(24,035)	13,794
– Staff welfare fees	–	1,662	(1,662)	–
– Social insurance (a) and supplementary insurance	176	1,615	(1,658)	133
– Housing fund	129	1,760	(1,763)	126
– Labour union fee, staff and workers' education fee	41	548	(547)	42
Subtotal	14,112	29,648	(29,665)	14,095
Post-employment benefits -defined contribution plans				
– Basic pension insurance plans	159	2,054	(2,049)	164
– Unemployment insurance	21	63	(63)	21
– Annuity scheme (b)	122	716	(679)	159
Subtotal	302	2,833	(2,791)	344
Total	14,414	32,481	(32,456)	14,439
	1 January 2022	Increase	Decrease	31 December 2022
Short-term employee benefits				
– Salaries, bonuses and allowances	12,395	24,691	(23,320)	13,766
– Staff welfare fees	–	1,403	(1,403)	–
– Social insurance (a) and supplementary insurance	160	1,077	(1,061)	176
– Housing fund	98	1,520	(1,489)	129
– Labour union fee, staff and workers' education fee	40	553	(552)	41
Subtotal	12,693	29,244	(27,825)	14,112
Post-employment benefits -defined contribution plans				
– Basic pension insurance plans	124	1,764	(1,729)	159
– Unemployment insurance	19	59	(57)	21
– Annuity scheme (b)	71	650	(599)	122
Subtotal	214	2,473	(2,385)	302
Total	12,907	31,717	(30,210)	14,414

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4.33 Other liabilities (continued)

(1) Employee benefits payable (continued)

- (a) Social insurance includes medical insurance, maternity insurance and employment injury insurance.
- (b) For the year ended 31 December 2023, the contributions to the annuity schemes of the Bank and some subsidiaries were calculated at 3% of the employees' total annual salary (For the year ended 31 December 2022: 3%).

The Group has set up a defined contribution plan for its Hong Kong employees in accordance with the contribution rates prescribed by local regulations.

(2) Other tax payable

	31 December 2023	31 December 2022
Value added tax	2,706	2,967
Others	1,068	1,072
Total	<u>3,774</u>	<u>4,039</u>

4.34 Share capital and capital reserve

	31 December 2023	31 December 2022
Ordinary shares listed in China mainland (A shares)	35,462	35,462
Ordinary shares listed in Hong Kong (H shares)	8,320	8,320
Total shares	<u>43,782</u>	<u>43,782</u>

All A shares and H shares are ordinary shares, have a par value of RMB1 per share and rank pari passu with the same rights and benefits.

The Group's capital reserve of RMB58,149 million as at 31 December 2023 and 31 December 2022, mainly represents capital premium.

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4.35 Preference Shares

(1) Outstanding Preference Shares at year end

Financial Instrument outstanding	Issue date	Accounting classification	Dividend rate	Issue price	Amount (million shares)	In original currency	In RMB	Maturity	Conversion condition	Conversion
Domestic Preference Shares	15/10/2019	Equity	4.38%	RMB 100/ Share	200	20,000	20,000	None	Mandatory	None
Total							20,000			
Less: Issue fees							(25)			
Book value							<u>19,975</u>			

(2) Domestic Preference Shares Main Clauses

(a) Dividend

The non-public offering domestic preference shares (the “Domestic Preference Shares”) adopts the dividend rate that can be adjusted in stages, with 5 years as a dividend rate adjustment period, and within a dividend rate adjustment period, dividends are paid at the same dividend rate as agreed. The dividend rate for the first dividend rate adjustment period will be determined by enquiry. The dividend rate of the Domestic Preference Shares shall not be higher than the annual weighted average return on net assets of the Bank in the last two fiscal years. The nominal dividend rate includes two parts: the benchmark interest rate and the fixed premium. The fixed premium is the dividend rate determined at the time of issuance minus the benchmark interest rate at the time of issuance. Dividends are paid annually.

(b) Conditions to distribution of dividends

The Bank could pay dividends while the Bank still has distributable after-tax profit after making up previous years’ losses, contributing to the statutory reserve and making general provisions, and the Bank’s capital adequacy ratio meets regulatory requirements. Preference shareholders of the Bank are senior to the ordinary shareholders on the right to dividends. The Issuer shall have the right to cancel, in whole or in part, distributions of dividends and any such cancellation shall not constitute an event of default. Any cancellation of any distribution, no matter in whole or in part, will require the deliberation and approval of the general shareholders meeting. And the Issuer shall give notice to the investors on such cancellation in a timely manner.

(c) Dividend stopper

The Bank will not pay dividends to the ordinary shareholders unless the Bank resolves to pay a full dividend on the current preference shares.

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4.35 Preference Shares (continued)

(2) Domestic Preference Shares Main Clauses (continued)

(d) Order of distribution and liquidation method

The Domestic Preference Shareholders have priority over the ordinary shareholders in the distribution of the Bank's remaining property, but the order of repayment is ranked after the depositors, general creditors and subordinated debts (including but not limited to subordinated debts, mixed capital bonds and secondary capital instruments).

(e) Mandatory conversion trigger events

If the core tier one capital adequacy ratio of the Bank falls to 5.125% (or below), the Domestic Preference Shares will be converted into A-share common shares in full or in part, so as to restore the core tier one capital adequacy ratio to more than 5.125%. In the case of partial conversion, all the Domestic Preference Shares shall be converted to shares on the same conditions in proportion.

When the earlier of the following two situations occurs, the Domestic Preference Shares will be converted into A-share common shares in full: (1) the banking regulatory authority under the State Council determines that the Bank will not survive without the conversion; (2) the relevant departments determine that the Bank will not survive without the public sector's capital injection or the support of the same effect.

(f) Redemption

With the prior approval of the banking regulatory authority under the State Council, the Bank may exercise the right of redemption under the following circumstances: (1) use the same or higher quality capital instruments to replace the redeemed Domestic Preference Shares, and the Bank's income ability is sustainable; (2) or the capital level after the exercise of the right of redemption is still significantly higher than the regulatory capital requirements specified by the banking regulatory authority under the State Council. The redemption price is the sum of the nominal amount and the dividend that has been resolved to be paid but has not been paid in the current period.

The Bank has the right to redeem all or part of the domestic Preferred Shares on the preferred stock dividend date of each year, starting from the date of expiration of 5 years after the issue date (i.e., 15 October 2019), and the redemption period shall expire on the date of conversion or redemption in full. In the case of partial redemption, all domestic preferred shares issued will be redeemed on the same terms and in proportion.

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4.35 Preference Shares (continued)

(2) Domestic Preference Shares Main Clauses (continued)

(g) Dividend setting mechanism

Non-cumulative dividend is a dividend on preference shares, which does not cumulate upon omission of payment so as to require payment of a passed or omitted dividend of one year out of earnings of a following year. After receiving dividend at agreed dividend rate, preference shareholders of the Bank will not participate the distribution of residual profits with ordinary shareholders. The Domestic Preference Shares holders are prioritised on dividend distribution over ordinary shareholders.

The dividend of the Domestic Preference Shares shall be paid in cash once a year. The interest starting date is the payment deadline of preference stock investors (18 October 2019). The dividend payment day shall be the day of every full year since the deadline for payment of preference stock investors. In case of any legal holiday or rest day in China, it shall be postponed to the next trading day, and the dividend payable during the extended period shall not be charged with additional interest.

(3) Changes in preference shares outstanding

	1 January 2023		Movements		31 December 2023	
	Amount (million shares)	Book value	Amount (million shares)	Book value	Amount (million shares)	Book value
Domestic Preference Shares	200	19,975	–	–	200	19,975
	1 January 2022		Movements		31 December 2022	
	Amount (million shares)	Book value	Amount (million shares)	Book value	Amount (million shares)	Book value
Domestic Preference Shares	200	19,975	–	–	200	19,975

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4.36 Perpetual Bonds

(1) Outstanding Perpetual Bonds at year end

Financial Instrument outstanding	Issue date	Accounting classification	Dividend rate	Issue price	Amount (million pieces)	In original currency	In RMB	Maturity	Conversion condition	Conversion
2019 Undated Capital Bonds	30/05/2019	Equity	4.85%	100 RMB/ Note	400	40,000	40,000	None	None	None
Total							40,000			
Less: Issue fees							(7)			
Book value							39,993			
2021 Undated Capital Bonds (Series 1)	19/04/2021	Equity	4.30%	100 RMB/ Note	300	30,000	30,000	None	None	None
Total							30,000			
Less: Issue fees							(4)			
Book value							29,996			
2022 Undated Capital Bonds (Series 1)	14/06/2022	Equity	4.20%	100 RMB/ Note	50	5,000	5,000	None	None	None
Total							5,000			
Less: Issue fees							(2)			
Book value							4,998			
Total							74,987			

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4.36 Perpetual Bonds (continued)

(2) Main Clauses

(a) Principal Amount

2019 Undated Tier 1 Capital Bonds RMB40 billion.

2021 Undated Tier 1 Capital Bonds-Series 1 RMB30 billion.

2022 Undated Tier 1 Capital Bonds-Series 1 RMB5 billion.

(b) Maturity Date

The Bonds will continue to be outstanding so long as the Issuer's business continues to operate.

(c) Distribution Rate

The Distribution Rate of the Bonds will be adjusted at defined intervals, with a Distribution Rate Adjustment Period every 5 years since the Payment Settlement Date. In any Distribution Rate Adjusted Period, the Distribution Payments on the Bonds will be made at a prescribed fixed Distribution Rate. The Distribution Rate at the time of issuance will be determined by book running and centralized allocation.

The Distribution Rate is determined by a benchmark rate plus a fixed spread. The benchmark rate is the arithmetic average of the yields to maturity of 5 trading days prior to the Announcement Date of the Subscription Agreement, as indicated by the yield to maturity curve of applicable 5-year China Treasury Notes (rounded up to 0.01%) published on ChinaBond.com.cn or other websites approved by the China Central Depository & Clearing Co., Ltd. The fixed spread is the difference between the Distribution Rate and the benchmark rate as determined at the time of issuance. The fixed spread will not be adjusted once determined.

(d) Conditional Redemption Rights of the Issuer

The Bonds Issuance sets conditional Redemption Rights for the Issuer. From the fifth anniversary since the issuance of the Bonds, the Issuer may redeem the Bonds in whole or in part on each Distribution Payment Date (including the fifth Distribution Payment Date since the Issuance). If, after the Issuance, the Bonds no longer qualify as Additional Tier 1 Capital as a result of an unforeseeable change or amendment to relevant provisions of supervisory regulations, the Issuer may redeem all but not part of the Bonds.

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4.36 Perpetual Bonds (continued)

(2) Main Clauses (continued)

(e) Subordination

The claims in respect of the Bonds, in the event of a winding-up of the Issuer, will be subordinated to claims of depositors, general creditors, and subordinated indebtedness that ranks senior to the Bonds; will rank in priority to all classes of shares held by the Issuer's shareholders and rank pari passu with the claims in respect of any other Tier 1 Capital instruments of the Issuer that rank pari passu with the Bonds. If subsequent amendments to the PRC Enterprise Bankruptcy Law or relevant regulations are applicable, such relevant laws and regulations shall prevail.

(f) Distribution Payment

The Issuer shall have the right to cancel, in whole or in part, distributions on the Bonds and any such cancellation shall not constitute an event of default. When exercising such right, the Issuer will take into full consideration the interest of the Bondholders. The Issuer may, at its sole discretion, use the proceeds from the cancelled distributions to meet other obligations as they fall due. Cancellation of any distributions on the Bonds, no matter in whole or in part, will not impose any other restriction on the Issuer, except in relation to dividend distributions to ordinary shares. Any cancellation of any distribution on the Bonds, no matter in whole or in part, will require the deliberation and approval of the general shareholders meeting. And the Issuer shall give notice to the investors on such cancellation in a timely manner.

The Bonds do not have any step-up mechanism or any other incentive to redeem.

(g) Put Option

Put Option of investors is not applicable.

4.37 Related information attributable to the holders of equity instruments

Preference shares and perpetual bonds issued by the Bank are classified as equity instruments and are listed in the consolidated balance sheet under shareholders' equity. In accordance with the relevant regulations of the former CBIRC, the preferred shares and perpetual bonds issued by the Bank have met the criteria of qualifying other Tier 1 capital instruments.

Interests attributable to the holders of equity instruments

	31 December 2023	31 December 2022
Total equity attributable to equity holders of the Bank	624,602	599,928
Equity attributable to ordinary equity holders of the Bank	529,640	504,966
Equity attributable to other equity holders of the Bank	94,962	94,962
Total equity attributable to non-controlling interests	13,199	12,886
Equity attributable to non-controlling interests of ordinary shares	13,199	12,886

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4.38 Surplus reserve, general reserve and retained earnings

(1) *Surplus reserve*

Under the PRC laws, Articles of the Bank and the resolution of the Board of Directors, the Bank is required to appropriate 10% of its net profit. Until the statutory surplus reserve reaches 50% of its registered capital, the Bank will still appropriate 10% of its net profit as statutory surplus reserve. Subject to the approval of the equity shareholders, the statutory surplus reserve can be used for replenishing the accumulated losses or increasing the Bank's share capital. The statutory surplus reserve amount used to increase the share capital is limited to a level where the balance of the statutory surplus reserve after such capitalisation is not less than 25% of the share capital.

The Group appropriated RMB3,529 million statutory surplus reserve for the year ended 31 December 2023 (for the year ended 31 December 2022: RMB3,433 million).

(2) *General reserve*

Pursuant to the Measures for Managing the Appropriation of Provisions of Financial Enterprises (Cai Jin [2012] No. 20) issued by the MOF, the Bank is required to provide for impairment losses of its assets and set aside a general reserve through the appropriation of net profits to cover potential losses against its assets. The general reserve is part of the equity shareholders' interests and should not be less than 1.5% of the year-end balance of risk-bearing assets.

The Bank's subsidiaries appropriate their profits to the general reserve according to the applicable local regulations, which were included in the Group's general reserve.

The Group appropriated RMB4,743 million of profits to the general reserve for the year ended 31 December 2023 (for the year ended 31 December 2022: RMB3,481 million).

(3) *Retained earnings*

As at 31 December 2023, the retained earnings included the statutory surplus reserve of RMB993 million contributed by the subsidiaries (31 December 2022: RMB848 million). The surplus reserve of the subsidiaries included in the retained earnings cannot be distributed.

4.39 Non-controlling interests

As at 31 December 2023, the non-controlling interests in the subsidiaries were RMB13,199 million (31 December 2022: RMB12,886 million).

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4.40 Dividends/Interests

(1) *Dividends for Ordinary Shares*

The Board of directors proposed the profit distribution plan for year 2023 in the meeting held on 28 March 2024. The profit distribution plan would distribute cash dividends to registered A-share and H-share shareholders on the equity registration date. The cash dividend declared was RMB2.16 (including tax) for every 10 shares. A total dividend of RMB9,457 million (including tax) was based on the total number of shares of 43,782 million as on 31 December 2023. The plan is yet to be reviewed and approved by the shareholders in the annual general meeting of the Bank.

The shareholders approved the cash dividends distribution plan for 2022 at the Annual General Meeting on 9 June 2023. The cash dividends declared was RMB2.14 (tax inclusive) for every 10 shares. A total dividend of RMB9,369 million (tax inclusive) was based on total number of shares of 43,782 million as at the record dates.

(2) *Dividends for Preference Shares*

According to the resolution on the distribution of dividends for domestic preference shares passed at the Board of Directors' meeting held on 30 August 2023, dividend approved was amounted to RMB876 million (including tax), calculated at the coupon rate of 4.38% (including tax) before the first reset date pursuant to the terms and conditions of domestic preference shares. The dividend payment date was 18 October 2023.

According to the resolution on the distribution of dividends for domestic preference shares passed at the Board of Directors' meeting held on 26 August 2022, dividend approved was amounted to RMB876 million (including tax), calculated at the coupon rate of 4.38% (including tax) before the first reset date pursuant to the terms and conditions of domestic preference shares. The dividend payment date was 18 October 2022.

(3) *Interests for Perpetual Bonds*

On 4 June 2023, the Bank declared interest for 2022 undated capital bonds. Interest approved amounted to RMB210 million (including tax), calculated at the initial annual pay-out ratio of 4.20% (including tax) before the first reset date pursuant to the terms and conditions of perpetual bonds.

On 2 June 2023, the Bank declared interest for 2019 undated capital bonds. Interest approved amounted to RMB1,940 million (including tax), calculated at the initial annual pay-out ratio of 4.85% (including tax) before the first reset date pursuant to the terms and conditions of perpetual bonds.

On 10 April 2023, the Bank declared interest for 2021 undated capital bonds. Interest approved amounted to RMB1,290 million (including tax), calculated at the initial annual pay-out ratio of 4.30% (including tax) before the first reset date pursuant to the terms and conditions of perpetual bonds.

On 23 May 2022, the Bank declared interest for 2019 undated tier 1 capital bonds. Interest approved amounted to RMB1,940 million (including tax), calculated at the initial annual pay-out ratio of 4.85% (including tax) before the first reset date pursuant to the terms and conditions of perpetual bonds.

On 11 April 2022, the Bank declared interest for 2021 undated tier 1 capital bonds. Interest approved amounted to RMB1,290 million (including tax), calculated at the initial annual pay-out ratio of 4.30% (including tax) before the first reset date pursuant to the terms and conditions of perpetual bonds.

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4.41 Other reserves

	Year ended 31 December	
	2023	2022
Items that will not be reclassified subsequently to profit or loss:		
Changes in fair value of equity instruments designated as measured at fair value through other comprehensive income	691	2,176
Items that may be reclassified subsequently to profit or loss:		
Financial assets at fair value through other comprehensive income		
Changes in fair value	4,173	(1,368)
Allowance for impairment losses	(182)	(881)
Amount transferred to profit or loss from other comprehensive income (a)	(1,423)	(1,995)
Less: Tax effect	(715)	240
Subtotal	2,544	(1,828)
Effective hedging portion of gains or losses arising from cash flow hedging instruments	(24)	10
Less: Tax effect	6	(2)
Subtotal	(18)	8
Exchange difference on translating foreign operations	206	974
Total	2,732	(846)

(a) It refers to the amount transferred to profit or loss due to disposal.

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4.41 Other reserves (continued)

Investment revaluation reserve and cash flow hedging reserve attributable to equity holders of the Bank in the consolidated statement of financial position:

	Attributable to equity shareholders of the Bank			
	Investment revaluation reserve	Cash flow hedging reserve	Exchange reserve	Total
1 January 2023	(1,079)	1	466	(612)
Movement during the year	2,586	(18)	66	2,634
31 December 2023	<u>1,507</u>	<u>(17)</u>	<u>532</u>	<u>2,022</u>
1 January 2022	573	(7)	(181)	385
Movement during the year	(1,652)	8	647	(997)
31 December 2022	<u>(1,079)</u>	<u>1</u>	<u>466</u>	<u>(612)</u>

4.42 Notes to the consolidated cash flow statement

Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of cash flows consist of the following:

	31 December 2023	31 December 2022
Cash (Note 4.12)	7,002	6,983
Surplus deposit reserves with central bank (Note 4.12)	90,705	19,301
Balances with banks and other financial institutions – demand deposits	109,925	80,922
Original maturity within 3 months:		
– Balances with banks and other financial institutions	4,347	1,999
– Placements with banks and other financial institutions	25,357	19,100
Total	<u>237,336</u>	<u>128,305</u>

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4.43 Transferred financial assets

The Group enters into transactions in the normal course of business whereby it transfers recognized financial assets to third parties or to structured entities. In some cases these transfers may give rise to full or partial de-recognition of the financial assets concerned. In other cases where the transferred assets do not qualify for de-recognition as the Group retains substantially all the risks and rewards of these assets, the Group continues to recognize the transferred assets.

(1) Securitization transactions

The Group enters into securitization transactions by which it transfers loans to structured entities which issue asset-backed securities to investors. The Group assessed among other factors, whether or not to derecognize the transferred assets by evaluating the extent to which it retains the risks and rewards of the assets and whether it has relinquished control over these assets.

For the year ended 31 December 2023, the Group transferred loans through securitisation transactions with gross balance of RMB10,524 million (For the year ended 31 December 2022: RMB8,252 million). These transactions were all qualified for full de-recognition concluded by the Group.

(2) Transfer of non-performing financial assets

For the year ended 31 December 2023, the Group transferred non-performing financial assets through disposal to third parties, with gross balance of RMB28,982 million (For the year ended 31 December 2022: RMB26,533 million). The Group transferred substantially all the risks and rewards of these non-performing financial assets and therefore has derecognized them.

(3) Securities lending transactions

For debt securities lent to counterparties under securities lending agreements, the counterparties are allowed to sell or re-pledge these securities in the absence of default by the Group, but have an obligation to return the securities at the maturity of the contract. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognised them. As at 31 December 2023, the carrying amount of debt securities lent to counterparties was RMB45,483 million (31 December 2022: RMB10,070 million).

5 SEGMENT INFORMATION

The Group conducts business activities in key business lines and geographical regions.

Segment assets, liabilities, revenues, and expenditures are measured following the Group's accounting policies and internal management rules. The items of each segment include those which can be directly attributable to the segment or can be assigned to the segment based on reasonable criteria.

As a part of the management of assets and liabilities, the Group's capital resources are allocated to various business segments through the Treasury Department of the Head Office. The Group's internal transfer pricing mechanism uses market interest rates as the benchmark and determines transfer prices concerning the internal capital pool. The impact of internal trading has been offset when preparing the consolidated statements.

Capital expenditures of each segment refer to spending relating to purchasing fixed assets, intangible assets, and other long-term assets during the reporting period.

5.1 Business segments

- | | | |
|-----|-------------------|--|
| (a) | Corporate banking | Providing banking products and services for corporate customers, government agencies and financial institutions. These products and services include corporate deposits, corporate loans, investment business, interbank business, financial markets business and various corporate intermediary business. |
| (b) | Retail banking | Providing banking products and services for individual clients and small and micro-enterprises. These products and services include deposits and loans, credit and debit cards services, wealth management, private banking and various retail intermediary businesses. |
| (c) | Others | Group's bond investments and money markets transactions which conducted on-demand for liquidity management, and those other businesses which cannot form a single reportable segment and businesses of subsidiaries. |

5 SEGMENT INFORMATION (continued)

5.1 Business segments (continued)

Year ended 31 December 2023				
	Corporate banking	Retail banking	Others	Total
Operating income	68,348	62,316	6,727	137,391
Net interest income	51,813	50,737	(119)	102,431
Include: inter-segment net interest income/(expense)	18,037	(11,204)	(6,833)	–
Net fee and commission income	6,091	11,318	1,827	19,236
Net other income	10,444	261	5,019	15,724
Operating expenses	(13,396)	(21,687)	(17,724)	(52,807)
Credit impairment losses	(27,517)	(15,952)	(2,238)	(45,707)
Other impairment losses	(971)	(9)	(539)	(1,519)
Profit before income tax	<u>26,464</u>	<u>24,668</u>	<u>(13,774)</u>	<u>37,358</u>
Depreciation and amortisation	3,080	2,809	2,425	8,314
Capital expenditure	<u>2,550</u>	<u>2,325</u>	<u>9,079</u>	<u>13,954</u>
As at 31 December 2023				
	Corporate banking	Retail banking	Others	Total
Segment assets	4,746,660	1,869,630	1,004,083	7,620,373
Include: Investments in associates				–
Deferred income tax assets				<u>54,592</u>
Total assets				<u>7,674,965</u>
Segment liabilities	(4,712,506)	(1,355,082)	(969,362)	(7,036,950)
Deferred income tax liabilities				<u>(214)</u>
Total liabilities				<u>(7,037,164)</u>
Credit commitments	<u>734,613</u>	<u>545,007</u>	<u>–</u>	<u>1,279,620</u>

5 SEGMENT INFORMATION (continued)

5.1 Business segments (continued)

Year ended 31 December 2022				
	Corporate banking	Retail banking	Others	Total
Operating income	67,966	64,951	6,302	139,219
Net interest income	55,563	52,262	(362)	107,463
Include: inter-segment net interest income/(expense)	27,497	(19,504)	(7,993)	–
Net fee and commission income	5,939	12,445	1,890	20,274
Net other income	6,464	244	4,774	11,482
Operating expenses	(13,884)	(20,709)	(18,009)	(52,602)
Credit impairment losses	(24,221)	(21,212)	(3,329)	(48,762)
Other impairment losses	(571)	–	(114)	(685)
Profit before income tax	<u>29,290</u>	<u>23,030</u>	<u>(15,150)</u>	<u>37,170</u>
Depreciation and amortisation	2,815	2,690	2,300	7,805
Capital expenditure	<u>2,629</u>	<u>2,512</u>	<u>8,062</u>	<u>13,203</u>
As at 31 December 2022				
	Corporate banking	Retail banking	Others	Total
Segment assets	4,406,031	1,785,335	1,008,606	7,199,972
Include: Investments in associates				–
Deferred income tax assets				<u>55,701</u>
Total assets				<u>7,255,673</u>
Segment liabilities	(4,822,844)	(1,152,965)	(666,814)	(6,642,623)
Deferred income tax liabilities				<u>(236)</u>
Total liabilities				<u>(6,642,859)</u>
Credit commitments	<u>737,946</u>	<u>525,942</u>	<u>–</u>	<u>1,263,888</u>

5 SEGMENT INFORMATION (continued)

5.2 Geographical segments

The Group mainly operates in China mainland, with branches distributing across different provinces, autonomous regions and municipalities directly under the Central Government of the country. The Group also has a number of subsidiaries in China mainland and has one branch and subsidiaries in Hong Kong.

Head Office	Including head office, credit card centre and institutions directly under the head office
Yangtze River Delta	Including branches in Shanghai, Zhejiang Province and Jiangsu Province
Pearl River Delta	Including branches in Guangdong Province and Fujian Province
Bohai Rim	Including branches in Beijing, Tianjin, Shandong Province and Hebei Province
Northeastern Region	Including branches in Liaoning Province, Jilin Province and Heilongjiang Province
Central Region	Including branches in Shanxi Province, Henan Province, Hunan Province, Hubei Province, Anhui Province, Jiangxi Province and Hainan Province
Western Region	Including branches in Chongqing, Sichuan Province, Yunnan Province, Shanxi Province, Gansu Province, Guizhou Province, Qinghai Province, Ningxia Hui Autonomous Region, Xinjiang Uygur Autonomous Region, Guangxi Zhuang Autonomous Region, Inner Mongolia Autonomous Region and Tibet Autonomous Region
Overseas and Subsidiaries	Including Hong Kong Branch and subsidiaries

5 SEGMENT INFORMATION (continued)

5.2 Geographical segments (continued)

	Year ended 31 December 2023		As at 31 December 2023
	Operating income	Profit before income tax	Segment assets (1)
Head Office	45,538	8,610	3,369,881
Yangtze River Delta	23,333	7,521	1,260,635
Pearl River Delta	15,502	4,607	758,206
Bohai Rim	15,953	3,832	1,490,154
Northeastern Region	1,689	(2,362)	154,292
Central Region	11,650	6,240	563,519
Western Region	14,233	5,703	667,749
Overseas and subsidiaries	9,493	3,207	397,135
Inter-segment elimination	-	-	(1,041,198)
Total	<u>137,391</u>	<u>37,358</u>	<u>7,620,373</u>

	Year ended 31 December 2022		As at 31 December 2022
	Operating income	Profit before income tax	Segment assets (1)
Head Office	42,044	3,603	3,245,459
Yangtze River Delta	23,163	9,475	1,231,497
Pearl River Delta	16,357	3,834	684,996
Bohai Rim	19,108	8,764	1,332,535
Northeastern Region	1,950	22	169,176
Central Region	11,121	3,905	545,393
Western Region	15,097	3,334	633,344
Overseas and subsidiaries	10,379	4,233	364,375
Inter-segment elimination	-	-	(1,006,803)
Total	<u>139,219</u>	<u>37,170</u>	<u>7,199,972</u>

(1) Segment assets do not include deferred tax assets.

6 CONTINGENT LIABILITIES AND COMMITMENTS

6.1 Credit commitments

Credit commitments take the form of approved loans with signed contracts, credit card limits, financial guarantees and letters of credit. The Group regularly assesses the contingent losses of its credit commitments and makes allowances where necessary.

The contractual amounts of loans and credit card commitments represent the cash outflows should the contracts be fully drawn upon. The amounts of guarantees and letters of credit represent the maximum potential loss that would be recognised if counterparties fail to fully perform as contracted. Acceptances comprise undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be settled simultaneously with the reimbursement from the customers.

As the credit facilities may expire without being drawn upon, the contract amounts set out in the following table do not represent expected future cash outflows.

	31 December 2023	31 December 2022
Bank acceptances	476,334	495,920
Guarantees	130,996	134,395
Letters of credit	107,030	82,175
Unused credit card commitments	514,685	489,137
Irrevocable credit commitments		
– original maturity date within 1 year	33,943	40,938
– original maturity date over 1 year	16,632	21,323
Total	<u>1,279,620</u>	<u>1,263,888</u>

Details of credit loss of off-balance-sheet credit commitments (Note 4.31).

	31 December 2023	31 December 2022
Credit risk weighted amounts of credit commitments	<u>368,187</u>	<u>359,477</u>

6.2 Capital commitments

	31 December 2023	31 December 2022
Contracted but not paid for	<u>13,339</u>	<u>25,339</u>

6 CONTINGENT LIABILITIES AND COMMITMENTS (continued)

6.3 Collateral

(1) Assets pledged

The book value of assets used as collateral for business such as borrowings from banks and other financial institutions, selling for repurchase, borrowings from central bank, derivative transactions and precious metal transactions are as follows:

	31 December 2023	31 December 2022
Balances with banks and other financial institutions	5,224	3,394
Loans and advances to customers	2,062	195,237
Discounted bills	58,685	48,539
Financial investments	339,352	61,244
Long-term receivables	10,998	15,701
Property and equipment	8,701	6,439
Total	<u>425,022</u>	<u>330,554</u>

As at 31 December 2023, except for assets pledged mentioned above, the amount of RMB1,384 million of the Group's Balances with banks and other financial institutions was mainly used as special funds for a subsidiary's business (31 December 2022: RMB1,232 million).

(2) Collateral received

The Group received debt securities, bills and others as collateral in connection with the purchase of assets under resale agreements and securities lending transactions. As at 31 December 2023, the Group had no collateral that was sold or lent to counterparties, but obligated to return (31 December 2022: Nil).

6.4 Underwriting of securities

As at 31 December 2023, there was no unexpired underwriting commitment for the Group (31 December 2022: Nil).

6.5 Redemption commitments

As an underwriting agent of PRC government bonds, the Bank has the obligation to buy back those bonds sold should the holders decide to redeem the bonds early. The redemption price for the bonds at any time before their maturity date is based on the coupon value plus any interest unpaid and accrued up to the redemption date. The amount of redemption obligation, which represents the nominal value of government bonds underwritten and sold by the Bank, but not yet matured as at 31 December 2023 was RMB2,524 million (31 December 2022: RMB1,706 million). The original maturities of the bonds vary from one to five years.

6.6 Outstanding litigation

A number of outstanding litigation matters against the Group had arisen in the normal course of its business as at 31 December 2023 and 31 December 2022. The Group makes provisions for the estimated losses arising from such litigations based upon the opinions of the Group's internal and external legal counsels (Note 4.31).

7 INTERESTS IN STRUCTURED ENTITIES

7.1 Consolidated structured entities

As at 31 December 2023, the consolidated structured entities amounted to RMB80,977 million (31 December 2022: insignificant).

7.2 Unconsolidated structured entities

(1) *Invested structured entities in which the Group holds an interest*

Unconsolidated invested structured entities include asset-backed securities, funds, trust and asset management plans and others. The Group holds interests in these structured entities and has no obligation or intention to provide financial support to these structured entities, and the Group records interest income, net trading gain and net gain from investment securities therefrom.

The following tables set out an analysis of the line items in the consolidated statement of financial position in which assets are recognised relating to the Group's interests in invested structured entities:

31 December 2023				
	Financial assets at fair value through profit and loss	Financial assets measured at amortised cost	Financial assets at fair value through other comprehensive income	Total
Asset-backed securities	1,756	158,140	21,860	181,756
Funds	131,557	–	–	131,557
Trust and asset management plans	17,185	30,482	–	47,667
Others	5,278	–	–	5,278
Total	<u>155,776</u>	<u>188,622</u>	<u>21,860</u>	<u>366,258</u>
31 December 2022				
	Financial assets at fair value through profit and loss	Financial assets measured at amortised cost	Financial assets at fair value through other comprehensive income	Total
Asset-backed securities	1,448	184,301	30,193	215,942
Funds	235,452	–	–	235,452
Trust and asset management plans	14,185	43,061	–	57,246
Others	5,365	–	–	5,365
Total	<u>256,450</u>	<u>227,362</u>	<u>30,193</u>	<u>514,005</u>

The maximum exposures to loss in the above asset-backed securities, funds, trust and asset management plans and others are the amortised cost or fair value of the assets held by the Group at the reporting date in accordance with the line items of these assets recognised in the consolidated statement of financial positions.

7 INTERESTS IN STRUCTURED ENTITIES (continued)

7.2 Unconsolidated structured entities (continued)

(2) *Interests held in structured entities sponsored and managed but not consolidated by the Group*

Structured entities sponsored and managed but not consolidated by the Group primarily include wealth management products, funds and asset management plans. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. Interests held by the Group are mainly fees charged by providing management services. The Group has no obligation or intention to provide financial support to these structured entities.

As at 31 December 2023, the balance of wealth management products sponsored and managed but not consolidated by the Group is RMB867,693 million (31 December 2022: RMB883,977 million), and the balance of funds and asset management plans sponsored and managed but not consolidated by the Group is RMB107,869 million (31 December 2022: RMB161,998 million).

For the year ended 31 December 2023, the amount of fee and commission income received from the above-mentioned structured entities by the Group is RMB3,141 million (For the year ended 31 December 2022: RMB4,756 million). As at 31 December 2023 and 31 December 2022, the carrying amounts of commission receivable being recognised are not material in the consolidated statement of financial positions.

8 ENTRUSTED LENDING BUSINESS

As at the end of the reporting period, the entrusted loans and entrusted funds were as follows:

	31 December 2023	<i>31 December 2022</i>
Entrusted loans	275,968	275,934
Entrusted funds	275,968	275,934

9 RELATED PARTIES

9.1 Related parties

- (1) Related parties of the Group refer to entities controlled, or jointly controlled by or under significant influence of the Group; entities that control, jointly control or have significant influence over the Group; or entities with which the Group is under control, joint control or significant influence of another party. Related parties can be a natural person, corporate or unincorporated organization.

Related parties of the Group mainly include corporates or unincorporated organizations that hold or control more than 5% of the Bank's equity interests, and corporates or unincorporated organizations that hold less than 5% of the Bank's equity interests but have significant influence on the Bank, and the controlling shareholders, actual controllers, persons acting in concert, and ultimate beneficiaries of these entities as well as corporates or unincorporated organizations under the control of these entities; the directors and supervisors of the Bank, senior executives of the head office and key branches of the Bank, personnel with the power to approve or make decisions in connection with core businesses, such as large credit limits and asset transfers (hereinafter referred to as "insiders of the Bank"), their close family members, and the corporates or unincorporated organizations controlled by the aforementioned persons; the directors, supervisors and senior executives of the legal or unincorporated organizations holding or controlling more than 5% of the Bank's equity interests, as well as those holding less than 5% of the Bank's equity interests but having significant influence on the Bank, and also their controlling shareholders, actual controllers, persons acting in concert and ultimate beneficiaries; corporates or unincorporated organizations under control or significant influence of the Bank; and natural persons, corporates or unincorporated organizations identified by the Bank as being related on a substance over form basis and/or see-through basis.

9 RELATED PARTIES (continued)

9.1 Related parties (continued)

(2) The Bank's major shareholders

Company name	Registered location	31 December 2023		31 December 2022		Business	Legal form	Legal representative
		No. of Shares of the Bank held by the Company	Proportion of shares of the Bank held by the Company (%)	No. of Shares of the Bank held by the Company	Proportion of shares of the Bank held by the Company (%)			
		(share)		(share)		(a)		
Dana Life Insurance Inc.	Beijing	7,810,214,889	17.84	7,810,214,889	17.84	Insurance business	Joint stock limited company	He Xiaofeng
China Oceanwide Holdings Group Co., Ltd.	Beijing	1,803,182,618	4.12	1,803,182,618	4.12	Commercial service	Limited company	Lu Zhiqiang
Oceanwide International Equity Investment Limited	British Virgin Islands	401,457,117	0.92	604,300,950	1.38	Investment holding	Limited company	(b)
China Oceanwide International Investment Company Limited	Hong Kong	8,237,520	0.02	8,237,520	0.02	Investment holding	Limited company	(b)
Long Prosper Capital Company Limited	British Virgin Islands	6,676,000	0.02	138,442,500	0.32	Investment holding	Limited company	(b)
Shanghai Giant Lifetech Co., Ltd.	Shanghai	1,379,679,587	3.15	1,379,679,587	3.15	Retailing	Limited company	Wei Wei
Alpha Frontier Limited	Cayman Islands	713,501,653	1.63	713,501,653	1.63	Investment holding	Limited company	Zhang Iv
Liberal Rise Limited	British Virgin Islands	84,522,480	0.19	84,522,480	0.19	Investment holding	Limited company	Shi Yuzhu
New Hope Linhe Investment Co., Ltd.	Tibet	1,828,327,362	4.18	1,828,327,362	4.18	Commercial service	Limited company	Wang Pusong
South Hope Industrial Co., Ltd.	Tibet	343,177,327	0.78	343,177,327	0.78	Retailing	Limited company	Li Jianxiong
Tongfang Guoxin Investment Co., Ltd.	Chongqing	1,888,530,701	4.31	1,888,530,701	4.31	Commercial service	Limited company	Liu Qinqin
Chongqing International Trust Co., Ltd.	Chongqing	103,658,821	0.24	103,658,821	0.24	Other financial industry	Joint stock limited company	Weng Zhenjie
China Shipowners Mutual Assurance Association	Shanghai	1,324,284,453	3.02	1,324,284,453	3.02	Marine mutual insurance and services	National social group	Song Chunfeng
Orient Group Incorporation	Heilongjiang	1,280,117,123	2.92	1,280,117,123	2.92	Agricultural and sideline food processing industry	Joint stock limited company	Sun Mingtao
Oriental Group Co., Ltd.	Beijing	35,000,000	0.08	35,000,000	0.08	Commercial service	Limited company	Zhang Xianfeng
Good First Group Co., Ltd.	Shanghai	133,200,000	0.30	268,340,026	0.61	Wholesaling	Limited company	Wu Di
Tibet Hengxun Corporate Management Co., Ltd.	Tibet	80,500,000	0.18	93,762,400	0.21	Commercial service	Limited company	Chen Jianjun
Tibet Fujie Enterprise Management Co., Ltd.	Tibet	52,900,000	0.12	187,802,400	0.43	Commercial service	Limited company	Chen Jianjun

9 RELATED PARTIES (continued)

9.1 Related parties (continued)

(2) *The Bank's major shareholders (continued)*

(a) *Particulars of principal operations:*

Dajia Life Insurance Inc.: life insurance, health insurance, accident insurance and other types of life insurance business; reinsurance for the aforementioned business operations; business operations involving the use of insurance funds as permitted by relevant laws and regulations of the state; other business activities as approved by the former CBIRC.

China Oceanwide Holdings Group Co., Ltd.: finance; real estate and investment management, etc.

Oceanwide International Equity Investment Limited: investment holdings, etc.

China Oceanwide International Investment Co, Ltd.: investment holdings, etc.

Long Prosper Capital Company Limited: investment holdings, etc.

Shanghai Giant Lifetech Co., Ltd.: food production and sales (through branch networks); sales of cosmetics, cleaning supplies, health care equipment, kitchenware; R&D, technological consultation, technological services and technology transfer in relation to health care food; wholesale non-physical means of pre-packaged food (excluding pre-cooked food and sauced food, frozen and refrigerated food); investment management; asset management; investment consulting; business information consulting; and business management consulting.

Alpha Frontier Limited: investment holdings.

Liberal Rise Limited: investment holdings.

New Hope Liuhe Investment Co., Ltd.: venture capital; investment management; financial advisory; wealth management consulting; corporate restructuring consulting; market survey; credit investigation; technology development and transfer; technical consulting services, etc.

South Hope Industrial Co., Ltd.: Feed research and development; wholesale and retail: electronic products, hardware fittings and parts and electrical wares and products, household commodities, knitwear and textiles, stationery and office supplies (excluding color photocopiers), building materials (excluding hazardous chemicals and wood), agricultural product, by products and distinctive local goods and produce (excluding those specified by the state), chemical products (excluding hazardous chemicals), and machinery and equipment; investment and consulting services (excluding intermediary services).

9 RELATED PARTIES (continued)

9.1 Related parties (continued)

(2) The Bank's major shareholders (continued)

(a) Particulars of principal operations: (continued)

Tongfang Guoxin Investment Co., Ltd.: engage in investment activities with its own funds (forbidden financial operations include: absorption of public deposits or disguised absorption of public deposits, loans and securities offering, and futures, etc.); investment-related advisory services in relation to market information and investment policies to its affiliates; transportation facilities maintenance; engineering management services; standardized services; planning and design management; corporate headquarters management; business management; commercial complex management services; external contracting projects; real estate property management.

Chongqing International Trust Co., Ltd.: fund trusts, movable property trusts, real estate trusts, securities trusts, other property or property rights trusts; investment fund business as the sponsor of investment funds or fund management companies; asset restructuring, mergers and acquisitions and project financing, corporate wealth management, financial consulting, etc.; entrusted securities underwriting as approved by relevant departments of the State Council; intermediary, consulting, credit investigation services; safekeeping and safe deposit box services; placement with banks and other financial institutions, lending to banks and other financial institutions, loans, leases and investments with proprietary assets; guarantees with proprietary assets; placement with and lending to banks and other financial institutions; other business operations permissible under relevant laws and regulations or as approved by the former China Banking and Insurance Regulatory Commission (all above in both Renminbi and foreign currencies).

China Shipowners Mutual Assurance Association: marine mutual insurance; business training; maritime exchanges; international cooperation; and consulting services.

Orient Group Incorporation: permitted item: food production (branch operation); grain processed food production (branch operation); bean products manufacturing (branch operation); crop seed management (branch operation); job intermediary activities. general items: grain purchase; import and export of goods; technology import and export; foreign contracted projects; estate management; sales of light building materials; sales of building materials; sales of construction machinery; furniture sales; wholesale of hardware products; sanitary ware sales; sales of metal materials; research and development of new material technology; grain sales; grain planting (branch operation); enterprise headquarters management; primary processing of edible agricultural products (branch operation).

Oriental Group Co., Ltd.: engage in investment activities with its own funds; information system integration services; domestic trade agency; import and export agency; technology import and export; realty management; coal sales; wholesale of hardware products.

9 RELATED PARTIES (continued)

9.1 Related parties (continued)

(2) *The Bank's major shareholders (continued)*

(a) *Particulars of principal operations: (continued)*

Good First Group Co., Ltd.: high-tech product R&D and sales, industrial investments; investments in education, agriculture, industry, entertainment and health care industry; sales of photography and new building materials; wholesale and retail: chemicals (excluding hazardous chemicals and restricted chemicals), knitwear and textiles, hardware fittings and parts and electric wares and products, household commodities, metal materials, construction materials, automobiles (excluding passenger cars) and parts, general machinery, electronic products and communications equipment, and mineral products as approved by the state.

Tibet Heng Xun Corporate Management Co., Ltd.: corporate image, promoting and branding services; exhibition and demonstration services; market survey (excluding those involving national secrets and personal privacy); retail of building materials and auxiliary building materials; sales of feed and raw materials, fertilizers, rubber products, raw chemical materials (excluding hazardous chemicals and chemicals that can be easily used to produce addictive drugs), and metal materials.

Tibet Fuju Enterprise Management Co., Ltd. (Formerly known as Tibet Fu Ju Investment Co., Ltd.): management; business management consulting; corporate image planning; marketing planning; conference and exhibition services; Market research (excluding foreign-related research).

- (b) The Oceanwide International Equity Investment Limited, China Oceanwide International Investment Company Limited and Long Prosper Capital Company Limited are entities incorporated overseas, and are ultimately controlled by Mr. Lu Zhiqiang, the legal representative of China Oceanwide Holdings Group Co., Ltd.

9 RELATED PARTIES (continued)

9.1 Related parties (continued)

(2) The Bank's major shareholders (continued)

The information of registered capital of the related parties as at the end of the reporting period is as below:

Company name	31 December 2023	31 December 2022
Dajia Life Insurance Inc.	RMB 30,790 million	RMB 30,790 million
China Oceanwide Holdings Group Co., Ltd.	RMB 20,000 million	RMB 20,000 million
Oceanwide International Equity Investment Limited	USD 0.05 million	USD 0.05 million
China Oceanwide International Investment Company Limited	HKD 1,548 million	HKD 1,548 million
Long Prosper Capital Company Limited	USD 0.05 million	USD 0.05 million
Shanghai Giant Lifetech Co., Ltd.	RMB 245 million	RMB 245 million
Alpha Frontier Limited	USD 17.5 thousand	USD 17.5 thousand
Liberal Rise Limited	USD 0.05 million	USD 0.05 million
New Hope Liuhe Investment Co., Ltd.	RMB 577 million	RMB 577 million
South Hope Industrial Co., Ltd.	RMB 1,034 million	RMB 1,034 million
Tongfang Guoxin Investment Co., Ltd.	RMB 2,574 million	RMB 2,574 million
Chongqing International Trust Co., Ltd.	RMB 15,000 million	RMB 15,000 million
China Shipowners Mutual Assurance Association	RMB 0.10 million	RMB 0.10 million
Orient Group Incorporation	RMB 3,659 million	RMB 3,659 million
Oriental Group Co., Ltd.	RMB 1,000 million	RMB 1,000 million
Good First Group Co., Ltd.	RMB 133 million	RMB 133 million
Tibet Heng Xun Corporate Management Co., Ltd.	RMB 10 million	RMB 10 million
Tibet Fuju Enterprise Management Co., Ltd.	RMB 300 million	RMB 300 million

(3) The detailed information of the Bank's subsidiaries is set out in Note 4.23.

9 RELATED PARTIES (continued)

9.1 Related parties (continued)

(4) Relationship with related parties

Company name	Relationship with the Bank
Oceanwide Holding Co., Ltd.	Related party of China Oceanwide Holdings Group Co., Ltd.
Shanghai Cibi Business Information Consulting Co., Ltd.	Related party of Shanghai Giant Lifetech Co., Ltd.
Shanghai Zhunji Business Consulting Partnership (LP)	Related party of Shanghai Giant Lifetech Co., Ltd.
Wuhan Centre Building Development Investment Co., Ltd.	Related party of China Oceanwide Holdings Group Co., Ltd.
Guizhou Guoyuan Mining Development Co., Ltd.	Related party with equity interests held by the Bank
Wuhan CBD Co., Ltd.	Related party of China Oceanwide Holdings Group Co., Ltd.
UNITED ENERGY GROUP (HONG KONG) LIMITED	Related party of Orient Group Incorporation
Chongqing Yufu Expressway Co., Ltd.	Related party of Tongfang Guoxin Investment Co., Ltd.
Beijing Dacheng Hotel Co., Ltd.	Related party of Orient Group Incorporation
Tianjin Languang Hejun Small Station Culture and Tourism Entertainment Development Co., Ltd.	Related party of CMBC INTERNATIONAL HOLDINGS LIMITED
Tianjin Haihui Real Estate Development Co., Ltd.	Related party of Good First Group Co., Ltd.
Chongqing Gengyu Real Estate Development Co., Ltd.	Related party of New Hope Liuhe Investment Co., Ltd.
Xiamen Rongyin Co., Ltd.	Related party of Good First Group Co., Ltd.
Shanghai Yuye Industrial Development Co., Ltd.	Related party of Tongfang Guoxin Investment Co., Ltd.
Shanghai Songjiang Wanda Plaza Investment Co., Ltd.	Related party of Dajia Life Insurance Inc.
Sichuan Dazhou Steel Group Co., Ltd.	Related party with equity interests held by the Bank
Beijing Xingtai Tonggang Real Estate Co., Ltd.	Related party of SINO-OCEAN GROUP HOLDING LIMITED
Yunnan Textile Corporation	Related party of Tongfang Guoxin Investment Co., Ltd.
Kunming Dashanghui Industrial Co., Ltd.	Related party of New Hope Liuhe Investment Co., Ltd.
Guangxi Xindi Investment Co., Ltd.	Related party of Good First Group Co., Ltd.
Shenyang New Hope Jinyu Real Estate Co., Ltd.	Related party of New Hope Liuhe Investment Co., Ltd.
Xiamen Hongtu Co., Ltd.	Related party of Good First Group Co., Ltd.
Tianjin Yuanchuan Investment Co., Ltd.	Related party of SINO-OCEAN GROUP HOLDING LIMITED
New Hope Group Co., Ltd.	Related party of New Hope Liuhe Investment Co., Ltd.
Tianjin Boda Warehousing Service Co., Ltd.	Related party of SINO-OCEAN GROUP HOLDING LIMITED
Tianjin Yuanxi Real Estate Development Co., Ltd.	Related party of SINO-OCEAN GROUP HOLDING LIMITED
QUAM PLUS INTERNATIONAL FINANCIAL LIMITED(a)	Related party of China Oceanwide Holdings Group Co., Ltd.
SINO-OCEAN GROUP HOLDING LIMITED	Related party of the Bank's insiders
Shanghai Gold Partner Biotechnology Co., Ltd.	Related party of Shanghai Giant Lifetech Co., Ltd.
Grass Green Group Co., Ltd.	Related party of New Hope Liuhe Investment Co., Ltd.
Grass Green Joint Venture Capital (Beijing) Co., Ltd.	Related party of New Hope Liuhe Investment Co., Ltd.
Shanghai Jianjiu Biotechnology Co., Ltd.	Related party of Shanghai Giant Lifetech Co., Ltd.
Sichuan Hope Huaxi Construction Engineering General Contracting Co., Ltd.	Related party of Continental Hope Group Corp., Ltd.
Chongqing Yujinyue Real Estate Development Co., Ltd.	Related party of New Hope Liuhe Investment Co., Ltd.
Dalian Jianhua Sludge Treatment Co., Ltd.	Related party of SINO-OCEAN GROUP HOLDING LIMITED
Sichuan Hope Hydropower Development Co., Ltd.	Related party of Continental Hope Group Corp., Ltd.
Hangzhou Xingyuan Environmental Protection Equipment Co., Ltd.	Related party of New Hope Liuhe Investment Co., Ltd.
Hope Deepblue Air Conditioning Manufacture Corp., Ltd.	Related party of Continental Hope Group Corp., Ltd.
Hope Senlan Science and Technology Holding Corp., Ltd.	Related party of Continental Hope Group Corp., Ltd.
Shenzhen Sanjiang Intelligent Control Technology Co., Ltd.	Related party of China Oceanwide Holdings Group Co., Ltd.
Shanghai Zhaojiu Technology Co., Ltd.	Related party of the Bank's insiders
Beijing ENRELY Technology Co., Ltd.	Related party of the Bank's insiders
Jiangsu Zhijun Power Equipment Co., Ltd.	Related party of the Bank's insiders
Quanzhou Fengze District best art auto parts shop	Related party of the Bank's insiders

9 RELATED PARTIES (continued)

9.1 Related parties (continued)

(4) Relationship with related parties (continued)

Company name	Relationship with the Bank
Beijing Changrong Heyin Investment Management Co., Ltd.	Related party of Minsheng Real Estate Co., Ltd.
Sichuan Special Drive Education Management Co., Ltd.	Related party of Chengdu Huaxi Hope Group Co., Ltd.
Sichuan Hope Education Industry Group Co., Ltd.	Related party of Chengdu Huaxi Hope Group Co., Ltd.
New Hope Dairy Co., Ltd.	Related party of New Hope Liuhe Investment Co., Ltd.
Shanghai Rihou Steel Tube Leasing Co., Ltd.	Related party of the Bank's insiders
Sanya Minsheng Tourism Co., Ltd.	Related party of Minsheng E-Commerce Holdings (Shenzhen) Co., Ltd.
Minsheng E-Commerce Holdings (Shenzhen) Co., Ltd.	Companies funded by major shareholders and subsidiaries of the Bank
Minsheng Real Estate Co., Ltd.	Companies funded by the Labour Union Committee of the Bank
Minsheng Yingcai (Beijing) Management Consulting Co., Ltd.	Companies funded by the Labour Union Committee of Beijing branch of the Bank
Minsheng Fintech Co., Ltd.	Related party of Minsheng Real Estate Co., Ltd.

(a) As at 30 June 2023, CHINA TONGHAI DCM LIMITED was renamed as QUAM PLUS INTERNATIONAL FINANCIAL LIMITED.

(5) Related natural persons

The related natural persons of the Group include: the directors and supervisors of the Bank, senior executives of the head office and key branches of the Bank, personnel with the power to approve or make decisions in connection with core businesses, such as large credit limits and asset transfers, and their close family members; the directors, supervisors and senior executives of the legal or unincorporated organizations holding or controlling more than 5% of the Bank's equity interests, as well as those holding less than 5% of the Bank's equity interests but having significant influence on the Bank, and also their controlling shareholders, actual controllers, persons acting in concert and ultimate beneficiaries; and natural persons identified by the Bank as being related on a substance over form basis and/or look-through basis. As at 31 December 2023, the Bank has 13,106 related natural persons, including 205 who were directors of the Bank and their close family members, 105 who were supervisors of the Bank and their close family members, 138 who were senior executives of the head office and their close family members, 12,355 who were senior executives of key branches of the Bank or people with the power to approve or make decisions in connection with core businesses, such as large credit limits and asset transfers, and their close family members, 181 who were directors, supervisors and senior executives of the legal or unincorporated organizations holding or controlling more than 5% of the Bank's equity interests, as well as those holding less than 5% of the Bank's equity interests but having significant influence on the Bank, and also their controlling shareholders, actual controllers, persons acting in concert and ultimate beneficiaries, and 200 other natural persons.

Note: Among the Bank's directors and their close family members, 33 were also senior executives of the head office or close family members, and 9 were also directors, supervisors and senior executives of the legal or unincorporated organizations holding or controlling more than 5% of the Bank's equity interests, as well as those holding less than 5% of the Bank's equity interests but having significant influence on the Bank, and also their controlling shareholders, actual controllers, persons acting in concert and ultimate beneficiaries; among the Bank's supervisors and their close family members, 36 were also senior executives of the head office or their close family members.

9 RELATED PARTIES (continued)

9.2 Related party transactions

(1) Material related party transactions

Material related party transactions refer to transactions where an individual transaction between the Group and a single related party amounts to more than 1% of the Group's net capital at the end of the previous quarter, or where the cumulative total of transactions between the Group and a single related party amounts to more than 5% of the Group's net capital at the end of the previous quarter.

For the year ended 31 December 2023, the Bank granted to Dajia Life Insurance Inc. a comprehensive credit limit of RMB26 billion with a term of 2 years. As at 31 December 2023, the loan balance was RMB26 billion.

For the year ended 31 December 2021, the Bank granted to Dajia Life Insurance Inc. a comprehensive credit limit of RMB15.7 billion with a term of 2 years. As at 31 December 2022, the loan balance was RMB15.7 billion.

(2) Pricing policy

Transactions between the Group and its related parties are mainly conducted in the normal course of its business and on normal commercial terms, following the pricing policies that are consistent with those applicable to similar transactions with independent non-related parties.

(3) Loans to related parties

Balances outstanding as at the end of the reporting period:

	Types of collateral	31 December 2023	31 December 2022
Dajia Life Insurance Inc.	Pledged/Collateralised/ Guaranteed	26,000	15,700
Oceanwide Holding Co., Ltd.	Pledged/Collateralised/ Guaranteed	6,800	9,200
Shanghai Cibi Business Information Consulting Co., Ltd.	Pledged/Guaranteed	6,611	6,613
China Oceanwide Holdings Group Co., Ltd.	Pledged/Guaranteed	4,666	4,666
Shanghai Zhunji Business Consulting Partnership (LP)	Pledged/Guaranteed	4,329	4,381
Wuhan Centre Building Development Investment Co., Ltd.	Pledged/Collateralised/ Guaranteed	3,972	3,972
Orient Group Incorporation	Pledged/Collateralised/ Guaranteed	3,478	2,837
Guizhou Guoyuan Mining Development Co., Ltd.	Pledged/Collateralised/ Guaranteed	3,335	3,335
Wuhan CBD Co., Ltd.	Collateralised/Guaranteed	3,046	3,046
UNITED ENERGY GROUP (HONG KONG) LIMITED	Pledged/Guaranteed	2,171	2,208
Oriental Group Co., Ltd.	Pledged/Guaranteed	2,252	2,092
Chongqing Yufu Expressway Co., Ltd.	Pledged/Guaranteed	1,987	–
Beijing Dacheng Hotel Co., Ltd.	Pledged/Collateralised/ Guaranteed	1,698	1,700

9 RELATED PARTIES (continued)

9.2 Related party transactions (continued)

(3) Loans to related parties (continued)

	Types of collateral	31 December 2023	31 December 2022
Tongfang Guoxin Investment Co., Ltd.	Pledged/Collateralised/ Guaranteed	1,443	1,448
Tianjin Languang Hejun Small Station Culture and Tourism Entertainment Development Co., Ltd. (a)	Pledged/Collateralised/ Guaranteed	1,169	N/A
Tianjin Haihui Real Estate Development Co., Ltd.	Pledged/Collateralised/ Guaranteed	985	1,040
Chongqing Gengyu Real Estate Development Co., Ltd.	Collateralised/Guaranteed	937	–
Xiamen Rongyin Co., Ltd.	Pledged/Collateralised/ Guaranteed	900	590
Shanghai Yuye Industrial Development Co., Ltd.	Pledged/Guaranteed	900	950
Shanghai Songjiang Wanda Plaza Investment Co., Ltd. (a)	Collateralised/Guaranteed	867	N/A
Sichuan Dazhou Steel Group Co., Ltd.	Pledged/Collateralised/ Guaranteed	725	725
Beijing Xingtai Tonggang Real Estate Co., Ltd. (a)	Collateralised	698	N/A
Yunnan Textile Corporation	Pledged/Collateralised/ Guaranteed	640	–
Kunming Dashanghui Industrial Co., Ltd.	Collateralised/Guaranteed	580	–
Guangxi Xindi Investment Co., Ltd.	Pledged/Collateralised/ Guaranteed	569	596
Shenyang New Hope Jinyu Real Estate Co., Ltd. (a)	Pledged/Collateralised/ Guaranteed	500	N/A
Xiamen Hongfu Co., Ltd.	Pledged/Guaranteed	400	199
Tianjin Yuanchuan Investment Co., Ltd. (a)	Pledged/Collateralised/ Guaranteed	317	N/A
New Hope Group Co., Ltd.	Guaranteed	300	–
Tianjin Boda Warehousing Service Co., Ltd. (a)	Pledged/Collateralised	276	N/A
Tianjin Yuanxi Real Estate Development Co., Ltd. (a)	Pledged/Collateralised	229	N/A
QUAM PLUS INTERNATIONAL FINANCIAL LIMITED	Pledged/Guaranteed	227	301
SINO-OCEAN GROUP HOLDING LIMITED	Guaranteed	198	471
Shanghai Gold Partner Biotechnology Co., Ltd.	Guaranteed	150	150
Grass Green Group Co., Ltd.	Pledged/Guaranteed	149	167
Grass Green Joint Venture Capital (Beijing) Co., Ltd.	Pledged/Guaranteed	146	147
Shanghai Jianjiu Biotechnology Co., Ltd.	Guaranteed	130	130
Sichuan Hope Huaxi Construction Engineering General Contracting Co., Ltd. (a)	Guaranteed	80	N/A
Chongqing Yujinyue Real Estate Development Co., Ltd.	Pledged/Collateralised/ Guaranteed	70	71
Dalian Jianhua Sludge Treatment Co., Ltd. (a)	Collateralised	70	N/A
Sichuan Hope Hydropower Development Co., Ltd. (a)	Pledged/Guaranteed	60	N/A
Hangzhou Xingyuan Environmental Protection Equipment Co., Ltd. (a)	Guaranteed	50	N/A
Hope Deepblue Air Conditioning Manufacture Corp., Ltd. (a)	Guaranteed	30	N/A
Hope Senlan Science and Technology Holding Corp., Ltd. (a)	Guaranteed	30	N/A
Shenzhen Sanjiang Intelligent Control Technology Co., Ltd.	Collateralised	15	15
Shanghai Zhaojiu Technology Co., Ltd.	Collateralised	14	–
Beijing ENRELY Technology Co., Ltd. (a)	Guaranteed	4	N/A
Jiangsu Zhijun Power Equipment Co., Ltd.	Collateralised	3	3
Quanzhou Fengze District Best Art Auto Parts Shop	Collateralised	2	2

9 RELATED PARTIES (continued)

9.2 Related party transactions (continued)

(3) Loans to related parties (continued)

	Types of collateral	31 December 2023	31 December 2022
Beijing Changrong Heyin Investment Management Co., Ltd.	Pledged	-	390
Sichuan Special Drive Education Management Co., Ltd.	Collateralised	-	150
Sichuan Hope Education Industry Group Co., Ltd.	Pledged	-	250
New Hope Dairy Co., Ltd.	Pledged	-	69
Shanghai Rihou Steel Tube Leasing Co., Ltd.	Collateralised	-	8
Bank Of Hebei Co., Ltd. (b)	Pledged	N/A	1,703
Individuals	Pledged/Collateralised/ Guaranteed	1,401	1,418
Total		85,609	70,743
Ratio to similar transactions (%)		1.98	1.74
Interest rate ranges of corporate related parties		1.65%-8.95%	2.61%-8.95%

(a) Since 2023, these companies have become related parties of the Group.

(b) As at 31 December 2023, these companies were no longer related parties of the Group.

Amount of transactions:

	Year ended 31 December	
	2023	2022
Interest income from loans	4,874	4,189
Ratio to similar transactions (%)	2.61	2.33

9 RELATED PARTIES (continued)

9.2 Related party transactions (continued)

(4) Other transactions with related parties

Balances as at the end of the reporting period:

	31 December 2023		31 December 2022	
	Balance	Ratio to similar transactions (%)	Balance	Ratio to similar transactions (%)
Financial investments				
– Financial assets measured at amortised cost	3,212	0.21	9,588	0.70
– Financial assets at fair value through profit or loss	867	0.27	560	0.14
– Financial assets at fair value through other comprehensive income	646	0.15	993	0.21
Long-term receivables	109	0.09	178	0.16
Other assets(a)	850	1.72	940	2.05
Balances with banks and other financial institutions	6	0.00	–	–
Deposits and placements from banks and other financial institutions	1,133	0.09	3,305	0.22
Borrowings from banks and other financial institutions	N/A	N/A	1,004	0.95
Deposits from customers	34,825	0.80	32,232	0.80
Other liabilities	22	0.04	27	0.05

- (a) Sanya Minsheng Tourism Co., Ltd. provides project management and business promotion assistant services for Minsheng Financial Leasing regarding its retail vehicle financial leasing business. Other assets mainly include the prepayment from Minsheng Financial Leasing to Sanya Minsheng Tourism Co., Ltd. for the above mentioned service fees to be amortised.

9 RELATED PARTIES (continued)

9.2 Related party transactions (continued)

(4) Other transactions with related parties (continued)

Interest rate ranges for transaction balances as at the end of reporting period

	31 December 2023	31 December 2022
Financial investments		
– Financial assets measured at amortised cost	3.80%-5.50%	2.80%-6.74%
– Financial assets at fair value through other comprehensive income	2.70%-5.50%	2.70%-5.30%
Long-term receivables	9.31%	4.23%-5.50%
Deposits and placements from banks and other financial institutions	0.00%-2.35%	0.00%-2.92%
Borrowings from banks and other financial institutions	N/A	3.20%
Deposits from customers	0.00%-5.35%	0.00%-5.35%

Amount of transactions:

	Year ended 31 December			
	2023		2022	
	Balance	Ratio to similar transactions (%)	Balance	Ratio to similar transactions (%)
Interest income	195	0.07	399	0.15
Interest expense	997	0.61	1,150	0.74
Fee and commission income (a)	389	1.53	329	1.29
Fee and commission expense	–	–	17	0.33
Operating expenses (b)	1,793	3.40	1,840	3.50
Net other operating income (c)	592	24.19	321	13.18

- (a) For the years ended 31 December 2023 and 2022, it mainly represents the Group's income from agency sales of insurance products for Dajia Life Insurance Inc.
- (b) Operating expenses of the Group were mainly for financial business outsourcing service, travel and publicity campaigns provided by Minsheng E-Commerce Holdings (Shenzhen) Co., Ltd. and its related parties, property management service and assets recovery service provided by Minsheng Real Estate Co., Ltd. and its related parties, business process outsourcing service provided by Minsheng Yingcai (Beijing) Management Consulting Co., Ltd.
- (c) For the year ended 31 December 2023, Minsheng Financial Leasing recognized RMB549 million fees for ancillary service in asset management provided by Sanya Minsheng Tourism Co. Ltd. (For the year ended 31 December 2022: RMB271 million).
- (d) For the year ended 31 December 2023, the Bank entrusted related parties to develop software and systems, and paid a total of RMB1,484 million (For the year ended 31 December 2022: RMB807 million). The main service provider was Minsheng Fintech Co., Ltd.

9 RELATED PARTIES (continued)

9.2 Related party transactions (continued)

(4) Other transactions with related parties (continued)

Balance of off-balance sheet items:

	31 December 2023		31 December 2022	
	Balance	Ratio to similar transactions (%)	Balance	Ratio to similar transactions (%)
Bank acceptances	89	0.02	2,472	0.50
Guarantees	–	–	204	0.15
Letters of credit	290	0.27	300	0.37
Unused credit card ommitments	596	0.12	568	0.12

Balances of loans guaranteed by related parties:

	31 December 2023	31 December 2022
Loans guaranteed by related parties	42,677	27,331
Ratio to similar transactions (%)	0.99	0.67

(5) Transactions with the annuity scheme

Apart from the obligation for defined contributions to the annuity scheme and normal banking transactions, no other significant transactions were conducted between the Group and the annuity scheme for the years ended 31 December 2023 and 2022.

(6) Transactions with key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the Bank's activities, directly or indirectly, including directors, supervisors and senior management.

The Bank enters into transactions with key management personnel under normal commercial terms. These include loans and deposits, which are carried out at rates similar to those offered to third parties. Outstanding loans to the key management personnel amounted to RMB2.26 million as at 31 December 2023 (31 December 2022: RMB2.36 million), which have been included in the above loans granted to related parties.

9 RELATED PARTIES (continued)

9.2 Related party transactions (continued)

(6) Transactions with key management personnel (continued)

Accrued salaries and other short-term benefits for the key management personnel before tax amounted to RMB86 million for the year ended 31 December 2023 (2022: RMB122 million). Of which, pre-tax compensations for the Executive Directors, Chairman of the Supervisory Board, Vice Chairman of the Supervisory Board and executive officers included RMB39 million, to be paid in later years, accrued at no less than 50% of the performance-based compensations (2022: RMB48 million) in accordance with relevant regulations. The exact amounts of these deferred payments shall be determined at the end of their respective tenure based on their performance. In the case of violations of laws and regulations, non-compliances with rules and requirements, and other actions as a senior officer of the Bank that have exposed the Bank to undue risks, the Bank will, depending on the circumstances, deduct the performance-based remuneration of the person for the corresponding period or up to all the performance-based remuneration for his/her entire term of office, in accordance with the Guidelines for Performance-Based Remuneration Recoupment Mechanisms of Banking and Insurance Institutions (Yin Bao Jian Ban Fa [2021] No. 17) issued by the former CBIRC as well as relevant rules of the Bank. The Bank subscribed RMB7 million for supplementary pension insurance for the key management personnel in 2023 (2022: RMB10 million). The related salaries and benefits of 2022 were restated in accordance with the Supplement to 2022 Annual Report of China Minsheng Banking Corp., Ltd.

The total 2023 pre-tax compensation for the Bank's executive directors, Chairman of the Board of Supervisors, Vice-Chairman of the Board of Supervisors and senior management is subject to approval by the Compensation and Evaluation Committee of the Board of Directors. Upon approval, the Bank will make separate disclosure. The unaccrued compensation is not expected to have a material impact on the financial statements of the Group and the Bank for the year ended 31 December 2023.

(7) Transactions between the Bank and its subsidiaries

Balances as at the end of the reporting period:

	31 December 2023	31 December 2022
Placements with banks and other financial institutions	28,829	27,489
Loans and advances to customers	1,385	2,412
Financial investment	1,427	–
Right-of-use assets	–	3
Balances with banks and other financial institutions	220	160
Other assets	103	35
Deposits and placements from banks and other financial institutions	24,598	12,110
Deposits from customers	614	522
Leasing liabilities	–	3
Debt securities issued	257	–
Other liabilities	51	2

9 RELATED PARTIES (continued)

9.2 Related party transactions (continued)

(7) Transactions between the Bank and its subsidiaries (continued)

Amount of transactions for the reporting period:

	Year ended 31 December	
	2023	2022
Interest income	1,349	1,085
Interest expense	262	110
Fee and commission income	890	214
Fee and commission expense	147	1,512
Operating expenses	4	—
Net other operating income	1	4

(8) Material transactions between the Bank and its subsidiaries:

- (a) For the year ended 31 December 2022, the Bank granted Minsheng Financial Leasing a maximum credit limit of RMB38,520 million with a term of 2 years.

As at 31 December 2023, the balance of placements with banks and other financial institutions was RMB22,017 million (For the year ended 31 December 2022: RMB21,193 million).

For the year ended 31 December 2023, Minsheng Financial Leasing transferred its financial leasing assets with a carrying amount of RMB10,381 million to the Bank through non-recourse factoring (For the year ended 31 December 2022: Nil).

- (b) For the year ended 31 December 2023, the Bank granted CMBC Wealth Management Co., Ltd. a maximum credit limit of RMB68,000 million with a term of 2 years. As at 31 December 2023, the credit line remained unused. For the year ended 31 December 2022, the Bank did not grant any credit line to Minsheng Wealth Management Co., Ltd.

(9) Transactions between subsidiaries:

For the year ended 31 December 2023, the transactions between the subsidiaries of the Group are mainly inter-bank deposits or lending. As at 31 December 2023, the balance of the above transactions was RMB153 million (31 December 2022: RMB174 million).

The balances and transaction amount with the subsidiaries and between the subsidiaries have been offset in these consolidated financial statements.

10 FINANCIAL RISK MANAGEMENT

10.1 Financial risk management overview

The financial risks the Group is exposed to mainly include credit risk, market risk, liquidity risk and operational risk etc. Risk management includes identification, measurement, assessment, monitoring, reporting, control and mitigation of risks. The core characteristic of the financial business is taking risks; risks are inevitable in business. The Group's aim is to achieve an appropriate balance between risk and return and to minimise potential adverse effects from risks borne by the Group on its financial performance.

10 FINANCIAL RISK MANAGEMENT (CONTINUED)

10.1 Financial risk management overview (continued)

In response to new regulatory requirements and market changes as well as in light of the actual needs and current position, the Group sets its risk preferences, risk management strategies and risk policies, and takes a host of measures to ensure the risk preferences and policies are concretely implemented and complied with and strengthen the role of risk management in support of strategic decision-making, including improving its risk quantification tools and information systems, adopting and continuously improving its end-to-end risk control mechanisms and based on oversight and reviews of actual implementations, re-examining and optimising the risk preference funneling mechanisms, credit policies, limit management, and relevant systems and tools.

The Bank's Risk Management Committee, which operates under the Board of Directors, assists the Board in setting the Bank's risk preferences and risk management strategies, monitoring the Bank's risk management policies and their implementation, and assessing their effectiveness. In accordance with the risk preferences and management strategies, the Bank's senior management develops corresponding risk management policies and procedures and drives their implementation.

10.2 Credit risk

The Group is exposed to credit risk, which is the risk that a borrower or counterparty defaults as it fails to fully repay debts in a timely manner due to various reasons. Credit risk is the most important risk for the Group's operating activities; management therefore carefully manages its exposure to credit risk. Credit exposures arise principally from lending, trade finance, credit debt securities and leasing activities. There is also credit risk in off-balance sheet financial instruments, such as credit commitments and derivatives.

The Risk Management Committee is currently responsible for decision-making and overall coordination of credit risk prevention. The Bank adopts professional credit evaluation, full-process quality monitoring, problem asset professional management and collecting and other major methods for credit risk management.

After exhausting all necessary measures and implementing necessary procedures, the Group writes off the bad debts as determined in accordance with the criteria set out in the Group's write-off policy. For bad debts that have been written off, the Group continues to make its best effort to recover them.

(1) Credit risk measurement

The Group measures and manages the quality of its on-balance sheet and off-balance sheet financial assets exposed to credit risk in accordance with the Rules on Risk Classification of Financial Assets of Commercial Banks (CBIRC and PBOC Order [2023] No. 1). The Rules on Risk Classification of Financial Assets of Commercial Banks require commercial banks to classify their financial assets by their risk level into five categories, namely Normal, Special-Mention, Substandard, Doubtful and Loss, with assets classified into the latter three categories collectively referred to as "non-performing assets". The Bank has also formulated the Administrative Measures for Risk Classification of Financial Assets of China Minsheng Banking Corporation Limited to guide its daily risk classification management of financial assets, and the Bank's classification of its financial assets complies with the Rules on Risk Classification of Financial Assets of Commercial Banks.

10 FINANCIAL RISK MANAGEMENT (continued)

10.2 Credit risk (continued)

(1) *Credit risk measurement (continued)*

The core definitions for classification of financial assets in the Rules on Risk Classification of Financial Assets of Commercial Banks are as follows:

Normal:	The debtor is capable of meeting its contractual obligations and there is no objective evidence indicating that the principal, interests, and income cannot be paid in full and on time.
Special-Mention:	The debtor is currently capable of paying the principal, interests, and income notwithstanding a number of factors that might adversely affect its capacity to meet its contractual obligations.
Substandard:	The debtor is incapable of paying the principal, interests, or income in full or the financial assets have become credit impaired.
Doubtful:	The debtor is incapable of paying the principal, interests, or income in full and the financial assets have become significantly credit impaired.
Loss:	None or only a minimum fraction of the financial assets can be recovered after exhausting all available options.

(2) *Risk limit control and mitigation policies*

The Group exercises risk concentration management and controls over its counterparties, whether individuals or groups, and industries and geographical regions.

The Group has established relevant mechanisms to apply tiered management of credit risks and set limits to acceptable risks for different individual or group counterparties, different industries and geographical regions. The Bank monitors the risk status regularly and reviews their risk positions at least once a year.

Risk exposures to borrowers, including banks, are further classified into on – and off-balance sheet risk exposures, and controls have been applied to daily risk limits of each trading account. The Bank also monitors actual risk exposures on a daily basis in relation to corresponding risk limits.

The Group controls its credit risks through, among other necessary measures, regular analyses of a customer's ability to repay interest and principal, and making appropriate adjustments to credit lines.

Other specific control and mitigation measures include: measuring, evaluating, early warning, mitigating and controlling of large amount exposures of single and group customers in accordance with regulatory requirements, and preventing and controlling customer concentration risks.

10 FINANCIAL RISK MANAGEMENT (continued)

10.2 Credit risk (continued)

(2) Risk limit control and mitigation policies (continued)

(a) Collateral

The Group and its subsidiaries have individually established a range of risk management policies and adopted different methods to mitigate credit risk. Critical methods for the Group to control its credit risks include acquiring collateral, security deposits and guarantees from enterprises or individuals. The Group has specified acceptable types of collaterals, mainly including the following:

- Real estate and land use rights
- Financial instruments such as time deposits, debt securities and equities.
- Trade receivables, rent receivables and various rights to receive payments
- Mining rights and machinery

In order to minimise its credit risk, once an indication of impairment has been identified with an individual loan, the Group will seek additional collaterals from counterparties/ require additional guarantors or squeeze the credit exposure.

Collateral held as security for financial assets other than loans and accounts receivable is determined by the instruments' nature. Debt securities are generally unsecured, with the exception of asset-backed securities and similar instruments, which are secured by portfolios of financial instruments.

(b) Derivative instruments

The credit risk of derivative financial instruments comes from the counterparty credit risk that the Bank faces during transactions with counterparties who fail to fulfill their obligations. The Bank manages the counterparty credit risk of derivative financial instruments through credit limits or other credit risk mitigation measures. The Bank incorporates counterparties' credit limits into the bank-wide unified credit management system and sets credit limits in the management system to monitor credit limits. To reduce the credit risk of derivative financial instruments, the Bank also adopts measures such as margin requirements, participation in central counterparty clearing, etc.

(c) Credit related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer when required. Guarantees and standby letters of credit, which represent irrevocable commitments that the Group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. In some cases, guarantee deposits are received by the Group to lessen the credit risks related to such commitments. The Group's potential amount of credit risk exposure is equivalent to the total amount of credit commitments.

Loan commitments and financial leasing commitments represent unused portions of credit commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

10 FINANCIAL RISK MANAGEMENT (continued)

10.2 Credit risk (continued)

(3) *Expected Credit Loss (“ECL”) measurement*

According to the IFRS 9: Financial Instruments, the Group classifies its financial instruments into three stages for the purpose of ECL measurement and applies the ECL model to calculate credit loss provisions for on-balance sheet financial instruments that are exposed to credit risk and measured either at amortised cost or at fair value through other comprehensive income, such as loans, debt securities, balances with banks and other financial institutions, account receivables, lease receivables, and other debt investments, as well as off-balance sheet financial instruments that are exposed to credit risk, such as financial guarantee contracts and loan commitments.

The Group adopts the parameters-based approach and the discounted cash flow (“DCF”) method to assess the expected credit losses of its financial assets. A parameters-based approach is applied to retail assets and Stage 1 and Stage 2 corporate financial assets, while the DCF method is applied to Stage 3 corporate financial assets.

The Group regularly reviews and optimizes its expected credit loss model, and makes timely updates to the forward-looking information and relevant parameters in accordance with the requirements of *Implementation Rules on Expected Credit Loss Approach of Commercial Banks* (CBIRC [2022] No.10) and internal relevant management system.

(a) *Financial instrument risk stages*

The Group applies a “three-stage model” for measuring expected credit loss for financial instruments based on changes in credit quality since initial recognition. The three stages are defined as follows:

- Stage 1: Financial instruments without significant increase in credit risk since initial recognition. For these assets, expected credit losses are recognised for the following 12 months.
- Stage 2: For financial instruments with significant increase in credit risk since initial recognition, expected credit losses are recognised for the remaining lifetime if there is no objective evidence of impairment.
- Stage 3: For financial assets with objective evidence of impairment as at the end of reporting period, expected credit losses are recognised for the remaining lifetime.

(b) *Criteria for significant increases in credit risk (“SICR”)*

The Group assesses, at each reporting period end, whether or not the credit risk of relevant financial instruments has increased significantly since their initial recognition. In order to determine whether the credit risk has increased significantly since initial recognition, the Group takes into account the reasonable and supportable information that is available without undue cost or effort and sets qualitative and quantitative criteria accordingly. The quantitative criteria include overdue days of the principal or interest for more than 30 days, credit asset classified as special-mention, the absolute level or relative change of Probability of Default in excess of the preset thresholds, among others; and the qualitative criteria mainly cover the regulatory and business environments, the borrowers’ repayment ability, borrowers’ operation capability, borrowers’ repayment behaviors, and forward-looking information, among others.

10 FINANCIAL RISK MANAGEMENT (continued)

10.2 Credit risk (continued)

(3) *Expected Credit Loss (“ECL”) measurement (continued)*

(c) *Definition of credit-impaired financial asset*

In order to evaluate whether a financial asset is impaired, the Group considers the following criteria:

- The principal or interest of a financial asset is overdue for more than 90 days;
- Significant financial difficulty of the issuer or obligor;
- A breach of contract by the borrower, such as a default or delinquency in interest or principal payments;
- The creditor, for economic or contractual reasons relating to the debtor’s financial difficulty, grants the debtor a concession that the Group would not otherwise consider;
- The debtor will probably enter bankruptcy or another financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties faced by the issuer or debtor;
- The purchase or origination of a financial asset at a significant discount that reflects the fact of credit losses;
- Other objective evidence of financial asset impairment.

The credit impairment of a financial asset may be caused by the combined effect of multiple events rather than any single event.

(d) *Segmentation of risk exposures*

For the purpose of expected credit loss measurement, the Group classifies exposures with similar credit risk characteristics into segmentation. The Group segments corporate financial assets mainly according to the borrower types and the industry in which they operate, and retail assets mainly according to product types, and the Group reviews the appropriateness of its risk grouping and makes corrections to the grouping results on an annual basis.

10 FINANCIAL RISK MANAGEMENT (continued)

10.2 Credit risk (continued)

(3) Expected Credit Loss (“ECL”) measurement (continued)

(e) Parameters for ECL measurement

Except for credit-impaired financial assets, the Group recognised 12-month or lifetime ECL allowance by financial instrument according to whether there is a significant increase in credit risk. Expected credit losses are the product of Probability of Default (PD), Loss Given Default (LGD), and Exposure at Default (EAD), which are defined as follows:

- PD represents the likelihood of a borrower to default on its financial obligation, either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation. The PD is determined based on the adjusted results of the internal rating-based model, with forward-looking information incorporated, to reflect the borrower’s point-in-time probability of default under the current macroeconomic environment;
- LGD is expressed as a percentage loss per unit of EAD. LGD varies by types of product and availability of collateral etc.;
- EAD refers to the total amount of on – and off-balance sheet exposures in the event of default and is determined based on principal, interest, off-balance sheet credit risk conversion factor etc., and may vary by product types.

(f) Forward-looking information incorporated in the ECL

The ECL calculation involves forward-looking information. Based on analysis of its historical data, the Group has identified key economic indicators relevant to expected credit losses, including the quarterly year-on-year (Y/Y) growth rates of Gross Domestic Product (GDP), Broad Money Supply (M2) and Consumer Price Index (CPI) respectively. The Group regularly evaluates the various indicators in the pool of macroeconomic indicators and selects the most relevant indicators for ECL calculation.

As at 31 December 2023, the Group has considered different macroeconomic scenarios, and the main economic indicators with predicted ranges in estimating ECL are set out as below:

Variables	Range
Quarterly Y/Y growth rate of GDP	2.9%~5.1%
Quarterly Y/Y growth rate of M2	8.9%~12.9%
Quarterly Y/Y growth rate of CPI	0.1%~3.4%

The Group conducts sensitivity analysis on the main economic indicators used in forward-looking information. When the predicted value of the main economic indicators changes by 10%, the difference between the hypothetical expected credit loss and the current expected credit loss measurement does not exceed 5%.

The Group combines macro-economic data analysis and expert judgments to develop the positive, neutral and negative scenarios and determine their weightings, and estimates the expected credit losses in different scenarios to calculate the allowances for the weighted average ECLs. As at 31 December 2023 and 31 December 2022, the positive, neutral and negative scenarios had similar weightings.

10 FINANCIAL RISK MANAGEMENT (continued)

10.2 Credit risk (continued)

(3) Expected Credit Loss ("ECL") measurement (continued)

(g) Cash flow forecasts for Stage 3 corporate financial assets

The Group uses the DCF method to measure the expected credit losses of Stage 3 corporate financial assets. The DCF method estimates the expected credit losses based on regular forecasts of future cash flows. At each measurement date, the Group estimates the future cash inflows of an asset for different future periods, and applies appropriate discount rates to the future cash flows to obtain their present value.

(4) Maximum credit risk exposure

The following table presents the Group's maximum exposure to credit risk as at the end of the reporting period without considering any collateral held or other credit enhancements, which is represented by the carrying amount of each type of financial assets after deducting any impairment allowance.

	31 December 2023	31 December 2022
Balances with central bank	383,365	331,569
Balances with banks and other financial institutions	129,678	88,705
Placements with banks and other financial institutions	172,778	182,434
Derivative financial assets	24,797	33,878
Financial assets held under resale agreements	35,773	3,010
Loans and advances to customers	4,323,908	4,072,982
Financial investments		
– Financial assets at fair value through profit or loss	165,173	128,005
– Financial assets measured at amortised cost	1,531,024	1,363,589
– Financial assets at fair value through other comprehensive income	412,100	462,619
Long-term receivables	119,434	111,456
Other financial assets	30,608	30,153
Total	7,328,638	6,808,400
Off-balance sheet credit commitments	1,279,620	1,263,888
Maximum credit risk exposure	8,608,258	8,072,288

10 FINANCIAL RISK MANAGEMENT (continued)

10.2 Credit risk (continued)

(5) Analysis on the credit quality of financial instruments

- (a) As at 31 December 2023, the credit risk stages of financial instruments at amortised cost and financial instruments at fair value through other comprehensive income are as following:

	Gross carrying amount				Allowance for expected credit losses			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balances with central bank	383,365	-	-	383,365	-	-	-	-
Balances with banks and other financial institutions	129,682	-	-	129,682	(4)	-	-	(4)
Placements with banks and other financial institutions	173,098	-	1,193	174,291	(537)	-	(976)	(1,513)
Financial assets held under resale agreements	35,364	-	435	35,799	(1)	-	(25)	(26)
Loans and advances to customers								
– Corporate loans and advances	2,439,174	150,250	59,039	2,648,463	(18,374)	(18,204)	(26,816)	(63,394)
– Personal loans and advances	1,712,002	33,255	26,981	1,772,238	(7,858)	(7,220)	(18,972)	(34,050)
Financial investments	1,912,187	5,125	36,022	1,953,334	(2,793)	(406)	(9,187)	(12,386)
Long-term receivables	107,995	7,909	6,309	122,213	(707)	(436)	(1,636)	(2,779)
Off-balance sheet credit commitments	1,273,665	5,939	16	1,279,620	(1,065)	(146)	(1)	(1,212)

- (b) As at 31 December 2022, the credit risk stages of financial instruments at amortised cost and financial instruments at fair value through other comprehensive income are as following:

	Gross carrying amount				Allowance for expected credit losses			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balances with central bank	331,569	-	-	331,569	-	-	-	-
Balances with banks and other financial institutions	88,713	-	-	88,713	(8)	-	-	(8)
Placements with banks and other financial institutions	182,352	-	1,944	184,296	(585)	-	(1,277)	(1,862)
Financial assets held under resale agreements	2,574	-	464	3,038	-	-	(28)	(28)
Loans and advances to customers								
– Corporate loans and advances	2,204,472	166,252	53,028	2,423,752	(15,327)	(21,983)	(24,513)	(61,823)
– Personal loans and advances	1,669,611	51,147	26,111	1,746,869	(8,413)	(11,629)	(17,003)	(37,045)
Financial investments	1,789,042	12,793	35,665	1,837,500	(2,249)	(939)	(9,925)	(13,113)
Long-term receivables	94,754	13,270	6,913	114,937	(642)	(862)	(1,977)	(3,481)
Off-balance sheet credit commitments	1,261,248	2,525	115	1,263,888	(1,424)	(344)	(76)	(1,844)

10 FINANCIAL RISK MANAGEMENT (continued)

10.2 Credit risk (continued)

(6) Loans and advances to customers

- (a) The credit risk stages of loans and advances to customers (excluding interest accrued) are as following:

	31 December 2023	31 December 2022
Stage 1		
Unsecured loans	1,207,124	1,087,615
Guaranteed loans	737,403	623,229
Loans secured by		
Tangible assets other than monetary assets	1,627,683	1,591,434
Monetary assets	562,834	542,328
Subtotal	4,135,044	3,844,606
Stage 2		
Unsecured loans	23,083	27,297
Guaranteed loans	23,835	31,630
Loans secured by		
Tangible assets other than monetary assets	85,945	122,535
Monetary assets	31,075	35,937
Subtotal	163,938	217,399
Stage 3		
Unsecured loans	19,193	15,884
Guaranteed loans	13,303	16,578
Loans secured by		
Tangible assets other than monetary assets	43,551	36,298
Monetary assets	9,848	10,379
Subtotal	85,895	79,139
Total	4,384,877	4,141,144
Credit-impaired loans secured by collateral	21,649	21,411

10 FINANCIAL RISK MANAGEMENT (continued)

10.2 Credit risk (continued)

(6) Loans and advances to customers (continued)

- (b) Loans and advances to customers (excluding interest accrued) analysed by industries are as following:

	31 December 2023		31 December 2022	
	Amount	(%)	Amount	(%)
Corporate loans and advances				
Leasing and commercial services	556,874	12.70	523,343	12.64
Manufacturing	465,092	10.61	396,308	9.57
Real estate	346,298	7.90	363,344	8.77
Wholesale and retail	286,014	6.52	263,607	6.37
Water, environment and public utilities management	170,648	3.89	167,684	4.05
Transportation, storage and postal services	168,187	3.84	154,492	3.73
Financial services	165,194	3.77	115,764	2.79
Production and supply of electric power, heat, gas and water	130,512	2.98	103,403	2.50
Construction	119,477	2.72	109,689	2.65
Mining	69,034	1.57	72,705	1.76
Information transmission, software and IT services	42,602	0.97	41,727	1.01
Agriculture, forestry, animal husbandry and fishery	21,376	0.49	20,420	0.49
Accommodation and catering	16,248	0.37	17,578	0.42
Others	59,799	1.36	49,212	1.19
Subtotal	2,617,355	59.69	2,399,276	57.94
Personal loans and advances	1,767,522	40.31	1,741,868	42.06
Total	4,384,877	100.00	4,141,144	100.00

10 FINANCIAL RISK MANAGEMENT (continued)

10.2 Credit risk (continued)

(6) Loans and advances to customers (continued)

- (c) Loans and advances to customers (excluding interest accrued) by geographical area are as following:

	31 December 2023		31 December 2022	
	Amount	(%)	Amount	(%)
Head Office	492,829	11.24	488,895	11.81
Yangtze River Delta	1,125,915	25.68	1,045,578	25.25
Bohai Rim	701,020	15.99	644,316	15.56
Pearl River Delta	689,726	15.73	630,013	15.21
Western Region	660,499	15.06	630,687	15.23
Central Region	509,089	11.61	497,398	12.01
Northeastern Region	100,418	2.29	97,380	2.35
Overseas and subsidiaries	105,381	2.40	106,877	2.58
Total	<u>4,384,877</u>	<u>100.00</u>	<u>4,141,144</u>	<u>100.00</u>

(7) Rescheduled loans and advances

Rescheduled loans and advances to customers are those loans and advances for which, due to financial difficulties on the part of the borrowers, the Group has made modifications to the contract terms that are favorable to the borrowers, or has entered into refinancing arrangements with the borrowers, including borrowing for repaying or additional debt financing, etc., to facilitate the borrowers to meet their repayment obligations. As at 31 December 2023, the amount of the Group's rescheduled loans and advances to customers is RMB22,958 million (31 December 2022: RMB13,554 million)

Rescheduled loans and advances which were not past due or past due for no more than 90 days are as follows:

	31 December 2023	31 December 2022
Loans and advances to customers	<u>10,199</u>	<u>3,659</u>
Ratio of total loans and advances to customers (%)	<u>0.23</u>	<u>0.09</u>

10 FINANCIAL RISK MANAGEMENT (continued)

10.2 Credit risk (continued)

(8) Distribution of debt instruments analysed by issuers and rating

The ratings are obtained from Standard & Poor's ratings, or major rating agencies where the issuers of the debt securities are located.

31 December 2023						
	Unrated (a)	AAA	AA	A	Lower than A	Total
Credit impaired						
– Banks and non-bank financial institutions (b)	29,010	–	–	–	12	29,022
– Corporates	4,134	–	–	–	740	4,874
Gross balance	<u>33,144</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>752</u>	<u>33,896</u>
Interest accrued						2,126
Less: Allowance for impairment losses of financial assets measured at amortised cost						(7,854)
Subtotal						<u>28,168</u>
Not impaired						
– Government	884,983	377,417	5,145	2,269	–	1,269,814
– Policy banks	142,368	10	–	948	–	143,326
– Banks and non-bank financial institutions	55,027	169,880	3,645	24,516	16,720	269,788
– Corporates	84,949	227,347	32,774	13,393	18,954	377,417
Gross balance	<u>1,167,327</u>	<u>774,654</u>	<u>41,564</u>	<u>41,126</u>	<u>35,674</u>	<u>2,060,345</u>
Interest accrued						22,140
Less: Allowance for impairment losses of financial assets measured at amortised cost						(2,356)
Subtotal						<u>2,080,129</u>
Total						<u>2,108,297</u>

10 FINANCIAL RISK MANAGEMENT (continued)

10.2 Credit risk (continued)

(8) Distribution of debt instruments analysed by issuers and rating (continued)

	31 December 2022					Total
	Unrated (a)	AAA	AA	A	Lower than A	
Credit impaired						
– Banks and non-bank financial institutions (b)	30,823	–	–	–	–	30,823
– Corporates	2,416	–	13	–	616	3,045
Gross balance	<u>33,239</u>	<u>–</u>	<u>13</u>	<u>–</u>	<u>616</u>	<u>33,868</u>
Interest accrued						1,797
Less: Allowance for impairment losses of financial assets measured at amortised cost						<u>(8,867)</u>
Subtotal						<u>26,798</u>
Not impaired						
– Government	806,557	324,153	–	1,108	–	1,131,818
– Policy banks	105,141	–	–	991	–	106,132
– Banks and non-bank financial institutions	79,905	127,057	2,054	24,344	19,689	253,049
– Corporates	<u>128,461</u>	<u>225,807</u>	<u>32,025</u>	<u>11,749</u>	<u>19,626</u>	<u>417,668</u>
Gross balance	<u>1,120,064</u>	<u>677,017</u>	<u>34,079</u>	<u>38,192</u>	<u>39,315</u>	<u>1,908,667</u>
Interest accrued						21,173
Less: Allowance for impairment losses of financial assets measured at amortised cost						<u>(2,425)</u>
Subtotal						<u>1,927,415</u>
Total						<u>1,954,213</u>

(a) Unrated debt investments held by the Group mainly include bonds issued by the PRC government, trust and asset management plans, bonds issued by corporates and bonds issued by policy banks, etc.

(b) Credit-impaired debt instruments of banks and non-bank financial institutions mainly include trust and asset management plans, of which the underlying debtors are corporates.

10 FINANCIAL RISK MANAGEMENT (continued)

10.2 Credit risk (continued)

(9) Investments classified as trust and asset management plans analysed by type of underlying assets

	31 December 2023	31 December 2022
Trust and asset management plans		
Credit assets	30,482	43,061
Bonds and others	17,185	14,185
Total	47,667	57,246

The Group includes trust and asset management plans into comprehensive credit management system and manages its credit risk exposure in a holistic manner. The different methods to mitigate credit risk exposures in trust and assets management plan include guarantees, collaterals and pledges.

10.3 Market risk

The Group is exposed to market risk, which is the risk of loss to its on – and off-balance sheet businesses caused by unfavourable changes in market prices (interest rates, exchange rates, and stock and commodity prices). Market risk includes interest rate risk, exchange rate (including gold bullion) risk, equity price risk and commodity price risk, arising from adverse movements in interest rates, exchange rates, stock prices and commodity price, respectively.

The market risk faced by the Group mainly arises from the Bank's business activities. The Bank and its subsidiaries independently manage their own market risk.

The Bank distinguishes between banking books and trading books in accordance with requirements of regulatory authorities and the general practices of the banking industry, and adopts different methods to identify, measure, monitor and control their respective market risks based on the nature and characteristics of banking and trading books.

Trading books refer to the financial instruments, foreign exchange and commodities positions which could be traded freely. They are held by the Bank for trading or hedging against other risks in the trading book. Positions in the trading book must not be subject to any trading restrictions, or be able to fully hedge against the risks. These positions must also be valued accurately and managed proactively as well. In contrast, the Bank's other businesses are included in the banking books.

10 FINANCIAL RISK MANAGEMENT (continued)

10.3 Market risk (continued)

(1) *Market risk measurement techniques*

The Bank selects appropriate and generally accepted measurement methods for the different types of market risks in its banking books and trading books based on actual needs of the business.

In accordance with regulatory requirements and in response to interest rate risk of the banking books, the Bank develops measurement methods that are appropriate for the size and structure of its assets and liabilities, and performs quantitative assessment of the impact of interest rate changes on the Bank's banking book net interest income and economic value by adopting methods such as gap analysis, net interest income simulation analysis, and economic value simulation analysis.

Interest rate risk of the trading books are measured by using methods such as duration analysis, scenario analysis, sensitivity analysis and value at risk (VaR).

Exchange rate risks of the banking books include exposure in foreign exchange settlement and sales, foreign currency capital funds, loss in foreign currency profits due to settlement of foreign exchange, and shrinking of foreign currency assets compared to the local currency. The Bank assesses the impact of future exchange rate risk based on the exchange rate tendency and the future changes in the Bank's asset and liability portfolios.

Exchange rate risk of trading books arises from currency exposure conducted for customers, market making, proprietary trading, foreign exchange and foreign exchange derivative financial instrument transactions for the purpose of obtaining spreads or locking in arbitrage. The Bank measures exchange rate risk indicators through the identification of exchange rate risk factors and comprehensively evaluates the impact of changes in risk factors on each portfolio, product category and the Bank's profit and loss situation.

The Bank is fully aware of the pros and cons of different methods for measurement of market risks, and therefore adopts other methods, such as stress tests, for complementation. Stress scenarios applied to market risk stress testing include expert scenarios, historical scenarios, and hybrid scenarios.

(2) *Currency risk*

Currency risk refers to the foreign exchange and foreign exchange derivatives positions, the risk of losses of banks arise from adverse changes of exchange rate. The Group uses RMB as its bookkeeping currency, and the Group's assets and liabilities are denominated in RMB, and the rest are mainly US dollars and Hong Kong dollars.

The Group manages the exchange rate risk by controlling each currency exposure limits and total exposure.

The Group manages the currency risk in the frame of the exposure limit by daily monitoring, reporting and analysing.

10 FINANCIAL RISK MANAGEMENT (continued)

10.3 Market risk (continued)

(2) Currency risk (continued)

The following tables present the Group's foreign exchange risk exposures as at the end of the reporting period. The carrying values of assets and liabilities denominated in foreign currencies have been converted into RMB.

	31 December 2023				
	RMB	USD	HKD	Others	Total
Assets:					
Cash and balances with central bank	352,299	37,584	286	198	390,367
Balances with banks and other financial institutions	60,976	18,731	2,417	47,554	129,678
Placements with banks and other financial institutions	154,348	15,767	1,996	667	172,778
Financial assets held under resale agreements	35,773	–	–	–	35,773
Loans and advances to customers	4,171,618	96,216	35,541	20,533	4,323,908
Financial investments	2,140,966	109,853	6,594	14,729	2,272,142
Long-term receivables	102,608	16,826	–	–	119,434
Other assets	160,120	41,659	802	28,304	230,885
Total assets	7,178,708	336,636	47,636	111,985	7,674,965
Liabilities:					
Borrowings from central bank	326,454	–	–	–	326,454
Deposits and placements from banks and other financial institutions	1,127,986	83,835	16,994	13,244	1,242,059
Borrowings from banks and other financial institutions	76,798	35,854	3,063	–	115,715
Financial assets sold under repurchase agreements	178,632	10,227	1,913	361	191,133
Deposits from customers	4,164,357	159,474	19,084	10,366	4,353,281
Debt securities issued	675,614	212	–	–	675,826
Lease liabilities	9,409	–	151	–	9,560
Other liabilities	111,001	10,814	1,290	31	123,136
Total liabilities	6,670,251	300,416	42,495	24,002	7,037,164
Net position	508,457	36,220	5,141	87,983	637,801
Foreign currency derivatives	66,000	(33,807)	(11,776)	(20,421)	(4)
Off-balance sheet credit commitments	1,239,280	34,165	2,380	3,795	1,279,620

10 FINANCIAL RISK MANAGEMENT (continued)

10.3 Market risk (continued)

(2) Currency risk (continued)

	31 December 2022				
	RMB	USD	HKD	Others	Total
Assets:					
Cash and balances with central bank	296,558	41,538	292	164	338,552
Balances with banks and other financial institutions	61,541	20,898	3,388	2,878	88,705
Placements with banks and other financial institutions	166,669	11,307	1,975	2,483	182,434
Financial assets held under resale agreements	3,010	–	–	–	3,010
Loans and advances to customers	3,875,087	137,271	34,039	26,585	4,072,982
Financial investments	2,080,228	128,989	3,340	13,313	2,225,870
Long-term receivables	92,706	18,750	–	–	111,456
Other assets	157,821	44,088	5,608	25,147	232,664
Total assets	6,733,620	402,841	48,642	70,570	7,255,673
Liabilities:					
Borrowings from central bank	144,801	–	–	–	144,801
Deposits and placements from banks and other financial institutions	1,374,617	82,331	9,793	12,300	1,479,041
Borrowings from banks and other financial institutions	67,198	34,970	3,061	–	105,229
Financial assets sold under repurchase agreements	85,116	19,024	–	–	104,140
Deposits from customers	3,853,834	150,470	13,293	33,995	4,051,592
Debt securities issued	640,399	7,708	–	–	648,107
Lease liabilities	9,269	–	157	–	9,426
Other liabilities	86,121	12,429	1,937	36	100,523
Total liabilities	6,261,355	306,932	28,241	46,331	6,642,859
Net position	472,265	95,909	20,401	24,239	612,814
Foreign currency derivatives	58,646	(35,918)	(17,236)	(3,157)	2,335
Off-balance sheet credit commitments	1,214,705	44,030	1,672	3,481	1,263,888

10 FINANCIAL RISK MANAGEMENT (continued)

10.3 Market risk (continued)

(2) *Currency risk (continued)*

The Group conducts sensitivity analysis on the net foreign currency position to identify the impact on the income statement of potential movements in foreign currency exchange rates against the RMB. As at 31 December 2023, assuming other variables remain unchanged, with 1% appreciation of the US dollar against the RMB would increase both the Group's net profit and equity by RMB970 million (31 December 2022 with 1% appreciation increase by RMB1,054 million); with 1% depreciation of the US dollar against the RMB would decrease both the Group's net profit and equity by RMB970 million (31 December 2022: decrease by RMB1,054 million).

The sensitivity analysis mentioned above is based on a static foreign exchange exposure profile of assets and liabilities that contains the following assumptions:

- a. The sensitivity of each type of exchange rate refers to the exchange gain or loss caused by a fluctuation in the absolute value of closing foreign currency rate by 1% against the RMB's average rate on the reporting date;
- b. The fluctuation of exchange rates by 1% is based on the assumption of exchange rates movement from the current reporting date to the next reporting date;
- c. The fluctuation of exchange rates for all foreign currencies represents the fluctuation of exchange rates in US dollars and other foreign currencies against RMB in the same direction simultaneously. Due to the immaterial proportion of the Group's total assets and liabilities denominated in currencies other than US dollars, other foreign currencies are converted into US dollars through sensitivity analysis;
- d. The foreign exchange exposures calculated includes spot and forward foreign exchange exposures and swaps;
- e. Other variables (including interest rates) remained unchanged; and
- f. The analysis does not take into account the effect of risk management measures taken by the Group.

Due to the adoption of the aforementioned assumptions, the actual changes in the Group's net profit or loss and equity caused by the increase or decrease in exchange rates might vary from the estimated results of this sensitivity analysis.

(3) *Interest rate risk*

Interest rate risk refers to the adverse changes of the level of interest rate, term structure and other factors, which lead to loss on the economic value and bank revenue. Interest rate risk include gap risk, basis risk and option risk, and the gap risk and basis risk are the main sources of risk for the Group.

10 FINANCIAL RISK MANAGEMENT (continued)

10.3 Market risk (continued)

(3) Interest rate risk (continued)

(a) The trading books

The adverse changes due to the interest rate risk of the trading books related to the financial instruments and commodity positions will cause loss for trading books. The scope of managing interest rate risk of the trading books covers all products and businesses that are sensitive to changes in interest rates, including domestic and foreign currency bond investments, money market transactions, interest rate derivatives, foreign exchange derivatives, precious metal derivatives, and complex derivatives, etc.

The Group mainly uses indicators for scale size, profit and loss indicators, valuation, sensitivity analysis, VaR analysis, duration analysis, stress testing and other methods to quantitatively analyze interest rate risk, and incorporates market risk measurement models into daily risk management.

The Group sets risk limits such as interest rate sensitivity, duration, exposure, and loss limits to effectively control the interest rate risk of the trading books, and manages the interest rate risk within exposure limit through daily monitoring.

(b) The banking books

The primary techniques applied by the Group in measuring and analysing interest rate risk are mainly scenario analyses, repricing gap analyses, valuation analyses, sensitivity analyses, duration analyses and stress testing. The Group manages the interest rate risk using the framework of exposure limit by periodically monitoring and reporting.

The Group strengthens interest rate risk management in the banking book by setting risk limits such as duration and valuation loss tolerance. The Group closely monitors trends of interest rate changes for both RMB and foreign currencies, follows market interest rate changes, performs scenario analyses and stress tests on a regular basis, and adjusts asset and liability maturity strategy, interest rates of deposits and loans in both RMB and foreign currencies as well as repricing strategy to manage interest rate risk.

10 FINANCIAL RISK MANAGEMENT (continued)

10.3 Market risk (continued)

(3) Interest rate risk (continued)

(b) The banking books (continued)

The following tables present the Group's exposure to interest rate risk, indicating net carrying amounts of assets and liabilities based on their contractual repricing dates or maturity dates whichever are earlier.

	31 December 2023						
	Less than 1 months	1 month to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Non- interest bearing	Total
Assets:							
Cash and balances with central bank	383,233	-	-	-	-	7,134	390,367
Balances with banks and other financial institutions	115,119	5,719	7,065	1,567	85	123	129,678
Placements with banks and other financial institutions	26,141	26,616	71,398	48,227	-	396	172,778
Financial assets held under resale agreements	35,434	300	-	-	-	39	35,773
Loans and advances to customers	792,629	711,038	1,850,375	776,058	157,984	35,824	4,323,908
Financial investments	89,858	147,604	324,086	996,360	518,235	195,999	2,272,142
Long-term receivables	18,054	8,370	44,018	44,041	4,951	-	119,434
Other assets	211	29	183	30	-	230,432	230,885
Total assets	1,460,679	899,676	2,297,125	1,866,283	681,255	469,947	7,674,965
Liabilities:							
Borrowings from central bank	10,013	68,923	244,539	-	-	2,979	326,454
Deposits and placements from banks and other financial institutions	574,151	281,427	380,004	-	-	6,477	1,242,059
Borrowings from banks and other financial institutions	26,396	32,744	50,883	4,502	422	768	115,715
Financial assets sold under repurchase agreements	133,326	21,316	36,139	-	-	352	191,133
Deposits from customers	2,198,701	333,487	692,635	1,057,624	556	70,278	4,353,281
Debt securities issued	33,723	177,805	323,222	47,576	89,992	3,508	675,826
Lease liabilities	230	362	2,153	5,608	1,207	-	9,560
Other liabilities	67	1,053	985	-	-	121,031	123,136
Total liabilities	2,976,607	917,117	1,730,560	1,115,310	92,177	205,393	7,037,164
Interest rate gap	(1,515,928)	(17,441)	566,565	750,973	589,078	264,554	637,801

10 FINANCIAL RISK MANAGEMENT (continued)

10.3 Market risk (continued)

(3) Interest rate risk (continued)

(b) The banking books (continued)

	31 December 2022						
	Less than 1 months	1 month to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Non- interest bearing	Total
Assets:							
Cash and balances with central bank	331,432	–	–	–	–	7,120	338,552
Balances with banks and other financial institutions	82,141	2,621	3,857	–	–	86	88,705
Placements with banks and other financial institutions	19,249	34,145	128,685	–	–	355	182,434
Financial assets held under resale agreements	2,985	–	–	–	–	25	3,010
Loans and advances to customers	1,156,390	429,945	1,751,652	490,349	215,169	29,477	4,072,982
Financial investments	45,168	24,346	568,216	901,670	389,955	296,515	2,225,870
Long-term receivables	19,316	9,353	43,412	34,429	4,946	–	111,456
Other assets	779	–	165	41	–	231,679	232,664
Total assets	1,657,460	500,410	2,495,987	1,426,489	610,070	565,257	7,255,673
Liabilities:							
Borrowings from central bank	10,060	30,141	102,847	–	–	1,753	144,801
Deposits and placements from banks and other financial institutions	644,502	262,009	566,149	–	–	6,381	1,479,041
Borrowings from banks and other financial institutions	30,582	23,279	37,175	12,703	917	573	105,229
Financial assets sold under repurchase agreements	48,603	30,327	24,740	110	–	360	104,140
Deposits from customers	2,106,000	302,295	742,430	842,802	–	58,065	4,051,592
Debt securities issued	13,597	232,358	228,589	79,994	89,991	3,578	648,107
Lease liabilities	302	487	2,026	5,440	1,171	–	9,426
Other liabilities	–	–	4,679	–	–	95,844	100,523
Total liabilities	2,853,646	880,896	1,708,635	941,049	92,079	166,554	6,642,859
Interest rate gap	(1,196,186)	(380,486)	787,352	485,440	517,991	398,703	612,814

10 FINANCIAL RISK MANAGEMENT (continued)

10.3 Market risk (continued)

(3) Interest rate risk (continued)

(b) The banking books (continued)

If yield curves for respective currencies move in parallel for 100 basis points on 1 January, their potential impact on the Group's net interest income and shareholders' equity for the following year is as follows:

	31 December 2023	31 December 2022
	(Loss)/Gain	(Loss)/Gain
Up 100 bps parallel shift in yield curves	(8,469)	(8,132)
Down 100 bps parallel shift in yield curves	8,469	8,132

In performing the interest rate sensitivity analysis, the Group and the Bank has made general assumptions in defining business terms and financial parameters, but have not considered the following:

- a. business changes after the end of the reporting period, as the analysis is performed based on the static gap at the end of the reporting period;
- b. the impact of interest rate fluctuations on customers' behaviour;
- c. the complicated relationship between complex structured products (e.g. embedded call options and other derivative financial instruments) and interest rate fluctuations;
- d. the impact of interest rate fluctuations on market prices;
- e. the impact of interest rate fluctuations on off-balance sheet products;
- f. the impact of interest rate fluctuations on fair value of financial instruments;
- g. other variables (including foreign exchange rate); and
- h. other risk management measures in the Group.

10.4 Liquidity risk

Liquidity risk is the risk that the Group is unable to promptly obtain funds at reasonable cost to repay maturing liabilities, discharge other payment obligations and meet other funding needs in the course of normal operations.

During the reporting period, the Bank's subsidiaries manage their respective liquidity risks according to the Group's liquidity risk management framework, and the Bank manages the liquidity risk of all its branches and business lines.

The Bank is exposed to daily calls on its available cash resources from overnight deposits, demand deposits, maturing time deposits, loan drawdowns, guarantees and other calls on cash-settled derivatives. The Bank does not maintain cash resources to meet all these needs, as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. The Bank sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of interbank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

10 FINANCIAL RISK MANAGEMENT (continued)

10.4 Liquidity risk (continued)

Liquidity requirements to support calls under guarantees and standby letters of credit are considerably less than the full amounts under commitments, because the Bank does not generally expect the third party to fully draw funds under those agreements. The total outstanding contractual amount of commitments to extend credit does not necessarily represent future cash requirements, since many of these commitments will expire or terminate without being funded.

(1) *Liquidity risk management policy*

The Bank and its subsidiaries separately and independently develop their liquidity risk management policies.

The Board of Directors is ultimately responsible for liquidity risk management including reviewing and approving liquidity risk appetite, liquidity risk management strategy, major policies and procedures. The Bank's senior management is responsible for formulating liquidity risk management policies according to the development strategy of the Bank. The Asset and Liability and Financial Management Department is responsible for the daily liquidity risk management through the following procedures:

To manage the day-to-day position through monitoring the future cash flow to ensure it meets the required fund position, including matured deposits and replenishment of funds for loan demand. The Bank actively participates in global money market transactions to ensure that the Bank's funding requirements are satisfied;

To set ratio requirements and transactions limits to help monitor and manage liquidity risks. The ratios include but are not limited to liquidity coverage ratios, liquidity ratios, net stable funding ratios and liquidity matching rate;

To measure and monitor cash flows through the Bank's asset and liabilities management system, and perform liquidity scenario analyses and stress testing on overall assets and liabilities to satisfy internal and external requirements. Various techniques are used to estimate the Bank's liquidity requirements, and liquidity risk management decisions are made based on the estimated liquidity requirements and within respective terms of reference. A periodical reporting system is established to promptly update senior management on latest liquidity risk information;

To monitor the maturity concentration risk of financial assets and hold an appropriate quantity of high-liquidity and high-market-value assets to ensure the Bank is well positioned to fund its repayment obligations and business growth in the event of an interruption of cash flows due to whatever causes.

10 FINANCIAL RISK MANAGEMENT (continued)

10.4 Liquidity risk (continued)

(2) Maturity analysis

The following tables present the maturity analysis of assets and liabilities of the Group as at the end of the reporting period. An indefinite term in the case of cash and deposits with the Central Bank refers to statutory reserves and fiscal deposits placed with the Central Bank; an indefinite term in terms of financial investments, loans and advances, long-term receivables, placements with banks and other financial institutions and financial assets held under resale agreements refers to amounts of such assets that have become impaired or overdue for more than one month, and also equity investments and fund investments in financial investment; and repayable on demand with respect to loans and advances and long-term receivables refers to the unimpaired amounts of such assets that have been overdue for less than one month.

	31 December 2023						
	Indefinite	Repayable on demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years
Assets:							
Cash and balances with central bank	292,660	97,707	-	-	-	-	-
Balances with banks and other financial institutions	-	109,921	5,306	5,729	7,070	1,567	85
Placements with banks and other financial institutions	217	-	26,028	26,743	71,520	48,270	-
Financial assets held under resale agreements	432	-	35,040	301	-	-	-
Loans and advances to customers	50,052	9,377	372,788	313,879	1,260,862	1,204,067	1,112,883
Financial investments	192,027	-	56,271	139,940	316,281	1,043,099	524,524
Long-term receivables	5,242	1,198	4,715	9,261	37,843	55,852	5,323
Other assets	178,662	618	11,284	10,229	17,390	11,178	1,524
Total assets	<u>719,292</u>	<u>218,821</u>	<u>511,432</u>	<u>506,082</u>	<u>1,710,966</u>	<u>2,364,033</u>	<u>1,644,339</u>
							<u>7,674,965</u>

10 FINANCIAL RISK MANAGEMENT (continued)

10.4 Liquidity risk (continued)

(2) Maturity analysis (continued)

	31 December 2023							
	Indefinite	Repayable on demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
Liabilities:								
Borrowings from central bank	-	-	10,269	70,450	245,735	-	-	326,454
Deposits and placements from banks and other financial institutions	-	450,230	128,399	282,733	380,697	-	-	1,242,059
Borrowings from banks and other financial institutions	-	-	21,102	22,674	58,122	11,860	1,957	115,715
Financial assets sold under repurchase agreements	-	-	133,431	21,384	36,318	-	-	191,133
Deposits from customers	-	2,041,989	192,282	339,835	703,849	1,074,916	410	4,353,281
Debt securities issued	-	-	33,723	179,346	325,189	47,576	89,992	675,826
Lease liabilities	-	-	230	362	2,153	5,608	1,207	9,560
Other liabilities	2,178	10,448	14,081	61,728	20,064	12,748	1,889	123,136
Total liabilities	2,178	2,502,667	533,517	978,512	1,772,127	1,152,708	95,455	7,037,164
Net position	717,114	(2,283,846)	(22,085)	(472,430)	(61,161)	1,211,325	1,548,884	637,801
Notional amount of derivatives	-	-	751,399	946,685	1,952,414	889,620	2,370	4,542,488
	31 December 2022							
	Indefinite	Repayable on demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
Assets:								
Cash and balances with central bank	312,268	26,284	-	-	-	-	-	338,552
Balances with banks and other financial institutions	-	80,919	1,279	2,629	3,878	-	-	88,705
Placements with banks and other financial institutions	669	-	18,657	34,219	128,889	-	-	182,434
Financial assets held under resale agreements	459	-	2,551	-	-	-	-	3,010
Loans and advances to customers	48,651	8,812	369,624	275,822	1,250,221	1,052,778	1,067,074	4,072,982
Financial investments	289,432	-	52,147	86,791	447,722	954,406	395,372	2,225,870
Long-term receivables	5,613	1,112	5,332	6,781	35,159	52,490	4,969	111,456
Other assets	174,042	3,465	9,206	15,548	19,644	7,815	2,944	232,664
Total assets	831,134	120,592	458,796	421,790	1,885,513	2,067,489	1,470,359	7,255,673

10 FINANCIAL RISK MANAGEMENT (continued)

10.4 Liquidity risk (continued)

(2) Maturity analysis (continued)

	31 December 2022							
	Indefinite	Repayable on demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
Liabilities:								
Borrowings from central bank	-	-	10,334	30,875	103,592	-	-	144,801
Deposits and placements from banks and other financial institutions	-	454,718	194,279	262,911	567,133	-	-	1,479,041
Borrowings from banks and other financial institutions	-	-	19,475	19,687	41,573	21,716	2,778	105,229
Financial assets sold under repurchase agreements	-	-	48,707	30,452	24,870	111	-	104,140
Deposits from customers	-	1,970,754	166,306	306,641	753,044	854,847	-	4,051,592
Debt securities issued	-	-	15,049	232,495	230,578	79,994	89,991	648,107
Lease liabilities	-	-	302	487	2,026	5,440	1,171	9,426
Other liabilities	5,226	345	13,607	25,777	41,601	13,272	695	100,523
Total liabilities	<u>5,226</u>	<u>2,425,817</u>	<u>468,059</u>	<u>909,325</u>	<u>1,764,417</u>	<u>975,380</u>	<u>94,635</u>	<u>6,642,859</u>
Net position	<u>825,908</u>	<u>(2,305,225)</u>	<u>(9,263)</u>	<u>(487,535)</u>	<u>121,096</u>	<u>1,092,109</u>	<u>1,375,724</u>	<u>612,814</u>
Notional amount of derivatives	-	-	606,557	762,778	1,610,652	825,589	6,235	3,811,811

(3) Analysis on contractual undiscounted cash flows of non-derivative assets and liabilities

The following tables present the analysis of the undiscounted contractual cash flows of the Group's non-derivative assets and liabilities as at the end of the reporting period. The Group manages its liquidity risk based on its estimation of expected future cash flows. An indefinite term in the case of cash and deposits with the Central Bank refers to statutory reserves and fiscal deposits placed with the Central Bank; an indefinite term in terms of financial investments, loans and advances, long-term receivables, placements with banks and other financial institutions and financial assets held under resale agreements refers to amounts of such assets that have become impaired or overdue for more than 1 month, and also equity investments and fund investments in financial investments; and repayable on demand with respect to, loans and advances and long-term receivables refers to the unimpaired amounts of such assets that have been overdue for less than 1 month.

10 FINANCIAL RISK MANAGEMENT (continued)

10.4 Liquidity risk (continued)

(3) Analysis on contractual undiscounted cash flows of non-derivative assets and liabilities (continued)

	31 December 2023							
	Indefinite	Repayable on demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
Assets:								
Cash and balances with central bank	292,660	97,707	-	-	-	-	-	390,367
Balances with banks and other financial institutions	-	109,925	5,322	5,833	7,184	1,567	85	129,916
Placements with banks and other financial institutions	1,193	-	26,666	27,901	73,815	49,066	-	178,641
Financial assets held under resale agreements	457	-	35,047	301	-	-	-	35,805
Loans and advances to customers	99,954	12,319	389,545	342,981	1,373,433	1,471,118	1,514,245	5,203,595
Financial investments	192,112	-	60,009	147,978	357,696	1,152,401	627,474	2,537,670
Long-term receivables	8,280	1,317	5,115	10,073	41,373	64,956	7,218	138,332
Other assets	183,277	618	6,524	1,707	8,975	9,083	1,443	211,627
Total assets (expected maturity date)	777,933	221,886	528,228	536,774	1,862,476	2,748,191	2,150,465	8,825,953

	31 December 2023							
	Indefinite	Repayable on demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
Liabilities:								
Borrowings from central bank	-	-	10,276	70,738	250,580	-	-	331,594
Deposits and placements from banks and other financial institutions	-	450,627	128,757	283,159	381,551	-	-	1,244,094
Borrowings from banks and other financial institutions	-	-	21,165	24,296	59,660	13,193	2,217	120,531
Financial assets sold under repurchase agreements	-	-	133,456	21,471	36,913	-	-	191,840
Deposits from customers	-	2,041,989	193,088	347,730	712,469	1,099,296	411	4,394,983
Debt securities issued	-	-	33,772	180,476	331,485	64,360	95,542	705,635
Lease liabilities	-	-	251	394	2,342	6,100	1,313	10,400
Other liabilities	2,178	10,448	7,896	49,716	10,569	11,174	1,879	93,860
Total liabilities (contractual maturity date)	2,178	2,503,064	528,661	977,980	1,785,569	1,194,123	101,362	7,092,937

10 FINANCIAL RISK MANAGEMENT (continued)

10.4 Liquidity risk (continued)

(3) Analysis on contractual undiscounted cash flows of non-derivative assets and liabilities (continued)

	31 December 2022							
	Indefinite	Repayable on demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
Assets:								
Cash and balances with central bank	312,268	26,284	–	–	–	–	–	338,552
Balances with banks and other financial institutions	–	80,922	1,280	2,640	3,913	–	–	88,755
Placements with banks and other financial institutions	1,946	–	19,323	35,239	130,545	–	–	187,053
Financial assets held under resale agreements	464	–	2,565	–	–	–	–	3,029
Loans and advances to customers	90,890	10,803	383,975	303,587	1,358,172	1,302,221	1,483,538	4,933,186
Financial investments	290,165	–	51,415	85,583	445,120	949,165	392,826	2,214,274
Long-term receivables	8,889	1,227	5,639	7,402	38,875	61,325	6,668	130,025
Other assets	175,556	3,464	3,165	4,041	7,546	4,727	5,432	203,931
Total assets (expected maturity date)	880,178	122,700	467,362	438,492	1,984,171	2,317,438	1,888,464	8,098,805

	31 December 2022							
	Indefinite	Repayable on demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
Liabilities:								
Borrowings from central bank	-	-	10,345	30,995	105,617	-	-	146,957
Deposits and placements from banks and other financial institutions	-	454,718	194,364	263,362	569,656	-	-	1,482,100
Borrowings from banks and other financial institutions	-	-	19,527	20,124	43,085	23,489	3,140	109,365
Financial assets sold under repurchase agreements	-	-	48,729	30,583	25,613	116	-	105,041
Deposits from customers	-	1,970,754	168,228	318,342	754,766	944,257	-	4,156,347
Debt securities issued	-	-	15,576	233,460	235,217	99,535	95,542	679,330
Lease liabilities	-	-	330	533	2,216	5,951	1,281	10,311
Other liabilities	5,226	345	7,763	21,811	26,432	11,712	675	73,964
Total liabilities (contractual maturity date)	5,226	2,425,817	464,862	919,210	1,762,602	1,085,060	100,638	6,763,415

10 FINANCIAL RISK MANAGEMENT (continued)

10.4 Liquidity risk (continued)

(4) Analysis on contractual undiscounted cash flows of derivatives

(a) Derivatives settled on a net basis

The Group's derivatives that will be settled on a net basis include:

Foreign exchange derivatives Foreign exchange forwards, swaps and options

Interest rate derivatives Interest rate swaps

Credit derivatives Credit default swaps

The following tables analyse the Group's contractual undiscounted cash flows of derivatives to be settled on a net basis as at the end of the reporting period.

	31 December 2023					Total
	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	
Foreign exchange derivatives	(168)	70	412	63	–	377
Interest rate derivatives	39	681	780	786	11	2,297
Credit derivatives	16	–	37	82	–	135
Total	<u>(113)</u>	<u>751</u>	<u>1,229</u>	<u>931</u>	<u>11</u>	<u>2,809</u>

	31 December 2022					Total
	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	
Foreign exchange derivatives	(129)	230	1,993	(2)	–	2,092
Interest rate derivatives	(30)	(36)	(101)	(85)	20	(232)
Credit derivatives	1	–	–	29	–	30
Total	<u>(158)</u>	<u>194</u>	<u>1,892</u>	<u>(58)</u>	<u>20</u>	<u>1,890</u>

(b) Derivatives settled on a gross basis

The Group's derivatives that will be settled on a gross basis include:

Foreign exchange derivatives Foreign exchange forwards, swaps and options

Precious metal derivatives Precious metal forwards and swaps

10 FINANCIAL RISK MANAGEMENT (continued)

10.4 Liquidity risk (continued)

(4) Analysis on contractual undiscounted cash flows of derivatives (continued)

(b) Derivatives settled on a gross basis (continued)

The following tables analyse the Group's contractual undiscounted cash flows of derivatives to be settled on a gross basis as at the end of the reporting period.

	31 December 2023					Total
	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	
Foreign exchange derivatives						
– Cash outflow	(120,834)	(94,199)	(158,192)	(128,398)	–	(501,623)
– Cash inflow	120,784	93,355	158,387	128,716	–	501,242
Precious metal derivatives						
– Cash outflow	(25,222)	(23,262)	(28,125)	–	–	(76,609)
– Cash inflow	23,873	20,224	26,927	–	–	71,024
Total cash outflow	<u>(146,056)</u>	<u>(117,461)</u>	<u>(186,317)</u>	<u>(128,398)</u>	<u>–</u>	<u>(578,232)</u>
Total cash inflow	<u>144,657</u>	<u>113,579</u>	<u>185,314</u>	<u>128,716</u>	<u>–</u>	<u>572,266</u>
	31 December 2022					Total
	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	
Foreign exchange derivatives						
– Cash outflow	(94,432)	(120,764)	(138,759)	(129,570)	–	(483,525)
– Cash inflow	93,639	121,567	139,889	128,673	–	483,768
Precious metal derivatives						
– Cash outflow	(12,435)	(37,107)	(27,773)	–	–	(77,315)
– Cash inflow	12,611	35,468	26,003	–	–	74,082
Total cash outflow	<u>(106,867)</u>	<u>(157,871)</u>	<u>(166,532)</u>	<u>(129,570)</u>	<u>–</u>	<u>(560,840)</u>
Total cash inflow	<u>106,250</u>	<u>157,035</u>	<u>165,892</u>	<u>128,673</u>	<u>–</u>	<u>557,850</u>

10 FINANCIAL RISK MANAGEMENT (continued)

10.4 Liquidity risk (continued)

(5) Analysis on contractual undiscounted cash flows of commitments

Management treats contractual maturity as the best estimate for analysing liquidity risk of off-balance sheet items, unless an objective evidence of default is identified.

	31 December 2023			Total
	Less than 1 year	1 to 5 years	More than 5 years	
Bank acceptances	476,334	–	–	476,334
Letters of credit	106,523	507	–	107,030
Guarantees	86,733	43,912	351	130,996
Unused credit card commitments	514,685	–	–	514,685
Irrevocable credit commitments	35,731	11,177	3,667	50,575
Total	1,220,006	55,596	4,018	1,279,620

	31 December 2022			Total
	Less than 1 year	1 to 5 years	More than 5 years	
Bank acceptances	495,920	–	–	495,920
Letters of credit	81,938	237	–	82,175
Guarantees	94,865	37,652	1,878	134,395
Unused credit card commitments	489,137	–	–	489,137
Irrevocable credit commitments	45,147	16,351	763	62,261
Total	1,207,007	54,240	2,641	1,263,888

10.5 Operational risk

Operational risk refers to the risk of loss due to deficient and flawed internal procedures, personnel and information technology (IT) system, or external events. The operational risk of the Group mainly comprises internal and external fraud, employment system, and safety of working places, events related to customers, products and operation, damages of tangible assets, interruption of business, failure of IT system, implementation, delivery and process management.

During the reporting period, the Bank optimized its operational risk management system, enhanced the closed-loop management process, refined operational risk management tools, and improved the granular level of operational risk management. As part of its efforts to promote the implementation of new standard approach for operational risk under Basel III, the Bank carries out a series of preparatory work including policies review, measurement and calculation, system construction, training and publicity to meet regulatory compliance. To implement new outsourcing risk control mechanisms, the Bank supervises outsourcing projects across the Bank. The Bank also continuously improves the business continuity management system, updates business impact analysis and risk assessment results and organises comprehensive practices across the Bank to enhance its ability to tackle with operational disruption events.

10 FINANCIAL RISK MANAGEMENT (continued)

10.6 Country risk

The Group is exposed to country risk, which represents the risk due to changes and incidents occurred in the economy, politics and society of a specific country or region, which results in the borrowers or debtors in that country or region incapable of or unwilling to pay their debts owed to the Group or otherwise leads to business losses or other losses to the Group in that country or region. The country risk results from the economic deterioration of a specific country or region, the political and social turmoil, the nationalization or expropriation of assets, the Government's refusal of debt redemption, the restriction of foreign currency, the currency depreciation, and so on.

The country risk faced by the Group mainly arises from overseas credit business, bond investment, bill business, interbank financing, financial derivative trading, offshore leasing business, investment banking business, securities investment and establishment of overseas institutions.

Country risk management is included in the comprehensive risk management system of the Group and serves the objective of business strategy of the Bank. The Group manages and controls country risk through a number of tools including risk assessment and rating, limit setting, monitoring, improvement to review procedures, and formulation of policies to accrue country risk reserve.

10.7 Capital management

In managing capital, the Group enhances capital budget, capital configuration and evaluation management, optimize business structure, promote capital utilization efficiency and create value, based on meeting regulatory requirements and raising risk resistance ability.

Starting from 1 January 2013, the Group computes the capital adequacy ratios in accordance with *The Capital Rules for Commercial Banks (Provisional)* and other relevant regulations. The on-balance sheet risk-weighted assets are measured by using different risk weights, which are determined in accordance with Appendix 2 of *The Capital Rules for Commercial Banks (Provisional)*, and taking into account the risk mitigation effect provided by the qualified pledges or qualified guarantee entities. The off-balance sheet risk-weighted assets are measured by multiplying the nominal amounts with the credit conversion factors to come out the on-balance sheet assets equivalents, then applied same approach used for on-balance sheet assets for risk-weighted assets computation. Market risk-weighted assets are calculated by using the standardised approach. Operational risk-weighted assets are calculated by using basic indicator approach.

The Group's capital adequacy ratios are calculated in accordance with *The Capital Rules for Commercial Banks (Provisional)* and other relevant regulations. For the Group, the minimum ratios for core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio are 7.75%, 8.75% and 10.75%, respectively.

The Group calculates the core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio in accordance with *The Capital Rules for Commercial Banks (Provisional)* and relevant requirements as below:

10 FINANCIAL RISK MANAGEMENT (continued)

10.7 Capital management (continued)

	31 December 2023	31 December 2022
Core tier-one capital adequacy ratio	9.28%	9.17%
Tier-one capital adequacy ratio	10.95%	10.91%
Capital adequacy ratio	13.14%	13.14%
Components of capital base		
Core tier-one capital:		
Share capital	43,782	43,782
Valid portion of capital reserve	58,149	58,149
Surplus reserve	58,805	55,276
General reserve	95,237	90,494
Retained earnings	271,645	257,877
Valid portion of non-controlling interests	8,053	7,943
Others	2,022	(612)
Core tier-one capital	<u>537,693</u>	<u>512,909</u>
Core tier-one capital deductions	<u>(3,841)</u>	<u>(6,931)</u>
Net core tier-one capital	533,852	505,978
Net other tier-one capital	<u>96,036</u>	<u>96,021</u>
Net tier-one capital	<u>629,888</u>	<u>601,999</u>
Tier-two capital:		
Valid portion of tier-two capital instruments issued and share premium	89,992	89,991
Surplus provision for loan impairment	33,388	31,028
Valid portion of non-controlling interests	<u>2,148</u>	<u>2,118</u>
Net tier-two capital	<u>125,528</u>	<u>123,137</u>
Net capital base	<u>755,416</u>	<u>725,136</u>
Credit risk-weighted assets	5,413,859	5,144,232
Market risk-weighted assets	65,225	72,760
Operational risk-weighted assets	<u>270,988</u>	<u>300,297</u>
Total risk-weighted assets	<u>5,750,072</u>	<u>5,517,289</u>

11 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value estimates are generally subjective in nature, and are made as of a specific point in time based on the characteristics of the financial instruments and relevant market information. The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date. This level includes listed equity securities and debt instruments on exchanges.

Level 2: The debt securities classified as level 2 are RMB bonds and foreign currency bonds. The fair value of RMB bonds is determined according to the valuation results of China Central Depository & Clearing Co., Ltd., and the fair value of foreign currency bonds is determined according to Bloomberg's valuation results. Other financial instruments classified as level 2 include derivative contracts, discounted bills and forfaiting, which are valued using discounted cash flow method and Blair-Scholes model, etc. All significant valuation parameters are obtained from observable market information.

Level 3: Financial instruments classified as level 3 include equity instruments and debt instruments, whose valuation involves one or more significant unobservable inputs, mainly including right of trust benefit, non-listed equities, subordinated tranches of asset-backed securities, convertible bonds, and asset management plans, etc. The valuation techniques used include discounted cash flow method, market approach and income approach, etc. Unobservable inputs for valuation models include discount rates and discounts for lack of marketability (DLOM), etc.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible.

11 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

11.1 Financial instruments recorded at fair value

The following tables show an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

	31 December 2023			
	Level 1	Level 2	Level 3	Total
Assets				
Financial assets which are measured at fair value on a recurring basis:				
Financial assets at fair value through profit or loss				
Debt securities	–	142,836	3,255	146,091
Equity investments	1,535	1,932	16,170	19,637
Investment funds	118,979	11,115	1,463	131,557
Trust and asset management plans	–	10,975	6,210	17,185
Others	3,979	202	1,896	6,077
Financial assets at fair value through other comprehensive income				
Debt securities	–	411,160	940	412,100
Equity investments	–	2,578	5,893	8,471
Loans and advances to customers at fair value through other comprehensive income	–	279,998	–	279,998
Derivative financial assets				
Foreign exchange derivatives	–	22,130	–	22,130
Interest rate derivatives	–	1,733	–	1,733
Precious metal derivatives	–	908	–	908
Others	–	26	–	26
Total	124,493	885,593	35,827	1,045,913
Liabilities				
Financial liabilities which are measured at fair value on a recurring basis:				
Derivative financial liabilities				
Foreign exchange derivatives	–	(22,011)	–	(22,011)
Interest rate derivatives	–	(676)	–	(676)
Precious metal derivatives	–	(6,585)	–	(6,585)
Others	–	(4)	–	(4)
Financial liabilities at fair value through profit or loss	–	(35,013)	(814)	(35,827)
Total	–	(64,289)	(814)	(65,103)

11 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

11.1 Financial instruments recorded at fair value (continued)

	31 December 2022			
	Level 1	Level 2	Level 3	Total
Assets				
Financial assets which are measured at fair value on a recurring basis:				
Financial assets at fair value through profit or loss				
Debt securities	–	110,412	2,229	112,641
Equity investments	1,047	1,698	18,682	21,427
Investment funds	220,666	12,311	2,475	235,452
Trust and asset management plans	–	9,412	4,773	14,185
Others	4,186	–	1,179	5,365
Financial assets at fair value through other comprehensive income				
Debt securities	–	461,778	841	462,619
Equity investments	–	5,331	5,261	10,592
Loans and advances to customers designated at fair value through other comprehensive income	–	254,775	–	254,775
Derivative financial assets				
Foreign exchange derivatives	–	29,129	–	29,129
Interest rate derivatives	–	2,889	–	2,889
Precious metal derivatives	–	1,836	–	1,836
Others	–	24	–	24
Total	225,899	889,595	35,440	1,150,934
Liabilities				
Financial liabilities which are measured at fair value on a recurring basis:				
Derivative financial liabilities				
Foreign exchange derivatives	–	(26,883)	–	(26,883)
Interest rate derivatives	–	(589)	–	(589)
Precious metal derivatives	–	(5,186)	–	(5,186)
Others	–	(17)	–	(17)
Financial liabilities at fair value through profit or loss	–	(1,645)	(270)	(1,915)
Total	–	(34,320)	(270)	(34,590)

For equity instruments and debt instruments whose valuation involves one or more than one significant unobservable inputs, the fair value of the financial instruments classified under level 3 is not significantly influenced by the reasonable changes in these unobservable inputs.

11 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

11.2 Movement in level 3 financial instruments measured at fair value

The following table shows the movement of level 3 financial instruments during the year:

	Year ended 31 December 2023					
	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income			Financial assets at fair value through profit or loss liabilities	Total liabilities
		Debt securities	Equity securities	Total		
As at 1 January 2023	29,338	841	5,261	35,440	270	270
Total gains/(losses)						
In profit or loss	(617)	(13)	-	(630)	-	-
In other comprehensive income	-	2	569	571	-	-
Purchase/transfer in	4,639	140	63	4,842	544	544
Settlement/transfer out	(4,366)	(30)	-	(4,396)	-	-
As at 31 December 2023	28,994	940	5,893	35,827	814	814
Total realised gains included in the consolidated statement of profit or loss	55	-	-	55	-	-
Total unrealised losses included in the consolidated statement of profit or loss	(672)	(13)	-	(685)	-	-

	Year ended 31 December 2022					
	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income			Financial assets at fair value through profit or loss liabilities	Total liabilities
		Debt securities	Equity securities	Total		
As at 1 January 2022	31,200	622	2,625	34,447	-	-
Total gains/(losses)						
In profit or loss	(5,262)	(191)	-	(5,453)	-	-
In other comprehensive income	-	(74)	2,636	2,562	-	-
Purchase/transfer in	4,637	828	-	5,465	270	270
Settlement/transfer out	(1,237)	(344)	-	(1,581)	-	-
As at 31 December 2022	29,338	841	5,261	35,440	270	270
Total realised gains/(losses) included in the consolidated statement of profit or loss	70	(135)	-	(65)	-	-
Total unrealised losses included in the consolidated statement of profit or loss	(5,332)	(56)	-	(5,388)	-	-

11 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

11.3 Fair value of financial assets and liabilities not carried at fair value

- (1)** Cash and balances with central bank, balances with banks and other financial institutions, placements with banks and other financial institutions, loans and advances to customers, long-term receivables, central bank deposits and placements from banks and other financial institutions, borrowings from banks and other financial institutions, deposits from customers and financial assets held under resale agreements and sold under repurchase agreements

Given that these financial assets and financial liabilities mainly mature within a year or adopt floating interest rates, their book values approximate their fair values.

- (2)** Financial investments measured at amortised cost

The fair value for financial assets measured at amortised cost-bonds is usually measured based on “bid” market prices or brokers’/dealers’ quotations. If relevant market information is not available, the fair value is based on quoted price of security products with similar characteristics such as credit risk, materiality and yield.

- (3)** Debt securities issued

Fair values of debt securities issued are based on quoted market prices. For debt securities where quoted market prices are not available, a discounted cash flow model is used to calculate their fair value using current market rates appropriate for debt securities with similar remaining maturities.

11 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

11.3 Fair value of financial assets and liabilities not carried at fair value (continued)

The following table summarises the carrying amounts, the fair value and the analysis by level of the fair value hierarchy of financial assets measured at amortised and cost debt securities issued:

31 December 2023					
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets					
Financial assets measured at amortised cost	<u>1,531,024</u>	<u>1,536,026</u>	<u>–</u>	<u>1,488,415</u>	<u>47,611</u>
Financial liabilities					
Debt securities issued	<u>675,826</u>	<u>669,980</u>	<u>–</u>	<u>669,980</u>	<u>–</u>
31 December 2022					
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets					
Financial assets measured at amortised cost	<u>1,363,589</u>	<u>1,368,109</u>	<u>–</u>	<u>1,308,374</u>	<u>59,735</u>
Financial liabilities					
Debt securities issued	<u>648,107</u>	<u>645,077</u>	<u>–</u>	<u>645,077</u>	<u>–</u>

12 SUBSEQUENT EVENTS

Up to the approval date of the consolidated financial statements, the Group had no material subsequent events for disclosure.

13 COMPARATIVE FIGURES

Certain comparative data has been restated to conform to the presentation and disclosure of the current period.

14 STATEMENT OF FINANCIAL POSITION AND STATEMENT OF CHANGES IN EQUITY OF THE BANK

	31 December 2023	31 December 2022
ASSETS		
Cash and balances with central bank	387,434	335,491
Balances with banks and other financial institutions	100,127	69,476
Precious metals	28,285	25,167
Placements with banks and other financial institutions	201,606	209,923
Derivative financial assets	24,694	33,711
Financial assets held under resale agreements	25,845	2,551
Loans and advances to customers	4,310,985	4,051,123
Financial investments:	2,226,240	2,199,557
– Financial assets at fair value through profit or loss	289,565	380,523
– Financial assets measured at amortised cost	1,526,792	1,362,676
– Financial assets at fair value through other comprehensive income	409,883	456,358
Property and equipment	26,082	25,442
Right-of-use assets	12,221	12,150
Deferred income tax assets	51,815	53,037
Investment in subsidiaries	13,413	13,381
Other assets	29,386	30,604
Total assets	7,438,133	7,061,613
LIABILITIES		
Borrowings from central bank	326,137	144,357
Deposits and placements from banks and other financial institutions	1,260,132	1,478,545
Financial liabilities at fair value through profit or loss	2,320	1,645
Derivative financial liabilities	29,195	32,675
Financial assets sold under repurchase agreements	167,358	92,095
Deposits from customers	4,316,817	4,016,971
Lease liabilities	9,190	9,148
Provisions	1,787	2,455
Debt securities issued	670,391	648,107
Current income tax liabilities	992	4,308
Other liabilities	40,587	41,827
Total liabilities	6,824,906	6,472,133
EQUITY		
Share capital	43,782	43,782
Other equity instrument	94,962	94,962
Including: Preference shares	19,975	19,975
Perpetual bonds	74,987	74,987
Reserves		
Capital reserve	57,880	57,880
Surplus reserve	58,805	55,276
General reserve	91,290	86,911
Other reserves	1,699	(438)
Retained earnings	264,809	251,107
Total equity	613,227	589,480
Total liabilities and equity	7,438,133	7,061,613

14 STATEMENT OF FINANCIAL POSITION AND STATEMENT OF CHANGES IN EQUITY OF THE BANK (continued)

	Reserves								Retained earnings	Total
	Share capital	Other equity instrument	Capital reserve	Surplus reserve	General reserve	Investment revaluation reserve	Exchange Reserve	Cash flow hedging reserve		
At 31 December 2022	43,782	94,962	57,880	55,276	86,911	(347)	(92)	1	251,107	589,480
(I) Net profit	-	-	-	-	-	-	-	-	35,291	35,291
(II) Other comprehensive income, net of tax	-	-	-	-	-	2,203	(44)	(18)	-	2,141
Total comprehensive income	-	-	-	-	-	2,203	(44)	(18)	35,291	37,432
(III) Profit distribution										
1. Appropriation to surplus reserve	-	-	-	3,529	-	-	-	-	(3,529)	-
2. Appropriation to general reserve	-	-	-	-	4,379	-	-	-	(4,379)	-
3. Cash dividends	-	-	-	-	-	-	-	-	(10,245)	(10,245)
4. Interest on perpetual bond	-	-	-	-	-	-	-	-	(3,440)	(3,440)
(IV) Transfers within the owners' equity										
1. Other comprehensive income transferred to retained earnings	-	-	-	-	-	(4)	-	-	4	-
At 31 December 2023	43,782	94,962	57,880	58,805	91,290	1,852	(136)	(17)	264,809	613,227

	Reserves								Retained earnings	Total
	Share capital	Other equity instrument	Capital reserve	Surplus reserve	General reserve	Investment revaluation reserve	Exchange Reserve	Cash flow hedging reserve		
At 31 December 2021	43,782	89,964	57,880	51,843	85,278	750	(57)	(7)	235,278	564,711
(I) Net profit	-	-	-	-	-	-	-	-	34,327	34,327
(II) Other comprehensive income, net of tax	-	-	-	-	-	(1,097)	(35)	8	-	(1,124)
Total comprehensive income	-	-	-	-	-	(1,097)	(35)	8	34,327	33,203
(III) Capital injection and deduction by equity holders										
1. Capital injection by other equity instrument holders	-	4,998	-	-	-	-	-	-	-	4,998
(IV) Profit distribution										
1. Appropriation to surplus reserve	-	-	-	3,433	-	-	-	-	(3,433)	-
2. Appropriation to general reserve	-	-	-	-	1,633	-	-	-	(1,633)	-
3. Cash dividends	-	-	-	-	-	-	-	-	(10,202)	(10,202)
4. Interest on perpetual bond	-	-	-	-	-	-	-	-	(3,230)	(3,230)
At 31 December 2022	43,782	94,962	57,880	55,276	86,911	(347)	(92)	1	251,107	589,480

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

For the year ended 31 December 2023

(Expressed in millions of Renminbi, unless otherwise stated)

1 Liquidity coverage ratio

	As at 31 December 2023	As at 31 December 2022
Liquidity coverage ratio (%)		
(RMB and foreign currency)	146.06	134.89
High Quality Liquid Assets	1,125,729	1,003,957
Net cash outflows in 30days from the end of the reporting period	770,717	744,278

The above liquidity coverage ratio is calculated in accordance with the formula promulgated by the former CBIRC and based on the financial information prepared in accordance with PRC GAAP.

According to the Measures for the Management of Liquidity Risks of Commercial Banks, the liquidity coverage of commercial banks should reach 100% by the end of 2018.

2 Currency concentration

		31 December 2023			
		USD	HKD	Others	Total
Spot assets		338,056	48,543	112,637	499,236
Spot liabilities		(297,245)	(42,175)	(24,002)	(363,422)
Forward purchases		1,137,604	5,724	73,280	1,216,608
Forward sales		(1,141,366)	(17,499)	(117,890)	(1,276,755)
Net long position	(a)	37,049	(5,407)	44,025	75,667
		31 December 2022			
		USD	HKD	Others	Total
Spot assets		392,363	48,213	71,325	511,901
Spot liabilities		313,080	29,156	46,331	388,567
Forward purchases		920,762	11,202	105,700	1,037,664
Forward sales		(947,289)	(28,438)	(133,218)	(1,108,945)
Net long position	(a)	678,916	60,133	90,138	829,187

(a) The net position is calculated using the delta equivalent approach as required by the Hong Kong Monetary Authority.

The Group has no structural position in the reporting periods.

3 Loans and advances to customers

3.1 Impaired loans by geographical area

	31 December 2023		31 December 2022	
	Impaired loans	Allowance for impairment losses	Impaired loans	Allowance for impairment losses
Head Office	16,273	15,012	14,565	12,418
Bohai Rim	21,695	10,577	14,484	8,281
Yangtze River Delta	16,247	6,484	8,837	3,877
Western Region	12,779	5,255	15,637	6,392
Pearl River Delta	8,062	3,751	10,101	4,428
Central Region	7,274	2,986	11,794	4,609
Northeastern Region	1,269	533	2,369	785
Overseas and subsidiaries	2,421	1,190	1,352	726
Total	86,020	45,788	79,139	41,516

3.2 Loans overdue for more than 3 months by geographical area

	31 December 2023		31 December 2022	
	Overdue loans	Allowance for impairment losses	Overdue loans	Allowance for impairment losses
Head Office	16,141	15,000	13,746	11,970
Bohai Rim	10,993	3,835	6,821	4,324
Western Region	10,549	4,497	11,430	4,551
Yangtze River Delta	8,685	3,522	7,016	3,107
Pearl River Delta	5,608	2,978	9,854	4,335
Central Region	4,842	2,251	7,518	3,222
Northeastern Region	878	390	2,013	649
Overseas and subsidiaries	2,355	1,111	1,455	718
Total	60,051	33,584	59,853	32,876

4 International claims

31 December 2023					
	Asia Pacific	North and South America	Europe	Other Locations	Total
Banks	44,559	24,429	24,458	2,296	95,742
Public sector	8,949	49,043	–	–	57,992
Non-bank private sector	102,399	85,028	26,936	18,486	232,849
Total	<u>155,907</u>	<u>158,500</u>	<u>51,394</u>	<u>20,782</u>	<u>386,583</u>
31 December 2022					
	Asia Pacific	North and South America	Europe	Other Locations	Total
Banks	32,615	27,320	14,223	832	74,990
Public sector	4,431	54,257	259	–	58,947
Non-bank private sector	113,349	138,441	28,825	20,535	301,150
Total	<u>150,395</u>	<u>220,018</u>	<u>43,307</u>	<u>21,367</u>	<u>435,087</u>