

CZBANK 浙商银行

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

A Share Stock Code : 601916

H Share Stock Code : 2016



Annual Report 2023

Important Notice

The Board of Directors, the supervisory committee, Directors, Supervisors and Senior Management of the Company warrant that the contents in this report are true, accurate and complete and have no false representations, misleading statements or material omissions, and they will take legal responsibilities for such contents on a joint and several basis.

The twelfth meeting of the sixth session of the Board of the Company held on March 28, 2024, approved the Annual Report of China Zheshang Bank Co., Ltd. for 2023 and its Summary. The Company has 14 directors, among whom 12 directors attended the meeting in person, and Mr. Zhang Rongsen appointed Mr. Lu Jianqiang and Ms. Gao Qinhong appointed Mr. Hu Tiangao as proxies to attend the meeting on their behalf, which was in compliance with the requirements of the Company Law of the People's Republic of China and the Articles of Association of the Company, and 6 Supervisors of the Company attended the meeting.

KPMG Huazhen LLP and KPMG (both being auditors of the Company) have audited the 2023 annual financial report of the Company prepared in accordance with the China Accounting Standards and the International Financial Reporting Standards, and have issued standard unqualified audited reports, respectively.

Unless otherwise illustrated in this report, the currency for any amount herein is RMB. Certain amounts and percentage numbers in this report have been rounded. Any discrepancies in any table between totals and sums of the amounts listed are due to rounding.

The Board of the Company has proposed to declare a cash dividend of RMB1.64 per 10 shares (tax inclusive) for 2023, payable in RMB to holders of A Shares and in HK dollars to holders of H Shares. The above proposal on dividend distribution is subject to consideration and approval at the 2023 annual general meeting of the Company.

Lu Jianqiang (陸建強), Chairman of the Board of the Company, Zhang Rongsen (張榮森), President of the Bank and Principal in charge of Finance and Peng Zhiyuan (彭志遠), Director of the Financial Department warrant that the financial report in the annual report is true, accurate and complete.

Significant Risk Warning

Please refer to the section headed "Management Discussion and Analysis – Risk Management" of this report for information about major risks faced and measures to be taken by the Company.

The forward-looking statements about matters like future plans of the Company in this report do not constitute substantive commitments of the Company 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.

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Definitions

“Company”, “Bank”, “our Bank”, “China Zheshang Bank” or “CZBank”:	China Zheshang Bank Co., Ltd.
“Former CBIRC”:	the Former China Banking and Insurance Regulatory Commission
“CSRC”:	China Securities Regulatory Commission
“Hong Kong Stock Exchange”:	The Stock Exchange of Hong Kong Limited
“SFO”:	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Hong Kong Listing Rules”:	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Model Code”:	The Model Code for Securities Transactions by Directors of Listed Issuers, as set out in Appendix C3 to Hong Kong Listing Rules
“Zheyin Financial Leasing”:	Zhejiang Zheyin Financial Leasing Co., Ltd., a holding subsidiary of the Company, in which the Company holds 51% of equity interest
“Group”:	the Company and its subsidiary

Chairman’s Statement

The year 2023 was the first year for the full implementation of the spirit of the 20th Party Congress of the CPC, and the Chinese economy showed a recovery curve with upward trend under various challenges. The year 2023 was also a milestone year for the financial industry, and the Central Financial Work Conference was successfully held to welcome a new opening of the road of financial development with Chinese characteristics. For CZBank, the year 2023 was a year to forge ahead amid difficulties with courage and perseverance, and achieve a gorgeous transformation. This year, CZBank kept in mind the spirit of the General Secretary’s important instructions, and under the guidance of the vision of being “a first-class commercial bank”, to maintain strategic focus, improve basic capacity and stimulate striving vitality, and practice the three-character primer of “goodness, intelligence and diligence” of high-quality development. As such, the Party’s leadership was comprehensively strengthened, the political ecology was continuously optimized, the standing pattern was continuously improved, the operation performance outperformed the market, the social image was greatly enhanced, and achieved the objectives of gorgeous transformation, foundation building and further development. The total assets of the Group have reached RMB3 trillion, the net interest margin has maintained good resilience at a high level in the industry, the revenue growth rate has ranked first among joint-stock banks for 10 consecutive quarters, the net profit has returned to double-digit growth, the non-performing loan ratio and allowance to non-performing loans have maintained a “the former down and the latter up” trend for two consecutive years, the quality of assets continued to show a positive trend, and the new journey of high-quality development has reached a new level.

Enhance our standpoint and bravely shoulder our mission. In 2023, we kept in mind the mission of “national priorities”, strengthened the first principle of the functionality of finance, and explored a new pattern for finance serving Chinese modernization. We reshaped the finance logic from the social value perspective, practiced “finance for good” by “financial services for good”, launched CSGS, embedded the gene of “good” in the financial service scenarios, and promoted the origin of financial services for the real economy. Based on the “five finances (五篇大文章)”, we issued fifteen measures to benefit enterprises and people, newly released the “good finance assets pool (善融資產池)”, launched service solutions for technological innovation enterprises to promote development and growth of technological innovation enterprises and small and micro enterprises, and became the only national commercial bank recognized as “First-Class Bank” during the supervision and evaluation of small and micro enterprises finance services for the third consecutive year. The financial consulting system was promoted from Zhejiang to the whole country by establishing 93 workshops in 22 provinces and municipalities with workforce increased to more than 3,400 people, becoming the practice and sample of the financial supply-side structural reform in Zhejiang. We explored the intra-county comprehensive financial ecological construction model, and developed a replicable and extensible “3386” (three subjects, three instruments, eight measures, six achievements) “Linping Model (臨平模式)” and “Linping Index (臨平指數)” based on the unity of social value and economic value. We launched trust services for good project, initiated the establishment of the first charity capital public welfare alliance (善行資本公益聯盟) in China to facilitate development of innovative financial instruments and empower entrepreneurs to do good deeds, and promote construction of common prosperity demonstration zone.

Applying a pragmatic approach and make best efforts to accomplish our deeds. In 2023, we grasped the general trend of development, took advantage of the trends, continued to create new dimensions, advanced in spite of the adverse environment, and built a smart operation system. We comprehensively implemented our twelve-word operation approach, namely “consolidating corporate foundation, adjusting corporate structure, controlling corporate risks, increasing corporate profitability”, deeply promoted the four strategic focuses, and achieved fruitful results in the primary strategy of “deepening Zhejiang development”. The target of total financing services in the province under the “three-year action” has been completed ahead of schedule, the digital reform has achieved remarkable results, the wealth management investment, research and selection capabilities have continued to improve, and the synergetic development of all five segments has showed a new atmosphere. The primary strategy of assets with low sensitivity to economic cycle was further carried out, the “321” operation orientation was fully implemented, 56% of additional credit of the year was invested in small diversified assets, and the revenue growth rate of assets with low sensitivity far exceeded the revenue growth rate of the Bank and accounting for nearly one-third of the total revenue of the Bank. Stereoscopic smart operation system was established, the revenue contribution from smart operations accounted for nearly one half, and non-interest income contributed more than 80% of the revenue increase. We fully launched the development of the four bases of customer, talent, system, investment and research, established four research institutes of finance, industry, wealth management and financial technology, the characteristic brand of “Digital Intelligence CZBank (數智浙銀)” has shown initial results, carried out “a hundred” lectures at universities and colleges, and precisely introduced a large number of professional talents, laying a solid foundation for high-quality development.



Mr. Lu Jianqiang
Chairman

Chairman’s Statement

Clear up the sources and get to the bottom of problems to start a new journey. In 2023, we removed all problematic shareholders, upgraded our shareholding structure, enhanced our capital strength, and continued to improve our comprehensive risk management capabilities. We moved certain problematic shareholders, and actively introduced central and state-owned enterprises such as China Taiping Group and Lucion Group, resulting in the increase in the proportion of state-owned shareholders, and initially formed a three-tier capital structure of “central state capital, local state capital and private capital”. We seized the time window to complete the A+H rights issue beyond expectations, raising RMB12.5 billion. We successfully issued Tier 2 capital bonds of RMB30 billion, which were actively subscribed for by major institutions. We accelerated the addressing of historical risks, completed the rectification of the existing financial principal one year ahead of schedule, and officially obtained approval for our wealth management subsidiaries, while the special assets risk settlement and resolution team (特殊資產風險清收與化解組) completed its mission. The forward-looking risk reduction in key areas achieved outstanding results, the non-performing loan ratio of the Bank declined for two consecutive years, and the asset quality maintained a positive trend.

Nourish our hearts with culture, and be respectful and grateful. In 2023, we started our cultural life at a high level, enhanced our cultural ecology, and cultivated “hard power for development” with “cultural soft power”. We actively drew nutrients from the excellent traditional Chinese culture, established correct views of business, performance and risk, and continued to promote the development of our five-word ecosystem consisting of “integrity, simplicity, professionalism, cooperation and honesty”, with “Four Dos” spirit firmly rooted in everyone’s hearts. We upgraded the “CZBank Culture Week (浙銀文化周)”, newly launched CZBank Song (行歌), CZBank Motto (行訓) and CZBank Convention (浙銀公約), and held the First Staff Games, allowing the cultural life of CZBank employees with more sense of ritual and “book flavor”. We have fully implemented the cultural concept of “uprightness and goodness”, launched the “Good Deed Plan for Employees (員工善行計劃)”, set up 11 “good deed workshops (善行工作室)”, deeply cultivated the “one bank for one school (一行一校)” partner support program for 19 consecutive years, and further strengthened the work of “supporting soldiers by CZBank (浙銀擁軍)”. We strengthened the keynote of strictness, insisted on CZBank’s contribution to a healthy ecosystem with the word “strictness”, comprehensively carried out 13 special rectifications including serious financial discipline, and established “four bottom lines” for disciplinary rules and “three lists (三張清單)” for close and integrity relationship between banks and enterprises. We adhered to strict control with care, actively strived to be the advocate and practitioner of happy life, made more efforts to care for employees to achieve “the whole family is guaranteed with one person in CZBank (一人在浙商, 全家有保障)”, and further strengthened the cohesion for common progress and prosperity of the Bank.

All things are mortal, but dreams remain, and we are closer to them than ever before. The year 2024 is the first year for the implementation of the spirit of the Central Financial Work Conference, as well as the year of the 20th anniversary of the establishment of CZBank and the year marking a new stage of its development following total assets reaching RMB3 trillion. Standing at a new starting point, we will fully implement the spirit of the Central Financial Work Conference and the Central Economic Work Conference, focus on the new positioning and new mission of Zhejiang, and under the guidance of the vision of being “a first-class commercial bank”, promote the concept of finance for good, practice the new spirit and enhance the new standpoint with higher political standpoint and stronger sense of responsibility and mission, seize new opportunities and create new advantages, have a foothold in a fresh start and lead the new fashion. With digitization as the main line and scenario as the core, we will consolidate our foundation, strengthen our management and create our features, comprehensively promote the “three first-class” high-quality development, strive to write a new chapter for the 20th anniversary of CZBank, create greater value for customers, employees, shareholders, partners, our country and community, and contribute CZBank’s power to comprehensive promotion of construction of a powerful country and national rejuvenation with Chinese-style modernization.

Lu Jianqiang
Chairman
March 28, 2024

President's Statement

Silently, time engraves unforgettable marks deep inside of the hearts of all people. In 2023, we continued to work hard under the guidance of the twelve-word operation approach, namely “consolidating corporate foundation, adjusting corporate structure, controlling corporate risks, increasing corporate profitability” and operated business in an intelligent manner, which led to outstanding industry-leading results ahead of all the joint-stock banks. The Group’s total assets reached at a new height of RMB3 trillion and revenue growth remained the **first** among national joint-stock banks for 10 consecutive quarters, enabling the Group to become the only national joint-stock bank with **double-digit growth in profit** and **growth in both revenue and profit**. By introducing **China Taiping** and **Lucion Group** as new shareholders to the Group, the Group’s corporate governance capability has been significantly improved. The Group has also obtained the **license for wealth management subsidiaries**, further highlighting its advantage of multi-license integrated operation. As at the end of 2023, the Bank’s non-performing loan ratio was 1.44%, and allowance to non-performing loans was 182.60%, reflecting the asset quality continued to maintain a stabilizing and improving trend.

Go through the cycle with intelligent operation and draw a blueprint of connotative high-quality development. Laying assets with low sensitivity to economic cycle as a ballast stone is a task of great significance for the long-term development of CZBank. Focusing on the five finances, we have deepened our investment in weakly cyclical industries, solidly pushed forward the “321” operation strategy, and continued to enhance our intelligent operation capability in order to obtain “maximum benefits with minimum capital investment” on the premise that risks are under control and realize high-quality development where scale, quality and efficiency complement each other. Assets with low sensitivity to economic cycle contributed over 33% of total revenue of the Bank, increasing by nearly 9 percentage points from the time when the concept was firstly proposed. Revenue from assets with low sensitivity to economic cycle grew by 20%, far exceeding the growth rate of the revenue of the Bank as a whole. 56% of our annual credit growth went to three classes of small diversified assets, including retail, small loans and supply chain finance. And we continued to explore green intermediate income and green income, and pressed the interest payment rate of deposits down to the average level of joint-stock banks. Revenue from assets with low sensitivity to economic cycle, green revenue and revenue from low-cost deposits with rates less than 1% are collectively referred to as intelligent revenue, which contributed nearly half (49%) of total revenue as at the end of 2023, and became the ballast stone for the high-quality development of the Bank. **In the new year**, we will focus on the five finances, continue to lay assets with low sensitivity to economic cycle and increase investment in the small diversified assets and weakly cyclical industries, and expand customer service aggregate (CSA) in order to realize our original intention of development to “pursue sound, but not the best, bank operation during good economic times; maintain not-too-bad operation condition during weak economic times; and seek stable operation generally in the long run”.

Develop a “three-good bank” (三好銀行) with good customers, good assets and good employees, and form a new advantage of integrated and coordinated development of five major business segments. Over the past year, with our relentless efforts to secure customers, we have signed contracts with more than 100 strategic customers, such as the State Grid, Norinco Group, ZTE and Huawei, and cooperated with 93 central enterprises with a coverage of 95%. We have pressed ahead with the integrated and coordinated development of the five major business segments, namely, great retail, great corporate, great investment banking, great asset management and great cross-border, and significantly improved our ability of cross-line, cross-sector and cross-branch synergistic operations. With concept reshaping, systems reestablishing and process resetting, we have developed first-class operation systems to support high-quality development. Adhering to a keynote of strictness, we have reregulated the conduct and discipline of the Bank and greatly improved the integrity, expertise and engagement of our management and staff. We have also held high the banner of technology-driven bank development, improved the framework of the “185N” system, and strived to achieve “digital operation and digital value”. **In the new year**, we will further develop scenario-based finance by focusing on five major financial scenarios, including technology finance, supply chain finance, inclusive finance, pooling finance and wealth management, to inject new momentum and new features of scenario-based finance. Besides, we will promote core systems replacement to consolidate our foundation, i.e., to transform from “account-oriented” and “product-oriented” to “customer-oriented”.



Mr. Zhang Rongsen
President

President's Statement

The introduction of strategic investors and completion of the A+H right issue improved our corporate governance capabilities in all aspects. We cleared out certain problematic shareholders, and strategically introduced China Taiping and Lucion Group as our new shareholders, thus forming a capital structure consisting of central enterprises, local state-owned enterprises and private enterprises. Capturing the market window, we successfully conducted A+H right issues as an effective replenishment to our core tier-one capital. Likewise, on the last working day of 2023, we were granted the license for wealth management subsidiaries. **In the new year,** we will give full play to the advantages of multi-license integrated operation, build a distinctive cross-border finance brand, steadily push forward global presence and inject new momentum for the high-quality development of the Bank.

Deepen Zhejiang development and serve Zhejiang merchants to truly become “a bank for Zhejiang, Zhejiang merchants and Zhejiang people”. Over the past year, we have given full support to the overall situation of Zhejiang, with 1/3 of the Bank's loans provided to Zhejiang. We had loans and investment in local bonds of over RMB100 billion within Zhejiang Province. Our local bonds underwriting ranked the first among all underwriters, and financing services provided in Zhejiang province amounted to RMB920 billion aggregately. The Bank has been awarded the first prize for supporting the economic and social development of Zhejiang for 8 consecutive years. We have signed contracts with more than 10 provincial units in Zhejiang Province, covering all the 11 municipalities, the federation of industry and commerce, and Zhejiang chamber of commerce. As a practice of finance for good, we have issued CSGS to explore financial consulting system, and provided financing of over RMB550 billion to more than 80,000 enterprises. **In the new year,** we will follow the strategy of being based in Zhejiang, looking to the world and serving the country, provide a full range of financial consulting services to governments and enterprises, improve and promote regional integrated financial service model, and endeavor to build “Zheyin Model” (浙銀示範), i.e., being courageous to be a pioneer to start a new chapter.

Ride the wind toward the sky, thousands of miles wide, looking down at the mountains and rivers on the vast land. The year 2024 is the twentieth anniversary of the founding of CZBank, and also a key year for the Bank to reach a new stage of high-quality development. We will always keep in mind the instructions of General Secretary Xi to focus on the central task, serve the overall interests, strengthen implementation and consolidation, control costs, create benefits, comprehensively improve management, guidance and control, and solidly promote the “sinking” (下沉) of operation, management and marketing. “In front of the difficulties there is us, and in front of us there are no difficulties”, with such courage and commitment, we will continue to draw the blueprint and forge ahead unswervingly towards the vision of being “a first-class commercial bank”.

Zhang Rongsen

President

March 28, 2024

Company Profile

- | | | |
|----|---|--|
| 1. | Company name in Chinese:
Company name in English: | 浙商銀行股份有限公司(Abbreviation in Chinese: 浙商銀行)
CHINA ZHESHANG BANK CO., LTD.
(Abbreviation in English: CZBANK) |
| 2. | Legal Representative: | Lu Jianqiang |
| 3. | Registered address:

Postcode:
Principal office address:

Postcode:
E-mail:
Website:
Customer service hotline:
Tel for investor relations management:
Fax: | No. 1788, Hongning Road, Xiaoshan District,
Hangzhou, Zhejiang Province, the PRC
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No. 1 Minxin Road, Shangcheng District, Hangzhou,
Zhejiang Province, the PRC
310020
ir@czbank.com
www.czbank.com
95527
86-571-88268966
86-571-87659826 |
| 4. | Principal place of business in Hong Kong: | 15/F, Three Exchange Square, No. 8 Connaught Place,
Central, Hong Kong, the PRC |
| 5. | Authorized representatives: | Zhang Rongsen, Luo Feng |
| 6. | Secretary to the Board:
Joint Company Secretaries:
Representative of securities affairs: | Luo Feng ^{Note}
Luo Feng, Chan Yin Wah
Chen Sheng |
| 7. | A Shares
Stock exchange where the securities are listed:
Stock abbreviation:
Stock code: | Shanghai Stock Exchange

CZBANK
601916 |
| | H Shares
Stock exchange where the securities are listed:
Stock abbreviation:
Stock code: | Hong Kong Stock Exchange

CZBANK
2016 |

Note: Mr. Luo Feng's qualification for the position of secretary to the Board of Directors is subject to regulatory approval.

Company Profile

- 8. Share registrar:**
- A Shares:** China Securities Depository and Clearing Corporation Limited Shanghai Branch
No. 188 South Yanggao Road, Pudong New Area, Shanghai, the PRC
- H Shares:** Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17/F, Hopewell Center,
183 Queen's Road East, Wanchai, Hong Kong, the PRC
- 9. Legal advisers:**
- As to Mainland PRC Laws:** Zhejiang T&C Law Firm
- As to Hong Kong Laws:** Freshfields Bruckhaus Deringer
- 10. Accounting firms engaged by the Company:**
- Domestic auditor:** KPMG Huazhen LLP
Office address: 8/F, Tower E2, Oriental Plaza, 1 East Chang'an Avenue, Dongcheng District, Beijing, the PRC
Signing certificated accountants: Chen Sijie, Jin Rui
- International auditor:** KPMG
Office address: 8/F, Prince's Building, 10 Chater Road, Central, Hong Kong, the PRC
- 11. Sponsor institution performing continuous supervision and guidance duties during the reporting period:**
- Name of the institution:** CITIC Securities Company Limited
Office address: North Tower, Excellence Times Plaza II, No. 8 Zhong Xin San Road, Futian District, Shenzhen, Guangdong Province
Name of the undersigned sponsor representatives: Cheng Yue, Jiang Ying
The period of continuous supervision and guidance: July 6, 2023 to December 31, 2024
- 12. Newspapers and websites designated for information disclosure:**
- Mainland China:** China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily
Website of the Shanghai Stock Exchange (www.sse.com.cn)
- Hong Kong:** Website of the Company (www.czbank.com)
Website of the Hong Kong Stock Exchange (www.hkex.com.hk)
Website of the Company (www.czbank.com)
- Place for inspection of the annual report:** Office of the Board of the Company
(No. 1 Minxin Road, Shangcheng District, Hangzhou, Zhejiang Province, the PRC)
- 13. Other information about the Company:** Uniform social credit code: 91330000761336668H
Financial institution license serial number: B0010H133010001
Registration date: July 26, 2004

Corporate Overview

As one of the twelve nationwide joint-stock commercial banks, CZBank officially commenced business on August 18, 2004, with its head office in Hangzhou, Zhejiang Province. CZBank is the 13th “A+H” listed bank in China. Since its opening, CZBank has always gained a foothold in Zhejiang and steadily developed its businesses worldwide, and has developed into a high-quality commercial bank with a solid foundation, strong profitability and prudent risk control.

Under the guidance of the vision of being “a first-class commercial bank”, CZBank comprehensively establishes a five-word ecosystem, namely “integrity, simplicity, professionalism, cooperation and honesty”, vigorously carries forward the spirit of “Four-Dos”, exercises the three-word sutra of “goodness, wisdom, and diligence”, adheres to its twelve-word operation approach of “consolidating corporate foundation, adjusting corporate structure, controlling corporate risks, increasing corporate profitability”, and practices the concept of financial services for good. Based on the main line of digital reform, taking deepening development in Zhejiang as its first priority, launching brand-new wealth management, and leveraging the simultaneous and comprehensive synergistic development of the five major business segments, namely great retail, great corporate, great investment banking, great asset management and great cross-border, CZBank won the four major battles, namely, “minimizing risk, expanding revenue, stabilizing stock price and attracting strategic investments”. CZBank has implemented the four major consolidations, namely, “customer base, talent base, system base and investment and research base”, persistently built up a good ballast with assets with low sensitivity to economic cycle, and comprehensively released the productivity of intelligent operation, launching a new journey of high-quality development.

In 2023, CZBank’s operating income was RMB63.764 billion, representing an increase of 4.27% over last year; net profit attributable to shareholders of the Bank was RMB15.048 billion, representing an increase of 10.50% over last year. As at the end of the reporting period, the total assets were RMB3.14 trillion, representing an increase of 19.91% compared with that at the end of last year, of which total loans and advances to customers were RMB1.72 trillion, representing an increase of 12.54% compared with that at the end of last year; the total liabilities were RMB2.95 trillion, representing an increase of 20.29% compared with that at the end of last year, of which balance of customer deposits were RMB1.87 trillion, representing an increase of 11.13% compared with that at the end of last year; the non-performing loan ratio was 1.44% and allowance to non-performing loans was 182.60%; the capital adequacy ratio was 12.19%, the tier-one capital adequacy ratio was 9.52%, and the core tier-one capital adequacy ratio was 8.22%, all maintaining at a reasonable level.

CZBank has established 342 branch outlets in 22 provinces, autonomous regions, municipalities directly under the Central Government and the Hong Kong Special Administrative Region, effectively covering Zhejiang, where its headquarters are located, the Yangtze River Delta, Guangdong-Hong Kong-Macao Greater Bay Area, Bohai Rim, Economic Zone on the Western Coast of the Taiwan Straits and certain areas in the Midwestern China. In the “Top 1000 World Banks 2023” ranking by The Banker, U.K., we ranked 87th in terms of tier-one capital. China Chengxin International gave CZBank the highest AAA corporate credit rating among financial institutions.

For more details, please refer to sections headed Chairman’s Statement and President’s Statement.

Development Strategies and Core Competitiveness

(I) DEVELOPMENT CONCEPTS

Ecosystem: Establish a five-word ecosystem, namely “integrity, simplicity, professionalism, cooperation and honesty”.

Development: Practice the three-word primer of “goodness, intelligence and diligence” and make efforts on high-quality development.

Practice: Adhere to the keynote of strictness and develop “Four Dos” spirit (do it, do good, do it well and do well in it).

(II) STRATEGIC SYSTEM

The Company is committed to implementing the 1314N strategic system:

One general principle of development: start a new journey of high-quality development with the vision of being a “first class commercial bank”.

Three major goals: first-class social influence with positive behavior, first-class professional competitiveness in the industry, and first-class corporate cohesion of common progress and prosperity.

One operation approach: comprehensively implement the twelve-word operation approach of “consolidating foundation, adjusting structure, controlling risks and increasing profitability”.

Four strategic focuses: introduce systematic digital transformation, deepen comprehensive development in all aspects, seek synergetic development of all five segments and embark on a new journey of wealth management.

Numerous strategic measures: build a first-class operation system for high-quality development with the primary strategy of taking the assets with low sensitivity to economic cycle as a ballast stone; win the four major challenges of minimizing risk, expanding revenue, stabilizing stock price and attracting strategic investments, promoting the high-quality development; and make the four major breakthroughs of customer foundation, talent foundation, system foundation, and investment and research foundation, consolidating the foundation for high-quality development.

(III) CORE COMPETITIVENESS

Clear and specific strategic positioning. The Company has always adhered to General Secretary Xi’s 99-word important instruction to CZBank as a guideline, and has taken the vision of being a “first class commercial bank” as general principle. We have clarified the 12-word operation approach of “consolidate corporate foundation, adjust corporate structure, control corporate risks, increase corporate profitability” and the four strategic focuses of “digital reformation, deepening development, five major segments, and wealth management” and practice the three-word primer of “goodness, intelligence and diligence”. The implementation is clear with a remarkable operating result.

Sound and organized corporate governance. The Company strengthens the establishment of modern corporate systems in all aspects and has improved the corporate governance level continuously with better governance systems. The Board of Directors, the supervisory committee and General Meetings and its Senior Management with specified and definite duties and responsibilities have formed a corporate governance structure appropriate for the Company. A three-tier capital structure comprising central state capital, local state capital and private capital^(Note) have been established with a more stable and diversified equity structure. Through standard information disclosure processes, we have improved the quality of information disclosure continuously.

Note: During the reporting period, Taiping Life Insurance Co., Ltd. and Shandong International Trust Co., Ltd. acquired all the shares of the Company held by the former Traveller Automobile Group Co., Ltd. through a joint auction, as set out in the “Announcement of China Zheshang Bank Co., Ltd. on the Completion of the Transfer of Shares by Shareholders in the Judicial Auction” published by the Company on the Shanghai Stock Exchange (www.sse.com.cn) (No.: 2023-034).

Development Strategies and Core Competitiveness

Unique regional advantage. The headquarters of the Company is located in Zhejiang Province which boasts strong economic foundation, high market-oriented system and mechanism, sound legal and regulatory environment, outstanding industrial cluster advantage, and complete urban system. The operating strategy of the Company is in line with the resource advantage and development plan of Zhejiang Province, so “deepening development in Zhejiang with services nationwide” naturally enjoys excellent regional advantage and external environment.

Improving business system. The Company has focused on the coordinated development of its five major business segments, namely great retail, great corporate, great investment banking, great asset management and great cross-border, providing customers with comprehensive, three-dimensional and systematic financial services to achieve the diversified operation, global layout, comprehensive services and high-quality development. In particular, its professional service ability in many fields such as supply chain finance, intelligent manufacturing services, science and innovation finance, and small and micro enterprise business has been highly recognized by the customers in the market.

Prudent and steady risk management. Oriented with serving the real economy, the Company adheres to a prudent and healthy risk appetite and the principle of “small and diversified” in granting credit in an appropriate manner, builds an asset structure with weak sensitive assets of economic cycle as ballast stone, implements a distinctive risk control officer assignment system, and continuously improves the risk management system to maintain stable quality of assets.

Financial technology with distinctive edges. The Company has systematically initiated the digital reform, built the “185N” reform system architecture, launched the “Weihai” digital brand and has taken the lead in exploring the deepened integration of the cutting-edge technologies with banking business, so as to build several major digital applications with CZBank identification and competitiveness in the industry.

Scientific and reasonable talent reserves. The Company strengthens the construction of its cadre team. The management of the Company has broad strategic vision and extraordinary business management capability, as well as extensive experience in business operation, financial management, risk control and information technology. The employees of the Company are young, energetic, highly-educated with strong professional competence.

Refreshed corporate culture. The Company adheres to the cultural concept of “uprightness and goodness, and financing to all parties” and the entrepreneurial spirit of “seeing the action, seeing the heart, and seeing the future”, takes the “awe, gratitude, integrity, responsibility” as shared value and the “CZBank Motto (浙銀行訓)” and “CZBank Song (浙銀行歌)” “CZBank Convention Version 2.0” (浙銀公約 2.0版) as a cultural consensus, takes “developing service culture, solidify compliance culture, practice excellence culture and creating harmony culture” as basic cultural elements and implements the four key projects, namely culture rooting, culture nourishing, culture shaping and culture promotion, building the “four beams and eight pillars” of the Bank’s corporate culture system.

Innovation-led concept of “financial services for good”. The Company fulfills the mission of “national priorities” in finance, reshaping financial logic based on social value. Led by the concept of financial services for good, the Company proactively supports the “financial consulting system”, with the launch of CSGS and implements the trust project for “financial services for good”. In addition, we practice the intra-county comprehensive financial ecological construction and acts as the “financial army” of the government, the “financial family doctor” of enterprises and the “financial consultant” of residents, exploring a new paradigm for Chinese-style modernization of financial services.

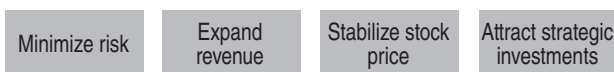
UNDERSTAND ASSETS WITH LOW SENSITIVITY TO ECONOMIC CYCLE

Operation Systems

Twelve-word operation approach



Four Major Battles



Laying assets with low sensitivity to economic cycle as a ballast stone

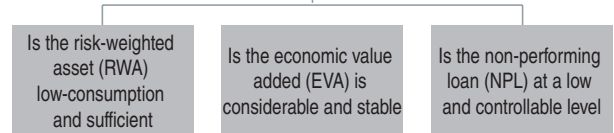
Intelligent operation



“Maximum Consensus and Minimum Scope” Principle

“1+3” identification criteria

Is he/she/it a customer of the Bank



“1+6” Decision-making Safeguard Mechanisms

Senior management decision-making mechanism

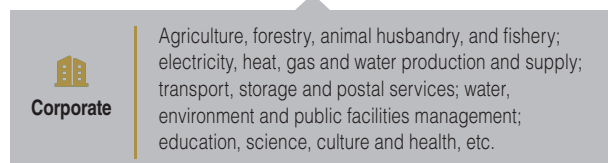


Classification of Assets with Low Sensitivity to Economic Cycle

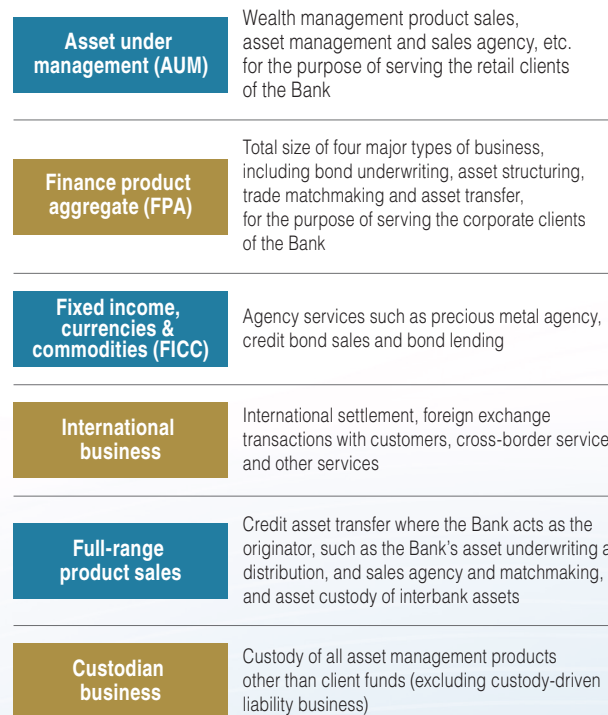
\$ Small diversified assets



\$ Weakly cyclical industries



Customer service aggregate



- In 2023, the Bank's assets with low sensitivity to economic cycle realized revenue of RMB20.285 billion, accounting for

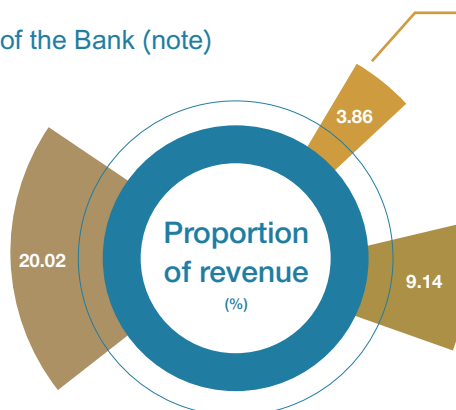
33.02% of the revenue of the Bank (note)

Small diversified assets

Asset balance/business volume

RMB**626.7** billion

Retail Business	8.83%
Microfinance	10.04%
Supply chain finance	1.13%
Supply chain notes	0.02%



Assets in weakly cyclical industries

Asset balance

RMB**191.1** billion

Customer service aggregate (CSA)

Business balance

RMB**7,923.7** billion

Asset under management (AUM)	2.33%
Finance product aggregate (FPA)	1.43%
Fixed income, currencies & commodities (FICC)	0.44%
International business	3.61%
Full-range product sales	0.42%
Custodian business	0.91%

Q1 Why is the concept "assets with low sensitivity to economic cycle" proposed?

As a pro-cyclical industry, how can a bank achieve such an operating position that it "pursues sound, but not the best, bank operation during good economic times; maintains not-too-bad operation condition during weak economic times; and seeks stable operation generally in the long run"? This is the original intention of our proposal to lay assets with low sensitivity to economic cycle as a ballast stone, which is mainly based on the following two realistic considerations.

Firstly, excessive concentration on large-scale targets, high industry concentration and high case concentration is detrimental to the long-term development of a bank, and even destructive when risks come. That is why we propose to diversify in small amounts and strictly tighten the control over industry and client concentration.

Secondly, we need to develop a group of customers in line with our own capacity, and a group of strong customers that can provide stable and sustainable income for the operation of the Bank, and, "cutting watermelon, picking peaches, picking sesame seeds", ultimately form a customer structure consisting of "large, medium, small and micro" clients. We anticipate such customers to be able to weather economic cycles, accompany the development of our customers over the long term, and support the sustainable development of the Bank.

Q2 What are assets with low sensitivity to economic cycle?

In accordance with the principles of "maximum consensus and minimum scope" and "serving the Bank's customers" and the three quantitative indicators, i.e. RWA, EVA, and non-performing rate, we have classified the assets with low sensitivity to economic cycle of the Bank into three categories: small diversified assets, assets in weakly cyclical industries, and customer service aggregate (CSA).

Firstly, small diversified assets are used to diversify risks by controlling credit concentration from the perspective of customers, which mainly related to retail, small and micro customers, as well as supply chain customers that meet the criteria of being small and diversified. These assets are naturally "small and diversified" and are able to weather economic cycles and withstand the test of risks.

Secondly, assets in weakly cyclical industries are formed from the perspective of industries through investments in industries with weak correlation with economic cycles, mainly industries that are essential for the economy and life of people of a country, such as education, medical care, warehousing and logistics, electricity, heat, water and gas production and supply, as well as some new energy industries.

Thirdly, customer service aggregate (CSA) mainly covers six major categories of financial services, including asset under management (AUM), finance product aggregate (FPA), fixed income, currencies & commodities (FICC), international business, full-range product sales and custodian business. Customer service aggregate (CSA) is a collection of "customers", "services" and "aggregate", characterised by large amount of flow, light assets and high frequency customer access and acquisition.

Q3 What is intelligent operation?

Intelligent management is the combined use of digital technology, market-oriented products and instruments to achieve "maximum benefits with minimum capital investment" on the premise that risks are under control and realize high-quality development where scale, quality and efficiency complement each other. Intelligent operation is reflected in seven aspects, including intelligent revenue generation, intelligent settlement and clearance, intelligent risk control, intelligent management, intelligent customer acquisition, intelligent promotion and intelligent base camp.

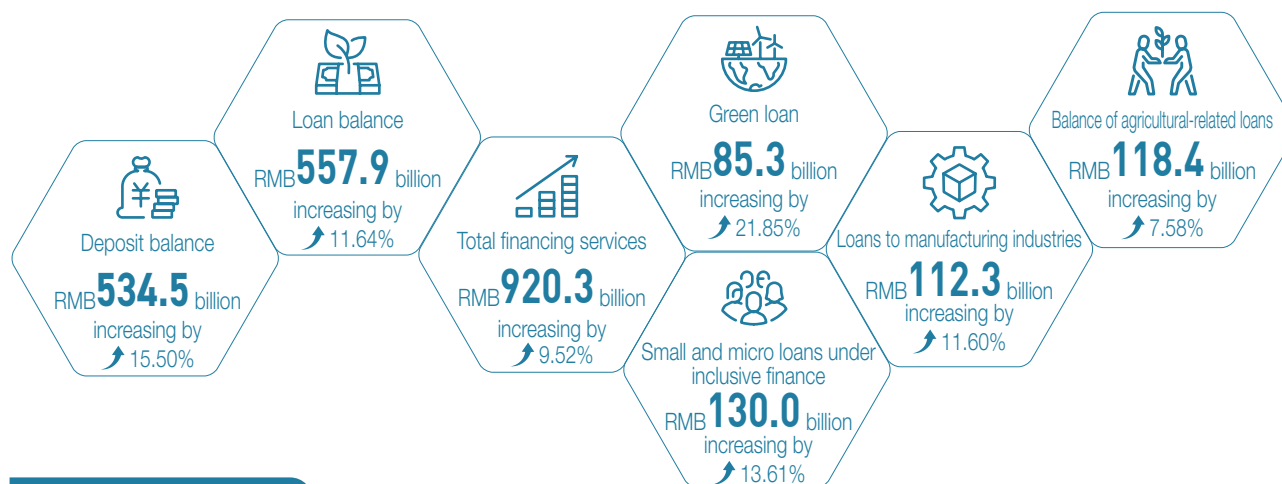
For intelligent revenue generation, the Bank must firmly implement the "321" revenue expansion strategy and conduct asset restructuring to improve customer structure and revenue structure, and promote the expansion of each business scale, optimization of business structure, and improvement of operation quality and efficiency. In particular, "3" refers to giving priority to the investment in retail, microfinance and supply chain finance, "2" refers to continuously expanding green intermediate income and green income, and "1" refers to unwaveringly reducing interest payment rate of deposits.

Revenue from assets with low sensitivity to economic cycle, green revenue and revenue from low-cost deposits with rates less than 1% are collectively referred to as "intelligent revenue".

Note: Excluding subsidiaries in accordance with domestic standards

• Situation of “deepening Zhejiang development” in 2023

Main indicators in Zhejiang Province



Main achievements

01 The business scale in the province achieved rapid growth

At the end of 2023, the deposits and loans of our Bank accounted for 15.58% and 13.66% of the joint-stock peers in the province, increasing by 1.48 percentage points and 0.43 percentage point respectively as compared with the beginning of the year. The deposits and loans within the province accounted for 24.5% and 33.1% of the Bank's system, ranking first in the industry.

02 The connection with government departments at all levels was strengthened in an all-round way

Our Bank has signed contracts with 11 municipal governments as well as provincial and municipal federations of industry and commerce, achieving “full coverage”. It has accumulatively signed strategic cooperation agreements with 10 provincial units such as the Department of Economy and Information Technology, the Department of Commerce, the Department of Agriculture and Rural Affairs and the Department of Culture and Tourism of the province, achieving more in-depth, practical and effective cooperation with provincial government departments.

03 Significant achievements were made for providing services in key areas

In 2023, our Bank underwrote RMB39.4 billion of Zhejiang local government bonds, accounting for 10% of the issuance amount; underwrote RMB40.4 billion of non-financial bonds in the province, ranking the fourth in the same industry in the province; implemented accumulative 46 major provincial projects; provided services to various types of 38 digital government affair platforms, deeply empowering the digital reform and the value-added reform of government affair services of provincial and municipal departments.

04 Our Bank continued to deepen the construction of customer base

Provincial corporate credit customers, small enterprise customers and individual high-quality customers accounted for 35.6%, 43.4% and 50.3% in the Bank's system. The coverage rate of cooperation with key customers such as provincial and municipal state-owned enterprises and the top 100 enterprises in Zhejiang Province reached 90%.

05 Widespread influence has been achieved for finance as a beneficial factor in assisting with common prosperity

The Bank has 3,400 financial consultants at three levels of province, city and county, realizing the full coverage of financial consultant offices established in cities in the province. The Bank has launched 59 series products of “digital intelligent common prosperity loans (數智共富貸)” for specialty industries in mountainous and island counties, with a cumulative credit of over RMB5.6 billion.

06 Breakthroughs were achieved in obtaining major business qualifications and special accounts

Breakthroughs were achieved in many fields such as finance, land reserve, reserve fund and social security, and more than 100 various business qualifications and special fund accounts were newly obtained in the province, cities and counties.

07 Our Bank was affirmed by provincial leaders for many times

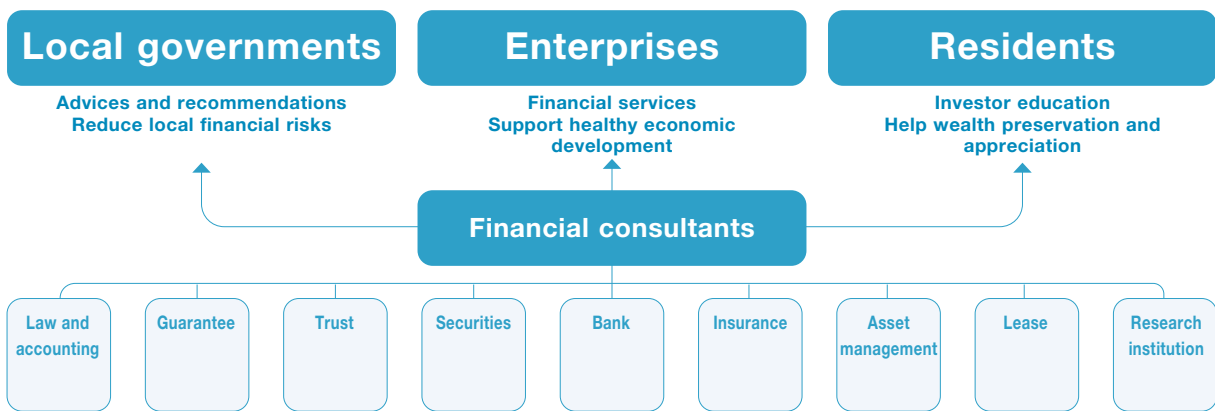
Supporting three “No. 1 Projects (一號工程)”, establishing high-quality CZBank demonstration, providing services for the construction of common prosperity areas, assisting with the high-quality development of 26 counties in mountainous areas, serving the real economy and many other works have been approved for affirmation by the main leaders of the provincial party committee and provincial government.

Financial consulting system

“1+N” comprehensive financial services

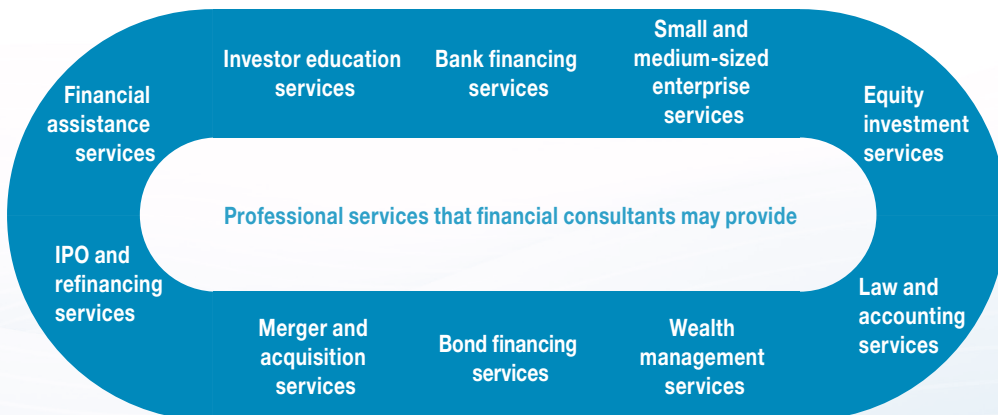
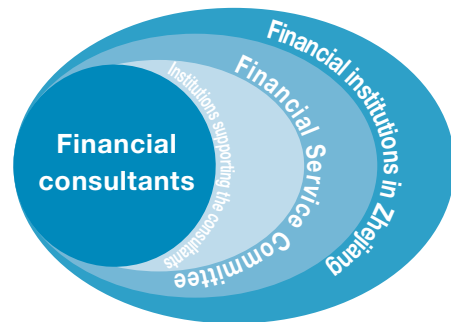
Through “1”, being financial consultants, actively explore the service relationship between financial talents and local governments, local enterprises and residents, and establish an interactive mechanism for in-depth communication with local governments, local enterprises and residents; and through “N” forces of various institutions supporting each financial consultant, formulate “1+N” chaining comprehensive financial services capabilities to help local governments serve real enterprises.

“1+N” model



“1+N” structure

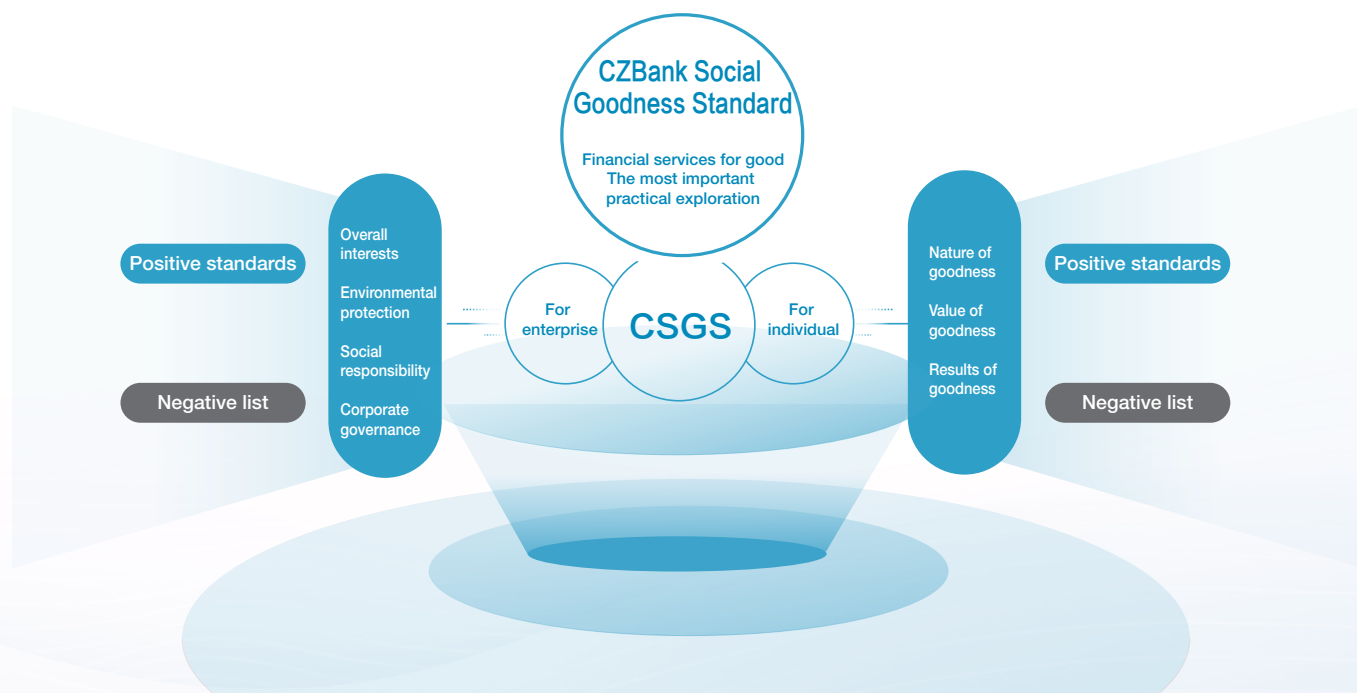
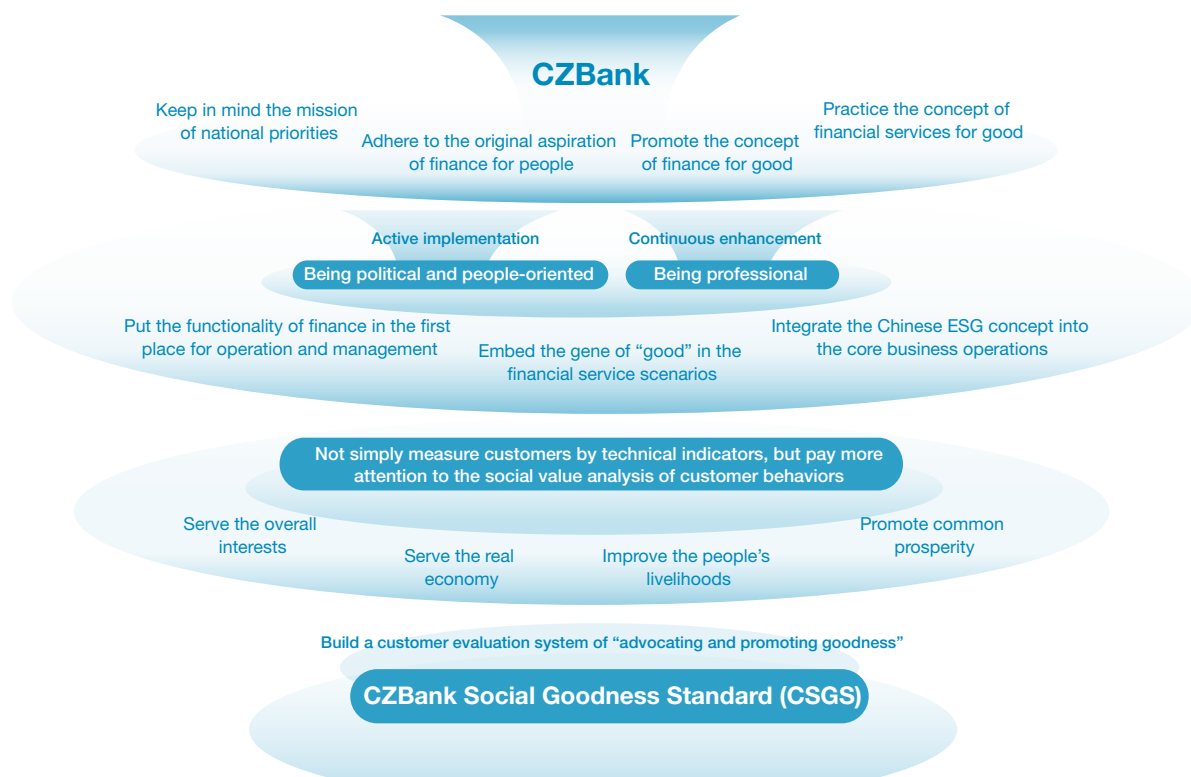
“1” represents the financial consultants, and “N” represents the institutions supporting the financial consultants, the Financial Service Committee and financial institutions in Zhejiang.



“1+N” function

“1” represents the professional services that financial consultants may provide, and “N” represents the comprehensive financial services that all financial consultants of the Financial Service Committee may collaboratively provide.

• CZBank Social Goodness Standard



Honors and Awards

Awards/Ranking	Activities/Organizers/Media	Awarded in
87th in the "Top 1000 World Banks 2023" ranking	<i>The Banker</i> , magazine of the UK	Jul. 2023
Maintain double "investment grade" in the international rating	S&P, Moody's	Aug. 2023
"A" in MSCI ESG rating	MSCI	Oct. 2023
First Prize for Outstanding Unit in Supporting Zhejiang's Economic and Social Development	People's Government of Zhejiang Province	April. 2023
FinTech Development Award	People's Bank of China	Dec. 2023
"Most Satisfactory Bank for Private Enterprises" in Zhejiang Province	People's Bank of China, Zhejiang Branch, Zhejiang Federation of Industry and Commerce	Jun. 2023
Outstanding Achievement Collective of Financial Services Protection for Hangzhou Asian Games	People's Bank of China, Zhejiang Branch	Dec. 2023
Top 100 Demonstration Units of Civilization and Norms for Banking Networks (CZBank Zhengzhou Branch, CZBank Lanzhou Branch)	China Banking Association	Jun. 2023
The Warming Station was honored as the "Most Beautiful Station"	All-China Federation of Trade Unions	Dec. 2023
Special Prize of "Science and Innovation China" Fintech Innovation Competition	China Association for Science and Technology, China Communications Association	Nov. 2023
Corporate Standards "Leader"	National Internet Finance Association of China	Mar. 2023
Best Practices of Zhejiang State-owned Enterprises Serving Common Wealth, Excellent Applications of Digital Reforms	Zhejiang State-owned Assets Supervision and Administration Commission	Jan. 2023
Mobile Banking won Best Digital Operation Award, Best Corporate Internet Banking Award	China Financial Certification Authority, Digital Finance Gold List Award	Dec. 2023
Outstanding Integrated Business Organization	Shanghai Commercial Paper Exchange	Feb. 2023

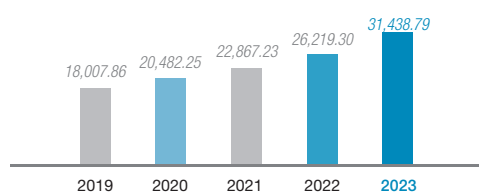
Honors and Awards

Awards/Ranking	Activities/Organizers/Media	Awarded in
Annual Special Contribution to the Market Making Business Industry Award, Annual Diamond Award for Market Making Business	Shanghai Futures Exchange	Mar. 2023
Interbank Local Currency Market Cross-Border Investment Innovation Award of the Year	Foreign Exchange Trading Center	Jan. 2023
Outstanding ABN lead underwriter, outstanding credit ABS originator	The 9th Jiefu Award for Asset Securitization and Bonds	Sep. 2023
Exemplary Financial Innovation Award	CFS 12th Financial Summit	Jul. 2023
Outstanding Cases of Financial Development in the 21st Century: Financial Advisors Integrated Services Bank	21st Century Business Herald	Nov. 2023
2023 Golden Bull Award for Wealth Management Products in China's Banking Sector	China Securities Journal	Nov. 2023
Golden Dragon Award – Best Science and Innovation Financial Services Bank of the Year	Financial Times	Dec. 2023
Award for Investment Management Team of 2023 SSE-Golden Wealth Management	Shanghai Securities News	Dec. 2023
Sustainable Brand of the Year	Southern Weekend	Dec. 2023
Tianji Award (天璣獎) for ESG Practices in China's Banking Industry of the Year	Securities Times	Jul. 2023
Top 20 Banks' Overall ESG Performance	China Banking and Insurance Media	Aug. 2023
Best Supply Chain Finance Bank, Best Cross-Border Financial Services Bank	Trade Finance	Dec. 2023
Leading China's "Golden Intelligence Award" Outstanding Inclusive Financial Services Award	JRJ.com	Jan. 2023
2023 Excellence in Banking Brand Award	Stockstar	Nov. 2023

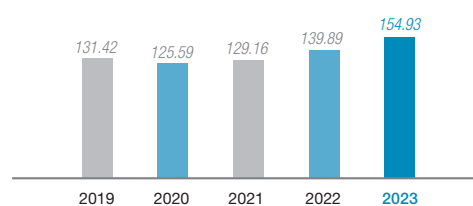
Financial Summary

(The financial data and indicators set forth in this annual report are prepared in accordance with IFRSs, are consolidated data of the Bank and its subsidiaries and presented in RMB, unless otherwise specified)

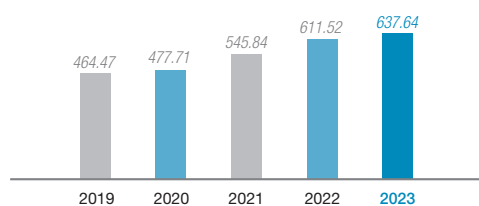
Total assets
In 100 millions of RMB



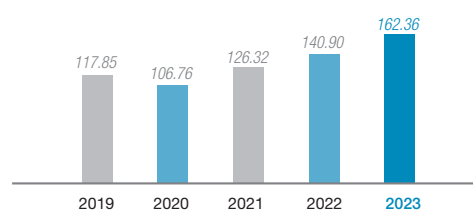
Net profit
In 100 millions of RMB



Operating income
In 100 millions of RMB

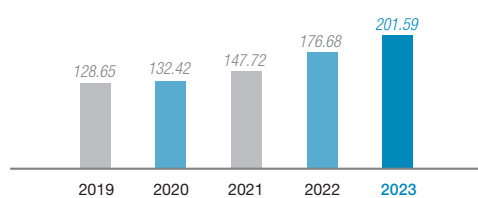


Net non-interest income
In 100 millions of RMB

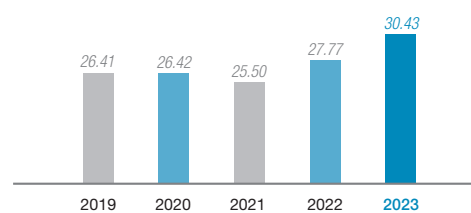


Financial Summary

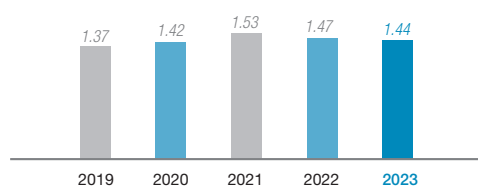
Operating expenses
In 100 millions of RMB



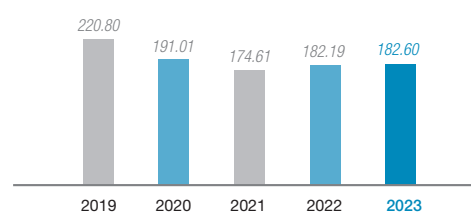
Cost-to-income ratio (%)



Non-performing loan ratio (%)



Allowance to non-performing loans (%)



Financial Summary

Key Financial Data and Indicators

	2023	2022	2021	2020	2019
Operating results (RMB million)					
Operating income	63,764	61,152	54,584	47,771	46,447
Profit before taxation	17,492	15,831	14,981	14,363	14,680
Net profit attributable to shareholders of the Bank	15,048	13,618	12,648	12,309	12,924
Scale indicators (at the end of the reporting period, RMB million)					
Total assets	3,143,879	2,621,930	2,286,723	2,048,225	1,800,786
Total loans and advances to customers	1,716,240	1,525,030	1,347,239	1,197,698	1,030,171
Total liabilities	2,954,302	2,456,000	2,119,840	1,915,682	1,672,759
Customer deposits	1,868,659	1,681,443	1,415,705	1,335,636	1,143,741
Equity attributable to shareholders of the Bank	186,245	162,933	164,169	130,512	126,246
Per share (RMB)					
Net assets per share at the end of the period attributable to shareholders of the Bank ⁽¹⁾	5.87	6.49	5.84	5.43	5.23
Basic earnings per share attributable to shareholders of the Bank ⁽²⁾	0.57	0.53	0.53	0.51	0.60
Diluted earnings per share attributable to shareholders of the Bank	0.57	0.53	0.53	0.51	0.60
Profitability indicators (%)					
Return on average total assets ⁽³⁾	0.54	0.57	0.60	0.65	0.76
Return on average equity ⁽⁴⁾	9.42	9.02	9.83	10.03	12.21
Net interest margin	2.01	2.21	2.27	2.19	2.39
Net interest spread	1.81	2.02	2.07	1.99	2.13
Net non-interest income to operating income	25.46	23.04	23.14	22.35	25.37
Cost-to-income ratio ⁽⁵⁾	30.43	27.77	25.50	26.42	26.41
Asset quality indicators (%)					
Non-performing loan ratio ⁽⁶⁾	1.44	1.47	1.53	1.42	1.37
Allowance to non-performing loans ⁽⁷⁾	182.60	182.19	174.61	191.01	220.80
Allowance to total loans ⁽⁸⁾	2.63	2.67	2.68	2.72	3.03
Capital adequacy indicators (%)					
Core tier-one capital adequacy ratio	8.22	8.05	8.13	8.75	9.64
Tier-one capital adequacy ratio	9.52	9.54	10.80	9.88	10.94
Capital adequacy ratio	12.19	11.60	12.89	12.93	14.24

Financial Summary

Notes:

- (1) Net assets per share attributable to shareholders of the Bank = (equity attributable to shareholders of the Bank minus other equity instruments) divided by the total number of ordinary shares at the end of the period
- (2) Basic earnings per share attributable to shareholders of the Bank = Net profit attributable to shareholders of ordinary shares of the Bank (excluding net profit attributable to other equity instruments of the Bank) divided by weighted average number of ordinary shares outstanding. As a result of the Right Issue, the earnings per share of previous years have been recalculated.
- (3) Return on average total assets = Net profit divided by the average balance of total assets at the beginning and at the end of the period.
- (4) Return on average equity = Net profit attributable to shareholders of ordinary shares of the Bank (excluding net profit attributable to other equity instruments of the Bank) divided by average balance of equity attributable to shareholders of ordinary shares of the Bank at the beginning and at the end of the period (excluding other equity instruments).
- (5) Cost-to-income ratio = Operating expenses (excluding taxes and surcharges) divided by operating income.
- (6) Since the 2023 annual report, the Bank has calculated the non-performing loan ratio and allowance to total loans in accordance with the Guidelines for the Calculation of Major Financial Indicators in China's Banking Industry 《中國銀行業主要財務指標計算指引》(Yin Xie Fa [2023] No. 34) issued by the China Banking Association, where: Non-performing loan ratio = Balance of non-performing loans divided by total loans and advances to customers (excluding interest accrued).
- (7) Allowance to non-performing loans = Balance of impairment allowances on loans divided by balance of non-performing loans. There is no difference between the indicator for the Group and the Bank, while the regulatory requirements specify that a legal person's allowance to non-performing loans shall not be less than 140%.
- (8) Allowance to total loans = Balance of impairment allowances on loans divided by total loans and advances to customers (excluding interest accrued). There is no difference between the indicator for the Group and the Bank, while the regulatory requirements specify that a legal person's allowance to total loans shall not be less than 2.1%.

Explanation of Differences between Financial Statements Prepared under Domestic and International Accounting Policies

The net profit attributable to shareholders of the Bank for the reporting period ended December 31, 2023 and the equity attributable to shareholders of the Bank as at the end of the reporting period presented in the financial statements prepared by the Group under the China Accounting Standards are the same with that presented in the financial statements prepared by the Group under the International Financial Reporting Standards.

Management Discussion and Analysis

(I) Economic, Financial and Regulatory Environments

In 2023, the global political and economic situation was changeable, with frequent geopolitical conflicts and slowing down of economic growth in the world's major economies. With the rise of trade protectionism, global trade continued to slow down, and investment activities were sluggish, showing an overall stagflationary pattern of "high inflation and low growth". At the same time, the Federal Reserve has been increasing interest rates and shrinking balance sheet, the global financial environment has become tightening, and financial risks have risen, bringing many challenges to the recovery of the world economy.

The year 2023 was the opening year for the full implementation of the spirit of the 20th CPC National Congress and the year of economic recovery and development. During this year, under the strong leadership of the Central Party Committee with Xi Jinping at its core, we adhered to the general principle of seeking progress while maintaining stability, overcame internal and external difficulties, and fought hard to promote the gradual recovery of the economy amidst the fluctuations, and successfully achieved the major goals of economic and social development. GDP for the year amounted to RMB126 trillion, 5.2% increase over the previous year at constant prices. The economic growth rate was significantly faster than that of the world's major developed economies, demonstrating the strong resilience and potential of China's economy. At the same time, it should also be noted that China's economic recovery is also facing problems such as insufficient effective demand, overcapacity in some industries, weak social expectations, more hidden risks, and blockages in the domestic cycle, etc. However, from a comprehensive point of view, the favorable conditions for China's development outweigh the unfavorable factors, and the basic trend of economic rebound and long-term improvement remains unchanged.

In 2023, the financial supervisory organization system underwent major changes: the Central Financial Commission and the Central Financial Working Committee were established as the highest decision-making level in the financial field. The State Administration of Financial Supervision was set up, and the former "one line and two chambers" supervisory system was changed to "one line, one chamber and one bureau". The responsibilities of financial supervision were redistributed with clearer powers and responsibilities. In the second half of the year, the Central Financial Work Conference will be held, and the goal of building a "strong financial country" was proposed for the first time at the central level, which will set higher requirements for financial work to serve the country's strength and national rejuvenation.

In 2023, the monetary policy was precise and the fiscal policy continued to be strong, providing strong support for the real economy. On the one hand, the monetary policy lowered the interest rate to reduce the cost of financing for the real economy; the deposit reserve rate of financial institutions was lowered by 0.25 percentage point in March and September respectively, releasing more than a trillion dollars of liquidity, and the 1-year LPR (Loan Market Quotation Rate) and the 5-year LPR dropped by 20 basis points and 10 basis points respectively, further reducing the cost of financing for the real economy. On the other hand, the fiscal policy focused on expanding domestic demand to support the steady growth of social financing. The issuance of RMB1 trillion of national bonds in the fourth quarter, which were arranged for local governments in the form of transfer payments, provided stronger support for the supply of government bonds. At the end of 2023, broad money supply (M2) grew by 9.7% year-on-year, the stock of social financing grew by 9.5% year-on-year, and the balance of Renminbi (RMB) loans to the real economy amounted to RMB235.48 trillion, a year-on-year increase of 10.4%.

Management Discussion and Analysis

The banking industry has made great efforts to improve the quality and efficiency of its services to the real economy and strengthened its credit support to key areas. At the end of 2023, the local and foreign currency assets of banking financial institutions amounted to RMB417.3 trillion, an increase of 9.9% year-on-year; the local and foreign currency liabilities of banking financial institutions amounted to 383.1 trillion, an increase of 10.1% year-on-year. The balance of loans from banking financial institutions to small and micro enterprises reached RMB70.9 trillion, of which the balance of inclusive loans to small and micro enterprises with a credit line for each borrower not more than RMB10 million was RMB29.1 trillion, increased by 23.3% year-on-year, and the balance of loans for affordable and comfortable housing projects was RMB6.3 trillion. Commercial banks achieved an annual net profit of RMB2.4 trillion, increased by 3.2% year-on-year, with a non-performing loan balance of RMB3.2 trillion and a non-performing loan ratio of 1.59%, thus generally maintaining the stable asset quality.

(II) Analysis of Overall Operation Performance

During the reporting period, under the guidance of the vision of being “a first-class commercial bank” by centering on the twelve-word operation policy and the four strategic priorities, the Group deeply implemented its operating strategy by taking the assets with low sensitivity to economic cycle as ballast stone to practice financial services for good and lead finance for good. Through intelligent operation to promote high-quality development, the Group achieved coordinated development of scale, efficiency and quality, and maintained a steady and sound trend of business development.

Steady increase of business scale. As at the end of the reporting period, total assets of the Group amounted to RMB3,143.879 billion, representing an increase of RMB521.949 billion or 19.91% as compared to that at the end of last year. The Group actively responded to support the development of the real economy by increasing its credit allocation in key areas such as manufacturing, green and small and micro sectors. At the end of the reporting period, total loans and advances to customers amounted to RMB1,716.240 billion, representing an increase of RMB191.210 billion or 12.54% as compared to that at the end of last year. At the end of the reporting period, due to optimization of liability quality management and the balanced development of the amount and pricing of deposits, customer deposits amounted to RMB1,868.659 billion, representing an increase of RMB187.216 billion or 11.13% as compared to that at the end of last year.

Stable growth of operating efficiencies. With focus on the expansion of revenue in the “321” direction, the smart operating capacity is constantly improving. During the reporting period, operating income of the Group amounted to RMB63.764 billion, representing an increase of RMB2.612 billion or 4.27% as compared to that of last year, of which net interest income amounted to RMB47.528 billion, representing an increase of RMB0.466 billion or 0.99% as compared to that of last year, and net non-interest income amounted to RMB16.236 billion, representing an increase of RMB2.146 billion or 15.23% as compared to that of last year. Net profit attributable to shareholders of the Bank amounted to RMB15.048 billion, representing an increase of RMB1.430 billion or 10.50% as compared to that of last year.

Positive trend in asset quality. Making prudent and reasonable provision for impairment and improving risk-resistance capacity. As at the end of the reporting period, the non-performing loan ratio was 1.44%, representing a decrease of 0.03 percentage point as compared to that at the end of last year; allowance to non-performing loan ratio was 182.60%, representing an increase of 0.41 percentage point as compared to that at the end of last year; the allowance to total loans ratio was 2.63%, representing a decrease of 0.04 percentage point as compared to that at the end of last year.

Management Discussion and Analysis

Slight increase of capital adequacy ratio. The core tier-one capital has been effectively supplemented upon A Share Rights Issue and H Share Rights Issue were completed in full. As at the end of the reporting period, the capital adequacy ratio of the Group amounted to 12.19%, representing an increase of 0.59 percentage point as compared with that at the end of last year. The tier-one capital adequacy ratio amounted to 9.52%, representing a decrease of 0.02 percentage point as compared with that at the end of last year, and the core tier-one capital adequacy ratio amounted to 8.22%, representing an increase of 0.17 percentage point as compared with that at the end of last year.

(III) Analysis of Financial Statements

1. Analysis of consolidated statement of profit or loss

During the reporting period, the Group realized operating income of RMB63.764 billion, increased by 4.27% as compared to that of last year, including, among others, net interest income of RMB47.528 billion, increased by 0.99% as compared to that of last year, and net non-interest income of RMB16.236 billion, increased by 15.23% as compared to that of last year. Operating expense was RMB20.159 billion, increased by 14.10% as compared to that of last year; cost-to-income ratio was 30.43%, increased by 2.66 percentage points as compared to that of last year. Provision for expected credit losses was RMB26.113 billion, decreased by 5.57% as compared to that of last year. The income tax expense was RMB1.999 billion, increased by 8.52% as compared to that of last year. The net profit attributable to shareholders of the Bank of RMB15.048 billion, increased by 10.50% as compared to that of last year; the return on average total assets was 0.54% and the return on average equity was 9.42%.

Changes of the main items in the consolidated statement of profit or loss

In RMB million, except percentages

Item	2023	2022	Amount of increase (decrease)	Increase (decrease) (%)
Net interest income	47,528	47,062	466	0.99
Net non-interest income	16,236	14,090	2,146	15.23
Operating income	63,764	61,152	2,612	4.27
Less: operating expenses	20,159	17,668	2,491	14.10
Less: expected credit losses	26,113	27,653	(1,540)	(5.57)
Profit before taxation	17,492	15,831	1,661	10.49
Less: income tax expense	1,999	1,842	157	8.52
Net profit	15,493	13,989	1,504	10.75
Attributable to:				
Shareholders of the Bank	15,048	13,618	1,430	10.50
Non-controlling interests	445	371	74	19.95

Management Discussion and Analysis

(1) Net interest income

During the reporting period, net interest income was RMB47.528 billion, representing an increase of RMB466 million or 0.99% as compared to that of last year, accounting for 74.54% of operating income. Interest income was RMB110.253 billion, representing an increase of RMB8.270 billion or 8.11% as compared to that of last year; interest expense was RMB62.725 billion, representing an increase of RMB7.804 billion or 14.21% as compared to that of last year.

During the reporting period, net interest spread and net interest margin were 1.81% and 2.01%, respectively, representing a decrease of 21 and 20 basis points as compared to that of last year, respectively. The main reasons for the change in net interest spread and net interest margin were as follows: multiple regulatory measures were taken to reduce corporate comprehensive financing costs, and the Group actively implemented the requirements of the policy to help the enterprises to alleviate their difficulties and stabilize the economy, and continued to provide benefits for the real economy, thus the yield on interest-earning assets decreased by 21 basis points as compared to that of last year; meanwhile, the Group continued to optimize the debt structure, reduce the costs of deposits, and effectively realized balanced development of the volume and price of deposits, thus the cost of interest-bearing liabilities remained flat as compared to that of last year.

Average yields on interest-earning assets and average costs of interest-bearing liabilities

In RMB million, except percentages

Item	2023			2022		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Interest-earning assets						
Loans and advances to customers	1,653,319	80,595	4.87	1,471,374	75,352	5.12
Investments ⁽¹⁾	705,914	24,445	3.46	567,315	22,076	3.89
Due from banks and other financial institutions ⁽²⁾	141,766	3,131	2.21	156,634	2,526	1.61
Balances with central bank ⁽³⁾	146,965	2,082	1.42	140,201	2,029	1.45
Total interest-earning assets	2,647,964	110,253	4.16	2,335,524	101,983	4.37
Item	2023			2022		
	Average balance	Interest expense	Average cost (%)	Average balance	Interest expense	Average cost (%)
Interest-bearing liabilities						
Customer deposits	1,771,103	39,679	2.24	1,606,141	36,714	2.29
Due to banks and other financial institutions ⁽⁴⁾	468,922	12,023	2.56	357,732	8,097	2.26
Due to central bank	64,774	1,549	2.39	57,327	1,526	2.66
Debt securities issued ⁽⁵⁾	357,317	9,328	2.61	315,881	8,445	2.67
Lease liabilities	3,281	146	4.45	3,002	139	4.63
Total interest-bearing liabilities	2,665,397	62,725	2.35	2,340,083	54,921	2.35
Net interest income		47,528			47,062	
Net interest spread			1.81			2.02
Net interest margin ⁽⁶⁾			2.01			2.21

Management Discussion and Analysis

Notes:

- (1) including financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income and finance lease receivables.
- (2) including deposits with banks and other financial institutions, placements with banks and other financial institutions, and financial assets purchased under resale agreements.
- (3) including statutory deposit reserves, surplus deposit reserves, foreign exchange deposit reserves and fiscal deposits.
- (4) including deposits from banks and other financial institutions, placements from banks and other financial institutions, and financial assets sold under repurchase agreements.
- (5) including issued inter-bank certificates of deposits, financial bonds and subordinated bonds, etc.
- (6) Net interest margin: the income generated from the business of financial assets measured at fair value through profit or loss was not classified as interest income categorized by accounting item, and its corresponding interest-bearing liabilities and interest expense shall be adjusted accordingly.

Analysis of changes in interest income and interest expense

In RMB million

Item	Comparison between 2023 and 2022		Net increase (decrease) ⁽³⁾
	Volume ⁽¹⁾	Interest rate ⁽²⁾	
Interest-earning assets			
Loans and advances to customers	9,318	(4,075)	5,243
Investments	5,393	(3,024)	2,369
Due from banks and other financial institutions	(240)	845	605
Balances with central bank	98	(45)	53
Changes in interest income	14,569	(6,299)	8,270
Interest-bearing liabilities			
Customer deposits	3,771	(806)	2,965
Due to banks and other financial institutions	2,517	1,409	3,926
Due to central bank	198	(175)	23
Debt securities issued	1,108	(225)	883
Lease liabilities	13	(6)	7
Changes in interest expense	7,607	197	7,804
Net Changes in interest income	6,962	(6,496)	466

Management Discussion and Analysis

Notes:

- (1) Change in volume represents the average balance for the reporting period minus the average balance for the previous year, multiplied by the average yield or average interest-bearing rate for the previous year.
- (2) Change in interest rate represents the average yield or average interest-bearing rate for the reporting period minus the average yield or average interest-bearing rate for the previous year, multiplied by the average balance for the reporting period.
- (3) Net increase or decrease represents interest income (expense) for the reporting period minus interest income (expense) for the previous year.

(2) Interest income

Interest income from loans and advances to customers

Interest income from loans and advances to customers was RMB80.595 billion, increased by RMB5.243 billion or 6.96% as compared to last year, mainly due to the increase in the size of loans. The Group adhered to the origin of financial services for the real economy, increased credit investment in retail, small loan and supply chain finance, etc, and intensified its development in our stronghold in Zhejiang Province. During the reporting period, the average daily balance of loans and advances to customers was RMB1.65 trillion, representing an increase of 12.37% as compared with last year.

Analysis of average income from loans and advances to customers by business type

In RMB million, except percentages

	2023			2022		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Corporate loans and advances	1,094,198	51,687	4.72	987,998	48,136	4.87
Personal loans and advances	441,883	26,332	5.96	382,280	24,731	6.47
Discounted bills	117,238	2,576	2.20	101,096	2,485	2.46
Total loans and advances to customers	1,653,319	80,595	4.87	1,471,374	75,352	5.12

Interest income from investments

Interest income from investments was RMB24.445 billion, increased by RMB2.369 billion or 10.73% as compared to that of last year, mainly due to the increase in the average daily balance of investments of 24.43% as compared with last year.

Management Discussion and Analysis

(3) Interest expenses

Interest expenses on customer deposits

Interest expenses on customer deposits amounted to RMB39.679 billion, representing an increase of RMB2.965 billion or 8.08% as compared to that of last year, primarily due to the increased size of customer deposits. The Group expanded customer base through digitalization and channelization, enhanced customer stickiness, and managed to stabilize and increase deposits. As at the end of the reporting period, the average daily balance of customer deposits was RMB1.77 trillion, representing an increase of 10.27% as compared to that of last year; the average cost of customer deposits during the reporting period was 2.24%, representing a decrease of 5 basis points as compared to that of last year.

Interest expense on customer deposits

In RMB million, except percentages

	2023			2022		
	Average balance	Interest expenses	Average cost (%)	Average balance	Interest expenses	Average cost (%)
Corporate deposits and other deposits⁽¹⁾						
Time	934,897	24,343	2.60	873,987	23,479	2.69
Demand	595,299	9,385	1.58	554,874	8,737	1.57
Sub-total	1,530,196	33,728	2.20	1,428,861	32,216	2.25
Personal deposits						
Time	188,108	5,789	3.08	121,259	4,161	3.43
Demand	52,799	162	0.31	56,021	337	0.60
Sub-total	240,907	5,951	2.47	177,280	4,498	2.54
Total	1,771,103	39,679	2.24	1,606,141	36,714	2.29

Note:

(1) Other deposits include remittance payables, temporary deposits and outward remittance, etc.

Interest expenses on due to banks and other financial institutions

Interest expense on due to banks and other financial institutions amounted to RMB12.023 billion, representing an increase of RMB3.926 billion or 48.49% as compared to that of last year, primarily due to the increase in amount due to banks and other financial institutions, and the increase in cost due to the impact of foreign currency market interest rate.

Management Discussion and Analysis

(4) Net non-interest income

During the reporting period, the Group laid the assets with low sensitivity to economic cycle as a ballast stone, further promoted the development of green intermediate income business, and sought synergetic development of all five segments. Net non-interest income amounted to RMB16.236 billion, representing an increase of RMB2.146 billion or 15.23% as compared to that of last year. Specifically, the net fee and commission income was RMB5.040 billion, representing an increase of RMB249 million as compared to that of last year, while other net non-interest income was RMB11.196 billion, representing an increase of RMB1.897 billion as compared to that of last year.

Net fee and commission income

In RMB million, except percentages

Item	2023	2022	Amount of increase (decrease)	Increase (decrease) (%)
Agency and entrustment service	1,849	1,802	47	2.61
Commitment and guarantee service	1,435	1,315	120	9.13
Underwriting and consultation service	1,076	947	129	13.62
Settlement and clearing service	725	628	97	15.45
Custodian and fiduciary service	594	531	63	11.86
Fee from bank cards	211	217	(6)	(2.76)
Others	253	81	172	212.35
Fee and commission income	6,143	5,521	622	11.27
Less: fee and commission expense	1,103	730	373	51.10
Net fee and commission income	5,040	4,791	249	5.20

Net fee and commission income was RMB5.040 billion, representing an increase of RMB249 million or 5.20% as compared to that of last year. Among which, fee income from underwriting and consultation service was RMB1.076 billion, representing an increase of RMB129 million as compared to that of last year, primarily due to the increased scale of the bond underwriting business; fee income from commitment and guarantee service was RMB1.435 billion, representing an increase of RMB120 million as compared to that of last year, primarily due to the increased scale of the guarantee commitment business; fee income from settlement and clearing service was RMB725 million, representing an increase of RMB97 million as compared to that of last year, primarily due to the increased scale of the settlement service.

Management Discussion and Analysis

Other net non-interest income

In RMB million, except percentages

Item	2023	2022	Amount of increase (decrease)	Increase (decrease) (%)
Net trading gains	7,396	6,590	806	12.23
Net gains on financial investments	2,664	2,008	656	32.67
Other operating income	1,136	701	435	62.05
Total	11,196	9,299	1,897	20.40

Other net non-interest income was RMB11.196 billion, representing an increase of RMB1.897 billion or 20.40% as compared to that of last year, primarily due to revenue from financial assets held for trading increased as compared to that of last year as the Group strengthened its analysis of financial market conditions and optimized its position structure.

(5) Operating expenses

In RMB million, except percentages

Item	2023	2022	Amount of increase (decrease)	Increase (decrease)(%)
Staff costs	12,500	10,896	1,604	14.72
General and administrative expenses	4,631	4,076	555	13.62
Depreciation and amortization	1,895	1,736	159	9.16
Tax and surcharges	755	685	70	10.22
Others	378	275	103	37.45
Total	20,159	17,668	2,491	14.10

Operating expenses amounted to RMB20.159 billion, representing an increase of RMB2.491 billion or 14.10% as compared to last year, primarily due to that the Group deepened the implementation of the four strategic focuses, strengthened the building of financial technology and retail talent teams, and promoted the rational layout of branches. Meanwhile, the Group continued to strengthen the refined management of expenses, intensified the concept of cost sharing, and cultivated the awareness of cost saving.

Management Discussion and Analysis

(6) Expected credit losses

Item	In RMB million	
	2023	2022
Deposits with banks and other financial institutions	(6)	8
Placements with banks and other financial institutions	(215)	165
Financial assets purchased under resale agreements	19	(11)
Loans and advances to customers	14,482	17,245
Financial investments	11,329	12,611
Finance lease receivables	551	500
Off-balance sheet items	(316)	(3,116)
Other assets	269	251
Total	26,113	27,653

(7) Income tax expenses

The income tax expenses were RMB1.999 billion, representing a year-on-year increase of RMB157 million or 8.52%, and the effective tax rate was 11.43%. For the reconciliation statement of the income tax expenses calculated at statutory tax rate and the actual income tax expenses, please see “Note VI to Financial Statements – 10 Income Tax Expense”.

(8) Segment information

Segment operating results by business line

Item	2023		2022	
	Amount	Proportion	Amount	Proportion
Corporate banking	35,482	55.65	32,490	53.13
Retail banking	13,416	21.04	13,141	21.49
Treasury operations	12,404	19.45	13,357	21.84
Others	2,462	3.86	2,164	3.54
Total operating income	63,764	100.00	61,152	100.00

Segment operating results by geographic region

Item	2023		2022	
	Amount	Proportion	Amount	Proportion
Yangtze River Delta Region	34,814	54.60	33,460	54.72
Bohai Rim Region	11,064	17.35	10,508	17.18
Pearl River Delta and Economic Zone on the Western Coast of the Taiwan Straits	6,680	10.48	5,905	9.66
Midwestern China Region	11,206	17.57	11,279	18.44
Total operating income	63,764	100.00	61,152	100.00

For details of business segment and regional division, please see “Note VIII to Financial Statements – Segment Reporting”.

Management Discussion and Analysis

2. Analysis on Consolidated Statement of Financial Position

(1) Assets

As at the end of the reporting period, total assets of the Group amounted to RMB3,143.879 billion, representing an increase of RMB521.949 billion or 19.91% as compared to that at the end of last year, of which net loans and advances to customers amounted to RMB1,673.272 billion, representing an increase of RMB186.981 billion or 12.58% as compared to that at the end of last year. Financial investments amounted to RMB1,000.637 billion, representing an increase of RMB248.788 billion or 33.09% as compared to that at the end of last year. In terms of the structure, net loans and advances to customers accounted for 53.22% of total assets, decreased by 3.47 percentage points as compared to that at the end of last year, and the financial investments accounted for 31.83%, increased by 3.16 percentage points as compared to that at the end of last year.

Assets utilization

In RMB million, except percentages

Item	December 31, 2023		December 31, 2022	
	Amount	Proportion (%)	Amount	Proportion (%)
Total loans and advances to customers	1,716,240		1,525,030	
Less: allowance for ECLs of loans ⁽¹⁾	42,968		38,739	
Net loans and advances to customers	1,673,272	53.22	1,486,291	56.69
Financial investments ⁽²⁾	1,000,637	31.83	751,849	28.67
Cash and balances with central bank	164,723	5.24	185,625	7.08
Precious metals	9,756	0.31	13,860	0.53
Due from banks and other financial institutions ⁽³⁾	154,025	4.90	68,928	2.63
Other assets	141,466	4.50	115,377	4.40
Total assets	3,143,879	100.00	2,621,930	100.00

Notes:

- (1) Allowance for ECL of loans represents allowance made for the loss of loans and advances to customers measured at amortized cost.
- (2) The financial investments include financial assets at fair value through profit or loss, financial assets measured at amortized cost and financial assets at fair value through other comprehensive income.
- (3) Due from banks and other financial institutions include deposits with banks and other financial institutions, placements with banks and other financial institutions and financial assets purchased under resale agreements.

Management Discussion and Analysis

Loans and advances to customers

The Group actively implemented the plans of the CPC Central Committee, the State Council and the regulatory authorities in relation to serving the real economy, adhered to the origin of financial services for the real economy, continued to strengthen high quality financial services to key areas and industries supported by the State, and intensified its development in our stronghold in Zhejiang Province. As at the end of the reporting period, total loans and advances to customers of the Group amounted to RMB1,716.240 billion, representing an increase of RMB191.210 billion or 12.54% as compared to that at the end of last year.

Loans and advances to customers structure by business type

In RMB million, except percentages

Item	December 31, 2023		December 31, 2022	
	Amount	Proportion (%)	Amount	Proportion (%)
Corporate loans and advances	1,128,170	65.74	987,079	64.73
Discounted bills	102,195	5.95	112,374	7.37
Personal loans and advances	476,692	27.78	417,881	27.40
Changes in fair value through other comprehensive income	1,417	0.08	2,605	0.17
Interest accrued	7,766	0.45	5,091	0.33
Total	1,716,240	100.00	1,525,030	100.00

Corporate loans and advances

While continuously improving its customer service capabilities and customer acquisition capabilities, the Group actively follows and responds to the key trends and the national policies in order to capture opportunities. The Group has accelerated the grant of loans in less cyclical industries and devoted more efforts to improve the coverage and asset investment of high-quality customers, comprehensively created its advantages in characteristic financial services in supply chain. As at the end of the reporting period, total corporate loans and advances amounted to RMB1,128.17 billion, representing an increase of 14.29% as compared to that at the end of last year.

Personal loans and advances

The wealth management business of the Group focused on new launch of digital application, with a collaborative development of customer, product, and sale, stimulated the momentum of retail wealth, expanded scenario financial and mortgage around household debt, strengthened cross line collaboration and linkage, continued to optimise the structure of personal loans and promoted the growth of the personal loan business. As at the end of the reporting period, total personal loans and advances amounted to RMB476.692 billion, representing an increase of 14.07% as compared to that at the end of last year.

Management Discussion and Analysis

Financial investments

The Group made better use of capital and optimized investment portfolio and structure on the basis of ensuring liquidity and risk control. As at the end of the reporting period, total financial investments amounted to RMB1,000.637 billion, representing an increase of 33.09% as compared to that at the end of last year.

Financial investment composition

In RMB million, except percentages

Item	December 31, 2023		December 31, 2022	
	Amount	Proportion (%)	Amount	Proportion (%)
Fund investments	147,430	14.73	126,128	16.78
Bond investments	760,103	75.96	546,824	72.73
Trust schemes and asset management plans	104,798	10.47	84,114	11.19
Other financial investments	5,869	0.59	6,624	0.88
Interest accrued	10,155	1.02	9,207	1.22
Allowance for ECLs	(27,718)	(2.77)	(21,048)	(2.80)
Total	1,000,637	100.00	751,849	100.00

Note: Other financial investments include equity investments, other debt instruments and wealth management products.

Management Discussion and Analysis

(2) Liabilities

As at the end of the reporting period, total liabilities of the Group amounted to RMB2,954.302 billion, representing an increase of RMB498.302 billion or 20.29% as compared to that at the end of last year.

Liabilities Composition

In RMB million, except percentages

Item	December 31, 2023		December 31, 2022	
	Amount	Proportion (%)	Amount	Proportion (%)
Due to central bank	119,915	4.06	97,170	3.96
Customer deposits	1,868,659	63.25	1,681,443	68.46
Due to banks and other financial institutions	508,441	17.21	312,035	12.71
Debt securities issued	395,938	13.40	323,033	13.15
Others	61,349	2.08	42,319	1.72
Total liabilities	2,954,302	100.00	2,456,000	100.00

Note: Due to banks and other financial institutions include deposits from banks and other financial institutions, placements from banks and other financial institutions, and financial assets sold under purchase agreements.

Customer deposits

The Group continuously enhanced the management of debt quality and actively responded to the changes in market demand to continuously optimize the deposit structure and maintain steady growth in volume while continuously reducing interest rates. As at the end of the reporting period, balance of customer deposits of the Group amounted to RMB1,868.659 billion, representing an increase of RMB187.216 billion or 11.13% as compared to that at the end of last year. With respect to customer structure, corporate deposits increased by RMB122.600 billion or 8.49%; and personal deposits increased by RMB56.029 billion or 26.24%. With respect to term structures, time deposits increased by RMB150.352 billion or 15.33%; and demand deposits increased by RMB28.277 billion or 4.18%.

Management Discussion and Analysis

Structure of our customer deposits by business type

In RMB million, except percentages

Item	December 31, 2023		December 31, 2022	
	Amount	Proportion (%)	Amount	Proportion (%)
Corporate deposits				
Demand	653,026	34.95	614,537	36.55
Time	914,175	48.92	830,064	49.37
Sub-total	1,567,201	83.87	1,444,601	85.92
Personal deposits				
Demand	52,363	2.80	62,575	3.72
Time	217,157	11.62	150,916	8.97
Sub-total	269,520	14.42	213,491	12.69
Other deposits	4,170	0.22	1,297	0.08
Interest accrued	27,768	1.49	22,054	1.31
Total	1,868,659	100.00	1,681,443	100.00

(3) Shareholder's equity

As at the end of the reporting period, equity attributable to shareholders of the Bank amounted to RMB186.245 billion in total, representing an increase of RMB23.312 billion or 14.31% as compared to that at the end of last year. Please see "Financial Statements – Consolidated Statement of Changes in Shareholders' Equity".

Management Discussion and Analysis

(IV) Analysis of Loan Quality

1. Loans distribution by risk classification

In RMB million, except percentages

Item	December 31, 2023		December 31, 2022	
	Amount	Percentage (%)	Amount	Percentage (%)
Pass	1,647,378	96.43	1,458,410	95.63
Special mention	35,083	2.05	36,571	2.40
Non-performing	24,596	1.44	22,353	1.47
Substandard	13,956	0.82	11,399	0.75
Doubtful	7,479	0.44	8,334	0.55
Loss	3,161	0.18	2,620	0.17
Changes in fair value through other comprehensive income	1,417	0.08	2,605	0.17
Sub-total	1,708,474	100.00	1,519,939	99.67
Interest accrued	7,766	N/A	5,091	0.33
Total loans and advances to customers	1,716,240	N/A	1,525,030	100.00

The loan quality of our Group was kept at a stable level. As at the end of the reporting period, according to the risk classification of the supervision system, the pass loans amounted to RMB1,647.378 billion, representing an increase of RMB188.968 billion as compared with that at the end of last year. Loans classified as special mention were RMB35.083 billion, representing a decrease of RMB1.488 billion as compared with that at the end of last year, and the percentage of loans classified as special mention was 2.05%, representing a decrease of 0.35 percentage point as compared with that at the end of last year. The non-performing loans were RMB24.596 billion, representing an increase of RMB2.243 billion as compared with that at the end of last year, with a non-performing loan ratio of 1.44%, representing a decrease of 0.03 percentage point as compared with that at the end of last year.

Management Discussion and Analysis

2. Distribution of loans and non-performing loans by business type

In RMB million, except percentages

Item	December 31, 2023				December 31, 2022			
	Amount of loans	Percentage (%)	Amount of non-performing loans	Non-performing loan ratio (%)	Amount of loans	Percentage (%)	Amount of non-performing loans	Non-performing loan ratio (%)
Corporate loans	1,128,170	66.04	15,510	1.37	987,079	64.73	16,105	1.63
Personal loans	476,692	27.90	9,086	1.91	417,881	27.40	6,248	1.50
Discounted bills	102,195	5.98	-	-	112,374	7.37	-	-
Changes in fair value through other comprehensive income	1,417	0.08	N/A	N/A	2,605	0.17	N/A	N/A
Sub-total	1,708,474	100.00	24,596	1.44	1,519,939	99.67	22,353	1.47
Interest accrued	7,766	N/A	N/A	N/A	5,091	0.33	N/A	N/A
Total loans and advances to customers	1,716,240	N/A	N/A	N/A	1,525,030	100.00	22,353	1.47

As at the end of the reporting period, our corporate non-performing loans amounted to RMB15.510 billion, representing a decrease of RMB595 million as compared with that at the end of last year, with a non-performing loan ratio of 1.37%, representing a decrease of 0.26 percentage point as compared with that at the end of last year. The personal non-performing loans were RMB9.086 billion, representing an increase of RMB2.838 billion as compared with that at the end of last year, with a non-performing loan ratio of 1.91%, representing an increase of 0.41 percentage point as compared with that at the end of last year.

Management Discussion and Analysis

3. Distribution of loans and non-performing loans by industry

In RMB million, except percentages

Item	December 31, 2023				December 31, 2022			
	Amount of loans	Percentage (%)	Amount of non-performing loans	Non-performing loan ratio (%)	Amount of loans	Percentage (%)	Amount of non-performing loans	Non-performing loan ratio (%)
Corporate loans	1,128,170	66.04	15,510	1.37	987,079	64.73	16,105	1.63
Leasing and commercial services	240,018	14.05	4,804	2.00	209,367	13.73	5,149	2.46
Manufacturing	239,911	14.04	1,971	0.82	216,921	14.22	5,612	2.59
Wholesale and retail trade	201,420	11.79	1,925	0.96	167,816	11.00	1,478	0.88
Real estate	177,749	10.40	4,408	2.48	166,827	10.94	2,770	1.66
Construction	68,798	4.03	816	1.19	50,662	3.32	572	1.13
Administration of water conservancy, environment and public facilities	63,377	3.71	15	0.02	63,103	4.14	12	0.02
Financing	19,593	1.15	-	-	18,259	1.20	28	0.15
Accommodation and Catering	15,328	0.90	195	1.27	12,074	0.79	93	0.77
Transportation, storage and postal service	15,144	0.89	1,029	6.79	13,232	0.87	40	0.30
Mining	14,757	0.86	-	-	8,483	0.56	91	1.07
Electricity, heat, gas and water production and supply	12,835	0.75	37	0.29	14,294	0.94	37	0.26
Others ⁽¹⁾	59,240	3.47	310	0.52	46,041	3.02	223	0.48
Personal loans	476,692	27.90	9,086	1.91	417,881	27.40	6,248	1.50
Discounted bills	102,195	5.98	-	-	112,374	7.37	-	-
Changes in fair value through other comprehensive income	1,417	0.08	N/A	N/A	2,605	0.17	N/A	N/A
Sub-total	1,708,474	100.00	24,596	1.44	1,519,939	99.67	22,353	1.47
Interest accrued	7,766	N/A	N/A	N/A	5,091	0.33	N/A	N/A
Total loans and advances to customers	1,716,240	N/A	N/A	N/A	1,525,030	100.00	22,353	1.47

Note:

- (1) Others include various industries such as public administration and social organization; culture, sports and entertainment; information transmission, computer service and software; agriculture, forestry, animal husbandry and fishery; household services and other services; scientific research, technology services and geological exploration; education; health, social security and social welfare.

In 2023, the Group adhered to a prudent and cautious risk culture, was committed to serving the real economy, persisted in the finance for good, improved investment and research capabilities, strengthened the guidance of credit-granting, optimized asset allocation, enhanced customer bases, continued to build the “assets with low sensitivity to economic cycle” as a ballast stone, and comprehensively optimized the structure of credit assets.

Management Discussion and Analysis

4. Distribution of loans and non-performing loans by geographic region

In RMB million, except percentages

Item	December 31, 2023				December 31, 2022			
	Amount of loans	Percentage (%)	Amount of non-performing loans	Non-performing loan ratio (%)	Amount of loans	Percentage (%)	Amount of non-performing loans	Non-performing loan ratio (%)
Yangtze River Delta Region	903,104	52.86	10,589	1.17	843,069	55.29	11,058	1.31
Midwestern China Region	333,316	19.51	4,541	1.36	281,109	18.43	5,341	1.90
Bohai Rim Region	269,494	15.78	5,505	2.04	222,300	14.58	4,566	2.05
Pearl River Delta and Economic Zone on the Western Coast of the Taiwan Straits	201,143	11.77	3,961	1.97	170,856	11.20	1,388	0.81
Changes in fair value through other comprehensive income	1,417	0.08	N/A	N/A	2,605	0.17	N/A	N/A
Sub-total	1,708,474	100.00	24,596	1.44	1,519,939	99.67	22,353	1.47
Interest accrued	7,766	N/A	N/A	N/A	5,091	0.33	N/A	N/A
Total loans and advances to customers	1,716,240	N/A	N/A	N/A	1,525,030	100.00	22,353	1.47

As at the end of the reporting period, the region where the Group incurred a relatively large volume of non-performing loans was the Yangtze River Delta Region. Based on a continuous tracking of the development trends in the macro economy and the industry, and taking into account economic characters of various regions, the Group continued to optimize the regional credit allocation to enhance the competitiveness of key regions, actively prevent regional risks and support regional development.

Management Discussion and Analysis

5. Distribution of loans and non-performing loans by security type

In RMB million, except percentages

Item	December 31, 2023				December 31, 2022			
	Amount of loans	Percentage (%)	Amount of non-performing loans	Non-performing loan ratio (%)	Amount of loans	Percentage (%)	Amount of non-performing loans	Non-performing loan ratio (%)
Mortgage loans	752,103	44.02	14,309	1.90	675,821	44.32	10,750	1.59
Pledged loans	61,147	3.58	320	0.52	72,303	4.74	931	1.29
Guaranteed loans	326,813	19.13	4,316	1.32	289,524	18.98	6,498	2.24
Unsecured loans	464,799	27.21	5,651	1.22	367,312	24.09	4,174	1.14
Discounted bills	102,195	5.98	-	-	112,374	7.37	-	-
Changes in fair value through other comprehensive income	1,417	0.08	N/A	N/A	2,605	0.17	N/A	N/A
Sub-total	1,708,474	100.00	24,596	1.44	1,519,939	99.67	22,353	1.47
Interest accrued	7,766	N/A	N/A	N/A	5,091	0.33	N/A	N/A
Total loans and advances to customers	1,716,240	N/A	N/A	N/A	1,525,030	100.00	22,353	1.47

The secured loan structure of the Group basically remained stable. As at the end of the reporting period, the mortgage loans had a relatively high percentage; the mortgage loans balance was RMB752.103 billion, representing an increase of RMB76.282 billion compared with that at the end of last year; the balance of non-performing loans among mortgage loans was RMB14.309 billion, with the non-performing loan ratio of 1.90%, representing an increase of 0.31 percentage point compared with that at the end of last year.

Management Discussion and Analysis

6. Top ten borrowers

In RMB million, except percentages

Top ten borrowers	Industry	Amount	Percentage (%)
A	Real estate	6,378	0.37
B	Mining	4,045	0.24
C	Real estate	4,000	0.23
D	Leasing and commercial services	3,880	0.23
E	Real estate	3,520	0.21
F	Real estate	3,055	0.18
G	Leasing and commercial services	3,038	0.18
H	Manufacturing	2,723	0.16
I	Manufacturing	2,653	0.16
J	Real estate	2,403	0.14
Total		35,694	2.09

As at the end of the reporting period, the balance of loans to the single largest borrower of the Group was RMB6.378 billion, representing 2.69% of the Group's net capital. The total loans to our top ten single borrowers amounted to RMB35.694 billion, representing 15.06% of the net capital of the Group.

7. Overdue loans

In RMB million, except percentages

Overdue period	December 31, 2023		December 31, 2022	
	Amount	Percentage (%)	Amount	Percentage (%)
Overdue by 1 day to 90 days	8,271	0.49	12,305	0.81
Overdue by 90 days to one year	12,813	0.75	10,075	0.66
Overdue by one year to three years	5,782	0.34	7,196	0.47
Overdue by more than three years	920	0.05	366	0.02
Total	27,786	1.63	29,942	1.96

As at the end of the reporting period, the balance of overdue loans amounted to RMB27.786 billion, representing a decrease of RMB2.156 billion as compared with that at the end of last year. Specifically, loans overdue by more than 90 days amounted to RMB19.515 billion, representing an increase of RMB1.878 billion as compared with that at the end of last year.

Management Discussion and Analysis

8. Renegotiated loans

The Group conducted strict and prudent control over loan renegotiation. As at the end of the reporting period, total renegotiated loans and advances amounted to RMB3.664 billion, representing an increase of RMB3.212 billion as compared with that at the end of last year. Among them, total renegotiated loans and advances that were overdue by more than 3 months amounted to RMB1.301 billion, representing an increase of RMB1.20 billion as compared with that at the end of last year.

9. Movements in the expected credit loss (“ECL”) allowance on loans

Item	<i>In RMB million</i> Amount
Balance at the beginning of the year	40,725
Charge for the period	14,482
Unwinding of discount on allowance for ECLs	(151)
Write-offs	(8,928)
Transfer out	(3,241)
Recoveries of loans and advances previously written off	2,016
Impact of exchange rate fluctuations	7
Balance at the end of the year⁽¹⁾	44,910

Note:

(1) Balance at the end of the year includes provision made for the loss of loans and advances to customers measured at amortized cost and measured at fair value through other comprehensive income.

(V) Capital Management

In accordance with the Administrative Measures for the Capital of Commercial Banks (Trial) 《商業銀行資本管理辦法(試行)》, the measurement range of the Group’s capital adequacy ratio covers credit risk, market risk and operational risk. Among them, credit risk-weighted assets were measured by using weight method, market risk-weighted assets were measured by using standardized approach, and operational risk-weighted assets were measured by using the basic indicator approach.

As at the end of the reporting period, capital adequacy ratio of the Group was 12.19%, tier-one capital adequacy ratio was 9.52%, core tier-one capital adequacy ratio was 8.22%, and leverage ratio was 4.98%, all of which met regulatory requirements.

In accordance with the Administrative Measures for the Capital of Commercial Banks (No. 4 Order [2023] of National Financial Regulatory Administration) 《商業銀行資本管理辦法》(國家金融監督管理總局令2023年第4號)), since 1 January 2024, the Group shall meet the capital supervision requirements as the first class of commercial bank, as such, credit risk-weighted assets are measured by using weight method, market risk-weighted assets and operational risk-weighted assets are measured by using standardized approach. The information on the relevant capital adequacy ratio under the Administrative Measures for the Capital of Commercial Banks 《商業銀行資本管理辦法》 will be disclosed in subsequent reports.

Management Discussion and Analysis

Capital adequacy ratio (the Group)

In RMB million, except percentages

Item	December 31, 2023	December 31, 2022
Net core tier-one capital	159,789	135,925
Other tier-one capital	25,312	25,253
Net tier-one capital	185,102	161,178
Tier-two capital	51,856	34,693
Net capital base	236,958	195,871
Risk-weighted assets	1,943,402	1,689,148
Core tier-one capital adequacy ratio (%)	8.22	8.05
Tier-one capital adequacy ratio (%)	9.52	9.54
Capital adequacy ratio (%)	12.19	11.60

Leverage ratio (the Group)

In RMB million, except percentages

Item	December 31, 2023	December 31, 2022
Net tier-one capital	185,102	161,178
Adjusted asset balance inside and outside the balance sheet	3,715,031	3,146,094
Leverage ratio (%)	4.98	5.12

Management Discussion and Analysis

As at the end of the reporting period, capital adequacy ratio of the Company was 12.20%, tier-one capital adequacy ratio was 9.53%, core tier-one capital adequacy ratio was 8.20%, and leverage ratio was 4.90%, all of which met regulatory requirements.

Capital adequacy ratio (the Company)

In RMB million, except percentages

Item	December 31, 2023	December 31, 2022
Net core tier-one capital	153,990	130,881
Other tier-one capital	24,995	24,995
Net tier-one capital	178,984	155,876
Tier-two capital	50,126	33,224
Net capital base	229,111	189,100
Risk-weighted assets	1,878,285	1,635,987
Core tier-one capital adequacy ratio (%)	8.20	8.00
Tier-one capital adequacy ratio (%)	9.53	9.53
Capital adequacy ratio (%)	12.20	11.56

Leverage ratio (the Company)

In RMB million, except percentages

Item	December 31, 2023	December 31, 2022
Net tier-one capital	178,984	155,876
Adjusted asset balance inside and outside the balance sheet	3,650,203	3,094,666
Leverage ratio (%)	4.90	5.04

(VI) Risk Management

1. Comprehensive risk management system

Adopting a “prudent and solid” risk appetite and adhering to the principle of “small and diversified” credit granting, the Company is committed to serving the real economy with the principle of finance for good. We keep improving investment and research capabilities, strengthening the credit-guidance, optimizing the asset allocation, strengthening the customer base, and building assets with low sensitivity to economic cycle as a ballast stone. The Company also strictly controls the risk of new business and accelerates the disposal of existing risk assets to maintain stable asset quality, deepens the application of financial technology to improve the digital risk control system. We also strengthen the risk management of the whole process and the risk control of key areas, enhance the credit foundation management, continue to improve the proactiveness, precision and leadership of risk management, and provide strong support for the comprehensive launch of a new journey of high-quality development with the vision of being a “first class commercial bank”.

Management Discussion and Analysis

The Board of Directors takes the ultimate responsibility for comprehensive risk management; the Supervisory Committee is responsible for supervision of comprehensive risk management; and the Senior Management is responsible for implementing comprehensive risk management. The Company establishes the position of chief risk officer. The Senior Management has established special committees including the Risk Management and Internal Control Committee, Asset and Liability Management Committee, Credit Review Committee, Asset Risk Classification Review Committee and Business Continuity Management Committee.

The Risk Management Department at our head office is the coordination department for comprehensive risk management and the leading executive department for management of the credit risk, market risk (excluding interest rate risk of banking book), country risk and information technology risk. The Asset and Liability Management Department at our head office is the leading executive department for management of the interest rate risk of banking book and liquidity risk. The Internal Control and Compliance and Legal Affairs Department at our head office is the leading executive department for operational risk and compliance risk management. The Publicity Department of the Party Committee is the leading executive department for reputational risk management. The Development and Planning Department at our head office is the leading executive department for strategic risk management.

The Company assigns risk monitoring officers to certain departments at our head office. Risk monitoring officers are responsible for helping leading officers of accrediting departments organize risk management. They are independent of such departments and directly report to our head office. They make business judgment and report on risk issues independently. The Company assigns to its branches risk monitoring officers, who help presidents of such branches organize comprehensive risk management with a focus on credit risk management, strengthen the supervision and evaluation of risk management of branches and are independent of such branches and directly report to our head office. They make business judgment and report on risk issues independently.

2. Credit risk management

Credit risk refers to the risk of the Company suffering from losses due to defaults of debtors or counterparties or a decline in their credit. The Company's credit risk primarily lies in on- and off-balance sheet business, including loans, inter-bank lending, bond investments, bill acceptances, letters of credit, letters of guarantee, bond holdings and special purpose vehicle investments.

The objectives of our credit risk management are to control our credit risk within a reasonable range acceptable to us and maximize comprehensive benefits across the Bank denominated in local currency and adjusted with respect to risks.

The Company's credit risk management system consists of the Board of Directors, the Supervisory Committee, the Senior Management, the Risk Management and Internal Control Committee, the Credit Review Committee of the head office, the Credit Review Committee of the branches, the Credit Review Teams of sub-branches, the Risk Management Department of the head office and other credit risk control departments, Business Operation and Management Departments, Financial Technology Department, Audit Department, branches, sub-branches and subsidiaries. The Senior Management is responsible for implementing and organizing the credit risk management as well as the formulation and implementation of systems and policies relating to credit risk management.

Management Discussion and Analysis

The Company formulates credit policies based on changes in external operating environment, internal operating and risk conditions. Such policies expressly set out guidance on certain aspects of our credit business, such as customer structure, industry structure, product structure, regional structure and key strategic areas. In addition, the Company regularly adjusts its credit policies based on a continuous tracking of the development trends in the macro economy and the industry. In the face of the complex and volatile economic environment at home and abroad, where opportunities and challenges coexist, the Company adheres to a prudent and cautious risk culture, continues to build the “assets with low sensitivity to economic cycle” as a ballast stone, insists on taking the real economy as the focus and growth point of the business of granting assets, and gives full play to the new competitive advantages of integrated synergies among the five business segments, namely, large retail, large corporations, large investment banks, large capital management and large cross-border business, and continues to push forward on the customer base, effectively applies the “CSGS”, and consolidates the cornerstone of the credit business, takes the primary strategy of “deepening development in Zhejiang”, enhance the competitiveness of key regions. We insist on intelligent risk control, highlight precise credit risk identification and forward-looking prevention and resolution, strictly control new non-performing products, and comprehensively optimize the structure of credit assets.

The Bank classifies its credit assets in accordance with the criteria set forth in the “Measures for Classification of Financial Assets Risks of Commercial Banks” 《商業銀行金融資產風險分類辦法》, taking into account factors such as the debtor’s ability to perform, financial condition, willingness to repay, and repayment record; the risk classification process of the Company’s credit assets implements a five-tiered procedure of “initial classification, review, examination, deliberation, and approval”.

(1) Credit risk management for corporate customers

The Company conducts a unified credit management of corporate customers, and determines maximum comprehensive credit lines and business credit lines for customers based on comprehensive evaluation of customers and according to certain standards and procedures.

The Company strictly complies with relevant regulatory requirements of the former CBIRC and puts loans (including trade financing), bill acceptances and discounting, overdrafts, bond investments, special purpose vehicle investments, opening letters of credit, factoring, guarantees, loan commitments and other businesses where credit risks are essentially borne by the Company under our unified credit extension management. In the full coverage of various types of credit businesses, the Company continues to improve the credit risk limit indicator system, and reasonably determines limit indicators of single corporate customers and group customers.

The Company continuously enhances the construction of our credit system, formulates a unified credit quota management system for our corporate customers, intensifies our comprehensive management and unified control of the total credit quota amount of our corporate customers, improves standardized and normalized credit approval procedures, authorization system and position risk accountability mechanism, adjusts our credit policies in time and takes effective measures to prevent credit risks.

The Company further improves the concentration risk management, formulates the concentration risk management related systems, clarifies the responsibilities allocation and main methods of concentration risk management, and continues to promote the construction of concentration risk management.

Management Discussion and Analysis

The Company continuously enhances the management of credit risks related to financing platforms of local governments (defined in the Company's policy as state-owned enterprises in urban construction and public services categories; similarly hereinafter), strictly complies with various policies and regulatory requirements of the State Council and the Financial Administration on financing platforms of local governments, makes dynamic adjustments to credit strategies, and further optimizes the credit business structure of financing platforms to prevent credit risks that may arise from local governments' financing platforms; sets credit limits to local governments' financing platforms and enhances our monitoring and management on the credit risks. Focusing on high-risk areas and sensitive debts, the Group cooperated with local governments to implement the "one package solution" based on the existing assets, and promoted the implementation of local debt risk resolution.

The Company continuously enhances the management of real estate loan risks. The Company engages in real estate related credit business prudently, and adjusts our credit extension orientation for the real estate industry in a duly manner according to national policy and industrial operation situation. The Company sets credit limits for loans we grant to the customers in the real estate industry and adopts the name list system management in a dynamic manner, and continuously adjusts and optimizes the asset structure, as well as strengthens the monitoring and management of risks relating to existing loans.

(2) Credit risk management for small and micro enterprises

The Company conducts unified credit extension management for small and micro enterprise customers, and integrates all types of credit business of small and micro enterprise customers into our unified credit extension management. The Company actively explores a professionalized operating model, continuously improves our management system and further combs out and standardizes the procedures and requirements for credit extension to gradually cultivate a featured and standard credit extension model of the Company.

The Company continuously strengthens the management of credit risks of small and micro enterprise business. In conjunction with regional and business development, it has constructed a differentiated control mechanism, optimized the operating procedures of the credit business of small and micro enterprises, improved the risk control system in the three segments of pre-credit, credit and post-credit, and made use of the big data risk control model to identify, assess and classify the risks, while strengthening the risk management requirements and enhancing the proactivity of risk control, so as to continuously improve the credit risk management and control system for the credit business of small and micro enterprises.

(3) Credit risk management for retail customers

The Company researches and develops personal loan products with stronger risk-resistant capability, mainly based on security and supplemented by guaranteed credit, actively builds a credit risk evaluation system for personal loans, strictly prevents credit risk and operational risk, formulates differentiated entry standards for different customer groups, strengthens the coordination and management of personal credit business, and improves the credit risk management mechanism for personal loans. The Company will continue to increase its efforts in post-loan management and risk disposal, including post-loan monitoring, overdue collection and non-performing disposal, in order to enhance the risk management level.

Management Discussion and Analysis

The Company has established a full-process digital risk management system for credit card (consumer finance) business, including pre-credit access, loan monitoring and post-loan warning, and has implemented unified credit management for credit card (consumer finance) customers to enrich customer profiles and enhance the proactivity of risk prevention and control. Combined with the risk characteristics of regions, industries and customer groups, we have formulated differentiated and localized risk control management strategies to continuously strengthen the risk management of credit card (consumer finance) business.

(4) Credit risk management for financial institution customers

The Company includes financial institution customers in unified credit management. The Company has formulated unified management measures and relevant operating procedures for the unified line of credit of financial institution customers, improved a series of systems and procedures for the investigation, examination and approval of unified credit extension to financial institution customers.

The Company's business with financial institution customers involving customer credit risk is covered in our unified credit extension management. When conducting business, the Company will draw up the customers' credit lines in accordance with relevant policies.

3. Market risk management

Market risk refers to the risk of losses of on- and off-balance sheet business arising from unfavorable changes in market prices including interest rates, exchange rates, stock prices and commodity prices. Market risk can be divided into interest rate risk, exchange rate risk, stock risk and commodity risk. The term "market risk" in this section refers specifically to market risk other than interest rate risk of banking book (for the interest rate risk of banking book, please refer to the relevant content of "7. Interest rate risk management of banking book" below).

The objectives of our market risk management are to control our market risks within a reasonable range acceptable to us and maximize comprehensive benefits across the Bank denominated in local currency and adjusted with respect to risks.

The Company's market risk management system consists of the Board of Directors, the Supervisory Committee, Senior Management, Risk Management and Internal Control Committee, Risk Management Department, Capital Operation Center, Audit Department, other departments, as well as branches, sub-branches and subsidiaries. The Senior Management is responsible for implementing and organizing the market risk management, overseeing the implementation of market risk appetite as well as formulating and carrying out relevant systems and policies for market risk management and establishing market risk management information system, so as to ensure the Company can effectively identify, measure, monitor and control a series of market risks borne by various businesses.

The market risk measurement methods adopted by the Company include duration analysis, foreign exchange exposure analysis, scenario analysis, sensitivity analysis, Value at Risk (VaR) measurement etc., and the measures taken by the Company to control market risks include, among others, limit management, hedging, reducing risk exposures etc. The Company has established a market risk management system pursuant to the relevant measures of the regulatory authority. The Company has formulated market risk management policies and procedures applicable to the nature, scale, complexity and risk features of its business and aligned such policies and procedures with its overall business development strategy, management capabilities, capital strength and overall risk level that can be borne by the Company.

Management Discussion and Analysis

The Company regularly updates and improves its market risk appetite and limit management system, continues to improve the market risk management systems and market risk measurement systems. The Company conducts market risk measurement, monitoring and routine management by using the independent market risk management platform. The Company values positions of our trading book on a daily basis, continuously monitors non-stop-loss limits and stop-loss limits, and regularly evaluates market risks through stress testing and other methods.

4. Liquidity risk management

Liquidity risk refers to the risk of failure to obtain adequate funds in time at reasonable costs to repay debts when they are due, perform other payment obligations and meet other capital needs in the ordinary course of business. Factors affecting liquidity risks are divided into external factors and internal factors. External factors include domestic and foreign financial conditions, macroeconomic regulation policies, depth and width of developments of financial markets and the competition status of the banking industry. Internal factors include maturities of assets and liabilities, business structures, stability of deposits, and market financing capacity and various unexpected events, etc.

The objectives of our liquidity risk management are to ensure our liquidity needs can be satisfied in time at reasonable costs and to control our liquidity risks within a reasonable range acceptable to us.

The Company's liquidity risk management system consists of the Board of Directors, the Supervisory Committee, Senior Management, Risk Management and Internal Control Committee, Asset and Liability Management Committee, Risk Management Department, Asset and Liability Management Department, Capital Operation Center, Audit Department, Technology Management Department and other operation and management departments of the head office, as well as branches, sub-branches and subsidiaries. The Senior Management is responsible for implementing and organizing the liquidity risk management as well as the formulation and implementation of relevant systems and policies for liquidity risk management.

The Company managed the liquidity risk in a centralized manner. By establishing a scientific and complete liquidity risk management system, the Company can effectively identify, measure, monitor, control and report its liquidity risk, continuously strengthen liquidity risk management, and continue to improve the foresight and initiative of liquidity management. Specific measures for liquidity risk management include: paying close attention to both domestic and foreign macroeconomic and political situations and market liquidity changes, as well as adjusting our asset and liability management strategy in a timely manner; strengthening debt management, making flexible use of active debt instruments, actively broadening long-term sources of fund, promoting bond issuance and continuously increasing the proportion of stable liabilities; driving the diversification of financing channels construction and actively expanding financing channels while maintaining good relations with major financing counterparts; strengthening the management of high quality liquid assets to ensure that the size of high quality liquid assets matches the potential financing needs of the whole bank, and enhance its ability to mitigate liquidity risk; strengthening the early-warning monitoring and management of liquidity, optimizing our emergency response program for liquidity risk and conducting emergency drills on a regular basis; conducting stress tests for liquidity risk on a quarterly basis, identifying weak links in the Company's liquidity risk management based on results of such tests, adjusting liquidity risk management strategies if necessary, and modifying our liquidity risk management measures in a timely manner to improve our liquidity risk management mechanism.

Management Discussion and Analysis

As at the end of the reporting period, the Company's total liquidity ratio of the local currencies and foreign currencies was 54.68%. Our liquidity coverage ratio was 169.29%, among which, high quality liquid assets amounted to RMB329.261 billion, and the net cash outflows over the next 30 days was RMB194.495 billion. The Company's net stable fund ratio was 106.36%, among which, stable fund available was RMB1,661.806 billion and stable fund required was RMB1,562.442 billion.

As at the end of the reporting period, the Company's total liquidity ratio of the local currencies and foreign currencies was 54.89%. Our liquidity coverage ratio was 166.61%, among which, the high-quality liquid assets amounted to RMB329.261 billion, and the net cash outflows over the next 30 days was RMB197.624 billion. The relevant information on the net stable fund ratio of the Group in the last two quarters was set out below:

Currency: combined of domestic and foreign currency

Date	Net stable fund ratio (%)	Stable fund available (in 100 million of RMB)	Stable fund required (in 100 million of RMB)
As at December 31, 2023	104.89	16,884.41	16,096.82
As at September 30, 2023	101.77	15,824.57	15,549.57

5. Operational risk management

Operational risk refers to the risk of losses that may be incurred due to imperfect or problematic internal procedures, personnel and information technology systems, as well as external events. Types of incidents of losses due to operational risks that the Company may expose to mainly include seven categories, i.e. internal fraud, external fraud, employment systems and safety incidents at working places, incidents related to clients, products and business activities, damage to real property, incidents related to information technology system and incidents related to execution, closing and procedure management.

The Company's operational risk management system consists of the Board of Directors, the Supervisory Committee, Senior Management, Risk Management and Internal Control Committee, Risk Management Department, Internal Control and Compliance and Legal Affairs Department, Audit Department, other departments of the head office, as well as branches, sub-branches and subsidiaries. The Senior Management is responsible for implementing and organizing the Company's operational risk management as well as formulation and implementation of basic systems and policies of the Bank for operational risk management.

The objectives of our operational risk management are to "control our operational risks within a reasonable range acceptable to us and maximize comprehensive benefits of the Bank after risk adjustment". The Company has established an operational risk management system which was matched with our business nature, scale and complexity. The Company exercises a whole-process management of operational risks, and effectively identifies, evaluates, monitors, controls (mitigates) the operational risks by enhancing our internal control as an effective means to operational risk management.

Management Discussion and Analysis

During the reporting period, the Company followed the management principles of “full coverage, clearly defined duties, honest reporting and quick response”, adjusted its management strategies and priorities in due time according to changes in internal and external financial situations, continued to improve its operational risk management systems appropriate to our business nature, size and complexity to effectively identify, evaluate, monitor and control (mitigate) operational risks. We actively implemented the latest requirements of the State Administration of Financial Supervision on operational risk capital measurement and operational risk management, and continued to promote the consultation project on capital management of the new operational risk standard law to increase the allocation of operational risk management resources; optimized systematic construction in important areas, strengthened the operation and maintenance management of the information systems, and enhanced the rigid control and service capabilities of these systems; actively prevented and mitigated legal risks, and carried out legal publicity and education; improved staff behavior management and launched various business training; strengthened safety and security management, and enhanced safety and security work at important points by carrying out safety inspections to eliminate potential risks hazards in a timely manner. During the reporting period, the Company’s operational risk management systems operated stably and the operational risk was generally under control.

6. Country risk management

Country risk refers to the risk incurred due to any economic, political or social change and incident in a country or region which results in the borrowers or debtors in such country or region being unable or refusing to repay their debts or results in any losses to the business presence of the Company in such country or region or any other losses to the Company.

The objectives of our country risk management are to control our country risk within a reasonable range acceptable to us and maximize comprehensive benefits across the Bank denominated in local currency and adjusted with respect to risks.

The Company’s country risk management system consists of the Board of Directors, the Supervisory Committee, Senior Management, Risk Management and Internal Control Committee, Risk Management Department, Planning and Finance Department, International Business Department, Capital Operation Center, Retail Credit Department and other business operation and management departments of the head office, Financial Technology Department and Audit Department, as well as branches, sub-branches and subsidiaries. The Senior Management is responsible for implementing and organizing the country risk management as well as the formulation and implementation of relevant systems and policies for country risk management.

The Company continuously advances the country risk management work pursuant to the relevant measures of the regulatory authority. The Company has formulated basic country risk management systems, quota management measures and schemes, clarified the organizational structure and division of responsibilities, limit framework, management mechanism, etc., with respect to country risk limit management, and set the index and threshold of country risk limits. We regularly assess and monitor the country risks and make provision for country risks.

Management Discussion and Analysis

7. Interest rate risk management of banking book

Interest rate risk in the banking book refers to the risk of losses in the economic value and overall gain of the banking book arising from adverse changes in interest rate levels and term structure etc., mainly including gap risk, benchmark risk and option risk.

The objectives of our interest rate risk management of banking book are to control our interest rate risk of banking book within a reasonable range acceptable to us and reduce fluctuations in net interest income and economic value of banking book to maximize the comprehensive benefits across the Bank.

The Company's interest rate risk management system of banking book consists of the Board of Directors, the Supervisory Committee, Senior Management, Risk Management and Internal Control Committee, Asset and Liability Management Committee, Risk Management Department, Planning and Finance Department, Asset and Liability Management Department, Technology Department, Capital Operation Center, Audit Department and other operation and management departments of the head office, as well as branches, sub-branches and subsidiaries. The Senior Management is responsible for implementing the interest rate risk management of banking book, establishing the framework for interest rate risk management and the system for measurement of interest rate risk of banking book, and promoting the effective implementation of relevant systems and policies for interest rate risk management of banking book.

The Company measures, evaluates and analyzes our interest rate risk of banking book mainly through price resetting gap analysis, sensitivity analysis, scenario simulation analysis, stress test etc.. In the scenario analysis, the Bank also measures the interest rate risk exposure of the banking book and the maturity mismatch of assets and liabilities by taking into account the option risk parameters such as the early repayment rate of loans, the early withdrawal rate of time deposits, and the deposit sedimentation rate of deposits with no maturity date, and their changes under different scenarios.

During the reporting period, the Company paid close attention to the macroeconomic environment and the market changes, and formulated strategies for interest rate risk management of the banking book by taking into account factors such as the risk appetite and risk profile of the Bank, in order to optimize the asset and liability structure.

As at the end of the reporting period, the Company's interest rate risk in the banking book was controlled within its risk management and control objectives and the interest rate risk in the banking book was generally under control.

8. Reputational risk management

Reputation risk refers to the risk of negative evaluation of the Bank by stakeholders, the public and the media as a result of the Bank's behavior, the conduct of its employees or external events, thereby damaging the Bank's brand value, adversely affecting the Bank's normal operation and even affecting market stability and social stability.

Management Discussion and Analysis

Reputation risk management refers to the establishment of processes for a reputation risk management system, covering prior assessment, risk monitoring, classification and evaluation, response and disposal, information reporting, assessment and accountability, and evaluation and conclusion, in order to achieve the objectives of reputation risk management and build up a good social image of the Company, thereby promoting the normalization and daily management of reputation risk in terms of risk identification and inspection, emergency drills, joint mechanism, social supervision, accumulation of reputation capital, internal audit and interbank collaboration.

The objectives of our reputational risk management are to correctly handle news and public opinions on us, public relations and our relationships with customers, actively and effectively prevent reputational risks and respond to reputational events, so as to minimize the losses and negative impacts caused by such events on the Bank, interested parties and the public. The Company has included reputational risk management in its corporate governance and comprehensive risk management system.

The Company's reputational risk management system consists of the Board of Directors, the supervisory committee, Senior Management, Risk Management and Internal Control Committee, Publicity Department of the Party Committee, the Board executive office, Risk Management Department, other relevant departments of the head office, as well as branches, sub-branches and subsidiaries. The Senior Management is responsible for managing and organizing the reputational risk management across the Bank as well as the formulation and improvement of relevant systems and policies for reputational risk management of the Bank.

During the reporting period, the Company strictly complied with the regulatory requirements and, in line with the spirit of the Central Financial Work Conference, continued to establish and improve rules and regulations and innovative management approach, implemented regular prevention and control, established a digital system for online evaluation, and improved the emergency mechanism of public opinions. The quality and effectiveness of reputational risk prevention and control have been significantly improved through pre-event comprehensive investigation and notification, mid-event monitoring and guiding, and post-event accountability and training exercises. At the same time, on the basis of guiding the ecology and reshaping the image, the Company has formulated an image improvement work plan, which focuses on the political and people-oriented nature of financial work, and the publicity work telling the story of the "goodness" in value and the "intelligence" in operation. We also widely publicized the typical stories of financial services under the guidance of the Party to serve the real economy and five finances, and conveyed the high-quality development trend of the Bank to all parties.

9. Strategic risk management

Strategic risk refers to the risk arising from any improper operational strategy or change in the external business environments, including improper strategic design, inappropriate strategic implementation and inapplicable stated strategy as a result of changes in the internal and external environments.

The objective of our strategic risk management is to control our strategic risk within a reasonable range acceptable to us by continuously improving the strategic risk management system.

The Company's strategic risk management system consists of the Board of Directors, the supervisory committee, Senior Management, Risk Management and Internal Control Committee, Risk Management Department, Development and Planning Department, Audit Department, Financial Technology Department, other relevant departments of the head office, as well as domestic and foreign branches, sub-branches and subsidiaries.

Management Discussion and Analysis

Adhering to the principle of “clear responsibilities, proactive prevention, overall evaluation and timely adjustment”, the Company constantly improves and refines the strategic risk management system suitable for the scale and features of its business, and has realized effective management of strategic risks. Main management measures include: Guided by the thought of Socialism with Chinese Characteristics in the new era of Xi Jinping, fully implementing the spirit of the 20th CPC National Congress and the spirit of the Central Financial Work Conference, proactively practicing the political and people-oriented nature of the financial work, taking the 99 characters of General Secretary Xi’s important instruction to CZBank as the heirloom, guideline, motivation, and measure, and taking the vision of being a “first-class commercial bank” as the leading role, anchoring on the “three first-class”, carrying forward the “four dos spirit”, and constructing the “five-word ecosystem” and practice the three words of “goodness, wisdom and diligence”. We will actively explore the innovation of “financial services for good” theory and practice, under the flag of finance for good, enhance the social value of finance, and lead a new industry trend; deepen intelligent operation, build the “assets with low sensitivity to economic cycle” as a ballast stone, and promote the four major battles, so that our operating results will outperform the general trend; In addition, we will set up a keynote of strictness with strict internal management, and standardize the relationship between banks and enterprises, and strengthen the management of work style, so as to comprehensively build the ecological soil for high-quality development.

10. Compliance risk management

Compliance risk refers to the risk of legal sanctions, regulatory penalties, significant financial losses and reputational losses that may result from the failure to comply with laws, rules and standards.

The objectives of our compliance risk management are to establish a sound compliance risk management framework and promote the development of a comprehensive risk management system which enables us to operate in a lawful and compliant manner.

The Company’s compliance risk management system consists of the Board of Directors, the supervisory committee, Senior Management, Risk Management and Internal Control Committee, Risk Management Department, Internal Control and Compliance and Legal Affairs Department, Audit Department, other relevant departments of the head office as well as branches, sub-branches and subsidiaries. The Senior Management is responsible for implementing and organizing the compliance risk management as well as the formulation and implementation of each basic system and policy for compliance risk management.

During the reporting period, the Company conscientiously pursued various national policies and regulatory requirements, solidly promoted the implementation of various internal control and compliance management initiatives to continuously improve its compliance risk management quality and effectiveness. We have cultivated a compliance culture, actively practiced the corporate culture of “service, compliance, excellence and harmony” and adhered to them in the long run. Adhering to the keynote of strictness, the Company strictly implemented the regulatory requirements and continuously improved its internal governance. We launched the dual-improvement campaign of “Compliance Awareness and Compliance Enforcement”, which has significantly strengthened employees’ awareness of law and compliance concept. The Company continued to improve its rules and regulations system, strengthened the control of key points in the system, and enhanced the system implementation, supervision and evaluation. With the issue-oriented approach, the Group continued to “look back” at the rectified issues and strengthened the rectification at source. Adhering to the principle of “finance for people”, practicing our concept of “financial services for good”, and focusing on the public’s urgent problems and worries to do a good job in protecting consumer rights.

Management Discussion and Analysis

11. Large exposure administration

According to the Measures for the Administration of the Large Exposures of Commercial Banks (《商業銀行大額風險暴露管理辦法》) (Order No. 1 [2018] of Former CBIRC (原銀保監會2018年第1號令)), large exposure means the exposure of a commercial bank to a single client or a group of connected clients exceeding 2.5% of its net tier 1 capital. The Company has established a sound mechanism for the administration of large exposures, continued to improve the functions of the large exposure administration system, and commenced the measurement, monitoring and reporting of large exposures in an orderly manner. As of the end of the reporting period, all indicators of the Company's large exposures were in compliance with the regulatory limits.

12. Information technology risk management

Information technology risk refers to any operational, legal and reputational risk arising from natural factors, human factors, technical bugs and management defects in connection with the application of information technologies by the Company.

The objectives of our information technology risk management are to control our information technology risk within a reasonable range acceptable to us, promote business innovation, enhance application level of information technology, and intensify core competence and sustainable development capability.

The Company's information technology risk management system consists of the Board of Directors, the supervisory committee, Senior Management, Chief Information Officer (CIO), cyber security leadership team, Risk Management and Internal Control Committee, digital reform promotion committee, data governance committee, information technology management committee, business continuity management committee, the Risk Management Department, Internal Control and Compliance and Legal Affairs Department, Technology Management Department, Audit Department, other relevant departments of the head office as well as branches, sub-branches and subsidiaries. The Senior Management is responsible for implementing and organizing the information technology risk management as well as organizing the formulation and implementation of relevant systems and policies for information technology risk management.

The Company has established a relatively well-organized information technology risk management mechanism and process system, and comprehensively formulated relevant system processes and implementation rules in accordance with the ISO20000, ISO22301, ISO27001 and ISO27701 management system and regulatory requirements; established relatively well-organized systems for business continuity management, information technology outsourcing risk management, network security management, data security management, information technology services management etc. and a relatively well-standardized information technology risk monitoring and assessment mechanism.

Management Discussion and Analysis

During the reporting period, the Company has fully implemented the strategy of “technology-driven bank development” by enhancing technology-based capability and strengthening digital infrastructure and technological innovation to promote the in-depth digitalization reform; it continuously improved digital security ecosystems such as network security, data security, personal information protection, supply chain, etc.. By relying on the “CZBank Network Security Innovation Workshop” and “Innovation Alliance”, strengthening network security innovation and talent cultivation, so as to enhance digital risk prevention and control capabilities in all aspects. It continuously carried out monitoring, assessment, measurement, control and reporting of operational risks of important information systems, implemented the systemization, digitalization and automation of production, operation and maintenance to build first-class technology operation capabilities; it continued to improve the disaster preparedness system of “three centers in two cities”, expand dual-active coverage of the disaster preparedness in the same city, and advance the guarantee capability for critical system and business continuity and the operational resilience; it also continued to promote emergency management, improve the disaster tolerance management model and carry out dual-center rotation operation of scaled information system in long-term and full-state conditions and complete batch cycle drills, so as to significantly enhance the ability of rapid intra-city disaster backup switchover and intra-city dual-active disaster recovery operation. During the reporting period, the system has operated stably without any substantial information technology risk occurring.

13. Anti-money laundering management

The Company has improved the anti-money laundering operation mechanism under the comprehensive risk management framework in accordance with the anti-money laundering laws and regulations, including the Anti-money Laundering Law of the People’s Republic of China 《中華人民共和國反洗錢法》, the Administrative Measures for Anti-money Laundering and Counter-terrorist Financing of Financial Institutions in the Banking Sector 《銀行業金融機構反洗錢和反恐怖融資管理辦法》 and the Guidelines for the Management of Money Laundering and Terrorist Financing Risks for Corporate Financial Institutions (for Trial Implementation) 《法人金融機構洗錢和恐怖融資風險管理指引(試行)》, so as to further solidify the foundation of anti-money laundering works and continuously improve the quality and effectiveness of anti-money laundering management.

During the reporting period, the Company has strictly complied with the laws and regulations on anti-money laundering, seriously fulfilled its legal obligations and social responsibilities in anti-money laundering. It optimized the anti-money laundering management structure and operational mechanism and improved the anti-money laundering system and business process; strengthened customer identification management to enhance the effectiveness of customer identification; submitted the monitoring and reporting of large-amount transactions and suspicious transactions, implemented follow-up control measures with respect to suspicious transaction reporting; adopted risk-based approach to strengthen the monitoring and control of high-risk businesses and high-risk customers; continuously promoted the digital transformation of anti-money laundering, advanced anti-money laundering data governance and the construction of the new generation anti-money laundering system; provided business risk warnings to relevant departments, strengthened anti-money laundering guidance and inspections; and organized anti-money laundering publicity and training, and actively cooperated with anti-money laundering investigations and co-inspections to comply with all regulatory requirements in respect of anti-money laundering.

Management Discussion and Analysis

(VII) BUSINESS SUMMARY

During the reporting period, centering on the twelve-word operation approach of “consolidating corporate foundation, adjusting corporate structure, controlling corporate risks, increasing corporate profitability”, the Bank continuously improved its intelligent operation capacity, deepened the promotion of the four strategic priorities and comprehensively strengthened financial technology innovation. Under the cohesive and common efforts of all the staff, the Bank continued to focus on its main responsibilities and principal businesses. Meanwhile, by rendering wholehearted services for the real economy and promoting inclusive finance, the Bank further created and developed the new development pattern for the synergistic development of the five major business segments, namely “great retail, great corporate, great investment banking, great asset management, and great cross border”.

1. Great Retail Segment

(1) Retail Business

The Company actively creates the new development pattern for the synergistic development of the five major business segments, with the great retail segment in the forefront. During the reporting period, the Company focused on the strategic deployment of the development of the great retail segment, strengthened professional team building, consolidated its customer base, enhanced its products and services. Around the “customer base battle”, we have launched two major retail customer base construction projects, namely, “Gathering New” (聚新) and “Jumping Up” (躍升). We are customer-centered and have created a professional tiered system to realize intelligent operation. We are committed to enhancing customer value through a three-tier tiered operation system for retail customers, focusing on three levels of customers, namely, basic customers, wealthy customers and private banking customers, to create a hierarchical interest of retail financial customers under the theme of “Zheli Preferential” (浙里優享). The Company empowers the frontline with data, tools and channels by digital means, and continuously strengthens the ability of digital operation and management. It was awarded the “Excellence in Data Analytics & Mining Retail Banking Award” (卓越數據分析&挖掘零售銀行獎) in the “Retail Banking – Jiefu Awards” (零售銀行•介甫獎) in 2023.

During the reporting period, the Company achieved significant operating results of retail customers. As at the end of the reporting period, the Company had a total of 26,780,100 retail customers, representing an increase of 34.26% over the beginning of the year. In the “7th Retail Banking Awards 2023” organized by Retail Banking magazine, the Company was awarded the “2023 Head Office Characteristic Management Award – Customer Management Award” (2023總行特色經營獎 – 客群經營獎).

① Individual deposits and loans business

During the reporting period, the Company made great efforts to expand the base of individual customers, actively broadened the sources of low-cost funds, further optimized the structure of individual deposits and reduced the interest payment cost of individual deposits. As at the end of the reporting period, the Company’s individual deposits balance was RMB269.52 billion, representing an increase of 26.24% from the beginning of the year and the average cost of individual deposits was 2.47%, decreasing by 7 basis points from the beginning of the year.

Management Discussion and Analysis

During the reporting period, external demand for personal housing loans declined. Following the guidance of real estate regulation, the Company strictly enforced its real estate credit policy, adhered to city-specific policies and actively expanded its business to support the demand for rigid and improved housing, realizing the steady development of housing loan business. As at the end of the reporting period, the balance of the Company's personal housing loans amounted to RMB137.853 billion, representing an increase of 28.54% as compared with the end of the previous year. The Company has cumulatively adjusted downward the interest rates of the first home loans for 135,900 customers, and the total adjusted time-point loan balance amounted to RMB127.925 billion. Relying on financial technology, the Company has continued to enhance financial inclusion and accessibility and optimized its personal loan products to reasonably satisfy the credit needs of the public and achieve steady growth in consumer loans.

As at the end of the reporting period, the balance of personal credit of the Company (including personal housing loans and personal consumer loans) amounted to RMB284.563 billion, representing an increase of 23.98% from the beginning of the year.

② Wealth management

During the reporting period, the Company increased its strategic investment in human resources, technological resources and management resources. Adhering to the dual-wheel drive of front-end investment and research, strict selection of wealth management products and self-research, we insisted on expanding retail customer base with high-quality products and professional services, aiming to build up a wealth management brand with first-class influence. The Company has established a full range of product systems, including bank wealth management, brokerage capital management, standard trusts, non-standard trusts, structured products, public funds, private funds and insurance, which significantly improved products strength. Our efforts on structural adjustment, risk control, and heading transformation have begun to bear fruit, laying a good foundation for the sustainable development of wealth management agency business. The 1+N radiation mechanism on specialized investment consultant empowerment and companion in region has been established, forming a support system for round-the-clock investment education and companion.

During the reporting period, the scale of insurance agency, trust and structured products increased steadily. In particular, agency premiums increased by RMB1.393 billion for the year, representing an increase of 44% year-on-year; trust products increased by RMB32.266 billion or 102% from the beginning of the year; and structured products increased by RMB3.644 billion or 1,075% from the beginning of the year.

The Company's retained scale of wealth management agency business increased at a moderate rate over the same period last year. As at the end of the reporting period, the retained scale of wealth management agency business amounted to RMB170.547 billion, representing a growth of 20.27% as compared to the beginning of the year.

Management Discussion and Analysis

③ Private banking

During the reporting period, by adhering to the philosophy of “passing of wealth and wisdom for sustainable development”, the Company’s private banking business provided three-dimensional financial services and featured value-added services for individuals and their family of private banking customers as well as their career development. The Company continuously promotes the construction of the five major systems including private banking team, assessment, rights and benefits, services and products to create a leading digital private banking mode.

Through optimizing the management structure of the private banking business and strengthening professional training and qualification certification, the Company has created a private banking team with high quality and professional competency. We have improved the staff assessment and realized visual assessment of teams including private banking account managers, investment advisors and branch management teams with digital systems. At the same time, we have built a customer rights and benefits system of private banking with distinctive features and recognized by clients, based on the eight major themes of “food, clothing, housing, utilities, transportation, medical care, education, and entertainment”. We fulfill the Company’s service concept of “financial services for good” and improve the private banking service system through the 1+N financial consultant modes to empower financial service. Meanwhile, we have built a multi-strategy and full range of private banking products, including cash management, fixed income, equity and non-standard products, based on the clients’ diversified needs of asset allocation in order to enhance the experience of private banking clients.

As at the end of the reporting period, the Company had 12,189 private banking customers, representing an increase of 11.49% as compared to the beginning of the year; the financial assets of the private banking customers amounted to RMB183.175 billion, representing an increase of 8.88% as compared to the beginning of the year; and the Company had 44 family trust business orders, representing an increase of 69.23% from the beginning of the year, with a size of approximately RMB701 million, representing an increase of 132.12% as compared to the beginning of the year.

④ Credit card (consumer finance) business

During the reporting period, in respect of credit card (consumer finance) business, the Company continued to promote business transformation and actively expanded the scenario-based finance business with a focus on “vehicle purchase, parking space, home decoration, home furnishing and daily consumption” and other scenarios. The Company comprehensively promoted vehicle installment sales, strongly promoted home decoration and furnishing installment business and innovatively launched credit card easy installment, and continued to build up a competitive installment product system with special features. In continuously promoting products innovation and upgrading services, the Company has launched a series of card products for different groups of customer, such as the Benefit Card (紅利卡), Ton-Ton Card (噸噸卡), Car Owner Card (車主卡), I Tease Card (I逗卡) and Green Low-Carbon Card (綠色低碳卡), as well as co-branded cards issued with China Eastern Airlines and Loong Air, allowing cardholders to enjoy diversified exclusive rights and benefits such as cash rebates, free drinks, and green travel incentives, etc. to satisfy the daily needs of cardholders. With the launch of “Red Monday (紅動星期一)” series of marketing campaign, the Company cooperated with 16 national brands, including Starbucks and Luckin, and launch more than 20 promotional activities around clothing, food, housing and transportation, aiming to revitalize consumption and unleash the potential of consumption. Besides, the Company collaborated with Tencent, Ant, Jingdong, Douyin, Pinduoduo and other leading internet companies and launched various promotion campaigns, such as credit card adding gift, consumption incentives, installment incentives, etc., to precisely reach customers’ needs through online consumption scenarios, strengthen customer management, and promote the high-quality and sustainable development of the credit card business.

Management Discussion and Analysis

As at the end of the reporting period, the Company had issued a total of 4,228,400 credit cards, representing an increase of 294,700 credit cards from the beginning of the year; balance of credit card (consumer finance) loans amounted to RMB30.535 billion, representing an increase of RMB9.161 billion from the beginning of the year. During the reporting period, the Company achieved income from the credit card (consumer finance) business of RMB1.649 billion, representing a year-on-year increase of 32.78%.

(2) Small Enterprises Business

During the reporting period, the Company conscientiously practiced the requirements of “being political, people-oriented and professional” in financial work, continued to cultivate and consolidate the small and micro customer base, hold the concept of “financial services for good” and launched intelligent operation. Focusing on the key areas of the small and micro real economy, the Company deepened the differentiated and specialized financial service for small and micro enterprises, launched the scenario-based and digitalized business transformation to fully support the recovery and innovative development of small and micro entities in the market.

As at the end of the reporting period, the Company had 213 specialized institutions for small enterprises, with balance of small and micro enterprise loans under inclusive finance^(Note) of RMB320.128 billion, representing an increase of RMB42.842 billion or 15.45% from the beginning of the year, 1.95 percentage points higher than that of total loans. The proportion of small and micro enterprise loans accounted for 20.22% of total loans, rising 0.34 percentage point from the beginning of the year. The number of customers of the small and micro enterprise loans under inclusive finance increased by 20,500 from the beginning of the year to 139,800, successfully reaching the regulatory target of “two increases”. Interest rates for newly issued small and micro enterprise loans under inclusive finance fell 63 basic points year-on-year with a non-performing ratio of small and micro enterprise loans under inclusive finance of 1.25%.

Intensively cultivate a quality customer base for micro and small businesses. Targeting inclusive finance business and by enhancing comprehensive financial services and utilizing superior products, we will continue to promote the increase in the number and scale of micro and small businesses and enhance the penetration of the basic customer base. We promoted the application of the “CSGS” system, and implemented differentiated credit support strategies by combining the results of customers CSGS ratings.

Note: According to information on small and micro enterprise loans under inclusive finance from the Former CBIRC, the “small and micro enterprise loans under inclusive finance” and “loans” exclude the discounted and inter-bank discounted bills business.

Management Discussion and Analysis

Focus on key points, and systematically promote the transformation of scenario-based and digitalized business. We grasp the regional economic development, industry relocation and small and micro development stage, focus on the integration of scenario and actively promote the digital business service system. Meanwhile, we rely on the five scenarios including government cooperation, small and micro parks, professional markets, open banking cooperation, and synergistic linkage, to promote the transformation and development of the business. Firstly, the key scenic advantages of micro and small parks are expanded. As at the end of the reporting period, 1,941 park projects had been developed, with a loan balance of RMB54.981 billion for small and micro parks, an increase of RMB13.428 billion compared with the beginning of the year. Secondly, the framework for the “1+1+N” integrated digital product and service system has been built. Within three months after the release of the “Digital Easy Loan” (數易貸) product, a cumulative total of RMB302 million was issued, benefiting 832 customers. Thirdly, the deep cooperation with governmental financing and guarantee institutions, and the active promotion of the “state-guaranteed guarantee loans (國擔擔保貸)” which has strengthened the accessibility of financing for small and micro enterprises. The case of “state-guaranteed guarantee loans” was recorded in the “2023 Typical Cases of China’s Inclusive Finance” (2023中國普惠金融典型案例) by the China Banking Association. As at the end of the reporting period, the business balance of guarantee companies under state-guaranteed system had exceeded RMB20 billion.

Deepening Zhejiang development and steadily promote finance for common prosperity. Focusing on the characteristics of regional economy and resource in the province, the Company has dug deep into the financial demand, innovated the small and microfinance service mode of pillar industries in the districts and counties, and actively created a financial mode of wealth sharing in 26 counties in the mountain areas, and continued to push forward the incremental expansion of the “CZBank Common Wealth Loan” (浙銀共富貸) to promote the blossoming of the “financial services for good”; Relying on the financial consulting service system, the Company has been deeply cultivating the construction of the Linping comprehensive financial service demonstration area through “large-scale visits and surveys, precise targeting and precise policy implementation”. As at the end of the reporting period, the balance of “CZBank Common Wealth Loan” amounted to RMB11.338 billion, representing an increase of 34.74% as compared to the beginning of the year.

Intelligent operation and continuous enhancement of service and process digitization. Firstly, through re-developing basic operating procedures for small enterprises, we realized the construction of a new system framework and the switch between the old and new systems to optimize the efficiency of investigation and approval; secondly, through the development and application of core functions of the process services, such as two-way mobile operation, multi-role network verification, multi-party video calls, remote video e-form signing, etc., we continued to enhance user experience; thirdly, through the development and application of digital marketing tools, such as the enterprise’s Wechat Xiaowei cloud shop (微信小微雲鋪), marketing maps, and the micro-loan cockpit, etc., we realized automatic distribution, tracking, monitoring and statistics of marketing tasks online to improve the management capability of marketing digitalization.

Management Discussion and Analysis

2. Great Corporate Segment

Corporate business

Positioning the “three first-class” target, we practice the concept of “financial services for good”, adhere to the “321” business orientation and drive the development strategy of the large corporate business segment. Focusing on key customers, key businesses, key regions and key personnel, the Company continues to improve its service to the real economy.

Steady growth in scale and continuous optimization of structure. As at the end of the reporting period, the balance of the Company’s corporate deposits amounted to RMB1,567.201 billion, representing an increase of RMB122.60 billion or 8.49% over the beginning of the year. The balance of RMB-dominated corporate assets on-balance sheet amounted to RMB940.3 billion, representing an increase of RMB107.4 billion or 12.9% over the beginning of the year. At the same time, the Company took various measures to promote the asset building of the weak cycle industry, and realized the improvement of customers and investments in the weak cycle industries. As at the end of the reporting period, the number of loan customers in the weak cycle industries was 8,514, and the balance of loans was RMB179.681 billion.

Deeply cultivate the manufacturing customer group and assist in intelligent transformation. The Company sticks to serving the real economy by giving priority of policy support, resource allocation and price tilting to manufacturing entities, and providing diversified financial products and services. In 2023, manufacturing loans grew steadily. As at the end of the reporting period, the balance of the Bank’s manufacturing loans amounted to RMB239.911 billion, representing an increase of 10.6% compared with the beginning of the year. At the same time, the Company continued to leverage on its featured advantages as an intelligent manufacturing service bank to help manufacturing enterprises in digital, intelligent and high-end transformation. As at the end of the reporting period, the Company had served a total of 3,228 intelligent manufacturing enterprises and accumulatively a total of RMB793 billion in financing.

Intensify development in Zhejiang base camp to expand and improve the Company’s business. Since the beginning of this year, the Company continued to fully implement its primary strategy of “Intensified Development in Zhejiang” (深耕浙江), implemented a dedicated team promotion and internal coordination mechanism. By strengthening government-bank linkage and bank-enterprise empowerment, exploring scenario-based financial innovations, practicing financial consulting services, and driving the implementation of major projects, etc., the Company has intensified the base camp construction and the investment scale in key customers continued to increase in the province. As at the end of the reporting period, it served 979 customers in the list of four major projects in Zhejiang Province, including provincial key construction, major manufacturing industry, “1,000 trillion-yuan projects” and “one hundred billion yuan technological reforms”, with a financing balance of RMB64.4 billion.

Management Discussion and Analysis

Continuously upgrade supply chain finance digitalization to create differentiated service advantages. The Company continues to upgrade its supply chain digital intelligence of finance service by integrating supply chain finance services into the entire production and transaction landscape of the industrial chain, fully utilizing its professional capabilities and digital means, and creating a “whole chain, full landscape, all products” supply chain financial service solution through the four major innovations of process restructuring, credit innovation, technological empowerment, and service leapfrogging, to solve the financing difficulties of SMEs in the upstream and downstream of the industrial chain, and facilitate the development of the industrial chain with high quality. At present, the Company has formed characteristic and differentiated supply chain finance solutions in nearly 30 industries, including energy, automobile, steel, construction and communication. As at the end of the reporting period, the Company served over 2,600 digital supply chain projects, with a financing balance of over RMB160 billion, serving over 40,000 upstream and downstream customers, of which more than 75% were small and micro enterprises under inclusive finance.

Deepen the service for science and innovation talents to deliver an outstanding performance on science and technology finance. Around the strategy of “vitalizing the country through science and technology”, we are determined to deliver an outstanding performance on science and technology finance, continue to plough into this field by providing more support for key areas, allocating exclusive resources to encourage business innovation and stimulate the momentum of serving science and innovation enterprises. We have created an innovative supply toolbox, convened the first joint-stock banks’ conference on science and technology financial services after the Central Financial Work Conference, and released 10 key scenarios and 16 series of products, to support the enhancement of enterprises’ innovation with full-image service solutions. We have created a service ecosystem, deepened the cooperation with professional organizations, smoothed the information channel of the supply chain, and improved the quality and efficiency of service to science and technology innovation enterprises. Meanwhile, we insist on building the “golden name card” of the talent bank, create a unique financial service scenario around high-level talents, iterate the specialized talent products, deepen the cooperation between government, banks and enterprises, to facilitate the deep integration of the industry chain, talent chain, innovation chain and value chain. As at the end of the reporting period, we had served 14,256 science and innovation talent enterprises, with a financing balance of RMB204.1 billion, of which 2,202 were talent enterprises, with a financing balance of RMB18.1 billion.

Deepen the construction of energy finance and create a featured service brand. We actively implement the national strategy of “carbon peak, carbon neutrality” with the power energy industry chain and new energy industry chain as key areas, and focus on power production, power transmission and distribution, and power consumption to build operational advantages of specialization, characterization, and scenarios in energy finance. We continue to improve our green financial service system and promote pilot of carbon financial product innovation. As at the end of the reporting period, we had established strategic cooperation with key customers such as State Grid, Southern Power Grid, Datang Corporation, China Power Investment Corporation, China Huaneng, Zhejiang Energy, Chint Group and Envision Group, with a financing balance of more than RMB100 billion.

Management Discussion and Analysis

3. Great Investment Banking Segment

(1) Investment banking business

The investment banking business actively follows the principle of intelligent operation and promotes the transformation of the investment banking system from product application to scenario creation by focusing on two major directions, namely, asset revitalization and industry investment banking, achieving positive results in the high-quality development of the investment banking business. During the reporting period, investment banking FPA realized RMB544.8 billion, representing an increase of 18% over last year, and 1,255 basic customers were served with investment banking products, representing an increase of 24% over last year.

Laying a solid foundation for high-quality development of light-asset business. On the one hand, the Company put focus on the expansion of small and diverse basic customers. During the reporting period, the total corporate bonds undertaken amounted to RMB190.6 billion, representing a year-on-year increase of 51%, and non-bond underwriting clients were 272, representing a year-on-year increase of 38%. On the other hand, the Company took advantage of its credit enhancement to achieve the leading position in the bond underwriting business. With focus on initial customers and industrial customers to strengthen credit risk mitigation instruments, the total amount realized in the year reached RMB13.7 billion, representing a year-on-year increase of 32%, and maintained its first market position. Through underwriting business, the Company actively carried out cooperation with high-quality customers and the leading central and state-owned enterprises. During the reporting period, the Company served 207 customers with AA+ and above ratings with underwriting business, and also served 30 central enterprises and subsidiaries with 24 of them were high-quality central enterprises cooperating with us for the first time.

Achieving the improvement of the quantity and quality of project financing with competitive differentiation. By seizing the opportunities, we put focus on the real economy and quality assets to promote syndicated and M&A business. During the reporting period, the scales of syndicated loans of the Bank amounted to RMB23 billion, representing a year-on-year increase of 83%. M&A business boomed in areas including business consolidation of real enterprises, transformation of city construction public enterprises, mergers and acquisitions and reorganization of listed companies and real estate bailout.

Focusing on two major themes to create transformational development characteristics. On the one hand, with the systematic promotion of assets revitalization by “Asset Map” and taking asset securitization business as a breakthrough to build a full-value chain service scenario financial system for revitalizing existing assets of enterprises, a number of key first-in-market or first-in-industry asset revitalization projects were successfully launched. On the other hand, promoting the transformation and development of industrial investment banking with value assets as a core to build barriers in resource and technology, provide intermediary services and comprehensive investment and financing solutions, and gradually reach three stages of asset-based financing services, asset-based asset management services and asset-based capital operation services, so as to provide comprehensive services for high-quality customers.

Promoting finance for good and launching charitable trust projects. The Company established a set of charitable trust service systems and launched the “Charitable Trust” project, which helped entrepreneurs fulfill the mission of common prosperity, upgrade their wealth value, and become an important role in social governance.

Management Discussion and Analysis

(2) Financial market business

During the reporting period, the domestic and international economic situation was complicated and the market was volatile. The Company stayed calm and coped with the market shocks and changes by improving its trading capabilities, strengthening investment and research, taking the market opportunities, and serving the clients in the real economy. As a result, the Company has improved its market position and maintained market leadership in a number of businesses.

In the local currency market, the Company was selected for the first time as a core member of the self-regulatory mechanism for interest rate pricing, and well performed its duties as a primary dealer in the open market. As an active dealer for repurchase in the local currency market, the Company continuously provided market-making quotes for various types of bonds and interest rate derivatives and maintained active trading. In 2023, the Company deeply implemented its strategy of deepening development in Zhejiang, stepped up the underwriting of local bonds in Zhejiang Province to provide financial protection for the expansion of effective investment, safeguard the implementation of major projects, and maintain the stable operation of the economy. The underwriting of Zhejiang bonds totaled RMB39.374 billion, representing a year-on-year increase of 6.12%, and ranked first in terms of total underwriting volume. During the reporting period, the Company was honored with the awards of “Core Dealer in the Interbank Local Currency Market” (銀行間本幣市場核心交易商), “Innovation in Automated Trading in the Interbank Local Currency Market” (銀行間本幣市場自動化交易創新獎) and “Innovation in Cross-border Investment in the Interbank Local Currency Market” (銀行間本幣市場跨境投資創新獎).

In the foreign currency market, with the approval of the State Administration of Foreign Exchange, effective from March 13, 2023, the Company became one of the 25 market makers in the interbank foreign exchange market. The FICC Financial Consultancy Studio was set up to provide services to real economy clients on exchange rate hedging through various forms of media, such as public accounts, live streaming and short-video. During the reporting period, the Company was awarded the “Best RMB Foreign Exchange Trial Market Maker in the Interbank Foreign Exchange Market” (銀行間外匯市場最佳人民幣外匯嘗試做市機構), “Outstanding Member in Serving Enterprises in Exchange Rate Risk Management in the Interbank Foreign Exchange Market” (銀行間外匯市場優秀服務企業匯率風險管理會員), “Best Foreign Currency Exchange Offering Member” (最佳外幣拆借會員), “Best Foreign Currency Repurchase Member” (最佳外幣回購會員), and “Best Technical Service Support Organization in the Interbank Foreign Exchange Market” (銀行間外匯市場最佳技術服務支持機構).

In the area of precious metals trading, there was a large demand in the gold market in 2023 with explosive growth in physical sales and deposit business. The Company ranked top in the bidding market of the Shanghai Gold Exchange, and maintained its top position in gold futures market making, silver futures market making and silver trading agency in the Shanghai Futures Exchange. During the reporting period, the Company was awarded the “Diamond Award for Market Making Business” (做市業務鑽石獎) and “Special Contribution Award for Market Making Business Industry” (做市業務行業特別貢獻獎) by the Shanghai Futures Exchange. In particular, the Company was awarded the “Diamond Award for Market Making Business”, the highest award in the market making field of Shanghai Futures Exchange, for three consecutive years.

In respect of digitalization, focusing on the digitization of important scenarios in the entire life cycle of financial market transactions, the FICC digital intelligence platform has been constructed to significantly improve the market-making quotes, risk control and business management of fixed income, precious metals, foreign exchange and other types of products.

Management Discussion and Analysis

(3) Financial institution business

Fully strengthen customer base. The Bank deepens the implementation of its operational concepts of “financial services for good” and intelligent operation, continuously promotes the establishment of a “customer-oriented” comprehensive service system, to improve the quality and expand the business of the integrated operation of key customer groups.

Solidly promote interbank balance sheet business. The Bank enhances market research and judgment and improves its investment research capabilities in respect of standardized asset investment, to effectively serve the Company’s high-quality clients in real enterprises; Meanwhile, it has revitalized and upgraded the “Common Benefit” (同有益) asset pool to provide one-stop integrated services to financial institution clients, with cumulative transaction volume exceeding RMB600 billion on the platform. During the reporting period, the Company was awarded the “2023 Pioneering Contribution Institution (Collateral Business)” (2023年度開拓貢獻機構(擔保品業務)) by China Securities Depository and Clearing Corporation Limited. The client base of interbank liabilities continues to expand, and the cost has been reduced. In 2023, the interest payment rate for RMB interbank time deposits decreased by 11 basic points year-on-year.

The standardized ABS investment continues to expand, contributing to the expansion of the capacity and volume of assets with low sensitivity to economic cycle. The Bank accelerates the promotion of the interactivity of “investment, custodian, sales and collection” (投, 託, 銷, 撮), with a new record of all-product sales service during the reporting period amounting to RMB387.822 billion, representing a 43% growth as compared to last year.

Promote the Bank’s financial bond issuance. During the reporting period, the Bank successfully issued RMB25 billion of small and micro finance bonds, RMB30 billion of ordinary financial bonds and RMB30 billion of tier 2 capital bonds, and actively explored the use of low-cost, long-term capital to better serve the real economy. During the reporting period, the Company was awarded the “Outstanding Financial Debts Issuing Institution” (優秀金融債發行機構) by China Securities Depository and Clearing Corporation Limited.

(4) Bill business

The Company proactively responds to the changes in the market resulted from the new bill regulations to comprehensively drives the intelligent operation of the bill business.

Discounting business continues to grow with significant growth in scale. During the reporting period, the Company’s discount volume amounted to RMB342.402 billion, representing a year-on-year growth of 33%, which was 11 percentage points higher than the growth rate of the whole market; among which, the volume of commercial bill discount was RMB208.004 billion, with a market share of 11.85%, ranking the second among the joint-stock banks.

Building a product system and intensively cultivating real customers. The Company insists on serving the real economy, and strives to improve the quality and efficiency of financial services. We have constructed a multi-dimensional digital product system, actively built the “Commercial Bill Pass” (商票通) featured product, and continuously broadened the application scenarios of the product to realize features such as cross-branch discounting through WeChat applets, multiple options for interest payment, non-recourse discounting, and “one-time pre-approval + fast discounting”, supporting the diversified needs of enterprises in the bill business. During the reporting period, the Company served more than 17,000 corporate customers through acceptance, discounting, bill guarantee and guarantee services, including 5,845 discounting customers, representing a year-on-year increase of 31%.

Management Discussion and Analysis

Improving investment research mechanism to enhance market influence. The Company solidly promotes theoretical research in the areas of trading strategies, risk management and products designing to empower operational decisions; proactively strengthens communication and exchange with regulatory authorities, the Shanghai Commercial Paper Exchange Corporation Ltd., industry associations and the banking industry, and enhances the publicity and promotion of the Company's bill products to build the brand "Zheyin Bill" (浙銀票據). According to the evaluation results of Shanghai Commercial Paper Exchange Corporation Ltd. in 2023, the Company received five major awards including the "Outstanding Specialized Business Organization – Outstanding Discounting Organization" (優秀專項業務機構 – 優秀貼現機構), "Outstanding Discounting Participating Organization" (優秀貼現通參與機構), "Outstanding Supply Chain Bill Participating Organization" (優秀供應鏈票據參與機構), "Outstanding Organization for Enterprise Promotion of New Generation System" (優秀新一代系統企業推廣機構) and "Outstanding Commercial Bill Information Disclosure Service Organization" (優秀商票信息披露服務機構).

(5) Asset custodian business

The Company's asset custodian business line focused on customers, pushed forward digital transformation, ensured safe and efficient operation. During the reporting period, the key indicators of the Company's asset custodian business outperformed the general trend. According to the relevant data from China Banking Association in 2023, the Company ranked No. 1 among national banks in terms of the incremental volume and growth rate of custodian income during the reporting period.

During the reporting period, the Company followed up the transformation of asset management industry, explored business innovation mode, constantly enriched and improved the custodian product line, strengthened the marketing of key products such as funds, securities, insurance and trust, continuously strengthened the efficient coordination of the "five business segments", and always adhered to the comprehensive and coordinated development of efficiency, quality and scale. As at the end of the reporting period, balance of assets under custody of the Company passed the RMB2 trillion threshold to RMB2.25 trillion, representing an increase of 15.73% as compared to the beginning of the year. In 2023, the Company realized asset custodian income of RMB594 million, representing an increase of 11.86% as compared to last year.

During the reporting period, the number and size of public funds under the custody of the Company kept a good growth. As at the end of the reporting period, there were 259 public funds under the custody of the Company, converging various types of public fund products, representing an increase of 11.64% as compared to the beginning of the year. Size of custody amounted to RMB434.2 billion, representing an increase of 19.31% from the beginning of the year. In 2023, there were 35 new public funds under custody, with a total initial offering size of RMB82 billion, ranked No. 2 among all custodian banks.

In the meantime, the Company solidly promotes the digitalization construction, iterating all types of custodian business systems by means of financial technology, continuously sorting out and optimizing the custodian operation process, significantly improving the per capita efficiency and the overall business capacity, continuously providing customers with highly efficient and high-quality custodian services.

Management Discussion and Analysis

4. Great Asset Management Segment

The Company is committed to building a brand of asset management business with “professional management, customer first, differentiated competition and efficiency in priority”, and has continuously strengthened its investment and research capabilities, enriched product system, improved risk management and strengthened financial technology support. During the reporting period, the Company was authorized to establish CZB Wealth Management Co. Ltd. (浙銀理財有限責任公司).

In 2023, the Company’s asset management brand was widely recognized by the society. The new hybrid wealth management product series, Yongyi Zengli Zunxiang No. 1 (涌益增利尊享1號), was awarded the “Golden Honor Award – Outstanding Hybrid Bank Wealth Management Product” (金譽獎 – 優秀混合類銀行理財產品) by PYSTANDARD. Juxin Win A One-Year Fixed Deposit No. 1 (聚鑫贏A一年定開1號) wealth management product won the “2023 Golden Bull Award for Bank Wealth Management Products in Banking Industry in China” (2023年中國銀行業銀行理財產品金牛獎). In the first annual “Golden Hazelnut Award” (金榛子獎) of CLS for global asset management, “Yongxin Tianli Anxiang Series” (涌薪添利安享系列) wealth management product won the “Fixed Income Award for the Best Return” (固收最佳回報獎) and the Bank was honored the “Outstanding Social Responsibility Award” (卓越社會責任獎).

The Company continued to improve the net-value product system, and continuously enriched the series of wealth management products such as “Shengxin Win” (升鑫贏), “Juxin Win” (聚鑫贏), “Yongxin” (涌薪), “Yongying” (涌盈), “Xinze” (昕澤), “Mingquan” (鳴泉), “Yongyi” (涌益) covering cash management, fixed income, “Fixed Income Plus” and hybrid products.

As at the end of the reporting period, the balance of the Company’s wealth management products amounted to RMB149.182 billion, of which 91.66% and 8.34% were funds of individual and institutional clients respectively; the balance of net-value wealth management products amounted to RMB146.261 billion, accounting for 98.04% of wealth management. During the reporting period, the Company issued a total of RMB400.279 billion of wealth management products and realized income from asset management services fee of RMB435 million.

5. Great Cross-border Segment

The Company actively responded to “The Belt and Road Initiative” of China and actively integrated into the new pattern of domestic and international double-cycle development. Adhering to the tenet of “serving customers and giving back to the society” and the concept of “technologies empower digital intelligent innovation, and sticking closely to the physical scenarios service”, the Company continues to enhance foreign exchange business and cross-border financial diversified products innovation from the perspective of customers and provides enterprises with a full ecological chain of services covering international settlement, trade financing, foreign exchange transactions, and cross-border investment and financing, fully supporting the development of the real economy of foreign-funded or foreign trade industries and helping the construction of a common prosperity demonstration zone in Zhejiang.

Management Discussion and Analysis

The Company is determined to promote a high level of financial liberalization and has maintained a rapid growth trend in the scale of international business services, continuously enhancing its social influence and industrial competitiveness. In 2023, the Company provided international clearing services amounting to US\$409.3 billion, representing an increase of 36% as compared to last year; and customer foreign exchange trading services amounting to US\$157.3 billion, representing an increase of 25% as compared to last year, of which, the transaction volume of “Zheshang Trading Treasure” (浙商交易寶) amounted to US\$57.8 billion. The Company has taken various measures to maintain the stability and improve the quality of foreign trade, continued to promote the special services for new sectors of foreign trade, and guided its branches to promote services tailored to local conditions and to build up a reputation for featured services in subsectors such as foreign integrated platform, cross-border e-commerce, market procurement, and freight forwarding. Among them, the cross-border e-commerce settlement and payment services amounted to US\$72.3 billion, representing an increase of 26% as compared to last year.

Relying on the two platforms, namely the sub-accounting unit in free trade zone and Hong Kong Branch, the Company strengthens the integrated financial support in local and foreign currencies, domestic and foreign trade, and domestic and foreign markets, fully utilizes the innovation of the big data mode, and continuously extends the application of “pooling” and “chaining” scenarios, integrates the employment of cross-border guaranteed financing, overseas bond investment, international syndicated loan, cross-border financial consulting and other financial services, providing all-around, one-stop and comprehensive service for domestic and overseas enterprises to conduct investing and financing, M&A, listing and other businesses. As at the end of the reporting period, the balance of assets under the international business amounted to RMB142.8 billion, representing an increase of 36% as compared to the beginning of the year, showing an increase in both of the cross-border comprehensive financial service capability and market reputation.

(VIII) FINANCIAL TECHNOLOGY

During the reporting period, the Company focused on intelligent operation, comprehensively promoted the strategic deployment of “technology-driven bank development”, and deepened the digitalization reform. With the accelerated integration and innovation of digital technology and business models, increasingly consolidated data and technology support, steady improvement in precise operation and maintenance, continuous enhancement of security and defense capabilities, and continuous innovation in the management system and mechanism, the Company has made every effort to build up a digital base for financial services, thus ensuring the Bank’s high-quality development and stability.

1. Intensify implementation of digital reform, polishing the golden name card of “Digital Intelligence CZBank”

Adhering to the problem-oriented and goal-oriented approach, we pay close attention to the expansion of system infrastructure and the innovation of application scenarios. We strengthen top-level design and strategic planning, enrich and improve the “185N” system structure, deepen the creation of the “Digital Intelligence CZBank” brand, and enhance the strengths of the financial consulting system, supply chain finance and inclusive finance with digitization, so as to form and publish the first batch of landmark achievements of the digitization reform. We rapidly integrate into the “big scenario” of digital economy innovation and quality improvement, strengthen the innovation of digital financial products, services, operation modes and systems, deepen the breadth and depth of cooperation between government and enterprise platforms, promote data integration and sharing, and help construct a win-win digital financial service ecosystem.

Management Discussion and Analysis

2. Digital empowerment for intelligent operation, creating a strong engine for financial services

Continuously deepening the construction of the “1+8” digital intelligence system and promote the innovative application of financial services. Firstly, building a diversified and digitalized financial service product system. We have built a unified product management, marketing and customer service platform for the Bank to support rapid product launch and flexible configuration, and actively promote multi-dimensional product innovation. We have developed “Zhe ge hao•shu yi dai” (浙個好•數易貸) inclusive product series, supply chain finance, and “Zheshang Trading Treasure” (浙商交易寶) to fully utilize the strengths of our long term business and tap into the sustainable growth points of business. Secondly, enriching and improving our online and offline integrated operation system. We have established a new counter system and a remote banking platform and built the “Zhe e ban” (浙e辦) service brand to support remote processing of corporate business and realize leading coverage of personal business functions in the industry. Customer experience and satisfaction are continuously improved. We continued to strengthen the construction of mobile banking life scenarios and branch featured areas, and significantly improved the accuracy and security of face recognition. Thirdly, building a series of tools for internal management digitization. Focusing on the application scenarios of people, capital and goods, we have newly built and continued to iterate and improve the operation and management cockpit, financial consultant digital management platform, index management platform, national digital archive, supervision and reporting platform, digital party building system and other digital management application platforms, which effectively drive the efficiency and precision of management decision-making and promote staff collaboration and work efficiency.

3. Steadily promote foundation consolidation and innovation, and strengthen the hard power of digital technology

We have steadily pushed forward the breakthrough on system foundation and continued to develop technological innovation to strengthen the support of digitization on the bank’s high-quality development. Firstly, data governance is effective. We have built an enterprise-level data governance and control platform, strengthened the construction of data models and data scenarios, and promoted the use of data products based on the easy-check platform for the head office and branches, which significantly enhanced data availability for the Bank. Secondly, continuously consolidate our technological foundation. We constantly improve the enterprise-level basic technology framework, promote the replacement of infrastructure and application systems with domestic-made ones, and continue to make efforts in cloud computing, distributed database, micro-service capability enhancement, etc. We also built basic platforms for real-time computing, privacy computing, data modeling, AI basic capability, etc., so as to quickly respond to business innovations. Thirdly, make continuous efforts in technological innovation. Two national block chain pilot projects, namely “block chain + risk management” and “block chain + trade finance”, were checked and accepted. We have also implemented the deepening of important scenarios such as “cross-bank statement verification” (跨行流水驗真) and “post-loan fund supervision” (貸後資金監管). The “Network Security Innovation Workshop” (網絡安全創新工作室) was successfully selected as one of the first batch of labor models and craftsmen’s innovation workshops, which is fully integrated into the promotion of security ecosystem construction. The Company and Huawei jointly set up a demonstration site for digital operation of financial data centers (Tem) (燕鷗) to promote the innovation and practice of technology application.

Management Discussion and Analysis

4. Enhance the lean operation and maintenance capability to ensure safe and stable production

The Bank has been vigorously promoting the “Woodpecker” action to ensure safe, stable and efficient production and operation, and to ensure the steady and long-term development of the Bank’s high-quality development. Firstly, we have strengthened the construction of an integrated operation and maintenance system, uploaded the Tern digital map, compass and other platform tools, and built up the five capabilities of “monitoring, management, control, healing and prevention” to strengthen the quality and efficiency of problem discovery, positioning and disposal in the whole chain, thus significantly improving the comprehensive level of operation and maintenance. Secondly, we have deepened the construction of disaster tolerance system, and all important systems have been dual-active, with the capability of rapid system switching in minutes, rapid traffic scheduling in seconds, and 24-hour independent operation, etc. The intra-city disaster recovery supports 100% automated, one-button overall switching, which can steadily guarantee the continuity of business services. Thirdly, we have established a 7*24 integrated security operation mechanism for all-round security monitoring, identification, tracking, alert, response and disposal, with an automated disposal rate of approximately 98% on the platform, realizing a closed loop of disposal in seconds for most cases and enhancing security operation intelligence. With “zero accident” and “zero error”, the Company has successfully completed the network security tasks during the Asian Games and other important security periods and participated in national, provincial, and municipal network security attacks and defense drills with excellent results.

5. Optimize the science and technology management mechanism to empower science and technology services win support among the people

We iteratively improve the mechanism of science and technology management, promote the change-oriented organization, and provide strong technology support. Firstly, based on professional training and position training, the Company organizes a number of activities such as lectures by experts, skill competitions, external competitions, digital capacity enhancement, and technical research studios, to create a technical learning atmosphere of learning and competing with each other. Secondly, we take optimization and upgrading of the ITBP service as a key to comprehensively strengthen the empowerment services for the head office and branches. Each business department in head office has a specially-assigned person and all branches are provided with regular services, to continuously improve the service effectiveness through efficient and collaborative organization construction. Thirdly, we have created the “Mr. Science Service” (科服君) to handle the technology-related issues of the head office and branches to facilitate the daily work of employees.

In 2023, our financial technology published more than 20 papers, journals and white papers, applied for more than 110 patents cumulatively, participated in the formulation of more than 100 standards at home and abroad, and obtained more than 40 software copyrights. The Company has won 72 awards, including Outstanding Application of Digital Reform, Financial Network Security Capability Pioneer Organization, Financial Technology Application Innovation Award, and People’s Bank of China Threat Intelligence Reporting Outstanding Contribution Award. The pilot work of “One Statement Connect” (一表通) was commended by the National Financial Regulatory Administration and Zhejiang Regulatory Bureau, “Protecting the Network 2023” (護網2023) Cyber Attack and Defense Exercise was recognized in writing by The Ministry of Public Security and Jinfubao-small and micro (金服寶·小微) and Supply Chain Finance were awarded the 2022 PBOC FinTech Development Award.

Management Discussion and Analysis

(IX) E-Finance Services

During the reporting period, the Company has formed a complete E-finance service system consisting of online banking, mobile banking, remote banking, bank-enterprise direct connection, and WeChat banking. The replacement rate of transactions online reached 99.85%, taking a leading position in the industry. During the reporting period, the Company vigorously promoted the construction of E-finance channels, strengthened customer experience and improved risk control measures, resulting in steady growth of channel customers, continuous improvement in the quality and efficiency of business scale and sustained enhancement of channel service capability.

Online banking

During the reporting period, the Company was customer-oriented and continuously optimized personal online banking experience, simplified the operations of frequently used functions, enriched channel service scenarios and extended customer channel services. As of the end of the reporting period, the Company had 1,714,100 customers with personal online banking certificates, representing an increase of 4.22% as compared to the beginning of the year, and 32,500 monthly active customers. During the reporting period, the Company conducted 228.2219 million transactions totaling RMB490.842 billion via personal online banking.

During the reporting period, based on the genuine need of enterprises, the Company launched the English version of corporate online banking; added important functions such as utility bill payment, payroll agency services, batch order preparation and download; optimized security controls such as internet banking assistant, limit management, login control, etc., and continued to simplify the operation of frequently used functions to further reduce customer operations and enhance customer experience. As of the end of the reporting period, the Company had 248,500 customers with corporate online banking certificates, representing a year-on-year increase of 16.44%. During the reporting period, the Company conducted 104.3102 million transactions, totaling RMB19,760.593 billion via corporate online banking.

Mobile banking

During the reporting period, the Company has established a mobile banking working group responsible for coordinating and promoting the development of mobile banking functions and a “customer-employee-expert” experiencing team, aiming to continuously strengthen the optimization of mobile banking experience. We have refreshed and upgraded wealth management homepage, credit card channel page, loan homepage and payment homepage, added more than 20 new lifestyle services, and constructed financial consultancy and city featured columns. A new facial recognition system has been launched to further improve the recognition accuracy level, thus increasing the empirical application transaction scenarios and further improving the signature verification strategy. Besides, the Company optimized functions such as registration and login, transfer and remittance, account details, and homepage dropdown to continuously enhance customer experience. As of the end of the reporting period, the Company had 6,081,600 personal mobile banking customers, representing an increase of 17.84% as compared to the beginning of the year, including 1,859,100 monthly active customers, representing a year-on-year increase of 35.05%. During the reporting period, the Company conducted 116,875,300 transactions totaling RMB952.328 billion via mobile banking.

Management Discussion and Analysis

Remote banking

During the reporting period, the Company established a sub-division, the Remote Banking Division, which specializes in customers' remote operating projects. The Company upheld the service philosophy of "customer-oriented, beyond expectation". By applying multi-channel service platform, big data and intelligent technology, and leveraging on intelligent voice devices, intelligent online robot, telephone operator service, online manpower service, WeChat, email and other means, the Company provided customers with rapid, comprehensive and professional high-quality services. Focusing on the three core functions, namely "24-hour intelligent customer service", "digital-intelligent customer marketing and maintenance" and "intelligent operation management", the Company is committed to establishing a comprehensive, digital and value oriented remote banking center integrating "intelligent service, digital-intelligent operation, and smart operation" as a 7*24 comprehensive one-stop service platform.

During the reporting period, the Bank received 3,292,200 customer inquiries, with 26.35% increase year-on-year and an overall connection rate of 96.51%. In particular, it received 2,460,200 calls, with manned telephone connection rate of 91.83% and customer satisfaction rate of 99.84%. It recorded a complaint resolution rate of 100% as a better assurance of customer service experience.

Besides, the Bank has been exploring the establishment of a layered customer management system featuring a combination of "manual+intelligent" and "online+offline" through diversified remote business channels such as SMS, intelligent outbound calls, and manual outbound calls customers. During the reporting period, the Bank reached 3,813,300 customers by remote outbound calls, representing an increase of 148.81% as compared to last year, which continuously empowered our business and supported the business expansion of the whole bank.

Bank-enterprise direct connection and inter-bank cash management

During the reporting period, the Company continued to optimize the functions of bank-enterprise direct connection and inter-bank cash management. At the same time, the construction of the treasury system was fully launched and a special team was set up. The Company added the functions of customer cloud direct connection mode, electronic tax payment voucher, and certificate/service fee expiration reminder, to continuously improve the user experience. As of the end of the reporting period, the Company had 1,518 core customers of bank-enterprise direct connection, representing an increase of 44.57% as compared to the beginning of the year. During the reporting period, the customers of the Company handled 393,100 transfers via bank-enterprise direct connection, and the transfer amount was RMB3,083.145 billion.

WeChat banking

During the reporting period, the Company was committed to developing WeChat banking into an important platform for the introduction of new financial services and brand marketing. Its WeChat banking consists of CZBank's WeChat official account and CZBank's WeChat official mini program. CZBank's WeChat official account offers functions including credit cards and personal, small and micro enterprises and corporate, and recruitment and other services. CZBank's WeChat official mini program' functions include outlet appointment, personal loans, featured activities and supply chain contracting.

Management Discussion and Analysis

Online settlement business

During the reporting period, the Company proactively explored business innovation, and guided by the demands of government authorities and real enterprises and public institutions, strengthened the support and application promotion of online settlement services, and realized innovative application expansion of multiple scenarios such as deposit payment, supply chain finance, e-government and school bill payment. As at the end of the reporting period, the Company had 5,299 service items for its network settlement business and annual average daily deposits of RMB122.265 billion, up 9.94% year-on-year.

(X) Business of Overseas Branch

The Company's Hong Kong Branch was established in 2018 and is the first branch established overseas. The Hong Kong Branch starts with cross-border linkage business, and provides efficient and convenient cross-border financial services to customers of the domestic branches through product portfolios such as domestically guaranteed business, US dollar bond underwriting, cross-border asset pool, trade finances and funds transactions on behalf of the customers, giving full play to the strategic synergy. During the year, the Hong Kong Branch proactively implemented the Bank's strategic plan of building the assets with low sensitivity to economic cycle as a ballast stone, focusing on increasing the total volume of customer services and driving a continuous increase in the proportion of non-interest income. As an offshore platform for internationalization of the clients, the Hong Kong Branch focuses on consolidating and enhancing its market position and advantages in offshore US dollar bond underwriting and cross-border secured financing business, as well as fostering its ability to take the lead in syndicated loan origination and distribution in order to respond to the diversified financial service needs of its customers. Looking ahead, the Hong Kong Branch will rely on the Group's advantages in large cross-border business to continuously improve its service functions and enhance its service efficiency; actively explore the practice of "financial services for good" and green financial services; make use of digitalization and bill pooling to promote the application of on-site financial services; and strive to build up a financial service brand with distinctive features and outstanding capabilities, so as to contribute to the internationalization of the Bank as a whole.

As of the end of the reporting period, the total assets of Hong Kong Branch of the Company were HK\$56.422 billion, of which other financial assets at fair value through other comprehensive income amounted to HK\$18.108 billion, accounting for 32.09%; and net loans and advances to customers amounted to HK\$25.556 billion, accounting for 45.29%. During the reporting period, the net profit was HK\$513 million.

(XI) Major Subsidiaries and Equity Participation Companies

1. Major Subsidiaries

Zheyin Financial Leasing, a national non-bank financial institution approved and regulated by the former CBIRC, is a 51%-owned subsidiary of our Bank.

Established on January 18, 2017, the principal business scope of Zheyin Financial Leasing covers leasing, transfer and grant of financial leasing assets, investment in fixed-income securities, acceptance of lease deposits from lessees, acceptance of fixed deposits of 3 months (inclusive) or longer from non-bank shareholders, inter-bank lending, borrowing from financial institutions, overseas borrowing, sale and disposal of leasehold, economic consulting as well as other businesses approved by the regulatory authority.

Management Discussion and Analysis

In 2023, Zheyin Financial Leasing was committed to the long-term vision of being the largest and most excellent financial leasing company in the province and the medium-term goal of becoming a medium-sized financial leasing company with distinctive competitiveness by 2025. Focusing on uprightness and goodness, intelligent operation, diligence and courage, guided by the latest strategic deployment of the parent bank, and taking professional transformation as the mainline, it achieved a high-quality development, and the growth rates of assets and revenues were significantly higher than the average level of the industry. The company was awarded the “May Day Labor Award of Zhejiang Province” (浙江省五一勞動獎狀), “Advanced Unit in Supporting Economic and Social Development of Zhejiang Province” (支持浙江經濟社會發展先進單位), “Special Contributing Enterprise for the 10th Anniversary of the Construction of the New Area of Zhoushan Islands in Zhejiang Province” (浙江舟山群島新區建設10週年特別貢獻企業), “Outstanding Contributing Enterprise of Yangtze River Delta Financial Leasing” (長三角融資租賃突出貢獻企業) and other important awards. Its competitiveness, social influence and corporate cohesion continue to improve. As at the end of the reporting period, the company had 241 employees, total assets of RMB68.381 billion and net assets of RMB6.801 billion, and realized operating revenue of RMB2.181 billion and net profit of RMB909 million in 2023.

In 2023, the company comprehensively deepened the “three specializations”, “three digitizations” and “three platforms”, accelerated the enhancement of its core competitiveness, and built an intelligent operation system with characteristics of financing leasing. In terms of the “three specializations”, we have continuously improved the “5+2” integrated customer service system based on industry specialization and model specialization, and the risk management system based on asset management specialization. Industry specialization has formed a sub-sector industry system with modern agriculture and animal husbandry, segmentation of vessels, household photovoltaic and green building as cornerstones, and industrial and commercial photovoltaic storage, engineering machinery and coal char as new growth points, with the increase of sub-segments with distinctive competitiveness; model specialization focuses on building the supply chain of manufacturers and financial leasing-commercial leasing cooperation (租租合作), with the business contribution increasing; asset management specialization, with breakthroughs in household photovoltaic, marine and other areas, has gradually built up the asset management capability of “seeing clearly, controlling firmly and selling well” in niche markets. At present, the proportion of assets in the Company’s specialized segment has reached 56%, which has become the Company’s most high-quality, stable and distinctive “ballast”. In terms of “three digitizations”, the Company has closely followed the decision and deployment of the No. 1 Project of digital economy in Zhejiang Province, relying on the advantages of Zhejiang’s digital economy, and focusing on the “three digitizations” of financial services, risk control and internal management, the company continues to improve its digitalization system with the “Hui Leasing” (惠租) inclusive leasing platform, “Hui Control” (惠控) asset control platform, and “Hui Management” (惠管) digital intelligence center as the featured applications, and strives to become a leader in the leasing industry’s digital transformation. In terms of the “three platforms”, focusing on bank-lease linkage, investment-lease linkage and financial leasing-commercial leasing cooperation, and using the financial consultancy mechanism as a bridge, the Company will continue to deepen the linkage and cooperation with banks, industry funds and leasing companies to enhance its integrated financial service capability.

Management Discussion and Analysis

2. Equity Participation Companies

Equity Participation Companies	Place of Incorporation	Date of Incorporation	Number of Share	Investment Amount
China UnionPay Co., Ltd	Shanghai	2002-3-26	34 million	RMB25 million
National Financing Guarantee Fund Co., Ltd	Beijing	2018-7-26	1 billion	RMB1 billion

(XII) Outlook

The year 2024 will mark the 75th anniversary of the founding of the People's Republic of China, and will be a critical year for realizing the objectives of the "14th Five-Year" plan. China's economic work will adhere to the general principle of "pursuing progress while ensuring stability", and put the principles of "pursuing progress while ensuring stability, promoting stability by making progress, and first stand and then break" into all aspects. We will strive to make greater progress in constructing a new development pattern, promoting high-quality development, deepening reform and opening up, achieving a high level of scientific and technological self-reliance, and promoting rural revitalization. In addition, China will enhance economic vitality, prevent and defuse risks, and improve social expectations, consolidate and strengthen the economy recovery, in order to improve the people's livelihoods, maintain social stability, and steadily drive the Chinese-style modernization. China will strengthen the counter-cyclical and cross-cyclical adjustments of macro policies, continue to implement proactive fiscal policies and prudent monetary policies, strengthen the innovation and coordination of policy tools, implementing proactive fiscal policies of "moderate enhancement of quality and effectiveness", and prudent monetary policies of "flexible and moderate, precise and effective".

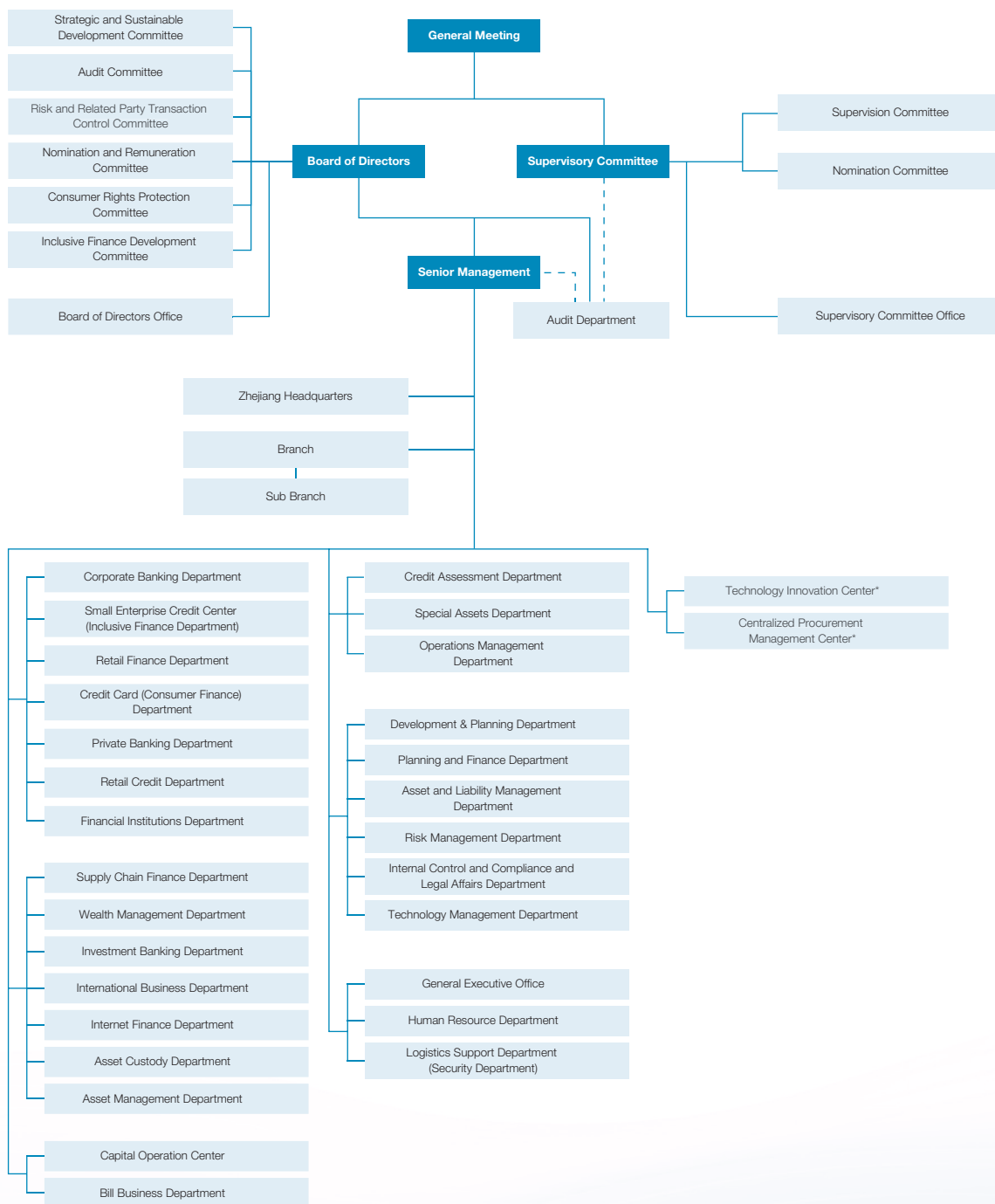
The Company understands that the central bank's prudent monetary policy in 2024 will make comprehensive use of a variety of monetary policy tools to maintain reasonably abundant liquidity in terms of volume, moderate credit growth, and match the scale of social financing and money supply with the expected targets of economic growth and price level. Through a combination of price and volume control, we will guide the capital interest rate flat to down, reduce consumption and investment costs, stimulate the vitality of micro entities, and promote the restoration of vitality of inner circulation. In terms of structure, we aim at accuracy, utilize structural monetary policy tools as guidance, and provide more financial supports for key areas such as small and micro enterprises, science and technology innovation enterprises, and key projects to promote a high level of openness, and prudently push forward the internationalization of RMB. The Company understands that in 2024, strong and stringent supervision will continue, the responsibilities of local financial supervision will be further clarified, and the National Financial Regulatory Administration will further improve the full-coverage financial supervisory mechanism. It will firmly adhere to the main responsibility of supervision and effectively prevent and resolve risks in key areas of the capital market, firmly hold the bottom line of not occurring systematic financial risks, and promote the virtuous cycle of finance and real estate. In addition, it will cooperate with local governments in resolving their debt risks, and prevent and resolve the risks of small and medium-sized financial institutions. Further, it will adhere to the direction of marketization, legalization and internationalization, promote the high-level and two-way liberalization of the capital market in an orderly manner, and construct a supervisory capacity and risk prevention and control system that matches the degree of liberalization, driving the high-quality economic development and accelerating the construction of a "financial powerhouse".

Management Discussion and Analysis

In 2024, the Company will fully implement the spirit of the Central Financial Work Conference and the Central Economic Work Conference, and carefully implement the spirit of the fifth meeting of the 14th Provincial Party Committee and the spirit of provincial leadership and supervision instructions. With the vision of a being a “first class commercial bank”, we will promote the concept of finance for good, constantly deepen the five-word ecology consisting of “integrity, simplicity, professionalism, cooperation and honesty”, vigorously promote the “Four Dos” spirit of “do, do good, do it well and do well in it” and systematically practice the three-word primer of “goodness, intelligence and diligence”. The Company will deepen the implementation of the twelve-word operation approach of “consolidating corporate foundation, adjusting corporate structure, controlling corporate risks, increasing corporate profitability” and the four strategic focuses of “introduce systematic digital transformation, deepen comprehensive development in all aspects, seek synergetic development of all five segments and embark on a new journey of wealth management”, and continue to develop assets with low sensitivity to economic cycle as a ballast stone. With digitization as the main line and scenario as the core, we will consolidate our foundation, strengthen our management and create our features, make a great effort on implementation and deepening, unite our hearts and efforts and strive for future. We will write a new chapter on the new journey of “three first-class” high-quality development.

Corporate Governance

(I) Chart of Organizational Structure



Note: Institutions marked with * are directly under the head office.

Corporate Governance

(II) Overview of Corporate Governance

The Company always makes unremitting efforts to pursue standardized business operation and extraordinary corporate governance since improving corporate governance is the top priority of achieving high-quality development. The Company continuously improves corporate governance structure consisting of the general meeting, the Board of Directors, the supervisory committee and the Senior Management according to the relevant laws, regulations and regulatory requirements. Each corporate governance body operates independently, with effective checks and balances, cooperating with each other and functioning in a coordinated manner.

The Board of Directors of the Company takes corporate governance legality and compliance as the bottom line, draws on the best practices of outstanding companies as the direction, improves the system of corporate governance mechanism as the basis and gives full play to the decision-making role of the Board of Directors as the core, so as to strive to build a corporate governance mechanism with clear boundaries of responsibilities, orderly checks and balances and collaboration, democratic and scientific decision-making, and standardized and efficient operation.

In 2023, the Company continued to integrate the Party's leadership into the process of corporate governance and play a key role of Party committee in grasping the direction, planning for the big picture, formulating policies and promoting development. We further clarified the responsibilities of governance body including shareholders, the General Meeting, the Board of Directors and the supervisory committee, enhancing the quality and effectiveness of corporate governance; meanwhile, we optimized the authorization system of corporate governance and make it specific, listed and procedural, which can ensure the effective connection and integration of the Board of Directors and the decision-making by senior management with the system of "Three Importance and One Greatness" and the pre-research mechanism of the Party Committee.

During the reporting period, the Company was included in the Excellent Board Practice Cases of Listed Companies in 2023 by the Association of Listed Companies in China.

The meetings held during the reporting period were as follows: one annual general meeting, one extraordinary general meeting; eleven meetings of Board of Directors; two meetings of Strategic and Sustainable Development Committee, five meetings of Audit Committee, six meetings of Risk and Related Party Transaction Control Committee, ten meetings of Nomination and Remuneration Committee, three meetings of Consumer Rights Protection Committee and one meeting of Inclusive Finance Development Committee.

(III) General Meeting

Pursuant to the Articles of Association, the shareholders' general meeting is the top governing body of the Company, which manages and supervises the Company through the Board of Directors and the supervisory committee. The Company raised an independent resolution for each actually independent matter at the general meeting, and voted by ballot to ensure that all shareholders fully and equally enjoy the right to know, the right to speak, the right to raise questions, the right to vote and other rights.

During the reporting period, the Company held the 2022 Annual General Meeting on May 4, 2023 and the 2023 first Extraordinary General Meeting on December 19, 2023. For details of relevant proposals and relevant announcements about resolutions adopted at the meetings, please refer to the relevant announcements in connection with the general meetings published by the Company on the websites of the Shanghai Stock Exchange, the Hong Kong Stock Exchange and the Company.

Corporate Governance

The convening, notifying, holding and voting procedures for the above-mentioned meetings are in compliance with the relevant provisions of the Company Law, the listing rules of both the domestic and overseas listing venues of the Company and the Articles of Association. The Chairman of the meetings has explained the detailed procedures for voting by poll to the Shareholders at the general meetings. Lawyers were invited to witness onsite and provide legal opinions for the meetings.

(IV) Board of Directors

1. Composition of the Board of Directors

As at the end of the reporting period, the Board of Directors of the Company comprised 14 directors, of which 4 were Executive Directors, namely Mr. Lu Jianqiang, Mr. Zhang Rongsen, Ms. Ma Hong and Mr. Chen Haiqiang; 5 were Non-executive Directors, namely Mr. Hou Xingchuan, Mr. Ren Zhixiang, Ms. Gao Qinhong, Mr. Hu Tiangao and Mr. Zhu Weiming; and 5 were independent Non-executive Directors, namely Mr. Zhou Zhifang, Mr. Wang Guocai, Mr. Wang Wei, Mr. Xu Yongbin and Mr. Fu Tingmei. Not less than 1/3 of the members of the Board of Directors of the Company were Independent Non-executive Directors, and the Independent Non-executive Directors complied with the Rule 3.10(2) of the Hong Kong Listing Rules, who had appropriate professional qualifications or accounting or related financial management expertise. The number and composition of Independent Non-executive Directors are in compliance with relevant laws, regulations and requirements of the Hong Kong Listing Rules.

The Board of Directors of the Company was rationally structured with experienced members. The executive Directors are diligent, professional and efficient, while the Non-executive Directors are equipped with rich banking or enterprise management experiences, and the Independent Non-executive Directors' knowledge and background covering various areas including economy, finance, securities, accounting and law.

During the reporting period, all directors diligently performed their duties, being present or in attendance at relevant meetings in a timely manner; actively participated in discussion on affairs; prudently expressed professional opinions; paid continuous attention to conditions of operation and management of the Company; actively participated in various training and thematic study and discussion activities; proactively improved their ability to perform their duties; continuously improved the scientificity and efficiency of decisions, with their high sense of responsibility and excellent professionalism; ensured that commercial activities of the Company complied with national laws and regulations and requirements of regulatory authorities; and effectively protected legitimate rights and interests of shareholders.

2. Board Diversity Policy

The Company considers the diversity of the members of the Board of Directors as an important impetus to support the Company in enhancing the corporate governance level and achieving sustainable development. The Company has formulated the Board Diversity Policy of China Zheshang Bank Co., Ltd. according to the relevant provisions of the Hong Kong Listing Rules. It is expressly provided in the Policy that the Board of Directors shall consider various aspects and diversified factors when determining the composition of the Board, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and/or service period, thus ensuring the Board of Directors have diversified viewpoints and angles in performing their duties, and forming into a composition model of the Board matched with the Company's development model.

Corporate Governance

The Board Diversity Policy of the Company comprises of chapters such as purpose, philosophy, policy statement, expected objective, supervision and reporting, with the main purpose of recognizing and accepting the philosophy of building a diversified Board to strengthen the execution of the Board, and affirming the importance of diversity of the Board to achieve strategic objectives. During the reporting period, the geographical distribution, educational background and professional experience of members of the Board are relatively diversified. Among the 14 directors, two of them are female, and 12 are with post graduate diploma or master's degree or above, including 5 with doctoral diploma. The diversified composition of the Board brings a broad vision and a high level of professional experience to the Board and maintains an independent element within the Board to ensure that the Board is able to effectively make independent judgments and scientific decision when studying and considering material issues. The Board will review the implementation and effectiveness of its Board Diversity Policy on an annual basis.

The Company will ensure gender diversity when recruiting middle and senior staff and are committed to providing career development opportunities for female staff so that the Company will have a pipeline of potential successors to the Board. As of December 31, 2023, the ratio of male and female employees of the Company was 1.259: 1, which was generally in line with the industry level. As of December 31, 2023, all of the senior management of the Company were male.

3. Responsibilities of the Board of Directors

According to the Articles of Association, the Board of Directors is the decision-making organ of the Company and shall undertake ultimate responsibility for the operation and management of the Company. The main responsibilities are as follows: to convene general meetings, present proposals and report to shareholders at the general meetings; to implement the resolutions of the general meetings; to formulate medium and long-term development plans and development strategies of the Bank and supervise the implementation of such development plans and development strategies; to decide the annual appraisal indices for the operation of the Bank and approve the annual operation plans of the Bank; to formulate our annual financial budgets and final accounts; to formulate our profit distribution plans and plans for recovery of losses; to formulate proposals for increase or decrease of our registered capital, issuance of shares or bonds with the capital replenishment nature; to decide on issuance of bonds other than those with the capital replenishment nature by the Bank; and to formulate proposals for merger, demerger, dissolution and liquidation of the Bank.

The Senior Management of the Company has operational autonomy and makes decision in daily operation and management independently under the authority of the Board, and the Board will not intervene in specific daily affairs of operation and management of the Company.

The Board of the Company is responsible for carrying out the corporate governance functions and has fulfilled their duties and responsibilities, as set out in Code Provision A.2.1 of the Corporate Governance Code. The Board acknowledges that it is responsible for the risk management and internal control systems and for reviewing its effectiveness on an annual basis. During the reporting period, the Board and its committees reviewed the Company's compliance with laws, regulatory provisions and the Corporate Governance Code and disclosures in the Corporate Governance Report, reviewed and monitored the training and continuous professional development of directors and senior management, strengthened the Company's risk management and internal control, and further enhanced the Company's corporate governance policy and regular practice.

Corporate Governance

4. Board Independence

The Company has established following mechanisms to ensure independent views and input are available to the Board and the implementation and effectiveness of such mechanisms will be reviewed annually by the Board:

- (a) Five out of the fourteen directors are Independent Non-executive Directors, which exceeds the requirement of the Listing Rules that at least one-third of the Board are independent Non-executive Directors.
- (b) The Nomination and Remuneration Committee will assess the independence of a candidate who is nominated to be a new independent Non-executive Director before appointment and the continued independence of the current long-serving Independent Non-executive Directors on an annual basis. All Independent Non-executive Directors are required to submit a written confirmation to the Company annually to confirm the independence of each of them and their immediate family members, and their compliance with the requirements as set out in the Rule 3.13 of the Listing Rules.
- (c) All Directors are entitled to retain independent professional advisors as and when it is required.
- (d) All Directors are encouraged to express their views in an open and candid manner during the Board/Board Committees meetings.
- (e) The Chairman of the Board will meet with the Independent Non-executive Directors at least annually without the presence of the executive Directors.
- (f) A Director (including Independent Non-executive Directors) who has material interest in any contract, transaction or arrangement shall abstain from voting and not be counted in the quorum on any Board resolution approving the same.
- (g) No equity-based remuneration with performance-related elements will be granted to Independent Non-executive Directors.

Corporate Governance

5. Meetings and Proposals of Board of Directors

During the reporting period, the Company held 11 meetings of Board of Directors, among which, 4 were regular meetings and 7 were extraordinary meetings. The main proposals considered at the Board meetings were as follows:

Work Report of the Board of Directors of China Zheshang Bank Co., Ltd. for 2022
 Work Report of President of China Zheshang Bank Co., Ltd. for 2022
 Report of Independent Directors of China Zheshang Bank Co., Ltd. for 2022
 Proposal on Results of 2022 Performance Evaluation of Directors by the Board of Directors
 Proposal on Results of 2022 Performance Evaluation of Senior Management by the Board of Directors
 Internal Audit Work Report of China Zheshang Bank Co., Ltd. for 2022
 Report on Comprehensive Risk Management of China Zheshang Bank Co., Ltd. for 2022
 Report on Implementation of Risk Preference for 2022 and Proposal on Risk Preference for 2023 of China Zheshang Bank Co., Ltd.
 Report on the Implementation of Green Finance of China Zheshang Bank Co., Ltd. for 2022
 Internal Control Evaluation Report of China Zheshang Bank Co., Ltd. for 2022
 2022 Work Report on Protection of Consumer Rights and Interests and 2023 Work Plan of China Zheshang Bank Co., Ltd.
 2022 Work Report on Anti-money Laundering and Counter-terrorist Financing of China Zheshang Bank Co., Ltd.
 Report on Implementation of Related Party Transaction Management System and Particulars of Related Party Transactions of China Zheshang Bank Co., Ltd. for 2022
 Proposal on the Pre-approval limit of Deposit-Type Connected Transactions of China Zheshang Bank Co., Ltd. for 2023
 Social Responsibility Report of China Zheshang Bank Co., Ltd. for 2022
 Proposal on Amending the Articles of Association of China Zheshang Bank Co., Ltd.
 Proposal on Amending the Rules of Procedure of the General Meeting of China Zheshang Bank Co., Ltd.
 Proposal on Amending the Rules of Procedure of the Board of Directors of China Zheshang Bank Co., Ltd.
 Proposal on the Report on the Utilization of the Previously Raised Funds of China Zheshang Bank Co., Ltd.
 2022 Annual Report and its Summary of China Zheshang Bank Co., Ltd. (Domestic Standards and International Standards)
 2022 Audit Report on Internal Control of China Zheshang Bank Co., Ltd.
 Proposal on the Engagement of an Accounting Firm for 2023
 Final Financial Report of China Zheshang Bank Co., Ltd. for 2022
 Profit Distribution Plan of China Zheshang Bank Co., Ltd. for 2022
 2023 Annual Budget Report of China Zheshang Bank Co., Ltd.
 Business Operation Plan of China Zheshang Bank Co., Ltd. for 2023
 Report on the Management and Implementation of the Consolidation of Statements of China Zheshang Bank Co., Ltd. for 2022
 Liability Quality Management Report of China Zheshang Bank Co., Ltd. for 2022
 Internal Capital Adequacy Assessment Report of China Zheshang Bank Co., Ltd. for 2023
 Evaluation Report of the Major Shareholders of CZBank
 Evaluation Report of CZBank on the Conduct of the Substantial Shareholders for 2022
 Regulations on Equity Management of China Zheshang Bank Co., Ltd.
 Proposal on the Strategic Committee of the Board of Directors to coordinate the fulfillment of ESG-related duties and to change the name of the Committee and amend the Committee's Rules of Procedure

Corporate Governance

6. Attendance of Directors at the Meetings

The following table sets forth the records of attendance in person of each Director at the meetings convened by the Board of Directors and by special committees under Board of Directors and at the shareholders' general meetings held in 2023.

Directors	Board of Directors	Strategic and Sustainable Development Committee	Audit Committee	Risk and Related Party Transaction Control Committee	Nomination and Remuneration Committee	Consumer Rights Protection Committee	Inclusive Finance Development Committee	General Meeting
Executive Directors								
Lu Jianqiang	3/4	1/1	-	-	-	-	-	1/1
Zhang Rongsen	11/11	2/2	-	-	-	-	1/1	2/2
Ma Hong	10/11	2/2	-	-	-	-	1/1	2/2
Chen Haiqiang	9/11	2/2	-	-	-	-	1/1	2/2
Non-executive Directors								
Hou Xingchuan	11/11	2/2	-	-	-	-	1/1	2/2
Ren Zhixiang	11/11	2/2	-	-	-	-	1/1	2/2
Gao Qinrong	11/11	-	-	-	-	-	-	2/2
Hu Tiangao	11/11	-	5/5	-	-	-	-	2/2
Zhu Weiming	10/11	2/2	-	-	-	-	1/1	2/2
Independent Non-executive Directors								
Zhou Zhifang	11/11	-	-	6/6	10/10	3/3	-	2/2
Wang Guocai	9/11	-	-	6/6	-	3/3	-	2/2
Wang Wei	11/11	-	4/5	-	9/10	-	-	1/2
Xu Yongbin	11/11	-	5/5	3/3	10/10	-	-	2/2
Fu Tingmei	8/8	1/1	-	-	-	2/2	-	1/1
Resigned Director								
Zheng Jindu	7/7	-	-	2/3	-	0/1	-	1/1

Notes:

- (1) Times of attention in person/number of meetings that he/she should attend during the reporting period.
- (2) The above Directors who did not attend the meetings in person had appointed other Directors to attend such meetings on their behalf.
- (3) For details of the change of Directors, please see "Information on Directors, Supervisors, Senior Management, Employees and Institutions".
- (4) The Chairman held a meeting with Independent Non-executive Directors without the attendance of other Directors.

Corporate Governance

7. Information on Survey and Training of the Directors

During the reporting period, certain Board members visited Nanning Branch, Hohhot and Head Office risk line to carry out field research in order to collect primary data and understand specific conditions of grass-roots organizations as to strategy implementation, risk management and technology innovation, and heard the opinions and suggestions of the branches and relevant units on operation and management of the Board and the head office, provided targeted guiding opinions, and in a timely manner, submitted to the Senior Management relevant opinions and suggestions.

The Company has always paid attention to continuous training of Directors to ensure that all Directors properly understand the operation and businesses of the Company, and their responsibilities under relevant laws and regulatory requirements. During the reporting period, the Company invited certain Independent Directors to attend results presentation and organized Directors to participate in thematic training of Anti-Money Laundering. In addition, the Independent Directors actively participated in various lectures and trainings including the 70th Continuing Development Seminar for Professionals organized by the Hong Kong Corporate Governance Association, thus effectively widening their vision for macro decision-making, improving the ability to understand policies and further improving their ability to perform their duties.

According to the training records for 2023 kept by the Company, the status of relevant training for Directors is as follows:

Directors	Scope of Provision of Information and training		
	Corporate Governance	Finance/ Business	Compliance/ Operation
Executive Directors			
Lu Jianqiang	✓	✓	✓
Zhang Rongsen	✓	✓	✓
Ma Hong	✓	✓	✓
Chen Haiqiang	✓	✓	✓
Non-executive Directors			
Hou Xingchuan	✓	✓	✓
Ren Zhixiang	✓	✓	✓
Gao Qinhong	✓	✓	✓
Hu Tiangao	✓	✓	✓
Zhu Weiming	✓	✓	✓
Independent Non-executive Directors			
Zhou Zhifang	✓	✓	✓
Wang Guocai	✓	✓	✓
Wang Wei	✓	✓	✓
Xu Yongbin	✓	✓	✓
Fu Tingmei	✓	✓	✓

Corporate Governance

8. Performance of Independent Non-executive Directors

As of the end of the reporting period, the Company had five Independent Non-executive Directors, the number and percentage were in compliance with the relevant laws, regulations and regulatory requirements. The Audit Committee, Risk and Related Party Transaction Control Committee, Nomination and Remuneration Committee and Consumer Rights Protection Committee under the Board of the Company were all chaired by Independent Non-executive Directors, and the Independent Non-executive Directors formed majority in such committees. During the reporting period, the independent Non-executive Directors actively participated in and provided suggestions and advice at the meetings of Board of Directors and the special committees to make effective contribution. Besides, they maintained effective communication with the Company through various means, including site visits, special surveys and attending training etc.

The Company has established a mechanism for special meetings of the independent Non-executive Directors attended by all independent Non-executive Directors, to study and discuss the independent engagement of intermediaries to conduct audit, consultancy and verification of specific matters of the Company, to propose to the Board the convening of an extraordinary general meeting, to propose the convening of a meeting of the Board, as well as other matters requiring the approval of the majority of all independent Directors before they can be submitted to the Board for deliberation. During the reporting period, the Company convened two special meetings of independent Directors to study and discuss five solutions, and issued a declaration of prior approval by the independent Directors in respect of each of these solutions.

During the reporting period, the Independent Non-executive Directors have presented their professional advice on the resolutions considered by the Board of Directors, including offering independent written opinions on significant matters, such as the Profit Distribution Scheme, the appointment of Senior Management, the engagement of auditing organization and significant related party transactions. In addition, for the special committees under the Board of Directors, the Independent Non-executive Directors made full advantage of their professional edge, provided professional and independent advice regarding corporate governance and operation and management activities of the Company, and thereby ensured the scientific decision-making of the Board of Directors.

The Company has received the annual confirmations from the Independent Non-executive Directors according to Rule 3.13 of the Hong Kong Listing Rules regarding their independence, and considered that none of the Independent Non-executive Directors was involved in any factor set out in Rule 3.13 of the Hong Kong Listing Rules that may cast doubt on their independence. Therefore, the Company believes that all Independent Non-executive Directors meet the independence criteria as set out in the Hong Kong Listing Rules.

Corporate Governance

9. Responsibilities of Directors in Preparation of Financial Reports

The Directors of the Company acknowledged that they were responsible for preparing the financial report of the Company for the year ended December 31, 2023. The Board of Directors undertook that there were no material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern, save for the information disclosed in this annual report of the Company.

The Directors shall review and confirm the financial reports for each accounting period, so as to ensure that the financial reports truly and fairly reflect the financial status, operation results and cash flow of the Company.

When preparing the financial report for the year ended December 31, 2023, the Directors adopted and applied suitable accounting policies and made prudent and reasonable judgment.

10. Election, change and removal of Directors

According to the Articles of Association, Directors shall be elected or replaced at the general meeting and may be dismissed by the general meeting prior to the expiration of their term of office. Directors shall each serve a term of three years. Directors may, after expiry of their term of office, hold a consecutive term upon re-election. The term of a Director shall start from the date on which the said Director assumes office to the expiry of the current Board.

A Director may be removed by an ordinary resolution at a general meeting before the expiry of his/her term of office in accordance with relevant laws and regulations (however, any claim which may be made under any contract will not be affected).

For the change of Directors during the reporting period, please refer to "Information on Directors, Supervisors, Senior Management, Employees and Institutions" of this report.

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(V) Special Committees under Board of Directors

There are six special committees under the Board of Directors of the Company, namely Strategic and Sustainable Development Committee, Audit Committee, Risk and Related Party Transaction Control Committee, Nomination and Remuneration Committee, Consumer Rights Protection Committee and Inclusive Finance Development Committee.

1. Strategic and Sustainable Development Committee

As at the end of the reporting period, the Strategic and Sustainable Committee of the Company consisted of eight Directors, Mr. Lu Jianqiang, Chairman of the Board and Executive Director, served as the Committee Chairman. Other committee members included Mr. Zhang Rongsen, Executive Director, Ms. Ma Hong, Executive Director, and Mr. Chen Haiqiang, Executive Director, Mr. Hou Xingchuan, Non-Executive Director, Mr. Ren Zhixiang, Non-Executive Director and Mr. Zhu Weiming, Non-Executive Director and Mr. Fu Tingmei, Independent Non-Executive Director.

The main duties of the Strategic and Sustainable Development Committee are as follows: to research and formulate business targets, medium and long-term development plans and development strategies of the Company; to supervise and inspect the implementation of annual business plans and investment plans; to evaluate the implementation of the Bank's development plan and propose amendments to the plan; to review the Bank's overall planning, major policies and basic systems for environmental, social and governance (ESG) and other sustainable development, review the annual Social Responsibility Report (ESG Report), regularly evaluate the implementation of the ESG development strategy, guide and supervise the establishment and improvement of related management systems; and any other matters authorized by the Board of Directors.

During the reporting period, the Strategic and Sustainable Development Committee mainly considered the Final Financial Report of China Zheshang Bank Co., Ltd. for 2022, Profit Distribution Plan of China Zheshang Bank Co., Ltd. for 2022, 2023 Annual Budget Report of China Zheshang Bank Co., Ltd., Business Operation Plan of China Zheshang Bank Co., Ltd. for 2023, Report on the Implementation of Green Finance of China Zheshang Bank Co., Ltd. for 2022, Proposal on the Strategic Committee of the Board of Directors to coordinate the fulfillment of ESG-related duties and to change the name of the Committee and amend the Committee's Rules of Procedure as well as other resolutions or reports.

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2. Audit Committee

As at the end of the reporting period, the Audit Committee of the Company consisted of three Directors. Mr. Xu Yongbin, Independent Non-executive Director, served as the Committee Chairman. Other committee members included Mr. Hu Tiangao, Non-executive Director, and Mr. Wang Wei, Independent Non-executive Director.

Main duties of the Audit Committee are to examine accounting policies, financial position, financial reporting procedures, and risk and compliance status of the Company; to propose the appointment or replacement of external auditing organization; to supervise our internal audit system and its implementation; to facilitate communication between internal auditors and external auditors; to review our financial information and the related disclosure and prepare conclusive reports on the authenticity, accuracy, completeness and timeliness of the audited financial reports to be submitted to our Board of Directors for consideration; to deal with other matters as prescribed by relevant laws, regulations, departmental rules and regulations of the securities regulatory authority in the place(s) of listing of the Company's shares and as authorized by the Board of Directors.

During the reporting period, the Audit Committee mainly considered or heard the Annual Audit Report (Pre-communication), Proposal on policy on the provision of non-assurance services by auditors, 2022 Annual Report and its Summary of China Zheshang Bank Co., Ltd. (Domestic Standards and International Standards), 2022 Audit Report on Internal Control of China Zheshang Bank Co., Ltd., 2022 Annual Financial Report, Proposal on the Engagement of an Accounting Firm for 2023, Report on the Management and Implementation of the Consolidation of Statements of China Zheshang Bank Co., Ltd. for 2022, Internal Audit Work Report of China Zheshang Bank Co., Ltd. for 2022, Proposal to Amend the Internal Audit Charter of China Zheshang Bank Co., Ltd., Proposal to Amend the Basic System of Internal Audit of China Zheshang Bank Co., Ltd., 2022 Evaluation Report on Internal Control of China Zheshang Bank Co., Ltd., Social Responsibility Report of China Zheshang Bank Co., Ltd. for 2022, Report on the Performance of the Audit Committee of the Board of Directors of China Zheshang Bank Co., Ltd. for 2022, 2023 First Quarterly Report of China Zheshang Bank Co., Ltd., 2023 Half-year Report and its Summary of China Zheshang Bank Co., Ltd. (Domestic Standards and International Standards), 2023 Third Quarterly Report of China Zheshang Bank Co., Ltd., Special Report on 2023 Half-year Deposit and Actual Use of Funds Raised by China Zheshang Bank Co., Ltd. as well as other resolutions or reports. The Audit Committee also reviewed the independence of external auditors and provided recommendations to the Board on the appointment of external auditors, and considered the audit fees of external auditors for 2023.

During the reporting period, no former partners of any auditing firm which was responsible for auditing accounts of the Company were appointed by the Company as members of the Audit Committee.

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3. Risk and Related Party Transaction Control Committee

As at the end of the reporting period, the Risk and Related Party Transaction Control Committee of the Company consisted of three Directors. Mr. Zhou Zhifang, Independent Non-executive Director, served as the Committee Chairman. Other committee members included Mr. Wang Guocai, Independent Non-executive Director, and Mr. Xu Yongbin, Independent Non-executive Director.

Main duties of the Risk and Related Party Transaction Control Committee are to supervise the risk control by Senior Management of the Company; to assess the risk profile of the Company; to offer proposals on improving the risk management and internal controls of the Company; to accept filing of general related party transactions; to review material related party transactions of the Bank or the transactions which are subject to reporting, announcement and/or independent shareholders' approvals under the relevant stipulations of securities regulatory authority in the place(s) of listing of the Bank's shares, which shall be submitted to the Board of Directors by the committee for approval; and to deal with other matters as authorized by the Board.

The Risk and Related Party Transaction Control Committee reviews the effectiveness of the Company's risk management procedures and internal control procedures, to ensure the efficiency of the Company's business operations and achieve the Company's objectives and strategies.

During the reporting period, the Risk and Related Party Transaction Control Committee primarily examined the Report on Comprehensive Risk Management of China Zheshang Bank Co., Ltd. for 2022, Report on Risk Assessment of Major Projects, Report on Implementation of Risk Preference for 2022 and Proposal on Risk Preference for 2023 of China Zheshang Bank Co., Ltd., Regulations on Risk Management of Off-balance Activities of CZBank, 2022 Evaluation Report on Internal Control of China Zheshang Bank Co., Ltd., 2022 Work Report on Anti-money Laundering and Counter-terrorist Financing of China Zheshang Bank Co., Ltd., Report on Implementation of Related Party Transaction Management System and Particulars of Related Party Transactions of China Zheshang Bank Co., Ltd. for 2022, as well as other resolutions or reports.

4. Nomination and Remuneration Committee

As at the end of the reporting period, the Nomination and Remuneration Committee of the Company consisted of three Directors. Mr. Wang Wei, Independent Non-executive Director, served as the Committee Chairman. Other committee members included Mr. Zhou Zhifang, Independent Non-executive Director, and Mr. Xu Yongbin, Independent Non-executive Director.

Main duties of the Nomination and Remuneration Committee are to propose to the Board on the membership of the Board based on the business operations, asset size and equity structure of the Company; to draft the standard and procedure for the selection of Directors and senior management, and propose the same to the Board; to recommend candidates for Chairman and Vice Chairman to Board of Directors, and provide review comments on the candidates of Directors and senior management members including the President, Vice President, Financial Principal, Secretary to the Board, etc.; to draft the remuneration policy and scheme for Directors and senior management, and make proposals to the Board; and to deal with other matters as prescribed by relevant laws, administrative regulations, departmental rules and regulations of the securities regulatory authority in the place(s) of listing of the Company's shares and as authorized by the Board of Directors.

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The Nomination and Remuneration Committee under the Board makes recommendations to the Board on the remuneration package of individual executive Directors and senior management.

The nomination procedures for a Director candidate of the Company are: the eligible shareholders will recommend candidates for directorship to the Company for consideration; the Nomination and Remuneration Committee will conduct examination of such candidates for directorship and then make recommendations to the Board; following consideration and approval of the Board, the candidates for directorship will be submitted in the general meeting by written resolutions. For details, please refer to the section headed "Directors and Board of Directors" in Articles of Association.

Criteria for selection and recommendation of candidates for directorship is that Directors shall have professional knowledge and work experiences necessary for performing their duties and meet conditions specified by the National Financial Regulatory Administration, with their qualification for appointment subject to approval by the National Financial Regulatory Administration.

The Company appoints or re-appoints its directors in strict compliance with the Articles of Association of the Company. Pursuant to the Board diversity policy requirements in the Board Diversity Policy of China Zheshang Bank Co., Ltd., the Nomination and Remuneration Committee shall also pay attention to complementarities among candidates for directorship in terms of knowledge structure, professional competence and experience, cultural and educational background, gender and otherwise, to ensure that the Directors are well equipped, experienced and have diversified perspectives and views.

During the reporting period, the Nomination and Remuneration Committee mainly considered Proposal on the Review of Mr. Lou Weizhong's qualification as Independent Director, the Work Report of Independent Directors of China Zheshang Bank Co., Ltd. for 2022, Proposal on Results of 2022 Performance Evaluation of Directors by the Board of Directors, Proposal on Results of 2022 Performance Evaluation of Senior Management by the Board of Directors, Proposal on the Election of the Chairman of the Sixth Session of the Board of Directors of China Zheshang Bank Co., Ltd., Proposal on the appointment of Pan Huafeng, Proposal on the By-election of Members of the Specialized Committees of the Sixth Session of the Board of Directors of CZBank, Proposal on the Appointment of Lin Jingran, Proposal on Approval of the 2022 Remuneration of Senior Management of CZBank, Proposal on the Appointment of Luo Feng, Proposal on the Review of Mr. Ying Yuxiang's qualification as Director, Proposal on the Appointment of Company Secretary and Authorized Representative of CZBank, Proposal on the Appointment of Wang Chaoming and other resolutions or reports.

The Nomination and Remuneration Committee has established a policy on Directors' remuneration and regularly evaluated the performance of the executive Directors and approved the terms of service contracts of executive Directors. In addition, the Nomination and Remuneration Committee has implemented the policies on the nomination of Directors as well as the nomination procedures and selection and recommendation criteria on candidates for Directors. The Nomination and Remuneration Committee has reviewed the structure, number and composition of the Board (including skills, knowledge and experience) during the reporting period to make recommendations on any changes proposed on members of the Board for the purpose of complying with the long-term strategies of the Company.

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5. Consumer Rights Protection Committee

As at the end of the reporting period, the Consumer Rights Protection Committee of the Company consisted of three Directors. Mr. Wang Guocai, Independent Non-executive Director, served as the Committee Chairman. Other committee members included Mr. Zhou Zhifang, Independent Non-executive Director, and Mr. Fu Tingmei, Independent Non-executive Director.

Main duties of the Consumer Rights Protection Committee are to formulate strategies, policies and objectives of the consumer rights protection work; to direct and supervise the establishment and improvement of the management system for consumer rights protection work; to supervise and evaluate the comprehensiveness, timeliness and effectiveness of the senior management and the consumer rights protection department, as well as duty performance of the senior management, in accordance with the regulatory requirements and implementation of strategies, policies and objectives for consumer rights protection; to guide, urge and supervise the senior management to effectively execute and implement relevant work, and regularly listen to the senior management's special reports on the progress of consumer rights protection work; to hold regular meetings on consumer rights protection and review reports of senior management and the consumer rights protection department; to provide guidance on material information disclosure on consumer rights protection; and to deal with other matters as authorized by the Board.

During the reporting period, the Consumer Rights Protection Committee mainly considered the 2022 Work Report on Protection of Consumer Rights and Interests and 2023 Work Plan of China Zheshang Bank Co., Ltd., CZBank Work Report on Protection of Consumer Rights and Interests for the First Half of 2023, Report on Evaluation Results and Problem Rectification of Consumer Protection of Head Office and Former CBIRC in 2022, and other resolutions or reports.

6. Inclusive Finance Development Committee

As at the end of the reporting period, the Inclusive Finance Development Committee of the Company consisted of six Directors. Mr. Fu Tingmei, Independent Non-executive Director, served as the Committee Chairman. Other committee members included Ms. Ma Hong, Executive Director, Mr. Chen Haiqiang, Executive Director, Mr. Hou Xingchuan, Non-executive Director, Mr. Ren Zhixiang, Non-executive Director, and Mr. Zhu Weiming, Non-executive Director.

Main duties of the Inclusive Finance Development Committee are to formulate the development planning of inclusive finance business, deliberate the operation plans, and evaluate the assessment methods.

During the reporting period, the Inclusive Finance Development Committee mainly considered the 2023 Work Plan on Small and Micro Enterprises under Inclusive Finance of China Zheshang Bank Co., Ltd., Proposal on Amending the Rules of Procedure of the Inclusive Financial Development Committee of the Board of Directors of China Zheshang Bank Co., Ltd., and other resolutions.

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(VI) Supervisory Committee

The supervisory committee is a supervisory body of the Company and is accountable to the general meetings, and oversees the strategic planning, business decisions, financial activities, risk management, internal control and corporate governance of the Company, and the duty performance of the Directors and the senior management with an aim to protect the legitimate rights and interests of the Company, Shareholders, employees, creditors and other stakeholders.

1. Composition of supervisory committee

As at the end of the reporting period, the supervisory committee of the Company consists of nine members, among them, one shareholder supervisor is from a shareholder company and has extensive experience in business management and financial expertise; four employee supervisors have participated in economics and banking operation and administration for a long time, and thus accumulated rich professional experience in economics and finance; and the four external Supervisors have been engaged in finance, economics and law, etc., and have thus accumulated extensive experience in those fields and unique perspectives. The composition of the supervisory committee of the Company has adequate expertise and independence which ensures the effective supervision by the supervisory committee.

A Supervision Committee and a Nomination Committee are established under the supervisory committee of the Company.

2. Performance of supervisory committee

The supervisory committee performs its supervisory duties primarily by holding regular meetings of supervisors and special committees to consider, review and hear relevant issues; attending and being present at shareholders' general meetings, the Board meetings and special committee meetings; attending related meetings on operation and management held by the Senior Management; reviewing related work reports or professional reports of the Senior Management and departments; making performance appraisal on Directors, supervisors or senior management; reviewing various documents, information and statements of the Company; carrying out special investigations and surveys at branches; putting forward work suggestions to the Board of Directors and Senior Management.

During the reporting period, the supervisory committee convened 10 meetings, of which 9 were onsite meetings and 1 was by way of telecommunications. 33 proposals were considered and 36 proposals were considered and listened to regarding corporate governance, regular report, evaluation of the duty performance of the Directors, Supervisors and Senior Management, business innovation, business operations, risk management, financial activities, internal control and case prevention and internal audit, etc.

According to the provisions of relevant laws, regulations and the Articles of Association of the Company, the supervisors attended all general meetings, all meetings of the Board of Directors and some special committees under the Board of Directors, and performed supervision on legal compliance of holding general meetings and Directors' meetings, the procedures for voting by poll as well as the Directors' attendance of meetings, providing opinions and voting, etc.

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All the 4 external Supervisors of the Company can exercise the supervision function independently. In performing their duties, the external Supervisors took the initiative to know about the Company's operation and management situations by attending meetings of the supervisory committee, convening meetings of the special committees under the supervisory committee, being present at the meetings of the Board of Directors and its special committees, participating in the survey activities of the supervisory committee on branch outlets, and reviewing carefully all kinds of documents, data and statements. Meanwhile, they expressed their independent opinions or suggestions about major issues, and exchanged opinions with the Board of Directors and Senior Management about the problems found out in a timely manner, which played an active role for the supervisory committee to perform their supervision duties.

During the reporting period, the supervisory committee of the Company had no objection to the matters supervised.

3. Information on training and survey of Supervisors

In the year, Supervisors were organized to participate in one anti-money laundering training, one training on supervision and prevention of occupational crimes of financial practitioners, and one training on Independent Director system for listed companies in Zhejiang Province.

In the year, Supervisors were organized to carry out in-depth investigations in 25 branches, namely Nanjing Branch, Taizhou Branch, Guangzhou Branch, Chengdu Branch and Hong Kong Branch, understood the implementation of head office system and decision and the transformation and development of branch and risk management, and proactively provided advices and recommendations to relevant leaders.

(VII) Special Committees under Supervisory Committee

The Nomination Committee under the supervisory committee consisted of 4 Supervisors, and the Supervision Committee consisted of 4 Supervisors, and the external Supervisor served as the Committee Chairman.

1. Nomination Committee under supervisory committee

As at the end of the reporting period, the members of Nomination Committee under supervisory committee are Mr. Gao Qiang (Committee Chairman), Mr. Guo Dingfang, Mr. Peng Zhiyuan and Mr. Song Qinghua.

The main duties of the Nomination Committee are as follows: to draft standards and procedures of electing and appointing Supervisors; to recommend qualified candidates of external Supervisors; to make an initial evaluation on the qualifications of candidates of shareholders serving as Supervisors and external Supervisors and give suggestions to the supervisory committee; to propose to the supervisory committee candidates of Chairman and Vice Chairman of the supervisory committee based on the actual condition of the Company; to propose and recommend to the supervisory committee candidates of chairmen of various special committees; to supervise the election and appointment of Directors; to draft remuneration plans for Supervisors, make proposals to the supervisory committee and supervise the implementation of the said plans after they have been considered by the supervisory committee and have been submitted to the general meetings for consideration; to supervise the scientificity and

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rationality of the remuneration system and policy of the whole Bank as well as the remuneration scheme of senior management; to be responsible for drafting measures for evaluating the duty performance of Directors, Supervisors and senior management, making proposals to the supervisory committee and implementing these measures after submitting them to the supervisory committee for consideration and decision-making; to assist the supervisory committee office with the establishment of a duty performance supervision recording system for Directors, Supervisors and senior management and complete the duty performance supervision records; and to deal with other matters as authorized by the supervisory committee.

During the reporting period, the Nomination Committee under the supervisory committee held a total of 5 meetings, mainly considering proposals regarding the candidates for shareholder supervisors of the Sixth supervisory committee of the Company, the Rules of Procedure of the supervisory committee, the Rules of Procedure of the Nomination Committee under the supervisory committee, the results of 2022 performance evaluation of Directors, supervisors and senior management, and 2023 performance evaluation of Directors, supervisors and senior management, and other resolutions.

2. Supervision Committee under supervisory committee

As at the end of the reporting period, the members of Supervision Committee under supervisory committee are Mr. Zhang Fanquan (Committee Chairman), Mr. Wu Fanghua, Mr. Chen Zhongwei and Mr. Chen Sanlian.

The main duties of the Supervision Committee are as follows: to draft plans of supervision on the financial activities of the Company and conducting relevant inspections; to supervise the Board of Directors' adoption of prudent business philosophy and value standards and formulate development strategies in line with the actual situations of the Company; to regularly evaluate and report on the scientificity, rationality and effectiveness of the development strategies formulated by the Board of Directors for compilation of evaluation reports; to instruct the work of the internal audit department of the Company; to carry out an audit of any resigning senior management when necessary; to supervise the duty performance by Directors, Supervisors and senior management; to supervise and inspect major operational decisions of the Company; to supervise and inspect risk management of the Company; to supervise and inspect the soundness and effectiveness of the internal control of the Company; and to deal with other matters as authorized by the supervisory committee.

During the reporting period, the Supervision Committee held a total of 4 meetings, considering the 2022 Annual Report of the Company, the management and implementation of the consolidation of statements for 2022, Social Responsibility Report for 2022, Internal Audit Work Report for 2022, Internal Control Evaluation Report for 2022, the First Quarterly Report of 2023, the 2023 Interim Report, the Third Quarterly Report of 2023 and rules of procedure of the Supervision Committee under supervisory committee, etc, and listened to the reports on the financial position of the Company in 2022 etc. Moreover, the members of the Supervision Committee also attended 3 meetings of the Risk and Related Party Transaction Control Committee under the Board of Directors, and supervised the process of consideration on related party transactions and Directors' duty performance.

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(VIII) Company Operation and Decision-Making System

The general meeting is the Company's power organ which manages and supervises the Company through the Board of Directors and supervisory committee. The President is employed by the Board of Directors to take charge of the daily operation and management of the Company. The Company adopts the one-level legal person system. All the branches and sub-branches are non-independent accounting units. They carry out the operation and management activities according to the authorization of the head office and are accountable to the head office.

According to the Articles of Association, the Board of Directors exercises the functions and powers of appointing or dismissing the Bank's President, listening to the work report of the President and reviewing his performance, monitoring and ensuring the Senior Management's efficient fulfillment of management duties. The Company adopts a system by which the President shall assume overall responsibility in operation and management of the Company, and the President shall be accountable to the Board of Directors.

The Company has no controlling Shareholder and de facto controller. The Company and the Shareholders are completely independent in terms of assets, businesses, personnel, organizations and finance, etc. The Company has complete and independent operation capacity. The Board of Directors, supervisory committee and internal units of the Company operate independently.

(IX) Chairman and President

According to the Code C.2.1 of the Corporate Governance Code (Appendix C1 to the Hong Kong Listing Rules), the roles of Chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the Chairman and chief executive officer should be clearly established and set out in writing. The Chairman and President of the Company are taken up by different individuals, with clear responsibilities defined and in compliance with regulatory requirements and the provisions of the Hong Kong Listing Rules. Mr. Lu Jianqiang is the Chairman of the Company, responsible for presiding over the general meeting and convening and presiding over the Board meetings. His responsibilities include supervising and inspecting the implementation of Board resolutions. Mr. Zhang Rongsen is the President of our company, responsible for overseeing the operation and management of the Company, and reporting his work to the Board of Directors. He is responsible for organizing and implementing Board resolutions, annual business plans, and investment plans of the Company.

(X) Company Secretary

Reference is made to the announcement of the Bank dated December 19, 2023 in relation to, among others, the appointment of Joint Company Secretary of the Bank. Mr. Luo Feng has been appointed as a joint company secretary of the Bank (the "Joint Company Secretary") with effect from December 19, 2023 and his term of office will expire upon the expiry of the term of office of the sixth session of the Board. Ms. Chan Yin Wah, the current company secretary of the Bank, will act as the other Joint Company Secretary with effect from December 19, 2023 to assist Mr. Luo in discharging his duties as a Joint Company Secretary. For details, please refer to the announcement of the Bank disclosed on the website of the Hong Kong Stock Exchange dated December 19, 2023.

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Mr. Luo Feng is one of the Joint Company Secretaries of the Company. Ms. Chan Yin Wah, a joint Director of SWCS Corporate Services Group (Hong Kong) Limited, is the joint company secretary who meets the relevant professional qualification requirements of the Hong Kong Listing Rules. They are mainly responsible for facilitating the operation of the Board of Directors, ensuring the effective communication between the members of the Board of Directors and the observation of the policies and procedures of the Board of Directors, and ensuring the compliance of the Company with Hong Kong Listing Rules and other regulations. Any Director can discuss with, seek advice from and obtain information from the secretary of the Company. Ms. Chan Yin Wah's main contact person in our Company is Mr. Luo Feng.

During the reporting period, Mr. Luo Feng and Ms. Chan Yin Wah were both complied with the requirements of Rule 3.29 of the Hong Kong Listing Rules.

(XI) Securities Transactions of Directors and Supervisors

The Company has adopted a code of conduct for securities transactions by Directors and supervisors no less exacting than the Model Code in the Appendix C3 of the Hong Kong Listing Rules. The Company had inquired all the Directors and Supervisors and confirmed that they had been complying with the aforesaid code of conduct during the reporting period.

(XII) Relationship between Directors, Supervisors and Senior Management

There is no financial, business, family or other material/affiliated relationship between the Directors, Supervisors and senior management of the Company.

(XIII) Shareholders' Rights

The Shareholders shall enjoy the following rights in accordance with the Articles of Association:

1. To hold extraordinary general meeting

At the request of the Shareholders separately or jointly holding 10% or more of the total Shares, the Company shall hold an extraordinary general meeting within two months.

When the Shareholders request to convene an extraordinary general meeting or a Shareholders' class meeting, the following procedures shall be observed: the Shareholders separately or jointly holding 10% or more of the total Shares submit a written proposal to the Board of Directors and explain the meeting topics. The Board of Directors shall reply in written form within ten days after receiving the proposal as for agreeing or disagreeing to convene the extraordinary general meeting or a Shareholders' class meeting.

If the Board of Directors agrees to convene an extraordinary general meeting or a Shareholders' class meeting, a notice of convening the general meeting shall be sent within five days after the resolution made by the Board of Directors. Any change to the original proposal in the notice shall be approved by the relevant Shareholders.

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If the Board of Directors does not agree to convene the extraordinary general meeting or a Shareholders' class meeting, or fails to reply within ten days after receiving the proposal, the Shareholders separately or jointly holding 10% or more of the total Shares have the right to propose to the supervisory committee to hold the extraordinary general meeting or a Shareholders' class meeting, provided that written request shall be submitted to the supervisory committee.

If the supervisory committee agrees to convene an extraordinary general meeting or a Shareholders' class meeting, the notice of convening the general meeting shall be sent within five days after the receipt of the request. Any change to the original proposal in the notice shall be approved by the relevant Shareholders.

If the supervisory committee fails to provide the notice of holding general meeting or a Shareholders' class meeting within the specified period, it shall be deemed that supervisory committee will not convene and preside over the general meeting or a Shareholders' class meeting, the Shareholders separately or jointly holding 10% or more of the total Shares may convene and preside over such meetings at their own discretion.

If the supervisory committee or the Shareholders decide to convene the general meeting on their own, they shall notify the Board of Directors in writing and file with the local banking supervisory authorities and other regulatory authorities. The Board of Directors and the secretary to the Board of Directors shall cooperate. The Board of Directors shall provide the register of members as of the record date, and the reasonable cost required for the meeting shall be borne by the Company, which shall be deducted from the payment due to the default Directors.

2. To make proposal to the general meeting

The Shareholders separately or jointly holding 3% or more of the voting Shares have the right to make proposals to the general meeting.

The Shareholders separately or jointly holding 3% or more of the voting Shares may make temporary proposal and submit in written form to the convener ten days before the holding date of the general meeting or at least two days before the deadline for providing supplementary notice of general meeting as stipulated by Hong Kong Listing Rules (whichever is earlier). The convener shall issue the supplementary notice of the general meeting within two days after receiving the relevant proposal to disclose the contents of the temporary proposal. For the contact details, please refer to "Company Profile" of this report.

3. To hold extraordinary meeting of Board of Directors

At the request of the shareholders separately or jointly holding 10% or more of the total Shares, the Chairman shall convene and preside over an extraordinary meeting of Board of Directors within ten days after receiving the proposal.

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4. To make inquiries with the Board of Directors

The shareholders have the right to obtain the relevant information according to the laws, regulations and Articles of Association. They can obtain the copies of the Articles of Association after paying the relevant costs. They have the right to access and copy the following information after paying reasonable fees: any and all parts of the share register; personal information of the Directors, Supervisors and senior management of the Company; the Company's equity status; the report of total par values, quantity, maximum price and minimum price of each class of shares repurchased by the Company since the last financial year as well as the total expenses the Company paid for this; meeting minutes of general meetings, resolutions of the meetings of Board of Directors, resolutions of the meetings of supervisory committee; bond stubs of the Company; the audited financial report, report of Board of Directors, report of supervisory committee, and report of auditors for the last fiscal period, the annual report for the last fiscal period that has been filed with the State Administration for Market Regulation or other regulatory authorities. For the contact details, please refer to "Company Profile" of this report.

(XIV) Implementation of Information Disclosure

During the reporting period, the Company faithfully performed the obligation of information disclosure, constantly improved regular reporting disclosures, and disclosed temporary announcements in a more active and timely manner. With continuous improvement of the effectiveness and transparency of information disclosure, the Company has won the highest rating of Class A for three consecutive years on information disclosure work for 2022 – 2023 assessed by the Shanghai Stock Exchange.

The Company prohibits its staff from trading or recommending others to trade by making use of inside information. The Company established information disclosure management system, which has identified the department responsible for inside information disclosures, to disclose information in a timely and compliant manner according to the requirements and procedures of Rules Governing the Listing of Stocks on Shanghai Stock Exchange and the Hong Kong Listing Rules.

During the reporting period, the Company truly, accurately and completely carried out information disclosure work in a timely manner, strictly in accordance with the requirements of relevant information disclosure laws and regulations. The Company disclosed a total of 131 various announcements for A Shares on the newspapers designated by the CSRC, including China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily, the websites of the Shanghai Stock Exchange and the Company, and disclosed a total of 169 various announcements for H Shares on the websites of the Hong Kong Stock Exchange and the Company, which ensured that all shareholders had equal opportunity to get relevant information of the Company.

(XV) Investor Relations Management

During the reporting period, the Company continued to do a good job in investor relations management. We strengthened the ability of the investment relations team, built bridges of communication with investors through multiple channels, levels and methods, increased the transparency of information disclosure, improved the promotion and dissemination of value, and continuously improved the recognition of the Company by investors. In 2023, the Company was awarded the "Excellent Practice" in the annual report results presentation by the Association of Listed Companies in China.

Corporate Governance

Firstly, we continued to raise the level of interest in our results presentations. During the reporting period, we held annual, half-year and three-quarterly results presentations with high quality and standard, and the 2022 annual results presentation attracted more than 100,000 views from investors all over the Internet; the 2023 half-year results presentation attracted more than 50 institutional investors, analysts and 20 mainstream media to participate in the meeting on-site, and it was simultaneously broadcasted live in Beijing and Hong Kong, with a total of more than 130,000 views. The senior management conducted in-depth and sincere exchanges with investors from various markets through online and offline, fully demonstrating to investors the effectiveness of the Company's strategy implementation and highlights of its operation and development.

Secondly, we continued to enhance the richness of investor communication activities. The Company actively organized and launched various forms of "going out" and "coming in" activities such as research, roadshows and reverse roadshows, and set up a record file of investor activities to enhance its market image and attention. During the reporting period, the Company's senior management and leaders of various business sectors received analyst teams from brokerage firms and investors for more than 40 times. The number of research reports on the Company released by brokers during the reporting period was more than three times that of 2022. Meanwhile, during the reporting period, the Company strengthened its promotion to the institutional investors by visiting more than 20 large mainstream public fund companies and large insurance and asset management institutions, actively conveying to investors the signals of "the Company's improving asset quality and continuous improvement in its operation".

Thirdly, we continued to enhance the coverage of the Internet investment relations media. The Company opened and operated the official account "CZBank (浙商银行)" on Tonghuashun platform, which is targeted at capital market investors, and has published 31 original news items, including 18 original short videos (including interpretation of the weak sensitivity strategy of the economic cycle, interpretation of the strategy of deep cultivation in Zhejiang Province, and investment and education knowledge related to the allotment of shares), with number of views over 160,000. During the reporting period, the number of A-share followers on the Company's operating Tonghuashun platform increased by nearly 50,000 households.

Fourthly, the Company continued to enhance the satisfaction level of daily communication with small and medium-sized investors. During the reporting period, the Company maintained daily communication with small and medium-sized investors, regularly responded to SSE e-interactive investor questions, handled IR mailboxes, answered investor hotline calls, and made good records of investor exchanges and feedback; and launched a variety of online stockholder exchange activities. The Company joined hands with an Internet information platform to launch a walk-in to the listed companies, which gained the active attention and participation of the general public. Small and medium-sized investors' concerns were answered and announced one by one, and the interactive results were effective.

Moreover, the Company has always emphasized the protection of investors' rights and interests and the full exercise of rights by all shareholders. This includes the importance of providing reasonable returns to investors, with the 2022 annual dividend distribution ratio of 37.79% during the reporting period, significantly higher than the ratio stipulated in the Articles of Association. The Company has also strictly complied with the requirements of the system for the convening of general meetings, in particular facilitating the participation of small and medium-sized shareholders in the general meetings through various channels for registration and the implementation of measures to facilitate the handling of matters relating to the registration and participation in the meetings by dedicated personnel.

Corporate Governance

(XVI) Major Changes of the Articles of Association

On May 4, 2023, the Company convened the 2022 Annual General Meeting to consider and pass the Proposal on the Amendments to the Articles of Association of China Zheshang Bank Co., Ltd. (《關於修訂〈浙商銀行股份有限公司章程〉的議案》). On December 19, 2023, the Company convened the Eleventh Meeting of the Sixth Session of the Board of Directors to consider and pass the Proposal on the Adjustments to Certain Provisions under the Articles of Association of China Zheshang Bank Co., Ltd. and the Rules of Procedures for the Board of Directors of China Zheshang Bank Co., Ltd. (《關於調整〈浙商銀行股份有限公司章程〉和〈浙商銀行股份有限公司董事會議事規則〉部分條款的議案》), within the scope of authorization by the 2022 Annual General Meeting. For details of the resolution, please refer to the relevant announcements of the Company on the websites of the Shanghai Stock Exchange, the Hong Kong Stock Exchange and the Company. This amendment to the Articles of Association is subject to the approval of the regulatory authorities.

(XVII) Statement of Compliance with the Corporate Governance Code as Set out in the Hong Kong Listing Rules

The Company agrees to the principles as set out in Corporate Governance Code (Appendix C1 to the Hong Kong Listing Rules). From January 1, 2023, to December 31, 2023, the Company has been in full compliance with the code provisions under such Code, except for the following:

According to the Code C.2.1 of the Corporate Governance Code, the roles of Chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the Chairman and chief executive officer should be clearly established and set out in writing. Due to work arrangement, on January 14, 2022, the Board of the Bank elected Mr. Zhang Rongsen, an executive Director and the President of the Bank, to act as the acting chairman of the Board, until the appointment of the new chairman of the Board and the qualification of such position is approved by the regulatory authorities. On August 9, 2023, the Company received the “Reply from the National Financial Regulatory Administration regarding the Qualification of Mr. Lu Jianqiang of CZBank” (Jin Fu [2023] No. 183). Pursuant to the relevant regulations, the National Financial Regulatory Administration (“NFRA”) has approved the qualification of Mr. Lu Jianqiang for appointment as a Director and the Chairman of the Board. Mr. Zhang Rongsen, an executive Director and the president of the Bank, ceased to act as the Chairman of the Board and legal representative of the Bank from 9 August 2023. Since the qualification of Mr. Lu Jianqiang as a Director and the Chairman of the Board became effective on 9 August 2023, the Bank has regained compliance with Code C.2.1 of the Corporate Governance Code.

As disclosed in the announcement of the Bank dated April 28, 2023, Mr. Liu Long resigned from his positions as a vice president of the Bank, the secretary to the Board, the company secretary of the Bank (the “Company Secretary”) and an authorised representative of the Bank (the “Authorized Representative”) under Rule 3.05 of the Hong Kong Listing Rules due to his personal career planning, which took effect upon the delivery of the resignation report to the Board (i.e. April 28, 2023). Following Mr. Liu Long’s resignation as the Company Secretary and the Authorised Representative of the Bank, the Bank had no company secretary and had only one authorised representative, which failed to meet the requirements under Rule 3.28 that an issuer shall have a company secretary, and the requirement under Rule 3.05 that an issuer should appoint two authorised representatives of the Hong Kong Listing Rules. On June 25, 2023, the Bank convened the ninth meeting of the sixth session of the Board and considered and approved to appoint Ms. Chan Yin Wah as the Company Secretary and the Authorized Representative of

Corporate Governance

the Bank with effect from June 25, 2023. Upon the appointment of Ms. Chan Yin Wah as the Company Secretary and an Authorized Representative becoming effective on June 25, 2023, the Bank has re-complied with the requirement under Rule 3.28 of the Hong Kong Listing Rules that an issuer shall have a company secretary, and the requirement under Rule 3.05 of the Hong Kong Listing Rules that an issuer should appoint two authorized representatives. For details, please refer to the announcements of the Bank disclosed on the website of the Hong Kong Stock Exchange dated April 28, 2023 and June 25, 2023, respectively.

Reference is made to the announcement of the Bank dated December 19, 2023 (the “Announcement”) in relation to, among others, the appointment of Joint Company Secretary and the Authorized Representative of the Bank. Mr. Luo Feng has been appointed as a joint company secretary of the Bank (the “Joint Company Secretary”) with effect from December 19, 2023 and his term of office will expire upon the expiry of the term of office of the sixth session of the Board. Ms. Chan Yin Wah, the current company secretary of the Bank, will act as the other Joint Company Secretary with effect from December 19, 2023 to assist Mr. Luo in discharging his duties as a Joint Company Secretary. In addition, on December 19, 2023, the Board resolved to appoint Mr. Luo Feng as the Authorized Representative of the Bank pursuant to Rule 3.05 of the Listing Rules with a term of office until the expiry of the term of office of the sixth session of the Board. On the same date, Ms. Chan Yin Wah ceased to act as the Authorized Representative under Rule 3.05 of the Listing Rules. As at the date of the Announcement, the Authorized Representatives of the Bank under Rule 3.05 of the Listing Rules are Mr. Zhang Rongsen and Mr. Luo Feng. For details, please refer to the announcement of the Bank disclosed on the website of the Hong Kong Stock Exchange dated December 19, 2023.

In addition, in accordance with provision C.1.6 of the Corporate Governance Code, the independent Non-executive Directors as well as other Non-executive Directors should attend general meetings. During the reporting period, a Director of the Bank was unable to attend the 2022 annual general meeting of the Bank held on May 4, 2023 due to other business arrangements.

(XVIII) Risk Management and Internal Control

In accordance with the requirements of Commercial Banking Law (《商業銀行法》), Basic Rules on Enterprise Internal Control (《企業內部控制基本規範》), Internal Control Guidelines for Commercial Banks (《商業銀行內部控制指引》) and other laws and regulations, the Company has established standardized corporate governance structure and defined the scope of rights, responsibility assignment and rules of procedures for the general meeting, Board of Directors, supervisory committee and Senior Management. Such organizations as Audit Committee and the Risk and Related Party Transaction Control Committee have been established under the Board of Directors to take charge of the establishment and implementation of sufficient and effective risk management and internal control system and review of the sufficiency and effectiveness of such systems. The Supervision Committee has been established under the supervisory committee to take charge of the supervision on sufficiency and effectiveness of internal control systems of the Board of Directors and Senior Management. The risk management and internal control committee has been established under the Senior Management to take charge of the organization and coordination of internal control management as well as establishment and improvement of the concept, system and organizational structure of internal control.

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The Company has strictly complied with the relevant requirements of the Rules Governing the Listing of Stocks on Shanghai Stock Exchange and the Hong Kong Listing Rules, established and continuously improved internal control and risk management system by taking account of the practical situation of the Company to reasonably ensure that the operation management complies with the laws and rules, that the assets are safe and that the financial reports and relevant information are true and complete to improve the operating efficiency and effectiveness and to promote the fulfillment of development strategy. The risk management and internal control system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and the Board can only provide reasonable and not absolute assurance against material misstatement or loss.

During the reporting period, under the guidance of the vision of being “a first-class commercial bank”, the Company continued to optimize its internal control system and enhance its internal control and governance capabilities by focusing on “intelligent operation”. We upgraded and perfected the culture system of Zhejiang banks, taking root the cultural concept of “uprightness and goodness” as the core; we also strengthened our compliance culture, launched the “Year of Compliance Image Enhancement” activities, and continued to optimize the internal control environment. We have strengthened the identification and assessment of various risks, enhanced the dynamic monitoring of risks, and improved the ability of proactive prevention and control. We implemented the system of “unified legal person, authorized operation” and embedded the authorization control into the system to strengthen the rigid control. We have promptly launched the internalization of external regulations and the establishment, amendment and abolition of systems to improve the system that matches our philosophy, strategy and planning. We made full use of digital technology to embed internal control measures into important areas and key links, and enhanced the ability to control the entire process. We continued to promote digitalization, improved the data governance system, enhanced data application and data quality control capabilities, and provided effective support for the Bank’s operation and management decisions. In addition, we have deepened supervision and inspection, strengthened root cause rectification, improved the accountability system, with intensified efforts to deal with non-compliance, and enhanced the quality and effectiveness of remediation of non-compliance issues. Throughout the year, the internal control system operated smoothly and effectively, providing strong protection for the Company’s high-quality development.

While disclosing the annual report, the Company also disclosed the Internal Control Evaluation Report of China Zheshang Bank Co., Ltd. for 2023 in accordance with the requirements of the CSRC and Shanghai Stock Exchange. The report stated that the Bank had maintained effective internal control over financial reporting in all material aspects in accordance with the standard system for enterprise internal control and relevant rules as at December 31, 2023 (benchmark date). KPMG Huazhen LLP has audited the effectiveness of the Bank’s internal control over financial reporting as at December 31, 2023 and issued the standardized audit report on internal control.

(XIX) External Auditors and Their Remuneration

For the Company’s external auditors and their remuneration, please see “Directors’ Report – Employment of Accounting Firms and Sponsors” of this report.

The responsibility statement of the Company’s external auditors on its financial statements is set out in “Financial Report” of this report.

Corporate Governance

(XX) Internal Audit

In 2023, the Bank fully implemented the reform of the audit system, realizing the unified leadership of the Audit Department of the Head Office over the assigned organizations in terms of organization establishment and personnel management, budget and asset management, project planning and result reporting, quality control and information technology construction, and fully establishing an independent and vertical internal audit management system. At present, the Bank has set up 22 audit offices, which are directly led and centrally managed by the Audit Department of the Head Office and are accountable to the Audit Department of the Head Office. The four direct audit divisions at the head office level are managed on a regional basis, corresponding to the relevant departments of the head office according to the five major business segments to strengthen the professionalization of audit, and corresponding to a number of branches according to the geographic area to strengthen the management responsibility for the stationed organizations. Meanwhile, the Internal Audit Charter of CZBank, the Basic System of Internal Audit of CZBank, and the relevant Internal Auditing Standards were revised, and the Management Measures of the Audit Department of CZBank for the Stationing of Organizations and the Management Measures for the Quality Assessment of the Internal Audit Work of CZBank were newly formulated, so as to continuously enhance the regularity, effectiveness, and proactivity of audit through the standardization of the management mode, operation mechanism, and work standards.

During the reporting period, the audit work focused on the positioning of “audit is the main channel and the main position for implementing the keynote of strictness, and it is the main engine and the main force for strengthening comprehensive risk management, systematic reshaping, and constructing a large supervisory system”. Under the vision of being a “first class commercial bank”, we deeply implemented the five-word political ecological construction, the four major strategic focuses, and the twelve-word approach. Focusing on six major areas, including the work of the Party Committee of the Head Office, the strategic tasks of the Board of Directors, business operations, prudent compliance, problem rectification, and political ecology, around the Bank’s four strategic focuses and five major business segments, we fully performed our supervisory duties to promote the dynamic balance of the Bank’s operational development and risk prevention and control. We will strengthen our political leadership, adhere to the objectives of serving the Party Committee, the Board of Directors and the operating level, and investigate the problems of the key officers at all levels regarding political orientation, work efficiency, capability, cooperation and collaboration, and work style construction, in order to provide a strong support for the five-word ecological construction of the Bank.

Changes in Shares and Information on Shareholders

(I) Changes in Ordinary Shares

1. Table of Changes in Ordinary Shares

Unit: Share, %

	December 31, 2022		During the reporting period Number of Changes (shares)	December 31, 2023	
	Number	Proportion (%)		Number	Proportion (%)
I. Restricted shares	-	-	-	-	-
II. Unrestricted shares outstanding	21,268,696,778	100.00	+6,195,939,185	27,464,635,963	100.00
1. RMB ordinary shares	16,714,696,778	78.59	+4,829,739,185	21,544,435,963	78.44
2. Domestically listed foreign shares	-	-	-	-	-
3. Foreign shares listed abroad	4,554,000,000	21.41	+1,366,200,000	5,920,200,000	21.56
4. Other	-	-	-	-	-
III. Total number of ordinary shares	21,268,696,778	100.00	+6,195,939,185	27,464,635,963	100.00

As of the end of the reporting period, the issued shares of the Company were 27,464,635,963 ordinary shares, including 21,544,435,963 A Shares and 5,920,200,000 H Shares.

2. Description on Change in Ordinary Shares

During the reporting period, changes in Ordinary Shares were due to the completion of the A+H-share right issue and the listing of the shares issued accordingly.

3. Effects of Change in Ordinary Shares on Financial Indicators such as Earnings per Share and Net Assets per Share for the Latest Year and Period

The Company completed the A-share right issue and the H-share right issue on June 27 and July 27, 2023, respectively. The Company placed shares to all A-shareholders and all H-shareholders at RMB2.02 per A-share and HK\$2.23 per H-share, respectively, on the basis of 3 shares for every 10 shares. 4,829,739,185 A-shares were actually issued in the A-share right issue, and 1,366,200,000 H-shares were actually issued in the H-share right issue. Taking into account the impact of the rights issue, the Company adjusted the weighted average number of ordinary shares outstanding in the calculation of earnings per share and adjusted earnings per share for prior years. The Company's adjusted earnings per share for the current year, the previous year and the most recent period (i.e., the third quarter of 2023) were RMB0.57 per share, RMB0.53 per share and RMB0.53 per share, respectively. As at December 31, 2023, the net assets per share of the Company attributable to parent shareholders was RMB5.87, and if calculated on the basis of the shares before the rights issue, the net assets per share attributable to parent shareholders would be RMB7.58.

Changes in Shares and Information on Shareholders

(II) Issuance and Listing of Securities

1. Issuance of Securities during the Reporting Period

In order to better meet the capital regulatory requirements, enhance risk resistance and support the sound operation and development of the Bank so as to better serve the real economy, the Company initiated the A-share right issue and the H-share right issue, which were completed on June 27 and July 27, 2023, respectively.

The A-share right issue was approved by the China Securities Regulatory Commission's "Approval of the Right Issue of China Zheshang Bank Co., Ltd." (Zheng Jian Xu Ke [2023] No. 339). The Company placed shares to all A shareholders at a ratio of 3 shares for every 10 shares at a placing price of RMB2.02 per share. The net proceeds were RMB2.01 per A share. On June 9, 2023, the closing price of the Company's A shares on the Shanghai Stock Exchange was RMB2.88 per share. 4,829,739,185 A shares were actually issued under the A-share right issue, with an aggregate nominal value of RMB4,829,739,185, which were listed and traded on the Shanghai Stock Exchange on July 6, 2023.

The H-share right issue was approved by the China Securities Regulatory Commission's "Approval of the Issue of Overseas-Listed Foreign Shares by China Zheshang Bank Co., Ltd." (Zheng Jian Xu Ke [2023] No. 717). The Company placed shares to all H-shareholders on the basis of 3 shares for every 10 shares at a placing price of HK\$2.23 per share. The net proceeds raised amounted to HK\$2.20 per H share. On June 9, 2023, the closing price of the Company's H shares on the Hong Kong Stock Exchange was HK\$2.63 per share. 1,366,200,000 H shares were actually issued under the H-share right issue, with an aggregate nominal value of RMB1,366,200,000, which were listed and traded on the Main Board of the Hong Kong Stock Exchange on July 28, 2023.

2. Description on Change in Asset and Liability Structure

During the reporting period, the Company completed the A+H right issue, with total proceeds raised of approximately RMB9,756 million and HK\$3,047 million, respectively, and net proceeds of approximately RMB9,722 million and HK\$3,012 million after deduction of issuance expenses, all of which were applied to replenish the Company's core tier 1 capital.

Changes in Shares and Information on Shareholders

(III) Information on Shareholders of Ordinary Shares

Number of Shareholders of Ordinary Shares and Their Shareholdings

As of the end of the reporting period, the Bank had 262,473 shareholders of ordinary shares in total, including 262,358 shareholders of A Shares and 115 shareholders of H Shares. As of the end of the last month before the publication date of this Annual Report, there were 248,019 shareholders of ordinary shares in total, including 247,904 shareholders of A Shares and 115 shareholders of H Shares.

As of the end of the reporting period, the table of shareholdings of the top ten shareholders (excluding shares lent through the transfer facility) was as follows:

Unit: Share

Name of Shareholder (full name)	Increase/ decrease during the reporting period	Number of shares held at the end of period	Proportion (%)	Class of shares	Pledge and freezing		Nature of shareholders
					Status of Shares	Number	
HKSCC Nominees Limited	+1,366,123,680	5,919,867,480	21.55	H Share without selling restrictions	unknown	-	-
Zhejiang Provincial Financial Holdings Co., Ltd.	+796,633,132	3,452,076,906	12.57	A Share without selling restrictions	-	-	State-owned Legal Person
Hengdian Group Holdings Limited	+372,817,474	1,615,542,387	5.88	A Share without selling restrictions	-	-	Domestic Non-state-owned Legal Person
Zhejiang Provincial Energy Group Co., Ltd.	+250,353,326	1,091,531,078	3.97	A Share without selling restrictions	-	-	State-owned Legal Person
Taiping Life Insurance Co., Ltd.	+921,538,465	921,538,465	3.36	A Share without selling restrictions	-	-	State-owned Legal Person
Shandong International Trust Co., Ltd.	+774,105,497	774,105,497	2.82	A Share without selling restrictions	-	-	State-owned Legal Person
Minsheng Life Insurance Co., Ltd. – self owned capital	-34,632,189	768,593,847	2.80	A Share without selling restrictions	-	-	Domestic Non-state-owned Legal Person
Zhejiang Hengyi High-tech Material Co., Ltd.	+152,420,785	660,490,068	2.40	A Share without selling restrictions	pledged	508,069,283	Domestic Non-state-owned Legal Person
Zhejiang Hengyi Group Co., Ltd.	+148,396,689	643,052,319	2.34	A Share without selling restrictions	pledged	643,052,319	Domestic Non-state-owned Legal Person
Xizi Elevator Group Co., Ltd.	+142,452,411	612,160,446	2.23	A Share without selling restrictions	-	-	Domestic Non-state-owned Legal Person

Notes:

- The number of shares held by HKSCC Nominees Limited was the sum of shares of the Company's holders of H-shares which were trading in its transaction system.

Changes in Shares and Information on Shareholders

2. As of the end of the reporting period, among the top ten shareholders mentioned above, Zhejiang Hengyi High-tech Material Co., Ltd. and Zhejiang Hengyi Group Co., Ltd. have a connected relationship. Apart from that, the Bank is not aware of other connected relationship between the above shareholders or whether they are parties acting in concert.
3. To the knowledge of the Company, as of the end of the reporting period, a shareholder, Zhejiang Provincial Energy Group Co., Ltd participated in the lending business of transferring securities through a brokerage firm and lent 2,000,000 shares of the Company; such shares were not registered in the name of Zhejiang Provincial Energy Group Co., Ltd during the period of lending, but the ownership has not been transferred, while none of the other shareholders as shown in the table was involved in the lending business of transferring securities.
4. As of the end of the reporting period, Taiping Life Insurance Co., Ltd., Shandong International Trust Co., Ltd. and Xizi Elevator Group Co., Ltd., each has newly become one of the top ten shareholders, Traveller Automobile Group Co., Ltd. (not holding any ordinary shares in our Bank at the end of the reporting period), Zhejiang Yongli Industry Group Co., Ltd.(holding 548,453,371 A Shares in our Bank at the end of the reporting period, representing 2.00% of the total share capital), Tong Lian Capital Management Co., Ltd. (not holding any ordinary shares in our Bank at the end of the reporting period) were not the top ten shareholders anymore; none of the aforesaid shareholders was involved in the refinancing securities and lending business.

(IV) Information on the Controlling Shareholders and De Facto Controllers

As of the end of the reporting period, the Bank had no controlling shareholders and de facto controllers.

(V) Information on the Company's Largest Shareholder of Ordinary Share

As of the end of the reporting period, Zhejiang Provincial Financial Holdings Co., Ltd. held 12.57% of the shares of the Company and was the Company's largest shareholder.

Zhejiang Provincial Financial Holdings Co., Ltd. was established in September 2012 with the uniform social credit code of 913300000542040763 and its legal representative was Yang Qiangmin (楊強民). With a registered capital of RMB12.0 billion and registered in Hangzhou, Zhejiang Province, Zhejiang Provincial Financial Holdings Co., Ltd. is a financial investment management platform of Zhejiang Provincial Government, mainly focuses on Zhejiang's high-quality development and construction of common wealth demonstration area, financial modernization, global advanced manufacturing base and innovation curbing construction in accordance with the deployment of the Zhejiang Provincial Party Committee and Provincial Government, and mainly operates in such four major sectors as the operation and management of the government fund, financial capital investment and operation, digital science and technology and data assets, and strategic supportive investment.

Changes in Shares and Information on Shareholders

(VI) Information on Substantial Shareholders of Ordinary Shares

As at December 31, 2023

Unit: Share, %

No.	Name of Shareholder	Number of shares held (share)	Separately shareholding ratio	Jointly shareholding ratio	Reasons for being the Substantial Shareholders	Number of pledged shares	Controlling shareholders	De facto controllers	Parties acting in concert	Ultimate beneficial owners
1	Zhejiang Provincial Financial Holdings Co., Ltd.	3,452,076,906	12.57	12.57	Holding 5% or more of our Bank's shares and dispatch Directors to our Bank	-	Zhejiang Provincial Department of Finance	Zhejiang Provincial Department of Finance	Nil	Zhejiang Provincial Financial Holdings Co., Ltd.
2	Zhejiang Provincial Energy Group Co., Ltd.	1,091,531,078	3.97	6.72	Holding 5% or more of our Bank's shares in total with the related parties and jointly dispatch Directors to our Bank	-	State-owned Assets Supervision and Administration Commission of the People's Government of Zhejiang Province	State-owned Assets Supervision And Administration Commission of the People's Government of Zhejiang Province	Nil	Zhejiang Provincial Energy Group Co., Ltd.
3	Zheneng Capital Investment (Hong Kong) Limited (H share)	475,322,900	1.73			-	Zheneng Capital Holdings Limited		Nil	Zheneng Capital Holdings Limited
4	Zhejiang Energy International Co., Ltd. (H share)	280,075,000	1.02			-	Zhejiang Energy Group Co., Ltd.		Nil	Zhejiang Energy International Co., Ltd.

Changes in Shares and Information on Shareholders

No.	Name of Shareholder	Number of shares held (share)	Separately shareholding ratio	Jointly shareholding ratio	Reasons for being the Substantial Shareholders	Number of pledged shares	Controlling shareholders	De facto controllers	Parties acting in concert	Ultimate beneficial owners
5	Zhejiang Hengyi High-tech Material Co., Ltd.	660,490,068	2.40	5.88	Holding 5% or more of our Bank's shares in total with the related parties and jointly dispatch Directors to our Bank	508,069,283	Zhejiang Hengyi Petrochemical Co., Ltd.	Qiu Jianlin (邱建林)	Nil	Zhejiang Hengyi High-tech Material Co., Ltd.
6	Zhejiang Hengyi Group Co., Ltd.	643,052,319	2.34			643,052,319	Hangzhou Wan Yong Industrial Investment Co., Ltd.		Nil	Zhejiang Hengyi Group Co., Ltd.
7	Zhejiang Hengyi Petrochemical Co., Ltd.	312,000,000	1.14			240,000,000	Heng Yi Petrochemical Co., Ltd.		Nil	Zhejiang Hengyi Petrochemical Co., Ltd.
8	Hengdian Group Holdings Limited	1,615,542,387	5.88	5.88	Holding 5% or more of our Bank's shares and dispatch Directors to our Bank	-	Dongyang Hengdian Association For Economics Corporation	Dongyang Hengdian Association For Economics Corporation	Nil	Hengdian Group Holdings Limited
9	Zhejiang Seaport (Hong Kong) Co., Limited (H share)	1,203,410,000	4.38	5.02	Holding 5% or more of our Bank's shares in total with the related parties and jointly dispatch Directors to our Bank	-	Zhejiang Harbor Asset Management Co., Ltd.	State-owned Assets Supervision And Administration Commission of the People's Government of Zhejiang Province	Nil	Zhejiang Provincial Seaport Investment & Operation Group Co., Ltd.
10	Zhejiang Provincial Seaport Investment & Operation Group Co., Ltd. (H share)	175,890,000	0.64			-	Ningbo Municipal People's Government State-owned Assets Supervision and Administration Commission		Nil	Zhejiang Provincial Seaport Investment & Operation Group Co., Ltd.

Changes in Shares and Information on Shareholders

No.	Name of Shareholder	Number of shares held (share)	Separately shareholding ratio	Jointly shareholding ratio	Reasons for being the Substantial Shareholders	Number of pledged shares	Controlling shareholders	De facto controllers	Parties acting in concert	Ultimate beneficial owners
11	Zhejiang China Light & Textile Industrial City Group Co., Ltd.	582,989,506	2.12			-	Shaoxing City Kejiao District Development and Operation Group Co., Ltd.		Nil	Zhejiang China Light & Textile Industrial City Group Co., Ltd.
12	Shaoxing City Kejiao District Development and Operation Group Co., Ltd.	393,891,313	1.43	3.56	Dispatch Supervisors to our Bank with the related parties jointly	-	Shaoxing Kejiao District State-owned Assets Investment and Operation Co., Ltd.	Shaoxing Kejiao District People's Government	Nil	Shaoxing City Kejiao District Development and Operation Group Co., Ltd.

(VII) Pledge and Freezing of Ordinary Shares

As at the end of the reporting period, to the knowledge of the Company, 2,459,649,222 shares of the Bank (representing 8.96% of the total ordinary shares in issue) were pledged, of which, 258,185,029 shares were subject to judicial freezing.

(VIII) Interests in Shares and Short Positions in Accordance with the Hong Kong Securities and Futures Ordinance

As of December 31, 2023, in accordance with the register kept by the Company under section 336 of the SFO and so far as the Company is aware, the following persons (excluding the Company's Directors, supervisors and chief executive (as defined in the Hong Kong Listing Rules)) had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or directly or indirectly held 5% or more of any class of share capital of the Company:

Name of Shareholder	Nature of interests and capacity	Class	Long/short position	Number of shares (Shares)	Approximate percentage of interest (%)	Approximate percentage of the relevant class of shares (%)
Zhejiang Provincial Financial Holdings Co., Ltd.	Beneficial owner	A Shares	Long position	3,452,076,906	12.57	16.02
Zhejiang Hengyi Group Co., Ltd.	Beneficial owner and Interest of controlled corporation	A Shares	Long position	1,615,542,387	5.88	7.50
Qiu Jianlin (邱建林)	Interest of controlled corporation	A Shares	Long position	1,615,542,387	5.88	7.50

Changes in Shares and Information on Shareholders

Name of Shareholder	Nature of interests and capacity	Class	Long/short position	Number of shares (Shares)	Approximate percentage of interest (%)	Approximate percentage of the relevant class of shares (%)
Hengdian Group Holdings Limited	Beneficial owner	A Shares	Long position	1,615,542,387	5.88	7.50
Hengdian Association For Economics Corporation	Interest of controlled corporation	A Shares	Long position	1,615,542,387	5.88	7.50
Zhejiang Provincial Energy Group Co., Ltd.	Beneficial owner	A Shares	Long position	1,091,531,078	3.97	5.07
Zhejiang Provincial Energy Group Co., Ltd.	Interest of controlled corporation	H Shares	Long position	755,397,900	2.75	12.76
Zhejiang Energy Capital Holdings Co., Ltd.	Interest of controlled corporation	H Shares	Long position	755,397,900	2.75	12.76
Zheneng Capital Investment (Hong Kong) Limited	Beneficial owner	H Shares	Long position	475,322,900	1.73	8.03
Zhejiang Provincial Seaport Investment & Operation Group Co., Ltd.	Beneficial owner and Interest of controlled corporation	H Shares	Long position	1,379,300,000	5.02	23.30
Zhejiang Seaport (Hong Kong) Co., Limited	Beneficial owner	H Shares	Long position	1,203,410,000	4.38	20.33
Zhejiang Seaport Asset Management Co., Limited	Interest of controlled corporation	H Shares	Long position	1,203,410,000	4.38	20.33
Yancoal International (Holding) Company Limited	Beneficial owner	H Shares	Long position	933,897,000	3.40	15.77
Yanzhou Coal Mining Company Limited	Interest of controlled corporation	H Shares	Long position	933,897,000	3.40	15.77
Yankuang Group Company Limited	Interest of controlled corporation	H Shares	Long position	933,897,000	3.40	15.77
Aeon Life Insurance Co. Ltd.	Beneficial owner	H Shares	Long position	349,611,600	1.27	5.91

Save as disclosed above, the Company was unaware of any other person (excluding the Company's Directors, Supervisors and chief executive (as defined in the Hong Kong Listing Rules)) who had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or any interest or short position as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO on December 31, 2023.

Changes in Shares and Information on Shareholders

(IX) Issue of Bonds

On June 13, 2018, according to the approvals in the documents issued by the former CBIRC (Yin Jian Fu [2017] No. 339) and People's Bank of China (Yin Shi Chang Xu Zhun Yu Zi [2017] No. 232), the Company publicly issued the first tranche of tier 2 capital bonds of 2018 of China Zheshang Bank Co., Ltd. in an amount of RMB15 billion in the national inter-bank bond market. This tranche of bonds has a term of 10 years and bears interest at fixed interest rate, and the Company may exercise the right of redemption with pre-conditions upon the expiry of the first five-year period. Raised proceeds will all be used to replenish the tier 2 capital of the Company. The Company was awarded an entity credit rating of AAA by China Chengxin International Credit Rating Co., Ltd. with a stable rating outlook, and the credit rating for this tranche of tier 2 capital bonds was AA+. On June 15, 2023, the Company elected to redeem all the bonds.

On March 3, 2020, according to the approvals in the documents issued by the former CBIRC (Yin Bao Jian Fu [2019] No. 1096) and People's Bank of China (Yin Shi Chang Xu Zhun Yu Zi [2020] No. 14), the Company publicly issued the first tranche of 2020 special financial bonds for small and micro corporate of China Zheshang Bank Co., Ltd. in the amount of RMB10 billion in the national inter-bank bond market. On April 8, 2020, according to the approvals in the documents issued by the former CBIRC (Yin Bao Jian Fu [2019] No. 1096) and People's Bank of China (Yin Shi Chang Xu Zhun Yu Zi [2020] No. 14), the Company publicly issued the second tranche of 2020 special financial bonds for small and micro corporate of China Zheshang Bank Co., Ltd. in the amount of RMB15 billion in the national inter-bank bond market. These two tranches of bonds have the term of 3 years and bear interest at fixed interest rate, and all proceeds from the issue of the bonds will be used to extend small and micro corporate loans pursuant to applicable laws and approval from regulatory authorities. The Company was awarded an entity credit rating of AAA by China Chengxin International Credit Rating Co., Ltd. with a stable rating outlook, and the credit rating for these two tranches of financial bonds was AAA. The above two tranches of bonds were matured and redeemed on March 5, 2023 and April 10, 2023 respectively.

On September 24, 2021, according to the approvals in the documents issued by the former CBIRC (Yin Bao Jian Fu [2021] No. 717) and People's Bank of China (Yin Xu Zhun Yu Zi [2021] No. 19), the Company publicly issued the first tranche of 2021 special financial bonds for small and micro corporate loans of China Zheshang Bank Co., Ltd. in the amount of RMB10 billion in the national inter-bank bond market. This tranche of bonds has a term of 3 years and bear interest at fixed interest rate, and all proceeds from the issue of the bonds will be used specially for extending small and micro corporate loans. The Company was awarded an entity credit rating of AAA by China Chengxin International Credit Rating Co., Ltd. with a stable rating outlook, and the credit rating for this tranche of financial bonds was AAA.

On February 23, 2022, according to the approvals in the documents issued by the former CBIRC (Yin Bao Jian Fu [2021] No. 717) and People's Bank of China (Yin Xu Zhun Yu Zi [2021] No. 19), the Company publicly issued the first tranche of 2022 special financial bonds for small and micro corporate loans of China Zheshang Bank Co., Ltd. in the amount of RMB10 billion in the national inter-bank bond market. On April 7, 2022, according to the approvals in the documents issued by the former CBIRC (Yin Bao Jian Fu [2021] No. 717) and People's Bank of China (Yin Xu Zhun Yu Zi [2021] No. 19), the Company publicly issued the second tranche of 2020 special financial bonds for small and micro corporate loans of China Zheshang Bank Co., Ltd. in the amount of RMB10 billion in the national inter-bank bond market. These two tranches of bonds have the term of 3 years and bear interest at fixed interest rate, and proceeds from the issue of the bonds will be used specially for extending small and micro corporate loans,

Changes in Shares and Information on Shareholders

increasing the support for credit availability to small and micro enterprises as well as boosting stable and healthy development of the businesses of small and micro enterprises pursuant to applicable laws and approval from regulatory authorities. The Company was awarded an entity credit rating of AAA by China Chengxin International Credit Rating Co., Ltd. with a stable rating outlook, and the credit rating for these two tranches of financial bonds was AAA.

On October 18, 2022, according to the approvals in the Affirmative Decision of Administrative License from People's Bank of China 《中國人民銀行准予行政許可決定書》 issued by People's Bank of China (Yin Xu Zhun Yu Jue Zi [2022] No. 40), the Company publicly issued the third tranche of 2022 special financial bonds for small and micro corporate loans of China Zheshang Bank Co., Ltd. in the amount of RMB10 billion in the national inter-bank bond market. This tranche of bonds has a term of 3 years for RMB5 billion and a term of 5 years for remaining RMB5 billion and bear interest at fixed interest rate, and proceeds from the issue of the bonds will be used specially for extending small and micro corporate loans and supporting the construction of Zhejiang Demonstration Zone for Common Prosperity. The Company was awarded an entity credit rating of AAA by China Chengxin International Credit Rating Co., Ltd. with a stable rating outlook, and the credit rating for this tranche of financial bonds was AAA.

On December 13, 2022, according to the approvals in the Affirmative Decision of Administrative License from People's Bank of China 《中國人民銀行准予行政許可決定書》 issued by People's Bank of China (Yin Xu Zhun Yu Jue Zi [2022] No. 40), the Company publicly issued 2022 green financial bonds of China Zheshang Bank Co., Ltd. in the amount of RMB10 billion in the national inter-bank bond market. This tranche of bonds has a term of 3 years and bears interest at fixed interest rate, and proceeds from the issue of the bonds will be used in the green industrial projects stipulated by Green Bond Endorsed Project Catalogue (2021 Edition) 《綠色債券支持項目目錄(2021年版)》 pursuant to applicable laws and approval from regulatory authorities. The Company was awarded an entity credit rating of AAA by China Chengxin International Credit Rating Co., Ltd. with a stable rating outlook, and the credit rating for this tranche of financial bonds was AAA.

On December 13, 2022, according to the approvals in the Affirmative Decision of Administrative License from People's Bank of China 《中國人民銀行准予行政許可決定書》 issued by People's Bank of China (Yin Xu Zhun Yu Jue Zi [2022] No. 40), the Company publicly issued 2022 special financial bonds for "agriculture, rural areas and farmers" of China Zheshang Bank Co., Ltd. in the amount of RMB5 billion in the national inter-bank bond market. This tranche of bonds has a term of 3 years and bears interest at fixed interest rate, and all proceeds from the issue of the bonds will be used specially for extending agriculture-related loans, increasing the support for credit availability to the fields of "agriculture, rural areas and farmers", boosting the development of issuers' financial services regarding "agriculture, rural areas and farmers" in a rapid and healthy manner, and strengthening the support for financial services regarding rural revitalization pursuant to applicable laws and approval from regulatory authorities. The Company was awarded an entity credit rating of AAA by China Chengxin International Credit Rating Co., Ltd. with a stable rating outlook, and the credit rating for this tranche of financial bonds was AAA.

On April 24, 2023, according to the approvals in the Affirmative Decision of Administrative License from People's Bank of China 《中國人民銀行准予行政許可決定書》 issued by People's Bank of China (Yin Xu Zhun Yu Jue Zi [2023] No. 32), the Company publicly issued the first tranche of 2023 special financial bonds for small and micro corporate loans of China Zheshang Bank Co., Ltd. in the amount of RMB10 billion in the national inter-bank bond market. This tranche of bonds has a term of 3 years and bears interest at fixed interest rate, and all proceeds from the issue of the bonds will be used specially

Changes in Shares and Information on Shareholders

for extending small and micro corporate loans, increasing the support for credit availability to small and micro enterprises as well as boosting stable and healthy development of the businesses of small and micro enterprises. The Company was awarded an entity credit rating of AAA by China Chengxin International Credit Rating Co., Ltd. with a stable rating outlook, and the credit rating for this tranche of financial bonds was AAA.

On May 25, 2023, according to the Approvals by CBIRC on the Issuance of Capital Instruments by China Zheshang Bank Co., Ltd (《中國銀保監會關於浙商銀行發行資本工具的批覆》) issued by former CBIRC (Yin Bao Jian Fu [2023] No. 254) and the approvals in the Affirmative Decision of Administrative License from People's Bank of China (《中國人民銀行准予行政許可決定書》) issued by People's Bank of China (Yin Xu Zhun Yu Jue Zi [2023] No. 32), the Company publicly issued tier 2 capital bonds of 2023 China Zheshang Bank Co., Ltd. in an amount of RMB20 billion in the national inter-bank bond market. This tranche of bonds has a term of 10 years and bears interest at fixed interest rate, with a conditional issuer's redemption right at the end of the 5th year, which entitles the issuer to redeem the bonds partially or wholly at par subject to the approval of the relevant regulatory authorities. All proceeds from the issue of the bonds will be used to replenish the tier 2 capital of the Company and optimize its capital structure and promote the sound development of its business. The Company was awarded an entity credit rating of AAA by China Chengxin International Credit Rating Co., Ltd. with a stable rating outlook, and the credit rating for this tranche of tier 2 capital bonds was AAA.

On July 24, 2023, according to the approvals in the Affirmative Decision of Administrative License from People's Bank of China (《中國人民銀行准予行政許可決定書》) issued by People's Bank of China (Yin Xu Zhun Yu Jue Zi [2023] No. 32), the Company publicly issued the first tranche of 2023 financial bonds of China Zheshang Bank Co., Ltd in the amount of RMB30 billion in the national inter-bank bond market. This tranche of bonds has a term of 3 years and bears interest at fixed interest rate, and all proceeds from the issue of the bonds will be used to meet the needs of asset liability allocation, enrich funding sources, optimize debt maturity structure, and promote stable business development. The Company was awarded an entity credit rating of AAA by China Chengxin International Credit Rating Co., Ltd. with a stable rating outlook, and the credit rating for this tranche of financial bonds was AAA.

On November 3, 2023, according to the approvals in the Affirmative Decision of Administrative License from People's Bank of China (《中國人民銀行准予行政許可決定書》) issued by People's Bank of China (Yin Xu Zhun Yu Jue Zi [2023] No. 32), the Company publicly issued the second tranche of 2023 special financial bonds for small and micro corporate loans of China Zheshang Bank Co., Ltd in the amount of RMB15 billion in the national inter-bank bond market. This tranche of bonds has a term of 3 years and bears interest at fixed interest rate, and all proceeds from the issue of the bonds will be used specially for extending small and micro corporate loans, increasing the support for credit availability to small and micro enterprises as well as boosting stable and healthy development of the businesses of small and micro enterprises. The Company was awarded an entity credit rating of AAA by China Chengxin International Credit Rating Co., Ltd. with a stable rating outlook, and the credit rating for this tranche of financial bonds was AAA.

On November 23, 2023, according to the Approvals by CBIRC on the Issuance of Capital Instruments by China Zheshang Bank Co., Ltd (《中國銀保監會關於浙商銀行發行資本工具的批覆》) issued by former CBIRC (Yin Bao Jian Fu [2023] No. 254) and the approvals in the Affirmative Decision of Administrative License from People's Bank of China (《中國人民銀行准予行政許可決定書》) issued by People's Bank of China (Yin Xu Zhun Yu Jue Zi [2023] No. 32), the Company publicly issued the second tranche of tier

Changes in Shares and Information on Shareholders

2 capital bonds of 2023 China Zheshang Bank Co., Ltd. in an amount of RMB10 billion in the national inter-bank bond market. This tranche of bonds has a term of 10 years and bears interest at fixed interest rate, with a conditional issuer's redemption right at the end of the 5th year, which entitles the issuer to redeem the bonds partially or wholly at par subject to the approval of the relevant regulatory authorities. All proceeds from the issue of the bonds will be used to replenish the tier 2 capital of the Company and optimize its capital structure and promote the sound development of its business. The Company was awarded an entity credit rating of AAA by China Chengxin International Credit Rating Co., Ltd. with a stable rating outlook, and the credit rating for this tranche of tier 2 capital bonds was AAA.

(X) Information about Offshore Preference Shares

As of the end of the reporting period, the Company had no surviving preference shares.

(XI) Information about Undated Capital Bond

As considered and approved at the sixth extraordinary meeting of the fifth session of the Board of the Company in 2020 and the Company's 2021 first extraordinary general meeting and with the approval from the former CBIRC and the People's Bank of China, the Company successfully issued undated capital bonds with a total issue amount of RMB25.0 billion on November 25, 2021 in China's national inter-bank bond market. The coupon rate is 3.85% during the first five years and will be adjusted every five years. The Company shall be entitled to redeem the bonds, in total or in partial, on every distribution payment date since the fifth distribution payment date (inclusive). All the proceeds will be used to replenish the Company's additional tier 1 capital.

Information on Directors, Supervisors, Senior Management, Employees and Institutions

(I) Directors, Supervisors and Senior Management

1. Basic information of Directors, Supervisors and senior management as at the end of the reporting period

Name	Position	Gender	Date of birth	Term of office	Number of Shares held at the beginning of period (Shares)	Number of Shares held at the end of period (Shares)	Remuneration before taxes from the Company during the reporting period (RMB in ten thousand)	Whether remunerated by related parties of the Company
Lu Jianqiang (陸建強)	Chairman, Executive Director	male	1965.04	2023.08-2024.07	0	0	93.43	No
Zhang Rongsen (張榮森)	Executive Director, President	male	1968.10	2021.08-2024.07	1,341,100	1,743,430	226.30	No
Ma Hong (馬紅)	Executive Director	female	1972.04	2021.11-2024.07	63,900	83,070	140.32	No
Chen Haiqiang (陳海強)	Executive Director, Vice President, and Former Chief Risk Officer	male	1974.10	2021.11-2024.07 (Executive Director) 2020.07-2024.07 (Vice President) 2021.06-2023.12 (Chief Risk Officer)	580,000	754,000	191.15	No
Hou Xingchuan (侯興剡)	Non-executive Director	male	1976.07	2022.01-2024.07	0	0	-	Yes
Ren Zhixiang (任志祥)	Non-executive Director	male	1969.02	2020.11-2024.07	0	0	-	Yes
Gao Qinrong (高勤紅)	Non-executive Director	female	1963.07	2004.07-2024.07	0	0	-	Yes
Hu Tiangao (胡天高)	Non-executive Director	male	1965.09	2004.07-2024.07	0	0	-	Yes
Zhu Weiming (朱瑋明)	Non-executive Director	male	1969.03	2016.12-2024.07	0	0	-	Yes
Zhou Zhifang (周志方)	Independent Non-executive Director	male	1956.12	2018.10-2024.07	0	0	38.00	No
Wang Guocai (王國才)	Independent Non-executive Director	male	1956.11	2018.10-2024.07	0	0	36.00	No
Wang Wei (汪偉)	Independent Non-executive Director	male	1967.08	2020.11-2024.07	0	0	34.00	No

Information on Directors, Supervisors, Senior Management, Employees and Institutions

Name	Position	Gender	Date of birth	Term of office	Number of	Number of	Remuneration	Whether remunerated by related parties of the Company
					Shares held at the beginning of period (Shares)	Shares held at the end of period (Shares)	before taxes from the Company during the reporting period (RMB in ten thousand)	
Xu Yongbin (許永斌)	Independent Non-executive Director	male	1962.12	2022.02-2024.07	0	0	36.00	No
Fu Tingmei (傅廷美)	Independent Non-executive Director	male	1966.05	2023.05-2024.07	0	0	23.00	No
Zheng Jindu (鄭金都)	Former Independent Non-executive Director	male	1964.07	2016.01-2023.07	0	0	19.83	No
Guo Dingfang (郭定方)	Employee Supervisor, Chairman of supervisory committee	male	1969.10	2021.07-2024.07	0	0	118.39	No
Wu Fanghua (吳方華)	Employee Supervisor	male	1972.08	2023.01-2024.07	0	52,000	-	No
Peng Zhiyuan (彭志遠)	Employee Supervisor	male	1976.01	2023.01-2024.07	0	0	-	No
Chen Zhongwei (陳忠偉)	Employee Supervisor	male	1970.09	2018.06-2024.02	0	0	-	No
Ma Xiaofeng (馬曉峰)	Shareholder Supervisor	male	1977.09	2023.12-2024.07	0	0	-	Yes
Gao Qiang (高強)	External Supervisor	male	1960.09	2022.06-2024.07	0	0	32.00	Yes
Zhang Fanquan (張范全)	External Supervisor	male	1960.10	2021.07-2024.07	0	0	32.00	No
Song Qinghua (宋清華)	External Supervisor	male	1965.09	2021.07-2024.07	0	0	30.00	No
Chen Sanlian (陳三聯)	External Supervisor	male	1964.11	2021.07-2024.07	0	0	30.00	Yes
Pan Huafeng (潘華楓)	Former Employee Supervisor	male	1972.01	2021.07-2023.05	0	0	-	No
Jing Feng (景峰)	Vice President, Chief Financial Officer	male	1979.12	2018.12-2024.01 (Chief Financial Officer) 2021.12-2024.07 (Vice President)	573,000	744,900	191.15	No

Information on Directors, Supervisors, Senior Management, Employees and Institutions

Name	Position	Gender	Date of birth	Term of office	Number of Shares held at the beginning of period (Shares)	Number of Shares held at the end of period (Shares)	Remuneration before taxes from the Company during the reporting period (RMB in ten thousand)	Whether remunerated by related parties of the Company
Luo Feng (駱峰)	Vice President	male	1979.09	2021.12–2024.07	572,300	743,990	191.15	No
Lin Jingran (林靜然)	Vice President	male	1974.06	2023.11–2024.07	0	234,000	16.33	No
Zhou Weixin (周偉新)	President Assistant	male	1971.06	2023.09–2024.07	0	0	58.42	No
Liu Long (劉龍)	Former Vice President, Secretary to the Board	male	1965.09	2016.04–2023.04 (Vice President) 2015.02–2023.04 (Secretary to the Board)	1,347,900	1,752,270	63.49	No
Jiang Rong (姜戎)	Former Chief Audit Officer	male	1969.12	2021.08–2023.12	159,400	207,220	164.51	No

Notes:

Nomination of Directors of the sixth session of the Board of the Company is as follows: Hou Xingchuan (Director) was nominated by Zhejiang Provincial Financial Holdings Co., Ltd. (shareholder); Ren Zhixiang (Director) was nominated by Zhejiang Provincial Energy Group Co., Ltd., Zhejiang Energy Capital Holdings Co., Ltd. (浙能資本控股有限公司), and Zhejiang Energy International Co., Ltd. (shareholders); Gao Qinhong (Director) was nominated by Zhejiang Hengyi Group Co., Ltd., Zhejiang Hengyi Petrochemical Co., Ltd. and Zhejiang Hengyi High-tech Material Co., Ltd. (shareholders); Hu Tiangao (Director) was nominated by Hengdian Group Holdings Limited (shareholder); and Zhu Weiming (Director) was nominated by Zhejiang Provincial Seaport Investment & Operation Group Co., Ltd. and Zhejiang Seaport (Hong Kong) Co., Limited (shareholders).

The nomination of the present shareholder supervisors of the sixth session of the supervisory committee of the Company is as follows: Ma Xiaofeng (Supervisor) was nominated by Zhejiang China Textile City Group Co., Ltd., and Shaoxing City Keqiao District Development and Operation Group Co., Ltd (shareholders).

The Company's employee Supervisors receive their remuneration with respect to their posts as employees and do not receive any remuneration as employee Supervisors.

The time of the beginning of the term of Directors and senior management shall be subject to the approval time of the regulatory authority, and shall be effective from the date of first appointment for re-elected Directors, Supervisors and senior management.

The aggregate pre-tax remunerations of certain Directors, Supervisors and senior management of the Company are still pending verified, and the information about the pre-tax remunerations of other staff will be disclosed separately upon confirmation of payment.

Information on Directors, Supervisors, Senior Management, Employees and Institutions

2. Changes of Directors, Supervisors and senior management

Directors

On February 6, 2023, Mr. Zhuang Yuemin resigned as a Non-executive Director of the Company as he needed to devote more time to other personal commitments. As at the effective date of his resignation, Mr. Zhuang Yuemin's qualification for directorship has not been approved by the regulatory authorities.

From April 19 to 25, 2023, the Company held the second extraordinary meeting of the sixth session of the Board of Directors 2023 by written transmission of signatures and elected Mr. Lu Jianqiang as the Chairman of the sixth session of the Board of Directors. On August 9, 2023, Mr. Lu Jianqiang's qualification to serve as an executive Director and Chairman of the Board of Directors of the Company was approved by the National Financial Regulatory Administration (the "NFRA"), and he formally assumed his duties.

On May 4, 2023, Mr. Fu Tingmei's qualification to serve as an Independent Non-executive Director of the Company was approved by the former CBIRC (now the NFRA), and he formally assumed his duties.

On May 4, 2023, the Company held its 2022 Annual General Meeting and elected Mr. Lou Weizhong as an Independent Non-executive Director of the sixth session of the Board of Directors, whose qualification for directorship are subject to the approval of the NFRA.

On July 5, 2023, Mr. Zheng Jindu resigned as an Independent Non-executive Director of the Company, a member of the Risk and Related Party Transaction Control Committee under the Board and the Consumer Rights Protection Committee under the Board due to the fact that he had served as an Independent Non-executive Director of the Company for a consecutive period of six years, and such resignation took effect upon the delivery of the resignation report to the Board of the Company.

On August 21, 2023, Mr. Guan Pinfang resigned as an Independent Non-executive Director of the Company due to personal health and time arrangement. As at the effective date of his resignation, Mr. Guan Pinfang's qualification for directorship has not been approved by the regulatory authorities.

On December 19, 2023, the Company held the first extraordinary general meeting of 2023 and elected Mr. Ying Yuxiang as a Non-executive Director of the sixth session of the Board of Directors, whose qualification for directorship is subject to the approval of the NFRA.

On January 31, 2024, the Company held the 2024 First Extraordinary Meeting of the sixth session of the Board of Directors and approved the Proposal on Nominating Mr. Wu Zhijun as a Director Candidate for China Zheshang Bank Co., Ltd. The proposal is yet to be considered at the general meeting.

On March 28, 2024, the Company held the twelfth meeting of the sixth session of the Board of Directors and approved the Proposal on Nominating Mr. Shi Hao as an Independent Director Candidate for China Zheshang Bank Co., Ltd. The proposal is subject to consideration at the general meeting.

Information on Directors, Supervisors, Senior Management, Employees and Institutions

Supervisors

On January 12, 2023, the Company held the third workers and employees' congress of the third session and Mr. Wu Fanghua and Mr. Peng Zhiyuan were elected as employee Supervisors of the sixth session of the supervisory committee of CZBank.

On May 4, 2023, Mr. Pan Huafeng resigned as an employee Supervisor and member of the Supervision Committee of the supervisory committee of the Company due to adjustments to internal positions.

On December 19, 2023, the Company held the first extraordinary general meeting of 2023 and elected Mr. Ma Xiaofeng as a shareholder Supervisor of the sixth session of the supervisory committee.

On February 27, 2024, Mr. Chen Zhongwei tendered his resignation as an employee Supervisor and a member of the Supervision Committee of the supervisory committee of the Company due to adjustments to internal positions.

Senior Management

On April 28, 2023, Mr. Liu Long resigned as Vice President, Secretary to the Board of Directors, Company Secretary and authorized representative of the Company under Rule 3.05 of the Hong Kong Listing Rules due to his personal career planning arrangement.

On May 4, 2023, the third extraordinary meeting of the sixth session of the Board of Directors of the Bank in 2023 agreed to appoint Mr. Pan Huafeng as the President Assistant of the Company. On December 19, 2023, at the eleventh meeting of the sixth session of the Board of Directors of the Company, Mr. Pan Huafeng was agreed to be appointed as the Chief Risk Officer of the Company. On March 7, 2024, the qualification of Mr. Pan Huafeng to act as the President Assistant and the Chief Risk Officer of the Company was approved by the NFRA.

On June 25, 2023, at the ninth meeting of the sixth session of the Board of Directors of the Bank, it was agreed to appoint Mr. Lin Jingran as the Vice President of the Company, and on November 24, 2023, the qualification of Mr. Lin Jingran to act as the Vice President of the Company was approved by the NFRA.

On August 28, 2023, Mr. Zhou Weixin's qualification to serve as the President Assistant of the Company was approved by the NFRA.

On 27 October 2023, at the tenth meeting of the sixth session of the Board of Directors of the Company, it was agreed to appoint Mr. Luo Feng as the Secretary to the Board of Directors of the Company, and the appointment will be issued after the qualifications of the senior management are approved by the NFRA.

On December 1, 2023, Mr. Jiang Rong resigned as the Chief Audit Officer of the Company due to change of job position.

Information on Directors, Supervisors, Senior Management, Employees and Institutions

On December 19, 2023, at the eleventh meeting of the sixth session of the Board of Directors of the Company, the Company agreed to appoint Mr. Wang Chaoming as the President Assistant and the Chief Information Officer of the Company, a letter of appointment will be issued after the qualifications of the senior management are approved by the NFRA and dismissed Mr. Chen Haiqiang from the position of the Chief Risk Officer, a position concurrently held by Mr. Chen Haiqiang.

On January 19, 2024, Mr. Jing Feng resigned as the Chief Financial Officer of the Company as a result of a change in the division of responsibilities.

On January 31, 2024, at the first extraordinary meeting of the sixth session of the Board of Directors of the Company in 2024, it was agreed to appoint Mr. Hou Bo as the President Assistant of the Company, and the appointment will be issued after the qualifications of the senior management are approved by the NFRA.

3. Posts held by incumbent Directors, Supervisors and Senior Management in shareholders and those resigned during the reporting period

Name	Name of shareholder	Position in shareholders	Date of appointment	Date of termination
Hou Xingchuan	Zhejiang Provincial Financial Holdings Co., Ltd.	Member of the Party Committee, Deputy General Manager	January 2021	To date
Gao Qinhong	Zhejiang Hengyi Group Co., Ltd.	Chief Financial Advisor	April 2012	To date
Hu Tiangao	Hengdian Group Holdings Limited	Director and Senior Vice President	September 1995	To date
Ma Xiaofeng	Zhejiang China Textile City Group Co., Ltd.	Member of the Party Committee, Deputy General Manager	May 2021	April 2022
		Member of the Party Committee, Deputy General Manager, Secretary to the Board of Directors	April 2022	To date

Information on Directors, Supervisors, Senior Management, Employees and Institutions

4. Posts held by incumbent Directors, Supervisors and Senior Management in other companies and those resigned during the reporting period

Name	Name of other companies	Position in other companies	Date of appointment	Date of termination
Ren Zhixiang	Zhejiang Energy Capital Holdings Co., Ltd.	General manager	October 2019	To date
Ren Zhixiang	Zhejiang Energy Capital Holdings Co., Ltd.	Director	June 2020	To date
Ren Zhixiang	Zhejiang Fuzhe Investment Co., Ltd.	Director	April 2020	To date
Ren Zhixiang	Zheshang Property and Casualty Insurance Company Limited	Vice President	January 2021	To date
Ren Zhixiang	Orient Securities Co., Ltd.	Director	March 2021	To date
Hu Tiangao	Hengdian Group DMEGC Magnetics Co., Ltd.	Director	March 2008	To date
Hu Tiangao	Apeloa Pharmaceutical Co., Ltd.	Director	May 2008	To date
Hu Tiangao	Innuovo Technology Co., Ltd.	Director	April 2011	To date
Hu Tiangao	Hengdian Group Tospo Lighting Co., Ltd.	Director	January 2013	To date
Hu Tiangao	Hengdian Entertainment Co., Ltd.	Director	June 2015	To date
Hu Tiangao	Nanhua Futures Co., Ltd.	Director	April 2021	To date
Zhu Weiming	Zhejiang Seaport Asset Management Co., Ltd.	President	April 2016	To date
Zhu Weiming	Zhejiang Seaport Asset Management Co., Ltd.	General manager	November 2020	March 2023
Zhu Weiming	Zhejiang New Century Futures Co., Ltd.	Chairman	March 2023	To date
Zhu Weiming	Zhejiang Seaport Asset Finance Investment Management Co., Ltd.	Director	July 2016	May 2023
Zhu Weiming	Zhejiang Seaport Commodity Trading Center Co., Ltd.	Director	November 2022	To date
Wang Wei	Zhejiang University	Professor	August 1990	To date
Wang Wei	Financial Institute of Zhejiang Province	Dean	September 2017	To date
Wang Wei	Zhejiang Financial Association	Executive Vice President	June 2013	To date
Wang Wei	Betta Pharmaceutical Co., Ltd.	Independent Director	November 2019	To date
Wang Wei	Sunwave Communications Co., Ltd.	Independent Director	January 2020	To date
Wang Wei	Zhejiang E-Commerce Bank Co., Ltd.	Independent Director	April 2019	To date
Wang Wei	Wanxiang Trust Co., Ltd.	Independent Director	April 2017	To date
Wang Wei	ZhongWang Fabric Co., Ltd.	Independent Director	November 2021	November 2023
Xu Yongbin	Accounting Society of China	Member	May 1999	December 2023
Xu Yongbin	Zhejiang Association of CFO	Vice Chairman	May 2019	To date
Xu Yongbin	China Business Accounting Institute	Executive member	July 2014	To date
Xu Yongbin	Zheshang Development Group Co., Ltd.	Independent Director	August 2019	To date
Xu Yongbin	Zhejiang Yongtai Technology Co., Ltd.	Independent Director	July 2019	November 2023
Xu Yongbin	Hangzhou Steam Turbine Power Group Co., Ltd.	Independent Director	August 2022	To date

Information on Directors, Supervisors, Senior Management, Employees and Institutions

Name	Name of other companies	Position in other companies	Date of appointment	Date of termination
Xu Yongbin	Hangzhou United Rural Commercial Bank Co., Ltd.	Independent Director	October 2018	To date
Fu Tingmei	Postal Savings Bank of China Co., Ltd.	Independent Director	August 2016	March 2023
Fu Tingmei	Guotai Junan International Holdings Limited	Independent Director	June 2010	To date
Fu Tingmei	COFCO Joycome Foods Limited	Independent Director	May 2016	To date
Fu Tingmei	China Resources Pharmaceutical Group Limited	Independent Director	June 2016	To date
Fu Tingmei	China Resources Medical Holdings Company Limited	Independent Director	February 2023	To date
Zheng Jindu	Zhejiang L&H Law Firm	Director and partner	December 1998	To date
Zheng Jindu	Bank of Hangzhou Co., Ltd.	External Supervisor	July 2023	To date
Zheng Jindu	Hangzhou United Rural Commercial Bank Co., Ltd.	Independent Director	October 2018	To date
Zheng Jindu	Sanmen Chamber of Commerce in Hangzhou	Chairman	March 2014	To date
Zheng Jindu	Zhejiang Lawyers Association	Chairman of tenth council	June 2019	June 2023
Zheng Jindu	Zhejiang Law Society	Vice Chairman of eighth council	December 2020	To date
Zheng Jindu	All China Lawyers Association	Vice Chairman of tenth council	October 2021	To date
Zheng Jindu	Zhejiang Provincial Committee of the Chinese People's Political Consultative Conference	Member of Twelfth CPPCC Committee	January 2018	January 2023
Zheng Jindu	Zhejiang Chouzhou Financial Leasing Co., Ltd.	Independent Director	October 2023	To date
Chen Zhongwei	Zhejiang Zheyin Financial Leasing Co., Ltd.	Supervisor	June 2020	To date
Ma Xiaofeng	Shaoxing China Textile City Financial Holdings Ltd.	Manager, executive Director	October 2018	To date
Gao Qiang	Hangzhou Jiusheng Private Equity Fund Management Co., Ltd.	Chairman	January 2022	To date
Gao Qiang	Caitong Securities Co., Ltd.	Independent Director	November 2020	To date
Song Qinghua	Chongqing Rural Commercial Bank Co., Ltd.	Independent Director	September 2017	September 2023
Song Qinghua	Hubei Bank Corporation Limited	Independent Director	November 2022	To date
Song Qinghua	Ping An Property & Casualty Insurance Company of China	Independent Director	September 2023	To date
Chen Sanlian	Hengyi Petrochemical Co., Ltd.	Independent Director	August 2017	August 2023
Chen Sanlian	Zhejiang Weixing Intelligent Instrument Co., Ltd.	Independent Director	May 2021	To date
Chen Sanlian	Zhejiang Jinggong Science & Technology Co., Ltd.	Independent Director	August 2021	To date
Chen Sanlian	Wuchan Zhongda Group Co., Ltd.	Independent Director	May 2022	To date

Information on Directors, Supervisors, Senior Management, Employees and Institutions

5. Profile of Directors, Supervisors and senior management and information of their concurrent post as at the end of the reporting period

Directors

Lu Jianqiang (陸建強)

Mr. Lu Jianqiang is currently the Secretary of the Party Committee, and Chairman of the Board of Directors of the Company. He holds a master of philosophy, and is a chief senior economist. Mr. Lu has previously served as the deputy Director of Zhejiang Enterprise Records Management Center, the deputy Director of the office of Zhejiang Provincial Administration for Industry and Commerce, the Director of the business information management office of Zhejiang Provincial Administration for Industry and Commerce, the Director of the office of Zhejiang Provincial Administration for Industry and Commerce, a member of the Party Committee and the Director of the office of Zhejiang Provincial Administration for Industry and Commerce, the deputy Director of the general office and a member of the Party Committee of Zhejiang Provincial Committee of the Chinese People's Political Consultative Conference, the deputy Director of the general office and a member of the Party Committee of Zhejiang Provincial Government, a deputy secretary general and a member of the Party Committee of general office of Zhejiang Provincial Government, the secretary of the Party Committee and the Chairman of the Board of Caitong Securities Co., Ltd.. Currently, he also serves as the Chairman of the first council of Zhejiang Mergers and Acquisitions Association (浙江省併購聯合會), and Vice Chairman of the second council of Zhejiang Chamber of Commerce (浙商總會).

Zhang Rongsen (張榮森)

Mr. Zhang Rongsen is currently the deputy secretary of the Party Committee, executive Director and President of the Company. He holds a Doctoral degree and is a chief senior economist. Mr. Zhang served as President of Hangtianqiao Sub-branch, Beijing Branch, China Guangfa Bank, member of the Party Committee and assistant to President of Beijing Branch, China Guangfa Bank; Director of the preparations, secretary of the Party Committee and President of Beijing Branch, Bank of Jiangsu, and member of the Party Committee, Vice President and executive Director of Bank of Jiangsu; member of the Party Committee and Vice President of the Bank, and secretary of the Party Committee and President of Beijing Branch of the Bank.

Ma Hong (馬紅)

Ms. Ma Hong is currently the deputy secretary of the Party Committee, executive Director and Director of the Labor Union of the Company. She holds a postgraduate degree and is a senior economist. Ms. Ma Hong was deputy chief of the hygiene section of the logistics department of the Qingdao Garrison (青島警備區); deputy Director and Director of the hygiene section of the logistics department of Zhejiang Army Reserve Infantry Division (浙江陸軍預備役步兵師), associate consultant of the General Office of Cadres of the Organization Department of the Zhejiang Provincial Committee (浙江省委組織部幹部綜合處); associate consultant, deputy division chief, consultant and division chief of the Civil Servant Management Office of the Organization Department of the Zhejiang Provincial Committee (浙江省委組織部公務員管理處); and division chief and primary consultant of the First-division of Civil Servant of the Organization Department of the Zhejiang Provincial Committee (浙江省委組織部公務員一處).

Information on Directors, Supervisors, Senior Management, Employees and Institutions

Chen Haiqiang (陳海強)

Mr. Chen Haiqiang is currently a member of the Party Committee, executive Director, and Vice President of the Company. He holds a master degree and is a chief senior economist, with a university degree. Mr. Chen worked as deputy principal staff member at Zhejiang Branch, China Development Bank; deputy Director (in charge of work) of Ningbo Beilun Banking Office, President of Ningbo Beilun Branch, member of the Party Committee, assistant to President, and Vice President of Ningbo Branch, China Merchants Bank; secretary of the Party Committee and President of Ningbo Branch, China Zheshang Bank, the assistant to President of China Zheshang Bank, and secretary of the Party Committee and President of Hangzhou Branch of China Zheshang Bank, and CRO of China Zheshang Bank.

Hou Xingchuan (侯興釗)

Mr. Hou Xingchuan is currently a Non-executive Director of the Company. He holds a postgraduate degree and is an economist. Mr. Hou used to serve as a cadre of the Information Center (信息中心), associate chief officer of the Planning and Finance Division (計劃財務處) and chief officer of the Planning and Finance Division of Zhejiang Provincial Tax Service (浙江省地方稅務局), the deputy Director general (temporary position) of Jinhua Municipal Taxation Bureau, Jiangbei Branch (金華市地方稅務局江北分局); chief officer of the Office (辦公室), deputy Director general of the Planning and Finance Division and deputy Director of the Office of Zhejiang Provincial Tax Service; member of the Party Committee and Deputy General Manager (temporary position) of Zhejiang Development Asset Operations Co., Ltd. (浙江省發展資產經營有限公司); Level 6 management post of Zhejiang Financial Development Co., Ltd. (浙江省財務開發公司) and General Manager of the Strategic Development (戰略發展部) of Zhejiang Provincial Financial Holdings Co., Ltd.. He is currently a member of the Party Committee and Deputy General Manager of Zhejiang Provincial Financial Holdings Co., Ltd.

Ren Zhixiang (任志祥)

Mr. Ren Zhixiang is currently a Non-executive Director of the Company. He holds a Doctoral degree and is a chief senior economist. Mr. Ren worked as the Deputy General Manager of Investment Banking Department of Zhejiang International Trust and Investment Co., Ltd. (浙江省國際信託投資有限責任公司), senior Director of Asset Management Department and chief economist, deputy Director and Director of Strategic Management and Legal Department of Zhejiang Provincial Energy Group Co., Ltd. (浙江省能源集團有限公司). He currently serves as director, General Manager and deputy secretary of the Party Committee of Zhejiang Energy Capital Holdings Co., Ltd. (浙能資本控股有限公司), a Director of Orient Securities Co., Ltd., a Director of Zhejiang Fuzhe Investment Co., Ltd., and the Vice Chairman of Zheshang Property and Casualty Insurance Company Limited.

Gao Qinrong (高勤紅)

Ms. Gao Qinrong is currently a Non-executive Director of the Company. She holds a postgraduate degree and is a senior economist. Ms. Gao worked as accountant and credit manager of Xiaoshan Branch of Industrial and Commercial Bank of China. She also served as accountant and credit manager of Zhejiang Provincial Branch of Industrial and Commercial Bank of China; section chief of credit and loan section and division-level inspector of Hangzhou Branch and Vice President of Wulin Sub-branch, Shanghai Pudong Development Bank Co., Ltd.; vice General Manager and chief financial officer and Director of Zhejiang Hengyi Group Co., Ltd. and Director of Hengyi Petrochemical Co., Ltd. (恒逸石化股份有限公司). She currently serves as chief financial advisor of Zhejiang Hengyi Group Co., Ltd..

Information on Directors, Supervisors, Senior Management, Employees and Institutions

Hu Tiangao (胡天高)

Mr. Hu Tiangao is currently a Non-executive Director of the Company. He holds an EMBA degree and is a senior economist. Mr. Hu served as Vice President of Dongyang Sub-branch, Bank of China. He is currently a Director and senior Vice President of Hengdian Group Holdings Limited; Director of Hengdian Group DMEGC Magnetics Co., Ltd. (橫店集團東磁股份有限公司); Director of Apelo Pharmaceutical Co., Ltd. (普洛藥業股份有限公司); Director of Innouvo Technology Co., Ltd. (英洛華科技股份有限公司); Director of Hengdian Group Tospo Lighting Co., Ltd. (橫店集團得邦照明股份有限公司); Director of Hengdian Entertainment Co., Ltd. (橫店影視股份有限公司) and Director of Nanhua Futures Co., Ltd. (南華期貨股份有限公司).

Zhu Weiming (朱瑋明)

Mr. Zhu Weiming is currently a Non-executive Director of the Company. He holds a postgraduate degree. Mr. Zhu successively held the positions of vice Director and Director of the General Manager service department at Jiaxing Power Generation Co., Ltd.; vice general manager and Secretary to the Board for Zhejiang Southeast Electric Power Company Limited; vice General Manager at Zhoushan Marine Comprehensive Development and Investment Co., Ltd.; vice Director of the investment and development department at Zhejiang Marine Development & Investment Group Co., Ltd.; vice Director of the investment and development department, vice Director and Director of the finance and asset management department as well as Director of Financial Affairs Department at Zhejiang Provincial Seaport Investment & Operation Group Co., Ltd.. He is currently the Chairman of Zhejiang Seaport Asset Management Co., Limited (浙江海港資產管理有限公司), the Chairman of Zhejiang New Century Futures Co., Ltd. and a Director of Zhejiang Seaport Commodity Trading Center Co., Ltd.

Zhou Zhifang (周志方)

Mr. Zhou Zhifang is currently an Independent Non-executive Director of the Company. He is a senior economist, with an undergraduate degree. Mr. Zhou held the posts of deputy chief at People's Bank of China, Jiangshan Sub-branch; deputy chief at Industrial and Commercial Bank of China, Jiangshan Sub-branch; Director at the business department and the savings department, Vice President, member of the Party Committee, leader of the discipline inspection team, deputy secretary of the Party Committee, Vice President (in charge), secretary of the Party Committee and President of Industrial and Commercial Bank of China, Quzhou Branch; Vice President and member of the Party Committee of Industrial and Commercial Bank of China, Jiangxi Branch; Vice President, member of the Party Committee, and General Manager and secretary of the Party Committee of the business department of Guangdong Branch of Industrial and Commercial Bank of China; President and secretary of the Party Committee of Ningbo Branch of Industrial and Commercial Bank of China; Director of Shanghai Branch of the Internal Audit Bureau of Industrial and Commercial Bank of China; and senior expert (at President level) of Zhejiang Branch of Industrial and Commercial Bank of China of during which he acted as leader of the third inspection team in the head office of Industrial and Commercial Bank of China.

Wang Guocai (王國才)

Mr. Wang Guocai is currently an Independent Non-executive Director of the Company. He is a senior economist, with an undergraduate degree. Mr. Wang held the posts of Vice President and President of Yuhuan Sub-branch of Industrial and Commercial Bank of China; President of Wenling Sub-branch of Industrial and Commercial Bank of China; Vice President and President of Taizhou Branch of Industrial and Commercial Bank of China; and expert of Zhejiang Provincial Branch of Industrial and Commercial Bank of China.

Information on Directors, Supervisors, Senior Management, Employees and Institutions

Wang Wei (汪偉)

Mr. Wang Wei is currently an Independent Non-executive Director of the Company. He holds a doctoral degree and is a professor and doctoral supervisor. Mr. Wang has been teaching at School of Economics, Zhejiang University, being a lecturer, associate professor, professor successively. He served as the deputy dean and deputy Director of the Academic Committee of School of Economics, Zhejiang University and the executive dean of Institute of Finance, Zhejiang University. He currently serves as a professor of School of Economics, Zhejiang University; the chief expert of Institute of Finance, Zhejiang University; the executive Vice President of Zhejiang Financial Association (浙江省金融業發展促進會); the Dean of Financial Institute of Zhejiang Province (浙江省金融研究院); and an Independent Director of Zhejiang E-Commerce Bank Co., Ltd. (浙江網商銀行股份有限公司), Beta Pharmaceutical Co., Ltd. (貝達藥業股份有限公司), Sunwave Communications Co., Ltd. (三維通信股份有限公司) and Wanxiang Trust Co., Ltd. (萬向信託股份公司).

Xu Yongbin (許永斌)

Mr. Xu Yongbin is currently an Independent Non-executive Director of the Company. He holds a doctor's degree and is a Level-2 professor and doctoral instructor. Mr. Xu has been teaching at the Zhejiang Gongshang University (浙江工商大學), and served as a lecturer, associate professor, professor and deputy dean of the Accounting Department of Hangzhou Business College (杭州商學院) successively. He served as a professor and dean of the Accounting College of Zhejiang Gongshang University. He also served as the Vice President of the Accounting Society of Zhejiang Province (浙江省會計學會) and the Vice President of the Auditing Society of Zhejiang Province (浙江省審計學會). He is currently the Vice President of Zhejiang Association of CFO (浙江省總會計師協會), a standing member of China Business Accounting Institute (中國商業會計學會), as well as an independent Director of Zheshang Development Group Co., Ltd. (浙商中拓集團股份有限公司), Hangzhou United Rural Commercial Bank Co., Ltd. (杭州聯合農村商業銀行股份有限公司) and Hangzhou Steam Turbine Power Group Co., Ltd. (杭州汽輪動力集團有限公司).

Fu Tingmei (傅廷美)

Mr. Fu Tingmei is currently an Independent Non-executive Director of the Company. He holds a doctor's degree. Mr. Fu has previously served as the Vice President and deputy managing Director of Peregrine Capital (China) Limited, Hong Kong Branch, a Director of Peregrine Capital Limited as well as the deputy managing Director and the managing Director of BNP Paribas Peregrine Capital Limited, Hong Kong Branch. Mr. Fu currently serves as an Independent Director of Guotai Junan International Holdings Limited, COFCO Joycome Foods Limited, China Resources Pharmaceutical Group Limited and China Resources Medical Holdings Company Limited.

Supervisors

Guo Dingfang (郭定方)

Mr. Guo Dingfang is currently an employee Supervisor of the Company. He holds a master's degree and the title of senior accountant. He is currently a member of the Party Committee and the Chairman of the supervisory committee of the Bank. Mr. Guo previously served as an officer at vice-Director level and an officer at Director level of the infrastructure division, an officer at Director level and the deputy division chief of the economic construction division (during which he served as a member of the Party Committee and deputy Director of the Finance Bureau of Xihu District, Hangzhou under temporary assignment), the Director of the Government Procurement Supervision Division (政府採購監管處), and the Director of the Budget Enforcement Bureau (預算執行局).

Information on Directors, Supervisors, Senior Management, Employees and Institutions

Wu Fanghua (吳方華)

Mr. Wu Fanghua serves as an employee supervisor of the Company. Mr. Wu holds a master's degree and is a senior economist. Mr. Wu is currently the executive office Director of the supervisory committee of the Bank. Mr. Wu has previously served as a loan officer of Industrial and Commercial Bank of China, Shaoxing Branch, the deputy manager of the personnel and administration department, the manager of the business department and the manager of the marketing department of Shaoxing Central Sub-branch, a General Manager assistant of Huzhou Central Sub-branch, the Deputy General Manager of Xiaoshan Sub-branch, the General Manager of Huzhou Central Sub-branch, the General Manager of Shaoxing Central Sub-branch and the Deputy General Manager of Zhejiang Branch of Ping An Property & Casualty Insurance Company of China, as well as the Deputy General Manager of Ping An Annuity Insurance Company of China, Ltd., Zhejiang Branch. Mr. Wu successively served as the Deputy General Manager of the Asset Management Department, the Deputy General Manager (headquarters) of the Interbank Business Department, the General Manager of the Interbank Business Department, the Deputy General Manager of the Financial Institutions Department (in charge of work) and the General Manager of the Interbank Business Department of China Zheshang Bank, and the secretary of the Party Committee and the President of Lanzhou Branch of China Zheshang Bank.

Peng Zhiyuan (彭志遠)

Mr. Peng Zhiyuan is currently an employee Supervisor of the Company. He holds a master's degree. He is currently the General Manager of the Bank's planning and finance department and the asset and liability management department. He once served as an accountant of the fund organization department of the business department of Yingtan Branch, a clerk and deputy chief clerk of the financial accounting department, the chief of the financial infrastructure section of Jiangxi Branch, a member of the Party Committee and Vice President of Ganzhou Branch, the Deputy General Manager (in charge of work) and General Manager of the financial accounting department of Jiangxi Branch, the secretary of the Party Committee and President of Ganzhou Branch, a member of Party committee and Vice President of Dalian Branch of the Agricultural Bank of China. He successively served as the General Manager of Nanchang business department, the secretary of Party committee and President of Nanchang Branch of CZBank.

Chen Zhongwei (陳忠偉)

Mr. Chen Zhongwei is currently an employee Supervisor of the Company. He holds an undergraduate degree and is an economist. Mr. Chen is currently a member of the Party Committee and Deputy Secretary of Hangzhou Branch of the Bank, and supervisor of Zhejiang Zheyin Financial Leasing Co., Ltd. (浙江浙銀金融租賃股份有限公司). Mr. Chen used to work as chief of the business and system sections at the credit division at Zhejiang Branch of Industrial and Commercial Bank of China; General Manager of the risk management department and the corporate department at Hangzhou Branch, risk Director (assistant to President) and member of the Party Committee at Shanghai Branch, as well as risk Director (Vice President) and member of the Party Committee at Suzhou Branch of China Everbright Bank. He also served as Deputy General Manager of the credit review department (in charge of work) and General Manager of Internal Control and Compliance and Legal Affairs Department of China Zheshang Bank.

Information on Directors, Supervisors, Senior Management, Employees and Institutions

Ma Xiaofeng (馬曉峰)

Mr. Ma is a shareholder supervisor of the Company. He holds master degree and is an economist. He currently a member of the Party Committee, Deputy General Manager and Secretary to the Board of Directors of Zhejiang China Textile City Group Co., Ltd. and manager and executive Director of Shaoxing China Textile City Financial Holdings. He was the business manager of Shaoxing Branch of PICC Property and Casualty Company Limited; project research assistant of the investment management department, an assistant to the manager of the corporate management department, a deputy manager of the corporate management department (in charge of work), a Deputy General Manager of the Beilian market branch (temporary position), an employee supervisor, a manager of the investment securities department and a representative of securities affairs of Zhejiang China Textile City Group Co. Ltd.; Manager and executive Director of China Textile City Financial Holdings, member of the Party Committee, Deputy General Manager and Secretary to the Board of Directors of Zhejiang China Textile City Group Co. Ltd.

Gao Qiang (高強)

Mr. Gao Qiang is an external Supervisor of the Company. He holds a postgraduate degree and is a senior economist. He currently serves as the Chairman of Hangzhou Jiusheng Private Equity Fund Management Co., Ltd. and an Independent Director of Caitong Securities Co., Ltd. (財通證券股份有限公司). He has previously held various posts in China Construction Bank Corporation, including the Deputy General Manager of the operation department of Zhejiang Branch, the President and the secretary of the Party Committee of Hangzhou Zhijiang Sub-branch, the assistant to the General Manager, the Deputy General Manager and a member of the Party Committee of the operation department of Zhejiang Branch, the General Manager of the Hangzhou corporate client department and concurrently the General Manager of the operation department of Zhejiang Branch, the General Manager of the corporate business management department and concurrently the General Manager of the operation department of Zhejiang Branch, the General Manager of the corporate business department; the risk Director, the deputy President and a member of the Party Committee of Anhui Branch; the President and the secretary of the Party Committee of Shanxi Branch; the President and the secretary of the Party Committee of Zhejiang Branch; and he also served as the Chairman of Yijia Life and Health Management (Zhejiang) Co., Ltd.

Zhang Fanquan (張范全)

Mr. Zhang Fanquan is an external Supervisor of the Company. He holds a master's degree and the title of senior accountant. Mr. Zhang previously served as the deputy Director of the credit card department, the vice division chief of the funds raising division and deposit division and the Deputy General Manager of the market development department of Hangzhou Branch of Agricultural Bank of China; the division chief of the finance division of Hangzhou office and a Party member, Deputy General Manager, secretary of the commission of discipline inspection of Shenzhen office of China Great Wall Asset Management Corporation; the Director and Deputy General Manager of Shenzhen Great Wall Guosheng Investment Holding Co., Ltd. (深圳長城國盛投資控股有限公司); the secretary of Party Committee and General Manager of Hangzhou office, and the secretary of Party Committee and General Manager of Zhejiang Branch (formerly Hangzhou office) of China Great Wall Asset Management Corporation; the chief operation officer of China Great Wall Asset Management Co., Ltd.; the secretary of Party Committee and Chairman of Great Wall Guofu Real Estate Co., Ltd. (長城國富置業有限公司).

Information on Directors, Supervisors, Senior Management, Employees and Institutions

Song Qinghua (宋清華)

Mr. Song Qinghua is an external Supervisor of the Company. He is currently a doctor, professor and an expert receiving Special Government Allowances from the State Council. He is currently a professor and doctoral advisor of the School of Finance of Zhongnan University of Economics and Law and serves as a committee member of China Society for Finance and Banking and a committee member of the Finance Professional Education Steering Committee of Higher College of the Ministry of Education; an Independent Director of Hubei Bank Corporation Limited and Ping An Property & Casualty Insurance Company of China. Mr. Song was successively a visiting scholar at Saint Mary's University in Canada, University of Rhode Island in the United States, and University of Cincinnati in the United States. He served as the President of the School of Finance of Zhongnan University of Economics and Law.

Chen Sanlian (陳三聯)

Mr. Chen Sanlian is an external Supervisor of the Company. He holds a postgraduate degree. He is currently a Vice Chairman of Zhejiang Lawyers Association, an arbitrator of China International Economic and Trade Arbitration Commission, a standing committee member of Zhejiang Chinese People's Political Consultative Conference, an expert committee member of the Judge and Prosecutor Selection and Disciplinary Committee of Zhejiang Province, etc.; and also an Independent Director of Zhejiang Weixing Intelligent Instrument Co., Ltd., Zhejiang Jinggong Science & Technology Co., Ltd. and Wuchan Zhongda Group Co., Ltd. Mr. Chen served as a cadre of the lawyer administration division of the Ministry of Justice of Zhejiang Province; an associate editor-in-chief of Lawyer and Legality 《律師與法制》; and the general secretary of Zhejiang Lawyers Association.

Senior Management

Zhang Rongsen (張榮森)

Please refer to Mr. Zhang Rongsen's profile in the "Directors" section above.

Chen Haiqiang (陳海強)

Please refer to Mr. Chen Haiqiang's profile in the "Directors" section above.

Jing Feng (景峰)

Mr. Jing Feng is currently a Party Committee member and Vice President of the Company, and Secretary of the Party Committee and President of Hangzhou Branch. He is a certified public accountant in the US, with a postgraduate degree. Mr. Jing worked as the Deputy General Manager and General Manager of planning and finance department of Suzhou Branch, China Minsheng Bank, finance specialist of corporate financial business department of China Minsheng Bank; Deputy General Manager of Jiangsu business department of China Zheshang Bank, member of the Party Committee and Vice President of Nanjing Branch, China Zheshang Bank; Deputy General Manager (in charge of work) and General Manager of finance and accounting department, and also General Manager of finance and accounting department and General Manager of asset and liability management department, General Manager of the planning & finance department (asset and liability management department) of China Zheshang Bank, as well as a Party Committee member, Vice President and CFO of the Bank.

Information on Directors, Supervisors, Senior Management, Employees and Institutions

Luo Feng (駱峰)

Mr. Luo Feng is currently a Party Committee member and the Vice President of the Company. He holds a doctoral degree. Mr. Luo worked as manager assistant of financial market research center of treasury department, manager assistant of business management center, deputy manager and manager of business management center (research center) of treasury department, risk monitoring officer and General Manager assistant of treasury department, manager of risk management center, Deputy General Manager and Deputy General Manager (in charge of work) of treasury department of China Zheshang Bank, General Manager of Financial Market Department of China Zheshang Bank, as well as assistant to President and Vice President of the Bank.

Lin Jingran (林靜然)

Mr. Lin is the Vice President of the Company and Secretary of the Party Committee and President of Shanghai Branch. He holds a master's degree and is a chief senior economist. Mr. Lin was the deputy Director of Huayuan Road Branch, Director of Zhongnan Branch, Director of Zhujiang Road Branch, President of Xuanwu Sub-branch, Vice President of Xingang Sub-branch (in charge of work) of Bank of China Nanjing Branch; Deputy General Manager of the Company II Department (in charge of work) of Minsheng Bank of China Nanjing Branch, Director of Jiangning Sub-branch, deputy Director of marketing of the Mechanical and Electrical Finance Department of East China Region (Nanjing) (in charge of work), Director of the Mechanical and Electrical Finance Department of Nanjing Branch, Head of the Preparatory Group and President of Wuxi Sub-branch, Member of the Party Committee of Nanjing Branch, Deputy Secretary of the Party Committee and Vice President of Kunming Branch (in charge of work), Secretary of the Party Committee and President of Suzhou Branch, Secretary of the Party Committee and President of Nanjing Branch; Deputy Secretary of the Party Committee, Director and President of Bank of Nanjing; Deputy Chairman of the Board of Directors and Member of the Party Committee of Nanjing Southeast State-owned Assets Investment Group Co., Ltd.

Zhou Weixin (周偉新)

Mr. Zhou is the President Assistant of the Company. He is an economist and senior certified credit analyst, with an undergraduate degree. Mr. Zhou has previously served as the Vice President (in charge of work) and President of Lin'an Sub-branch of Bank of China, the President of Gaoxin Sub-branch, Hangzhou of Bank of China, the Director of Hangzhou corporate business center under the corporate business department of Zhejiang Branch of Bank of China, the President of Qingchun Sub-branch, Hangzhou of Bank of China, the secretary of the Party Committee and the President of Zhoushan Branch of Bank of China, the General Manager and executive office Director of the risk management department and the General Manager of the personal banking department of Zhejiang Branch of Bank of China, as well as a member of the Party Committee and the Vice President of Anhui Branch of Bank of China, during which period he served as a CPC party member and vice mayor of Bengbu City from November 2019 to December 2021 under temporary assignment; President of Zhejiang Business Headquarter of the Bank, the President Assistant and President of Zhejiang Business Headquarter of China Zheshang Bank.

Information on Directors, Supervisors, Senior Management, Employees and Institutions

6. Profile of new or proposed Directors, Supervisors and senior management and information of their concurrent post as of the date of this report

Ying Yuxiang (應宇翔)

Mr. Ying is a proposed Non-executive Director, an economist with a master's degree. Mr. Ying served as an officer of the internet finance department and the retail finance department of the head office, a deputy manager of the retail finance department of Huangpu Sub-branch, an account manager and a deputy manager of the business hall of the business department of the head office, and a deputy manager and a manager of the financial division II of Changning Sub-branch of the Shanghai Rural Commercial Bank (上海農商銀行). He served as an assistant General Manager and a Deputy General Manager of the equity investment division of Taiping Asset Management Company Limited (太平資產管理有限公司). He is currently the Deputy General Manager (in charge of work) of the equity investment division of Taiping Asset Management Company Limited (太平資產管理有限公司), a non-executive director of Inner Mongolia Dian Tou Energy Corp Ltd (內蒙古電投能源股份有限公司).

Wu Zhijun (吳志軍)

Mr. Wu is a Non-executive Director subject to election at the general meeting. He holds a doctorate degree and is an economist. Mr. Wu served as a senior staff member of the business department of the Hubei Branch of China Construction Bank; the deputy Director and then Director of the statutory business department of China Reinsurance Corporation; the Deputy General Manager of the Wuhan Branch of China Continent Property & Casualty Insurance Company Ltd.; the General Manager of the Shenzhen Branch of China Continent Property & Casualty Insurance Company Ltd.; Deputy General Manager of Corporate Business Department and Investment Banking Department of Agricultural Bank of China; Deputy General Manager of ABC Life Insurance Co., Ltd.; chief operating officer, executive President, compliance officer and financial officer of Minsheng Life Insurance Company Ltd. He currently serves as a Director, General Manager, compliance officer and chief risk officer of Minsheng Life Insurance Company Ltd.; and also serves as the Chairman of the Supervisory Committee of Minsheng Tonghui Asset Management Co., Ltd., the Chairman of the Board of Tonghui Kangyanglv Company, a Director of Allinpay Network Services Co., Ltd. and a supervisor of Shanghai Pu-Xing Energy Limited.

Lou Weizhong (樓偉中)

Mr. Lou is a proposed independent Non-executive Director of the Company. He holds a master degree and is a chief senior economist. Mr. Lou once served as the Deputy Director of the Industrial Statistics Department of the Xiaoshan Municipal Bureau of Statistics; Chief of the Comprehensive Department of the Office of the People's Government of Xiaoshan City; Deputy Secretary of the Party Group (in charge of work) and President of the Xiaoshan Sub-branch of CITIC Industrial Bank Hangzhou Branch; Member of the Party Committee and the President Assistant of CITIC Industrial Bank Hangzhou Branch, as well as the President of Xiaoshan Branch; Member of the Party Committee, Secretary of the Discipline Inspection Commission, and Vice President of CITIC Industrial Bank Hangzhou Branch (studied Political Economy at the Zhejiang Provincial Party School from September 2002 to July 2005); Member of the Party Committee, Vice President, and Risk Director of CITIC Bank Hangzhou Branch; Deputy Secretary of the Party Committee, Executive Vice President, and Risk Director of CITIC Bank Hangzhou Branch; Deputy Secretary and Vice President of the Party Committee of CITIC Bank Ningbo Branch (in charge of work); Secretary of the Party Committee and President of China CITIC Bank Ningbo Branch; Secretary of the Party Committee and President of CITIC Bank Hangzhou Branch.

Information on Directors, Supervisors, Senior Management, Employees and Institutions

Shi Hao (施浩)

Mr. Shi is an independent Non-executive Director of the Company subject to election at general meeting. He holds a postgraduate degree. Mr. Shi was the Head of SWIFT (International Settlement Network) Team of Bank of China; Director of IBM Consulting Team of Bank of Montreal; Management Consultant of Wachovia; Operation Director of retail banking product of Minsheng Bank; Managing Director of Barclays Capital (Hong Kong); Independent Director of Guodian Nanjing Automation Co., Ltd.; Deputy General Manager of Investment Banking Department and Chief Representative of Canada Representative Office of Agricultural Bank of China; Managing Director and General Manager of China of Moody's Investors Service, Inc. (China).

Luo Feng (駱峰)

Mr. Luo Feng is currently a member of the CPC committee, Vice President and proposed secretary to the Board of the Company. Please refer to Mr. Luo Feng's profile in the "Senior Management" section above.

Pan Huafeng (潘華楓)

Mr. Pan is the President Assistant and Chief Risk Officer of the Company. He holds undergraduate degree and is an economist. Mr. Pan once served as the Deputy Director of the Credit Management Department and the Risk Management Department of Bank of China Ningbo Branch, the Deputy President of Bank of China Yinzhou Branch, and the Deputy Director (in charge of work) and Director of the Risk Management Department of Bank of China Ningbo Branch; Member of the Party Committee, Deputy Secretary of the Discipline Inspection Commission, Risk Monitoring Officer, the President Assistant, Vice President, Secretary of the Discipline Inspection Commission, Party Committee Secretary, and President of Zheshang Bank Ningbo Branch, General Manager of the Risk Management Department and Director of the New Asset Management Office of Zheshang Bank, and General Manager of the Risk Management Department.

Wang Chaoming (王超明)

Mr. Wang is the proposed the President Assistant and Chief Information Officer of the Company. He holds a master degree. Mr. Wang was the deputy head of the software section of the technology department of ICBC Hangzhou Branch, the deputy head of the technology department, the deputy head of the technology security department, the deputy chief engineer of the computer center (technology security department) of ICBC Zhejiang Branch, the deputy chief engineer of the computer center (information technology department), the Deputy General Manager (in charge of work) and the General Manager, the head of the computer system department of ICBC (Asia) Limited, the assistant to the General Manager, the chief information officer and the Deputy General Manager of ICBC (Asia) Limited.

Hou Bo (侯波)

Mr. Hou is the proposed the President Assistant of the Company, and General Manager of the Credit Assessment Department. He holds a graduate degree with a master degree in Economics. Mr. Hou once served as the Deputy General Manager of the Risk Management Department and the General Manager of the Credit Assessment Department of the Shaoxing Branch of Zheshang Bank, a member of the Party Committee, Secretary of the Discipline Inspection Commission, Risk Monitoring Officer, and the President Assistant of the Xi'an Branch of Zheshang Bank, a member of the Party Committee, Secretary of the Discipline Inspection Commission, Risk Monitoring Officer, the President Assistant, and Deputy President of the Beijing Branch of Zheshang Bank. He also served as the Deputy Leader of the Discipline Inspection and Supervision Group of the Zhejiang Provincial Commission for Discipline Inspection and Supervision stationed at Zheshang Bank.

Information on Directors, Supervisors, Senior Management, Employees and Institutions

7. Remuneration policies for Directors, Supervisors and senior management

The remuneration of the Directors of the Company is determined and paid in accordance with the relevant laws and regulations as well as the relevant provisions of the Articles of Association. The specific remuneration distribution plans should be reviewed by the Nomination and Remuneration Committee under the Board of Directors and submitted to the Board of Directors for approval, and submitted to the general meeting for approval after being approved by the Board of Directors.

The remuneration of the Supervisors of the Company is determined and paid in accordance with the relevant laws and regulations as well as the relevant provisions of the Articles of Association. The specific remuneration distribution plans should be reviewed by the Nomination Committee under the supervisory committee and submitted to the supervisory committee for approval, and submitted to the general meeting for approval after being approved by the supervisory committee. Non-full-time shareholder supervisors of the Company do not receive remuneration from the Company.

The Company's appraisal of the senior management is based on their performance in completing the decisions, strategic targets and plans of the Board of Directors and whether they are actively and effectively protecting the interests of the Company and the Shareholders, and it is implemented by the Board of Directors.

The incentive and restraint mechanism of the Company is mainly embodied in the distribution mechanism for the senior management. The remuneration of the senior management is linked with the appraisal indicators of the Board of Directors, in order to combine the target incentive with responsibility restraint, ensure the alignment of the remuneration payment with the long-term interests of the Company, and better encourage the senior management to contribute to the steady and sustainable development of the Company. The evaluation and remuneration payment plan for the senior management shall be reviewed by the Nomination and Remuneration Committee under the Board of Directors, and then approved and implemented by the Board of Directors annually, and disclosed according to the relevant requirements. When the Board of Directors reviews resolutions relating to the remuneration of the senior management, all related directors will abstain from voting.

(II) Employees and Remuneration Policies

As of the end of the reporting period, the Group had 22,895 employees (including dispatched employees, outsourced personnel and employees of the subsidiary of the Company), representing an increase of 2,988 as compared with that at the end of last year. Divided by the position types, 10,228 employees of the Group were categorized as marketing personnel, 1,766 employees as counter personnel, and 10,901 employees as mid-office and back-office personnel; divided by the educational levels, 5,613 obtained post-graduate degree or above (including 92 with doctorate degree), 16,076 obtained bachelor degree, and 1,206 obtained college degree or below. All of our employees participate in basic social pension insurance, and as of the end of the reporting period, 287 employees had retired from the Company.

The Company's remuneration policy is guided by its growth strategy and the people-oriented concept with unified and classified management by adhering to the principle of marketization and in accordance with the single-level legal person system. The Company continues to improve the linkage mechanism of remuneration level with performance capabilities of individual positions and personal operational performance, and strives to set up a remuneration management system that reflects internal fairness and external competitiveness, promotes the co-growth of employees and the Company, focuses equally on incentives and restraints, gives attention to both position value, contribution and long-term incentives, and matches the change in remuneration with the market rate and economic benefits.

Information on Directors, Supervisors, Senior Management, Employees and Institutions

The Company's remuneration policy coordinates well with the risk management system, and is matched with its size as well as the nature and complexity degree of its business. Specifically, the total amount of remuneration allocated by the Company to its branches is linked with the realization status of overall benefits by such branches and the Company takes into account various kinds of risk factors so that the branch outlets would strive for risk-adjusted value creation and that long-term performance would be improved. Furthermore, the remuneration paid to employees is linked with the responsibilities and risk degree associated with the employee's post and different kinds of appraisal and performance allocation methods are applied to different types of employees, which appropriately tilted to the front-office marketing position, and the deferment payment of the performance-based remuneration is implemented in accordance with the internal control principles of prudent operations and strengthened constraints with the payment time basically in line with the risk persistency period of the corresponding business. For employees in the risk and compliance departments, their remuneration is determined by taking into account their position value, abilities to perform duties and other factors, and such remuneration is not directly related to the matters under their regulation and remains independent of other business segments.

(III) Employees Training

Based on our operation and development strategy, the Company has focused on talents cultivation, digitalization transformation, professional improvement, and business foresight. On the basis of conducting all-staff training, the Company attaches high importance to the training of key talents, so as to comprehensively improve management abilities and professional capabilities of our employees, and provide knowledge and talents support for the implementation of our strategy. During the reporting period, the Bank held 1,625 training programmes in total with 724,334 attendances.

(IV) Information on Institutions

Region	Name of institution	Business address	Number of institution	Number of employees	Total assets (RMB million)
Yangtze River Delta Region	Head office	No. 1, Minxin Road, Shangcheng District, Hangzhou, Zhejiang	1	4,870	982,269
	Small Enterprise Credit Center	No. 76, Huancheng West Road, Gongshu District, Hangzhou, Zhejiang	1	52	-
	Fund Operation Center	12F, Tower 1, Century Metropolis, No. 1229 Century Avenue, Pudong New District, Shanghai	1	84	692,242
	Hangzhou Branch	No. 288, Qingchun Road, Gongshu District, Hangzhou, Zhejiang	59	2,947	344,958
	Shanghai Branch	No. 567, Weihai Road, Jing'an District, Shanghai	12	920	151,085
	Nanjing Branch	No. 9, Zhongshan North Road, Nanjing	31	1,399	146,917

Information on Directors, Supervisors, Senior Management, Employees and Institutions

Region	Name of institution	Business address	Number of institution	Number of employees	Total assets (RMB million)
	Ningbo Branch	No. 128, Wenkang Road, No. 555, Yangfan Road, Gaoxin District, Ningbo	20	798	100,230
	Suzhou Branch	No. 5, Xingdun Lane, Industrial Park Zone, Suzhou	10	585	73,169
	Hefei Branch	Block A16, Financial Harbour Center, No. 4872, Huizhou Avenue, Binhu New District, Hefei	5	349	34,917
	Shaoxing Branch	No. 1418, Jinkeqiao Avenue, Keqiao District, Shaoxing	9	498	59,538
	Wenzhou Branch	Northwest of Land Plot 17- 05, Binjiang CBD, Lucheng District, Wenzhou, Zhejiang	13	582	56,736
	Jinhua Branch	1/F, 2/F, 10/F, Jiafu Business Building, No. 358, Binhong East Road, Jinhua City	10	433	37,384
	Zhoushan Branch	No. 88, Lvdao Road, Qiandao Streets, Dinghai District, Zhoushan, Zhejiang	2	106	8,406
Bohai Rim Region	Beijing Branch	Huajia Jinbao Complex, No. 269, Chaoyangmen South Street, Dongcheng District, Beijing	23	1,100	213,727
	Jinan Branch	No. 801, Caoshanling South Road, Lixia District, Jinan, Shandong	20	1,039	102,673
	Tianjin Branch	Overseas Chinese Building, Extension No. 1, No. 92, Nanjing Road, Heping District, Tianjin	12	533	43,802
	Shenyang Branch	No. 467, Shifu Road, Shenhe District, Shenyang	7	351	23,332

Information on Directors, Supervisors, Senior Management, Employees and Institutions

Region	Name of institution	Business address	Number of institution	Number of employees	Total assets (RMB million)
Pearl River Delta and Economic Zone on the Western Coast of the Taiwan Straits	Guangzhou Branch	No. 921, Guangzhou South Avenue, Haizhu District, Guangzhou	13	855	106,668
	Shenzhen Branch	(1-4/F, 6/F) Lianhezongbu Building, Hightech District, Xuefu Road, Nanshan Street, Nanshan District, Shenzhen	15	890	98,488
	Fuzhou Branch	Huawei Building, No. 169, Binxi Avenue, Nanjiang, Cangshan District, Fuzhou, Fujian	1	112	17,213
Midwestern China Region	Chengdu Branch	Building 1, Jinjiang Spring, No. 299, Yong'an Road, Jinjiang District, Chengdu	14	567	54,384
	Xi'an Branch	Building 3, Taihua Jinmao Guoji, No. 16, Fenghui South Road, Yanta District, Xi'an	14	669	63,788
	Chongqing Branch	Block 3, No. 67, Middle Section of Huangshan Avenue, Yubei District, Chongqing	10	550	64,091
	Wuhan Branch	Zheshang Bank Building (Pacific Finance Plaza), No. 548, 550, 552, 556, Jianshe Avenue, Jianghan District, Wuhan, Hubei	7	420	35,719
	Zhengzhou Branch	No. 8 Middle Ring Road, Finance Island, Zhengzhou Area (Zhengdong), Henan Pilot Free Trade Zone, Zhengzhou, Henan	8	395	37,990
	Changsha Branch	Unit 118-129, 1/F, Block 6, Unit 215-219, 2/F, Block 6 and 22-23/F, Block 1, Huachuang International Plaza, No. 109 Furong Middle Road Part 1, Kaifu District, Changsha, Hunan	5	310	26,634
	Nanchang Branch	1-2/F, 14-20/F, Block 35, Alpha X, No. 1, Xuefu Road, Honggutan New District, Nanchang, Jiangxi	4	227	23,562

Information on Directors, Supervisors, Senior Management, Employees and Institutions

Region	Name of institution	Business address	Number of institution	Number of employees	Total assets (RMB million)
	Lanzhou Branch	No. 1888, Nanchang Road, Chengguan District, Lanzhou	9	367	22,539
	Hohhot Branch	No. 8, Chilechuan Street, Saihan District, Hohhot	2	204	27,992
	Guiyang Branch	No. 88, Yan'an Road Central, Yunyan District, Guiyang	2	134	12,063
	Taiyuan Branch	Part of 1/F and 2-7/F, Block A, No. 163 Jinyang Street, Xiaodian District, Taiyuan, Shanxi	1	112	13,726
	Nanning Branch	20-21/F, Block A, China Resources Building, No. 136-1 Minzu Avenue, and No. B1028-1031, -1/F, 136-6 Xingfu Lane, Qingxiu District, Nanning, Guangxi Zhuang Autonomous Region	1	107	7,460
Overseas Institution	Hong Kong Branch	15/F, Three Exchange Square, No. 8 Connaught Place, Central, Hong Kong	1	89	42,438
Subsidiary	Zheyin Financial Leasing	No. 368, Yan'an Road, Gongshu District, Hangzhou, Zhejiang	1	241	68,381
	Offset balance and intra-group elimination		-	-	(650,642)
Total			344	22,895	3,143,879

Directors' Report

(I) Our Principal Business

The Company's principal business is to provide banking and related financial services.

(II) Business Review

For the business review of our Company, please refer to the relevant sections, among others, "Description of Major Risks and Uncertainties", "Future Development" are set out in the section headed "Management Discussion and Analysis"; "Major Events Occurred after the Reporting Period" is set out in the section headed "Significant Events"; "Key Financial Performance Indicators" is set out in the section headed "Financial Summary" and financial statements; "Compliance with Relevant Laws and Regulations Which Could Materially Affect the Company" is set out in "Compliance with the Laws and Regulations" in this section; and "Explanation on Important Relationship between Employees, Customers and Suppliers" is set out in "Major Customers" in this section and the section headed "Information on Directors, Supervisors, Senior Management, Employees and Institutions". Please refer to "Performance of Social Responsibilities" in this section for the information on "Environmental Policy and Performance".

(III) Profit and Dividend Distribution

1. The Company's profit distribution policy

According to the Articles of Association, our profit distribution policy is:

- (1) The Company shall distribute profits after income tax in the following order:
 - To make up for the losses of previous years;
 - To set aside 10% as statutory reserve fund;
 - To make provision for general risk reserve;
 - To set aside discretionary reserve fund;
 - To pay dividends to shareholders.
- (2) The Company may distribute profits in the form of cash, shares or other forms approved by competent regulatory authorities.
- (3) After the profit distribution plan is adopted at the general meeting of the Company, the Board shall finish distributing profits within two months after the general meeting.

Directors' Report

- (4) Cash dividends and other payments made by the Company to the holders of A Shares shall be denominated, declared and paid in RMB. Cash dividends and other payments made by the Company to the holders of H Shares shall be denominated and declared in RMB and paid in Hong Kong dollars. The formulation and implementation of policy on cash dividend are in compliance with the requirements of the Articles and Association and the resolutions passed at the general meeting. The standards and proportion of dividends declaration are clear and explicit and the procedures and mechanism of decision making are well-organized, and have been considered and approved by the Independent Non-executive Directors. Minority Shareholders may fully express their opinions and requirements, and their legitimate interests have been fully protected.

2. Profit distribution proposal for the year

The results of the Company for the year ended December 31, 2023 are set out in the section headed "Notes to Consolidated Financial Statement" in this report.

The Board of Directors of the Company has recommended to declare a cash dividend for 2023 at RMB1.64 (tax inclusive) for every 10 shares, which shall be paid in RMB to the holders of A Shares and in Hong Kong dollars to the holders of H Shares. The above dividend distribution proposal is subject to consideration and approval at the 2023 annual general meeting of the Company.

If approved, the final dividend distribution of the Company for 2023 will be denominated and declared in RMB and paid in RMB for A Shares and in equivalent Hong Kong dollars for H Shares. The exchange rate of Hong Kong dollar against RMB is calculated based on the average central parity rate of RMB to Hong Kong dollars as announced by the People's Bank of China on the website for seven business days immediately before the date of the Company's 2023 annual general meeting.

The dividend is expected to be paid before July 15, 2024, subject to the approval of the final dividend payment arrangement by the Shareholders by way of ordinary resolution. Information regarding the record date and book closure date to determine the entitlement to the final dividend and attendance of 2023 annual general meeting of the Company will be announced in due course.

3. Cash dividends for ordinary shares in the past three years

Item	2023	2022	2021
Cash dividend for every 10 shares (tax inclusive, in RMB)	1.64	2.10	–
Cash dividend (tax inclusive, in RMB million)	4,504	4,466	–
Net profit attributable to ordinary shareholders of the Bank (in RMB million)	14,085	11,817	–
Percentage of cash dividend (%)	31.98	37.79	–

Directors' Report

4. Dividend tax

(1) Holders of A Shares

In accordance with the Notice on Relevant Issues Regarding the Implementation of the Policy of Differentiated Individual Income Tax for Stock Dividends from Listed Companies issued by the Ministry of Finance, State Administration of Taxation and the CSRC (Cai Shui [2012] No. 85) 《財政部、國家稅務總局、證監會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》(財稅[2012]85號)) and the Notice on Relevant Issues Regarding the Implementing Differentiated Individual Income Tax Policy for Stock Dividends of Listed Companies (Cai Shui [2015] No. 101) 《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》(財稅[2015]101號)), for the Relevant Individuals who have held the shares, where the holding period is less than one month (inclusive), the full amount of dividends shall be counted as taxable income; where the holding period is more than one month and less than one year (inclusive), 50% of the dividends shall be counted as taxable income and where the holding period is more than one year, the dividends is temporarily exempted from individual income tax. The individual income tax rate of 20% shall be applicable for all incomes mentioned above. For the dividends obtained from a listed company by a securities investment fund, individual income tax is levied in accordance with the requirements above.

According to Article 26.2 of the Enterprise Income Tax Law of the PRC, dividends, bonuses and other equity investment proceeds distributed between qualified resident enterprises shall be tax-free.

According to Article 83 of the Implementation Rules of Enterprise Income Tax Law of the PRC, dividends, bonuses and other equity investment proceeds distributed between qualified resident enterprises as referred in Article 26.2 of the Enterprise Income Tax Law of the PRC include those proceeds obtained from direct investment of resident enterprises into other resident enterprises, excluding the proceeds from holding the stocks of the resident enterprises that were obtained through public offering or through trading in the stock market for less than 12 months on a continuing basis.

According to the Enterprise Income Tax Law of the PRC and its implementation rules, dividend income obtained by non-resident enterprises shall be levied at a preferential enterprise income tax rate of 10%.

(2) Holders of H Shares

According to the Enterprise Income Tax Law of the PRC and its implementation rules, both effective on January 1, 2008, the Company shall withhold and pay enterprise income tax at the rate of 10% before distributing dividends to non-resident enterprise Shareholders whose names appear on the Bank's register of members for H Shares.

According to the Notice on Collection of Individual Income Tax after the Repeal of Guo Shui Fa No. [1993]045 (Guo Shui Han [2011] No. 348) 《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》(國稅函[2011]348號)), the Company shall withhold and pay individual income tax for individual holders of the H Shares.

If the individual holders of the H Shares are Hong Kong or Macau residents or residents of other countries or regions that have a tax rate of 10% under the tax treaties with the PRC, the Company will withhold and pay individual income tax at the rate of 10% on behalf of such Shareholders.

Directors' Report

If the individual holders of the H Shares are residents of countries or regions that have a tax rate lower than 10% under the tax treaties with the PRC, the Company will withhold and pay individual income tax at the rate of 10% on behalf of such Shareholders. If such Shareholders wish to claim refund of the amount in excess of the individual income tax payable under the tax treaties, the Company can apply on behalf of the Shareholders according to the relevant tax treaties for the relevant agreed preferential tax treatment, provided that the relevant Shareholders submit the relevant documents and information in a timely manner required by the Administrative Rules on Enjoying Treatment under Taxation Treaties by Non-resident Taxpayers (State Administration of Taxation Announcement 2019, No. 35) 《非居民納稅人享受稅收協定待遇管理辦法》(國家稅務總局公告2019年第35號)) and the provisions of the relevant tax treaties. The Company will assist with the tax refund subject to the approval of the competent tax authority.

If the individual holders of the H Shares are residents of countries or regions that have a tax rate higher than 10% but lower than 20% under the tax treaties with the PRC, the Company will withhold and pay individual income tax at the applicable tax rates stated in such taxation treaties on behalf of such Shareholders.

If the individual holders of the H Shares are residents of countries or regions that have a tax rate of 20% under the tax treaties with the PRC, or that have not entered into any taxation treaties with the PRC, or otherwise, the Company will withhold and pay individual income tax at the rate of 20% on behalf of such Shareholders.

(IV) Donations

During the reporting period, the Group's external donations amounted to RMB22.7051 million.

(V) Major Customers

During the reporting period, the proportion of the Group's total operating income attributable to our five largest customers did not exceed 30% of the total operating income of the Group.

(VI) Purchase and Sale and Redemption of Securities

During the reporting period, the Company and its subsidiary did not purchase, sell or redeem any of the Company's listing securities.

(VII) Pre-Emptive Rights

There is no provision for pre-emptive rights under the Company's Articles of Association and the PRC laws.

(VIII) Public Float

Based on the public information available to the Company and to the knowledge of the Directors, as of the Latest Practicable Date prior to the issue of this report, the Company had met the public float requirement of the Hong Kong Listing Rules.

Directors' Report

(IX) Equity-Linked Agreements

No equity-linked agreements were entered into by the Company during the year ended December 31, 2023.

(X) Material Connected Transactions

Connected Transactions Related to Daily Operations

The Company carried out the connected transactions in accordance with the relevant requirements of regulatory authorities at home and abroad, i.e. the Administrative Measures for Related Party Transactions of Banking and Insurance Institutions (《銀行保險機構關聯交易管理辦法》), the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange, Self-regulatory Guidelines for Listed Companies on the Shanghai Stock Exchange No. 5 – Transaction and Related Party Transaction (《上海證券交易所上市公司自律監管指引第5號 – 交易與關聯交易》) and the Hong Kong Listing Rules. The connected transactions were conducted on normal commercial terms. The terms of transactions were fair and reasonable and in the benefits of the Company and the shareholders as a whole.

During the reporting period, at the eighth meeting of the sixth session of the Board, the Company considered and passed the Proposal on the Bank's Credit Plan to the Related Parties of Hengdian Group (《關於本行對橫店集團關聯方授信方案的議案》), approving to grant maximum comprehensive credit lines of RMB4.85 billion to Hengdian Group Holdings Limited and its related parties. For details, please refer to the Announcement on Related Party Transactions of China Zheshang Bank Co., Ltd. (Number: 2023-014) published by the Company on the Shanghai Stock Exchange (www.sse.com.cn).

During the reporting period, at the eighth meeting of the sixth session of the Board, the Company considered and passed the Proposal on the Bank's Credit Plan to the Related Parties of Orient Securities Co., Ltd. (《關於本行對東方證券股份有限公司關聯方授信方案的議案》), approving to grant maximum comprehensive credit lines of RMB8 billion to Orient Securities Co., Ltd. (東方證券股份有限公司). For details, please refer to the Announcement on Related Party Transactions of China Zheshang Bank Co., Ltd. (Number: 2023-014) published by the Company on the Shanghai Stock Exchange (www.sse.com.cn).

During the reporting period, at the eighth meeting of the sixth Session of the Board, the Company considered and passed the Proposal on the Pre-approval Amount of Deposit-type Related Transactions of China Zhejiang Bank Co., Ltd. for the Year 2023 (《關於浙商銀行股份有限公司2023年度存款類關聯交易預審批額度的議案》), and agreed with the pre-approval amount of non-call deposits of related parties for the year 2023 as formulated by the Company. For details, please refer to the Announcement of China Zheshang Bank Co., Ltd. on the Pre-approval Amount of Deposit-type Related Transactions for 2023 (Number: 2023-015) published by the Company on the Shanghai Stock Exchange (www.sse.com.cn).

During the reporting period, at the fifth extraordinary meeting of the sixth session of the Board in 2023, the Company considered and passed the Proposal on the Bank's Credit Plan to the Related Parties of Zhejiang Energy Group (《關於本行對浙江能源集團關聯方授信方案的議案》), approving to grant maximum comprehensive credit lines of RMB7 billion to Zhejiang Energy Group Co., Ltd. and its related parties. For details, please refer to the Announcement on Related Party Transactions of China Zheshang Bank Co., Ltd. (Number: 2023-051) published by the Company on the Shanghai Stock Exchange (www.sse.com.cn).

Directors' Report

During the reporting period, at the fifth extraordinary meeting of the sixth session of the Board in 2023, the Company considered and passed the Proposal on the Bank's Credit Plan to the Related Parties of Caitong Securities Co., Ltd. 《關於本行對財通證券股份有限公司關聯方授信方案的議案》, approving to grant maximum comprehensive credit lines of RMB8 billion to Caitong Securities Co., Ltd. and its related parties. For details, please refer to the Announcement on Related Party Transactions of China Zheshang Bank Co., Ltd. (Number: 2023-051) published by the Company on the Shanghai Stock Exchange (www.sse.com.cn).

During the reporting period, at the twentieth meeting of the Risk and Related Party Transaction Control Committee of the sixth session of the Board, the Company considered and passed the Proposal on the Bank's Credit Plan to the Related Parties of Zhejiang Provincial Financial Holdings Group 《關於本行對浙江金融控股集團關聯方授信方案的議案》, approving to grant maximum comprehensive credit lines of RMB1.5 billion to Zhejiang Provincial Financial Holdings Co., Ltd. and its related parties. For details, please refer to the Announcement on Related Party Transactions of China Zheshang Bank Co., Ltd. (No.: 2023-064) published by the Company on the Shanghai Stock Exchange (www.sse.com.cn).

During the reporting period, at the tenth extraordinary meeting of the sixth session of the Board, the Company considered and passed the Proposal on the Bank's Credit Plan to the Related Parties of Zhejiang Hengyi Group 《關於本行對浙江恒逸集團關聯方授信方案的議案》, approving to grant maximum comprehensive credit lines of RMB6.5 billion to Zhejiang Hengyi Group Co., Ltd. For details, please refer to the Announcement on Related Party Transactions of China Zheshang Bank Co., Ltd. (No.: 2023-069) published by the Company on the Shanghai Stock Exchange (www.sse.com.cn).

During the reporting period, at the tenth meeting of the sixth session of the Board, the Company considered and passed the Proposal on the Bank's Credit Plan to the Related Parties of Zhejiang Zheyin Financial Leasing Co., Ltd. 《關於本行對浙江浙銀金融租賃股份有限公司關聯方授信方案的議案》, approving to grant maximum comprehensive credit lines of RMB12 billion to Zhejiang Zheyin Financial Leasing Co., Ltd. For details, please refer to the Announcement on Related Party Transactions of China Zheshang Bank Co., Ltd. (No.: 2023-069) published by the Company on the Shanghai Stock Exchange (www.sse.com.cn).

During the reporting period, the Company provided commercial banking services and products in our ordinary and usual course of business to the public in the PRC, including our connected persons. These transactions were entered into on normal commercial terms (or on better terms to the Company) in the ordinary and usual course of our business, and thus are fully exempted from all disclosure, annual review and Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

The Company also enters into certain non-banking transactions (such as leasing arrangements) with our connected persons and/or their respective associates from time to time in our ordinary and usual course of business on normal commercial terms (or on better terms to us) which have constituted de minimis transactions under Chapter 14A of the Hong Kong Listing Rules and are fully exempted from all disclosure, annual review and Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

Directors' Report

Details of related party transactions entered into by the Company as of December 31, 2023 are set out in "Notes to Consolidated Financial Statements – Related Party Relationship and Transactions".

Saved as disclosed above, no related party transactions set out in "Notes to Consolidated Financial Statements – Related Party Relationship and Transactions" comply with the definition of "connected transactions" or "continuing connected transaction" in Chapter 14A of the Hong Kong Listing Rules and the Company confirms that it has complied with the disclosure requirements under Chapter 14A of the Hong Kong Listing Rules.

Connected Transactions in Acquisition and Disposal of Assets or Equity

During the reporting period, the Bank did not conduct any connected transaction involving the acquisition and disposal of assets or equity.

Connected Transactions in relation to Joint External Investment

During the reporting period, the Bank did not conduct connected transaction in relation to joint external investment.

Connected Creditor's Rights and Liabilities

During the reporting period, the Bank did not have any non-operational connected creditor's rights and liabilities.

(XI) Transactions, Arrangements or Contractual Interest and Service Contracts of Directors and Supervisors

During the reporting period, the Directors or Supervisors or any entities connected with the Directors or Supervisors had no material interest, directly or indirectly, in any significant transactions, arrangements or contracts entered into by the Company with respect to the Company's business. None of the Directors and Supervisors has entered into any service contract with the Company that is not terminable by the Company within one year without payment of compensation (excluding statutory compensation).

(XII) Information on Directors, Supervisors and Senior Management

Details of the Directors, Supervisors and senior management of the Company are set out in the section headed "Information on Directors, Supervisors, Senior Management, Employees and Institutions" in this annual report.

Directors' Report

(XIII) Interests Owned by the Directors, Chief Executive and Supervisors in the Company

As at December 31, 2023, the interests and short positions of the Directors, Supervisors and chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (as defined in the SFO), which are required to be notified to the Company and Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, including the interests or short positions which the Directors, Supervisors and chief executives of the Company are taken or deemed to have under such provisions of the SFO, or which are required to be and are recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or as otherwise required to be notified to the Company and Hong Kong Stock Exchange pursuant to the Model Code set out in Appendix C3 to the Hong Kong Listing Rules, were as follows:

Name	Position	Class of shares	Long/short position	Capacity	No. of Shares (shares)	Percentage of the relevant class of shares in issue (%)	Percentage of the total issued ordinary shares (%)
Zhang Rongsen (張榮森)	Executive Director, President	A Share	Long position	Beneficial Owner	1,743,430	0.0081	0.0063
Ma Hong (馬紅)	Executive Director	A Share	Long position	Beneficial Owner	83,070	0.0004	0.0003
Chen Haiqiang (陳海強)	Executive Director, Vice President	A Share	Long position	Beneficial Owner	754,000	0.0035	0.0027
Wu Fanghua (吳方華)	Employee Supervisor	A Share	Long position	Beneficial Owner	52,000	0.0002	0.0002

(XIV) Directors' Interests in Businesses Competing with the Company

None of the Directors of the Company hold any interest in any business which, directly or indirectly, competes or may compete with businesses of the Company.

(XV) Directors' and Supervisors' Rights to Acquire Shares or Debentures

As of the end of the reporting period, none of the Directors and Supervisors had the rights to acquire shares or debentures of the Company and its associated corporations (within the meaning of the SFO).

(XVI) Permitted Indemnity Provisions

The Company has purchased appropriate liability insurance to indemnify its Directors, Supervisors and senior management in respect of the liabilities arising from engaging in the activities of the Company. Such arrangements remained effective as at the end of the reporting period.

Directors' Report

(XVII) Management Contracts

Save as the service contracts entered into with the Directors and employees, the Company has not entered into any contract with any person, company or corporation in order to manage or deal with the whole or any material portion of any business of the Company.

(XVIII) Reserves and Distributable Reserves

For details of the changes in the Group's reserves and distributable reserves, please see "Financial Report – Consolidated Statement of Changes in Equity".

(XIX) Fixed Assets (Properties and Equipments)

For details of the changes in the Group's fixed assets (properties and equipment), please see "Note V to Financial Report – 9 Fixed Assets".

(XX) Employment of Accounting Firms and Sponsors

According to its resolutions passed at the 2022 general meeting, the Company engaged KPMG Huazhen LLP and KPMG as the auditors to audit the annual financial statements of the Company for 2023 prepared in accordance with the China Accounting Standards and International Financial Reporting Standards, respectively. Chen Sijie (陳思杰) and Jin Rui (金睿) are the certified public accountants who signed the audit report on the Company's financial statements for 2023 prepared in accordance with the China Accounting Standards. Each of Chen Sijie and Jin Rui has been serving as the signing certificated public accountant of the Company since 2020 and 2023, respectively.

The financial statements of the Company for 2023 prepared under the China Accounting Standards and the internal control of the Company as at the benchmark date of 2023 were audited by KPMG Huazhen LLP, and the financial statements for 2023 prepared under International Financial Reporting Standards were audited by KPMG. The total audit fees amounted to approximately RMB6,600,000, among which the audit fees for internal control was approximately RMB1,000,000. The Company paid the total non-audit fees of approximately RMB1.99 million to KPMG Huazhen LLP and KPMG for the current year. KPMG Huazhen LLP and KPMG confirmed that the provision of such non-audit services would not compromise their audit independence.

The Company engaged CITIC Securities Company Limited as the sponsoring institution (Joint Lead Underwriter) of the A-share right issue, and the sponsor representatives were Cheng Yue (程越) and Jiang Ying (姜穎). During the reporting period, the remuneration (including sponsoring fees and underwriting fees) paid to CITIC Securities Company Limited by the Company amounted to RMB22,752,400.

(XXI) Use of Proceeds Raised

During the reporting period, the Company completed the A-share right issue and the H-share right issue on June 27 and July 27, 2023, respectively. The Company placed shares to all A-shareholders and all H-shareholders at RMB2.02 per A-share and HK\$2.23 per H-share, respectively, on the basis of 3 shares for every 10 shares. 4,829,739,185 A-shares were actually issued in the A-share right issue, and 1,366,200,000 H-shares were actually issued in the H-share right issue, from which total proceeds amounted to approximately RMB9,756 million and HK\$3,047 million respectively, and the net proceeds after deduction of the issue expenses amounted to approximately RMB9,722 million and HK\$3,012 million respectively, which were all utilized to replenish the Company's core tier 1 capital.

Directors' Report

The use of the proceeds of the Company was consistent with the purposes as undertaken in the prospectus of the A-share right issue and the prospectus of the H-share right issue of the Company respectively.

(XXII) Debentures Issued

Please refer to “Changes in Shares and Information on Shareholders – Issue of Bonds” of this Report for details about the debentures issued by the Company.

(XXIII) Compliance with the Laws and Regulations

As of the end of the reporting period, to the best knowledge of the Company, we have complied with all relevant laws and regulations which could materially affect the Company in all major aspects.

(XXIV) Performance of Social Responsibilities

During the reporting period, the Bank insisted on practicing the concept of “financial services for good”, explored the organic integration of its own social responsibility and sustainable business development, and fully demonstrated its responsibility in serving the real economy, achieving carbon peak carbon neutrality, supporting the construction of the Zhejiang Common Wealth Demonstration Zone, rural revitalization, and the protection of consumers' rights and interests, etc., and strived to create long-term value for the society, the effectiveness of the company has been widely recognized by the society, and the ESG rating of MSCI has been A for two consecutive years. The Company has also been awarded the “First Prize for Supporting the Advanced Unit of Economic and Social Development in Zhejiang Province” by the Zhejiang Provincial Government, and the “Tianji Award for ESG Practices in China's Banking Industry of the Year” by the Securities Times and other honors.

For relevant details, see the 2023 Corporate Social Responsibility Report of China Zheshang Bank published on the websites of Shanghai Stock Exchange, the Hong Kong Stock Exchange and the Company.

1. Environmental Information

Focusing on the national “14th Five-Year Plan” and the “3060” goal of carbon peak attainment and carbon neutrality, the Bank comprehensively promotes green finance and green operation, and endeavors to realize business development and environmental protection simultaneously. During the reporting period, the Bank did not commit any environmental violation.

In the area of green finance, the Bank formulated the “Implementation Framework for Green Finance Construction”, the “Three-Year Enhancement Plan for Green Finance Development of CZBank”, the “Action Plan for Supporting Carbon Peak and Carbon Neutrality of CZBank (2021-2025)”, and various guiding opinions to strengthen the management of green finance. The Bank continues to improve the mechanism for safeguarding the policies on green finance and the top-level design, so as to push forward the development of green development and the construction of dual-carbon construction, and to improve the top-level governance structure and policy system. The Bank's Board of Directors is responsible for determining the Bank's green finance development strategy, supervising and evaluating the implementation of the green finance development strategy, while the senior management has set up the “Green Finance Development Leadership Team” and the “Carbon Neutral Leadership Team”, etc., and formulated the annual special promotion plan and further defined the development objectives for the year. We have issued the Environmental, Social and Governance Risk Management Measures of CZBank, and enhanced the level of risk management in green finance in multiple dimensions. We continue to

Directors' Report

strengthen policy guidance, professional operation, and assessment incentives to promote products and service modes such as Carbon Ease Loan, Photovoltaic Loan, and Carbon Emission Reduction Support Tool, and to make an effort in various aspects, such as green credits, green bonds, and green investments, to encourage resources to flow into clean energy and eco-friendly industries. As of the end of the reporting period, the balance of our Bank's green loans was RMB203.436 billion, an increase of 39.41% compared to the beginning of the year, higher than the growth rate of all loans in the Bank. The Bank assisted in the issuance of 5 green bonds, blue bonds, etc., achieving a financing of RMB3.153 billion. It issued the first ESG wealth management product across the Bank, with a fund-raising scale of RMB50 million, and prioritizing investment in green industries such as clean energy, pollution prevention and control, and ecological protection. The low-carbon theme fund for consignment sales amounted to RMB119 million.

In terms of green operation, the Bank continue to deepen the electronicization of seals and vouchers, with a coverage rate of over 90% in personal transaction volume throughout the year. We participated in the Ministry of Finance's electronic voucher project, and have taken the lead in completing the implementation and application of the "Bank Electronic Voucher Interconnection Platform" in the industry, with successfully practical applications in multiple pilot entities made. The Bank has realized "no need to run even once" in business operation, saving energy consumption and carbon emissions for customers to and from banks, with the replacement rate of online transactions exceeded 99%. We are deepening the digital reform of office management, running 1.21 million online processes throughout the year, saving about 45 tons of office paper. We vigorously promote green building management and zero carbon network construction. CZBank Lishui Branch has passed the zero carbon network evaluation^{Note}. We also actively carry out environmental public welfare activities such as afforestation, water source purification, and resource recycling.

2. Information on Social Responsibility

(1) Serving the real economy

The Bank actively implements the important decisions and deployments of the Central Committee of the Communist Party of China and the Zhejiang Provincial Party Committee and Government, adheres to the fundamental purpose of providing financial services to the real economy, continuously improves the quality and efficiency of serving key areas and weak links of the real economy, and does a good job in five major areas: technology finance, green finance, inclusive finance, pension finance, and digital finance. As of the end of the reporting period, the total amount of financing in Zhejiang Province exceeded RMB900 billion, with a balance of loans for inclusive small and micro enterprises of RMB320.128 billion and a balance of financing for science and technology innovation enterprises of RMB204.126 billion. Meanwhile, the Bank has reshaped financial logic from the perspective of social value, studies and vigorously promoted theoretical and practical innovation in "financial for good", and, as a director unit of the Financial Service Committee of the General Association of Zhejiang Entrepreneurs, pioneered the financial advisory system and explored regional integrated financial service demonstration zones. With the joint efforts of all member units, the Bank promoted the establishment of 93 studios, organized 3,400 financial advisors, and provided financing of RMB555.496 billion for 82,300 enterprises, aiming to create a demonstration sample for financial supply side reform. We Lead the establishment of the first non-profit and public welfare charity financial comprehensive service platform in China, the "Charity Capital Public Welfare Alliance", and launched the "Charity Trust Project" to encourage willing and capable enterprises, social organizations, and individuals to participate in public welfare and charity undertakings.

Note: Recognized by Beijing National Financial Technology Certification Center.

Directors' Report

(2) Consolidation and expansion of poverty relief achievement and rural revitalization

The Bank continues to increase the allocation of financial resources and investment in rural areas and poverty-stricken areas. The Bank has set up a separate credit plan for agriculture, clarified the general ideas and requirements for rural revitalization, given special awards to branches with outstanding performance in rural revitalization, and focused on island counties in the mountainous areas of Zhejiang Province, and researched and formulated financial service plans on a county-by-county basis. As of the end of the reporting period, the balance of our bank's large-scale agricultural loans was RMB220.783 billion, an increase of RMB20.859 billion compared to the beginning of the year. The total amount of financial services in mountainous and island counties is RMB80.612 billion. We have solidly promoted the cooperation between the East and the West, as well as the paired assistance work of "thousands of enterprises with thousands of villages". We have taken measures such as industrial assistance and consumption assistance, and have invested a total of RMB41.81 million. The assistance has achieved significant results. Among them, the photovoltaic power generation and grain and oil processing projects in 5 villages of Longyou County in Quzhou have achieved an average annual operating income of over RMB300,000 for the village collectively, and the beef cattle breeding project in Shaxi Village, Xuanhan County, Sichuan has driven an increase in income of more than RMB600,000 for the entire village. We continue to promote the education assistance of "one bank for one school", pairing 32 rural primary schools, and donated a total of RMB34.28 million, providing comprehensive support for the schools' infrastructure, living environment, teaching quality, and quality education, and benefiting 10,000 students.

(3) Protection of consumer rights

The Bank always adheres to a "customer-oriented" approach, and continuously strengthens consumer protection audits. We comprehensively monitor product and service design and development, pricing management, agreement formulation, marketing promotion, and other aspects. Throughout the year, our consumer protection review identified over 4,200 risks, effectively achieving pre risk control. We promote comprehensively the construction of the "digital intelligent consumer protection system" and improve the quality and efficiency of consumer protection work. We also improve the complaint management mechanism, strengthen the construction of the complaint management team, handle complaints in a timely and appropriate manner, and effectively protect the legitimate rights and interests of consumers, especially achieving "zero complaints related to the Asian Games" during the Asian (Paralympic) Games. As of the end of the reporting period, the Bank has received a total of 119,169 complaints, with a 100% customer complaint handling rate.

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The following table shows the geographical of complaints (excluding complaints from the head office^{Note}):

Institutions in the jurisdictions	No. of complaints piece(s)	Institutions in the jurisdictions	No. of complaints piece(s)	Institutions in the jurisdictions	No. of complaints piece(s)
Beijing Branch	1,599	Tianjin Branch	507	Wenzhou Branch	478
Hangzhou Branch	2,257	Wuhan Branch	636	Taizhou Branch	224
Nanjing Branch	933	Zhengzhou Branch	2,121	Shaoxing Branch	538
Guangzhou Branch	1,707	Hefei Branch	529	Zhoushan Branch	35
Shenzhen Branch	736	Guiyang Branch	107	Jinhua Branch	362
Shanghai Branch	592	Changsha Branch	342	Jiaxing Branch	420
Suzhou Branch	486	Nanchang Branch	188	Quzhou Branch	199
Ningbo Branch	574	Qingdao Branch	144	Huzhou Branch	314
Chengdu Branch	1,246	Hohhot Branch	54	Lishui Branch	147
Chongqing Branch	1,418	Shenyang Branch	518	Nanning Branch	10
Jinan Branch	596	Fuzhou Branch	25	Taiyuan Branch	10
Xi'an Branch	711	Lanzhou Branch	524	/	/

The following table shows the category of complaints:

Category	No. of complaints piece(s)	Category	No. of complaints piece(s)
Complaints about bank cards	56,270	Complaints about other intermediary business	1,076
Complaints about loans	33,805	Complaints about RMB savings	584
Complaints about debt collection	10,986	Complaints about foreign exchange	406
Complaints about self-managed wealth management	1,493	Complaints about precious metal	92
Complaints about banking agency business	948	Complaints about RMB management	11
Complaints about payment settlement	5,324	Other complaints	5,796
Complaints about personal financial information	2,378	/	/

In addition, the Bank has actively developed the "Wealth Management N Classes" consumer protection brand, launching nearly 200 courses at different levels. Relying on the results of the brand, we launched more than 7,000 educational and promotional activities throughout the year, reaching 39.33 million consumers, of which 57 videos and 128 feature articles were precisely targeted at specific groups, such as the elderly, young people, new citizens, urban reform groups, etc., to effectively enhance the financial literacy of consumers. We continued to carry out education and training for its consumer protection staff for nearly 600 times, covering more than 100,000 persons.

Note: The number of complaints from the head office is 97,882.

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(4) Privacy and data security

The Bank attaches great importance to the protection of customer privacy and data security, as reflected by the continuous efforts to strengthen the establishment of a hierarchical financial consumer information management and authorization mechanism in all aspects, from the collection, storage, inspection, registration, downloading, processing, circulation, deletion, destruction and sharing with partners of customer information. We effectively protect customer information and privacy security by using security technologies such as encrypted keyboards, secure controls, and APP reinforcement. We continuously strengthen safety defense in depth, regularly conduct emergency plan drills, educate and train employees on safety awareness, and promote the construction and iteration of safety operation platforms. During the reporting period, our network and data security related systems have passed multiple international standard management system certifications, including ISO27001 (Information Security Management System), ISO27701 (Privacy Management System), ISO20000 (Information Technology Service System), ISO22301 (Business Continuity Management System), CMMI3 (Capability Maturity Model), etc., and as a result, there have been no major incidents of network security, data security, or customer privacy information leakage.

(5) Human resource development

Adhering to the principle of equal and legal employment, the Bank respects and protects the legitimate rights and interests of employees and candidates, and treats them equally regardless of age, gender, nationality, race, marital status, religious beliefs, family status, etc. We strictly comply with China's legal working hours and holiday regulations, resist forced and compulsory labor, and protect employees' rights to rest and leave (including paternity leave and parental leave).; We provide competitive and fair compensation and benefits as well as a healthy and safe office environment; We focus on employee care by providing holiday consolation, convalescence and recuperation and medical checkups; We improve our employee communication channels such as the Beehive Community, Employee's Home, and the Satisfaction Platform, and we encourage employees to freely voice their opinions and criticisms; We have perfected an all-round training system covering different types of employees and business sectors, support employees in obtaining professional qualification certificates or participating in academic education, and provide them with opportunities for head office and branch office "double-selection" exchanges, internal recruiting, and open competitions, so as to smooth ways for their career development. The Bank also encourages employees to report irregularities, and strictly enforces confidentiality and protection of the information of the whistle-blowers, so as to create a fair and just atmosphere for their career development.

(XXV) Miscellaneous

- (1) As of the date of this report, the Company was not aware that any Shareholders had waived or agreed to waive any dividend arrangement.
- (2) As of the date of this report, none of the Directors waived or agreed to waive the related remuneration arrangements.
- (3) During the reporting period, there are no collateral and pledges of significant assets of the Company.

Report of the Supervisory Committee

During the reporting period, the supervisory committee has proactively and effectively carried out supervision on the duty performance of the Board of Directors and the senior management of the Company, financial activities, risk management, internal control and lawful operation pursuant to the Company Law of the People's Republic of China 《中華人民共和國公司法》, the Articles of Association of the Company and the supervisory duties delegated by relevant supervisory authorities.

(I) Legal Operation

Our Company operated in accordance with law, and our decision-making procedure was compliant with the relevant provisions in the Company Law of the People's Republic of China 《中華人民共和國公司法》, the Commercial Banking Law of the People's Republic of China 《中華人民共和國商業銀行法》 and the Articles of Association of the Company. The Directors, President and other Senior Management did not violate any laws and regulations or behave against the interests of our Company when they performed duties.

(II) Truthfulness of Financial Statements

The 2023 annual financial report of our Company truthfully reflected the financial position and the operating results of the Company during the reporting period, and had been audited by KPMG Huazhen LLP and KPMG, who had issued standard auditing reports without qualified opinion.

(III) Use of Proceeds

During the reporting period, the application of funds raised by the Company was consistent with the purposes committed in the prospectus of the Company.

(IV) Acquisition and Sale of Assets

No insider trading or behavior harming the interests of some Shareholders was found in the major acquisitions of the Company.

(V) Connected Transactions

The connected transactions of our Company were conducted in a fair and reasonable way and were in compliance with national laws and regulations and the Articles of Association of the Company, and the supervisory committee was not aware of any behaviors which were not conducted on an arm's length basis or were detrimental to the interests of the Company and Shareholders.

(VI) Internal Control System

The supervisory committee had reviewed the "Internal Control Evaluation Report of China Zheshang Bank for 2023", and concurred with the Board of Directors' representations regarding the completeness, reasonableness, effectiveness and implementation of the internal control system of the Company.

(VII) Implementation of Resolutions Passed at Shareholders' General Meetings

The supervisory committee had no objection to the reports or proposals submitted by the Board of Directors to the Shareholders' general meeting in 2023. It supervised the implementation of resolutions passed at the Shareholders' general meetings and was of the opinion that the Board of Directors had implemented the relevant resolutions earnestly.

Significant Events

(I) Material Litigations and Arbitrations

The Company was involved in certain legal litigations/arbitrations in the ordinary course of business, most of which were filed by the Company itself for the purpose of recovering non-performing loans. The above litigations/arbitrations also include those arising as a result of other disputes. For the relevant information on the case involving disputes of contracts between the Company and Glory Xingye (Beijing) Real Estate Co., Ltd. (北京國瑞興業地產股份有限公司), Guorui Properties Limited, Shantou Garden Group Co., Ltd. (汕頭花園集團有限公司), Zhang Zhangsun (張章筍) and Ruan Wenjuan (阮文娟), please refer to the Announcement of China Zheshang Bank Co., Ltd. on the Litigation 《浙商銀行股份有限公司關於訴訟事項的公告》 (Number: 2022-029) and the Announcement of China Zheshang Bank Co., Ltd. on the Litigation Progress 《浙商銀行股份有限公司關於訴訟事項進展的公告》 (Number: 2023-001) issued by the Company on the website of the Shanghai Stock Exchange (www.sse.com.cn). For the relevant information on the case involving disputes of contracts between the Company and Wuhan Fasco Energy Technology Co., Ltd (武漢法斯克能源科技有限公司), Ji Changqun (季昌群), Xia Guihua (夏桂花), Hong Qinghua (洪清華), Ningbo Shimeng Paikang Enterprise Management Co., Ltd. (寧波仕盟派康企業管理有限公司) (previously known as Ningbo Daxie Paikang Asset Management Co., Ltd. (寧波大榭派康資產管理有限公司)) and Ningbo Meishan Bonded Port Zone Zhejiang Equity Investment Partnership (LLP) (寧波梅山保稅港區浙景股權投資合夥企業(有限合夥)), please refer to the Announcement of China Zheshang Bank Co., Ltd. on the Litigation 《浙商銀行股份有限公司關於訴訟事項的公告》 (Number: 2023-063) and the Announcement of China Zheshang Bank Co., Ltd. on the Litigation Progress 《浙商銀行股份有限公司關於訴訟事項進展的公告》 (Number: 2023-076) issued by the Company on the website of the Shanghai Stock Exchange (www.sse.com.cn).

As of the end of the reporting period, there were totally 42 pending litigations/arbitrations (excluding cases involving enforcement opposition and the third parties) where the Company was a defendant, and the total value was RMB347,191,900, which are not expected to have a material adverse impact on the Company's business, financial position or operating results.

(II) Material Contracts and Their Performance

1. Significant Events Relating to Custody, Contracting and Leasing

During the reporting period, the Company did not engage in any significant events concerning the custody, contracting and lease of other companies' assets that is required to be disclosed, nor was there any such matters where other companies' custody, contracting and lease of the Company's assets required to be disclosed.

2. Significant Guarantees

Guarantee business is part of the Company's routine business. During the reporting period, save for the financial guarantee business carried out by the Company within the business scope approved by the regulatory authorities, the Company did not engage in other significant guarantees required to be disclosed.

(III) Misappropriation of Non-Operating Funds of the Company by Controlling Shareholders and Other Related Parties

During the reporting period, the Company did not have any non-operating misappropriation of the Company's funds by the controlling shareholders and other related parties, and KPMG Huazhen LLP (being an auditor of the Company) has issued a special review opinion for this purpose.

Significant Events

(IV) Significant Acquisitions, Sales or Disposals of Assets and Business Combination

During the reporting period, at the ninth meeting of the sixth session of the Board, the Company considered and passed the Proposal on the Purchase of Office Space for Shenzhen Branch 《關於購置深圳分行辦公用房的議案》. For details, please refer to the Announcement of China Zheshang Bank Co., Ltd. on the Purchase of Business Office Space 《浙商銀行股份有限公司關於購買營業辦公用房的公告》 (Number: 2023-046) issued by the Company on the Shanghai Stock Exchange (www.sse.com.cn).

(V) Equity Incentive Plan

During the reporting period, the Company did not implement an equity incentive plan.

(VI) Employee Stock Ownership Plan

During the reporting period, the Company did not implement an employee stock ownership plan.

(VII) Disciplinary Actions Imposed on the Company or Its Directors, Supervisors, Senior Management and Shareholders Holding 5% or more Shares in the Company

No significant administrative penalty was imposed and no notice of criticism was circulated by any regulatory authority upon the Company or the Board of Directors and the Directors, supervisory committee, the Supervisors and senior management of the Company and Shareholders holding 5% or more shares during the reporting period.

(VIII) Performance of the Undertakings

Background of undertakings	Type of undertakings	Undertaking entities	Undertakings	Time and period of undertakings	Any period for performance	Whether timely and strictly performed
Undertakings in relation to refinancing	Other	Zhejiang Provincial Financial Holdings Co., Ltd.	To subscribe in cash for all the offered shares to be determined in accordance with the rights issue plan and to be allotted to it in proportion to the number of shares held by it at the close of market on the record date of the rights issue.	The rights issue period of the Company	Yes	Yes
	Other	Zhejiang Seaport (Hong Kong) Co., Limited, Zhejiang Provincial Seaport Investment & Operation Group Co., Ltd.	To subscribe in cash for all the offered H Rights Shares which will be allotted to it in proportion to its shareholding in the Bank as of the H Share Record Date based on the Subscription Price and according to the relevant procedures and requirements as prescribed in the prospectus of the H Share Rights Issue.	The rights issue period of the Company	Yes	Yes

Significant Events

(IX) Review of Annual Results

KPMG Huazhen LLP and KPMG have audited the financial statements of the Company prepared in accordance with the China Accounting Standards and the International Financial Reporting Standards respectively, and issued standard unqualified auditing reports. The Board of Directors and the Audit Committee have reviewed the results and financial report of the Company for the year ended December 31, 2023.

(X) Annual General Meeting

For the convening of its 2023 annual general meeting of the Company, the Company will make further announcement.

(XI) Publishing the Annual Report

The English and Chinese version of the annual report prepared by the Company in accordance with the International Financial Reporting Standards and Hong Kong Listing Rules will be available on the website of Hong Kong Stock Exchange and the Company's website.

The Chinese version of the annual report prepared by the Company in accordance with the China Accounting Standards and the Rules for the Preparation of Annual Reports will be available on the website of Shanghai Stock Exchange and the Company's website.

Independent Auditor's Report

To the Shareholders of China Zheshang Bank Co., Ltd.

(Incorporated in the People's Republic of China with limited liability)

Opinion

We have audited the consolidated financial statements of China Zheshang Bank Co., Ltd. (the "Bank") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position at 31 December 2023, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group at 31 December 2023, and of its consolidated financial performance and its consolidated cash flow statement for the year then ended in accordance with *International Financial Reporting Standards* ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with *International Standards on Auditing* ("ISAs") issued by the International Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with *International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants* (including International Independence Standards) ("IESBA Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the People's Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements and IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independent Auditor's Report

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<i>Measurement of allowance for expected credit losses for loans and advances to customers and financial investments measured at amortised cost</i>	
Refer to accounting policies in Note IV.6(6) Impairment of financial assets and Note V Significant Accounting Judgements and Estimates and Note VI.17 Loans and Advances to Customers and Note VI.18.2 Financial investments measured at amortised cost.	
Key audit matter	How the matter was addressed in our audit
<p>The Group uses the expected credit loss ("ECL") model to calculate a loss allowance for expected credit losses for loans and advances to customers and financial investments measured at amortised cost.</p> <p>The determination of the loss allowance is subject to the application of a number of key parameters and assumptions, including the identification of loss stages of significant increase in credit risk since initial recognition and credit-impaired, probability of default, loss given default, exposures at default and discount rate, forward-looking adjustments on economic indicators, economic scenarios and weightings and other adjustment factors. Management judgement is involved in the selection of those parameters and the application of the assumptions.</p> <p>The determination of the ECL model is heavily dependent on the macroeconomic environment and the Group's internal credit risk management strategy. The ECL of corporate loans and advances, financial investments measured at amortised cost in stage one and stage two and all personal loans and advances are derived from estimates including probability of default, loss given default, exposures at default and discount rate. The ECL of corporate loans and advances and financial investments measured at amortised cost in stage three are derived from estimates whereby taken into consideration cash flows expected to be received and discount rate.</p>	<p>Our audit procedures in relation to ECL allowance for loans and advances to customers and financial investments measured at amortised cost included the following:</p> <ul style="list-style-type: none"> • understanding and assessing the key internal controls of financial reporting over the process and the measurement of ECL allowance for loans and advances to customers and financial investments measured at amortised cost. • involving KPMG information technology ("IT") specialists to assess the design, implementation and operating effectiveness of relevant IT systems for ECL allowance for loans and advances to customers and financial investments measured at amortised cost. • involving KPMG financial risk management specialists to assess the appropriateness of the ECL model and the parameters used, evaluate the key management judgements involved and management's impact assessment on financial statements upon changes.

Independent Auditor's Report

Measurement of allowance for expected credit losses for loans and advances to customers and financial investments measured at amortised cost (continued)

Refer to accounting policies in Note IV.6(6) Impairment of financial assets and Note V Significant Accounting Judgements and Estimates and Note VI.17 Loans and Advances to Customers and Note VI.18.2 Financial investments measured at amortised cost.

Key audit matter	How the matter was addressed in our audit
<p>Management also exercises judgement in determining the quantum of loss given default based on a range of factors. These include available remedies for recovery, the financial situation of the borrower, the feasible collection measures, the recoverable amount of collateral, the seniority of the claim and the existence and cooperativeness of other creditors. Management refers to valuation reports issued by qualified third-party valuers and considers the influence of various factors when assessing the value of collateral. The enforceability, timing and means of realisation of collateral can also have an impact on the recoverable amount of collateral and, therefore, the amount of allowance for ECL at the end of the reporting period.</p> <p>We identified the measurement of allowance for ECL for loans and advances to customers and financial investments measured at amortised cost as a key audit matter because of the inherent uncertainty and management judgement involved and because of its significance to the financial results and capital of the Group.</p>	<ul style="list-style-type: none"> • assessing the completeness and accuracy of data used for the key parameters in the ECL model. For key parameters derived from internal data relating to original agreements, we compared the total balance of the loans and advances to customers and financial investments measured at amortised cost list used by management with the general ledger to assess the completeness of the list. We also selecting items and comparing the information of individual loans and advances to customers and financial investments measured at amortised cost with the underlying agreements and other related documentation to assess the accuracy of the list. For historical economic indicators and other key parameters derived from external data, we selected items to inspect the accuracy of such data by comparing them with public resources. • for key parameters used in the ECL model which were derived from system-generated internal data, we involved KPMG IT specialists to assess the system logics and compilation of the overdue information of loans and advances to customers and financial investments measured at amortised cost. • for key parameters involving judgement, seeking evidence from external sources published by statistical institutions and comparing to the Group's internal records including historical loss experience, to evaluate the consistency of management's application of key assumptions and key parameters. We compared the economic and market factors used in the model with market information to assess whether they were aligned with economic development expectation.

Independent Auditor’s Report

Measurement of allowance for expected credit losses for loans and advances to customers and financial investments measured at amortised cost (continued)

Refer to accounting policies in Note IV.6(6) Impairment of financial assets and Note V Significant Accounting Judgements and Estimates and Note VI.17 Loans and Advances to Customers and Note VI.18.2 Financial investments measured at amortised cost.

Key audit matter	How the matter was addressed in our audit
	<ul style="list-style-type: none"> • evaluating the validity of management’s assessment on whether the credit risk of the loans and advances to customers and financial investments measure at amortised cost has, or has not, increased significantly since initial recognition, whether the loan is credit-impaired and evaluate the loss allowance for expected credit losses for credit-impaired loans and advances to customers and financial investments by selecting items to perform credit assessments. We performed the credit assessments by checking the overdue information, making enquiries of the credit managers about the borrowers’ business operations, checking borrowers’ financial information and collaterals’ information about borrowers’ businesses. • assessing the reasonableness of the disclosures in the financial statements in relation to the loss allowance for expected credit losses for loans and advances to customers and financial investments measured at amortised cost with reference to prevailing accounting standards.

Independent Auditor's Report

<i>Recognition of interests in and consolidation of structured entities</i>	
Refer to the accounting policies in Note IV.3 Criteria for Control and the Preparation of Consolidated Financial Statements, Note V Significant Accounting Judgements and Estimates and Note VII.2 Interests in Structured Entities.	
Key audit matter	How the matter was addressed in our audit
<p>Structured entities are generally created to achieve a narrow and well defined objective with restrictions around their ongoing activities which include providing investment services and products to customers and managing the Group's assets and liabilities.</p> <p>The Group may acquire an ownership interest in, act as a sponsor to, a structured entity, through initiating or investing shares in a wealth management product, a fund, an asset management plan, a trust plan, or an asset-backed security. The Group may also retain partial interests in derecognized assets due to guarantees or securitization structures.</p> <p>In determining whether the Group should retain any partial interests in a structured entity or should consolidate a structured entity, management is required to consider the power the Group is able to exercise over the activities of the entity, and its exposure to and ability to influence the Group's own returns from the entity. These factors are not purely quantitative and need to be considered collectively in the overall substance of the transactions.</p>	<p>Our audit procedures to assess the recognition of interests in and consolidation of structured entities included the following:</p> <ul style="list-style-type: none"> • understanding and assessing the key controls of financial reporting over the consolidation of structured entities; • selecting items of significant structured entities of key product type and performing the following procedures for selected items: <ul style="list-style-type: none"> – inspecting the related contracts, internal establishment documents and information disclosed to the investors to understand the purpose of the establishment of the structured entity and the involvement the Group has with the structured entity and to assess management's judgement over whether the Group has the ability to exercise power over the structured entity. – inspecting the risk and reward structure of the structured entity including any capital or return guarantee, provision of liquidity support, commission paid and distribution of the returns to assess management's judgement as to exposure, or rights, to variable returns from the Group's involvement in such an entity.

Independent Auditor's Report

<i>Recognition of interests in and consolidation of structured entities (continued)</i>	
Refer to the accounting policies in Note IV.3 Criteria for Control and the Preparation of Consolidated Financial Statements, Note V Significant Accounting Judgements and Estimates and Note VII.2 Interests in Structured Entities.	
Key audit matter	How the matter was addressed in our audit
We identified the recognition of interests in and consolidation of structured entities as a key audit matter because of the complex nature of these structured entities and because of the judgement exercised by management in the qualitative assessment of the terms and the nature of each entity.	<ul style="list-style-type: none"> - inspecting management's analysis of the structured entity, including qualitative analysis and the calculation of the magnitude and variability associated with the Group's economic interests in the structured entity, to assess management's judgement over the Group's ability to influence its own returns from the structured entity. - assessing management's judgement over whether the structured entity should be consolidated or not. • assessing the reasonableness of the disclosures in the financial statements in relation to the recognition of interests in and consolidation of structured entities with reference to prevailing accounting standards.

Independent Auditor's Report

<i>Fair value of financial instruments</i>	
Refer to accounting policies in Note V Significant Accounting Judgements and Estimates and Note XV Fair Value of Financial Instruments.	
Key audit matter	How the matter was addressed in our audit
<p>Financial instruments carried at fair value account for a significant part of the Group's assets and liabilities. The effect of fair value adjustments of financial instruments may impact either the profit or loss or other comprehensive income.</p> <p>The valuation of the Group's financial instruments, held at fair value, is based on a combination of market data and valuation models which often require a considerable number of inputs. Many of these inputs are obtained from readily available data, in particular for level 1 and level 2 financial instruments in the fair value hierarchy, the valuation techniques for which use quoted market prices and observable inputs, respectively. Where one or more significant inputs are unobservable in the valuation techniques, as in the case of level 3 financial instruments, then estimates need to be developed which can involve significant management judgement.</p> <p>The Group has applied relevant models to value certain level 2 and level 3 financial instruments, which also involve significant management judgement.</p> <p>We identified the fair value of financial instruments as a key audit matter because of the degree of complexity involved in valuing certain financial instruments and because of the degree of judgement exercised by management in determining the inputs used in the valuation models.</p>	<p>Our audit procedures to assess the fair value of financial instruments included the following:</p> <ul style="list-style-type: none"> • understanding and assessing the design, implementation and operating effectiveness of key internal controls of financial reporting over the valuation of financial instruments. • evaluating the fair value of level 1 financial instruments, by comparing the fair values applied by the Group with publicly available market data. • evaluating the fair value of level 2 and level 3 financial instruments on sample basis, by evaluating the Group's valuation models, obtaining inputs independently and verifying inputs, comparing our valuation results with the Group's results, and engaging KPMG valuation specialists to conduct independent valuation. • assessing the reasonableness of the disclosures in the financial statements in relation to fair value of financial instruments with reference to prevailing accounting standards.

Independent Auditor's Report

Information Other Than the Consolidated Financial Statements and Auditor's Report Thereon

The Directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Consolidated Financial Statements

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, 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.

Independent Auditor's Report

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- 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.

Independent Auditor's Report

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

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Lee Lok Man.

Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

28 March 2024

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2023
(In RMB millions, unless otherwise stated)

	Note	2023	2022
Interest income		110,253	101,983
Interest expense		(62,725)	(54,921)
NET INTEREST INCOME	VI.1	47,528	47,062
Fee and commission income		6,143	5,521
Fee and commission expense		(1,103)	(730)
NET FEE AND COMMISSION INCOME	VI.2	5,040	4,791
Net trading gains	VI.3	7,396	6,590
Net gains on financial investments	VI.4	2,664	2,008
Other operating income	VI.5	1,136	701
OPERATING INCOME		63,764	61,152
Operating expenses	VI.6	(20,159)	(17,668)
Expected credit losses	VI.7	(26,113)	(27,653)
PROFIT BEFORE TAXATION		17,492	15,831
Income tax expense	VI.10	(1,999)	(1,842)
PROFIT FOR THE YEAR		15,493	13,989
Attributable to:			
Shareholders of the Bank		15,048	13,618
Non-controlling interests		445	371

The notes on pages 180 to 317 form part of these consolidated financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2023
(In RMB millions, unless otherwise stated)

	Note	2023	2022
Other comprehensive income, net of tax	VI.40		
Item that will not be reclassified to profit or loss:			
Changes in the fair value of financial assets designated to be measured at fair value through other comprehensive income		23	38
Items that may be reclassified to profit or loss:			
Changes in the fair value of financial assets measured at fair value through other comprehensive income		1,040	(403)
Allowance for ECLs of financial assets measured at fair value through other comprehensive income		62	1,099
Exchange difference from the translation of foreign operations		93	900
Other comprehensive income, net of tax		1,218	1,634
Total comprehensive income		16,711	15,623
Total comprehensive income attributable to:			
Shareholders of the Bank		16,265	15,252
Non-controlling interests		446	371
Earnings per share attributable to the shareholders of the Bank	VI.11		
Basic (RMB)		0.57	0.53
Diluted (RMB)		0.57	0.53

The notes on pages 180 to 317 form part of these consolidated financial statements.

Consolidated Statement of Financial Position

At 31 December 2023
(In RMB millions, unless otherwise stated)

	Note	31 December 2023	31 December 2022
ASSETS			
Cash and balances with the central bank	VI.12	164,723	185,625
Precious metals		9,756	13,860
Deposits with banks and other financial institutions	VI.13	70,856	43,461
Placements with banks and other financial institutions	VI.14	8,574	9,581
Derivative financial assets	VI.15	21,953	14,179
Financial assets purchased under resale agreements	VI.16	74,595	15,886
Loans and advances to customers	VI.17	1,673,272	1,486,291
Financial investments	VI.18		
– Financial assets measured at fair value through profit or loss		233,141	189,020
– Financial assets measured at amortised cost		463,311	368,792
– Financial assets measured at fair value through other comprehensive income		304,185	194,037
Fixed assets	VI.20	24,741	18,394
Right-of-use assets	VI.21	4,904	5,016
Intangible assets	VI.22	670	617
Deferred tax assets	VI.23	21,184	20,901
Other assets	VI.24	68,014	56,270
TOTAL ASSETS		3,143,879	2,621,930
LIABILITIES			
Due to the central bank	VI.26	119,915	97,170
Deposits from banks and other financial institutions	VI.27	358,654	241,814
Placements from banks and other financial institutions	VI.28	87,681	64,155
Financial liabilities at fair value through profit or loss	VI.29	13,432	55
Derivative financial liabilities	VI.15	21,034	14,462
Financial assets sold under repurchase agreements	VI.30	62,106	6,066
Customer deposits	VI.31	1,868,659	1,681,443
Employee benefits payable	VI.32	5,985	5,786
Taxes payable	VI.33	2,909	4,027
Provisions	VI.34	1,523	1,838
Debt securities issued	VI.35	395,938	323,033
Lease liabilities	VI.21	3,257	3,318
Other liabilities	VI.36	13,209	12,833
TOTAL LIABILITIES		2,954,302	2,456,000

The notes on pages 180 to 317 form part of these consolidated financial statements.

Consolidated Statement of Financial Position

At 31 December 2023
(In RMB millions, unless otherwise stated)

	Note	31 December 2023	31 December 2022
EQUITY			
Share capital	VI.37	27,464	21,269
Other equity instruments	VI.38	24,995	24,995
– Perpetual bonds		24,995	24,995
Capital reserve	VI.39	38,570	32,289
Other comprehensive income	VI.40	3,408	2,191
Surplus reserve	VI.41	12,546	11,075
Statutory general reserve	VI.42	29,804	26,457
Retained earnings	VI.43	49,458	44,657
Total equity attributable to shareholders of the Bank		186,245	162,933
Non-controlling interests		3,332	2,997
TOTAL EQUITY		189,577	165,930
TOTAL LIABILITIES AND EQUITY		3,143,879	2,621,930

The consolidated financial statements was approved by the board of directors on 28 March 2024:

Lu Jianqiang
Chairman

Zhang Rongsen
President, Principal in-charge
of Finance

Peng Zhiyuan
Director of the
Financial Department

The notes on pages 180 to 317 form part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2023
(In RMB millions, unless otherwise stated)

	Note	Attributable to equity holders of the Bank							Non-Controlling interests	Total equity	
		Share capital	Other equity instruments	Capital reserve	Other comprehensive income	Surplus reserve	Statutory general reserve	Retained earnings			Subtotal
Balance at 1 January 2023		21,269	24,995	32,289	2,191	11,075	26,457	44,657	162,933	2,997	165,930
Changes in equity for the year											
1. Total comprehensive income		-	-	-	1,217	-	-	15,048	16,265	446	16,711
2. Capital invested by shareholders											
- Ordinary shares invested by ordinary shareholders	VI.37	6,195	-	6,281	-	-	-	-	12,476	-	12,476
3. Appropriation of profits											
- Appropriation to surplus reserve	VI.41	-	-	-	-	1,471	-	(1,471)	-	-	-
- Appropriation to statutory general reserve	VI.42	-	-	-	-	-	3,347	(3,347)	-	-	-
- Distributions to ordinary shareholders	VI.43	-	-	-	-	-	-	(4,466)	(4,466)	(111)	(4,577)
- Distributions to perpetual bond holders	VI.43	-	-	-	-	-	-	(963)	(963)	-	(963)
Balance at 31 December 2023		27,464	24,995	38,570	3,408	12,546	29,804	49,458	186,245	3,332	189,577
Balance at 1 January 2022		21,269	39,953	32,018	557	9,743	23,802	36,827	164,169	2,714	166,883
Changes in equity for the year											
1. Total comprehensive income		-	-	-	1,634	-	-	13,618	15,252	371	15,623
2. Capital deduction by shareholders											
- Capital deduction by other equity instruments holders	VI.38	-	(14,958)	271	-	-	-	-	(14,687)	-	(14,687)
3. Appropriation of profits											
- Appropriation to surplus reserve	VI.41	-	-	-	-	1,332	-	(1,332)	-	-	-
- Appropriation to statutory general reserve	VI.42	-	-	-	-	-	2,655	(2,655)	-	-	-
- Distributions to ordinary shareholders	VI.43	-	-	-	-	-	-	-	-	(88)	(88)
- Distributions to preference shareholders	VI.43	-	-	-	-	-	-	(838)	(838)	-	(838)
- Distributions to perpetual bond holders	VI.42	-	-	-	-	-	-	(963)	(963)	-	(963)
Balance at 31 December 2022		21,269	24,995	32,289	2,191	11,075	26,457	44,657	162,933	2,997	165,930

The notes on pages 180 to 317 form part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2023
(In RMB millions, unless otherwise stated)

	2023	2022
Cash flows from operating activities:		
Profit before taxation	17,492	15,831
Adjustments for:		
– Expected credit losses	26,113	27,653
– Depreciation and amortisation	2,112	1,862
– Interest income from financial investments	(21,136)	(19,183)
– Net investment income	(6,664)	(6,489)
– Net (gains)/losses from changes in fair value	(294)	2,261
– Net foreign exchange gains	(177)	(190)
– Net gains on disposal of fixed assets	(11)	(3)
– Interest expense on debt securities issued	9,328	8,445
– Interest expense on lease liabilities	146	139
– Deferred tax expense	(658)	(3,070)
Net changes in operating assets and operating liabilities:		
Net decrease/(increase) in balances with the central bank	800	(17,144)
Net (increase)/decrease in deposits with banks and other financial institutions	(3,598)	304
Net decrease/(increase) in placements with banks and other financial institutions	1,631	(5,856)
Net decrease in financial assets purchased under resale agreements	–	1,035
Net increase in loans and advances to customers	(199,876)	(186,411)
Net (increase)/decrease in financial assets held for trading	(21,888)	32,995
Net decrease in other operating assets	11,933	5,642
Net increase in due to the central bank	22,526	46,139
Net increase in deposits from banks and other financial institutions	115,303	5,469
Net increase in placements from banks and other financial institutions	7,897	10,713
Net increase in financial assets sold under repurchase agreements	55,995	6,047
Net increase in customer deposits	181,502	260,702
Net increase/(decrease) in other operating liabilities	504	(14,755)
Net cash flows generated from operating activities before taxation	198,980	172,136
Income tax paid	(4,613)	(4,371)
Net cash generated from operating activities	194,367	167,765

The notes on pages 180 to 317 form part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2023
(In RMB millions, unless otherwise stated)

	Note	2023	2022
Cash flows from investing activities:			
Dividends received		6	8
Proceeds from disposal of fixed assets		966	185
Payment for acquisition of fixed assets, intangible assets and other long-term assets		(9,880)	(5,391)
Investment returns received		28,154	24,473
Proceeds from disposal of investments		1,529,262	1,468,888
Payment for acquisition of investments		(1,749,967)	(1,618,364)
Net cash used in investing activities		(201,459)	(130,201)
Cash flows from financing activities:			
Proceeds from issuance of shares		12,476	–
Proceeds from issuance of debt securities	VI.44 (2)	535,292	373,048
Repayments of principal on debt securities issued	VI.44 (2)	(462,592)	(369,834)
Repayments of interest on debt securities issued	VI.44 (2)	(9,202)	(7,926)
Repayments of other equity instruments		–	(14,687)
Payment for dividend distribution	VI.44 (2)	(5,683)	(2,000)
Repayments of principal element of lease liabilities	VI.44 (2)	(705)	(646)
Repayments of interest element of lease liabilities	VI.44 (2)	(146)	(139)
Net cash generated from/(used in) financing activities		69,440	(22,184)
Effect of exchange rate changes on cash and cash equivalents		365	1,543
Net increase in cash and cash equivalents		62,713	16,923
Cash and cash equivalents at the beginning of the year	VI.44 (1)	107,748	90,825
Cash and cash equivalents at the end of the year	VI.44 (1)	170,461	107,748
Net cash flows from operating activities include:			
Interest received		85,814	80,947
Interest paid		(45,527)	(41,786)

The notes on pages 180 to 317 form part of these consolidated financial statements.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

I General Information

China Zheshang Bank Co., Ltd. (the “Bank”) is a national joint-stock commercial bank established on the basis of the original Zhejiang Commercial Bank with the approval from the original China Banking Regulatory Commission (hereinafter referred to as “the original CBRC”) and the original Zhejiang Commission of China Banking Regulatory Commission (Zhe Yin Jian Fu [2004] No. 48). The Bank obtained the Finance License (No. B0010H133010001) with the approval from the original CBRC. On 26 July 2004, the Bank completed the change of registration in Zhejiang Administration for Industry and Commerce and obtained the Business License (No. 330000000013295) in Zhejiang Province, the People’s Republic of China (the “PRC”). On 7 November 2016, the Bank obtained the Uniform Social Credit Code (No.91330000761336668H). The registered address is 1788 Hongning Road, Xiaoshan District, Hangzhou, Zhejiang Province.

The Bank was listed on the Hong Kong Stock Exchange on 30 March 2016 with stock code of 2016, the Bank was listed on the Shanghai Stock Exchange on 26 November 2019 with stock code of 601916. At 31 December 2023, the Bank’s registered capital is RMB27,464,635,963.

At 31 December 2023, the Bank has established 342 branches in 22 provinces (autonomous regions or municipalities) and Hong Kong in China, including 72 branches (30 of them are tier-one branches), 2 branch-level specialized institution and 268 sub-branches. The principal activities of the Bank include corporate and retail banking, treasury business, and other banking service.

Zhejiang Zheyin Financial Leasing Co., Ltd. (“Zheyin Financial Leasing”) was established on 18 January 2017. At 31 December 2023, the registered capital of Zheyin Financial Leasing is RMB4 billion. Since the Bank has control over Zheyin Financial Leasing, the Bank has included it in the scope of the consolidated financial statements. The Bank and its subsidiary, Zheyin Financial Leasing, are collectively referred to as “the Group”.

II Basis of Preparation

1 Statement of Compliance with the International Financial Reporting Standards

These financial statements have been prepared in accordance with the *International Financial Reporting Standards* (“IFRSs”) and Interpretations issued by the International Accounting Standards Board (“IASB”), applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and the disclosure requirements of the Hong Kong Companies Ordinance (Chapter 622).

2 Basis of Preparation

The consolidated financial statements have been prepared on a going concern basis.

The consolidated financial statements have been prepared under the historical cost convention, except for precious metals, derivative financial instruments, lease-in of precious metals in account caption of placements from banks and other financial institutions, financial assets and financial liabilities measured at fair value through profit or loss (“FVTPL”) and financial assets measured at fair value through other comprehensive income (“FVOCI”), as further explained in the respective accounting policies below.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note V.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

III New Standards or amendments and forthcoming requirements

1 Impact of Effective International Financial Reporting Standards

The following new and amended to IFRSs (including IAS and its amendments and IFRIC interpretations) issued by the International Accounting Standards Board take effect for the current accounting period beginning on or after 1 January 2023:

- Amendments to IAS 8, *Definition of Accounting Estimate*
- Amendments to IAS 1, *Presentation of financial statements* and IFRS Practice Statement 2, *Disclosure of Accounting Policies*;
- Amendments to IAS 12, *Deferred tax related to assets and liabilities arising from a single transaction*;
- Amendments to IAS 12, *Income taxes: International tax reform – Pillar Two model rules*.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the new and amended IFRSs (including IAS and its amendments and IFRIC interpretations) are discussed below:

(1) *Amendments to IAS 8, Accounting policies, changes in accounting estimates and errors: Definition of Accounting Estimate*

The amendments provide further guidance on the distinction between changes in accounting policies and changes in accounting estimates.

The amendments do not have a material impact on these financial statements as the Group's approach in distinguishing changes in accounting policies and changes in accounting estimates is consistent with the amendments.

(2) *Amendments to IAS 1, Presentation of financial statements and IFRS Practice Statement 2, Disclosure of Accounting Policies*

IAS 1 and IFRS Practice Statement 2 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.

The adoption of the amendment has not had a significant impact on the Group's financial position and operating results.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

III New Standards or amendments and forthcoming requirements (continued)

1 Impact of Effective International Financial Reporting Standards (continued)

(3) Amendments to IAS 12, *Deferred tax related to assets and liabilities arising from a single transaction*

The amendments narrow the scope of the initial recognition exemption such that it does not apply to transactions that give rise to equal and offsetting temporary differences on initial recognition such as leases and decommissioning liabilities. For leases and decommissioning liabilities, the associated deferred tax assets and liabilities are required to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments are applied to those transactions that occur after the beginning of the earliest period presented.

Prior to the amendments, the Group did not apply the initial recognition exemption to lease transactions and had recognised the related deferred tax, except that the Group previously determined the temporary difference arising from a right-of-use asset and the related lease liability on a net basis on the basis they arise from a single transaction. Following the amendments, the Group has determined the temporary differences in relation to right-of-use assets and lease liabilities separately. The change primarily impacts disclosures of components of deferred tax assets in the financial statements, but does not impact the deferred tax balances presented in the consolidated statement of financial position as the related deferred tax balances qualify for offsetting under IAS 12.

The adoption of the amendment has not had a significant impact on the Group's financial position and operating results.

(4) Amendments to IAS 12, *Income taxes: International tax reform – Pillar Two model rules*.

The amendments introduce a temporary mandatory exception from deferred tax accounting for the income tax arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development ("OECD"), including tax laws that implement qualified domestic minimum top-up taxes described in those rules. The amendments also introduce disclosure requirements about such tax including the estimated tax exposure to Pillar Two income taxes. The amendments are immediately effective upon issuance and require retrospective application.

The adoption of the amendment has not had a significant impact on the Group's financial position and operating results.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

III New Standards or amendments and forthcoming requirements (continued)

2 Impact of International Financial Reporting Standards Issued but not yet Effective

		Effective date
Amendments to IAS 1 (2020)	<i>Presentation of financial statements: Classification of liabilities as current or non-current ("2020 amendments")</i>	1 January 2024
Amendments to IAS 1 (2022)	<i>Presentation of financial statements: Non-current liabilities with covenants ("2022 amendments")</i>	1 January 2024
Amendments to IFRS 16	<i>Leases: Lease liability in a sale and leaseback</i>	1 January 2024
Amendments to IAS 7 and IFRS 7	<i>Supplier finance arrangements</i>	1 January 2024
Amendments to IAS 1	<i>The effects of changes in foreign exchange rates: Lack of exchangeability</i>	1 January 2024

The above new and amendments to IFRSs have not been adopted in advance in these consolidated financial statements. The Group anticipates that the application of all new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

IV Principal Accounting Policies

1 Accounting Year

The accounting year starts on 1 January and ends on 31 December.

2 Functional Currency

The consolidated financial statements are presented in Renminbi ("RMB"), being the functional and presentation currency of the Bank's operations in the Chinese Mainland. Each entity operating outside the Chinese Mainland determines its own functional currency and the financial statements of each entity are presented using that functional currency. Their financial statements have been translated in accordance with Note IV.5.

3 Criteria for Control and the Preparation of Consolidated Financial Statements

The scope of consolidated financial statements is based on control and the consolidated financial statements comprise the Bank and its subsidiaries (including structured entities). Control exists when the investor has all of following: power over the investee; exposure, or rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered. The financial position, financial performance and cash flows of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

IV Principal Accounting Policies (continued)

3 Criteria for Control and the Preparation of Consolidated Financial Statements (continued)

Non-controlling interests of a subsidiary are presented separately in the consolidated statement of financial position within equity, and net profit or loss attributable to non-controlling shareholders is presented separately in the consolidated statement of profit or loss and other comprehensive income. When the amount of loss for the current period attributable to the non-controlling interest of a subsidiary exceeds the non-controlling interest's portion of the opening balance of equity holders' equity of the subsidiary, the excess is allocated against the non-controlling interests.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting period and accounting policies in line with the Group's accounting period and accounting policies. Intra-group assets, liabilities, equities, revenue, expense and cash flows arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements.

4 Determination of Cash and Cash Equivalents

Cash and cash equivalents comprise monetary assets that can be readily drawn on demand, and short-term and highly liquid investments that are readily convertible into known amounts of cash and are subject to an insignificant risk of changes in value, such as cash, surplus reserves with the central bank, deposits or placements with banks and other financial institutions and financial assets purchased under resale agreements with an original tenor of less than 3 months.

5 Foreign Currency Business and Translation of Foreign Currency Statements

Foreign currency transactions are initially recorded in RMB using the spot exchange rates at the dates of the transactions.

Monetary items denominated in foreign currencies are translated to RMB at the spot exchange rate at the balance sheet date. The resulting exchange differences are generally recognized in profit or loss, unless they arise from the re-translation of the principal and interest of specific borrowings for the acquisition or construction of qualifying assets. Non-monetary items that are measured at historical cost in foreign currencies are translated to RMB using the exchange rate at the transaction date. Non-monetary items that are measured at fair value in foreign currencies are translated using the exchange rate at the date the fair value is determined. The resulting exchange differences are recognized in profit or loss, except for the differences arising from the re-translation of non-monetary items denominated in foreign currencies at fair value through other comprehensive income, which are recognized in other comprehensive income.

In translating the financial statements of a foreign operation, assets and liabilities of foreign operation are translated to RMB at the spot exchange rate at the balance sheet date. Shareholders' equity items, excluding retained earnings and the translation differences in other comprehensive income, are translated to RMB at the spot exchange rates at the transaction dates. Income and expenses of foreign operation are translated to RMB at the spot exchange rates or the rates that approximate the spot exchange rates at the transaction dates. The resulting translation differences are recognized in other comprehensive income. The translation differences accumulated in other comprehensive income with respect to a foreign operation are transferred to profit or loss in the period when the foreign operation is disposed.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

IV Principal Accounting Policies (continued)

6 Financial Instruments

Financial instruments are contracts that form the financial assets of one party and the financial liabilities or equity instruments of other parties.

(1) Initial recognition and measurement of financial assets and financial liabilities

Financial assets and financial liabilities are recognized in the consolidated statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are measured initially at fair value. For financial assets and financial liabilities measured at FVTPL, any related directly attributable transaction costs are charged to profit or loss; for other categories of financial assets and financial liabilities, any related directly attributable transaction costs are included in their initial costs.

(2) Classification and subsequent measurement of financial assets

Classification of financial assets

The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. On initial recognition, a financial asset is classified as measured at amortised cost ("AC"), at FVOCI, or at FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as measured at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as measured at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

IV Principal Accounting Policies (continued)

6 Financial Instruments (continued)

(2) Classification and subsequent measurement of financial assets (continued)

Classification of financial assets (continued)

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis, and the investment conforms to the definition of equity instrument from the perspective of the issuer.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The business model refers to how the Group manages its financial assets in order to generate cash flows. That is, the Group's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. The Group determines the business model for managing the financial assets according to the facts and based on the specific business objective for managing the financial assets determined by the Group's key management personnel.

In assessing whether the contractual cash flows on specific dates are solely payments of principal and interest based on principal unpaid, the Group considers the contractual terms of the instrument. For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. The Group also assesses whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition of contractual cash flows.

Subsequent measurement of financial assets

– Financial assets measured at FVTPL

These financial assets are subsequently measured at fair value after initial recognition. Net gains and losses, including any interest or dividend income, are recognized in profit or loss unless the financial assets are part of a hedging relationship.

– Financial assets measured at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method after initial recognition. A gain or loss on a financial asset that is measured at amortised cost and is not part of a hedging relationship shall be recognized in profit or loss when the financial asset is derecognized, through the amortisation process in effective interest method or in order to recognize impairment gains or losses.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

IV Principal Accounting Policies (continued)

6 Financial Instruments (continued)

(2) Classification and subsequent measurement of financial assets (continued)

Subsequent measurement of financial assets (continued)

- Debt instruments measured at FVOCI

These assets are subsequently measured at fair value after initial recognition. Interest income calculated using the effective interest method, impairment and foreign exchange gains and losses are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

- Equity instruments measured at FVOCI

These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to retained earnings.

(3) Classification and subsequent measurement of financial liabilities

Financial liabilities are classified as measured at FVTPL, measured at amortised cost and financial guarantees.

- Financial liabilities measured at FVTPL

A financial liability is classified as measured at FVTPL if it is classified as held-for-trading (including a derivative financial instrument) or it is designated as such on initial recognition (including lease-in of precious metals in account caption of placements from banks and other financial institutions).

A financial liability is classified as held for trading if: (i) it has been acquired principally for the purpose of repurchasing it in the near term; or (ii) on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or (iii) it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability may be designated as measured at FVTPL upon initial recognition if: (i) such designation eliminates or significantly reduces accounting mismatches that would otherwise arise; or (ii) the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided to key management internally on that basis.

Financial liabilities measured at FVTPL (including derivative financial liability) are subsequently measured at fair value after initial recognition and net gains and losses (including any interest expense) are recognized in profit or loss, unless the financial liabilities are part of a hedging relationship.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

IV Principal Accounting Policies (continued)

6 Financial Instruments (continued)

(3) Classification and subsequent measurement of financial liabilities (continued)

- Financial liabilities measured at amortised cost

A financial liability other than a financial liability measured at FVTPL, a financial liability not meeting the criteria for derecognition or arising from continuing involvement, credit commitments or financial guarantees are recognized at fair value and subsequently measured at amortised cost using the effective interest method after initial recognition.

(4) Offsetting financial instruments

Financial assets and financial liabilities are generally presented separately in the consolidated statement of financial position and are not offset. However, a financial asset and a financial liability are offset and the net amount is presented in the consolidated statement of financial position when both of the following conditions are satisfied:

- the Group currently has a legally enforceable right to set off the recognized amounts; and
- the Group intends either to settle on a net basis, or to realize the financial asset and settle the financial liability simultaneously.

(5) Derecognition of financial instruments

A financial asset is derecognized when one of the following conditions is met:

- the Group's contractual rights to the cash flows from the financial asset expire;
- the financial asset has been transferred and the Group transfers substantially all of the risks and rewards of ownership of the financial asset; or
- the financial asset has been transferred, although the Group neither transfers nor retains substantially all of the risks and rewards of ownership of the financial asset, it does not retain control over the transferred asset.

Where a transfer of a financial asset in its entirety meets the criteria for derecognition, the difference between the two amounts below is recognized in profit and loss:

- the carrying amount of the financial asset transferred;
- the sum of the consideration received from the transfer. For a debt instrument financial asset measured at FVOCI, the sum of the consideration received includes the cumulative gain or loss recognized in other comprehensive income.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

IV Principal Accounting Policies (continued)

6 Financial Instruments (continued)

(5) Derecognition of financial instruments (continued)

Asset securitization

As part of its operational activities, the Group securitizes financial assets, generally through the sale of these assets to structured entities which issue securities to investors. Further details on prerequisites for derecognition of financial assets are set out above. When a securitization of financial assets does not qualify for derecognition, the relevant financial assets are not derecognized, and the consideration paid by third parties are recorded as a financial liability; the Group neither retains nor transfers substantially all of the risks and rewards of ownership of the securitized financial assets, and it retains control over the transferred assets, the Group continues to recognize the transferred assets in the consolidated statement of financial position to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the securitized assets, and recognize the corresponding liabilities.

Sales of financial assets on condition of repurchase

The derecognition of financial assets sold on condition of repurchase is determined by the economic substance of the transaction. If a financial asset is sold under an agreement to repurchase the same or substantially the same asset at a fixed price or at the sale price plus a reasonable return, the Group will not derecognize the asset. If a financial asset is sold together with an option to repurchase the financial asset at its fair value at the time of repurchase (in the case of the transferor selling such a financial asset), the Group will derecognize the financial asset.

The Group derecognizes a financial liability (or part of it) only when its contractual obligation (or part of it) is extinguished.

(6) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses ("ECL") on:

- Financial assets measured at amortised cost;
- Debt instruments measured at FVOCI;
- Lease receivables; and
- Credit commitments and financial guarantee contracts.

Other financial assets measured at fair value, including financial investments measured at FVTPL, equity investments designated as measured at FVOCI and derivative financial assets, are not subject to the ECL assessment.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

IV Principal Accounting Policies (continued)

6 Financial Instruments (continued)

(6) Impairment of financial assets (continued)

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

The maximum period considered when estimating ECLs is the maximum contractual period (including extension options) over which the Group is exposed to credit risk.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the balance sheet date (or a shorter period if the expected life of the instrument is less than 12 months) and are parts of lifetime ECLs.

The Group classifies financial instruments into three stages and makes provisions for ECLs in accordance with the accounting policies described in Note XIII.1 Credit Risk.

Presentation of allowance for ECLs

ECLs are remeasured at each balance sheet date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognized as an impairment gain or loss in profit or loss. The Group recognizes an impairment gain or loss for financial instruments measured at amortised cost with a corresponding adjustment to their carrying amount through a loss allowance account; for debt instruments that are measured at FVOCI, the ECL allowance is recognized in other comprehensive income. The Group recognizes ECL allowances for credit commitments and financial guarantee contracts through provisions (allowance for ECLs on credit commitments).

(7) Write-off of financial assets

The carrying value of a financial asset is written-off (either partially or in full) to the extent that there is no realistic prospect of recovery. A write-off constitutes a derecognition event. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Subsequent recoveries of an asset that was previously written off are recognized as a reversal of impairment in profit or loss in the period in which the recovery occurs.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

IV Principal Accounting Policies (continued)

6 Financial Instruments (continued)

(8) Modification of financial assets contracts

In some cases (such as renegotiating loans), the Group may renegotiate or otherwise modify the financial assets contracts. The Group would assess whether the new contractual 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' financial asset under the revised terms. If the modification does not result in substantial changes, but lead to changes in contractual cash flows, the Group assesses whether a significant increase in credit risk has occurred, comparing the risk of a default occurring under the revised terms at balance sheet date with that at the date of initial recognition under the original terms.

(9) Equity Instrument

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting the liabilities. A financial instrument is an equity instrument if, and only if, both conditions 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.

The consideration received from the issuance of equity instruments net of directly attributable transaction costs is recognized in equity.

7 Preference Shares and Perpetual Bonds

At initial recognition, the Group classifies the preference shares and perpetual bonds issued or their components as financial liabilities or equity instruments based on their contractual terms and their economic substance after considering the definition of financial liabilities and equity instruments.

Preference shares and perpetual bonds issued that are classified as equity instruments are recognized in equity based on the actual amount received. Any distribution of dividends or interests during the instruments' duration is treated as profit appropriation. When the preference shares and perpetual bonds are redeemed by the Group according to the contractual terms, the redemption price is charged to equity.

8 Precious Metals

Precious metals comprise gold, silver and other precious metals. Precious metals that are not related to the Group's precious metals trading activities are initially measured at acquisition cost and subsequently measured at the lower of cost and net realizable value. Precious metals acquired by the Group for trading purposes are initially measured at fair value and subsequent changes in fair value at the balance sheet date recorded in profit or loss.

The Group records the precious metals received as a liability. The precious metals deposited with the Group are measured at fair value both on initial recognition and in subsequent measurement.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

IV Principal Accounting Policies (continued)

9 Derivative Financial Instruments

Derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

If the host contract included in a hybrid contract is an asset within the scope of IFRS 9 – Financial Instruments, the embedded derivative is not separated from the host contract of the financial asset, instead the hybrid financial instrument as a whole is classified under IFRS 9. If the host contract included in a hybrid contract is not an asset within the scope of IFRS 9, when their economic characteristics and risks of an embedded derivative is not closely related to those of the host contract, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the hybrid instrument is not measured at FVTPL, then such an embedded derivative is separated from the hybrid contract and accounted for as a derivative. The embedded derivative is measured at fair value with any changes in fair value recognized in profit or loss.

Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are recognized directly in profit or loss.

10 Repurchase and Reverse Purchase Transactions (including securities borrowing and lending)

Assets sold under agreements to repurchase at a specified future date are not derecognized from the consolidated statement of financial position. The corresponding proceed received, including accrued interest, is recognized in the consolidated statement of financial position as “financial assets sold under purchase agreements”. The difference between the selling and repurchase prices is treated as an interest expense and is accrued over the life of the agreement using the effective interest method.

Conversely, assets purchased under agreements to resell at a specified future date are not recognized in the consolidated statement of financial position. The corresponding cash paid, including accrued interest, is recognized in the consolidated statement of financial position as “financial assets purchased under resale agreements”. The difference between the purchase and resale prices is treated as an interest income and is accrued over the life of the agreement using the effective interest method.

Securities borrowing and lending transactions are usually collateralized by securities or cash. The transfer of the securities to counterparties is only reflected in the consolidated statement of financial position if the risks and rewards of ownership are also transferred. Cash advanced or received as collateral is recorded as an asset or liability.

Securities borrowed are not recognized in the consolidated statement of financial position, unless they are then sold to third parties, in which case the obligation to return the securities is recorded as a financial liability held for trading purposes and measured at fair value with any gains or losses included in profit or loss.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

IV Principal Accounting Policies (continued)

11 Investment in Subsidiaries

In the Bank's statement of financial position, long-term equity investment in subsidiaries are accounted for using the cost method for subsequent measurement. Dividends declared by subsidiaries are recognized in profit or loss except for cash dividends or profit distributions declared but not yet distributed that have been included in the price or consideration paid-in obtaining the investments. In the Bank's statement of financial position, interests in subsidiaries are accounted for using the cost less impairment losses (Note IV.16).

In the Group's consolidated statement of financial position, subsidiaries are accounted for in accordance with policies described in Note IV.3.

12 Fixed Assets and Construction in Progress

Fixed assets are tangible assets held by the Group for operation and administration purposes with useful lives more than one year. Construction-in-progress represents properties and buildings under construction and are transferred to fixed assets when they are ready for their intended use.

Fixed assets are stated at cost less accumulated depreciation and impairment losses (Note IV.16) in the consolidated statement of financial position. Construction-in-progress is stated cost less impairment losses (Note IV.16) in the consolidated statement of financial position.

Costs of a purchased fixed asset comprise purchase price, related taxes, and any directly attributable expenditures for bringing the asset to working condition for its intended use. Costs of a self-constructed fixed asset comprise construction materials, direct labor costs, capitalized borrowing cost and those expenditures necessarily incurred for bringing the asset to working condition for its intended use.

Where the individual component parts of an item of fixed assets have different useful lives or provide benefits to the Group in different patterns, each part is depreciated separately. They are accounted for as separate items of fixed assets.

Any subsequent costs including the cost of replacing part of an item of fixed assets are recognized as assets when it is probable that the economic benefits associated with the costs will flow to the Group, and the carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of fixed assets are recognized in profit or loss as incurred.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

IV Principal Accounting Policies (continued)

12 Fixed Assets and Construction in Progress (continued)

The cost of a fixed asset, less its estimated net residual value and accumulated impairment losses, is depreciated using the straight-line method over its estimated useful life. The estimated useful lives, estimated residual value and depreciation rate are as follows:

	Estimated useful lives	Estimated residual value	Depreciation rate
Properties and buildings	10 – 30 years	5%	3.17% – 9.50%
Office and electronic equipment	3 – 7 years	5%	13.57% – 31.67%
Motor vehicles	5 years	5%	19.00%

Fixed assets in the operating leases are used for the Group's operating lease activities. The Group determines the depreciation period and depreciation method based on actual conditions. The depreciation is accrued on a straight-line basis based on the duration of the lease.

The estimated useful lives, estimated net residual value and depreciation method of fixed assets are reviewed at least at each year-end.

Gains or losses arising from the disposal or retirement of fixed assets are determined as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss on the date of disposal or retirement.

13 Intangible Assets

Intangible assets are stated in consolidated statement of financial position at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (Note IV.16). For an intangible asset with finite useful life, its cost less estimated net residual value and accumulated impairment losses is amortised on a straight-line basis over its estimated useful life.

The Group amortizes computer software with a licensed period during the authorized period, otherwise it is amortised over a period of 10 years.

The Group reviews the useful life and amortisation method of intangible assets with limited useful lives at least at the end of each year.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

IV Principal Accounting Policies (continued)

14 Repossessed Assets

In the recovery of assets such as impaired loans and lease receivables, the Group may take possession of assets held as collateral through court proceedings or voluntary delivery of possession by the borrowers. When it is intended to achieve an orderly realization of the impaired assets and the Group is no longer seeking repayment of loans and lease receivables from the borrowers, repossessed assets except the equity instruments are reported in “other assets”.

When the Group seizes assets to compensate for the losses of loans, lease receivables and advances and interest receivables, the repossessed assets are initially recognized at fair value and any taxes that are directly attributable to the assets, litigation expenses advanced and other expenses incurred for collecting the repossessed assets. Repossessed assets are recognized at the carrying value in the consolidated statement of financial position, net of allowance for impairment losses (Note IV.16).

15 Long-term Prepaid Expenses

The Group recognises all expenses incurred with a benefit period of more than one year as long-term prepaid expenses. Long-term prepaid expenses are presented on the balance sheet as cost minus accumulated amortization, and long-term prepaid expenses will be recognized in the balance sheet “Other assets”.

Leased asset improvement expenses are amortised over the lease term, and other long-term prepaid expenses are amortised over the benefit period.

16 Impairment of Non-financial Assets

The carrying amounts of the following assets are reviewed at each balance sheet date based on internal and external sources of information to determine whether there is any indication of impairment:

- fixed assets and construction in progress
- right-of-use assets
- intangible assets
- investment in subsidiaries
- other assets (finance lease receivables excluded)

If any indication exists that an asset may be impaired, the recoverable amount of the asset is estimated.

The recoverable amount of an asset (or asset group, set of asset groups) is the higher of its fair value (Note IV.17) less costs of disposal and its value in use.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

IV Principal Accounting Policies (continued)

16 Impairment of Non-financial Assets (continued)

An asset group is composed of assets directly related to cash generation and is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or asset groups.

The present value of expected future cash flows of an asset is determined by discounting the future cash flows, estimated to be derived from continuing use of the asset and from its ultimate disposal, to their present value using an appropriate pre-tax discount rate.

An impairment loss is recognized in profit or loss when the recoverable amount of an asset is less than its carrying amount. A provision for impairment of the asset is recognized accordingly. Impairment losses related to an asset group or a set of asset groups are allocated first to reduce the carrying amount of the assets in the asset group or set of asset groups on a pro rata basis. However, such allocation would not reduce the carrying amount of an asset below the highest of its fair value less costs of disposal (if measurable), its present value of expected future cash flows (if measurable) and zero.

Once the above asset impairment loss is recognized, it will not be reversed in future accounting periods.

17 Fair Value Measurement

Unless otherwise specified, the Group measures fair value as follows:

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.

When measuring fair value, the Group takes into account the characteristics of the particular asset or liability (including the condition and location of the asset and restrictions, if any, on the sale or use of the asset) that market participants would consider when pricing the asset or liability at the measurement date, and uses valuation techniques that are appropriate in the circumstances and for which sufficient data and other information are available to measure fair value. Valuation techniques mainly include the market approach, the income approach and the cost approach.

18 Employee Benefits

(1) Short-term employee benefits

Employee wages or salaries, bonuses, social security contributions such as medical insurance, work injury insurance, maternity insurance and housing fund, measured at the amount incurred or accrued at the applicable benchmarks and rates, are recognized as a liability as the employee provides services, with a corresponding charge to profit or loss.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

IV Principal Accounting Policies (continued)

18 Employee Benefits (continued)

(2) Post-employment benefits – defined contribution plans

The Group participates in defined contribution plans including basic pension insurance, unemployment insurance and annuity plans in the social insurance system established and managed by government organizations, all of which are defined contribution plans. The Group pays a fixed contribution into the defined contribution plans and has no obligation to make further contributions if the plans does not hold sufficient assets to pay all employee benefits.

Employees also participate in a defined contribution retirement benefit plan established by the Group (the “Annuity Plan”). The Group contributes a certain percentage of the employees’ salaries to the Annuity Plan, which is charged to profit or loss when it is incurred.

19 Provisions

Provisions are recognized when the Group has a present obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. A provision shall be initially measured at the best estimate of the expenditure required to settle the related present obligation. When the effect of the time value of money is material, a provision shall be determined by discounting the related future cash outflows.

20 Credit Commitments and Financial Guarantee Contracts

The Group issues credit commitments and financial guarantee contracts, including acceptances, letters of credit, letters of guarantee, loan commitments and finance lease commitments, undrawn credit card facility, receivables confirmation and other financial guarantee contracts.

A credit commitment is a commitment provided by the Group to customers to extend loans under agreed contractual terms within a certain period. Expected credit losses relating to credit commitments are provided for using the ECL model and included in provisions.

Financial guarantees are contracts that require the guarantor to make specified payments to reimburse the beneficiary of the guarantee (the holder) for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. The Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed. Accordingly, the allowance for ECL is the present value of the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the debtor or any other third party.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

IV Principal Accounting Policies (continued)

21 Fiduciary Activities

The Group acts in fiduciary activities as a manager, a custodian, or an agent for customers. Assets held by the Group under fiduciary capacity and the related undertakings to return such assets to customers are excluded from the consolidated statement of financial position as the risks and rewards of the assets reside with customers.

The Group enters into entrusted loan agreements with customers, whereby the customers provide funding to the Group, and the Group grants loans to third parties. The Group has been contracted by those customers to manage the administration and collection of these entrusted loans on their behalf. The Group receives fees in return for the services it provides. As the Group does not assume the risks and rewards of the entrusted loans, the entrusted loans are not recognized as the Group's assets or liabilities.

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 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.

22 Revenue

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and when the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

(1) Interest income

For all financial instruments measured at amortised cost and interest-generating financial instruments classified as financial assets measured at FVOCI, interest income is calculated using the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument, where appropriate, to the carrying value of the financial asset, or the amortised cost of the financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or transaction costs that are attributable to the instrument and are a part of the effective interest rate, but not ECLs.

Interest income is calculated by applying the effective interest rate to the carrying value of financial assets and is included in "interest income", except for:

- purchased or originated credit-impaired financial assets, whose interest income is calculated, since initial recognition, by applying the credit-adjusted effective interest rate to their amortised cost;
- financial assets that are not purchased or originated credit-impaired but have subsequently become credit-impaired, whose interest income is calculated by applying the effective interest rate to their amortised cost.

The adjusted effective interest rate is the rate that discounts the estimated future cash flows of the purchased or originated credit-impaired financial asset through the asset's expected life to its amortised cost. In determining the adjusted effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment, renewal, call and similar options) and ECLs.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

IV Principal Accounting Policies (continued)

22 Revenue (continued)

(2) Fee and commission income

The Group charges fees and commissions by providing various services to customers. The fee and commission income is recognized when its performance obligation in contracts is satisfied and when the customer obtains the control right of relevant services.

If one of the following conditions is met, the Group will perform its performance obligations within a certain period of time; otherwise, it will perform its performance obligations at a certain time point:

- Customers obtain and consume the economic benefits brought by the Group's performance at the same time as the Group's performance;
- Customers can control the services performed during the performance of the Group;
- The goods produced by the Group in the process of performance have irreplaceable uses, and the Group has the right to collect payment for the part of performance that has been completed so far during the whole contract period.

(3) Dividend income

Dividend income from equity instruments is recognized in profit or loss when the right to receive payment is established.

23 Government Grants

Government grants are transfers of monetary assets or non-monetary assets from the government to the Group at no consideration except for any capital contribution from the government as an investor in the Group. Government grants are recognized when there is reasonable assurance that the grants will be received and that the Group will comply with the conditions attaching to the grants.

Government grants are measured at the amount received or will be received when recognized as monetary assets. Government grants are measured at fair value when recognized as non-monetary assets.

The grants related to assets are government grants whose primary condition is that an entity qualifying for them should purchase, construct or otherwise acquire long-term assets. The grants related to income are government grants other than those related to assets. A government grant related to an asset is recognized initially as deferred income and amortised to profit or loss on a reasonable and systematic method over the useful life of the asset. A grant related to income that compensates the Group for expenses or losses to be incurred in the subsequent periods is recognized initially as deferred income and recognized in profit or loss in the same periods in which the expenses or losses are recognized. A grant that compensates the Group for expenses or losses incurred is recognized in profit or loss immediately.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

IV Principal Accounting Policies (continued)

24 Income Taxes

Current tax and deferred tax are recognized in profit or loss except to the extent that they relate to a business combination or items recognized directly in equity (including other comprehensive income).

Current tax is the expected tax payable calculated at the applicable tax rate on the taxable income for the year, and any adjustment to tax payable in respect of previous years.

At the balance sheet date, current tax assets and liabilities are offset if the Group has a legally enforceable right to set off them and the entity intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases, which include the deductible losses and tax credits carried forward to subsequent periods. Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be used.

If a single transaction is not a business combination, it will not affect accounting profits or taxable income (or deductible losses) when the transaction occurs, and the initially recognized assets and liabilities have not resulted in equal taxable temporary differences and deductible temporary differences, then the temporary differences generated in the transaction will not generate deferred income tax.

At the balance sheet date, the amount of deferred tax recognized is measured based on the expected manner of realization or settlement of the carrying amount of the assets and liabilities using tax rates that are expected to be applied in the period when the asset is realized or the liability is settled in accordance with tax laws.

The carrying amount of a deferred tax asset is reviewed at the balance sheet date. The carrying amount of a deferred tax asset is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the benefit of the deferred tax asset to be utilized. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

At the balance sheet date, deferred tax assets and liabilities are offset if all the following conditions are met:

- the taxable entity has a legally enforceable right to set off current tax assets against current tax liabilities;
- they relate to income taxes levied by the same tax authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities, simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

IV Principal Accounting Policies (continued)

25 Leases

(1) The Group as the lessee

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability, any lease payments made at or before the commencement date (less any lease incentives received), any initial direct costs incurred and the costs to restore the site. The right-of-use asset is depreciated on a straight-line basis subsequently by the Group. If the Group is reasonably certain that the ownership of the underlying asset will be transferred to the Group at the end of the lease term, the Group depreciates the asset from the commencement date to the end of the useful life of the asset. Otherwise, the Group depreciates the assets from the commencement date to the earlier of the end of the useful life of the asset and the end of the lease term, whichever is shorter.

The right to use assets shall be subject to the provision for impairment according to the accounting policies described in Note IV.16.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used. A constant periodic rate is used to calculate the interest on the lease liability in each period during the lease term with a corresponding charge to profit or loss or included in the cost of assets where appropriate. Variable lease payments not included in the measurement of the lease liability is charged to profit or loss or included in the cost of relevant assets where appropriate as incurred.

The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognizes the lease payments associated with these leases in profit or loss or as the cost of the assets where appropriate using the straight-line method over the lease term.

(2) The Group as the lessor

The Group determines at lease inception whether each lease is a finance lease or an operating lease. A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of a leased asset to the lessee, irrespective of whether the legal title to the asset is eventually transferred. An operating lease is a lease other than a finance lease.

Under a finance lease, at the commencement date, the Group recognizes the finance lease receivable and derecognizes the finance lease asset. The finance lease receivable is initially measured at an amount equal to the net investment in the lease. The net investment in the lease is measured at the aggregate of the unguaranteed residual value and the present value of the lease receivable that are not received at the commencement date, discounted using the interest rate implicit in the lease. The Group calculates and recognizes interest income for each period of the lease term using a fixed periodic interest rate.

Under an operating lease, lease receipts are recognized as income using the straight-line method over the lease term. Variable lease payments not included in lease receipts are recognized in profit or loss as they are earned.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

IV Principal Accounting Policies (continued)

26 Dividends

Dividends proposed in the profit appropriation plan which will be authorized and declared after the balance sheet date are not recognized as a liability at the balance sheet date but disclosed separately in the notes of subsequent events to the consolidated financial statements. Distributions to preference shareholders are recognized as liabilities in the period approved by the board of directors.

27 Related Parties

If a party has the power to control, jointly control or exercise significant influence over another party, or where two or more parties are subject to common control or joint control from another party, they are considered to be related parties. Related parties may be individuals or enterprises. Enterprises with which the Bank is under common control only from the State and that have no other related party relationships are not regarded as related parties.

28 Segment Reporting

The Group determines the business segments based on the internal organizational structure, management requirements and internal reporting system. After considering the principle of importance based on the business segments, it determines the reporting segments and discloses segment information.

Inter-segment revenues are measured on the basis of the actual transaction prices for such transactions for segment reporting. Segment accounting policies are consistent with those for the consolidated financial statements.

29 Methodology in Determination of Materiality and Basis for Selection

The Group determines the importance of financial information based on the environment, considering both the nature and amount of the matter. When assessing whether a matter is significant from nature perspective, the Group primarily considers whether it is part of the Group's operating activities and whether it significantly impacts the Group's financial position, operating results and cash flows. When assessing whether a matter is significant from amount perspective, the Group considers the proportion of the amount of the matter to the amount of operating income, total assets, total liabilities, total equity, profit for the year and total comprehensive income or to the amount of the account caption.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

V Significant Accounting Judgements and Estimates

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of financial statement line items. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. Estimates as well as underlying assumptions and uncertainties involved are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

(i) Measurement of the ECL Allowance

The measurement of the ECL allowance for financial assets measured at amortised cost, debt instruments measured at FVOCI, credit commitments and financial guarantees is an area that requires the use of complex models and significant assumptions about future economic conditions and borrower's credit behaviors (e.g. the likelihood of customers defaulting and the resulting losses).

A number of significant judgements are required in applying the accounting policies for measuring ECLs, such as:

- The segmentation of portfolios sharing similar credit risk characteristics for the purposes of measuring ECLs, choosing appropriate models and key inputs for the measurement of ECLs;
- Criteria for determining whether there was a significant increase in credit risk, or the credit was impaired;
- Economic indicators for forward-looking measurement, and the application of economic scenarios and weightings; and
- Discounted cash flows and discount rates applied to corporate loans and advances, and financial assets measured at amortised cost in stage 3.

For details about the measurement of ECLs, please refer to Note XIII.1(3).

(ii) Fair Value of Financial Instruments

If the market for a financial instrument is not active, the Group establishes fair value by using a valuation technique. Valuation techniques include using recent arm's length market transactions between knowledgeable and willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. To the extent practicable, valuation technique makes the maximum use of market inputs. However, where market inputs are not available, management needs to make estimates on such unobservable market inputs. Under such circumstance, management needs to make estimates on such unobservable market inputs, such as counterparty credit risk, market fluctuations and correlations. Changes in assumptions about these factors could affect the estimated fair value of financial instruments.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

V Significant Accounting Judgements and Estimates (continued)

(iii) Consolidation of Structured Entities

Management applies its judgement to determine whether the Group is acting as agent or principal in relation to the structured entities in which the Group acts as an asset manager or has interests in so as to determine whether the Group has control over the structured entity. In assessing whether the Group is acting as agent or manager, the Group considers various factors such as the scope of the asset manager's decision-making authority, rights held by other parties, remuneration to which the Group is entitled for the services it provides and the Group's exposure to variability of returns of other arrangements (including interests the Group directly holds) in the structured entities. The reassessment of control is made if facts and circumstances indicate changes in any of the factors.

(iv) Income Taxes

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The Group carefully evaluates the tax implications of transactions and tax provisions are recognized accordingly. Deferred tax assets are recognized for temporary deductible differences, to the extent that it is probable that future taxable income will be used as deduction which the unused tax credits can be utilized. This requires significant estimation on the tax treatment of certain transactions and also significant assessment on the probability that sufficient taxable income will be available for the deferred tax assets to be deducted.

(v) Classification of Financial Assets

The critical judgements the Group makes 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. In the process of assessing the characteristics of contractual cash flows, the Group needs to make judgement on whether the contractual cash flow of financial assets is consistent with the basic lending arrangement.

(vi) Derecognition of Financial Assets

In the normal course of business, the Group transfers financial assets through various types of transactions including regular sales and transfers, securitization, and selling financial assets under repurchase agreements. The Group applies significant judgement in assessing whether the transfer complies with the conditions for derecognition. Where the Group enters into structured transactions by which it transfers financial asset to special purpose entities, the Group analyzes whether it controls these special purpose entities to determine whether the Group needs to consolidate these special purpose entities.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements

1 Net Interest Income

	2023	2022
Interest income:		
Loans and advances to customers		
– Corporate loans and advances	51,687	48,136
– Personal loans and advances	26,332	24,731
– Discounted bills	2,576	2,485
Financial investments		
– Financial assets measured at amortised cost (“AC”)	14,441	14,964
– Financial assets measured at fair value through other comprehensive income (“FVOCI”)	6,695	4,219
Deposits and placements with banks and other financial institutions and financial assets purchased under resale agreements	3,131	2,526
Balances with the central bank	2,082	2,029
Finance lease receivables	3,309	2,893
Total	110,253	101,983
Interest expense:		
Customer deposits		
– Corporate customers	(33,728)	(32,216)
– Personal customers	(5,951)	(4,498)
Deposits and placements from banks and other financial institutions and financial assets sold under repurchase agreements	(12,023)	(8,097)
Debt securities issued	(9,328)	(8,445)
Due to the central bank	(1,549)	(1,526)
Lease liabilities	(146)	(139)
Total	(62,725)	(54,921)
Net interest income	47,528	47,062

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

2 Net Fee and Commission Income

	2023	2022
Fee and commission income:		
Agency and entrustment service	1,849	1,802
Commitment and guarantee service	1,435	1,315
Underwriting and consultation service	1,076	947
Settlement and clearing business	725	628
Custodian and other fiduciary service	594	531
Fees from bank cards	211	217
Others	253	81
Total	6,143	5,521
Fee and commission expense	(1,103)	(730)
Net fee and commission income	5,040	4,791

3 Net Trading Gains

	2023	2022
Net gains arising from financial instruments measured at FVTPL	6,733	4,149
Exchange gains and related derivatives	923	2,405
Precious metals and related derivatives	218	(65)
Other derivatives	(478)	101
Total	7,396	6,590

4 Net Gains on Financial Investments

	2023	2022
Net gains arising from financial assets measured at FVOCI	2,274	1,895
Net gains arising from financial assets measured at AC	420	161
Dividend income from equity instruments designated to be measured at FVOCI	6	8
Other investment losses	(36)	(56)
Total	2,664	2,008

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

5 Other Operating Income

	2023	2022
Operating lease income	482	264
Government grants	435	156
Other miscellaneous income	219	281
Total	1,136	701

6 Operating Expense

	Notes	2023	2022
Staff costs	(1)	12,500	10,896
General and administrative expenses		4,631	4,076
Depreciation and amortisation		1,895	1,736
Taxes and surcharges		755	685
Donations		23	25
Auditors' remuneration		7	6
Others	(2)	348	244
Total		20,159	17,668

(1) Staff costs

	2023	2022
Salaries, bonuses and allowances	8,929	8,265
Other social insurance and benefit costs	1,645	1,035
Housing funds	530	427
Pension costs – defined contribution plans	1,183	995
Labor union fee and staff education fee	213	174
Total	12,500	10,896

- (2) During reporting period, the expense relating to short-term leases and leases of low-value assets which were simplified processed by the Group are not significant.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

7 Expected Credit Losses (“ECL”s)

	Note	2023	2022
Deposits with banks and other financial institutions		(6)	8
Placements with banks and other financial institutions		(215)	165
Financial assets purchased under resale agreements		19	(11)
Loans and advances to customers			
– measured at AC		14,235	15,996
– measured at FVOCI		247	1,249
Financial investments			
– measured at AC		11,206	12,393
– measured at FVOCI		123	218
Finance lease receivables		551	500
Others		269	251
Off-balance sheet items		(316)	(3,116)
Total	VI.25	26,113	27,653

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

8 Director's and Supervisor's Emoluments

(in RMB thousands)	2023					Total
	Fees	Salaries	Allowances and benefits	Discretionary bonuses	Contribution to pension schemes	
Executive Directors						
Lu Jianqiang	-	229	34	575	96	934
Zhang Rongsen	-	1,200	90	720	253	2,263
Chen Haiqiang	-	1,000	81	600	231	1,912
Ma Hong	-	495	80	597	231	1,403
Non-Executive Directors						
Ren Zhixiang	-	-	-	-	-	-
Gao Qinhong	-	-	-	-	-	-
Hu Tiangao	-	-	-	-	-	-
Zhu Weiming	-	-	-	-	-	-
Hou Xingchuan	-	-	-	-	-	-
Independent Non-Executive Directors						
Fu Tingmei	230	-	-	-	-	230
Zheng Jindu	198	-	-	-	-	198
Zhou Zhifang	380	-	-	-	-	380
Wang Guocai	360	-	-	-	-	360
Wang Wei	340	-	-	-	-	340
Xu Yongbin	360	-	-	-	-	360
Supervisors						
Guo Dingfang	-	495	80	569	40	1,184
Wu Fanghua	-	-	-	-	-	-
Peng Zhiyuan	-	-	-	-	-	-
Chen Zhongwei	-	-	-	-	-	-
Ma Xiaofeng	-	-	-	-	-	-
Gao Qiang	320	-	-	-	-	320
Zhang Fanquan	320	-	-	-	-	320
Song Qinghua	300	-	-	-	-	300
Chen Sanlian	300	-	-	-	-	300
Total	3,108	3,419	365	3,061	851	10,804

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

8 Director's and Supervisor's Emoluments (continued)

(in RMB thousands)	2022					Total
	Fees	Salaries	Allowances and benefits	Discretionary bonuses	Contribution to pension schemes	
Executive Directors						
Zhang Rongsen	–	1,200	82	725	240	2,247
Chen Haiqiang	–	1,000	74	605	220	1,899
Ma Hong	–	495	74	627	220	1,416
Shen Renkang	–	39	6	–	20	65
Non-Executive Directors						
Ren Zhixiang	–	–	–	–	–	–
Gao Qinhong	–	–	–	–	–	–
Hu Tiangao	–	–	–	–	–	–
Zhu Weiming	–	–	–	–	–	–
Hou Xingchuan	–	–	–	–	–	–
Independent Non-Executive Directors						
Tong Benli	50	–	–	–	–	50
Dai Deming	50	–	–	–	–	50
Liao Bowei	50	–	–	–	–	50
Zheng Jindu	333	–	–	–	–	333
Zhou Zhifang	367	–	–	–	–	367
Wang Guocai	350	–	–	–	–	350
Wang Wei	333	–	–	–	–	333
Xu Yongbin	308	–	–	–	–	308
Supervisors						
Guo Dingfang	–	495	74	399	220	1,188
Pan Jianhua	–	–	–	–	–	–
Cheng Huifang	157	–	–	–	–	157
Pan Huafeng	–	–	–	–	–	–
Chen Zhongwei	–	–	–	–	–	–
Gao Qiang	157	–	–	–	–	157
Zhang Fanquan	317	–	–	–	–	317
Song Qinghua	300	–	–	–	–	300
Chen Sanlian	300	–	–	–	–	300
Total	3,072	3,229	310	2,356	920	9,887

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

8 Director's and Supervisor's Emoluments (continued)

- (1) The total pre-tax remuneration of some directors and the supervisors of the Bank performing their duties is still in the process of confirmation, and the rest will be disclosed separately after confirmation.
- (2) On 6 February 2023, Mr. Zhuang Yuemin resigned as the non-executive director; On 28 April 2023, Mr. Liu Long resigned as the vice president, secretary of the Board of Directors and secretary of the Bank; On 4 May 2023, Mr. Pan Huafeng resigned as the Bank's staff supervisor; On 5 July 2023, Mr. Zheng Jindu resigned as the independent director; On 22 August 2023, Mr. Guan Pinfang resigned as the independent director; On 1 December 2023, Mr. Jiang Rong resigned as the chief audit officer of the Bank; (On 11 January 2022, Mr. Shen Renkang resigned as the executive director and chairman of the Board of Directors; On 18 February 2022, Mr. Wu Jianwei and Mr. Sheng Hongqing resigned from the position of assistant president of the Bank; On 30 June 2022, Ms. Cheng Huifang resigned as the external supervisor; On 24 August 2022, Mr. Pan Jianhua resigned as the shareholder supervisor).
- (3) On 30 January 2023, Mr. Wu Fanghua and Mr. Peng Zhiyuan were by-elected as the staff supervisors of the sixth Board of Supervisors; On 4 May 2023, the original China Banking and Insurance Regulatory Commission (hereinafter refer to as "the original CBIRC") approved the qualifications of Mr. Fu Tingmei as an independent director; On 5 May 2023, Mr. Lou Weizhong was elected as an independent non-executive director of the sixth Board of Directors and Mr. Lou Weizhong's qualifications are subject to the approval of the National Financial Regulatory Administration; On 25 June 2023, Mr. Lin Jingran was nominated as the vice president of the Bank for the same term as the term of the sixth term of the Board of Directors, and Mr. Lin Jingran's qualifications are subject to the approval of the National Financial Regulatory Administration; On 5 July 2023, Mr. Pan Huafeng was nominated as the assistant president of the Bank for the same term as the term of office of the sixth term of the Board of Directors, and Mr. Pan Huafeng's qualifications are subject to the approval of the National Financial Regulatory Administration; On 9 August, 2023, the National Financial Regulatory Administration has approved Mr. Lu Jianqiang's qualifications as a director and chairman of the Board; On 5 September 2023, the National Financial Regulatory Administration approved Mr. Zhou Weixin's qualifications for the position of assistant to the president; On 27 October 2023, Mr. Luo Feng was nominated as the secretary of the Board of Directors of the Bank, and Mr. Luo Feng's qualifications for the appointment are subject to the approval of the National Financial Regulatory Administration; On 19 December, 2023, Mr. Ma Xiaofeng was elected as the shareholder supervisor of the 6th Board of Supervisors; (On 11 January 2022, Mr. Lu Jianqiang was nominated to serve as chairman and chairman of the Board of Directors; On 21 February 2022, the original CBIRC approved Mr. Xu Yongbin's qualification as an independent director; On 27 June 2022, Mr. Gao Qiang was elected as an external supervisor of the sixth session of the Board of Supervisors; On 21 November 2022, Zhou Weixin was appointed as the assistant president of the Bank).
- (4) Employee supervisors of the Bank receive remuneration as staff, and receive no remuneration as supervisors.
- (5) Supervisors of the Bank receive only remuneration in respect of their services as supervisors. No emoluments were paid to or receivable by supervisors.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

9 Five Highest Paid Individuals

For the year ended 31 December 2023, the five highest paid individuals in the Group include neither director nor supervisor (2022: neither director nor supervisor). The five highest paid individuals for the year are as follows:

	2023	2022
Salaries and allowances and other benefits	2	2
Discretionary bonuses	40	39
Contribution to pension schemes	-	-
Total	42	41

The emoluments fell within the following bands:

	Number of Individuals	
	2023	2022
RMB7,000,001 – RMB7,500,000	-	2
RMB7,500,001 – RMB8,000,000	1	1
RMB8,000,001 – RMB8,500,000	2	-
RMB8,500,001 – RMB12,000,000	2	2

- (1) No emoluments had been paid or payable by the Group to any of the directors, supervisors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.
- (2) During the year ended 31 December 2023, no non-cash benefits (share options, cars, insurance premium, club membership, etc.) were paid to the directors or supervisors (2022: Nil).
- (3) During the year ended 31 December 2023, no retirement benefits were paid to the directors or supervisors by a defined benefit pension plan operated by the Group (2022: Nil).
- (4) During the year ended 31 December 2023, no termination benefits were paid to the directors or supervisors by the Group (2022: Nil).
- (5) During the year ended 31 December 2023, no consideration was provided by the Group to former employers for making available directors' and supervisors' services (2022: Nil).
- (6) During the year ended 31 December 2023, no loans, quasi-loans or other dealings were provided in favour of directors or their connected entities (2022: Nil).
- (7) During the year ended 31 December 2023, no significant transactions, arrangements and contracts were in relation to the corporate in which a director of the Group had a material interest, whether directly or indirectly subsisted (2022: Nil).

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

10 Income Tax Expense

	Note	2023	2022
Current income tax expense		2,657	4,912
Deferred tax expense	VI.23	(658)	(3,070)
Total		1,999	1,842

Current income tax is calculated based on the statutory rate of 25% of the taxable income of the Group in accordance with PRC income tax regulations.

The difference between the actual income tax charged in the profit or loss and the amounts which would result from applying the statutory tax rate to profit before taxation can be reconciled as follows:

	Notes	2023	2022
Profit before taxation		17,492	15,831
Tax calculated at statutory tax rate of 25%		4,373	3,958
Effects of non-taxable income	(1)	(3,067)	(2,813)
Effects of non-deductible expenses	(2)	934	938
Effects of perpetual bond interest expense		(241)	(241)
Income tax expense		1,999	1,842

(1) The non-taxable income mainly represents interest income arising from treasury bonds and municipal government bonds, and dividend income arising from fund investments, which are income tax free in accordance with the PRC tax regulations.

(2) The non-deductible expenses mainly include the non-deductible write-off losses assessed and confirmed item by item, and certain expenses, which are not deductible before taxation according to PRC tax regulations.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

11 Basic and Diluted Earnings Per Share

Basic earnings per share are calculated by dividing the net profit attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding. At 31 December 2023, the Group possesses no share with potential dilution effect hence there's no difference between basic and diluted earnings per share.

	2023	2022 (after adjustment) (Note (1))	2022 (before adjustment)
Consolidated net profit attributable to shareholders of the Bank	15,048	13,618	13,618
Less: Net profit attributable to other equity instruments holders of the Bank	(963)	(1,801)	(1,801)
Consolidated net profit attributable to ordinary shareholders of the Bank (in RMB millions)	14,085	11,817	11,817
Weighted average number of ordinary shares (in millions of shares)	24,857	22,455	21,269
Basic and diluted earnings per share (RMB yuan/share)	0.57	0.53	0.56

(1) In accordance with the International Accounting Standards 33, *Earnings Per Share*, the Group adjusted the weighted average number of ordinary shares when calculating the adjusted basic and diluted earnings per share in consideration of the factors relating to the rights issue.

12 Cash and Balances with the Central Bank

	Notes	31 December 2023	31 December 2022
Cash		865	560
Balances with the central bank			
– Statutory deposit reserves	(1)	125,183	129,775
– Surplus deposit reserves	(2)	34,483	54,885
– Foreign exchange risk reserves	(3)	4,104	305
– Fiscal deposits	(4)	23	30
Subtotal		163,793	184,995
Interest accrued		65	70
Total		164,723	185,625

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

12 Cash and Balances with the Central Bank (continued)

- (1) The Group is required to place statutory deposit reserves with the People's Bank of China (the "PBOC"). These statutory deposit reserves cannot be used for the daily business operation of the Group. At the balance sheet date, rates for statutory deposit reserves were as follows:

	31 December 2023	31 December 2022
Statutory deposit reserves rate for deposits denominated in RMB	7.00%	7.50%
Statutory deposit reserves rate for deposits denominated in foreign currencies	4.00%	6.00%

The statutory deposit reserves ratios of the subsidiary of the Bank complied with the requirement of the PBOC.

- (2) Surplus deposit reserves includes the funds deposited in the People's Bank of China for the purpose of capital settlement and other non restrictive funds.
- (3) At 31 December 2023, the foreign exchange risk reserve ratio for forward foreign exchange sales of the Bank is 20% (31 December 2022: 20%).
- (4) Financial deposits refer to the funds originated from financial institutions and deposited in the People's Bank of China according to regulations, which cannot be used for the daily business operation of the Group.

13 Deposits with Banks and Other Financial Institutions

Analyzed by type and location of counterparties

	31 December 2023	31 December 2022
In Chinese Mainland		
– Banks	55,869	28,978
– Other financial institutions	8,559	8,640
Outside Chinese Mainland		
– Banks	6,194	4,829
– Other financial institutions	86	934
Interest accrued	155	93
Gross amount	70,863	43,474
Less: Allowance for ECLs (Note VI.25)	(7)	(13)
Carrying amount	70,856	43,461

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

14 Placements with Banks and Other Financial Institutions

Analyzed by type and location of counterparties

	31 December 2023	31 December 2022
In Chinese Mainland		
– Other financial institutions	7,548	9,457
Outside Chinese Mainland		
– Banks	924	223
Interest accrued	108	121
Gross amount	8,580	9,801
Less: Allowance for ECLs (Note VI.25)	(6)	(220)
Carrying amount	8,574	9,581

15 Derivative Financial Instruments

The Group's derivative financial instruments include interest rate derivatives, currency derivatives, precious metal and other derivatives. At the balance sheet date, the derivative financial instruments held by the Group are set out below:

At 31 December 2023

	Notional amount	Fair value	
		Derivative financial assets	Derivative financial liabilities
Interest rate derivatives	2,343,658	8,600	(9,003)
Currency derivatives	1,009,226	11,324	(9,884)
Precious metal and other derivatives	155,718	2,029	(2,147)
Total	3,508,602	21,953	(21,034)

At 31 December 2022

	Notional amount	Fair value	
		Derivative financial assets	Derivative financial liabilities
Interest rate derivatives	1,928,894	4,907	(5,184)
Currency derivatives	690,538	8,291	(8,390)
Precious metal and other derivatives	71,063	981	(888)
Total	2,690,495	14,179	(14,462)

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

15 Derivative Financial Instruments (continued)

Under the daily mark-to-market and settlement arrangement, any gains or losses of the Group's position in interest rate swap contracts settled in the Shanghai Clearing House, precious metals futures, precious metals (T+D) and standard bond forward were settled daily and the corresponding receipts and payments were included in the guaranteed deposits.

16 Financial Assets Purchased Under Resale Agreements

(1) Analyzed by type and location of counterparties

	31 December 2023	31 December 2022
In Chinese Mainland		
– Banks	8,480	15,192
– Other financial institutions	66,070	700
Interest accrued	71	1
Gross amount	74,621	15,893
Less: Allowance for ECLs (Note VI.25)	(26)	(7)
Carrying amount	74,595	15,886

(2) Analyzed by type of collateral

	31 December 2023	31 December 2022
Bills	6,782	2,022
Bonds		
– Financial bonds	40,378	2,239
– Government bonds	27,390	11,631
Interest accrued	71	1
Gross amount	74,621	15,893
Less: Allowance for ECLs (Note VI.25)	(26)	(7)
Carrying amount	74,595	15,886

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

17 Loans and Advances to Customers

	31 December 2023	31 December 2022
Loans and advances to customers measured at AC	1,325,604	1,163,019
Loans and advances to customers measured at FVOCI	347,668	323,272
Total	1,673,272	1,486,291

(1) Analyzed by classification and nature

	Note	31 December 2023	31 December 2022
Loans and advances to customers measured at AC			
Corporate loans and advances		898,657	808,018
Personal loans and advances			
– Personal business loans		177,685	159,281
– Personal consumer loans		146,710	122,278
– Residential mortgage loans		137,853	107,249
Personal loans and advances		462,248	388,808
Loans and advances to customers measured at FVOCI			
Corporate loans and advances		229,513	179,061
Discounted bills	(a)	102,195	112,374
Personal loans and advances		14,444	29,073
Subtotal		1,707,057	1,517,334
Fair value changes		1,417	2,605
Interest accrued		7,766	5,091
Gross amount		1,716,240	1,525,030
Less: Allowance for ECLs (Note VI.25)		(42,968)	(38,739)
Carrying amount		1,673,272	1,486,291

(a) At balance sheet date, part of discounted bills are pledged for secured liabilities, please refer to Note XI 1.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

17 Loans and Advances to Customers (continued)

(2) Analyzed by type of collateral

	31 December 2023		31 December 2022	
	Amount	Proportion	Amount	Proportion
Unsecured loans	464,799	27.23%	367,312	24.21%
Guaranteed loans	326,813	19.14%	289,524	19.08%
Collateralized loans				
– Mortgage loans	752,103	44.06%	675,821	44.53%
– Pledged loans	61,147	3.58%	72,303	4.77%
Discounted bills	102,195	5.99%	112,374	7.41%
Subtotal	1,707,057	100.00%	1,517,334	100.00%
Fair value changes	1,417		2,605	
Interest accrued	7,766		5,091	
Gross amount	1,716,240		1,525,030	
Less: Allowance for ECLs (Note VI.25)	(42,968)		(38,739)	
Carrying amount	1,673,272		1,486,291	

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

17 Loans and Advances to Customers (continued)

- (3) Overdue loans and advances to customers analyzed by overdue period (fair value changes and interest accrued excluded)

	31 December 2023				Total
	Overdue within 3 months (inclusive)	Overdue between 3 months and 1 year (inclusive)	Overdue between 1 year and 3 years (inclusive)	Overdue more than 3 years	
Unsecured loans	2,468	3,212	1,317	64	7,061
Guaranteed loans	1,186	1,226	435	737	3,584
Collateralized loans					
– Mortgage loans	4,554	8,292	3,883	49	16,778
– Pledged loans	63	83	147	70	363
Total overdue loans	8,271	12,813	5,782	920	27,786

	31 December 2022				Total
	Overdue within 3 months (inclusive)	Overdue between 3 months and 1 year (inclusive)	Overdue between 1 year and 3 years (inclusive)	Overdue more than 3 years	
Unsecured loans	2,279	2,981	1,085	38	6,383
Guaranteed loans	2,733	1,066	4,283	216	8,298
Collateralized loans					
– Mortgage loans	6,721	5,858	1,417	106	14,102
– Pledged loans	572	170	411	6	1,159
Total overdue loans	12,305	10,075	7,196	366	29,942

Overdue loans represent loans of which the whole or part of the principal or interest has been overdue for one day or more.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

17 Loans and Advances to Customers (continued)

(4) Analyzed by assessment of allowance for ECLs

(a) Allowance for ECLs of loans and advances to customers measured at AC (interest accrued excluded)

	31 December 2023			Total
	Stage 1	Stage 2	Stage 3	
Loans and advances to customers measured at AC				
– Corporate loans and advances	831,914	50,117	16,626	898,657
– Personal loans and advances	448,462	5,059	8,727	462,248
Gross amount	1,280,376	55,176	25,353	1,360,905
Less: Allowance for ECLs (Note VI.25)	(11,404)	(14,776)	(16,788)	(42,968)
Carrying amount	1,268,972	40,400	8,565	1,317,937
	31 December 2022			Total
	Stage 1	Stage 2	Stage 3	
Loans and advances to customers measured at AC				
– Corporate loans and advances	749,559	39,344	19,115	808,018
– Personal loans and advances	378,014	4,263	6,531	388,808
Gross amount	1,127,573	43,607	25,646	1,196,826
Less: Allowance for ECLs (Note VI.25)	(13,094)	(10,428)	(15,217)	(38,739)
Carrying amount	1,114,479	33,179	10,429	1,158,087

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

17 Loans and Advances to Customers (continued)

(4) Analyzed by assessment of allowance for ECLs (continued)

(b) Allowance for ECLs of loans and advances to customers measured at FVOCI (fair value changes and interest accrued excluded)

	31 December 2023			Total
	Stage 1	Stage 2	Stage 3	
Loans and advances to customers measured at FVOCI				
– Corporate loans and advances	228,678	385	450	229,513
– Discounted bills	101,825	357	13	102,195
– Personal loans and advances	13,756	234	454	14,444
Total	344,259	976	917	346,152
Allowance for ECLs (Note VI.25)	(1,351)	(101)	(490)	(1,942)

	31 December 2022			Total
	Stage 1	Stage 2	Stage 3	
Loans and advances to customers measured at FVOCI				
– Corporate loans and advances	177,494	989	578	179,061
– Discounted bills	112,294	49	31	112,374
– Personal loans and advances	28,915	133	25	29,073
Total	318,703	1,171	634	320,508
Allowance for ECLs (Note VI.25)	(1,723)	(38)	(225)	(1,986)

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

17 Loans and Advances to Customers (continued)

(5) Movements of the allowance for ECLs of loans and advances to customers

(a) Movements of the allowance for ECLs of loans and advances to customers measured at AC

	2023			Total
	Stage 1	Stage 2	Stage 3	
Balance at 1 January 2023	13,094	10,428	15,217	38,739
Transfer				
– to Stage 1	330	(297)	(33)	–
– to Stage 2	(331)	523	(192)	–
– to Stage 3	(155)	(1,761)	1,916	–
(Reversal)/charge (Note VI.7)	(1,541)	5,883	9,893	14,235
Write-off and transfer out	–	–	(11,878)	(11,878)
Recoveries of loans and advances previously written off	–	–	2,016	2,016
Other movements	7	–	(151)	(144)
Balance at 31 December 2023	11,404	14,776	16,788	42,968
	2022			Total
	Stage 1	Stage 2	Stage 3	
Balance at 1 January 2022	11,387	7,275	16,688	35,350
Transfer				
– to Stage 1	203	(193)	(10)	–
– to Stage 2	(209)	442	(233)	–
– to Stage 3	(109)	(913)	1,022	–
Charge (Note VI.7)	1,773	3,817	10,406	15,996
Write-off and transfer out	–	–	(14,388)	(14,388)
Recoveries of loans and advances previously written off	–	–	1,972	1,972
Other movements	49	–	(240)	(191)
Balance at 31 December 2022	13,094	10,428	15,217	38,739

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

17 Loans and Advances to Customers (continued)

(5) Movements of the allowance for ECLs of loans and advances to customers (continued)

(b) Movements of the allowance for ECLs on loans and advances to customers measured at FVOCI

	2023			Total
	Stage 1	Stage 2	Stage 3	
Balance at 1 January 2023	1,723	38	225	1,986
Transfer				
– to Stage 1	1	(1)	–	–
– to Stage 2	(7)	8	(1)	–
– to Stage 3	(18)	(7)	25	–
(Reversal)/charge (Note VI.7)	(348)	63	532	247
Write-off and transfer out	–	–	(291)	(291)
Balance at 31 December 2023	1,351	101	490	1,942
	2022			Total
	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2022	680	–	57	737
Transfer				
– to Stage 1	–	–	–	–
– to Stage 2	–	–	–	–
– to Stage 3	(3)	–	3	–
Charge (Note VI.7)	1,046	38	165	1,249
Balance at 31 December 2022	1,723	38	225	1,986

18 Financial Investments

	Notes	31 December 2023	31 December 2022
Financial investments measured at FVTPL	18.1	233,141	189,020
Financial investments measured at AC	18.2	463,311	368,792
Financial investments measured at FVOCI	18.3	304,185	194,037
Total		1,000,637	751,849

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

18 Financial Investments (continued)

18.1 Financial investments measured at FVTPL

	Note	31 December 2023	31 December 2022
Fund investments	(1)	147,430	126,128
Bond and ABS investments			
– Government bonds		1,841	4,752
– Financial bonds		28,409	9,451
– Interbank certificates of deposit		19,391	7,851
– Asset-backed securities (“ABS”)		15,908	21,417
– Other bonds		12,469	12,185
Equity investments		4,336	4,092
Trust schemes and asset management plans		3,289	2,924
Wealth management products		68	220
Total		233,141	189,020

(1) Fund investments include the Group's investments in funds that are included in the scope of consolidation in accordance with the definition of control set out in Note VII.2.

Analyzed by listing location:

	31 December 2023	31 December 2022
Fund investments		
– Listed outside Hong Kong	147,430	126,128
Bond and ABS investments		
– Listed in Hong Kong	9,276	14,285
– Listed outside Hong Kong	68,742	41,371
Trust schemes and asset management plans		
– Unlisted	3,289	2,924
Equity investments		
– Listed outside Hong Kong	3,027	1,654
– Unlisted	1,309	2,438
Wealth management products		
– Unlisted	68	220
Total	233,141	189,020

Bond investments traded on the Mainland interbank bond market are included in the listed outside Hong Kong category.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

18 Financial Investments (continued)

18.1 Financial investments measured at FVTPL (continued)

Analyzed by type of issuers:

	31 December 2023	31 December 2022
Chinese Mainland issuers		
– Government	678	4,752
– Banking and other financial institutions	203,526	163,122
– Corporate entities	21,146	15,497
Issuers outside Chinese Mainland		
– Government	1,163	–
– Banking and other financial institutions	4,354	987
– Corporate entities	2,274	4,662
Total	233,141	189,020

18.2 Financial investments measured at AC

	Notes	31 December 2023	31 December 2022
Bond and ABS investments	(1)		
– Government bonds		192,287	155,550
– Financial bonds		147,418	75,372
– Debt financing plans		9,329	44,029
– Asset-backed securities (“ABS”)		5,851	664
– Other bonds		27,305	25,760
Trust schemes and asset management plans	(2)	101,509	81,190
Interest accrued		7,330	7,275
Gross amount		491,029	389,840
Less: Allowance for ECLs (Note VI.25)		(27,718)	(21,048)
Carrying amount		463,311	368,792

(1) At balance sheet date, part of bond investments measured at amortised cost are pledged for secured liabilities, please refer to Note XI 1.

(2) Trust schemes and asset management plans, mainly invested in credit assets and equity investments under repurchase agreements, are managed and operated by third-party trustees or asset managers.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

18 Financial Investments (continued)

18.2 Financial investments measured at AC (continued)

Analyzed by listing location:

	31 December 2023	31 December 2022
Bond and ABS investments		
– Listed in Hong Kong	15,993	23,018
– Listed outside Hong Kong	356,364	234,328
– Unlisted	9,833	44,029
Trust schemes and asset management plans		
– Unlisted	101,509	81,190
Interest accrued	7,330	7,275
Total	491,029	389,840

Analyzed by type of issuers:

	31 December 2023	31 December 2022
Chinese Mainland issuers		
– Government	191,336	155,550
– Banking and other financial institutions	147,531	75,428
– Corporate entities	135,709	143,531
Issuers outside Chinese Mainland		
– Government	951	–
– Banking and other financial institutions	35	–
– Corporate entities	8,137	8,056
Interest accrued	7,330	7,275
Total	491,029	389,840

The gross amount and allowance for ECLs of financial investments measured at AC are analyzed as follows (interest accrued excluded):

	31 December 2023			
	Stage1	Stage2	Stage3	Total
Financial investments measured at AC	417,991	12,492	53,216	483,699
Less: Allowance for ECLs (Note VI.25)	(1,020)	(3,434)	(23,264)	(27,718)
Carrying amount	416,971	9,058	29,952	455,981

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

18 Financial Investments (continued)

18.2 Financial investments measured at AC (continued)

	31 December 2022			Total
	Stage1	Stage2	Stage3	
Financial investments measured at AC	331,120	18,877	32,568	382,565
Less: Allowance for ECLs (Note VI.25)	(980)	(3,866)	(16,202)	(21,048)
Carrying amount	330,140	15,011	16,366	361,517

Movement of allowance for ECLs of financial investments measured at AC

	2023			Total
	Stage 1	Stage 2	Stage 3	
Balance at 1 January 2023	980	3,866	16,202	21,048
Transfer				
– to Stage 1	–	–	–	–
– to Stage 2	(18)	18	–	–
– to Stage 3	–	(1,973)	1,973	–
Charge (Note VI.7)	55	1,523	9,628	11,206
Write-off and transfer out	–	–	(5,848)	(5,848)
Recoveries of financial investments previously written off	–	–	1,757	1,757
Other movements	3	–	(448)	(445)
Balance at 31 December 2023	1,020	3,434	23,264	27,718

	2022			Total
	Stage 1	Stage 2	Stage 3	
Balance at 1 January 2022	1,069	1,915	13,691	16,675
Transfer				
– to Stage 1	–	–	–	–
– to Stage 2	(68)	68	–	–
– to Stage 3	(13)	(607)	620	–
(Reversal)/charge (Note VI.7)	(8)	2,490	9,911	12,393
Write-off and transfer out	–	–	(8,648)	(8,648)
Recoveries of financial investments previously written off	–	–	1,104	1,104
Other movements	–	–	(476)	(476)
Balance at 31 December 2022	980	3,866	16,202	21,048

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

18 Financial Investments (continued)

18.3 Financial investments measured at FVOCI

	Notes	31 December 2023	31 December 2022
Bond and ABS investments	(1)		
– Government bonds		105,407	78,797
– Central Bank Bill		520	950
– Financial bonds		68,415	26,525
– Interbank certificates of deposit		38,833	34,056
– Asset-backed securities (“ABS”)		34,017	13,726
– Other bonds		52,703	35,739
Other debt instruments		121	999
Interest accrued		2,825	1,932
Subtotal		302,841	192,724
Financial investments designated to be measured at FVOCI			
Equity investments	(2)	1,344	1,313
Total		304,185	194,037

(1) At balance sheet date, part of bond and ABS investments in the financial investments measured at FVOCI are pledged for secured liabilities, please refer to Note XI 1.

(2) Certain non-trading equity investments are designated by the Group as financial investments measured at FVOCI. For the year ended 31 December 2023, dividend income recognized on such equity investments amounted to RMB6 million (For the year ended 31 December 2022: RMB8 million).

Analyzed by listing location:

	31 December 2023	31 December 2022
Bond and ABS investments and other debt instruments		
– Listed in Hong Kong	41,388	22,950
– Listed outside Hong Kong	230,413	166,843
– Unlisted	28,215	999
Equity investments		
– Unlisted	1,344	1,313
Interest accrued	2,825	1,932
Total	304,185	194,037

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

18 Financial Investments (continued)

18.3 Financial investments measured at FVOCI (continued)

Analyzed by type of issuers:

	31 December 2023	31 December 2022
Chinese Mainland issuers		
– Government and Central Bank	95,468	70,485
– Banking and other financial institutions	77,708	23,787
– Corporate entities	60,452	36,660
Issuers outside Chinese Mainland		
– Government and Central Bank	10,459	8,312
– Banking and other financial institutions	41,246	40,657
– Corporate entities	14,683	10,891
Interest accrued	2,825	1,932
Subtotal	302,841	192,724
Equity investments	1,344	1,313
Total	304,185	194,037

The gross amount and allowance for ECLs of debt instruments measured at FVOCI are analyzed as follows (fair value changes and interest accrued excluded):

	31 December 2023			Total
	Stage1	Stage2	Stage3	
Debt instruments measured at FVOCI	298,625	1,347	391	300,363
Allowance for ECLs (Note VI.25)	(224)	(106)	(187)	(517)
		31 December 2022		
	Stage1	Stage2	Stage3	Total
Debt instruments measured at FVOCI	193,714	–	–	193,714
Allowance for ECLs (Note VI.25)	(391)	–	–	(391)

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

18 Financial Investments (continued)

18.3 Financial investments measured at FVOCI (continued)

Movement of the allowance for ECLs of debt instruments measured at FVOCI

	2023			Total
	Stage 1	Stage 2	Stage 3	
Balance at 1 January 2023	391	–	–	391
Transfer				
– to Stage 1	–	–	–	–
– to Stage 2	(11)	11	–	–
– to Stage 3	–	–	–	–
(Reversal)/charge (Note VI.7)	(159)	95	187	123
Other movements	3	–	–	3
Balance at 31 December 2023	224	106	187	517
	2022			Total
	Stage 1	Stage 2	Stage 3	
Balance at 1 January 2022	146	–	28	174
Transfer				
– to Stage 1	–	–	–	–
– to Stage 2	–	–	–	–
– to Stage 3	–	–	–	–
Charge/(reversal) (Note VI.7)	240	–	(22)	218
Write-off	–	–	(6)	(6)
Other movements	5	–	–	5
Balance at 31 December 2022	391	–	–	391

19 Investment in Subsidiary

The Bank

	31 December 2023	31 December 2022
Zheyin Financial Leasing	2,040	2,040

For details of the subsidiary, please refer to Note VII.1.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

20 Fixed Assets

	Notes	31 December 2023	31 December 2022
Fixed assets	(1)	22,345	16,565
Construction in progress	(2)	2,396	1,829
Total		24,741	18,394

(1) Fixed assets

	Properties and buildings	Office and electronic equipment	Motor vehicles	Fixed assets leased out under operating leases	Total
Cost					
At 1 January 2023	15,895	2,079	177	2,700	20,851
Additions	2,582	206	21	4,832	7,641
Transfers from construction in progress	60	-	-	-	60
Disposals and other changes	-	(18)	(10)	(905)	(933)
At 31 December 2023	18,537	2,267	188	6,627	27,619
Less: Accumulated depreciation					
At 1 January 2023	(2,350)	(1,500)	(130)	(306)	(4,286)
Charge	(630)	(217)	(14)	(217)	(1,078)
Disposals and other changes	-	18	9	63	90
At 31 December 2023	(2,980)	(1,699)	(135)	(460)	(5,274)
Carrying amount					
Balance at 31 December 2023	15,557	568	53	6,167	22,345
Balance at 1 January 2023	13,545	579	47	2,394	16,565

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

20 Fixed Assets (continued)

(1) Fixed assets (continued)

	Properties and buildings	Office and electronic equipment	Motor vehicles	Fixed assets leased out under operating leases	Total
Cost					
At 1 January 2022	12,664	1,923	164	1,664	16,415
Additions	2,885	187	23	1,371	4,466
Transfers from construction in progress	346	–	–	–	346
Disposals	–	(31)	(10)	(335)	(376)
At 31 December 2022	15,895	2,079	177	2,700	20,851
Less: Accumulated depreciation					
At 1 January 2022	(1,834)	(1,274)	(125)	(194)	(3,427)
Charge	(516)	(254)	(14)	(126)	(910)
Disposals	–	28	9	14	51
At 31 December 2022	(2,350)	(1,500)	(130)	(306)	(4,286)
Carrying amount					
Balance at 31 December 2022	13,545	579	47	2,394	16,565
Balance at 1 January 2022	10,830	649	39	1,470	12,988

At 31 December 2023, there is no significant idle assets held by the Group. (31 December 2022: Nil).

At 31 December 2023, the Group's properties and buildings with a net value of RMB1,817 million (31 December 2022: RMB1,934 million) were still in progress of obtaining the legal titles.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

20 Fixed Assets (continued)

(2) Construction in progress

	Construction in progress
Balance at 1 January 2023	1,829
Additions for the year	760
Transfers to fixed assets	(60)
Transfers to long-term prepaid expenses	(133)
Balance at 31 December 2023	2,396
	Construction in progress
Balance at 1 January 2022	1,677
Additions for the year	565
Transfers to fixed assets	(346)
Transfers to long-term prepaid expenses	(67)
Balance at 31 December 2022	1,829

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

21 Lease

(1) Right-of-use assets

	Land use rights	Properties and buildings	Others	Total
Cost				
At 1 January 2023	1,950	5,684	56	7,690
Additions	–	696	2	698
Reductions	–	(470)	(5)	(475)
At 31 December 2023	1,950	5,910	53	7,913
Less: Accumulated depreciation				
At 1 January 2023	(272)	(2,379)	(23)	(2,674)
Charge	(49)	(700)	(7)	(756)
Reductions	–	416	5	421
At 31 December 2023	(321)	(2,663)	(25)	(3,009)
Carrying amount				
Balance at 31 December 2023	1,629	3,247	28	4,904
Balance at 1 January 2023	1,678	3,305	33	5,016

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

21 Lease (continued)

(1) Right-of-use assets (continued)

	Land use rights	Properties and buildings	Others	Total
Cost				
At 1 January 2022	1,950	4,658	49	6,657
Additions	–	1,094	10	1,104
Reductions	–	(68)	(3)	(71)
At 31 December 2022	1,950	5,684	56	7,690
Less: Accumulated depreciation				
At 1 January 2022	(223)	(1,747)	(17)	(1,987)
Charge	(49)	(637)	(6)	(692)
Reductions	–	5	–	5
At 31 December 2022	(272)	(2,379)	(23)	(2,674)
Carrying amount				
Balance at 31 December 2022	1,678	3,305	33	5,016
Balance at 1 January 2022	1,727	2,911	32	4,670

At 31 December 2023, there is no significant land use rights held by the Group for which the title certificate has not been issued. (31 December 2022: Nil).

(2) Lease liabilities

Analysis of undiscounted lease payments on the maturity date of lease liabilities:

	31 December 2023	31 December 2022
Within 1 year (inclusive)	766	772
1 – 2 years (inclusive)	764	732
2 – 3 years (inclusive)	743	675
3 – 4 years (inclusive)	412	732
4 – 5 years (inclusive)	337	159
Above 5 years	619	686
The total amount of undiscounted lease payments	3,641	3,756
Carrying amount of lease liabilities at 31 December	3,257	3,318

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

22 Intangible Assets

	Computer software
Cost	
At 1 January 2023	1,049
Additions	148
At 31 December 2023	1,197
Less: Accumulated amortisation	
At 1 January 2023	(432)
Charge	(95)
At 31 December 2023	(527)
Carrying amount	
Balance at 31 December 2023	670
Balance at 1 January 2023	617
	Computer software
Cost	
At 1 January 2022	840
Additions	209
At 31 December 2022	1,049
Less: Accumulated amortisation	
At 1 January 2022	(354)
Charge	(78)
At 31 December 2022	(432)
Carrying amount	
Balance at 31 December 2022	617
Balance at 1 January 2022	486

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

23 Deferred Tax Assets and Liabilities

(1) Deferred tax assets and liabilities before offsetting

	Notes	31 December 2023		31 December 2022	
		Deductible/ (taxable) temporary difference	Deferred tax assets/ (liabilities)	Deductible/ (taxable) temporary difference	Deferred tax assets/ (liabilities)
Allowance for ECLs and provisions		82,323	20,581	79,562	19,891
Employee benefits payable		2,394	598	2,838	710
Unrealized losses of financial instruments measured at FVTPL and precious metals		1,298	324	1,279	320
Unrealized losses of financial investments measured at FVOCI		–	–	29	7
Others	(i)	4,055	1,014	4,156	1,038
Deferred tax assets before offsetting		90,070	22,517	87,864	21,966
Depreciation of fixed assets		(499)	(125)	(344)	(86)
Unrealized gains of financial investments measured at FVOCI		(1,388)	(347)	–	–
Unrealized gains of derivative financial instruments		(172)	(43)	(577)	(144)
Others	(i)	(3,275)	(818)	(3,338)	(835)
Deferred tax liabilities before offsetting		(5,334)	(1,333)	(4,259)	(1,065)
Net amount after offsetting		84,736	21,184	83,605	20,901

(i) According to Amendments to IAS 12, *Deferred tax related to assets and liabilities arising from a single transaction*, the Group recognized the deferred income tax liabilities and deferred income tax assets related to the lease, and adjusted the comparative figures accordingly.

(2) Changes in deferred tax

	31 December 2023	31 December 2022
Balance at the beginning of the year	20,901	18,077
Charge to profit or loss for the year	658	3,070
Charge to other comprehensive income	(375)	(246)
Balance at the end of the year	21,184	20,901

At the balance sheet date, the Group has no significant unrecognized deferred tax assets and liabilities.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

24 Other Assets

	Notes	31 December 2023	31 December 2022
Finance lease receivables	(1)	55,921	46,752
Settlement and clearing accounts		2,093	1,434
Guaranteed deposits		1,760	1,040
Interest receivable		1,245	974
Continuing involvement assets (Note VI.45 (1))		1,212	1,577
Repossessed assets		1,105	808
Long-term prepaid expenses	(2)	1,014	768
Prepayment		685	560
Fee receivables		662	678
Deductible input Value Added Tax ("VAT")		864	598
Others		1,453	1,081
Total		68,014	56,270

(1)		31 December 2023	31 December 2022
Finance lease receivables			
		4,759	3,128
		(655)	(270)
		4,104	2,858
		53,205	44,986
Subtotal		57,309	47,844
		506	414
		(1,894)	(1,506)
Carrying amount		55,921	46,752

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

24 Other Assets (continued)

(1) Finance lease receivables (continued)

The undiscounted finance lease receivables to be received by the Group in each of the five consecutive accounting years after the balance sheet date are as follows:

	31 December 2023		31 December 2022	
	Amount	Proportion	Amount	Proportion
Within 1 year (inclusive)	1,976	41.53%	1,594	50.97%
1 – 2 years (inclusive)	1,304	27.40%	959	30.66%
2 – 3 years (inclusive)	393	8.26%	368	11.76%
3 – 4 years (inclusive)	199	4.18%	63	2.01%
4 – 5 years (inclusive)	152	3.19%	20	0.64%
Above 5 years	735	15.44%	124	3.96%
Total	4,759	100.00%	3,128	100.00%

Analyzed by assessment of allowance for ECLs of finance lease receivables (interest accrued excluded)

	31 December 2023			Total
	Stage1	Stage2	Stage3	
Finance lease receivables	55,218	1,364	727	57,309
Less: Allowance for ECLs (Note VI.25)	(1,230)	(192)	(472)	(1,894)
Carrying amount	53,988	1,172	255	55,415

	31 December 2022			Total
	Stage1	Stage2	Stage3	
Finance lease receivables	45,744	645	1,455	47,844
Less: Allowance for ECLs (Note VI.25)	(916)	(58)	(532)	(1,506)
Carrying amount	44,828	587	923	46,338

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

24 Other Assets (continued)

(1) Finance lease receivables (continued)

Movements of the allowance for ECLs of finance lease receivables

	31 December 2023			Total
	Stage 1	Stage 2	Stage 3	
Balance at 1 January 2023	916	58	532	1,506
Transfer				
– to Stage 1	4	(4)	–	–
– to Stage 2	(29)	71	(42)	–
– to Stage 3	(15)	(1)	16	–
Charge (Note VI.7)	354	68	129	551
Write-off	–	–	(317)	(317)
Recoveries of finance lease receivables previously written off	–	–	154	154
Balance at 31 December 2023	1,230	192	472	1,894
	31 December 2022			Total
	Stage 1	Stage 2	Stage 3	
Balance at 1 January 2022	781	268	328	1,377
Transfer				
– to Stage 1	–	–	–	–
– to Stage 2	(16)	16	–	–
– to Stage 3	(50)	(195)	245	–
Charge/(reversal) (Note VI.7)	201	(31)	330	500
Write-off	–	–	(479)	(479)
Recoveries of finance lease receivables previously written off	–	–	108	108
Balance at 31 December 2022	916	58	532	1,506

(2) Long-term prepaid expense

	31 December 2023	31 December 2022
Balance at 1 January	768	734
Additions	296	149
Transfers from construction in progress	133	67
Less: Accumulated amortisation	(183)	(182)
Balance at 31 December	1,014	768

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

25 Allowance for ECLs

	Notes	1 January 2023	(Reversal)/ charge for the year	Write-off and transfer out	Others (Note (1))	31 December 2023
Deposits with banks and other financial institutions	VI.13	13	(6)	-	-	7
Placements with banks and other financial institutions	VI.14	220	(215)	-	1	6
Financial assets purchased under resale agreements	VI.16	7	19	-	-	26
Loans and advances to customers	VI.17					
– measured at AC		38,739	14,235	(11,878)	1,872	42,968
– measured at FVOCI		1,986	247	(291)	-	1,942
Financial investments	VI.18					
– measured at AC		21,048	11,206	(5,848)	1,312	27,718
– measured at FVOCI		391	123	-	3	517
Finance lease receivables	VI.24(1)	1,506	551	(317)	154	1,894
Other assets		417	269	(103)	41	624
Off-balance sheet items	VI.34	1,838	(316)	-	1	1,523
Total		66,165	26,113	(18,437)	3,384	77,225

	Notes	1 January 2022	Charge/ (reversal) for the year	Write-off and transfer out	Others (Note (1))	31 December 2022
Deposits with banks and other financial institutions	VI.13	5	8	-	-	13
Placements with banks and other financial institutions	VI.14	51	165	-	4	220
Financial assets purchased under resale agreements	VI.16	18	(11)	-	-	7
Loans and advances to customers	VI.17					
– measured at AC		35,350	15,996	(14,388)	1,781	38,739
– measured at FVOCI		737	1,249	-	-	1,986
Financial investments	VI.18					
– measured at AC		16,675	12,393	(8,648)	628	21,048
– measured at FVOCI		174	218	(6)	5	391
Finance lease receivables	VI.24(1)	1,377	500	(479)	108	1,506
Other assets		232	251	(92)	26	417
Off-balance sheet items	VI.34	4,952	(3,116)	-	2	1,838
Total		59,571	27,653	(23,613)	2,554	66,165

(1) Others include the recoveries of financial assets previously written off and the effect of changes in exchange rates.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

26 Due to the Central Bank

	31 December 2023	31 December 2022
Bonds sold under repurchase agreements with the Central Bank	100,806	78,572
Bonds sold under repurchase agreements with the Central Bank	18,643	18,351
Interest accrued	466	247
Total	119,915	97,170

27 Deposits from Banks and Other Financial Institutions

Analyzed by type and location of counterparties

	31 December 2023	31 December 2022
In Chinese Mainland		
– Banks	61,743	59,267
– Other financial institutions	283,099	174,251
Outside Chinese Mainland		
– Banks	361	–
– Other financial institutions	10,638	7,020
Interest accrued	2,813	1,276
Total	358,654	241,814

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

28 Placements from Banks and Other Financial Institutions

Analyzed by accounting treatment, type and location of counterparties

	Note	31 December 2023	31 December 2022
Measured at amortised cost:			
In Chinese Mainland			
– Banks		50,340	38,536
– Other financial institutions		2,000	3,400
Outside Chinese Mainland			
– Banks		7,003	9,510
Interest accrued		618	409
Subtotal		59,961	51,855
Designated as at fair value through profit or loss: (1)			
In Chinese Mainland			
– Banks		26,208	11,835
– Other financial institutions		1,512	465
Subtotal		27,720	12,300
Total		87,681	64,155

- (1) There were no significant changes in the credit spread of the Group and therefore the amounts of changes in fair value of the financial liabilities designated as at fair value through profit or loss arising from changes in credit risk were not considered significant. The changes in fair value of the financial liabilities were mainly attributable to changes in other market factors.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

29 Financial Liabilities at Fair Value through Profit or Loss

	Notes	31 December 2023	31 December 2022
Financial liabilities designated as at fair value through profit or loss	(1)		
– Financial liabilities related to precious metals		120	55
– Others	(2)	13,312	–
Total		13,432	55

(1) The Group manages and evaluates the financial liability portfolio or financial assets and financial liability portfolio on the basis of fair value according to the enterprise risk management or investment strategy stated in the official written documents, and reports to key management personnel within the enterprise on this basis. There were no significant changes in the credit spread of the Group and therefore the amounts of changes in fair value of the financial liabilities designated as at fair value through profit or loss arising from changes in credit risk were not considered significant. The changes in fair value of the financial liabilities were mainly attributable to changes in other market factors.

(2) Others mainly represent shares held by other parties rather than the Group and liabilities of consolidated structured entities.

30 Financial Assets Sold Under Repurchase Agreements

Analyzed by type of collateral

	31 December 2023	31 December 2022
Bonds sold under repurchase agreements	62,042	6,047
Interest accrued	64	19
Total	62,106	6,066

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

31 Customer Deposits

	31 December 2023	31 December 2022
Demand deposits		
– Corporate customers	653,026	614,537
– Personal customers	52,363	62,575
Subtotal	705,389	677,112
Time deposits		
– Corporate customers	914,175	830,064
– Personal customers	217,157	150,916
Subtotal	1,131,332	980,980
Other deposits	4,170	1,297
Interest accrued	27,768	22,054
Total	1,868,659	1,681,443

Pledged deposits of customer deposits are listed as follows:

	31 December 2023	31 December 2022
Acceptances deposits	22,640	27,158
Letters of credit and guarantee deposits	26,917	23,031
Other pledged deposits	82,601	108,297
Total	132,158	158,486

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

32 Employee Benefits Payable

	1 January 2023	Accrual during the year	Payments during the year	31 December 2023
Salaries, bonuses and allowances	5,646	8,929	(8,751)	5,824
Staff welfare	-	1,146	(1,146)	-
Housing fund	-	530	(530)	-
Social insurance				
- Medical insurance	-	292	(292)	-
- Work-related injury insurance	-	7	(7)	-
- Maternity insurance	-	9	(9)	-
Commercial insurance	-	191	(191)	-
Labour union fee and staff education fee	140	213	(192)	161
Basic pension insurance	-	544	(544)	-
Unemployment insurance	-	19	(19)	-
Annuity	-	620	(620)	-
Total	5,786	12,500	(12,301)	5,985
	1 January 2022	Accrual during the year	Payments during the year	31 December 2022
Salaries, bonuses and allowances	5,180	8,265	(7,799)	5,646
Staff welfare	-	714	(714)	-
Housing fund	-	427	(427)	-
Social insurance				
- Medical insurance	-	234	(234)	-
- Work-related injury insurance	-	6	(6)	-
- Maternity insurance	-	7	(7)	-
Commercial insurance	-	74	(74)	-
Labour union fee and staff education fee	98	174	(132)	140
Basic pension insurance	-	455	(455)	-
Unemployment insurance	-	15	(15)	-
Annuity	-	525	(525)	-
Total	5,278	10,896	(10,388)	5,786

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

33 Taxes Payable

	31 December 2023	31 December 2022
Income tax payable	1,878	3,834
Value added tax (“VAT”) payable	812	–
Others	219	193
Total	2,909	4,027

34 Provisions

	31 December 2023	31 December 2022
Allowance for ECLs of off-balance sheet items (Note VI.25)	1,523	1,838

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

35 Debt Securities Issued

	Notes	31 December 2023	31 December 2022
Fixed-rate offering – tier 2 capital bond – 2028	(1)	–	15,000
Fixed-rate small and micro businesses financial bonds – 2023	(2)	–	10,000
Fixed-rate small and micro businesses financial bonds – 2023	(3)	–	15,000
Fixed-rate small and micro businesses financial bonds – 2024	(4)	10,000	10,000
Fixed-rate small and micro businesses financial bonds – 2025	(5)	10,000	10,000
Fixed-rate small and micro businesses financial bonds – 2025	(6)	10,000	10,000
Fixed-rate small and micro businesses financial bonds – 2025	(7)	5,000	5,000
Fixed-rate small and micro businesses financial bonds – 2027	(8)	5,000	5,000
Fixed-rate green financial bonds – 2025	(9)	10,000	10,000
Fixed-rate special financial bonds for “agriculture, rural areas and farmers” – 2025	(10)	5,000	5,000
Fixed-rate financial bonds – 2024	(11)	1,500	1,500
Fixed-rate financial bonds – 2025	(12)	1,400	1,400
Fixed-rate small and micro businesses financial bonds – 2026	(13)	10,000	–
Fixed-rate small and micro businesses financial bonds – 2026	(14)	15,000	–
Fixed-rate financial bonds – 2026	(15)	30,000	–
Fixed-rate offering – tier 2 capital bond – 2033	(16)	20,000	–
Fixed-rate offering – tier 2 capital bond – 2033	(17)	10,000	–
Fixed-rate USD note – 2023	(18)	–	486
Zero-coupon USD note – 2023	(19)	–	695
Fixed-rate USD medium term note – 2024	(20)	3,554	3,475
Certificates of deposit	(21)	1,860	1,243
Interbank certificates of deposit	(22)	245,948	217,684
Subtotal		394,262	321,483
Interest accrued		1,676	1,550
Total		395,938	323,033

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

35 Debt Securities Issued (continued)

- (1) Fixed-rate offering – tier 2 capital bonds of RMB15 billion were issued on 13 June 2018, with a maturity of 10 years and a fixed coupon rate of 4.80%. The Bank has an option to redeem the bond at its par value in 2023. The Bank has chosen to redeem all the bonds on 15 June 2023.
- (2) Fixed-rate small and micro businesses financial bonds of RMB10 billion was issued on 3 March 2020, with a maturity of 3 years and a fixed coupon rate of 2.95%. The bond matured on 5 March 2023.
- (3) Fixed-rate small and micro businesses financial bonds of RMB15 billion was issued on 8 April 2020, with a maturity of 3 years and a fixed coupon rate of 2.50%. The bond matured on 10 April 2023.
- (4) Fixed-rate small and micro businesses financial bonds of RMB10 billion was issued on 24 September 2021, with a maturity of 3 years and a fixed coupon rate of 3.00%.
- (5) Fixed-rate small and micro businesses financial bonds of RMB10 billion was issued on 23 February 2022, with a maturity of 3 years and a fixed coupon rate of 2.83%.
- (6) Fixed-rate small and micro businesses financial bonds of RMB10 billion was issued on 7 April 2022, with a maturity of 3 years and a fixed coupon rate of 2.93%.
- (7) Fixed-rate small and micro businesses financial bonds of RMB5 billion was issued on 18 October 2022, with a maturity of 3 years and a fixed coupon rate of 2.47%.
- (8) Fixed-rate small and micro businesses financial bonds of RMB5 billion was issued on 18 October 2022, with a maturity of 5 years and a fixed coupon rate of 2.85%.
- (9) Fixed-rate green financial bonds of RMB10 billion was issued on 13 December 2022, with a maturity of 3 years and a fixed coupon rate of 3.05%.
- (10) Fixed-rate special financial bonds for “agriculture, rural areas and farmers” of RMB5 billion was issued on 13 December 2022, with a maturity of 3 years and a fixed coupon rate of 3.05%.
- (11) Zheyin Financial Leasing issued fixed-rate financial bonds of RMB1.5 billion on 22 July 2021, with a maturity of 3 years and a fixed coupon rate of 3.48%.
- (12) Zheyin Financial Leasing issued fixed-rate financial bonds of RMB1.4 billion on 2 June 2022, with a maturity of 3 years and a fixed coupon rate of 2.97%.
- (13) Fixed-rate small and micro businesses financial bonds of RMB10 billion was issued on 24 April 2023, with a maturity of 3 years and a fixed coupon rate of 2.80%.
- (14) Fixed-rate small and micro businesses financial bonds of RMB15 billion was issued on 3 November 2023, with a maturity of 3 years and a fixed coupon rate of 2.82%.
- (15) Fixed-rate financial bonds of RMB30 billion was issued on 24 July 2023, with a maturity of 3 years and a fixed coupon rate of 2.62%.
- (16) Fixed-rate offering – tier 2 capital bonds of RMB20 billion were issued on 25 May 2023, with a maturity of 10 years and a fixed coupon rate of 3.47%. The Bank has an option to redeem the bond at its par value in 2028.
- (17) Fixed-rate offering – tier 2 capital bonds of RMB10 billion were issued on 23 November 2023, with a maturity of 10 years and a fixed coupon rate of 3.50%. The Bank has an option to redeem the bond at its par value in 2028.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

35 Debt Securities Issued (continued)

- (18) Fixed rate USD note of USD70 million (total value amounted RMB486 million) was issued by the Hong Kong Branch on 28 November 2022, with a fixed coupon rate of 4.00%. The note matured on 30 January 2023.
- (19) Zero coupon USD note of USD100 million (total value amounted RMB695 million) was issued by the Hong Kong Branch on 10 November 2022, The note matured on 10 February 2023.
- (20) Fixed-rate USD medium term note of USD0.5 billion (total value amounted RMB3,633 million, total value amounted RMB3,554 million in 2023) was issued by the Hong Kong Branch on 16 March 2021 with a maturity of 3 years. This note will mature in 2024 with a fixed coupon rate of 1.10%.
- (21) There were 7 unpaid certificates of deposit issued in RMB at Hong Kong Branch at 31 December 2023, which have total face value amounted RMB1,860 million with maturity less than one year. (There were 2 unpaid certificates of deposit at Hong Kong Branch at 31 December 2022, which have total face value amounted RMB1,243 million with maturity less than one year. One of the certificates of deposit were issued in US dollar with a face value amounted RMB243 million. The other certificates of deposit were issued in offshore RMB and have total face value amounted RMB1 billion).
- (22) At 31 December 2023, the Bank has issued a total of 121 interbank certificates of deposit in the interbank market but not yet due, with maximum maturity of one year (At 31 December 2022, the Bank has issued a total of 107 interbank certificates of deposit in the interbank market but not yet due, with maximum maturity of one year).

36 Other Liabilities

	31 December 2023	31 December 2022
Deposits related to finance lease	4,178	3,756
Settlement and clearing accounts	3,231	2,930
Account payable	1,749	1,732
Continuing involvement liabilities (Note VI.45 (1))	1,212	1,577
Deferred income	665	748
Dividends payable	51	194
Others	2,123	1,896
Total	13,209	12,833

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

37 Share Capital

	31 December 2023	31 December 2022
Ordinary shares listed in Chinese Mainland (A share)	21,544	16,715
Ordinary shares listed outside Chinese Mainland (H share)	5,920	4,554
Total	27,464	21,269

On 27 June 2023, the Bank received the proceeds raised from the A share Rights Issue. The net proceeds from the A share Rights Issue amounted to RMB9,722 million, of which RMB4,829 million was credited to share capital and RMB4,893 million was credited to capital reserve.

On 28 July 2023, the Bank received the proceeds raised from the H share Rights Issue. The net proceeds from the H share Rights Issue amounted to RMB2,754 million, of which RMB1,366 million was credited to share capital and RMB1,388 million was credited to capital reserve.

38 Other Equity Instruments

	Notes	31 December 2023	31 December 2022
Perpetual bonds	(1)	24,995	24,995

(1) Perpetual bonds

(a) List of perpetual bonds issued at the end of the period

Equity instruments in issue	Perpetual bond
Issue date	25 November 2021
Accounting treatment	Equity instrument
Initial interest rate	3.85%
Issuance price per share (RMB/share)	100
Number (In millions)	250
Amount (RMB in millions)	25,000
Issuance fee (RMB in millions)	5
Maturity date	No maturity date
Conversion condition	None
Conversion status	None

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

38 Other Equity Instruments (continued)

(1) Perpetual bonds (continued)

(b) Main terms of perpetual bonds

The duration of the perpetual bonds is the same as the continuing operation of the Bank. The perpetual bonds issuance sets conditional redemption rights for the issuer. The Bank shall have the right to redeem all or part of the perpetual bonds on each annual interest payment date (including the fifth interest payment date since the date of issuance) five years after the date of issuance. If, after the issuance of the perpetual bonds, unpredictable changes in regulations result in that the perpetual bonds is no longer classified in other tier-one capital, the Bank shall have the right to redeem all, but not part, of the perpetual bonds.

The Bank shall exercise the right of redemption subject to the approval of the original CBIRC and on the condition that the following conditions are satisfied: (1) replacing the redeemed instrument with a capital instrument of equal or higher quality, and such replacement shall only be carried out at conditions which are sustainable for the income capacity; (2) or the capital position of the Bank after the redemption right is exercised will remain significantly higher than the regulatory capital requirements stipulated by the original CBIRC.

The claims in respect of the perpetual bonds will be subordinated to the claims of depositors, general creditors, and subordinated debts that rank senior to the perpetual bonds, and will rank in priority to all classes of shares held by the Bank's shareholders and rank pari passu with the claims in respect of any other additional tier-one capital instruments of the Bank 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.

Upon the occurrence of a Non-Viability Trigger Event, the Bank has the right to write-down/write-off part or all of the principal of the perpetual bonds without the consent of the bondholders. The amount of the write-down/write-off shall be determined by the ratio of the outstanding principal amount of the Bonds to the aggregate principal amount of all additional tier 1 capital instruments with the identical Trigger Event. A Non-Viability Trigger Event refers to the earlier occurrence under the following circumstances: (1) the original CBIRC deems that the Bank would become non-viable without a write-down/write-off; (2) the relevant authorities deem that the Bank would become non-viable without a public sector injection of capital or equivalent support. The write-down/write-off will not be restored.

The coupon rate of the perpetual bonds will be adjusted at defined intervals with a coupon rate adjustment period which is every 5 years since the payment settlement date. In any coupon rate adjusted period, the interest payments on the perpetual bonds will be made at a prescribed fixed coupon rate. The coupon rate at the time of issuance will be determined by book running and centralised allocation.

The coupon rate is determined by a benchmark rate plus a fixed spread. The benchmark rate is the arithmetic average of the yields to maturity of the 5-year bond yield curve published on www.ChinaBond.com.cn (or other websites recognized by the China Central Depository & Clearing Co., Ltd.) 5 trading days prior to the Announcement Date of the Subscription Agreement or the adjustment date of the benchmark interest rate (excluding the current day) (rounded up to 0.01%). The fixed spread is the difference between the coupon rate and the benchmark rate as determined at the time of issuance. The fixed spread will not be adjusted once determined.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

38 Other Equity Instruments (continued)

(1) Perpetual bonds (continued)

(b) Main terms of perpetual bonds (continued)

The Bank shall have the right to cancel all or part of the interest distribution of the perpetual bonds and any such cancellation shall not constitute an event of default. When exercising such right, the Bank will take into full consideration the interest of the bondholders. The Bank may, at its sole discretion, use the proceeds from the cancelled distribution to meet other obligations as they fall due. The cancellation of all or part of interest distribution on the perpetual bonds will not impose any other restriction on the Bank, except in relation to dividend distributions to ordinary shareholders. Any cancellation of any all or part or interest distribution on the perpetual bonds will require the deliberation and approval of the general shareholders meeting. The Bank shall give notice to the investors on such cancellation in a timely manner.

In the case of cancelling all or part of interest distributions on the perpetual bonds, the Bank shall not make any distribution to the ordinary shareholders from the next day following the resolution being approved by the general shareholders meeting, until its decision to resume the interest distribution in whole to the holders of the perpetual bonds. The Dividend Stopper on ordinary shares will not compromise the Bank's discretion to cancel distributions, and will not impede the Bank from replenishing its capital.

The interest distributions on the perpetual bonds must come from distributable items, and will not be affected by the rating of the Bank, nor will be reset based on any change to such rating. The interest distribution on the perpetual bonds are non-cumulative, namely, upon cancellation, any amount of distribution unpaid to the bondholders in the applicable period will not accumulate or compound to the subsequent distribution period thereafter. The perpetual bonds do not have any step-up mechanism or any other incentive to redeem. Investors are not allowed to sell the perpetual bonds.

(c) Changes in perpetual bonds outstanding at the end of the year

There was no change in the perpetual bonds outstanding at the end of the year during the year.

(2) Preference shares

(a) Changes in preference shares outstanding

Pursuant to the terms of the perpetual Offshore Preference Shares and the reply letter from the original CBIRC where no objection was raised to the Bank's redemption of the Offshore Preference Shares, the Bank redeemed all USD2,175 million of non-cumulative perpetual Offshore Preference Shares on 29 March 2022 (the "Redemption Date") at the redemption price, being the aggregate of an amount equal to the liquidation preference of each Offshore Preference Share plus any declared but unpaid dividends accrued in respect of the period from (and including) the immediately preceding dividend payment date to (but excluding) the Redemption Date.

Please refer to Note VI.43 for details of dividends paid by the Bank to preference shareholders.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

38 Other Equity Instruments (continued)

(3) Information related to the holders of the equity instruments

	31 December 2023	31 December 2022
Equity attributable to shareholders of the Bank		
– Ordinary shareholders of the Bank	161,250	137,938
– Other equity instruments holders of the Bank	24,995	24,995
Non-controlling interests		
– Ordinary shareholders of non-controlling interests	3,332	2,997

(4) Changes in other equity instruments outstanding at the end of the year

	31 December 2022	Increase	Decrease	31 December 2023
Perpetual Bond				
Number of shares (In millions)	250	–	–	250
Amount (RMB in millions)	24,995	–	–	24,995

39 Capital Reserve

	1 January 2023	Increase (Note VI. 37)	Decrease	31 December 2023
Share premium	32,289	6,281	–	38,570

	1 January 2022	Increase	Decrease	31 December 2022
Share premium	32,018	271	–	32,289

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

40 Other Comprehensive Income

	Other comprehensive income in the consolidated statement of financial position			Other comprehensive income in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2023						
	Net-of-tax amount attributable to shareholders of the Bank		31 December 2023	Before-tax amount of the year	Previously recognized amount transferred to profit or loss	Income tax expense	After-tax amount of the year	Net-of-tax amount attributable to shareholders of the Bank		Net-of-tax amount attributable to shareholders of the Non-Controlling interests
	1 January 2023									
Items that will not be reclassified to profit or loss										
- Changes in fair value of financial investments designated to be measured at FVOCI	217	23	240	31	-	(8)	23	23	-	
Items that may be reclassified to profit or loss										
- Changes in fair value of financial assets measured at FVOCI	(237)	1,040	803	3,661	(2,274)	(347)	1,040	1,040	-	
- Allowance for ECLs of financial assets measured at FVOCI	1,783	62	1,845	82	-	(20)	62	62	-	
- Exchange differences from the translation of foreign operations	428	92	520	93	-	-	93	92	1	
Total	2,191	1,217	3,408	3,867	(2,274)	(375)	1,218	1,217	1	

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

40 Other Comprehensive Income (continued)

	Other comprehensive income in the consolidated statement of financial position			Other comprehensive income in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2022			
	Net-of-tax amount attributable to		31 December 2022	Previously recognized amount transferred to profit or loss	Income tax expense	Net-of-tax amount attributable to shareholders of the Bank	
	1 January 2022	shareholders of the Bank					Before-tax amount of the year
Items that will not be reclassified to profit or loss							
- Changes in fair value of financial investments designated to be measured at FVOCI	179	38	217	51	-	(13)	38
Items that may be reclassified to profit or loss							
- Changes in fair value of financial assets measured at FVOCI	166	(403)	(237)	1,358	(1,895)	134	(403)
- Allowance for ECLs of financial assets measured at FVOCI	684	1,099	1,783	1,466	-	(367)	1,099
- Exchange differences from the translation of foreign operations	(472)	900	428	900	-	-	900
Total	557	1,634	2,191	3,775	(1,895)	(246)	1,634

41 Surplus Reserve

	Statutory surplus reserve
Balance at 1 January 2022	9,743
Appropriation (Note VI.43)	1,332
Balance at 31 December 2022	11,075
Appropriation (Note VI.43)	1,471
Balance at 31 December 2023	12,546

Pursuant to the Company Law of the PRC and the Articles, the Bank is required to appropriate 10% of its net profit to the statutory surplus reserve.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

42 Statutory General Reserve

	Statutory general reserve
Balance at 1 January 2022	23,802
Appropriation (Note VI.43)	2,655
Balance at 31 December 2022	26,457
Appropriation (Note VI.43)	3,347
Balance at 31 December 2023	29,804

Pursuant to *the Administrative Measures on Accrual of Provisions by Financial Enterprises* (Caijin [2012] No. 20), the Bank establishes a statutory general reserve within equity through the appropriation of profit to address unidentified potential impairment risks, which should not be less than 1.5% of the year-end balance of its risk assets.

43 Profit Appropriations

	Notes	2023	2022
Balance at the beginning of the year		44,657	36,827
Add: Net profit attributable to shareholders of the Bank		15,048	13,618
Deduct: Appropriation to surplus reserve		(1,471)	(1,332)
Appropriation to statutory general reserve		(3,347)	(2,655)
Distribution to ordinary shareholders	(1)	(4,466)	-
Distribution to offshore preference shareholders	(2)	-	(838)
Distribution to perpetual bonds holders	(3)	(963)	(963)
Balance at the end of the year		49,458	44,657

(1) **Approved and distributed dividends of ordinary shareholders**

As approved by shareholders in 2022 Annual General Meeting on 4 May 2023, based on the Bank's total ordinary shares amounting to 21,269 million shares on the record date of profit distribution, the Bank declared a cash dividend of RMB2.10 for each 10 ordinary shares, with total amount of RMB4,466 million.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

43 Profit Appropriations (continued)

(2) Approved and distributed dividends of offshore preference shareholders

On 25 January 2022, the Board of Directors approved the payment of dividends to offshore preference shareholders. The total amount of dividends distributed on offshore preference shares is USD132 million (tax inclusive) and the Group actually paid USD119 million (equivalent to RMB838 million) to offshore preference shareholders on the annual after tax interest rate of 5.45%. The dividend issuance date was 29 March 2022.

(3) Announcement and distribution to perpetual bonds holders

On 21 November 2022, the Bank announced the interest of perpetual bonds issued amounting to RMB963 million at the initial annual interest rate of 3.85% prior to the interest rate reset date determined by the terms of the bond. The distribution date was 26 November 2022.

On 20 November 2023, the Bank announced the interest of perpetual bonds issued amounting to RMB963 million at the initial annual interest rate of 3.85% prior to the interest rate reset date determined by the terms of the bond. The distribution date was 26 November 2023.

44 Notes to Consolidated Cash Flow Statements

(1) Cash and cash equivalents

	31 December 2023	31 December 2022
Cash	865	560
Surplus deposit reserves with the central bank	34,483	54,885
Deposits with banks and other financial institutions with original maturities of less than three months	59,736	36,007
Placements with banks and other financial institutions with original maturities of less than three months	924	501
Financial assets purchased under resale agreements with original maturities of less than three months	74,453	15,795
Total	170,461	107,748

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

44 Notes to Consolidated Cash Flow Statements (continued)

(2) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	Debt securities issued	Lease liabilities	Dividend payable	Total
At 1 January 2023	323,033	3,318	194	326,545
Cash changes:				
Proceeds from issuance of debt securities	535,292	-	-	535,292
Repayments of principal on debt securities issued	(462,592)	-	-	(462,592)
Repayments of interest on debt securities issued	(9,202)	-	-	(9,202)
Payment for dividend distribution	-	-	(5,683)	(5,683)
Payment for principal element of lease liabilities	-	(705)	-	(705)
Payment for interest element of lease liabilities	-	(146)	-	(146)
Non-cash changes:				
Interest expense (Note VI.1)	9,328	146	-	9,474
Dividends declared	-	-	5,540	5,540
Additions of lease liabilities	-	644	-	644
Exchange difference	79	-	-	79
At 31 December 2023	395,938	3,257	51	399,246

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

44 Notes to Consolidated Cash Flow Statements (continued)

(2) Reconciliation of liabilities arising from financing activities (continued)

	Debt securities issued	Lease liabilities	Dividend payable	Total
At 1 January 2022	318,908	2,926	305	322,139
Cash changes:				
Proceeds from issuance of debt securities	373,048	–	–	373,048
Repayments of principal on debt securities issued	(369,834)	–	–	(369,834)
Repayments of interest on debt securities issued	(7,926)	–	–	(7,926)
Payment for dividend distribution	–	–	(2,000)	(2,000)
Payment for principal element of lease liabilities	–	(646)	–	(646)
Payment for interest element of lease liabilities	–	(139)	–	(139)
Non-cash changes:				
Interest expense (Note VI.1)	8,445	139	–	8,584
Dividends declared	–	–	1,889	1,889
Additions of lease liabilities	–	1,038	–	1,038
Exchange difference	392	–	–	392
At 31 December 2022	323,033	3,318	194	326,545

45 Transfer of Financial Assets

The Group enters into transactions in the normal course of business by which it transfers recognized financial assets to third parties or to special purpose vehicles. In some cases where these transfers may give rise to full or partial derecognition of the financial assets concerned, the Group fully or partially derecognize the transferred financial assets. In other cases where these transferred assets do not qualify for derecognition as the Group has retained substantially all the risks and rewards of these financial assets, the Group continued to recognize the transferred financial assets.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

45 Transfer of Financial Assets (continued)

(1) Securitization transactions

In the process of securitization of credit assets, the Group transfers credit assets to structured entities and issues asset-backed securities as issuers. The Group would determine whether or not to derecognize the associated credit assets by evaluating the extent to which it retains the risks and rewards of the assets.

With respect to the credit assets that were securitised and qualified for derecognition, the Group derecognised the transferred credit assets in their entirety. For the year ended 31 December 2023, the Group has transferred the ownership of the loans, the principal of which amounted to RMB9,813 million (2022: RMB2,830 million), as well as substantially all the risks and rewards of the loans have been transferred, the full amount of such securitised loans were derecognised.

For those in which the Group has neither transferred nor retained substantially all the risks and rewards of the transferred credit assets, and retained control of the credit assets, the Group recognised the assets on the statement of financial position in accordance with the Group's continuing involvement and the rest is derecognised. The extent of the Group's continuing involvement is the extent of risks and rewards undertaken by the Group with value changes of the transferred financial assets. For the year ended 31 December 2023, there is no Group's continuing involvement (2022: RMB2,283 million). At 31 December 2023, the carrying amount of the assets and liabilities that the Group continues to recognise on the statement of financial position was RMB1,212 million (31 December 2022: RMB1,577 million). The Group also recognised other assets and other liabilities of the same amount arising from such continuing involvement.

(2) Non-performing assets transfer

For the year ended 31 December 2023, the Group transferred non-performing loans principal amounting to RMB5,375 million (2022: RMB4,898 million) and financial investments principal amounting to RMB6,553 million (2022: RMB6,339 million) to the asset management companies. For the year ended 31 December 2023, the Group has transferred the ownership of non-performing loans, the principal of which amounted to RMB4,202 million (2022: RMB2,830 million) through securitization transactions. As the Group transferred substantially all the risks and rewards of these non-performing loans and financial investments, the Group derecognized these non-performing loans and financial investments.

(3) Repurchase and securities lending transactions

Transferred financial assets that do not qualify for derecognition mainly include securities delivered as collateral in a repurchase transaction to a counterparty and debt securities lent to counterparties under securities lending agreements. The counterparties are allowed to sell or repledge those securities lent under agreements to repurchase in the absence of default by the Group, but have obligations to return the securities at the maturity of the contracts. In some cases, if the value of the relevant securities rises or falls, the Group may require the counterparty to pay additional cash as collateral or need to return part of the cash collateral to the counterparty. The Group determined that it retained substantially all the risks and rewards of these securities and therefore had not derecognized them. At 31 December 2023, the face value of debt securities lent to counterparties was RMB26,550 million (31 December 2022: RMB25,350 million).

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VII Interests in Other Entities

1 Interests in Subsidiary

(1) Composition of the Group

At the balance sheet date, details of the subsidiary included in the consolidated financial statements are as follows:

Name	Place of incorporation	Registered address	Business nature	Registered capital	Proportion of equity/voting rights
Zheyin Financial Leasing	Zhejiang Province	Zhoushan	Financial institution	RMB4 billion	51%

(2) Important non wholly-owned subsidiaries and main financial information

An important non wholly-owned subsidiary of the Group is Zheyin Financial Leasing. The following table lists the main financial information of Zheyin Financial Leasing. The main financial information of these subsidiaries is the amount before the Group's internal transactions are offset, but it has been adjusted by the unified accounting policy:

	31 December 2023	31 December 2022
Total assets	68,381	54,601
Total liabilities	61,580	48,484
Operating income	2,181	1,873
Profit for the year	909	756
Total comprehensive income	911	756
Net cash generated from operating activities	478	207

2 Interests in Structured Entities

The Group manages or invests in multiple structured entities, which include fund investments, trust schemes and asset management plans, asset-backed securities and wealth management products. To determine whether the Group controls such structured entities, the Group assesses the overall interests (including direct income and expected management fees) in the structured entities through its participation in the decisions on the establishment of the structured entities, the extent of its participation and related contractual arrangements, as well as its decision-making power over the structured entities.

(1) Consolidated structured entities directly held by the Group

If the Group has power over structured entities through investment contracts and other arrangements, has variable interests through its involvement in the structured entities and has the ability to affect those interests through its power over the structured entities, the Group considers that it controls the structured entities and then consolidates them in the consolidated financial statements.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VII Interests in Other Entities (continued)

2 Interests in Structured Entities (continued)

(2) Unconsolidated structured entities directly held by the Group

If the Group does not have substantive rights to the primary activities of the structured entities, or the Group only has insignificant proportion of the overall interests in the structured entities over which the Group has power, the Group does not consolidate the structured entities in the consolidated financial statements.

The unconsolidated structured entities directly held by the Group include investment funds, trust schemes and asset management plans, asset-backed securities and wealth management products initiated and established by third-party institutions.

Considering the relevant agreements and the Group's investments in the structured entities, the Group does not consolidate the above structured entities in the consolidated financial statements.

On the balance sheet date, the relevant balance sheet items, book value and maximum loss exposure of the Group's equity in the structured entity initiated and established by a third party institution through direct holding of investment in the Group's consolidated statement of financial position are listed as follows:

	31 December 2023			Total
	Financial investments measured at FVTPL	Financial investments measured at AC	Financial investments measured at FVOCI	
Fund investments	86,468	–	–	86,468
Trust schemes and asset management plans	3,289	77,646	–	80,935
Asset-backed securities	14,696	5,831	34,124	54,651
Wealth management products	68	–	–	68
Total	104,521	83,477	34,124	222,122

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VII Interests in Other Entities (continued)

2 Interests in Structured Entities (continued)

(2) Unconsolidated structured entities directly held by the Group (continued)

	31 December 2022			Total
	Financial investments measured at FVTPL	Financial investments measured at AC	Financial investments measured at FVOCI	
Fund investments	126,128	–	–	126,128
Trust schemes and asset management plans	2,924	63,464	–	66,388
Asset-backed securities	19,840	661	13,814	34,315
Wealth management products	220	–	–	220
Total	149,112	64,125	13,814	227,051

The maximum exposures to loss in the above unconsolidated structured entities directly held by the Group are the fair value or amortised cost of the assets held by the Group in the consolidated statement of financial position.

(3) Structured entities which the Group is the sponsor, but which are not included in the consolidated financial statements

The types of unconsolidated structured entities sponsored by the Group include non-principal-guarantee wealth management products. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. These structured entities are financed through the issue of wealth management products to investors. Interest held by the Group are fees charged by providing management services.

At 31 December 2023, the amount of assets held by the unconsolidated non-principal-guaranteed wealth management products which are sponsored by the Group was RMB149,182 million (31 December 2022: RMB210,705 million). For the year ended 31 December 2023, the commission income recognised by the Group for providing asset management services for such financial products was RMB435 million (2022: RMB676 million). At the balance sheet date, the balance of service charges receivable for asset management services of the Group was not material.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VIII Segment Reporting

1 Business Segment

For management purposes, the Group is organized into different operating segments, namely corporate banking, retail banking and treasury operations, based on internal organizational structure, management requirement and internal reporting system.

Corporate banking

The corporate banking segment covers the provision of financial products and services to corporations, government agencies and other institutions. The products and services include corporate loans and advances, trade financing, corporate deposits, credit commitments and financial guarantee, underwriting of debt instruments and various types of corporate intermediary services, etc.

Retail banking

The retail banking segment covers the provision of financial products and services to individual customers. The products and services include personal loans and advances, personal deposits, wealth management businesses, card businesses and various types of retail banking services, etc.

Treasury operations

The treasury operations segment covers the Group's treasury operations which include money market transactions, repurchase transactions, debt instruments investments, equity instruments investments, financial derivatives businesses for proprietary trading or on behalf of customers, as well as financial products and services provided to other financial institutions. The division also manages the liquidity level of the Group, including the issuance of debt securities.

Other business

Other business segments refer to other businesses not included in the above reporting segments and related businesses of the subsidiary.

The accounting policies adopted in the preparation of segment reports are consistent with those adopted in the preparation of the Group's consolidated financial statements.

Transactions between segments mainly represent the provision of funding to and from individual segments. These transactions are conducted on terms determined with reference to the average cost of funding and have been reflected in the performance of each segment. Net interest income and expense arising on internal fund transfer are referred to as internal net interest income/expense. Net interest income and expense relating to third parties are referred to as external net interest income/expense.

Segment revenues, expenses, profits, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment capital expenditure refers to the total cash outflow of purchasing fixed assets, intangible assets and other long-term assets in the accounting period.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VIII Segment Reporting (continued)

1 Business Segment (continued)

Other business (continued)

Business segment

	Corporate banking	Retail banking	2023 Treasury operations	Others	Total
External net interest income	17,399	19,021	9,353	1,755	47,528
Inter-segment net interest income/(expenses)	14,647	(6,895)	(7,752)	-	-
Net interest income	32,046	12,126	1,601	1,755	47,528
Net fee and commission income	2,748	1,060	1,227	5	5,040
Net trading gains	-	-	7,396	-	7,396
Net gains on financial investments	541	-	2,123	-	2,664
Other operating income	147	230	57	702	1,136
Operating income	35,482	13,416	12,404	2,462	63,764
Operating expenses	(10,322)	(4,736)	(3,971)	(1,130)	(20,159)
Expected credit losses	(5,624)	(8,651)	(11,131)	(707)	(26,113)
Total operating expenses	(15,946)	(13,387)	(15,102)	(1,837)	(46,272)
Profit/(losses) before taxation	19,536	29	(2,698)	625	17,492
Segment assets	1,356,967	494,023	1,193,690	78,015	3,122,695
Unallocated assets					21,184
Total assets					3,143,879
Segment liabilities	(1,592,001)	(275,770)	(1,075,445)	(11,086)	(2,954,302)
Other segment information:					
Credit commitments and financial guarantee	806,177	18,424	-	-	824,601
Depreciation and amortisation	1,013	477	352	270	2,112
Capital expenditure	4,293	1,563	3,777	247	9,880

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VIII Segment Reporting (continued)

1 Business Segment (continued)

Other business (continued)

Business segment (continued)

	Corporate banking	Retail banking	2022 Treasury operations	Others	Total
External net interest income	15,121	19,403	10,989	1,549	47,062
Inter-segment net interest income/(expenses)	14,234	(7,149)	(7,085)	–	–
Net interest income	29,355	12,254	3,904	1,549	47,062
Net fee and commission income/(expenses)	2,715	870	1,214	(8)	4,791
Net trading gains	–	–	6,590	–	6,590
Net gains on financial investments	420	–	1,588	–	2,008
Other operating income	–	17	61	623	701
Operating income	32,490	13,141	13,357	2,164	61,152
Operating expenses	(9,161)	(4,121)	(3,640)	(746)	(17,668)
Expected credit losses	(6,912)	(7,295)	(12,773)	(673)	(27,653)
Total operating expenses	(16,073)	(11,416)	(16,413)	(1,419)	(45,321)
Profit/(losses) before taxation	16,417	1,725	(3,056)	745	15,831
Segment assets	1,248,657	437,718	842,316	72,338	2,601,029
Unallocated assets					20,901
Total assets					2,621,930
Segment liabilities	(1,465,687)	(217,232)	(755,389)	(17,692)	(2,456,000)
Other segment information:					
Credit commitments and financial guarantee	708,646	13,674	–	766	723,086
Depreciation and amortisation	927	438	323	174	1,862
Capital expenditure	2,519	838	1,747	353	5,457

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VIII Segment Reporting (continued)

2 Regional Division

The Group operates principally in Chinese Mainland, and also has a branch in Hong Kong, China. Geographically, the Group mainly conducts its business in the four areas listed below in Chinese Mainland.

“Yangtze River Delta Region” refers to the head office, Zheyin Financial Leasing and the following areas serviced by the tier-one branches of the Group: Hangzhou, Ningbo, Wenzhou, Shaoxing, Zhoushan, Shanghai, Nanjing, Suzhou, Hefei, Jinhua;

“Bohai Rim Region” refers to the following areas serviced by the tier-one branches of the Group: Beijing, Tianjin, Jinan, Shenyang;

“Pearl River Delta Region and Economic Zone on the Western Coast of the Taiwan Straits” refers to the following areas serviced by the tier-one branches of the Group: Shenzhen, Guangzhou, Hong Kong, Fuzhou; and

“Midwestern China Region” refers to the following areas serviced by the tier-one branches of the Group: Chengdu, Guiyang, Xi’an, Lanzhou, Chongqing, Wuhan, Zhengzhou, Changsha, Hohhot, Nanchang, Nanning, Taiyuan.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VIII Segment Reporting (continued)

2 Regional Division (continued)

Regional division

	2023					Total
	Yangtze River Delta Region	Bohai Rim Region	Pearl River Delta Region and Economic Zone on the Western Coast of the Taiwan Straits	Midwestern China	Elimination	
External net interest income	34,374	3,333	2,736	7,085	-	47,528
Inter-segment net interest (expenses)/income	(10,411)	5,870	2,552	1,989	-	-
Net interest income	23,963	9,203	5,288	9,074	-	47,528
Net fee and commission income	1,132	1,351	1,012	1,545	-	5,040
Net trading gains	6,789	262	201	144	-	7,396
Net gains on financial investments	1,955	220	154	335	-	2,664
Other operating income	975	28	25	108	-	1,136
Operating income	34,814	11,064	6,680	11,206	-	63,764
Operating expenses	(11,905)	(2,976)	(1,797)	(3,481)	-	(20,159)
Expected credit losses	(15,383)	(2,675)	(3,931)	(4,124)	-	(26,113)
Total operating expenses	(27,288)	(5,651)	(5,728)	(7,605)	-	(46,272)
Profit before taxation	7,526	5,413	952	3,601	-	17,492
Segment assets	2,756,232	383,534	264,807	389,948	(671,826)	3,122,695
Unallocated assets						21,184
Total assets						3,143,879
Segment liabilities	(2,599,849)	(378,068)	(261,937)	(386,274)	671,826	(2,954,302)
Other segment information:						
Credit commitments and financial guarantee	377,507	163,394	85,835	197,865	-	824,601
Depreciation and amortisation	1,260	319	177	356	-	2,112
Capital expenditure	7,274	95	2,015	496	-	9,880

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VIII Segment Reporting (continued)

2 Regional Division (continued)

Regional division (continued)

	2022					Elimination	Total
	Yangtze River Delta Region	Bohai Rim Region	Pearl River Delta Region and Economic Zone on the Western Coast of the Taiwan Straits	Midwestern China			
External net interest income	31,625	3,947	3,928	7,562	-	47,062	
Inter-segment net interest (expenses)/income	(7,603)	4,787	1,048	1,768	-	-	
Net interest income	24,022	8,734	4,976	9,330	-	47,062	
Net fee and commission income	1,366	1,330	759	1,336	-	4,791	
Net trading gains	6,220	115	92	163	-	6,590	
Net gains on financial investments	1,345	278	48	337	-	2,008	
Other operating income	507	51	30	113	-	701	
Operating income	33,460	10,508	5,905	11,279	-	61,152	
Operating expenses	(10,427)	(2,633)	(1,553)	(3,055)	-	(17,668)	
Expected credit losses	(18,457)	(2,480)	(2,387)	(4,329)	-	(27,653)	
Total operating expenses	(28,884)	(5,113)	(3,940)	(7,384)	-	(45,321)	
Profit before taxation	4,576	5,395	1,965	3,895	-	15,831	
Segment assets	2,368,320	353,991	259,770	352,688	(733,740)	2,601,029	
Unallocated assets						20,901	
Total assets						2,621,930	
Segment liabilities	(2,232,766)	(351,690)	(254,705)	(350,579)	733,740	(2,456,000)	
Other segment information:							
Credit commitments and financial guarantee	325,737	154,084	77,988	165,277	-	723,086	
Depreciation and amortisation	1,042	319	161	340	-	1,862	
Capital expenditure	5,197	54	30	176	-	5,457	

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

IX Commitments and Contingencies

1 Credit Commitments and Financial Guarantee

Bank acceptances refer to the Group's commitment to honor bills issued by customers. Letter of credit and financial guarantee refer to guarantee of customers' performance the Group provides to third parties. Approved loan commitments, finance lease commitments and undrawn credit card limit refer to the Group's credit commitments. Receivables confirmation refer to the Group's commitment to receivables confirmation issued by customers.

The amount of bank acceptances, letter of credit, letter of guarantee, receivables confirmation and other financial guarantee contracts disclosed is the maximum potential loss amount that the Group will recognize at the balance sheet date if the counterparties fail to oblige. The amount of loan commitments, finance lease commitment and undrawn credit line of credit card are the maximum cash flow assuming fully issued. The Group expects that bank acceptances, letter of credit, letter of guarantee and receivables confirmation will be settled at the same time as the payment of customers. Loan commitments, finance lease commitments and undrawn credit card facility may not be used before maturity. Therefore, the contract amount mentioned below does not represent the expected cash outflow in the future.

	31 December 2023	31 December 2022
Bank acceptances issued	368,346	365,130
Letters of credit issued	228,460	185,821
Letters of guarantee issued		
– Financing letters of guarantee	37,056	30,847
– Non-financing letters of guarantee	11,690	9,473
Undrawn credit card facility	18,424	13,674
Loan commitments and finance lease commitments	3,728	3,637
Receivables confirmation and other financial guarantee contracts	156,897	114,504
Total	824,601	723,086

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

IX Commitments and Contingencies (continued)

2 Capital Expenditure Commitments

At the balance sheet date, the Group's capital expenditure commitments are as follows:

	31 December 2023	31 December 2022
Contracted but not yet incurred	3,274	2,550
Authorized but not contracted	2,292	1,494
Total	5,566	4,044

In addition to the above-mentioned capital expenditure commitments, on 29 December 2023, the Bank received the Reply of the National Financial Regulatory Administration on the Preparation for the Establishment of Zheyin Wealth Management Co., Ltd. (Jin Fu [2023] No. 506), and was approved to establish Zheyin Wealth Management Co., Ltd. On 12 March 2024, the Bank contributed the registered capital (paid-in capital) of Zhejiang Bank Wealth Management Co., Ltd. amounting to RMB2 billion in the form of monetary contribution.

3 Bond Underwriting and Redemption Commitments

(1) At 31 December 2023, the Group has outstanding bond underwriting commitments with an amount of RMB2,507 million (31 December 2022: RMB1,920 million).

(2) As a member of the saving bonds underwriting syndicate of the Central Government, the Group is obliged to redeem these bonds at the discretion of the holders at any time prior to maturity. The redemption price for the bonds is based on the nominal value of the bonds deducting commissions for early redeemed, plus any interest accrued up to the redemption date. The interest accrued shall be calculated in accordance with the relevant rules of the Ministry of Finance (the "MOF") and the PBOC.

At 31 December 2023, the Group had underwritten bonds with an accumulated amount of RMB1,096 million (31 December 2022: RMB1,201 million) to the general public, and these government bonds have not yet matured nor been redeemed. The Group expects that the amount of redemption of these government bonds through the Group prior to maturity will not be material.

4 Outstanding Litigations and Arbitrations

At the balance sheet date, the Group was involved in certain legal proceedings in the ordinary course of business. Management expects that such pending litigations will not materially affect the Group's financial position.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

X Fiduciary Business

1 Entrusted Loan Business

Entrusted loan business means that under the entrusted loan arrangement, the Group acts as an intermediary to provide loans to borrowers based on the instructions of the principal. The Group is responsible for assisting in supervising the use and the recovery of the loan, and charging commissions for the services provided. As the Group does not assume the economic risks and rewards arising from the entrusted loans, the entrusted loans will not be recognized as assets and liabilities of the Group.

At the balance sheet dates, the entrusted business assets and liabilities of the Group are as follows:

	31 December 2023	31 December 2022
Entrusted loans	21,495	24,733
Entrusted loan funds	21,495	24,733

2 Entrusted Investments Business

Entrusted investment refers to the fact that the Group accepts the entrustment of a single or multiple clients based on the principal-agent relationship to engage in investment services such as asset operation, investment management, investment consultancy and so on. The investment risk of entrusted investment shall be borne by the client.

At the balance sheet dates, the entrusted business assets of the Group are as follows:

	31 December 2023	31 December 2022
Entrusted investments	7	695

3 Wealth Management Services

The Group acts as a custodian, trustee and in other fiduciary capacities to safeguard assets for customers in accordance with agreements. The Group receives fee incomes, such as custodian fees, sale fees and investment management fees, in return for its services provided under the 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 balance sheet.

At balance sheet date, please refer to Note VII.2 (3) for information about wealth management services.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

XI Collateral Information

1 Assets Pledged as Security

The book value of the Group's secured liabilities related to the assets as collateral on the balance sheet dates are presented as due to the central bank, placements from banks and other financial institutions, financial assets sold under repurchase agreements and customer deposits. At the balance sheet date, the secured liabilities (interest accrued excluded) of the Group were as follows:

	31 December 2023	31 December 2022
Due to the central bank	119,449	96,923
Placements from banks and other financial institutions	109	–
Financial assets sold under repurchase agreements	62,042	6,047
Customer deposits	42,356	42,018
Total	223,956	144,988

The secured liabilities analyzed by collateral type were as follows:

	31 December 2023	31 December 2022
Bond investments	213,566	131,482
Bills	18,723	18,426
Finance lease receivables	164	–
Bank deposit certificate	156	–
Total	232,609	149,908

In addition, the Group provides collateral for the securities borrowed through the security lending and swap business. At 31 December 2023, the assets as collateral under the security lending and swap business of the Group were RMB102 million (31 December 2022: RMB101 million).

2 Assets Received as Collateral

At 31 December 2023, the Group received securities amounting to RMB2,043 million (31 December 2022: RMB100 million) as collateral for financial assets purchased under resale agreements, the Group could sell or repledge the collateral in the absence of default by the owner of the collateral. The Group has an obligation to return the collateral to the owner on the date of resale, at the balance sheet date, none of the collateral is re-sold or re-pledged. Details of collateral related information in loans and advances to customers and financial investments that are credit-impaired could be referred to in Note XIII.1(10).

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

XII Related Parties and Related Party Transactions

1 Major Shareholders

At 31 December 2023, the shareholding of major shareholder units directly or indirectly holding more than 5% of the Bank's shares are as follows:

	Number of shares held (in million shares)	Shareholding Percentage
Zhejiang Provincial Financial Holdings Co., Ltd.	3,452	12.57%
Zhejiang Provincial Energy Group Co., Ltd. and its group members, Zheneng Capital Investment (Hong Kong) Limited and Zhejiang Energy International Co., Ltd.	1,849	6.73%
Zhejiang Hengyi Group Co., Ltd. and its group members Zhejiang Hengyi High-tech Material Co., Ltd. and Zhejiang Hengyi Petrochemical Co., Ltd.	1,616	5.88%
Hengdian Group Holdings Limited	1,616	5.88%
Zhejiang Provincial Seaport Investment & Operation Group Co., Ltd. and its group members, Zhejiang Seaport (Hong Kong) Co., Ltd.	1,379	5.02%

At 31 December 2022, the shareholding of major shareholder units directly or indirectly holding more than 5% of the Bank's shares are as follows:

	Number of shares held (in million shares)	Shareholding Percentage
Zhejiang Provincial Financial Holdings Co., Ltd.	2,655	12.49%
Zhejiang Provincial Energy Group Co., Ltd. and its group members, Zheneng Capital Investment (Hong Kong) Limited and Zhejiang Energy International Co., Ltd.	1,487	6.99%
Traveller Automobile Group Co., Ltd.	1,347	6.33%
Zhejiang Hengyi Group Co., Ltd. and its group members Zhejiang Hengyi High-tech Material Co., Ltd. and Zhejiang Hengyi Petrochemical Co., Ltd.	1,243	5.84%
Hengdian Group Holdings Limited	1,243	5.84%

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

XII Related Parties and Related Party Transactions (continued)

2 Related Party Transactions

The amount of major transactions between the Group and related parties and the balance of major current accounts at the balance sheet date are as follows:

	Zhejiang Provincial Financial Holdings Co., Ltd. and its subsidiaries	Zhejiang Provincial Energy Group Co., Ltd. and its subsidiaries	Zhejiang Hengyi Group Co., Ltd. and its subsidiaries	Hengdian Group Holdings Limited and its subsidiaries	Zhejiang Provincial Seaport Investment & Operation Group Co., Ltd. and its subsidiaries	Others	Total	Proportion in the amount/balance of related similar transactions
The amount of significant transactions in 2023 is as follows:								
Interest income	4	9	90	-	11	103	217	0.20%
Interest expense	(62)	(4)	-	(80)	(5)	(44)	(195)	0.31%
Fee and commission income	1	-	12	-	-	-	13	0.21%
Net trading gains	80	-	-	165	-	-	245	3.31%
Other operating income	-	-	-	-	-	1	1	0.16%
Operating expenses	-	-	-	-	(1)	-	(1)	0.01%
At 31 December 2023, the balance of major balance sheet items is as follows:								
Precious metals	330	-	-	-	-	-	330	12.76%
Loans and advances to customers	265	343	1,657	97	276	1,828	4,466	0.27%
Financial investments measured at FVTPL	3,730	-	-	4,823	-	10	8,563	3.67%
Financial investments measured at FVOCI	159	-	-	-	-	361	520	0.17%
Customer deposits	(1,022)	(374)	(171)	(1,150)	(454)	(733)	(3,904)	0.21%
The major off balance sheet items at 31 December 2023 are as follows:								
Credit commitments and financial guarantee	65	516	3,390	40	1	-	4,012	0.49%
Other off balance sheet items	-	90	-	-	-	-	90	0.12%
Loan balance guaranteed by related parties	9,951	250	1,997	56	-	700	12,954	0.52%

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

XII Related Parties and Related Party Transactions (continued)

2 Related Party Transactions (continued)

	Zhejiang Provincial Financial Holdings Co., Ltd. and its subsidiaries	Zhejiang Provincial Energy Group Co., Ltd. and its subsidiaries	Traveller Automobile Group Co., Ltd. and its subsidiaries	Zhejiang Hengyi Group Co., Ltd. and its subsidiaries	Hengdian Group Holdings Limited and its subsidiaries	Others	Total	Proportion in the amount/ balance of related similar transactions
The amount of significant transactions in 2022 is as follows:								
Interest income	1	-	-	99	1	1	102	0.10%
Interest expense	(151)	(10)	-	(8)	(1)	(2)	(172)	0.31%
Fee and commission income	-	5	-	13	-	-	18	0.33%
Net trading gains	36	-	-	-	71	-	107	1.73%
Other operating income	-	-	-	-	-	1	1	0.21%
At 31 December 2022, the balance of major balance sheet items is as follows:								
Loans and advances to customers	10	317	-	1,230	-	59	1,616	0.11%
Financial investments measured at FVTPL	2,066	-	-	-	3,589	-	5,655	2.99%
Financial investments measured at AC	-	-	-	1,500	-	-	1,500	0.41%
Customer deposits	(4,365)	(3,528)	-	(96)	(191)	(210)	(8,390)	0.50%
The major off balance sheet items at 31 December 2022 are as follows:								
Credit commitments and financial guarantee	-	412	-	1,724	74	-	2,210	0.31%
Loan balance guaranteed by related parties	6,546	250	-	300	8	-	7,104	0.48%

The Bank disclosed related party transactions in accordance with *Measures for the Administration of Affiliated Transactions of Banking and Insurance Institutions*. For major related party transactions, please refer to the Bank's announcement on the Shanghai Stock Exchange, and for general related party transactions, please refer to the Investor Services column on the Bank's website.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

XII Related Parties and Related Party Transactions (continued)

3 Key Management Personnel

Key management personnel are those persons who have the authority and responsibility to plan, direct and control the activities of the Group. The Group enters into banking transactions with key management personnel in the normal course of business. For the reporting period, the Group had no material banking transactions and balances with key management personnel.

The remuneration of directors and other members of key management during the period were as follows:

	2023	2022
Fees	2	2
Salaries and allowances and benefits	7	7
Discretionary bonuses	5	4
Contribution to pension	2	2
Total	16	15

The total compensation packages (before tax) for directors and key management personnel have not been finalised. The total compensation packages will be further disclosed when determined.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

XII Related Parties and Related Party Transactions (continued)

4 Transactions Between the Bank and the Subsidiary

The transactions between the Bank and its subsidiary are mainly subject to general business terms and carried out in accordance with normal business procedures or in accordance with the contractual agreements of the Bank, and shall be approved by the corresponding decision-making authority depending on the nature and the amount of the transaction. The amount of major transactions between the Bank and its subsidiary (consolidated structured entities directly held by the Group excluded) and the balance of major current accounts at the balance sheet date are as follows:

	2023	2022
Interest income	76	81
Interest expense	(5)	(6)
Fee and commission income	25	35
Fee and commission expense	-	(45)
Net gains on financial investments	115	92
Other operating income	16	8
	31 December 2023	31 December 2022
Placements with banks and other financial institutions	3,002	3,002
Other assets	28	20
Deposits from banks and other financial institutions	(433)	(114)
Other liabilities	(14)	(4)

5 Plan and Transaction of Annuity

Except for normal contributions, there were no other related party transactions in the annuity funds established by the Group and the Bank during the reporting period.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

XIII Financial Risk Management

The Group is exposed to a variety of financial risks arising from its operating activities. The Group analyzes, evaluates, accepts and manages those risks or risk portfolios of a certain degree. Managing those risks is critical to the financial industry, and risks are an inevitable consequence of being in business operation. The Group's aim is therefore to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Group's financial performance.

The Group's risk management policies are designed to identify and analyze these risks, to set appropriate risk limits and control programs, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems.

The board of directors takes the ultimate responsibility for comprehensive risk management, the board of supervisors is responsible for supervising comprehensive risk management, and the senior management is responsible for implementing comprehensive risk management. The position of chief risk officer has been established in place, the senior management has established special committees including risk management and internal control committee, asset and liability management committee, credit extension committee, asset risk classification review committee and business continuity management committee.

The risk management department at the head office is the coordination department for comprehensive risk management and the leading executive department for management of credit risk, market risk (excluding interest rate risk of banking book), country risk and information technology risk. The asset and liability management department at the head office is the leading executive department for management of the interest rate risk of banking book and liquidity risk. The internal control, compliance and legal department at the head office is the leading executive department for operational risk and compliance risk management. The party mass work department (the party mass publicity department) at the head office is the leading executive department for reputational risk management. The development and planning department at the head office is the leading executive department for strategic risk management.

The primary financial risks to which the Group is exposed to when using financial instruments are credit risk, market risk (including interest rate risk, foreign exchange risk) and liquidity risk.

1 Credit Risk

The Group is exposed to credit risk, which is the risk of loss arising from a client or counterparty's failure to discharge its contractual obligations. Exposure to credit risk mainly arises from interbank transactions, corporate and retail loans, as well as loan commitments from lending activities. It can also be derived from credit enhancement provided by the Group, such as credit derivatives (credit default swaps), letters of credit, financial guarantees and acceptances. Management carefully manages its exposure to credit risks. The daily credit risk management and control are centralized in the risk management department at the head office and reported to the Bank's senior management in a timely manner.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

XIII Financial Risk Management (continued)

1 Credit Risk (continued)

(1) Credit risk measurement

Loans and advances to customers, credit commitments and financial guarantee

Based on changes in external business environment, internal business conditions and risk profile, the Group has formulated basic credit policies, and specified the policy orientation in respect of customer structure, industry structure, regional structure and key business areas of the Group's credit business. In addition, the Group regularly adjusts its credit policy on the basis of continuous tracking of macro and industry economic development trends. The Group shall continue to improve the credit system construction, the unified credit extension management system for corporate and institutional customers, group customer identification and unified credit extension management, the overall management and unified control of the total credits of corporate and institutional customers, and the standardized credit approval process, group customer management. The Bank shall also establish a differentiated authorization system, and timely adjust the credit policy and take effective measures to guard against credit risks.

The Group has established the credit risk limit framework system, credit risk limit management plans and methods, and specified management mechanisms in respect of setting, adjusting, monitoring and processing quota indicators to effectively transmit risk preferences. Financial assets are written off when the Group is unable to recover the whole or a part of them even after taking necessary measures and implementing necessary procedures, and when the write-off conditions set by the Ministry of Finance and the Group are met.

Bond investment

The Group manages investment in bonds and other instruments based on the internal credit rating and credit rating of external rating agencies. Except for immediate approval to government bonds, local government debts, central bank bills and policy bank financial bonds, all other bonds are subject to credit approval processes and credit rating requirements. At the same time, the Group continues to focus on the credit rating, business development and industry changes, to perform continuous evaluation and management of credit risk.

Non-bond debt investment

Non-bond debt investment includes trust schemes and asset management plans and debt financing plans. The Group implements rating assessment system for cooperative trust companies and securities companies, and sets credit lines for the ultimate financing party of the trust income and targeted asset management plans and debt financing plans, and conducts follow-up review of risk management on a regular basis.

Interbank business

Credit risk of financial institutions is reviewed and managed on a regularly basis. Credit lines are set for banks or other financial institutions that engage in financial transactions with the Group.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

XIII Financial Risk Management (continued)

1 Credit Risk (continued)

(2) Risk limits and mitigation measures

The Group has established policies and procedures for credit risk limits management. Credit risk limits are set based on specific customers, industries and the quality of assets, and a working mechanism is established regarding credit risk limits management, including limits setting, adjustment, monitoring, reporting and processing.

The Group transfers or mitigates its credit risk exposure by way of guarantee, collateral (pledge), net settlement and credit derivatives. Other specific management and mitigation measures include:

Collaterals and pledged assets

The Group has formulated a series of policies to mitigate credit risks through various measures. The acquisition of collateral and margins and obtaining corporate or individual guarantees is an important means for the Group to control credit risk. The Group implements guidelines on the acceptability of specific classes of collateral. The principal types of collateral are as follows:

- Residential properties
- Business assets such as commercial properties, inventories and accounts receivables
- Financial instruments such as debt securities and stocks

The fair value of collaterals and pledges are assessed by professional valuation firms appointed by the Group. To reduce credit risk, the Group has set maximum loan-to-value ratio (ratio of loan amount to fair value of collateral and pledge) for different collaterals and pledges. The principal types of collateral and pledge and the maximum loan-to-value ratio for corporate and retail loans are as follows:

<u>Type of collaterals and pledged assets</u>	<u>Maximum loan to value ratio</u>
Time deposits	100%
PRC treasury bonds	90%
Financial bonds	80%
Residential properties and commercial properties	70%
Land use rights	70%
Vehicles	60%
General equipment	50%

For loans guaranteed by a third-party, the Group will assess the guarantor's financial condition, credit history and ability to meet obligations.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

XIII Financial Risk Management (continued)

1 Credit Risk (continued)

(2) Risk limits and mitigation measures (continued)

Derivative financial instruments

The Group imposes strict restrictions on the trading of derivative financial instruments. The Group controls the credit risks associated with derivative financial instruments by collecting margins or grant credits from/to counterparties.

Deposits of credit commitments and financial guarantee

The main purpose of credit commitments and financial guarantee is to ensure that customers can receive the funds needed. The letter of guarantee and the letter of credit represent the Group's irrevocable undertaking, that is, the Group will perform the payment obligations on behalf of its customers who fail to meet their payment obligations to third parties, and the Group bears the same credit risk as the case of loans. In the event that the amount of credit commitments and financial guarantee requested by the customer exceeds its original credit limit, the Group will collect deposit to reduce the credit risk involved in providing the service.

(3) Measurement of ECLs

The ECL model is used for the measurement of the allowance for ECLs for financial assets measured at AC, financial assets measured at FVOCI and credit commitments and financial guarantee.

The ECL model is developed in accordance with the accounting standards. Based on credit risk characteristics such as product type, customer type, customer industry, the Group has conducted a risk subgroup on financial assets and established different models for non-retail business, retail business, credit card business, etc. The Group has established a regression model of risk parameters and macroeconomic indicators such as GDP, etc. The Group applies the ECL model to calculate credit losses under multiple scenarios to regularly predict three macro scenarios, including optimistic, neutral and pessimistic. The Group uses judgements, assumptions and estimates in measuring the ECLs in accordance with the accounting standards, including:

- Grouping of risks
- Classification of stages
- Models and parameters
- Forward-looking information, other adjustments and sensitivity analysis

Grouping of risks

Credit exposures are grouped based on credit risk characteristics including type of product, type of customer, industry where the client operates and markets. The non-retail business exposure risk group covers manufacturing loans, real estate loans and wholesale and retail loans, etc. The retail business exposure risk group covers business loans, consumer loans, mortgage loans and credit card, etc.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

XIII Financial Risk Management (continued)

1 Credit Risk (continued)

(3) Measurement of ECLs (continued)

Classification of stages

The Group classifies financial instruments into three stages and makes provisions for ECLs accordingly, depending on whether the credit risk of a financial instrument has increased significantly or whether the financial instrument is credit-impaired since initial recognition. The three risk stages are defined as follows:

Stage 1: Credit risk has not increased significantly since initial recognition. A 12-month ECL is recognized.

Stage 2: Credit risk has increased significantly since initial recognition but there is no objective evidence of impairment of the financial instrument. A lifetime ECL is recognized.

Stage 3: When there is objective evidence of impairment of the financial assets at the balance sheet date. A lifetime ECL is recognized.

The Group's staging criteria has taken into consideration the internal credit rating, probability of default, overdue days, credit risk rating, etc.

Definition of significant increase in credit risk

At each balance sheet date, the Group assesses whether the credit risk of the relevant financial instruments has increased significantly since initial recognition. The Group fully considers all reasonable information with solid evidence, including forward-looking information that reflects significant changes in its credit risk. The main considerations are regulatory and operating environment, internal and external credit rating, solvency, operating capacity, loan contract terms, and repayment behavior. The Group determines the changes in credit risk over the expected lifetime of the financial instruments by comparing the credit risk of the financial instruments at the balance sheet date with that at the date of initial recognition.

The Group determines whether the credit risk of financial instruments has changed significantly since initial recognition by setting quantitative and qualitative criteria. The judgement criteria mainly include more than 30 days overdue, special mention for five-category classification, changes in probability of default and other cases that indicate a significant change in credit risk.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

XIII Financial Risk Management (continued)

1 Credit Risk (continued)

(3) Measurement of ECLs (continued)

Definition of credit-impaired financial assets

Generally, financial assets are considered to be credit-impaired if:

- The borrower is more than 90 days overdue after the contractual payment date;
- The internal credit rating of the borrower is default level;
- For economic or contractual reasons related to the financial difficulties of the borrower, concessions which normally are not available are being made to the borrower;
- The borrower is experiencing significant financial difficulties;
- The borrower is likely to enter bankruptcy or other financial restructuring; and
- The active market for the financial assets disappears as a result of the financial difficulties of the issuer or debtor.

An impairment of financial assets may be caused by the combined effect of multiple events, and may not be the result of a separately identifiable events.

The above criteria apply to all financial assets and credit commitments and financial guarantee of the Group. The definition of credit-impaired financial assets is consistently applied to the calculation of ECLs of the Group and when considering about historical statistics and forward-looking information.

Models and parameters

Except for the credit-impaired financial instruments, depending on whether there is a significant increase in credit risk and whether the assets are credit-impaired, the Group recognizes allowance for different financial instruments with expected credit losses over 12 months or the lifetime of the instrument, respectively. Allowance for ECLs is the result of multiplication of probability of default (PD), loss given default (LGD) and exposure at default (EAD) and discount factor. Related definitions are as follows:

- Probability of default (PD) refers to the possibility that the debtor will not be able to fulfil its obligations in the next 12 months or throughout the life of the asset. The Group's PD is calculated based on the results of the Internal Rating-Based Approach. The PD of the entire duration is calculated based on the 12-month probability of default;
- Loss given default (LGD) is the percentage of risk exposure loss at the time of default. The default loss rate varies depending on the type of counterparty, the way of recourse and priority and the availability of collateral or other credit support. The LGD varies by financial assets; and
- Exposure at default (EAD) refers to the amount that the Group should pay when the default occurs in the next 12 months or throughout the life of the asset. The Group's exposure at default is determined by the expected repayment arrangements, and it varies depending on the types of products. For installments payment and lump sum repayment, the Group determines the exposure at default according to the repayment plan stipulated in the contract.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

XIII Financial Risk Management (continued)

1 Credit Risk (continued)

(3) Measurement of ECLs (continued)

Models and parameters (continued)

The Group determines the ECLs by forecasting the probability of default, loss given default and exposure at default of future individual debt. The Group multiplies the three parameters to calculate the ECLs for future periods, and then discount the results of each period to the report date in lump sum. The discount rate used in the calculation of expected credit loss is the initial effective interest rate or its approximate value.

The measurement of ECLs for credit-impaired corporate loans and advances to customers and investments applied cash flow discount method, if there is objective evidence that an financial asset is credit-impaired, the amount of the ECLs is measured as the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. In determining ECLs on an individual basis, the following factors are considered:

- The sustainability of the borrower's business plan;
- The ability to improve performance once a financial difficulty has arisen;
- The estimated recoverable cash flows from disposal of assets and liquidation;
- The availability of other financial support and the realizable value of collaterals; and
- The timing of the expected cash flows.

Forward-looking information, other adjustments and sensitivity analysis

The Group has established a forward-looking model and developed regression models for different macro-economic indicators such as Gross Domestic Product growth rate year-on-year (GDP). The Group uses forecasting results of macro-indicators to achieve "forward-looking" calculation of ECLs.

The Group forecasts multiple macro indicators under three domestic macro scenarios: optimistic, neutral and pessimistic. The Group uses the weight scorecard model to determine the weight of the macroeconomic multi scenario indicator forecast value through quantitative analysis of the macroeconomic multi scenario forecast value. Neutral scenario is defined as the most probable situation, which will become benchmark for other scenarios. Optimistic and pessimistic scenarios are possible scenarios which are better and worse than neutral scenario respectively. It can also be used as one of the sources of sensitivity analysis.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

XIII Financial Risk Management (continued)

1 Credit Risk (continued)

(3) Measurement of ECLs (continued)

Forward-looking information, other adjustments and sensitivity analysis (continued)

At 31 December 2023, the key macro-indicators the Group has applied include the GDP growth rate on year-on-year basis, the CPI growth rate on year-on-year basis, M2 money supply growth rate on year-on-year basis, etc. Among all, the forecasts of height weights macro-indicators are listed as follows:

Indicators	Predictive range
GDP growth rate on year-on-year basis	From 3.17% to 6.57%
CPI growth rate on year-on-year basis	From 0.52% to 1.38%
M2 money supply growth rate on year-on-year basis	From 8.97% to 11.09%

Through sensitivity analysis, when the weight of optimistic scenario increases by 10% and the weight of neutral scenario decreases by 10%, the allowance for ECLs will decrease by no more than 1.75%. When the weight of pessimistic scenario increases by 10% and the weight of neutral scenario decreases by 10%, the allowance for ECLs will increase by no more than 2.60%.

When managing ECL model, the Bank fully considered the impact of the potential factors of local government debt on credit risk exposure and makes allowance for ECLs prudently, thereby enhancing the Group's risk compensation capability.

(4) Maximum exposure to credit risk

The following table provides an analysis of the exposure to credit risk of financial instruments applicable to the measurement of ECLs. The carrying amount of the following financial assets is the maximum exposure to credit risk of the Group:

	31 December 2023	31 December 2022
Cash and balances with the central bank	164,723	185,625
Deposits with banks and other financial institutions	70,856	43,461
Placements with banks and other financial institutions	8,574	9,581
Financial assets purchased under resale agreements	74,595	15,886
Loans and advances to customers		
– measured at AC	1,325,604	1,163,019
– measured at FVOCI	347,668	323,272
Financial investments		
– measured at AC	463,311	368,792
– measured at FVOCI	302,841	192,724
Other financial assets	62,391	51,293
Total	2,820,563	2,353,653

At the balance sheet date, the Group's maximum exposure to credit risk in respect of off-balance-sheet credit commitments and financial guarantee contracts is disclosed in Note IX. 1.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

XIII Financial Risk Management (continued)

1 Credit Risk (continued)

(5) Risk concentration

The credit risk usually increases if the counterparties are concentrated in a certain industry, region or based on certain economic characteristics. Meanwhile, the economic development is differentiated by the unique characteristics of industries and regions, so the credit risk varies from industry to industry and region to region.

Geographical segments

The gross amount of loans and advances to customers granted by the Group are listed as follows by region (fair value changes and interest accrued excluded):

	31 December 2023		31 December 2022	
	Gross amount	Proportion	Gross amount	Proportion
Yangtze River Delta Region	903,104	52.90%	843,069	55.56%
Midwestern China Region	333,316	19.53%	281,109	18.53%
Bohai Rim Region	269,494	15.79%	222,300	14.65%
Pearl River Delta Region and Economic Zone on the Western Coast of the Taiwan Straits	201,143	11.78%	170,856	11.26%
Total	1,707,057	100.00%	1,517,334	100.00%

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

XIII Financial Risk Management (continued)

1 Credit Risk (continued)

(5) Risk concentration (continued)

Industry segments

The gross amount of loans and advances to customers granted by the Group are listed as follows by industry (fair value changes and interest accrued excluded):

	31 December 2023		31 December 2022	
	Gross amount	Proportion	Gross amount	Proportion
Corporate loans and advances				
Leasing and commercial services	240,018	14.06%	209,367	13.80%
Manufacturing	239,911	14.05%	216,921	14.29%
Wholesale and retail trade	201,420	11.80%	167,816	11.06%
Real estate	177,749	10.41%	166,827	10.99%
Construction	68,798	4.03%	50,662	3.34%
Administration of water conservancy, environment and public facilities	63,377	3.71%	63,103	4.16%
Scientific research, technology services and geological exploration	19,716	1.15%	13,783	0.91%
Financing	19,593	1.15%	18,259	1.20%
Accommodation and catering	15,328	0.90%	12,074	0.80%
Transportation, storage and postal service	15,144	0.89%	13,232	0.87%
Mining	14,757	0.86%	8,483	0.56%
Information transmission, computer services and software industry	14,440	0.85%	10,075	0.66%
Production and supply of electricity, heat, gas and water	12,835	0.75%	14,294	0.94%
Agriculture, forestry, animal husbandry and fishery	12,125	0.71%	12,092	0.80%
Culture, sports and entertainment	6,063	0.36%	4,911	0.32%
Education	2,551	0.15%	1,792	0.12%
Household services and other services	2,545	0.15%	1,604	0.11%
Health, social security and social welfare	1,797	0.11%	1,771	0.12%
Public administration and social organization	3	0.00%	13	0.00%
Corporate loans and advances	1,128,170	66.09%	987,079	65.05%
Personal loans and advances	476,692	27.92%	417,881	27.54%
Discounted bills	102,195	5.99%	112,374	7.41%
Total	1,707,057	100.00%	1,517,334	100.00%

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

XIII Financial Risk Management (continued)

1 Credit Risk (continued)

(6) Credit risk analysis of loans and advances to customers

At the balance sheet date, the stage, overdue information and allowance for ECLs of loans and advances to customers (fair value changes and interest accrued excluded) of the Group are listed as follows:

	Notes	31 December 2023	31 December 2022
Credit-impaired		26,270	26,280
Less: Allowance for ECLs	(a)	(16,788)	(15,217)
Subtotal		9,482	11,063
Overdue but not credit-impaired		6,313	8,197
Less: Allowance for ECLs	(b)	(2,013)	(2,608)
Subtotal		4,300	5,589
Neither overdue nor credit-impaired		1,674,474	1,482,857
Less: Allowance for ECLs	(c)	(24,167)	(20,914)
Subtotal		1,650,307	1,461,943
Total		1,664,089	1,478,595

(a) At 31 December 2023, the allowance for ECLs of the loans and advances to customers measured at FVOCI which were credit-impaired were RMB490 million (31 December 2022: RMB225 million). The allowance for ECLs are recognized in other comprehensive income, without offsetting the carrying amount of these financial assets in the balance sheet.

(b) At 31 December 2023, the allowance for ECLs of the loans and advances to customers measured at FVOCI which were overdue but not credit-impaired were RMB65 million (31 December 2022: RMB33 million). The allowance for ECLs are recognized in other comprehensive income, without offsetting the carrying amount of these financial assets in the balance sheet.

(c) At 31 December 2023, the allowance for ECLs of the loans and advances to customers measured at FVOCI which were neither overdue nor credit-impaired were RMB1,387 million (31 December 2022: RMB1,728 million). The allowance for ECLs are recognized in other comprehensive income, without offsetting the carrying amount of these financial assets in the balance sheet.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

XIII Financial Risk Management (continued)

1 Credit Risk (continued)

(7) Credit risk analysis of the amounts due from banks and other financial institutions

Amounts due from banks and other financial institutions include deposits with banks and other financial institutions, placements with banks and other financial institutions and financial assets purchased under resale agreements. At the balance sheet date, the book balance (interest accrued excluded) of the Group's due from banks and other financial institutions classified by stage, overdue information and counterparties are analyzed as follows:

	31 December 2023	31 December 2022
Neither overdue nor credit-impaired		
– AAA1 to AAA6	27,706	15,644
– AA1 to AA6	42,374	17,243
– A1 to A3	67,071	6,597
– No rating	16,579	29,469
Less: Allowance for ECLs	(39)	(240)
Total	153,691	68,713

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

XIII Financial Risk Management (continued)

1 Credit Risk (continued)

(8) Credit risk analysis of debt instrument investments

The Group continuously monitors the credit risk profile of the debt instrument portfolios held. At the balance sheet date, the carrying amount (fair value changes and interest accrued excluded) of the debt instruments which are subjected to the measurement of ECLs is listed as follows:

	Notes	31 December 2023	31 December 2022
Credit-impaired		53,607	32,568
Less: Allowance for ECLs	(a)	(23,264)	(16,202)
Subtotal		30,343	16,366
Overdue but not credit-impaired		300	5,265
Less: Allowance for ECLs		(126)	(1,584)
Subtotal		174	3,681
Neither overdue nor credit-impaired			
– Government and Central Bank		297,906	234,840
– Policy banks		184,304	84,567
– Commercial banks		62,208	47,765
– Other financial institutions		20,077	8,131
– Others		165,660	163,144
Less: Allowance for ECLs	(b)	(4,328)	(3,263)
Subtotal		725,827	535,184
Total		756,344	555,231

(a) At 31 December 2023, the total allowance for ECLs of the debt investments measured at FVOCI which were credit-impaired, were RMB187 million (31 December 2022: Nil). The ECL allowance are recognized in other comprehensive income, without offsetting the carrying amount of these financial assets in the balance sheet.

(b) At 31 December 2023, the total allowance for ECLs of the debt investments measured at FVOCI which were neither overdue nor credit-impaired, were RMB330 million (31 December 2022: RMB391 million). The ECL allowance are recognized in other comprehensive income, without offsetting the carrying amount of these financial assets in the balance sheet.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

XIII Financial Risk Management (continued)

1 Credit Risk (continued)

(9) Restructured loans

Restructured loans refer to loans where the borrower is in a deteriorating financial situation, unable to comply with the repayment schedule specified in the loan contract, overdue specified in the credit management policy, and the repayment has been abnormal. The Group has to revise the repayment conditions and make concession arrangements for the borrower. At 31 December 2023, the Group has restructured loans and advances (allowance for ECLs excluded), which were classified as non-performing loans, amounted to RMB3,325 million (31 December 2022: RMB140 million).

(10) Collaterals and other credit enhancement

The Group closely monitors the collaterals corresponding to credit-impaired financial assets, as compared with other collaterals, the Group is more likely to confiscate these collaterals to reduce potential credit losses. At the balance sheet date, the Group's credit-impaired loans and advances to customers and financial investments (fair value changes and interest accrued excluded) and the corresponding exposures covered by collateral are listed as follows:

	31 December 2023			Exposures covered by collateral
	Gross amount	Allowance for ECLs	Subtotal	
Credit-impaired financial assets				
Loans and advances to customers				
– Loans and advances measured at AC	25,353	(16,788)	8,565	17,239
– Loans and advances measured at FVOCI	917	(490)	427	439
Financial investments				
– Financial assets measured at AC	53,216	(23,264)	29,952	47,947
– Financial assets measured at FVOCI	391	(187)	204	–
Total	79,877	(40,729)	39,148	65,625

	31 December 2022			Exposures covered by collateral
	Gross amount	Allowance for ECLs	Subtotal	
Credit-impaired financial assets				
Loans and advances to customers				
– Loans and advances measured at AC	25,646	(15,217)	10,429	18,672
– Loans and advances measured at FVOCI	634	(225)	409	65
Financial investments				
– Financial assets measured at AC	32,568	(16,202)	16,366	23,277
Total	58,848	(31,644)	27,204	42,014

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

XIII Financial Risk Management (continued)

2 Market Risk

Market risk refers to the risk of losses of on-balance sheet and off-balance sheet business arising from unfavorable changes in market prices including interest rates, exchange rates, stock prices and commodity prices. The Group's exposures to market risk arise from the trading and non-trading businesses.

The Group's market risk management system consists of the board of directors, the board of supervisors, senior management, risk management and internal control committee, risk management department, capital operation center, FinTech department, audit department, other departments, as well as branches, subbranches and the subsidiary. Senior management is responsible for implementing and organizing the market risk management, overseeing the implementation of market risk appetite, as well as formulating and carrying out relevant systems and policies for market risk management and establishing market risk management information system, so as to ensure the Group can effectively identify, measure, monitor and control a series of market risks assumed by various businesses.

The market risk measurement methods adopted by the Group include duration analysis, foreign exchange exposure analysis, scenario analysis, sensitivity analysis, Value at Risk (VaR) measurement etc., and the measures taken by the Group to control market risks include, among others, limit management, hedging, reducing risk exposures etc. The Group has established a market risk management system pursuant to the relevant measures and guidelines of the original CBIRC. The Group has formulated market risk management policies and procedures applicable to the nature, scale, complexity and risk features of its business and aligned such policies and procedures with its overall business development strategy, management capabilities, capital strength and overall risk level that can be assumed by the Group.

The Group updates its market risk appetite and limit management system on a regular basis, further improves the market risk management systems and market risk measurement systems. The Group conducts market risk measurement, monitoring and routine management by using the independent market risk management system. The Group performs daily valuation of trading book positions, continuously monitors non-stop-loss limits and stop-loss limits, and regularly evaluates market risks through stress testing and other methods.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

XIII Financial Risk Management (continued)

2 Market Risk (continued)

(1) Interest rate risk

Interest rate risk in the banking book refers to the risk of losses in the economic value and overall gains of the banking book arising from adverse changes in interest rate levels and term structure, mainly including gap risk, benchmark risk and optional risk.

The objective of the Group's interest rate risk management is to control the interest rate risk of banking book within an acceptable and reasonable range and reduce the fluctuation of net interest income of banking book as well as economic value thereby maximizing the comprehensive income bank-wide.

The Group's interest rate risk management system of banking book consists of the board of directors, the board of supervisors, senior management, risk management and internal control committee, asset and liability management committee, risk management department, planning and asset and liability management department, capital operation center, audit department and other operation and management departments at the head office, as well as branches, sub-branches and subsidiaries. Senior management is responsible for implementing the interest rate risk management of banking book, establishing the framework for interest rate risk management and the system for measurement of interest rate risk of banking book, and promoting the effective implementation of relevant systems and policies for interest rate risk management of banking book.

The Group measures and evaluates the interest rate risk of banking book mainly through price resetting gap analysis, sensitivity analysis, scenario simulation analysis, stress test etc.. In the scenario analysis, the Group also measures the interest rate risk exposure of the banking book and the maturity mismatch of assets and liabilities by taking into account the changes in option risk parameters such as the early repayment rate of loans, the early withdrawal rate of time deposits, and the deposit sedimentation rate of deposits with no maturity date, and their changes under different scenarios. During the reporting period, the Group paid close attention to macroeconomic environment and the market changes, and formulated strategies for interest rate risk management of the banking book by taking into account factors such as the Group's risk appetite and risk profile, in order to optimize the asset and liability structure. At the balance sheet date, the interest rate risk of banking book of the Group is within the target limit and the risk is under control as a whole.

Due to fluctuations in market interest rates, the Group's interest margin may increase, or may decrease or even incur losses due to unexpected changes. The Group operates its business in accordance with the deposit and loan interest rate policies of the PBOC.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

XIII Financial Risk Management (continued)

2 Market Risk (continued)

(1) Interest rate risk (continued)

The following tables indicate the financial assets and financial liabilities of the Group at the balance sheet date by the expected next repricing date or by contract expiration date, whichever is earlier.

	31 December 2023						Total
	Non-interest bearing	Within 1 months	After 1 month but within 3 months	After 3 months but within 1 year	After 1 year but within 5 years	After 5 years	
Financial assets							
Cash and balances with the central bank	930	163,793	-	-	-	-	164,723
Deposits with banks and other financial institutions	155	58,208	8,198	4,139	156	-	70,856
Placements with banks and other financial institutions	108	2,224	2,249	3,993	-	-	8,574
Derivative financial assets	21,953	-	-	-	-	-	21,953
Financial assets purchased under resale agreements	71	74,524	-	-	-	-	74,595
Loans and advances to customers	7,766	333,983	171,165	641,451	402,345	116,562	1,673,272
Financial investments							
– measured at FVTPL	155,123	3,316	9,514	25,448	29,248	10,492	233,141
– measured at AC	7,330	30,088	22,620	62,132	215,214	125,927	463,311
– measured at FVOCI	4,169	955	6,865	71,859	162,799	57,538	304,185
Other financial assets	6,903	5,479	5,260	24,302	19,513	934	62,391
Total financial assets	204,508	672,570	225,871	833,324	829,275	311,453	3,077,001
Financial liabilities							
Due to the central bank	(466)	(56,096)	(16,212)	(47,141)	-	-	(119,915)
Deposits from banks and other financial institutions	(2,813)	(71,341)	(83,187)	(198,315)	(2,998)	-	(358,654)
Placements from banks and other financial institutions	(618)	(12,424)	(15,274)	(56,711)	(2,654)	-	(87,681)
Financial liabilities at fair value through profit or loss	(774)	(12,658)	-	-	-	-	(13,432)
Derivative financial liabilities	(21,034)	-	-	-	-	-	(21,034)
Financial assets sold under repurchase agreements	(64)	(57,281)	(2,604)	(2,157)	-	-	(62,106)
Customer deposits	(31,925)	(866,951)	(112,739)	(398,454)	(458,590)	-	(1,868,659)
Debt securities issued	(1,676)	(13,562)	(87,244)	(162,056)	(101,400)	(30,000)	(395,938)
Lease liabilities	-	(86)	(142)	(521)	(2,021)	(487)	(3,257)
Other financial liabilities	(9,427)	(724)	(379)	(637)	-	-	(11,167)
Total financial liabilities	(68,797)	(1,091,123)	(317,781)	(865,992)	(567,663)	(30,487)	(2,941,843)
Interest rate exposure	135,711	(418,553)	(91,910)	(32,668)	261,612	280,966	135,158

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

XIII Financial Risk Management (continued)

2 Market Risk (continued)

(1) Interest rate risk (continued)

	Non-interest bearing	Within 1 months	31 December 2022				After 5 years	Total
			After 1 month but within 3 months	After 3 months but within 1 year	After 1 year but within 5 years	After 5 years		
Financial assets								
Cash and balances with the central bank	630	184,995	-	-	-	-	185,625	
Deposits with banks and other financial institutions	93	34,876	2,785	5,707	-	-	43,461	
Placements with banks and other financial institutions	121	1,098	824	7,538	-	-	9,581	
Derivative financial assets	14,179	-	-	-	-	-	14,179	
Financial assets purchased under resale agreements	1	15,788	97	-	-	-	15,886	
Loans and advances to customers	5,091	151,826	132,632	565,394	397,818	233,530	1,486,291	
Financial investments								
- measured at FVTPL	133,364	1,019	5,632	25,183	20,186	3,636	189,020	
- measured at AC	7,275	20,665	16,037	81,732	196,396	46,687	368,792	
- measured at FVOCI	3,245	1,308	3,501	52,944	105,695	27,344	194,037	
Other financial assets	4,875	3,150	2,592	25,730	14,408	538	51,293	
Total financial assets	168,874	414,725	164,100	764,228	734,503	311,735	2,558,165	
Financial liabilities								
Due to the central bank	(247)	(51,560)	(7,553)	(37,810)	-	-	(97,170)	
Deposits from banks and other financial institutions	(1,276)	(81,346)	(46,758)	(104,734)	(7,700)	-	(241,814)	
Placements from banks and other financial institutions	(409)	(11,618)	(14,115)	(36,706)	(1,307)	-	(64,155)	
Financial liabilities at fair value through profit or loss	(55)	-	-	-	-	-	(55)	
Derivative financial liabilities	(14,462)	-	-	-	-	-	(14,462)	
Financial assets sold under repurchase agreements	(19)	(2,985)	(1,901)	(1,161)	-	-	(6,066)	
Customer deposits	(23,093)	(833,310)	(108,789)	(342,882)	(373,369)	-	(1,681,443)	
Debt securities issued	(1,550)	(16,677)	(58,115)	(170,316)	(61,375)	(15,000)	(323,033)	
Lease liabilities	-	(119)	(104)	(528)	(2,035)	(532)	(3,318)	
Other financial liabilities	(9,018)	(403)	(47)	(853)	-	-	(10,321)	
Total financial liabilities	(50,129)	(998,018)	(237,382)	(694,990)	(445,786)	(15,532)	(2,441,837)	
Interest rate exposure	118,745	(583,293)	(73,282)	69,238	288,717	296,203	116,328	

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

XIII Financial Risk Management (continued)

2 Market Risk (continued)

(1) Interest rate risk (continued)

The Group measures the potential effect of change in interest rates on the Group's net interest income and other comprehensive income by the sensitivity analysis method. The following table sets forth the effect on the Group's net interest income and other comprehensive income from possible and reasonable interest rate fluctuations with all other variables held constant. The effect on net interest income refers to the effect of certain interest rate changes on the net interest income generated by financial assets and liabilities that are held at the end of the year and whose interest rate are expected to be repriced within one year. The effect on other comprehensive income refers to the effect of certain interest rate changes on the fair value change generated by debt investments measured at FVOCI that are held at the end of the year. The following table sets forth the effect on the Group's net interest income and other comprehensive income from interest rate fluctuations with other variables held constant (income tax expense included):

	2023		2022	
	Net interest income (Decrease)/ Increase	Other comprehensive income (Decrease)/ Increase	Net interest income (Decrease)/ Increase	Other comprehensive income (Decrease)/ Increase
Changes in interest rate				
Increase by 25 basis points	(860)	(1,754)	(1,036)	(1,134)
Decrease by 25 basis points	860	1,768	1,036	1,135

For the purpose of the sensitivity analysis, the Group adopts the following assumptions in determining commercial conditions and financial parameters:

- (i) the analysis is based on the static gap at the balance sheet date, regardless of subsequent changes;
- (ii) all assets and liabilities that are repriced or due within one year are assumed to be repriced or due at the beginning of the respective periods;
- (iii) same fluctuations in interest rates of different interest-bearing assets and interest-bearing liabilities are the same;
- (iv) yield curves move in parallel with change in interest rates;
- (v) there are no other changes in the assets or liabilities portfolio;
- (vi) no consideration of impact on customer behavior, market price and off-balance sheet business resulting from interest rate changes; and
- (vii) no consideration of actions taken by the Group in response to interest rate changes.

Therefore, the actual results on net interest income and other comprehensive income due to the increase or decrease in interest rates may differ from the analysis based on such assumptions.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

XIII Financial Risk Management (continued)

2 Market Risk (continued)

(2) Foreign exchange risk

The Group's business mainly operates in China and settles in RMB. The tables below show the Group's exposure to currency risk at the balance sheet date with the book values of various financial assets and liabilities converted into RMB.

	31 December 2023				Total
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	
Financial assets					
Cash and balances with the central bank	157,668	7,024	17	14	164,723
Deposits with banks and other financial institutions	61,878	5,869	299	2,810	70,856
Placement with banks and other financial institutions	7,650	924	-	-	8,574
Derivative financial assets	18,481	3,256	213	3	21,953
Financial assets purchased under resale agreements	74,595	-	-	-	74,595
Loans and advances to customers	1,631,045	25,055	10,493	6,679	1,673,272
Financial investments					
- measured at FVTPL	226,272	6,869	-	-	233,141
- measured at AC	444,598	17,435	-	1,278	463,311
- measured at FVOCI	260,524	37,896	1,756	4,009	304,185
Other financial assets	60,458	1,927	-	6	62,391
Total financial assets	2,943,169	106,255	12,778	14,799	3,077,001
Financial liabilities					
Due to the central bank	(119,915)	-	-	-	(119,915)
Deposits from banks and other financial institutions	(346,677)	(9,991)	(1,220)	(766)	(358,654)
Placements from banks and other financial institutions	(77,817)	(9,251)	(95)	(518)	(87,681)
Financial liabilities at fair value through profit or loss	(13,432)	-	-	-	(13,432)
Derivative financial liabilities	(18,053)	(2,661)	-	(320)	(21,034)
Financial assets sold under repurchase agreements	(55,269)	(6,837)	-	-	(62,106)
Customer deposits	(1,780,349)	(73,268)	(1,734)	(13,308)	(1,868,659)
Debt securities issued	(391,666)	(4,272)	-	-	(395,938)
Lease liabilities	(3,227)	-	(30)	-	(3,257)
Other financial liabilities	(11,071)	(77)	(3)	(16)	(11,167)
Total financial liabilities	(2,817,476)	(106,357)	(3,082)	(14,928)	(2,941,843)
Net amount	125,693	(102)	9,696	(129)	135,158
Credit commitments and financial guarantee	784,670	30,009	3,116	6,806	824,601

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

XIII Financial Risk Management (continued)

2 Market Risk (continued)

(2) Foreign exchange risk (continued)

	31 December 2022				Total
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	
Financial assets					
Cash and balances with the central bank	181,118	4,475	26	6	185,625
Deposits with banks and other financial institutions	35,525	5,190	1,130	1,616	43,461
Placement with banks and other financial institutions	9,079	279	223	–	9,581
Derivative financial assets	12,934	1,162	68	15	14,179
Financial assets purchased under resale agreements	15,886	–	–	–	15,886
Loans and advances to customers	1,447,189	26,764	8,201	4,137	1,486,291
Financial investments					
– measured at FVTPL	177,418	11,602	–	–	189,020
– measured at AC	350,378	16,721	–	1,693	368,792
– measured at FVOCI	156,041	33,554	1,750	2,692	194,037
Other financial assets	46,932	3,277	1,061	23	51,293
Total financial assets	2,432,500	103,024	12,459	10,182	2,558,165
Financial liabilities					
Due to the central bank	(97,170)	–	–	–	(97,170)
Deposits from banks and other financial institutions	(233,762)	(5,596)	(2,436)	(20)	(241,814)
Placements from banks and other financial institutions	(49,128)	(14,565)	–	(462)	(64,155)
Financial liabilities at fair value through profit or loss	(55)	–	–	–	(55)
Derivative financial liabilities	(13,300)	(922)	(226)	(14)	(14,462)
Financial assets sold under repurchase agreements	–	(6,066)	–	–	(6,066)
Customer deposits	(1,622,653)	(49,282)	(964)	(8,544)	(1,681,443)
Debt securities issued	(318,129)	(4,904)	–	–	(323,033)
Lease liabilities	(3,266)	–	(52)	–	(3,318)
Other financial liabilities	(10,288)	(26)	(1)	(6)	(10,321)
Total financial liabilities	(2,347,751)	(81,361)	(3,679)	(9,046)	(2,441,837)
Net amount	84,749	21,663	8,780	1,136	116,328
Credit commitments and financial guarantee	684,100	32,393	2,543	4,050	723,086

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

XIII Financial Risk Management (continued)

2 Market Risk (continued)

(2) Foreign exchange risk (continued)

The Group measures the potential effect of changes in foreign exchange rates on the Group's net profit and equity by the sensitivity analysis method. The following table sets forth the effect on the Group's net profit and equity from possible foreign exchange rate fluctuations with other variables held constant (income tax expense included):

	Sensitivity of net profit and equity	
	31 December 2023 Increase/ (Decrease)	31 December 2022 Increase/ (Decrease)
Changes in USD exchange rate		
Appreciation against RMB by 100 bps	(1)	172
Depreciation against RMB by 100 bps	1	(172)
Changes in HKD exchange rate		
Appreciation against RMB by 100 bps	42	66
Depreciation against RMB by 100 bps	(42)	(66)

The sensitivity analysis is based on the following assumptions:

- (i) the analysis is based on the static gap at the balance sheet date, regardless of subsequent changes;
- (ii) the foreign exchange rate sensitivity is the gains or losses recognized as a result of a 100-basis point fluctuation in the absolute value of foreign exchange rates against the closing price (middle price) of RMB at the balance sheet date;
- (iii) the fluctuation of exchange rates by 100 basis points at the balance sheet date is based on the assumption of exchange rates movement over the next 12 months;
- (iv) when calculating the foreign exchange exposure, spot and forward from foreign exchange exposure and swaps are included;
- (v) other variables (including interest rates) remain unchanged;
- (vi) no consideration of impact on customers' behavior and market price resulting from exchange rate changes; and
- (vii) the assets and liabilities have a static exchange rate risk structure and no consideration is given to the measures that the Group may take to eliminate the adverse impact of foreign exchange exposure on net profit and equity.

Therefore, the actual results of net profit and equity due to changes in foreign currency exchange rates may differ from the analysis based on such assumptions.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

XIII Financial Risk Management (continued)

3 Liquidity Risk

Liquidity risk refers to the risk of failure to obtain adequate funds in time at reasonable costs to repay debts when they are due, perform other payment obligations and meet other capital needs in the ordinary course of business. Factors affecting liquidity risks are divided into external factors and internal factors. External factors include domestic and foreign financial situation, macroeconomic regulation policies, depth and width of developments of financial markets and the competition status of the banking industry. Internal factors include maturities of assets and liabilities, business structures, stability of deposits, and market financing capacity and various unexpected events, etc.

The objective of the Group's liquidity management is to ensure that the Group's liquidity needs can be met in a timely manner and at a reasonable cost thereby controlling the liquidity risk within an acceptable and reasonable range.

The Group's liquidity risk management system consists of the board of directors, the board of supervisors, senior management, risk management and internal control committee, asset and liability management committee, risk management department, planning and asset and liability management department, capital operation center, audit department, other operation and management departments of the head office, as well as branches, subbranches and subsidiaries. Senior management is responsible for implementing and organizing the liquidity risk management as well as the formulation and implementation of relevant systems and policies for liquidity risk management.

The Group manages the liquidity risk in a centralized manner. By establishing a scientific and completed liquidity risk management system, the Group can effectively identify, measure, monitor, control and report its liquidity risk. The Group strengthens its liquidity risk management ability by continuously improving the perspectiveness and initiative of liquidity risk management. Specific measures for liquidity risk management include: paying close attention to both domestic and foreign macroeconomic situations and market liquidity changes, as well as adjusting the asset and liability management strategies in a timely manner; strengthening debt management, making flexible use of active debt instruments, broadening long-term sources of fund, and continuously increasing the proportion of stable liabilities; promoting the construction of diversified of financing channels and actively expanding financing channels while maintaining good relationships with major financing counterparties; strengthening the management of high-quality liquid assets, ensuring the fitness of the retention scale of high-quality liquid assets and the potential financing needs to enhance the liquidity risk mitigation capability; strengthening the early-warning monitoring and management of liquidity, optimizing the emergency response program for liquidity risk and conducting emergency drills on a regular basis; conducting stress tests for liquidity risk on a quarterly basis, identifying weak points in respect of the Group's liquidity risk management based on results of such tests, adjusting liquidity risk management strategies if necessary, and modifying the liquidity risk management measures in a timely manner to improve liquidity risk management mechanism.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

XIII Financial Risk Management (continued)

3 Liquidity Risk (continued)

- (1) Analysis of contractual undiscounted cash flows of non derivative financial assets and financial liabilities

The tables below present the contractual undiscounted cash flows of non-derivative financial assets and financial liabilities by remaining contractual maturities from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are contractual undiscounted cash flows:

	Overdue	On demand/ indefinite	31 December 2023					After 5 years	Total
			Within 1 month	After 1 month but within 3 months	After 3 months but within 1 year	After 1 year but within 5 years	After 5 years		
Financial assets									
Cash and balances with the central bank	-	164,723	-	-	-	-	-	164,723	
Deposits with banks and other financial institutions	-	43,713	14,528	8,328	4,228	171	-	70,968	
Placements with banks and other financial institutions	-	-	2,252	2,303	4,128	-	-	8,683	
Financial assets purchased under resale agreements	-	-	74,646	-	-	-	-	74,646	
Loans and advances to customers	11,704	-	120,849	185,919	672,419	491,930	335,757	1,818,578	
Financial investments									
- measured at FVTPL	72	155,123	3,841	9,027	26,486	32,262	10,931	237,742	
- measured at AC	23,957	-	8,586	24,017	67,415	231,897	136,394	492,266	
- measured at FVOCI	-	1,344	1,954	7,975	78,800	178,393	62,035	330,501	
Other financial assets	1,087	6,469	2,704	4,130	18,961	31,492	2,570	67,413	
Total financial assets	36,820	371,372	229,360	241,699	872,437	966,145	547,687	3,265,520	
Financial liabilities									
Due to the central bank	-	-	(56,189)	(16,486)	(48,167)	-	-	(120,842)	
Deposits from banks and other financial institutions	-	(49,499)	(21,690)	(85,237)	(202,738)	(3,026)	-	(362,190)	
Placements from banks and other financial institutions	-	-	(12,594)	(15,587)	(57,829)	(2,871)	-	(88,881)	
Financial liabilities at fair value through profit or loss	-	(774)	(12,658)	-	-	-	-	(13,432)	
Financial assets sold under repurchase agreements	-	-	(57,288)	(2,631)	(2,247)	-	-	(62,166)	
Customer deposits	-	(791,606)	(82,278)	(121,500)	(419,407)	(497,906)	-	(1,912,697)	
Debt securities issued	-	-	(13,680)	(88,260)	(167,596)	(109,897)	(35,570)	(415,003)	
Lease liabilities	-	-	(86)	(144)	(536)	(2,256)	(619)	(3,641)	
Other financial liabilities	-	(9,223)	(734)	(400)	(810)	-	-	(11,167)	
Total financial liabilities	-	(851,102)	(257,197)	(330,245)	(899,330)	(615,956)	(36,189)	(2,990,019)	
Net amount	36,820	(479,730)	(27,837)	(88,546)	(26,893)	350,189	511,498	275,501	

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

XIII Financial Risk Management (continued)

3 Liquidity Risk (continued)

(1) Analysis of contractual undiscounted cash flows of non derivative financial assets and financial liabilities (continued)

	Overdue	On demand/ indefinite	31 December 2022					After 5 years	Total
			Within 1 month	After 1 month but within 3 months	After 3 months but within 1 year	After 1 year but within 5 years	After 5 years		
Financial assets									
Cash and balances with the central bank	-	185,625	-	-	-	-	-	-	185,625
Deposits with banks and other financial institutions	-	28,962	5,774	3,014	5,826	-	-	-	43,576
Placements with banks and other financial institutions	-	-	1,115	862	7,820	-	-	-	9,797
Financial assets purchased under resale agreements	-	-	15,791	98	-	-	-	-	15,889
Loans and advances to customers	12,296	-	156,417	142,503	595,992	450,918	269,325	1,627,451	
Financial investments									
- measured at FVTPL	-	131,509	1,247	6,417	25,166	31,065	3,868	199,272	
- measured at AC	12,528	-	10,780	18,569	100,870	244,919	50,090	437,756	
- measured at FVOCI	-	1,313	1,643	5,104	57,812	121,098	28,823	215,793	
Other financial assets	843	4,541	2,361	3,342	16,227	26,369	1,756	55,439	
Total financial assets	25,667	351,950	195,128	179,909	809,713	874,369	353,862	2,790,598	
Financial liabilities									
Due to the central bank	-	-	(51,608)	(7,584)	(38,670)	-	-	(97,862)	
Deposits from banks and other financial institutions	-	(65,976)	(15,529)	(47,564)	(106,816)	(7,980)	-	(243,865)	
Placements from banks and other financial institutions	-	-	(11,726)	(14,436)	(37,518)	(1,410)	-	(65,090)	
Financial liabilities at fair value through profit or loss	-	(55)	-	-	-	-	-	(55)	
Financial assets sold under repurchase agreements	-	-	(3,058)	(1,918)	(1,217)	-	-	(6,193)	
Customer deposits	-	(797,698)	(63,962)	(114,621)	(359,813)	(382,412)	-	(1,718,506)	
Debt securities issued	-	-	(16,823)	(59,132)	(174,214)	(67,593)	(15,720)	(333,482)	
Lease liabilities	-	-	(123)	(102)	(547)	(2,298)	(686)	(3,756)	
Other financial liabilities	-	(8,500)	(513)	(62)	(1,260)	-	-	(10,335)	
Total financial liabilities	-	(872,229)	(163,342)	(245,419)	(720,055)	(461,693)	(16,406)	(2,479,144)	
Net amount	25,667	(520,279)	31,786	(65,510)	89,658	412,676	337,456	311,454	

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

XIII Financial Risk Management (continued)

3 Liquidity Risk (continued)

(2) Analysis of cash flows of derivative financial instruments

The Group's derivative financial instruments are either settled on a net basis or a gross basis.

The Group's derivatives settled on a net basis mainly include interest rate derivatives. The table below analyzes the contractual undiscounted cash flows of the Group's derivative financial instruments settled on a net basis by remaining contractual maturities from the balance sheet date to the contractual maturity date.

	31 December 2023					Total
	Within 1 month	After 1 month but within 3 months	After 3 months but within 1 year	After 1 year but within 5 years	After 5 years	
Cash inflow/ (outflow)	78	8	23	(1)	–	108

	31 December 2022					Total
	Within 1 month	After 1 month but within 3 months	After 3 months but within 1 year	After 1 year but within 5 years	After 5 years	
Cash outflow	(801)	(174)	(39)	(19)	–	(1,033)

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

XIII Financial Risk Management (continued)

3 Liquidity Risk (continued)

(2) Analysis of cash flows of derivative financial instruments (continued)

The Group's derivative settled on a gross basis mainly include foreign exchange derivatives. The following table analyzes the contractual undiscounted cash flows of the Group's derivative financial instruments settled on a gross basis by remaining contractual maturities from the balance sheet date to the contractual maturity date:

	31 December 2023					Total
	Within 1 month	After 1 month but within 3 months	After 3 months but within 1 year	After 1 year but within 5 years	After 5 years	
Cash outflow	(117,249)	(60,250)	(134,051)	(9,249)	(94)	(320,893)
Cash inflow	117,273	60,472	134,799	9,097	105	321,746
Net inflow/ (outflow)	24	222	748	(152)	11	853

	31 December 2022					Total
	Within 1 month	After 1 month but within 3 months	After 3 months but within 1 year	After 1 year but within 5 years	After 5 years	
Cash outflow	(49,749)	(55,154)	(124,828)	(20,416)	–	(250,147)
Cash inflow	50,097	55,112	123,798	20,240	–	249,247
Net inflow/ (outflow)	348	(42)	(1,030)	(176)	–	(900)

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

XIII Financial Risk Management (continued)

3 Liquidity Risk (continued)

(3) Liquidity risk analysis of off-balance sheet items

The Group's off-balance sheet items include bank acceptances, letters of credit, letters of guarantee, undrawn credit card limit, corporate loan commitments and finance lease commitments, receivables confirmation and other financial guarantee contracts. The table below shows the liquidity analysis of the Group's off-balance sheet items:

	31 December 2023					Total
	Within 1 month	After 1 month but within 3 months	After 3 months but within 1 year	After 1 year but within 5 years	After 5 years	
Bank acceptances issued	81,247	100,411	186,688	–	–	368,346
Letters of credit issued	161,183	22,429	44,762	86	–	228,460
Letters of guarantee issued	2,909	4,517	16,661	24,648	11	48,746
Undrawn credit card facility	18,424	–	–	–	–	18,424
Loan commitments and finance lease commitments	3,007	15	215	491	–	3,728
Receivables confirmation and other financial guarantee contracts	14,378	30,821	101,398	10,220	80	156,897
Total	281,148	158,193	349,724	35,445	91	824,601

	31 December 2022					Total
	Within 1 month	After 1 month but within 3 months	After 3 months but within 1 year	After 1 year but within 5 years	After 5 years	
Bank acceptances issued	49,962	92,702	222,466	–	–	365,130
Letters of credit issued	129,206	14,371	42,038	206	–	185,821
Letters of guarantee issued	3,266	2,266	13,734	20,949	105	40,320
Undrawn credit card facility	13,674	–	–	–	–	13,674
Loan commitments and finance lease commitments	2,685	659	293	–	–	3,637
Receivables confirmation and other financial guarantee contracts	11,964	22,576	70,561	9,403	–	114,504
Total	210,757	132,574	349,092	30,558	105	723,086

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

XIV Capital Management

The core of the Group's capital management is capital adequacy ratio and return on capital. The objective of capital management is to meet external regulatory requirements and shareholders' return, protect the interests of creditors to the best effort, stimulate expansion of assets and improve risk management. The Group prudently determines the objective of capital adequacy ratio which meets the regulatory requirements and coincides with its own risk exposure. By taking a variety of actions such as limit management, the Group ensures the realization of the management objectives.

The Group's business has maintained stable growth in recent years and the assets have become increasingly capital intensive. In order to ensure that the capital adequacy ratio meets the regulatory requirements and to maximize the returns to shareholders with the risks under control, the Group has actively expanded the capital replenishment channels from external sources, while continuing to improve the self-generating function in operations, so as to replenish capital from internal sources.

Since 1 November 2023, the National Financial Regulatory Administration promulgated *the Administrative Measures for Capital of Commercial Banks*, which will be officially implemented on January 1, 2024. On the balance sheet date, the Group has calculated and disclosed capital adequacy ratio in accordance with *the Administrative Measures on the Capital of Commercial Banks (Trial Implementation)* issued by the former CBRC on 7 June 2012 and other relevant regulations.

Core tier 1 capital includes paid-in capital, capital reserve, surplus reserve, statutory general reserve, retained earnings, and the portion of non-controlling shareholders' capital that may be included in core tier 1 capital. Other tier 1 capital includes other tier 1 capital instruments and their premiums, and the portion of non-controlling shareholders' capital that may be included in other tier 1 capital. Tier 2 capital includes tier 2 capital instruments and their premium, and the portion of excessive allowance for loan losses that may be included, and the portion of non-controlling shareholders' capital that may be included in tier 2 capital.

The core tier 1 capital adequacy ratio, the tier 1 capital adequacy ratio, and the capital adequacy ratio calculated in accordance with *the Administrative Measures for the Capital of Commercial Banks (Trial Implementation)* and relevant requirements are listed as below:

	31 December 2023	31 December 2022
Net core tier 1 capital	159,789	135,925
Net tier 1 capital	185,102	161,178
Net capital	236,958	195,871
Risk-weighted assets	1,943,402	1,689,148
Core tier 1 capital adequacy ratio	8.22%	8.05%
Tier 1 capital adequacy ratio	9.52%	9.54%
Capital adequacy ratio	12.19%	11.60%

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

XV Fair Value of Financial Instruments

1 Fair Values of Financial Assets and Liabilities

(1) Fair value hierarchy

The following table presents the fair value information and the fair value hierarchy of the Group's assets and liabilities which are measured at fair value at the balance sheet date on a recurring basis. The level in which fair value measurement is categorized is determined by the level of the fair value hierarchy of the lowest level input that is significant to the entire fair value measurement. The levels are defined as follows:

Level 1 inputs: unadjusted quoted prices in active markets that are observable at the measurement date for identical assets or liabilities;

Level 2 inputs: inputs other than Level 1 inputs that are either directly or indirectly observable for underlying assets or liabilities; and

Level 3 inputs: inputs that are unobservable for underlying assets or liabilities.

The tables below analyzes financial instruments, measured at fair value at the balance sheet date, by the level in the fair value hierarchy into which the fair value measurement is categorized:

	31 December 2023			Total
	Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	
Derivative financial assets	-	21,953	-	21,953
Loans and advances to customers	-	329,744	17,924	347,668
Financial investments				
– measured at FVTPL	49,381	177,461	6,299	233,141
– measured at FVOCI	-	302,841	1,344	304,185
Total assets measured at fair value on a recurring basis	49,381	831,999	25,567	906,947
Placements from banks and other financial institutions	-	(27,720)	-	(27,720)
Financial liabilities at fair value through profit or loss	(413)	(13,019)	-	(13,432)
Derivative financial liabilities	-	(21,034)	-	(21,034)
Total liabilities measured at fair value on a recurring basis	(413)	(61,773)	-	(62,186)

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

XV Fair Value of Financial Instruments (continued)

1 Fair Values of Financial Assets and Liabilities (continued)

(1) Fair value hierarchy (continued)

	31 December 2022			Total
	Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	
Derivative financial assets	–	14,179	–	14,179
Loans and advances to customers	–	283,192	40,080	323,272
Financial investments				
– measured at FVTPL	39,130	144,368	5,522	189,020
– measured at FVOCI	–	192,724	1,313	194,037
Total assets measured at fair value on a recurring basis	39,130	634,463	46,915	720,508
Placements from banks and other financial institutions	–	(12,300)	–	(12,300)
Financial liabilities at fair value through profit or loss	–	(55)	–	(55)
Derivative financial liabilities	–	(14,462)	–	(14,462)
Total liabilities measured at fair value on a recurring basis	–	(26,817)	–	(26,817)

(2) Level 1 fair value measurement

For financial instruments with unadjusted quoted prices in active markets that are observable for identical assets or liabilities, the Group takes the unadjusted quoted price as the best evidence of fair value when determining the fair value of financial instruments. So as to determine its fair value, and divide it into the first level measured by fair value. The financial instruments defined as level 1 by the Group mainly include open-end funds, open-end wealth management products and unrestricted equity investments in listed companies.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

XV Fair Value of Financial Instruments (continued)

1 Fair Values of Financial Assets and Liabilities (continued)

(3) Level 2 fair value measurement

If the main parameters used in the valuation are observable and available from the active open market, the relevant financial instruments are defined as level 2 fair value measurement. The Group's level 2 financial instruments mainly include bond and ABS investments, term-ended funds, discounted bills, trade finance, restricted equity investments in listed companies, lease-in of precious metals in account caption of placements from banks and other financial institutions, interest rate derivatives, foreign exchange derivatives, precious metal and other derivatives.

For the fair value of RMB bond and ABS investments, the Group adopts the valuation results issued by China Central Depository & Clearing Co., Ltd. or China Securities Depository and Clearing Co., Ltd. according to the bond market. For the fair value of foreign currency bonds, the Group adopts Bloomberg results. For discounted bills and trade finance, the Group adopts discounted cash flow model for valuation which based on SHIBOR and yield curves issued by Shanghai Commercial Paper Exchange Co., and China Central Depository & Clearing Co., the Group constructs the interest rate curve by five-category loan classification and product type. For restricted equity investments in listed companies, liquidity discounts is considered based on the closing price.

For non-derivative financial instruments and some derivative financial instruments including forwards and swaps of precious metal and foreign exchange and interest rate swaps, etc. that could not be quoted from the active market, the Group adopts discounted cash flow analysis. The main parameters used include the recent transaction price, relevant yield curve, exchange rate and counterparty risk. For the valuation of option derivatives, the Group adopts Black-Scholes model with main parameters of relevant yield curve, exchange rate, volatility, and counterparty risk.

The fair value of shares held by other parties rather than the Group and liabilities of consolidated structured entities is measured based on the net asset values of the funds, determined with reference to observable (quoted) prices of underlying investment portfolio and adjustments of related expenses.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

XV Fair Value of Financial Instruments (continued)

1 Fair Values of Financial Assets and Liabilities (continued)

(4) Level 3 fair value measurement

The Group has developed relevant procedures to determine the appropriate valuation techniques and inputs for level 3 fair value measurement on a recurring basis, and regularly reviews the appropriateness of the relevant procedures and determination of the fair value. Quantitative information of level 3 fair value measurement is as follows:

	Fair value at 31 December 2023	Valuation technique	Unobservable inputs
Financial investments measured at FVTPL			
– Trust schemes and asset management plans	533	Discounted cash flow method	Risk-adjusted discount rate
– Trust schemes and asset management plans	2,756	Net assets analysis	Net assets, Liquidity discount
– Bonds and assets-backed securities	1,701	Discounted cash flow method	Risk-adjusted discount rate
– Equity investments	1,138	Net assets analysis	Net assets
– Equity investments	171	Market multiplier method	Liquidity discount
Financial investments measured at FVOCI			
– Equity investments	1,344	Net assets analysis	Net assets, Liquidity discount
Loans and advances to customers	17,924	Discounted cash flow method	Risk-adjusted discount rate
	Fair value at 31 December 2022	Valuation technique	Unobservable inputs
Financial investments measured at FVTPL			
– Trust schemes and asset management plans	714	Discounted cash flow method	Risk-adjusted discount rate
– Trust schemes and asset management plans	355	Net assets analysis	Net assets, Liquidity discount
– Bonds and assets-backed securities	2,015	Discounted cash flow method	Risk-adjusted discount rate
– Equity investments	2,111	Net assets analysis	Net assets
– Equity investments	327	Market multiplier method	Liquidity discount
Financial investments measured at FVOCI			
– Equity investments	1,313	Net assets analysis	Net assets, Liquidity discount
Loans and advances to customers	40,080	Discounted cash flow method	Risk-adjusted discount rate

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

XV Fair Value of Financial Instruments (continued)

1 Fair Values of Financial Assets and Liabilities (continued)

(4) Level 3 fair value measurement (continued)

At the balance sheet date, replacing the original unobservable assumptions with other reasonable unobservable assumptions has no significant impact on the measurement results of fair value. The above assumptions and methods provide a unified basis for the calculation of the fair value of the Group's assets and liabilities. However, due to the different methods and assumptions that may be used by other institutions, the fair values disclosed by different financial institutions may not be completely comparable.

Reconciliation of the opening and closing balance for financial assets of level 3 fair value on a recurring basis is as follows:

	Financial investments measured at FVTPL	Financial investments measured at FVOCI	Loans and advances to customers	Total
At 1 January 2023	5,522	1,313	40,080	46,915
Total gains recognized in profit or loss	(550)	6	1,649	1,105
Total gains recognized in other comprehensive income	-	31	(1,143)	(1,112)
Increase	2,686	-	-	2,686
Disposals and settlements	(1,359)	(6)	(22,662)	(24,027)
At 31 December 2023	6,299	1,344	17,924	25,567
Total unrealized gains or losses for the period included in profit or loss for assets held at the end of the reporting period	(576)	-	11	(565)
	Financial investments measured at FVTPL	Financial investments measured at FVOCI	Loans and advances to customers	Total
At 1 January 2022	5,637	1,262	-	6,899
Total gains recognized in profit or loss	76	8	1,048	1,132
Total gains recognized in other comprehensive income	-	51	1,893	1,944
Increase	425	-	41,065	41,490
Disposals and settlements	(616)	(8)	(3,926)	(4,550)
At 31 December 2022	5,522	1,313	40,080	46,915
Total unrealized gains or losses for the period included in profit or loss for assets held at the end of the reporting period	51	-	(344)	(293)

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

XV Fair Value of Financial Instruments (continued)

2 Transfers Between Items Measured at Different Levels of Fair Value

During the reporting period, there were no transfers, between Level 1, Level 2 and Level 3, of the Group's above assets and liabilities which are measured at fair value.

3 Change in Valuation Techniques and the Rationale

During the reporting period, there were no changes in the valuation techniques adopted by the Group for fair value measurement.

4 Financial Assets and Liabilities not Measured at Fair Value

All financial instruments of the Group are carried at amounts not materially different from their fair value at the balance sheet date except as follows:

	31 December 2023				Carrying amount
	Level 1	Level 2	Level 3	Fair Value	
Financial assets					
Financial investments measured at AC	–	372,022	93,839	465,861	463,311
Financial liabilities					
Debt securities issued	–	396,796	–	396,796	395,938
	31 December 2022				
	Level 1	Level 2	Level 3	Fair Value	Carrying amount
Financial assets					
Financial investments measured at AC	–	261,790	106,425	368,215	368,792
Financial liabilities					
Debt securities issued	–	324,221	–	324,221	323,033

For the above financial assets and liabilities not measured at fair value, the Group used the following methods to determine their fair value:

The fair value of financial investments measured at AC and debt securities issued are quoted in the valuation system of relevant registration and settlement institutions that employs observable inputs that reflect the market in the formation of quotations. For those quotations not available in relevant institutions, the fair value shall be estimated by discounted cash flow method.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

XVI Subsequent Events

1 Issuance of Small and Micro Businesses Financial Bonds

On 15 March 2024, the Bank issued small and micro business financial bond in National Interbank Bond Market amounting to RMB20 billion.

2 Profit Distribution

On 28 March 2024, the Board of Directors of the Bank deliberated and approved the 2023 Ordinary Share Dividend Distribution Plan, which will distribute cash dividends to the shareholders of A shares and H shares registered on the share registration date, with a cash dividends of RMB1.64 (including tax) for every 10 shares, and a total of RMB4,504 million. The plan is yet to be reviewed and approved by the Bank's shareholders' meeting.

XVII Comparative Figures

For the purpose of the presentation of these financial statements, the Group reclassified certain comparative figures.

XVIII Statements of Financial Position of the Bank

	Note	31 December 2023	31 December 2022
ASSETS			
Cash and balances with the central bank		164,723	185,625
Precious metals		9,756	13,860
Deposits with banks and other financial institutions		68,426	41,343
Placements with banks and other financial institutions		11,576	12,583
Derivative financial assets		21,953	14,179
Financial assets purchased under resale agreements		74,631	15,886
Loans and advances to customers		1,673,272	1,486,291
Financial investments			
– Financial assets measured at fair value through profit or loss		256,926	187,929
– Financial assets measured at amortised cost		391,600	368,792
– Financial assets measured at fair value through other comprehensive income		304,185	194,037
Investment in subsidiary	VI.19	2,040	2,040
Fixed assets		18,572	15,997
Right-of-use assets		4,903	5,016
Intangible assets		601	578
Deferred tax assets		20,631	20,423
Other assets		9,592	7,968
TOTAL ASSETS		3,033,387	2,572,547

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

XVIII Statements of Financial Position of the Bank (continued)

	31 December 2023	31 December 2022
LIABILITIES		
Due to the central bank	119,915	97,170
Deposits from banks and other financial institutions	359,087	241,928
Placements from banks and other financial institutions	38,793	28,105
Financial liabilities at fair value through profit or loss	120	55
Derivative financial liabilities	21,034	14,462
Financial assets sold under repurchase agreements	27,782	6,066
Customer deposits	1,868,659	1,681,443
Employee benefits payable	5,861	5,683
Taxes payable	2,774	3,919
Provisions	1,523	1,838
Debt securities issued	392,994	320,090
Lease liabilities	3,257	3,318
Other liabilities	6,765	6,616
TOTAL LIABILITIES	2,848,564	2,410,693
EQUITY		
Share capital	27,464	21,269
Other equity instruments	24,995	24,995
– Perpetual bonds	24,995	24,995
Capital reserve	38,570	32,289
Other comprehensive income	3,406	2,191
Surplus reserve	12,546	11,075
Statutory general reserve	29,315	26,068
Retained earnings	48,527	43,967
TOTAL EQUITY	184,823	161,854
TOTAL LIABILITIES AND EQUITY	3,033,387	2,572,547

The financial statements were approved by the board of directors on 28 March 2024:

Lu Jianqiang
Chairman

Zhang Rongsen
President, Principal in-charge
of Finance

Peng Zhiyuan
Director of the
Financial Department

Unaudited Supplementary Financial Information

(In RMB millions, unless otherwise stated)

1 Illustration of Differences between the Financial Statements Prepared Under IFRSs and Those Prepared in accordance with PRC GAAP

There are no differences between the profit attributable to equity holders of the Bank under IFRSs and PRC GAAP for the year ended 31 December 2023 (for the year ended 31 December 2022: no differences). There are no differences between the equity attributable to equity holders of the Bank under IFRSs and PRC GAAP at 31 December 2023 (31 December 2022: no differences).

2 Liquidity Coverage Ratio

	31 December 2023	31 December 2022
Liquidity Coverage Ratio	166.61%	148.11%

The liquidity coverage ratio is calculated in accordance with the relevant requirements of the National Financial Regulatory Administration.

3 International Claims

The Group is principally engaged in business operations within Chinese Mainland. International claims are local claims in foreign currencies and cross-border claims.

International claims include balances with the central bank, due from banks and other financial institutions, loans and advances to customers, financial assets at fair value through profit or loss, financial assets measured at amortised cost and financial assets at fair value through other comprehensive income.

Unaudited Supplementary Financial Information

(In RMB millions, unless otherwise stated)

3 International Claims (continued)

International claims are disclosed based on different countries or regions. A country or region is reported where it constitutes 10% or more of the aggregate amount of international claims, after taking into account any risk transfers. Risk transfer is only made if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose head office is located in another country.

At 31 December 2023	Bank	Official sector	Non-bank private sector	Total
Local claims in foreign currencies	4,187	7,222	68,558	79,967
Asia Pacific excluding Chinese Mainland	5,330	1,259	27,111	33,700
– of which attributed to Hong Kong	5,079	1,259	25,939	32,277
Europe	5,740	1,695	641	8,076
North America	3,067	11,177	17,632	31,876
Oceania	131	–	–	131
Total	18,455	21,353	113,942	153,750
At 31 December 2022	Bank	Official sector	Non-bank private sector	Total
Local claims in foreign currencies	2,724	6,429	44,243	53,396
Asia Pacific excluding Chinese Mainland	4,387	1,342	44,193	49,922
– of which attributed to Hong Kong	3,722	1,342	43,315	48,379
Europe	2,398	–	2,271	4,669
North America	3,862	7,971	41	11,874
Oceania	149	–	–	149
Total	13,520	15,742	90,748	120,010

Unaudited Supplementary Financial Information

(In RMB millions, unless otherwise stated)

4 Currency Concentrations

	RMB Equivalent			Total
	USD	HKD	Others	
At 31 December 2023				
Spot assets	102,999	12,565	14,796	130,360
Spot liabilities	(103,696)	(3,082)	(14,608)	(121,386)
Forward purchases	387,567	2,132	30,537	420,236
Forward sales	(402,567)	(711)	(34,147)	(437,425)
Net options position	(5,353)	-	(330)	(5,683)
Net (short)/long position	(21,050)	10,904	(3,752)	(13,898)
	USD	RMB Equivalent HKD	Others	Total
At 31 December 2022				
Spot assets	103,024	12,459	10,182	125,665
Spot liabilities	(81,361)	(3,679)	(9,046)	(94,086)
Forward purchases	342,556	1,866	36,402	380,824
Forward sales	(337,073)	(9,976)	(29,966)	(377,015)
Net options position	(3,986)	(8,039)	(1,164)	(13,189)
Net long/(short) position	23,160	(7,369)	6,408	22,199

5 Non-bank Chinese Mainland Exposure

The Bank is a commercial bank incorporated in Chinese Mainland with its banking business conducted in Chinese Mainland. At 31 December 2023, the Group's non-bank exposures are substantially arising from businesses with Chinese Mainland corporates and individuals.

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