中国邮政储蓄银行
POSTAL SAVINGS BANK OF CHINA

Green world better life

2023
Annual Report






Postal Savings Bank of China Co., Ltd.

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

Stock Code: 1658

1 The operating income amounted to RMB342,912 million, a year-on-year increase of 2.24%.

2 The net profit attributable to equity holders of the Bank amounted to RMB86,270 million, a year-on-year increase of 1.23%.

3 The loan-to-deposit ratio was 58.39%, an increase of 1.68 percentage points over the prior year-end.

4 The total assets amounted to RMB15.73 trillion, an increase of 11.80% over the prior year-end.

5 The total liabilities amounted to RMB14.77 trillion, an increase of 11.54% over the prior year-end.

6 The customer deposits amounted to RMB13.96 trillion, an increase of 9.76% over the prior year-end.

7 The total loans to customers amounted to RMB8.15 trillion, an increase of 13.02% over the prior year-end.

8 The non-performing loan ratio was 0.83%, a decrease of 0.01 percentage point over the prior year-end.

Sannong Finance

Microfinance

Proactive Credit Extension

Wealth Management

Financial Market Business

Important Notice

The Board of Directors, the Board of Supervisors, Directors, Supervisors and the senior management of the Bank undertake that the information in this report is true, accurate and complete and contains no false records, misleading statements or material omissions, and they assume individual and joint legal liabilities for such information.

The 2023 annual report, highlights and results announcement were reviewed and approved at the meeting of the Board of Directors of the Bank held on March 28, 2024. The number of Directors who should attend the meeting is 13, among which 13 Directors attended the meeting in person. The attendance was in compliance with the requirements of the Company Law of the People's Republic of China and the Articles of Association.

In accordance with the Company Law of the People's Republic of China, the Administrative Measures for Provisioning of Financial Enterprises, the Articles of Association and relevant requirements, cash dividends totaling approximately RMB25,881 million (before tax) will be distributed to all ordinary shareholders whose names appeared on the share register on the record date at RMB2.610 (before tax) per ten ordinary shares. The Bank did not convert its capital reserve to share capital in 2023. The aforesaid profit distribution scheme is subject to review and approval at the 2023 Annual General Meeting. For details of the Bank's profit during the reporting period, please refer to "Discussion and Analysis – Analysis of Financial Statements".

During the reporting period, there was no misappropriation of the Bank's funds by its controlling shareholder or other related parties for non-operating purposes and no material guarantee business that violated the applicable regulations and procedures.

The financial report of the Bank for the year 2023, prepared in accordance with PRC GAAP and IFRSs, has been audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP and Deloitte Touche Tohmatsu in accordance with domestic and international auditing standards respectively with unqualified auditor's reports issued.

The Board of Directors of Postal Savings Bank of China Co., Ltd.
March 28, 2024

Mr. Liu Jianjun, Legal Representative of the Bank, Mr. Xu Xueming, Vice President in charge of finance of the Bank, and Ms. Deng Ping, General Manager of Finance and Accounting Department of the Bank, hereby declare and warrant the truthfulness, accuracy and completeness of the financial statements contained in this report.

This report contains forward-looking statements on the Bank's financial position, business performance and development. These statements are based on existing plans, estimates and forecasts and may involve future plans which do not constitute any substantive commitments to investors by the Bank. Hence, investors and persons concerned shall be fully aware of the risks and understand the difference between plans, estimates and commitments.

During the reporting period, the Bank was not aware of any material risk that would adversely affect its future development strategies and business targets. The Bank proactively took measures to effectively manage all kinds of risks. Please refer to "Discussion and Analysis – Risk Management" for details.

This report is prepared in both Chinese and English. In case of discrepancy between the two versions, the Chinese version shall prevail.

Contents

Contents

Columns

Definitions

"Articles of Association"	The Articles of Association of Postal Savings Bank of China Co., Ltd., as amended, supplemented or otherwise modified from time to time
"Bank/PSBC/Postal Savings Bank of China"	Postal Savings Bank of China Co., Ltd., a joint stock limited liability company established in the PRC in accordance with PRC laws, including its predecessors, branches and sub-branches, directly-operated outlets and agency outlets (to the extent of agency outlets' operations, risk management and licenses in relation to agency banking businesses they conduct) and subsidiaries (where the context so requires)
"central bank/PBC"	People's Bank of China
"China Post Group"	China Post Group Corporation Limited, a wholly state-owned company restructured from the former China Post Group Corporation in accordance with the Company Law of the People's Republic of China, is the controlling shareholder of the Bank
"CSRC"	China Securities Regulatory Commission
"Group"	The Bank and its subsidiaries
"HKEx"	Hong Kong Exchanges and Clearing Limited
"Hong Kong Listing Rules"	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"IFRSs"	International Financial Reporting Standards and the related amendments and interpretations issued by the International Accounting Standards Board
"Latest Practicable Date"	April 7, 2024, being the latest practicable date prior to the printing of this report for ascertaining certain information contained herein
"MOF"	Ministry of Finance of the PRC
"NFRA/former CBIRC/former CBRC"	National Financial Regulatory Administration or its predecessors, i.e., the former China Banking and Insurance Regulatory Commission, or the former China Banking Regulatory Commission (where the context so requires)
"new rules on asset management"	Guiding Opinions on Regulating Asset Management Business of Financial Institutions and other related regulations
"new rules on capital management"	Capital Rules for Commercial Banks and other related regulations
"PRC GAAP"	The Accounting Standards for Business Enterprises issued by the MOF on February 15, 2006, and other related regulations issued thereafter
"PSBC Consumer Finance"	PSBC Consumer Finance Co., Ltd.
"PSBC Wealth Management"	PSBC Wealth Management Co., Ltd.
"Sannong"	Agriculture, rural areas and farmers
"SFO"	The Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
"SMEs"	Enterprises classified as micro, small, and medium-sized enterprises under the Classification Standards of Small and Medium Enterprises
"SSE"	Shanghai Stock Exchange
"SSE Listing Rules"	Rules Governing the Listing of Stocks on Shanghai Stock Exchange, as amended, supplemented or otherwise modified from time to time
"YOU⁺ BANK"	YOU⁺ BANK, a direct bank subsidiary set up by the Bank

The currency for the amounts included in this report, unless otherwise stated, is Renminbi ("RMB").

Certain amounts and percentage figures included in this report have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

Company Profile

1919
The postal savings business in China can be traced back to its start in 1919 with a history of over one hundred years.

2007
In March 2007, based on the reform of the previous postal savings management system, Postal Savings Bank of China Limited was officially established.

2012
The Bank was transformed into a joint stock limited liability company in January 2012.

2016
The Bank went public and was listed on the Hong Kong Stock Exchange in September 2016.

2019
The Bank was listed on the SSE in December 2019.

With approximately 40,000 outlets and services covering over 660 million personal customers, the Bank focuses on providing financial services to Sannong customers, urban and rural residents, and SMEs. Relying on its unique model and resource endowment featuring directly-operated outlets and agency outlets, it is committed to meeting the financial needs of the most promising customers during China's economic transformation. In addition, the Bank is accelerating its transformation towards a new retail bank featuring data-driven, channel coordination, interaction between wholesale and retail as well as efficient operation. It has shown superior asset quality and significant development potential, and is a leading major retail bank in China.

Have **approximately 40,000** outlets

Provide services for **over 660 million** personal customers

The Bank is committed to serving the real economy, actively implementing national strategies, and fulfilling its social responsibilities. It adheres to the customer-centric philosophy and has established a financial service system where online and offline services connect with each other for joint development, providing customers with quality, convenient and efficient integrated financial services. It adheres to the risk-based approach as well as a prudent and sound risk appetite, enhances the leading role of risk management on all fronts, and continuously improves the comprehensive risk management framework featuring "all aspects, whole process and entire staff". It continues to follow the operation philosophy of "gaining a first-mover advantage with market insights", takes bold action in innovation and reform, deepens capacity building, and strives for high-quality development.

Since its establishment 17 years ago, the Bank has been playing an increasingly important role in the market with marked influence. It has been rated A+ and A1 this year by Fitch Ratings and Moody's Investors Service, respectively, which are the same as China's sovereignty credit ratings. It has been rated A, AAAspc and AAA by S&P Global Ratings, S&P Global (China) Ratings and CCXI, respectively. In 2023, it ranked 12th in The Banker's list of "Top 1000 World Banks" in terms of tier 1 capital.

Faced with new requirements for the financial sector in a new era and on a new journey, the Bank will thoroughly implement the new development philosophy, focus on high-quality development, stay committed to the general principle of pursuing progress while ensuring stability, and comprehensively deepen reform and innovation. Committed to fulfilling its economic, political and social responsibilities as a major state-owned bank, the Bank will press ahead with "five priorities" of technology finance, green finance, inclusive finance, pension finance and digital finance, continue to improve the quality and efficiency of serving the real economy and the ability of serving customers, and accelerate the transformation and development towards "uniqueness, comprehensiveness, lightness, digitalization and intensiveness". It will adhere to the "5 plus 1" strategic path[1], move faster to build the five differentiated growth poles in Sannong finance, microfinance, proactive credit extension, wealth management, and financial market business, and make every effort to be a first-tier large retail bank which is trustworthy, distinctive, prudent, safe, innovative, and with remarkable value.

1 "5 plus 1" strategic path refers to digital finance, eco-finance, coordinated finance, industrial finance and green finance, and end-to-end risk management and compliance.

Strategic Positioning and Corporate Culture

Strategic Vision

Build a first-tier large retail bank which is trustworthy, distinctive, prudent, safe, innovative, and with remarkable value

Strategic Objectives

Empower high-quality development with financial technology, accelerate transformation of business models, build a smart risk control system and enhance value creation to be a leading digital ecology bank serving the rural revitalization and new urbanization

Mission

Deliver accessible financial services in both urban and rural areas

Values

Create value for customers.
Integrity is the cornerstone of our development.
Prudence leads to sustainability.
Employees are our greatest asset.
Excellence comes through professionalism.
Embrace change and keep innovating.

Company Spirit

Be responsible, resilient and caring

Brand Premise

Together we make it better

Company Philosophies

Management philosophy: Keep it simple and reduce administrative burden.
Business philosophy: Gain a first-mover advantage with market insights.
Risk philosophy: Prudence and compliance lead to stability, and risk control is the key to sustainable development.
Service philosophy: Pour our heart and soul for customer satisfaction.
Talent philosophy: Respect the value of employees, tap their potential, and bring them closer to their dreams.
Coordination philosophy: See the bigger picture, act with one mind, and make progress toward a shared future.

In 2023, the Bank adhered to the people-centered values and prioritized serving the real economy as the fundamental purpose, with the prevention and control of financial risks as an enduring task. Centering around the strategic objectives and guidelines of the 14th Five-Year Plan, the Bank gave full play to its distinctive endowments, accelerated the development of five differentiated growth poles, strengthened the development of major capabilities in six aspects, and enhanced the competitiveness and strength of PSBC.

Strength in Sannong business

Distinctive focus on microfinance

Prospects in inclusive finance

Distinctive Endowments and Advantages

The advantage of widely accessible "online + offline" channels

Relying on the operation model of "directly-operated + agency outlets", the Bank has nearly 40,000 financial outlets covering 99% of counties; among 492 thousand administrative villages nationwide, 420 thousand ULE stations were built by China Post Group and over 300,000 creditworthy villages were built by PSBC; and online direct banking and mobile banking have become online supplements to the widely accessible offline channels.

The advantage of comprehensive, accurate and reliable information

The Bank collaborated with local governments and leading local enterprises in building a farmers' information data platform which is shared by the Bank, the government, and enterprises. Through this platform, the Bank has access to information of over 2.20 million farmers' cooperatives, over 1.80 million family farms and over 10,000 leading agricultural industrialization enterprises. In addition, the Bank also conducted field trips to verify production and operation situations, ensuring the accuracy and reliability of the data and information from different dimensions. These reliable data sources will provide accurate information support for the Bank's targeted credit extension and risk prevention and control.

The advantage of an ecosystem with multiple business models and business types

Leveraging the resource advantages of China Post Group, the Bank formed a rural credit ecosystem in the process of solving the difficulties of sales and helping thousands of small farmers sell their products to large markets in China. It also formed the foundation of supply chain finance in the process of solving the difficulties of logistics and promoting the integration of small industries in thousands of villages into the economic cycle. Furthermore, in the process of solving the difficulties of financing and providing lines of credit to millions of farmers in China, it changed the situation from "individual farmers with no collateral" to "proactive credit extension for thousands of villages and tens of thousands of farmers" by leveraging sales data brought by the flow of goods, warehousing data brought by delivery and logistics, and settlement data brought by the flow of funds.

Strategy Implementation

Firstly, notable achievements were seen in developing the five differentiated growth poles

The increment of agro-related loans reached a new record high. The Bank deepened its efforts on serving the five major customer groups of villages, cooperatives, farmers, agricultural enterprises and rural supermarkets[1], and the balance of agro-related loans amounted to RMB2.15 trillion, representing an increase of RMB346,498 million. **The Bank achieved fast breakthroughs in its capability of providing inclusive finance**. The balance of inclusive loans to micro and small-sized enterprises (MSEs) amounted to RMB1.46 trillion, nearly 90% of which were granted online. Loans to sci-tech enterprises amounted to RMB326,772 million, up 37.65% over the prior year-end. **The Bank maintained a leading position in the industry in terms of the growth of proactive credit extension business and the quality of risk control.** The loan balance of proactive credit extension exceeded RMB150 billion, with an NPL ratio below 0.5%. **The Bank further advanced the building of a wealth management system**. The AUM (assets under management of personal customers) reached RMB15.23 trillion, representing an increase of RMB1.34 trillion over the prior year end. **The Bank continued to enhance its influence in the interbank ecosystem**, with 2,407 institutions registering with the interbank ecosystem platform "Together We Thrive" and a cumulative transaction volume exceeding RMB2 trillion.

Thirdly, the leading role of risk management was strengthened

The Bank deepened the implementation of advanced approaches for capital management and the construction of intelligent risk control, established the "future-oriented" mechanism throughout the entire process, improved the risk monitoring models, prevented and resolved risks in key areas, and perfected the internal control and case prevention management mechanism, with the overall asset quality remaining stable. The NPL ratio was 0.83%, which was among the best of major state-owned banks.

Secondly, the building of the major capabilities in six aspects was continuously advanced

The Bank strengthened professional core capabilities in core business, persisted in creating value for customers, improved the customer segmentation management system, and continued to strengthen the building of workforce. **The Bank strengthened its system support capability**, centered around the "optimization of customer journey", promoted the overall improvement of customer service capacities, solidified the intensive operational management mechanism, and optimized the risk management operating mechanism. **The Bank strengthened capabilities of coordination and integration** and consolidated the organizational synergy, steadily improving the effectiveness of the collaboration between China Post Group and the Bank, between the business lines, and between the parent bank and subsidiaries, acquiring more than 2 million customers through collaboration between China Post Group and the Bank. **The Bank strengthened the capability of technological facilitation**, advanced informationization projects in a comprehensive manner, and the proportion of self-developed systems in the Bank increased to 73%. **The Bank strengthened the capability of institutional drive**, optimized the human resources management mechanism, improved the resource allocation mechanism centered on RAROC (risk-adjusted return on capital), and continuously enhanced its financial support capability. **The Bank strengthened the leading role of innovation**. Through optimizing service models, leading business transformation and unleashing development momentum, the Bank fostered new differentiated competitive advantages.

1 "Villages, cooperatives, farmers, agricultural enterprises and rural supermarkets" refer to administrative villages, farmers' cooperatives, family farms and large farming households, agro-related enterprises and rural supermarkets.

Corporate Information

Legal name in Chinese	中國郵政儲蓄銀行股份有限公司(「中國郵政儲蓄銀行」)
Legal name in English	POSTAL SAVINGS BANK OF CHINA CO., LTD. ("PSBC")
Legal representative	Liu Jianjun (acting on behalf)
President	Liu Jianjun
Authorized representatives	Yao Hong, Du Chunye
Secretary to the Board of Directors	Du Chunye Address: No. 3 Financial Street, Xicheng District, Beijing Telephone: 86-10-68858158 Fax: 86-10-68858165 E-mail: psbc.ir@psbcoa.com.cn
Registered address and place of business	No. 3 Financial Street, Xicheng District, Beijing
Principal place of business in Hong Kong	40/F, Dah Sing Financial Centre, 248 Queen's Road East, Wan Chai, Hong Kong
Contacts for investors	Postal code: 100808 Telephone: 86-10-68858158 Fax: 86-10-68858165 E-mail: psbc.ir@psbcoa.com.cn Websites: www.psbcltd.cn, www.psbc.com
Hotline for customer services and complaints	86-95580
Information disclosure media	China Securities Journal (www.cs.com.cn), Shanghai Securities News (www.cnstock.com), Securities Times (www.stcn.com), Securities Daily (www.zqrb.cn)
Annual report available at	Office of the Board of Directors of the Bank No. 3 Financial Street, Xicheng District, Beijing
Unified social credit code	9111000071093465XC
A share listing place, stock name, stock code and website for report publication	Stock exchange on which shares are listed: Shanghai Stock Exchange Stock name: 郵儲銀行 Stock code: 601658 Share Registrar: China Securities Depository and Clearing Corporation Limited, Shanghai Branch 188 Yanggao South Road, Pudong New Area, Shanghai Website of Shanghai Stock Exchange for report publication: www.sse.com.cn

H share listing place, stock name, stock code and website for report publication	Stock exchange on which shares are listed: The Stock Exchange of Hong Kong Limited Stock name: PSBC Stock code: 1658 Share Registrar: Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong Website of Hong Kong Stock Exchange for report publication: www.hkexnews.hk
Legal advisor as to laws of the Chinese mainland	Haiwen & Partners
Legal advisor as to laws of Hong Kong, PRC	Clifford Chance LLP
Domestic auditor	Deloitte Touche Tohmatsu Certified Public Accountants LLP Place of business: 30/F, 222 Yan'an Road East, Huangpu District, Shanghai Signing accountants: Yang Bo, Hu Xiaojun, Shen Xiaohong
International auditor	Deloitte Touche Tohmatsu Place of business: 35/F, One Pacific Place, 88 Queensway, Admiralty Hong Kong Signing accountant: Ley Pui Chun, Rossana
Sponsors for continuous supervision and guidance	China International Capital Corporation Limited Place of business: 27th and 28th Floor, China World Office 2, No. 1 Jianguomenwai Avenue, Chaoyang District, Beijing Signing sponsors: Zhu Xiaofei, Chen Xue Period of continuous supervision and guidance: December 10, 2019 to December 31, 2024 China Post Securities Co., Ltd. Place of business: 2nd Floor, Tower C, Joiest Group Building, No. 14 Zhushikou East Street, Dongcheng District, Beijing Signing sponsors: Wang Huamin, Ma Qingrui Period of continuous supervision and guidance: November 11, 2022 to December 31, 2024

* Postal Savings Bank of China Co., Ltd. is not an authorized institution within the meaning of the Banking Ordinance (Chapter 155 of the Laws of Hong Kong), not subject to the supervision of the Hong Kong Monetary Authority, and not authorized to carry on banking and/or deposit-taking business in Hong Kong.

Rankings and Awards

Top 1000 World Banks

(in terms of tier 1 capital at the end of the prior year)

The Banker

Global 2000 – the World's 2000 Largest Public Companies in 2023	China's Top 500 Listed Companies in 2023	The World's Top 500 Most Valuable Brands in 2023
27th	43rd	115th
Forbes	(In terms of operating income in 2022) Fortune China	Brand Finance

Awards and Honors

First Place of First Prize of FinTech Development Award
PBC

Market Influencer of the Year
Market Innovation Business Institution
China Foreign Exchange Trade System (CFETS), aka the National Interbank Funding Center

Outstanding Participating Institution of Digital Supply-chain Finance Platform
China National Clearing Center, PBC

Advanced Organization in Green Bank Evaluation
China Banking Association (CBA)

Best Case for Boards of Directors of Public Companies
Best Case for ESG of Public Companies
Model Case of Digital Transformation of Public Companies
China Association for Public Companies

Outstanding Bond Underwriting Institution
China Central Depository & Clearing Co., Ltd.

Outstanding Transaction Institution
Shanghai Commercial Paper Exchange Corporation Ltd.

Excellent Operation Award for Customer Services
China UnionPay

Best Corporate Online Banking Award
China Financial Certification Authority

Silver Award in the SME Financier of the Year – Asia
SME Finance Forum

Excellent Listed Company
Organizing Committee of China Securities Golden Bauhinia Award

Best Capital Market Communication Award
Best Shareholder Relationship Award
Best Information Disclosure Award
Roadshow China

Top 10 Best Employers in China 2023
Best Employers in China 2023 – Most Attractive Employers among College Students
Institute of Social Science Survey of Peking University and Zhaopin Limited

Best Consumer Bank
Best Risk Management Bank
Global Finance

Innovation Award for FinTech Application
Financial Computerizing

Excellent Institution of Financial Innovation
The Chinese Banker

Model Case of Innovation in Corporate Development of Legal Governance and Risk Management
Legal Daily

Best Commercial Bank of the Year
Best Socially Responsible Bank of the Year
Financial News

The Gamma Award for High-Quality Development Bank of the Year
The Gamma Award for Gold Standard Bank Brand of the Year
Securities Times

Banking Wealth Management Brand Award of the Year
Shanghai Securities News

Sustainable Development and Risk Control Award
Caijing Magazine

Outstanding CSR Enterprise of the Year
Southern Weekly

Digital Financial Service Bank of the Year
21st Century Business Herald

Competitive State-owned Commercial Bank
China Business Journal

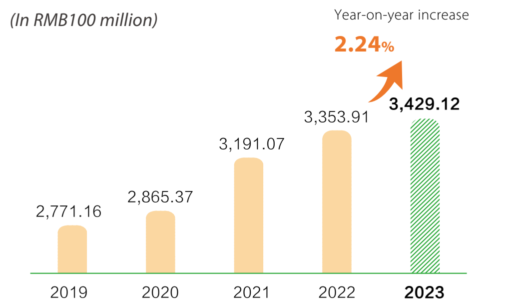
Excellent Case for 10th Anniversary of Inclusive Finance
China.com.cn

Outstanding Financial Service Case for Rural Revitalization
Excellent Green Finance Award
JRJ.com

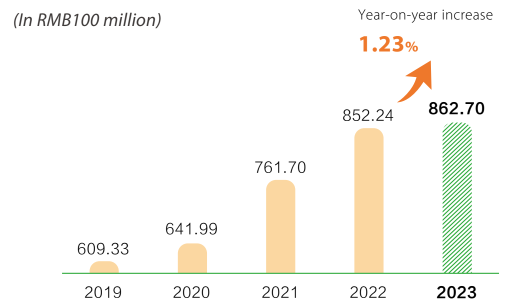
Financial Highlights

The financial data and indicators in this report have been prepared in accordance with the IFRSs. Unless otherwise specified, they are consolidated data of the Bank and its subsidiaries and denominated in Renminbi.

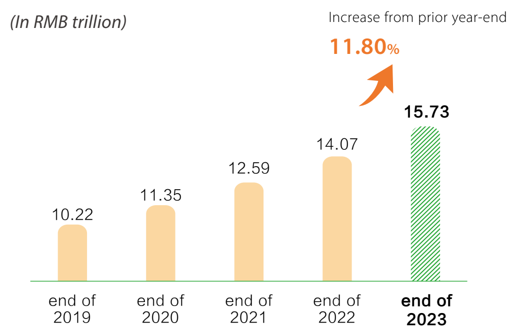
Operating income



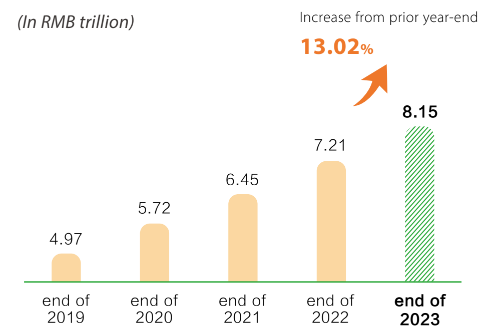
Net profit attributable to equity holders of the Bank



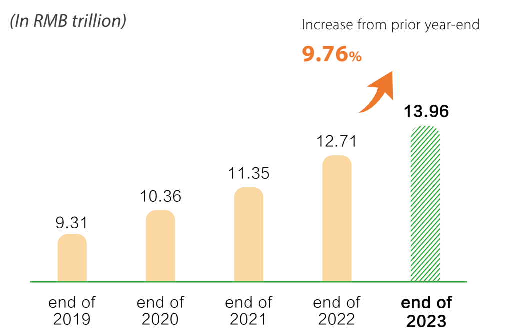
Total assets



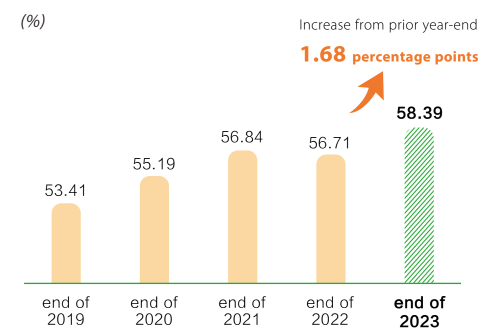
Total loans to customers



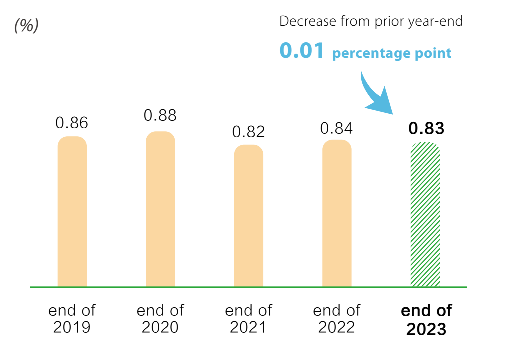
Customer deposits



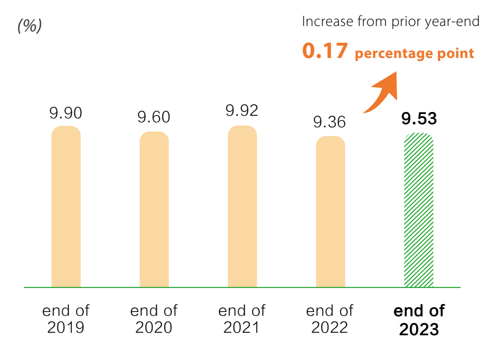
Loan-to-deposit ratio



Non-performing loan ratio



Core tier 1 capital adequacy ratio



Key Financial Data

In RMB million, unless otherwise stated

Item	2023	2022	2021	2020	2019
Operating results					
Operating income	**342,912**	335,391	319,107	286,537	277,116
Net interest income	**281,803**	273,593	269,382	253,378	242,686
Net fee and commission income	**28,252**	28,434	22,007	16,495	14,623
Operating expenses	**225,142**	208,680	190,995	167,984	157,976
Credit impairment losses	**26,167**	35,328	46,638	50,398	55,384
Profit before income tax	**91,599**	91,364	81,454	68,136	63,745
Net profit	**86,424**	85,355	76,532	64,318	61,036
Net profit attributable to equity holders of the Bank	**86,270**	85,224	76,170	64,199	60,933
Net cash generated from operating activities	**263,337**	474,914	109,557	161,772	26,443
Per share data (in RMB Yuan)					
Basic and diluted earnings per share(1)	**0.83**	0.85	0.78	0.71	0.72

Note (1): Calculated in accordance with the Rules for the Compilation and Submission of Information Disclosure by Companies that Offer Securities to the Public No. 9 – Calculation and Disclosure of Return on Net Assets and Earnings per Share (Revision 2010) issued by the CSRC. There are no potential diluted ordinary shares of the Bank, so the diluted earnings per share is the same as the basic earnings per share. The calculation of relevant indicators excludes the impact of other equity instruments.

Financial Highlights

In RMB million, unless otherwise stated

Item[1]	December 31, 2023	December 31, 2022	December 31, 2021	December 31, 2020	December 31, 2019
Data as at the end of the reporting period					
Total assets	**15,726,631**	14,067,282	12,587,873	11,353,263	10,216,706
Total loans to customers[2]	**8,148,893**	7,210,433	6,454,099	5,716,258	4,974,186
Allowance for impairment losses on loans to customers[3]	**233,648**	232,723	216,900	203,897	166,124
Loans to customers, net	**7,915,245**	6,977,710	6,237,199	5,512,361	4,808,062
Financial investments[4]	**5,387,588**	4,958,899	4,348,620	3,914,650	3,675,030
Cash and deposits with central bank	**1,337,501**	1,263,951	1,189,458	1,219,862	1,154,843
Total liabilities	**14,770,015**	13,241,468	11,792,324	10,680,333	9,671,827
Customer deposits[2]	**13,955,963**	12,714,485	11,354,073	10,358,029	9,314,066
Equity attributable to equity holders of the Bank	**954,873**	824,225	794,091	671,799	543,867
Net capital	**1,165,404**	1,003,987	945,992	784,579	671,834
Core tier 1 capital – net	**780,106**	679,887	635,024	542,347	492,212
Additional tier 1 capital – net	**170,152**	140,126	157,982	127,954	47,948
Risk-weighted assets	**8,187,064**	7,266,134	6,400,338	5,651,439	4,969,658
Per share data (in RMB Yuan)					
Net assets per share[5]	**7.92**	7.41	6.89	6.25	5.75

Note (1): In accordance with the relevant regulations under the Notice on Amending the Format of Financial Statements for Financial Enterprises in 2018 (Cai Kuai [2018] No. 36) issued by the MOF, from 2018 onward, the interest on corresponding assets and liabilities is included in the balance of carrying amounts of the financial instruments accordingly, and should no longer be accounted for as separate items of "interest receivable" or "interest payable". The balance of "interest receivable" or "interest payable" listed under "other assets" or "other liabilities" is only interest receivable or interest payable on relevant matured financial instruments but not received nor paid on the date of the balance sheet.

Note (2): For ease of reference, "loans to customers" refers to "loans and advances to customers" and "customer deposits" refers to "deposits from customers" in this report.

Note (3): Allowance for impairment losses on loans to customers measured at amortized cost.

Note (4): Consists of financial assets measured at fair value through profit or loss, financial assets measured at fair value through other comprehensive income – debt instruments, financial assets measured at fair value through other comprehensive income – equity instruments, and financial assets measured at amortized cost.

Note (5): Calculated by dividing equity attributable to ordinary shareholders of the Bank at the end of the period by the total number of ordinary shares at the end of the period.

Financial Indicators

Item	2023	2022	2021	2020	2019
Profitability (%)					
Return on average total assets[1]	**0.58**	0.64	0.64	0.60	0.62
Return on weighted average equity[2]	**10.85**	11.89	11.86	11.84	13.10
Net interest margin[3]	**2.01**	2.20	2.36	2.42	2.53
Net interest spread[4]	**1.99**	2.18	2.30	2.36	2.48
Net fee and commission income to operating income ratio	**8.24**	8.48	6.90	5.76	5.28
Cost-to-income ratio[5]	**64.87**	61.44	59.08	57.86	56.29

Note (1): Calculated by dividing net profit by the average balance of total assets at the beginning and at the end of the reporting period.

Note (2): Calculated in accordance with the Rules for the Compilation and Submission of Information Disclosure by Companies that Offer Securities to the Public No. 9 – Calculation and Disclosure of Return on Net Assets and Earnings per Share (Revision 2010) issued by the CSRC. The calculation of relevant indicators excludes the impact of other equity instruments.

Note (3): Calculated by dividing net interest income by the average balance of interest-earning assets.

Note (4): Calculated by the spread between yield on average balance of interest-earning assets and cost on average balance of interest-bearing liabilities.

Note (5): Calculated by dividing operating expenses (less taxes and surcharges) by operating income.

Item	December 31, 2023	December 31, 2022	December 31, 2021	December 31, 2020	December 31, 2019
Asset quality (%)					
Non-performing loan ratio[1]	**0.83**	0.84	0.82	0.88	0.86
Allowance to NPLs ratio[2]	**347.57**	385.51	418.61	408.06	389.45
Allowance to loans ratio[3]	**2.88**	3.26	3.43	3.60	3.35
Capital adequacy ratio (%)					
Core tier 1 capital adequacy ratio[4]	**9.53**	9.36	9.92	9.60	9.90
Tier 1 capital adequacy ratio[5]	**11.61**	11.29	12.39	11.86	10.87
Capital adequacy ratio[6]	**14.23**	13.82	14.78	13.88	13.52
Risk-weighted assets to total assets ratio[7]	**52.06**	51.65	50.85	49.78	48.64
Total equity to total assets ratio	**6.08**	5.87	6.32	5.93	5.33

Note (1): Calculated by dividing the total NPLs by total loans to customers, and the total loans exclude the accrued interest.

Note (2): Calculated by dividing total allowance for impairment losses on loans to customers by total NPLs. Total allowance for impairment losses on loans to customers includes allowance for impairment losses on loans to customers measured at amortized cost and allowance for impairment losses on loans to customers measured at fair value through other comprehensive income.

Note (3): Calculated by dividing the total allowance for impairment losses on loans to customers by total loans to customers, the total loans do not include the accrued interest.

Note (4): Calculated by dividing core tier 1 capital (net of core tier 1 capital deductions) by risk-weighted assets.

Note (5): Calculated by dividing tier 1 capital (net of tier 1 capital deductions) by risk-weighted assets.

Note (6): Calculated by dividing total capital (net of capital deductions) by risk-weighted assets.

Note (7): Calculated by dividing risk-weighted assets by total assets.

Financial Highlights

Other Major Indicators

Item		Regulatory criteria	December 31, 2023	December 31, 2022	December 31, 2021	December 31, 2020	December 31, 2019
Liquidity ratio (%)[1]	RMB and foreign currency	≥25	**83.39**	73.87	72.86	71.61	67.96
Percentage of loans to largest single borrower (%)[2]		≤10	**13.34**	16.50	18.72	23.21	27.19
Percentage of loans to the ten largest borrowers (%)			**23.14**	27.14	28.67	34.49	39.42
Loan migration ratio (%)	Normal		**0.95**	0.89	0.60	0.61	0.78
	Special mention		**32.73**	29.22	24.09	45.47	15.73
	Substandard		**50.99**	44.76	48.27	29.48	55.48
	Doubtful		**72.59**	53.41	56.81	78.32	76.16

Note (1): Calculated by dividing current assets by current liabilities.

Note (2): Percentage of loans to the largest single borrower = balance of loans to the largest borrower/net capital x 100%. The largest borrower refers to the borrower with the highest balance of loans at the period end. As at the end of the reporting period, China State Railway Group Co., Ltd. was the Bank's largest single borrower. The outstanding loan balance with China State Railway Group Co., Ltd. was RMB155,479 million, accounting for 13.34% of the Bank's net capital. The credit line the Bank extended to China State Railway Group Co., Ltd. includes the legacy credit line of RMB240.0 billion which was approved by the relevant regulatory authorities. As at the end of the reporting period, the outstanding loan balance under such credit line for China State Railway Group Co., Ltd. was RMB139.5 billion. After deduction of this RMB139.5 billion, the Bank's balance of loans to China State Railway Group Co., Ltd. accounts for 1.37% of the Bank's net capital.

Credit Ratings

Rating Agency	2023	2022	2021	2020	2019
S&P Global Ratings	**A (stable)**	A (stable)	A (stable)	A (stable)	A (stable)
Moody's Investors Service	**A1 (negative)**	A1 (stable)	A1 (stable)	A1 (stable)	A1 (stable)
Fitch Ratings	**A+ (stable)**	A+ (stable)	A+ (stable)	A+ (stable)	A+ (stable)
S&P Global (China) Ratings	**AAAspc (stable)**	AAAspc (stable)	AAAspc (stable)	AAAspc (stable)	AAAspc (stable)
CCXI	**AAA (stable)**	AAA (stable)	AAA (stable)	AAA (stable)	AAA (stable)

Quarterly Financial Data

In RMB million

	2023			
Item	Q1	Q2	Q3	Q4
Operating income	**88,242**	**88,915**	**83,215**	**82,540**
Net profit attributable to equity holders of the Bank	**26,280**	**23,284**	**26,091**	**10,615**
Net cash generated from operating activities	**24,216**	**59,281**	**(111,915)**	**291,755**

Liu Jianjun
President

Message from the Management

The year 2023 was the first year for fully implementing the guiding principles from the 20th National Congress of the Communist Party of China (CPC). China's economy, powered up through overcoming difficulties, was showing a clearer trend of recovery and building up greater confidence for a long-term upward trajectory. PSBC integrated itself into the overall national development, closely followed the economic trends, and made vigorous and determined efforts to forge ahead and pursue progress. It accelerated capacity building, innovation, and transformation, focused on the development of five differentiated growth poles[1], and achieved steady growth in business performance. As at the end of the year, PSBC's total assets reached RMB15.73 trillion, up by 11.80% over the prior year-end; its operating income reached RMB342,912 million, up by 2.24% year on year; its net profit was RMB86,424 million, up by 1.25% year on year. Its asset structure was further optimized, and its loan-to-deposit ratio continued to improve, with the net interest margin continuously maintaining a leading position among peers. PSBC climbed up to the 12th place on The Banker's list of "Top 1000 World Banks 2023" in terms of tier 1 capital.

Looking back on this year, we gained a deeper understanding of the vital connection between finance and the real economy, as they coexist and thrive together. At the critical stage of economic recovery and development, we provided the most reliable financial support to our retail and corporate customers, serving as the lifeblood and oxygen supply to the real economy, which was not only an undeniable responsibility but also a nurturing source for long-term development. We actively responded to national policies and supported the development of a modern industrial system. Incremental loans to the real economy exceeded the increment of the Bank's total loans to customers; both the medium and long-term loans to the manufacturing sector and loans to sci-tech enterprises rose by over 37% in the year. The balance of green loans amounted to RMB637,878 million, which injected momentum into cultivating new quality productive forces. We continued to deepen our support in areas with weak financial supply, such as Sannong finance, micro and small-sized enterprises (MSEs), and the private economy. The increment of agro-related loans reached a new record high. The annual net increase of inclusive loans for MSEs accounted for nearly 30% of the net increase of total loans to customers. The number of private enterprises with loans from the Bank increased by over 90 thousand. We contributed to the recovery and expansion of consumption, with our newly gained market share of consumer credit ranking first among peers. We felt the pulse of the economy and worked closely with our customers, whether on major projects of the country, at the forefront of technological innovation or in relation to people's daily lives, leaving our footprint amidst the wave of green mountains and clear waters and in the bustling streets and alleys, and making relentless efforts to create a better life.

While focusing on the needs of the economy and customer desires, we put more efforts into improving ourselves. Through adjusting strategies and innovating financial service models to adapt to new changes and new features of financial demand, we improved our internal capabilities and strived to accelerate our progress on this new journey. Taking stock of this year, we have seen positive results brought by innovation and transformation in many aspects:

1 Refers to the five differentiated growth poles in Sannong finance, microfinance, proactive credit extension, wealth management and financial market business.

– The three-year action plan for wealth management has taken root. We strived to get closer to our customers, selected products based on customer interests, and responded to customer needs with asset allocation and differentiated services. We improved the talent cultivation mechanism, organized on-site training for more than 10,000 people, and enhanced our professional skills to provide professional and convenient services to our customers and empower the frontline staff with efficiency. We upgraded our high-end client service venues, with more than 100 wealth centers in place. We consistently deepened our investor education and carried out investor education in nearly 40,000 outlets, helping our customers gain insight into their wealth needs and providing them with long-term companionship. As at the end of the year, we served over 50 million VIP customers, an increase of 8.72%.

– The application of the business model of proactive credit extension in retail credit was accelerated. Relying on the large customer base of PSBC, we have been actively exploring a new model of retail credit development that could achieve low-cost customer acquisition and risk control through proactive credit extension. Under the proactive credit extension model, we used precise customer portraits to identify potential high-quality customers of Sannong finance, consumer credit and credit cards to implement marketing. We replaced the dispersed operations of the customer managers with centralized operations from the Head Office to achieve cost-effective customer reach and operation. We implemented end-to-end online acceptance, approval and disbursement to deliver a minimalist customer experience of "instant approval and instant disbursement". Over the 15 months since its implementation, the loan balance of proactive credit extension exceeded RMB150 billion, with a non-performing loan (NPL) ratio below 0.5%.

– We fully promoted the new "1 plus N" operation and service system for corporate banking. Based on corporate clients' needs for tailor-made and integrated financial services, we carried out reform and in-depth application of the operation mechanism, and developed a marketing support service system that integrates the front, middle and back offices by focusing on the six dimensions of customer, product, collaboration, service, risk and technology. In just over a year, the number of corporate clients signing up for the lead-bank service doubled; the finance product aggregate (FPA) increased by one-fourth; and more efficient, long-lasting win-win cooperation with more customers was established.

– We continuously enhanced our influence in the interbank ecosystem. Leveraging the "Together We Thrive" platform, we built an ecosystem of financial scenarios which connects customers, offers a wide range of products, and facilitates information sharing, so as to better meet the differentiated service needs of interbank clients. The Bank's fund advantage became a powerful driving force in its digital transformation. As at the end of the year, more than 2,400 customers signed for the platform, and the cumulative trading amount exceeded RMB2 trillion.

As the management of a bank, we are well aware that it is not easy to maintain long-term success. There are no shortcuts on the path of practicing long-termism. In light of this, we persisted in doing the "difficult but right things", and focused on internal transformation in 2022 to comprehensively build the "Major Capabilities in Six Aspects"[1] and strengthen the foundation. We focused on innovation and change in 2023 to build the five differentiated growth poles and lead the breakthroughs, and made consistent efforts to enhance our brand as a trustworthy bank. We adhered to a prudent risk appetite

1 Refers to "major capabilities in six aspects" including core business, system support, coordination and integration, technological facilitation, institutional drive and innovation leadership.

and carried out process management and closed-loop management by applying digital risk control technologies, thereby ensuring asset quality. As at the end of the year, the NPL ratio was 0.83%, and the NPL formation ratio was 0.85%. All risk indicators were maintained at an excellent level in the industry. We put risk management first at all times, built and applied the "future-oriented" model, gained a comprehensive understanding of customers from multiple dimensions such as industry trends, enterprises' growth potential and enterprises' financial performance, enhanced customer risk identification capability, changed from the previous follower strategy to active marketing, and facilitated the business development of acting as the lead bank. During the year, we approved business for nearly 10,000 customers by using the "future-oriented" model, with the total approved amount exceeding RMB1.3 trillion. We advanced financial digitalization, integrated PSBC Brain with big model technology, built new generative AI capability, and accelerated the reshaping of service models for digital finance. With the introduction of Mobile Banking 9.0, we created immersive companion service featuring "AI space + digital employees + video customer service", enhancing the quality and efficiency of financial services. Upholding the principle of "using good steel for the blade", we streamlined organizational processes and unleashed the potential of resources. Positive results were achieved in advancing the pilot reform of transformation to a dumbbell-shaped organizational structure. The intensive operations helped improve the efficiency of consumer credit operations by 42%, reduced manpower for review and approval of micro loans by 60%. Over 67% of debt collection for consumer credit were replaced by intelligent speech. PSBC made another big step towards becoming a more asset-light, more efficient, and modern first-class commercial bank.

In 2024, the Central Financial Work Conference outlined the financial development blueprint with Chinese characteristics in the new era, and a new chapter has unfolded for the financial work of the new era on the new journey. PSBC will always adhere to Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, uphold the political consciousness and put people first in its financial work, practice financial culture with Chinese characteristics, serve as the main force in serving the real economy, and act as a ballast in maintaining financial stability. As there will be challenges and obstacles along the way, we must have the resolve and not be disturbed by the surrounding noise and the composure to make our own way unburdened to persist in the pursuit of long-term value in the test of market changes. The Bank will seek progress while ensuring stability, promote stability through progress, and strive to achieve healthy and long-term sustainable development amid cyclical fluctuations.

We will closely follow the national strategy, find our own fit in the high-quality development of the "five priorities", and contribute to the work of building China into a financial powerhouse. It is the bounden duty of finance to serve the real economy, and adhering to differentiated development is the long-term strategic choice of PSBC. Focusing on technology finance, green finance, inclusive finance, pension finance, and digital finance, PSBC has been striving to build differentiated growth poles, which will open up broader development space.

– **We are committed to building ourselves as the main force for rural revitalization, a comprehensive service provider for inclusive finance.** "Delivering accessible financial services in both urban and rural areas" is the mission and philosophy of PSBC. Over the past 17 years, we have built a network advantage based on geographical, kinship and social relationships, forged a professional, dedicated and attentive inclusive service team, and explored a path for the sustainable development of inclusive finance. In line with the development direction of building a high-level inclusive financial system, we will serve the country's needs and the people's expectations with our own strengths, and promote the targeted development of the rural market in response to the effective needs of Sannong customers; extend the service radius for small and medium-sized enterprises and enrich service scenarios to support the sustainable development of micro and small-sized business entities; actively respond to residents' wealth needs, focus on enhancing the ability to create value for personal customers, and benefit the people's livelihood and warm their hearts with convenient and high-quality services.

– **We are committed to becoming a driving force in technology finance.** Speeding up the realization of high-level self-reliance and strength in science and technology is the only way to promote high-quality development. In 2022, we proposed to build service expertise for specialized and sophisticated enterprises that produce new and unique products as a unique advantage of PSBC. Nowadays, we are gradually building a unique "3 plus 2" technology finance model, focusing on three types of customer groups, namely high-tech enterprises, technology-oriented small and medium-sized enterprises, and specialized and sophisticated enterprises that produce new and unique products, and taking industrial parks and industrial chains as the business driver, so as to accelerate the expansion of services for traditional industries with ongoing transformation such as automobiles and emerging industries such as electronics and information technology. We will rely on the "future-oriented" model, and provide full life-cycle financial services to accompany the growth of enterprises, so as to strive for a "first-mover" advantage in the race of technology finance.

– **We are committed to building a digital ecosystem-based bank.** We will further promote the transformation of FinTech capabilities into digital and intelligent advantages, optimize resource allocation, improve management efficiency, and empower value creation. We will further promote the proactive credit extension model in lower-tier markets and continuously expand the boundaries to meet potential and effective financial needs. The "Together We Thrive" interbank ecosystem platform will be upgraded to continuously enhance the integrated service capability for interbank customers; more portable interactions will be realized through mobile banking; more potential will be released through "cloud counter" remote services; and the video operation system will support more scenarios, etc. The new quality productive forces driven by the digital economy bring more possibilities for development.

– **We are committed to becoming a promoter of pension finance.** We will give full play to the advantages of wide customer coverage, deep network penetration and abundant collaborative resources. We will comprehensively build a three-dimensional pension financial system of "three horizontals and three verticals", targeting the three main groups, namely the pre-retirement, the elderly, and families. We will deeply explore the three major areas of pension finance, pension service finance and pension industry finance, promote product sharing, service integration and industry collaboration, work with our customers to create a high-quality future for elderly care, and strive to become a caring bank that accompanies our customers in their retirement journey and an important service bank for the comprehensive promotion of national pension finance.

Message from the Management

– **We are committed to putting green finance into action.** We will take continuous action to advocate the concept of "Green World, Better Life", vigorously develop sustainable finance, green finance, and climate financing, innovate green and inclusive financial products, carbon finance and climate-friendly products, and increase the scale of green loans and green investment and financing, explore transition finance and just transition, support biodiversity conservation, and contribute to peeking carbon dioxide emissions and achieving carbon neutrality. We will strive to build a first-class green and inclusive bank, climate-friendly bank and eco-friendly bank.

We will strive to promote refined management and integrate the system capabilities built by the building of the "Major Capabilities in Six Aspects" and the new drivers of innovation and transformation into the whole process of PSBC's operation and management. We will seek the best solutions for financial services while grasping business rules and "squeeze the water from the dry towel" in the era of meager profit, so as to achieve effective countercyclical development. We will manage costs in a refined manner and formulate scientific and quantitative yardsticks for resource allocation, with resources precisely allocated to all aspects. We will effectively control expenditure like a "tap" to prevent any wastage, and meticulously calculate every expense. We will vigorously promote organizational adjustments and intensive operations to maximize the utilization of resources already invested. We will refine our management processes, meticulously scrutinize every element, process, and service, and continuously refine business processes to make them simpler and more accessible with superior experience and strong competitiveness, so as to dig deeper into comprehensive value and improve customer experience. We will manage risks in a refined manner and implement the comprehensive risk management requirements of "all aspects, whole process, and entire staff" in all stages of monitoring, guidance, constraints, accountability, and retrospective review, so as to not only "prevent problems before they arise" but also "resolve problems before they escalate".

All things in the world are accomplished through prudence and failed through carelessness, and prosperity depends on diligence and gets wasted due to idleness. Every long-termism believer is dedicated to preparing for the future while securing the present and is able to withstand the test of storms while seizing the opportunities of the times. PSBC has the confidence and the capabilities to steadfastly pursue the path of financial development with Chinese characteristics, responds to the uncertainties of the changing landscape with its own certainty, and fosters innovation, capabilities and management as a panacea for achieving countercyclical breakthroughs and high-quality development. In the coming year, we will ride the waves and, together with all our customers and investors, stride forward toward a bright and promising future!

Chen Yuejun
Chairman of the Board of Supervisors

Spring · Hani Terraces · Yunnan

Discussion and Analysis

Please see the backpart for more contents

Environment and Prospect

In 2023, the global economy continued its recovery trend, yet with divergent growth prospects and accumulation of potential financial risks. Developed economies generally saw high inflation, high interest rates and high debts, almost coming to the end of the interest rate hike cycle. Emerging economies have temporarily halted rate hikes or started easing, leading to divergent monetary policies.

China's economy continued to pick up, but was still challenged by, among others, insufficient effective demand, overcapacity in some industries, relatively weak social expectations and many hidden risks. There were bottlenecks in the domestic circulation, while the external environment was becoming more complex, challenging and uncertain. In face of a complex and severe international environment and the arduous task of advancing reform and development while ensuring stability at home, China stepped up macroeconomic regulation, expanded domestic demand, adjusted the structure, boosted confidence, and controlled risks, and solidly advanced high-quality development. Proactive fiscal policies were further intensified to improve effectiveness, focusing on expanding investment, stimulating consumption and ensuring people's livelihood. Prudent monetary policies were implemented with precision and strength, increasing countercyclical adjustments, stabilizing and reducing financing costs for the real economy, and keeping the RMB exchange rate basically stable at an adaptive and equilibrium level. China's banking industry maintained a steady development momentum, with continuous efforts in increasing loan supply, constantly optimizing the credit structure, and further improving the quality and efficiency of serving the real economy. Its asset quality was generally stable, and the overall risk coverage capacity was sufficient.

Looking ahead to 2024, the world economy will face rising uncertainties in growth, and the policy and market spillover risks from developed economies will continue to impact emerging economies through channels such as exchange rates, capital flows, and external debts. Overall, the opportunities for China's economy outweigh the challenges, with more tailwinds than headwinds. By adhering to the principle of seeking progress while maintaining stability, promoting stability through progress, and establishing the new before abolishing the old, China will completely, fully and faithfully apply the new development philosophy on all fronts, speed up building the new development paradigm, and coordinate the efforts to expand domestic demand and deepen supply-side structural reforms, the efforts to promote new urbanization and boost comprehensive rural revitalization, and the efforts to drive high-quality development and ensure high-level security, so as to effectively upgrade and appropriately expand its economic output. China will step up countercyclical and cross-cyclical regulation through macroeconomic policies, properly intensifying proactive fiscal policies to improve its quality and effectiveness, and ensuring prudent monetary policies to be flexible, appropriate, targeted and effective, so as to keep liquidity adequate and at a reasonable level, and align the aggregate financing to the real economy and money supply with the expected targets of economic growth and price levels. The banking industry will resolutely carry out the decisions and plans of the CPC Central Committee and the State Council, fully act on the requirements of the Central Financial Work Conference and the Central Economic Work Conference, and implement the new development philosophy in a complete, accurate and comprehensive manner. It will prioritize the development of "five priorities" of technology finance, green finance, inclusive finance, pension finance and digital finance, increase support for key areas and weak links such as inclusive micro and small-sized enterprises, manufacturing, green development, sci-tech innovation, and infrastructure construction, provide high-quality financial services to the real economy and firmly guard against systemic financial risks.

2024 is a key year for the implementation of the guiding principles of the 20th CPC National Congress. The Bank will take Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era as its guide, thoroughly implement the guiding principles of the 20th CPC National Congress and the Second Plenary Session of the 20th CPC Central Committee, earnestly implement the guiding principles of the Central Financial Work Conference and the Central Economic Work Conference, and uphold the principle of seeking progress while maintaining stability and promoting stability through progress. Led by high-quality Party building, based on capability building, driven by innovation and reform, and supported by refined management, the Bank will speed up its development as a first-class large retail bank and contribute to the building of a financial powerhouse.

Firstly, the Bank will resolutely implement the major decisions and plans of the CPC Central Committee, and fulfill its responsibilities as a major state-owned bank. It will vigorously support national strategies including the innovation-driven development strategy and the strategy of coordinated regional development as well as such key areas as food and energy security, scientific and technological innovation, and advanced manufacturing. It will make solid efforts in "five priorities" of technology finance, green finance, inclusive finance, pension finance and digital finance, and vigorously support rural revitalization. Specifically, the Bank will build inclusive finance into its biggest feature and most prominent advantage, accelerate the building of its differentiated advantages in pension finance, effectively enhance the service capabilities of technology finance, press ahead with green finance, comprehensively drive digital finance, and strive to be the main force serving rural revitalization, a provider of integrated inclusive finance services, and an emerging force driving technology finance.

Secondly, the Bank will refine business management, and build differentiated competitive advantages. Remaining focused on AUM, the Bank will make solid efforts in customer asset allocation, accelerate the transformation of business models in consumer finance, credit cards and finance related to agriculture, rural areas, and farmers, and comprehensively improve the capability of retail banking to create value for customers. The Bank will continue to deepen the new "1 plus N" operation and service system[1] of corporate banking, intensify the integration and synergy, and tailor differentiated and integrated financial services based on the characteristics of customer groups. The Bank will closely follow market changes, improve asset allocation and trading capabilities, strengthen the development of inter-bank ecosystem, and improve the returns of the treasury and asset management businesses.

Thirdly, the Bank will strengthen technological empowerment and speed up digital and intelligent transformation. The Bank will make all-out efforts to advance the implementation of the 14th Five-Year Plan on IT Development, develop key projects at a faster pace, fully leverage the supporting role of the integration of business and technology, and enhance the effectiveness of technology application. The Bank will drive empowerment through digital and intelligent applications, conduct research and development of big data technology, perfect the data service system, and step up the building of data application scenarios, to cover all key customers, main businesses and critical links. It will also consolidate the foundation for system operation, and expedite the transformation towards intelligent operation and maintenance.

Fourthly, the Bank will coordinate development and security, and firmly forestall risks. It will implement the new rules on capital management, vigorously promote compliance with the advanced approaches for capital management, advance intelligent risk control, and accelerate the digital transformation of risk control, to boost the comprehensive risk management capability. It will refine the industry research mechanism, strengthen the capability of being future-oriented, and deepen the concept of risk-based management. The Bank will tighten control at the source, focus on key areas, and control credit risks precisely and effectively. The Bank will sharpen the capability of internal control and case prevention management, step up compliance management, and improve the mechanism and management system for case prevention.

1 The new "1 plus N" operation and service system refers to a system under which the Bank carries out reform and in-depth application of the operation mechanism, and develops a marketing support service system that integrates the front, middle and back offices by focusing on the six dimensions of customer, product, collaboration, service, risk and technology.

Analysis of Financial Statements

In 2023, the Bank adhered to the strategic positioning of retail banking, continuously advanced innovation and reform, constantly deepened capacity building, gradually developed differentiated competitive advantages with a focus on building five differentiated growth poles, and realized sound development momentum across the Bank.

Firstly, the scale of business achieved steady growth. As at the end of the reporting period, the Bank's total assets reached RMB15.73 trillion, an increase of 11.80% over the prior year-end, of which total loans to customers amounted to RMB8.15 trillion, an increase of 13.02% over the prior year-end, with RMB182,126 million more than the incremental growth in the prior year, achieving a record high increment. Total liabilities reached RMB14.77 trillion, an increase of 11.54% from the end of last year, of which customer deposits reached RMB13.96 trillion, an increase of 9.76% from the end of last year. The core liabilities maintained a steady and healthy development. Loan-to-deposit ratio was 58.39%, an increase of 1.68 percentage points compared with the prior year-end, which represented the continuous optimization of the asset structure.

Secondly, operating results remained stable. During the reporting period, the Bank's net profit attributable to equity holders stood at RMB86,270 million, a year-on-year increase of 1.23%; the operating income amounted to RMB342,912 million, up 2.24% year on year; among which the net interest income was RMB281,803 million, representing a year-on-year increase of 3.00%; excluding the one-off factor of the transformation to net-value wealth management products in the prior year, the net fee and commission income increased by 12.05% year on year. Net interest margin was 2.01%, which stood at a relatively good level in the industry.

Thirdly, asset quality remained stable and excellent. The Bank upheld the prudent and sound risk appetite, continuously improved its comprehensive risk management framework, accelerated the transformation towards digital and intensive risk management, and actively empowered high-quality development of its businesses. As at the end of the reporting period, the Bank's non-performing loan ratio was 0.83%, a decrease of 0.01 percentage point compared with the prior year-end, which still was at the leading level in the industry; allowance to NPLs ratio was 347.57%, indicating adequate risk offset capabilities.

Analysis of Income Statement

During the reporting period, the Bank recorded a net profit of RMB86,424 million, representing a year-on-year increase of RMB1,069 million or 1.25%.

Changes of Key Items in the Income Statement

In RMB million, except for percentages

Item	2023	2022	Increase/ (decrease)	Change (%)
Net interest income	**281,803**	273,593	8,210	3.00
Net fee and commission income	**28,252**	28,434	(182)	(0.64)
Net other non-interest income	**32,857**	33,364	(507)	(1.52)
Operating income	**342,912**	335,391	7,521	2.24
Less: Operating expenses	**225,142**	208,680	16,462	7.89
Credit impairment losses	**26,167**	35,328	(9,161)	(25.93)
Impairment losses on other assets	**4**	19	(15)	(78.95)
Profit before income tax	**91,599**	91,364	235	0.26
Less: Income tax expenses	**5,175**	6,009	(834)	(13.88)
Net profit	**86,424**	85,355	1,069	1.25
Attributable to equity holders of the Bank	**86,270**	85,224	1,046	1.23
Attributable to non-controlling interests	**154**	131	23	17.56
Other comprehensive income	**288**	(6,650)	6,938	–
Total comprehensive income	**86,712**	78,705	8,007	10.17

Net Interest Income

During the reporting period, the Bank actively responded to downward pressure on the net interest margin in the banking industry, adhered to the differentiated development strategy, improved the efficiency of asset and liability allocation, promoted a balance between quantity and price as well as structural optimization, and realized a net interest income of RMB281,803 million for the year, representing an increase of RMB8,210 million, or 3.00% compared with the same period of the prior year, of which an increase of RMB30,261 million in net interest income was driven by the scale expansion, and a decrease of RMB22,051 million in net interest income was brought by the changes in interest rates. Net interest margin and net interest spread were 2.01% and 1.99%, respectively.

Analysis of Financial Statements

Average Yield of Interest-Earning Assets and Average Cost of Interest-Bearing Liabilities

In RMB million, except for percentages

Item	2023			2022		
	Average balance	Interest income/ expense	Average yield/ cost (%)	Average balance	Interest income/ expense	Average yield/ cost (%)
Assets						
Total loans to customers	**7,739,734**	**319,513**	**4.13**	6,899,837	309,240	4.48
Investments[(1)]	**4,315,237**	**139,081**	**3.22**	3,743,743	128,424	3.43
Deposits with central bank[(2)]	**1,231,316**	**20,003**	**1.62**	1,176,951	19,182	1.62
Deposits and placements with banks and other financial institutions[(3)]	**708,713**	**19,730**	**2.78**	629,301	17,394	2.76
Total interest-earning assets	**13,995,000**	**498,327**	**3.56**	12,449,832	474,240	3.81
Allowance for impairment losses on assets	**(270,945)**	**–**	**–**	(261,489)	–	–
Non-interest-earning assets[(4)]	**1,244,150**	**–**	**–**	1,196,773	–	–
Total assets	**14,968,205**	**–**	**–**	13,385,116	–	–
Liabilities						
Customer deposits	**13,208,698**	**202,666**	**1.53**	11,930,632	192,661	1.61
Deposits and placements from banks and other financial institutions[(5)]	**312,367**	**6,162**	**1.97**	224,456	4,132	1.84
Debt securities issued[(6)]	**253,738**	**7,137**	**2.81**	97,582	3,486	3.57
Borrowings from central bank	**30,843**	**559**	**1.81**	20,428	368	1.80
Total interest-bearing liabilities	**13,805,646**	**216,524**	**1.57**	12,273,098	200,647	1.63
Non-interest-bearing liabilities[(7)]	**237,882**	**–**	**–**	242,308	–	–
Total liabilities	**14,043,528**	**–**	**–**	12,515,406	–	–
Net Interest Income	**–**	**281,803**	**–**	–	273,593	–
Net interest spread[(8)]	**–**	**–**	**1.99**	–	–	2.18
Net interest margin[(9)]	**–**	**–**	**2.01**	–	–	2.20

Note (1): Consists of interest-earning assets in financial assets measured at fair value through other comprehensive income and financial assets measured at amortized cost.

Note (2): Consists of statutory deposit reserves and surplus deposit reserves.

Note (3): Consists of deposits with banks and other financial institutions, placements with banks and other financial institutions, and financial assets held under resale agreements.

Note (4): Consists of financial assets measured at fair value through profit or loss, cash, property and equipment, and deferred tax assets, etc.

Note (5): Consists of deposits from banks and other financial institutions, placements from banks and other financial institutions, and financial assets sold under repurchase agreements.

Note (6): Consists of qualified tier 2 capital instruments issued and interbank certificates of deposit.

Note (7): Consists of employee benefits payable, provisions and lease liabilities, etc.

Note (8): Calculated as the difference between the average yield of total interest-earning assets and the average cost of total interest-bearing liabilities.

Note (9): Calculated by dividing net interest income by the average balance of total interest-earning assets.

Changes in Net Interest Income Due to Changes in Volume and Interest Rate

In RMB million

	2023 vs 2022		
	Increase/(decrease)		
Item	**Volume**[1]	**Interest rate**[2]	**Total**[3]
Assets			
Total loans to customers	**34,673**	**(24,400)**	**10,273**
Investments	**18,419**	**(7,762)**	**10,657**
Deposits with central bank	**883**	**(62)**	**821**
Deposits and placements with banks and other financial institutions	**2,211**	**125**	**2,336**
Total changes in interest income	**56,186**	**(32,099)**	**24,087**
Liabilities			
Customer deposits	**19,610**	**(9,605)**	**10,005**
Deposits and placements from banks and other financial institutions	**1,734**	**296**	**2,030**
Debt securities issued	**4,392**	**(741)**	**3,651**
Borrowings from central bank	**189**	**2**	**191**
Total changes in interest expense	**25,925**	**(10,048)**	**15,877**
Changes in net interest income	**30,261**	**(22,051)**	**8,210**

Note (1): Represents the difference between the average balance for the period and the average balance for the previous period, multiplied by the average yield/cost for the period.

Note (2): Represents the difference between the average yield/cost for the period and the average yield/cost for the previous period, multiplied by the average balance for the previous period.

Note (3): Represents the difference between the interest income/expense for the period and the interest income/expense for the previous period.

Interest Income

During the reporting period, the Bank's interest income amounted to RMB498,327 million, representing an increase of RMB24,087 million, or 5.08% compared with the same period of the prior year. It was mainly because that the Bank focused on building a resource allocation system with RAROC as a yardstick, realizing steady growth in the interest-earning assets and continuous optimization of the asset structure.

Interest Income from Loans to Customers

During the reporting period, the Bank was committed to serving the real economy and continued to increase credit supply to Sannong customers, MSEs, corporate clients and others, realizing RMB319,513 million in interest income from loans to customers, representing an increase of RMB10,273 million, or 3.32% compared with the same period of the prior year.

Among them, interest income from personal loans amounted to RMB203,786 million, representing a decrease of RMB765 million, or 0.37% compared with the same period of the prior year. It was mainly because of the decrease in the interest income from personal residential mortgage loans as a result of the lower LPR and the adjustment of interest rates on existing mortgages loans. Additionally, the Bank achieved relatively rapid increase in the interest income of personal micro loans and other businesses due to rapid growth in scale, which partially offset the impact of interest rate cut on interest income.

Interest income from corporate loans amounted to RMB109,188 million, representing an increase of RMB13,354 million, or 13.93% compared with the same period of the prior year, primarily due to an increase in the average balance of corporate loans because the Bank comprehensively promoted a new "1 plus N" operation and service system for corporate finance and provided customers with comprehensive financial services to facilitate industrial transformation and upgrading as well as diversified development.

Analysis on Average Yield of Loans to Customers by Business Line

In RMB million, except for percentages

Item	2023			2022		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Personal loans	**4,264,355**	**203,786**	**4.78**	3,914,687	204,551	5.23
Corporate loans	**3,018,871**	**109,188**	**3.62**	2,494,670	95,834	3.84
Discounted bills	**456,508**	**6,539**	**1.43**	490,480	8,855	1.81
Total loans to customers	**7,739,734**	**319,513**	**4.13**	6,899,837	309,240	4.48

Analysis on Average Yield of Loans to Customers by Maturity Structure

In RMB million, except for percentages

Item	2023			2022		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Short-term loans	**2,753,695**	**107,961**	**3.92**	2,472,616	107,905	4.36
Medium- and long-term loans	**4,986,039**	**211,552**	**4.24**	4,427,221	201,335	4.55
Total loans to customers	**7,739,734**	**319,513**	**4.13**	6,899,837	309,240	4.48

Interest Income from Investments

During the reporting period, the Bank's interest income from investments amounted to RMB139,081 million, representing an increase of RMB10,657 million, or 8.30% compared with the same period of the prior year. It was mainly because the Bank focused on creating differentiated growth poles in the financial market, actively seized market opportunities and dynamically optimized asset allocation, leading to the increase in the average balance of financial investments such as bonds and interbank certificates of deposit.

Interest Income from Deposits with Central Bank

During the reporting period, the Bank's interest income from deposits with central bank amounted to RMB20,003 million, representing an increase of RMB821 million, or 4.28% compared with the same period of the prior year, primarily driven by the increase of the scale of deposit reserves.

Interest Income from Deposits and Placements with Banks and Other Financial Institutions

During the reporting period, the Bank's interest income from deposits and placements with banks and other financial institutions amounted to RMB19,730 million, representing an increase of RMB2,336 million, or 13.43% compared with the same period of the prior year. It was primarily because that the Bank seized the opportunity of higher interest rates, optimized the business structure, and increased the average balance of time deposits with banks and placements with banks. It was also driven by the improvement in average yield of bonds held under resale agreements.

Interest Expense

During the reporting period, the Bank adhered to the concept of value creation, stepped up top-level design and tapped into the potential of structural adjustments, resulting in the continuous improvement in the quality of liability business development with a further decreased cost of interest-bearing liabilities. The interest expense amounted to RMB216,524 million, representing an increase of RMB15,877 million, or 7.91% year on year, primarily due to the increased interest expense on customer deposits and debt securities issued. The average cost of interest-bearing liabilities was 1.57%, a year-on-year decrease of 6 bps.

Interest Expense on Customer Deposits

During the reporting period, following the development strategy of "quality over scale", the Bank vigorously promoted the development of value deposits through policy guideline such as performance appraisal and interest rate management. The average cost of deposits decreased by 8 bps year on year to 1.53%, among which the average cost of personal deposits decreased by 9 bps year on year. The Bank's interest expense on customer deposits amounted to RMB202,666 million, representing an increase of RMB10,005 million, or 5.19% year on year, primarily driven by the growth in the scale of deposits.

Analysis of Financial Statements

Analysis on Average Cost of Customer Deposits by Product Type

In RMB million, except for percentages

	2023			2022		
Item	**Average balance**	**Interest Expense**	**Average cost (%)**	**Average balance**	**Interest Expense**	**Average cost (%)**
Personal deposits						
Demand deposits	**3,007,188**	**6,550**	**0.22**	2,913,777	8,173	0.28
Time deposits	**8,748,546**	**176,781**	**2.02**	7,653,179	166,299	2.17
Subtotal	**11,755,734**	**183,331**	**1.56**	10,566,956	174,472	1.65
Corporate deposits						
Demand deposits	**932,518**	**8,101**	**0.87**	911,537	7,681	0.84
Time deposits	**520,446**	**11,234**	**2.16**	452,139	10,508	2.32
Subtotal	**1,452,964**	**19,335**	**1.33**	1,363,676	18,189	1.33
Total customer deposits	**13,208,698**	**202,666**	**1.53**	11,930,632	192,661	1.61

Interest Expense on Deposits and Placements from Banks and Other Financial Institutions

During the reporting period, the Bank's interest expense on deposits and placements from banks and other financial institutions amounted to RMB6,162 million, representing an increase of RMB2,030 million, or 49.13% compared with the same period of the prior year, primarily driven by the growth in the scale of bonds sold under repurchase agreements and the increase in the costs of borrowing in US dollars.

Interest Expense on Debt Securities Issued

During the reporting period, the Bank's interest expense on debt securities issued amounted to RMB7,137 million, representing an increase of RMB3,651 million, or 104.73% compared with the same period of the prior year. It was mainly because the Bank proactively optimized the liability structure and issued interbank certificates of deposit and tier 2 capital bonds, with an increase in scale.

Net Fee and Commission Income

During the reporting period, the Bank attached greater emphasis on capacity building, focused on key products, and continued to advance the diversified development of intermediary business. The net fee and commission income amounted to RMB28,252 million for the year, representing a year-on-year decrease of RMB182 million, or 0.64%. Excluding the one-off factor of the transformation to net-value wealth management products in the prior year, the net fee and commission income increased by 12.05% year on year, which continued to maintain a double-digit growth.

Fee and commission income amounted to RMB51,104 million, representing a year-on-year increase of RMB1,359 million, or 2.73%. Specifically, agency business fee income amounted to RMB20,857 million, representing a year-on-year increase of RMB4,058 million, or 24.16%. It was mainly because the Bank actively developed differentiated growth poles for wealth management, focused on customer needs, enriched its products, and improved capability of resource allocation, achieving rapid growth in the income from its wealth management business. Fee income from bank cards business amounted to RMB11,925 million, representing a year-on-year increase of RMB43 million, or 0.36%. It was mainly because the Bank deepened institutional and mechanism reforms of the credit card business, strengthened product innovation, further developed the business district and scenario system, and achieved a stable growth of credit card business fee income. Fee and commission income from settlement and clearing amounted to RMB10,230 million, representing a year-on-year increase of RMB695 million, or 7.29%. It was mainly because the Bank promoted scenario-based and digital transformation of settlement products, resulting in fast growth in income from corporate settlement business. Wealth management fee income amounted to RMB2,821 million, representing a year-on-year decrease of RMB4,785 million, or 62.91%, primarily due to the one-off factor for the transformation to net-value products in the prior year and a decreased scale of wealth management products. Investment banking fee income amounted to RMB2,388 million, representing a year-on-year increase of RMB717 million, or 42.91%. It was mainly because the Bank enhanced the synergy between investment banking and commercial banking, stimulated operational efficiency of business development, accelerated the growth of bond financing, syndicated loans, etc. and realized rapid growth in the investment banking income. Other business income amounted to RMB1,752 million, representing a year-on-year increase of RMB714 million, or 68.79%, which was mainly because the Bank focused on the dual-drive of "settlement plus financing" and realized rapid growth in the fee income from businesses such as off-balance sheet bills and letters, supply chain finance, etc.

Fee and commission expense amounted to RMB22,852 million, representing a year-on-year increase of RMB1,541 million, or 7.23%, primarily due to an increase in commission expenses as a result of the growth in the scale of sales of financial products at postal agency outlets.

Components of Net Fee and Commission Income

In RMB million, except for percentages

Item	2023	2022	Increase/ (decrease)	Change (%)
Agency business	**20,857**	16,799	4,058	24.16
Bank cards business	**11,925**	11,882	43	0.36
Settlement and clearing	**10,230**	9,535	695	7.29
Wealth management	**2,821**	7,606	(4,785)	(62.91)
Investment banking	**2,388**	1,671	717	42.91
Custody business	**1,131**	1,214	(83)	(6.84)
Others	**1,752**	1,038	714	68.79
Fee and commission income	**51,104**	49,745	1,359	2.73
Less: Fee and commission expense	**22,852**	21,311	1,541	7.23
Net fee and commission income	**28,252**	28,434	(182)	(0.64)

Analysis of Financial Statements

Net Other Non-Interest Income

During the reporting period, the Bank's net other non-interest income amounted to RMB32,857 million, representing a decrease of RMB507 million, or 1.52% compared with the same period of the prior year.

In particular, net trading gains and net gains on investment securities totaled RMB29,179 million, representing an increase of RMB3,947 million, or 15.64% compared with the same period of the prior year. It was mainly because that the Bank further created differentiated growth poles in the financial market, continued to optimize the allocation of non-interest assets, and increased the investment in securities investment funds with less capital consumption and tax benefits in recent years, leading to increased dividend income. It also leveraged the advantages of its interbank ecosystem to accelerate the flow of bill transactions, resulting in increased buy-sell spread income. Furthermore, it continuously optimized the investment portfolio structure, leading to higher valuations of bonds and securities investment fund, which also contributed to the increase.

Net gains on derecognition of financial assets measured at amortized cost amounted to RMB2,242 million, representing an increase of RMB1,322 million, or 143.70% compared with the same period of the prior year, primarily due to the gains from the issuance of NPA securitization products as the Bank accelerated the NPA disposal.

Net other operating gains amounted to RMB1,418 million, representing a decrease of RMB5,791 million, or 80.33% compared with the same period of the prior year, primarily due to the fluctuation of the exchange rate of the U.S. dollar against the RMB and the impact on the base number due to redemption of preference shares in the prior year.

Components of Net Other Non-Interest Income

In RMB million, except for percentages

Item	2023	2022	Increase/ (decrease)	Change (%)
Net trading gains	**4,460**	3,673	787	21.43
Net gains on investment securities	**24,719**	21,559	3,160	14.66
Net gains on derecognition of financial assets measured at amortized cost	**2,242**	920	1,322	143.70
Net other operating gains	**1,418**	7,209	(5,791)	(80.33)
Share of results of associates	**18**	3	15	500.00
Total	**32,857**	33,364	(507)	(1.52)

Operating Expenses

During the reporting period, the Bank upheld control over total volume, prioritized profitability and rationally allocated cost resources. Operating expenses amounted to RMB225,142 million, representing an increase of RMB16,462 million, or 7.89% compared with the same period of the prior year.

In particular, deposit agency fee and others amounted to RMB114,924 million, representing an increase of RMB12,676 million, or 12.40% compared with the same period of the prior year, primarily due to an increase in scale of personal deposits taken by postal agency outlets. Staff costs amounted to RMB64,017 million, representing an increase of RMB1,139 million, or 1.81% compared with the same period of the prior year. Depreciation and amortization stood at RMB12,128 million, representing an increase of RMB828 million, or 7.33% compared with the same period of the prior year, mainly because the Bank further implemented technology empowerment strategies, accelerated digital and intelligent transformation and continuously increased investment in information technology, driving increase in depreciation of property and equipment as well as amortization of intangible assets.

Major Components of Operating Expenses

In RMB million, except for percentages

Item	2023	2022	Increase/ (decrease)	Change (%)
Deposit agency fee and others	**114,924**	102,248	12,676	12.40
Staff costs	**64,017**	62,878	1,139	1.81
Depreciation and amortization	**12,128**	11,300	828	7.33
Taxes and surcharges	**2,703**	2,620	83	3.17
Other expenses	**31,370**	29,634	1,736	5.86
Total operating expenses	**225,142**	208,680	16,462	7.89

Credit Impairment Losses

During the reporting period, the Bank adhered to a prudent risk management policy and made a provision for impairment in an objective and reasonable manner. Credit impairment losses amounted to RMB26,167 million, representing a decrease of RMB9,161 million, or 25.93% compared with the same period of the prior year. It was mainly because that as China’s economy recovered with an upward momentum, the Bank’s credit asset quality remained stable, and the provision for impairment losses on loans decreased compared with the same period of the prior year.

Analysis of Financial Statements

Income Tax Expenses

During the reporting period, the Bank's income tax expenses amounted to RMB5,175 million, representing a decrease of RMB834 million, or 13.88% compared with the same period of the prior year, mainly due to the tax saving effect as the Bank actively optimized the business structure, with increase in tax-reduced and tax-free income.

Segment Information

Operating Income by Operating Segment

In RMB million, except for percentages

	2023		2022	
Item	**Amount**	**Percentage (%)**	**Amount**	**Percentage (%)**
Personal banking	**249,750**	**72.83**	234,872	70.03
Corporate banking	**56,634**	**16.52**	51,324	15.30
Treasury business	**35,919**	**10.47**	48,572	14.48
Others	**609**	**0.18**	623	0.19
Total operating income	**342,912**	**100.00**	335,391	100.00

For further details of business scope of each segment, please refer to "Notes to the Consolidated Financial Statements – 44.1 Operating segment".

Operating Income by Geographical Segment

In RMB million, except for percentages

	2023		2022	
Item	**Amount**	**Percentage (%)**	**Amount**	**Percentage (%)**
Head Office	**(15,832)**	**(4.62)**	9,290	2.77
Yangtze River Delta	**58,564**	**17.08**	52,957	15.79
Pearl River Delta	**47,825**	**13.95**	44,196	13.18
Bohai Rim	**55,732**	**16.25**	50,299	15.00
Central China	**101,416**	**29.58**	92,198	27.48
Western China	**71,925**	**20.97**	65,598	19.56
Northeastern China	**23,282**	**6.79**	20,853	6.22
Total operating income	**342,912**	**100.00**	335,391	100.00

For further details of the scope of each geographical segment, please refer to "Notes to the Consolidated Financial Statements – 44.2 Geographical segment".

Balance Sheet Analysis

Assets

The Bank fully implemented the decisions and plans of the CPC Central Committee, stayed true to the fundamental purpose of serving the real economy with financial services, coordinated asset allocation and channeled more financial resources into the real economy. During the reporting period, the Bank strengthened the synergy between assets and liabilities as well as scale and profitability, used RAROC as the yardstick, further optimized its asset structure and improved its value creation capability. Relying on resource endowment, the Bank continuously increased credit supply to key areas and weak links, leading to a steady increase in the loan-to-deposit ratio and the percentage of credit assets in total assets. The Bank strengthened prediction of market trends, highlighted investment analysis as guidance, optimized non-credit business layout and improved the efficiency of fund use.

As at the end of the reporting period, the Bank's total assets amounted to RMB15,726,631 million, representing an increase of RMB1,659,349 million, or 11.80% compared with the prior year-end, of which net loans to customers amounted to RMB7,915,245 million, representing an increase of RMB937,535 million, or 13.44% compared with the prior year-end; financial investments amounted to RMB5,387,588 million, representing an increase of RMB428,689 million, or 8.64% compared with the prior year-end. In terms of the structure, net loans to customers accounted for 50.33% of total assets, representing an increase of 0.73 percentage point compared with the prior year-end; financial investments accounted for 34.26% of total assets, representing a decrease of 0.99 percentage point compared with the prior year-end. Loan-to-deposit ratio was 58.39%, representing an increase of 1.68 percentage points compared with the prior year-end; the asset structure was further optimized.

Key Items of Assets

In RMB million, except for percentages

	December 31, 2023		December 31, 2022	
Item	**Amount**	**Percentage (%)**	**Amount**	**Percentage (%)**
Total loans to customers	**8,148,893**	**–**	7,210,433	–
Less: Allowance for impairment losses on loans(1)	**233,648**	**–**	232,723	–
Loans to customers, net	**7,915,245**	**50.33**	6,977,710	49.60
Financial investments	**5,387,588**	**34.26**	4,958,899	35.25
Cash and deposits with central bank	**1,337,501**	**8.50**	1,263,951	8.99
Deposits with banks and other financial institutions	**189,216**	**1.20**	161,422	1.15
Placements with banks and other financial institutions(2)	**297,742**	**1.89**	303,836	2.16
Financial assets held under resale agreements	**409,526**	**2.60**	229,870	1.63
Other assets(2)	**189,813**	**1.22**	171,594	1.22
Total assets	**15,726,631**	**100.00**	14,067,282	100.00

Note (1): Allowance for impairment losses on loans to customers measured at amortized cost.

Note (2): In accordance with the relevant regulations under the Interim Measures for the Management of Gold Leasing Business (Yin Ban Fa [2022] No.88) issued by the General Administration Department of the PBC, starting from 2023, the gold leasing business conducted between the Bank and other financial institutions should be presented in "placements with banks and other financial institutions" instead of "other assets" and the relevant data of the comparative period should be adjusted accordingly.

Analysis of Financial Statements

Loans to Customers

As at the end of the reporting period, total loans to customers amounted to RMB8,148,893 million, representing an increase of RMB938,460 million, or 13.02% compared with the prior year-end.

Loans to Customers by Business Line

In RMB million, except for percentages

	December 31, 2023		December 31, 2022	
Item	**Amount**	**Percentage (%)**	**Amount**	**Percentage (%)**
Personal loans	**4,470,248**	**54.86**	4,046,105	56.11
Corporate loans	**3,214,471**	**39.45**	2,669,362	37.02
Discounted bills	**464,174**	**5.69**	494,966	6.87
Total loans to customers	**8,148,893**	**100.00**	7,210,433	100.00

Loans to Customers by Maturity

In RMB million, except for percentages

	December 31, 2023		December 31, 2022	
Item	**Amount**	**Percentage (%)**	**Amount**	**Percentage (%)**
Short-term loans	**2,845,045**	**34.91**	2,607,204	36.16
Medium- and long-term loans	**5,303,848**	**65.09**	4,603,229	63.84
Total loans to customers	**8,148,893**	**100.00**	7,210,433	100.00

Loans to Customers by Geographical Region

In RMB million, except for percentages

	December 31, 2023		December 31, 2022	
Item	**Amount**	**Percentage (%)**	**Amount**	**Percentage (%)**
Head Office	**363,568**	**4.46**	351,522	4.88
Yangtze River Delta	**1,693,237**	**20.78**	1,464,429	20.31
Pearl River Delta	**1,052,519**	**12.92**	946,038	13.12
Bohai Rim	**1,237,696**	**15.19**	1,079,811	14.98
Central China	**1,997,777**	**24.51**	1,772,273	24.57
Western China	**1,384,281**	**16.99**	1,217,601	16.89
Northeastern China	**419,815**	**5.15**	378,759	5.25
Total loans to customers	**8,148,893**	**100.00**	7,210,433	100.00

Personal Loans

As at the end of the reporting period, the Bank's total personal loans amounted to RMB4,470,248 million, representing an increase of RMB424,143 million, or 10.48% compared with the prior year-end.

In particular, personal consumer loans amounted to RMB2,858,741 million, representing an increase of RMB130,096 million, or 4.77% compared with the prior year-end, RMB67,381 million more than the increment in the same period of the prior year. This was primarily because the Bank offered full support to meet the needs of first-time home buyers and improvement needs, grasped the opportunities brought by the development of consumer credit market, strengthened the innovation of scenario services and marketing models, and created an intelligent and digital online consumer loan product system to meet diversified consumer credit needs of residents, thus resulting in steady growth in personal consumer loans.

Personal micro loans amounted to RMB1,392,227 million, representing an increase of RMB257,033 million, or 22.64% compared with the prior year-end, RMB37,193 million more than the increment in the same period of the prior year, with the incremental amount hitting a new historical high. This was mainly because the Bank further implemented the rural revitalization strategy, continued to significantly boost credit extensions in key fields of rural revitalization, steadily promoted the development of the rural credit system, conducted universal credit extension to rural households, strengthened customer segmentation and classification operation, and actively created differentiated competitive advantages in the rural market. The growth rate of micro loans exceeded 20% for four consecutive years.

Credit card overdrafts and others amounted to RMB219,280 million, representing an increase of RMB37,014 million, or 20.31% compared with the prior year-end, RMB29,617 million more than the increment in the same period of the prior year. This was mainly because the Bank further promoted institutional and mechanism reforms of the credit card business, focused on building intensive operation and differentiated development capabilities, strengthened credit card customer expansion and comprehensive marketing, accelerated product innovation, enriched the types of product benefits, and continued to improve customer comprehensive service capabilities, resulting in fast growth in business scale.

Personal Loans by Product Type

In RMB million, except for percentages

	December 31, 2023		December 31, 2022	
Item	**Amount**	**Percentage (%)**	**Amount**	**Percentage (%)**
Consumer loans	**2,858,741**	**63.95**	2,728,645	67.44
Residential mortgage loans	**2,337,991**	**52.30**	2,261,763	55.90
Other consumer loans	**520,750**	**11.65**	466,882	11.54
Personal micro loans(1)	**1,392,227**	**31.14**	1,135,194	28.06
Credit card overdrafts and others	**219,280**	**4.91**	182,266	4.50
Total personal loans	**4,470,248**	**100.00**	4,046,105	100.00

Note (1): Personal micro loans mainly include loans granted for personal businesses.

Analysis of Financial Statements

Corporate Loans

As at the end of the reporting period, the Bank's total corporate loans amounted to RMB3,214,471 million, representing an increase of RMB545,109 million, or 20.42% compared with the prior year-end, RMB129,683 million more than the increment in the same period of the prior year, with the incremental amount hitting a new historical high. This was mainly because the Bank implemented the major national strategic plans, and significantly boosted credit extensions in key fields like advanced manufacturing, strategic emerging industries, specialized and sophisticated enterprises that produce new and unique products, inclusive finance and green finance. Meanwhile, the Bank accelerated the development of differentiated growth poles in microfinance, and established a customer-centric, diversified and full-scenario marketing service system to provide enterprises with distinctive, integrated and professional comprehensive financial services, resulting in fast growth in the scale of small business and corporate loans.

As at the end of the reporting period, the top five industries to which the Bank granted corporate loans were transportation, storage and postal services; manufacturing; financial services; production and supply of electricity, heating, gas and water; and real estate industry. The balance of loans extended to the top five industries in aggregate accounted for 67.88% of total corporate loans, representing a decrease of 3.69 percentage points compared with the prior year-end.

Corporate Loans by Industry

In RMB million, except for percentages

	December 31, 2023		December 31, 2022	
Item	**Amount**	**Percentage (%)**	**Amount**	**Percentage (%)**
Transportation, storage and postal services	**859,031**	**26.72**	780,283	29.24
Manufacturing	**509,819**	**15.86**	409,673	15.35
Financial services	**286,117**	**8.90**	254,629	9.54
Production and supply of electricity, heating, gas and water	**274,330**	**8.53**	254,075	9.52
Real estate	**253,086**	**7.87**	211,525	7.92
Wholesale and retail	**237,693**	**7.39**	179,418	6.72
Leasing and commercial services	**209,006**	**6.50**	148,482	5.56
Construction	**198,542**	**6.18**	154,868	5.80
Water conservancy, environmental and public facilities management	**185,950**	**5.78**	128,776	4.82
Mining	**84,412**	**2.64**	70,036	2.62
Other industries[1]	**116,485**	**3.63**	77,597	2.91
Total corporate loans	**3,214,471**	**100.00**	2,669,362	100.00

Note (1): Other industries consist of the agriculture, forestry, animal husbandry, fishery; information transmission, computer services and the software industry, etc.

Discounted Bills

As at the end of the reporting period, the Bank's discounted bills amounted to RMB464,174 million, representing a decrease of RMB30,792 million, or 6.22% compared with the prior year-end, mainly because the Bank continued to optimize the business structure and reduced the size of lower-yielding bill assets.

Financial Investments

During the reporting period, the Bank continued to highlight investment analysis as guidance, focused on creating differentiated growth poles in the financial market, continuously optimized the structure of its investment business, strengthened its research and prediction on market trend, and reasonably adjusted the investment pace, resulting in a steady growth in the scale of financial investments.

As at the end of the reporting period, the Bank's financial investments amounted to RMB5,387,588 million, representing an increase of RMB428,689 million, or 8.64% compared with the prior year-end.

In terms of product, the increase was primarily in the scale of debt securities and interbank certificates of deposit, etc. Among them, investment in debt securities amounted to RMB4,076,190 million, representing an increase of RMB391,881 million or 10.64% compared with the prior year-end, while that in interbank certificates of deposit amounted to RMB485,719 million, representing an increase of RMB81,709 million or 20.22% compared with the prior year-end.

In terms of measurement approach, the increase was primarily in financial assets measured at amortized cost and financial assets measured at fair value through other comprehensive income. Among them, the financial assets measured at amortized cost amounted to RMB3,988,210 million, representing an increase of RMB318,612 million or 8.68% compared with the prior year-end, which was primarily attributable to the increase in the scale of investment in bonds issued by financial institutions, government bonds and others; and the financial assets measured at fair value through other comprehensive income amounted to RMB510,862 million, representing an increase of RMB85,344 million, or 20.06% compared with the prior year-end.

Analysis of Financial Statements

Investments by Product

In RMB million, except for percentages

Item	December 31, 2023		December 31, 2022	
	Amount	Percentage (%)	Amount	Percentage (%)
Debt securities	**4,076,190**	**75.66**	3,684,309	74.30
Securities investment funds	**522,160**	**9.69**	523,774	10.56
Interbank certificates of deposits	**485,719**	**9.02**	404,010	8.15
Trust investment plans	**149,319**	**2.77**	200,179	4.04
Asset management plans	**135,556**	**2.52**	122,943	2.48
Others	**18,644**	**0.34**	23,684	0.47
Total financial investments	**5,387,588**	**100.00**	4,958,899	100.00

Financial Investments by Measurement Approach

In RMB million, except for percentages

Item	December 31, 2023		December 31, 2022	
	Amount	Percentage (%)	Amount	Percentage (%)
Financial assets measured at fair value through profit or loss	**888,516**	**16.49**	863,783	17.42
Financial assets measured at fair value through other comprehensive income	**510,862**	**9.48**	425,518	8.58
Financial assets measured at amortized cost	**3,988,210**	**74.03**	3,669,598	74.00
Total financial investments	**5,387,588**	**100.00**	4,958,899	100.00

Investment Structure by Type of Investment Instruments

In RMB million, except for percentages

Item	December 31, 2023		December 31, 2022	
	Amount	Percentage (%)	Amount	Percentage (%)
Debt instruments	**5,378,359**	**99.83**	4,947,575	99.77
Equity instruments	**9,229**	**0.17**	11,324	0.23
Total financial investments	**5,387,588**	**100.00**	4,958,899	100.00

Investments in Debt Securities

As at the end of the reporting period, the Bank's investments in debt securities amounted to RMB4,076,190 million, representing an increase of RMB391,881 million, or 10.64% compared with the prior year-end, mainly because the Bank deepened development of the investment analysis system, acted proactively to analyse and predict interest rate trend in the market, optimized the categories of bond investment and portfolio duration, dynamically adjusted the pace of allocation and increased investments in financial bonds of policy banks and local government bonds with less capital consumption and tax benefits.

Investments in Debt Securities by Issuing Institution

In RMB million, except for percentages

	December 31, 2023		December 31, 2022	
Item	**Amount**	**Percentage (%)**	**Amount**	**Percentage (%)**
Bonds issued by financial institutions	**2,146,311**	**52.65**	1,937,743	52.59
Government bonds	**1,662,081**	**40.78**	1,538,424	41.76
Corporate bonds	**267,798**	**6.57**	208,142	5.65
Total investments in debt securities	**4,076,190**	**100.00**	3,684,309	100.00

Investments in Debt Securities by Remaining Maturity

In RMB million, except for percentages

	December 31, 2023		December 31, 2022	
Item	**Amount**	**Percentage (%)**	**Amount**	**Percentage (%)**
Overdue	**10**	**0.00**	10	0.00
Within 3 months	**180,029**	**4.42**	141,658	3.84
3-12 months	**224,946**	**5.52**	318,637	8.65
1-5 years	**1,871,424**	**45.92**	1,524,403	41.38
Over 5 years	**1,799,781**	**44.14**	1,699,601	46.13
Total investments in debt securities	**4,076,190**	**100.00**	3,684,309	100.00

Investments in Debt Securities by Currency

In RMB million, except for percentages

	December 31, 2023		December 31, 2022	
Item	**Amount**	**Percentage (%)**	**Amount**	**Percentage (%)**
RMB	**4,019,099**	**98.60**	3,629,861	98.52
Foreign currencies	**57,091**	**1.40**	54,448	1.48
Total investments in debt securities	**4,076,190**	**100.00**	3,684,309	100.00

Financial Bonds

As at the end of the reporting period, the Bank held RMB2,146,311 million of financial bonds issued by financial institutions, of which, bonds issued by policy banks amounted to RMB1,858,240 million, accounting for 86.58% of the total.

The Top Ten Financial Bonds in Terms of Par Value

In RMB million, except for percentages

Debt Securities	Par value	Annual interest rates (%)	Maturity date	Allowance for impairment losses[1]
2015 Policy Financial Bonds	62,605.95	3.71	2025/8/31	–
2021 Policy Financial Bonds	47,985.00	3.41	2031/6/7	–
2021 Policy Financial Bonds	37,880.00	3.12	2031/9/13	–
2015 Policy Financial Bonds	36,823.26	2.90	2035/9/28	–
2021 Policy Financial Bonds	35,220.00	3.66	2031/3/1	–
2017 Policy Financial Bonds	34,490.00	4.04	2027/4/10	–
2016 Policy Financial Bonds	33,650.00	3.05	2026/8/25	–
2019 Policy Financial Bonds	33,560.00	3.48	2029/1/8	–
2017 Policy Financial Bonds	32,160.00	4.30	2024/8/21	–
2019 Policy Financial Bonds	31,980.00	3.28	2024/2/11	–

Note (1): Excludes allowance for impairment losses for the stage 1 set aside in accordance with the new financial instrument standards.

Liabilities

The Bank earnestly implemented regulatory requirements, established and improved the liability quality management system, and regarded high-quality liabilities as the basis for stable operations and the support for serving the real economy. During the reporting period, the Bank continuously solidified the number and quality of customers, and carried out core liability businesses with personal deposits as the focus, achieving a steady growth in the scale and sustaining a stable source. It took the initiative to expand funding channels and improved diversity in liability structure. It scientifically made overall arrangements for funding sources and the total amount, structure and pace of utilization to comprehensively balance liquidity and profitability. It adhered to compliance management, carried out transactions, accounting and statistics of liabilities in a legally compliant way, and firmly guarded against risks. The quality of liability business development remained stable and saw a moderate increase, with the relevant indicators performing well.

As at the end of the reporting period, the Bank's total liabilities amounted to RMB14,770,015 million, representing an increase of RMB1,528,547 million, or 11.54% compared with the prior year-end, among which, customer deposits amounted to RMB13,955,963 million, representing an increase of RMB1,241,478 million, or 9.76% compared with the prior year-end; deposits and placements from banks and other financial institutions and financial assets sold under repurchase agreements amounted to a total of RMB428,879 million, representing an increase of RMB123,764 million, or 40.56% compared with the prior year-end. It was mainly because the Bank optimized the structure of its liability business and seized opportunities to increase the scale of interbank liabilities.

Analysis of Financial Statements

Key Items of Liabilities

In RMB million, except for percentages

	December 31, 2023		December 31, 2022	
Item	**Amount**	**Percentage (%)**	**Amount**	**Percentage (%)**
Customer deposits	**13,955,963**	**94.49**	12,714,485	96.02
Deposits from banks and other financial institutions	**95,303**	**0.65**	78,770	0.59
Placements from banks and other financial institutions	**60,212**	**0.41**	42,699	0.32
Financial assets sold under repurchase agreements	**273,364**	**1.85**	183,646	1.39
Debt securities issued	**261,138**	**1.77**	101,910	0.77
Borrowings from central bank	**33,835**	**0.23**	24,815	0.19
Other liabilities	**90,200**	**0.60**	95,143	0.72
Total liabilities	**14,770,015**	**100.00**	13,241,468	100.00

Customer Deposits

As at the end of the reporting period, the Bank's customer deposits amounted to RMB13,955,963 million, representing an increase of RMB1,241,478 million, or 9.76% compared with the prior year-end. The scale of core liabilities maintained a steady growth.

In particular, personal deposits amounted to RMB12,494,856 million, representing an increase of RMB1,212,659 million, or 10.75% compared with the prior year-end. It was mainly because the Bank continued to optimize the structure of deposits by promoting both the volume and quality of personal deposits in depth, and realized rapid growth of deposits with maturities of one year or less. Corporate deposits amounted to RMB1,458,437 million, representing an increase of RMB28,871 million, or 2.02% compared with the prior year-end. It was mainly because the Bank constantly improved the financial service capability for corporate customers, and achieved a growth in corporate time deposits.

Customer Deposits by Product and Customer

In RMB million, except for percentages

Item	December 31, 2023		December 31, 2022	
	Amount	Percentage (%)	Amount	Percentage (%)
Personal deposits	**12,494,856**	**89.53**	11,282,197	88.73
Demand deposits	**3,146,947**	**22.55**	3,185,218	25.05
Time deposits	**9,347,909**	**66.98**	8,096,979	63.68
Corporate deposits	**1,458,437**	**10.45**	1,429,566	11.24
Demand deposits	**881,226**	**6.31**	924,174	7.27
Time deposits	**577,211**	**4.14**	505,392	3.97
Other deposits[1]	**2,670**	**0.02**	2,722	0.03
Customer deposits	**13,955,963**	**100.00**	12,714,485	100.00

Note (1): Other deposits consist of remittance payable, credit card deposits and outbound remittance, etc.

Customer Deposits by Geographical Region

In RMB million, except for percentages

Item	December 31, 2023		December 31, 2022	
	Amount	Percentage (%)	Amount	Percentage (%)
Head Office	**2,611**	**0.02**	2,441	0.02
Yangtze River Delta	**2,253,741**	**16.15**	2,000,354	15.73
Pearl River Delta	**1,261,259**	**9.04**	1,166,980	9.18
Bohai Rim	**2,118,581**	**15.18**	1,944,364	15.29
Central China	**4,352,943**	**31.19**	3,960,154	31.15
Western China	**2,936,282**	**21.04**	2,707,062	21.29
Northeastern China	**1,030,546**	**7.38**	933,130	7.34
Customer deposits	**13,955,963**	**100.00**	12,714,485	100.00

Customer Deposits by Remaining Maturity

In RMB million, except for percentages

Item	December 31, 2023		December 31, 2022	
	Amount	Percentage (%)	Amount	Percentage (%)
Repayable on demand	**4,077,821**	**29.22**	4,200,104	33.04
Within 3 months	**3,782,457**	**27.10**	3,134,230	24.65
3-12 months	**4,717,812**	**33.81**	3,983,662	31.33
1-5 years	**1,377,873**	**9.87**	1,396,489	10.98
Over 5 years	**–**	**–**	–	–
Customer deposits	**13,955,963**	**100.00**	12,714,485	100.00

Analysis of Financial Statements

Equity

As at the end of the reporting period, the Bank's total equity amounted to RMB956,616 million, representing an increase of RMB130,802 million, or 15.84% compared with the prior year-end, among which: net proceeds raised by non-public issuance of ordinary shares of A shares were RMB44,980 million; proceeds raised by the issuance of perpetual bonds were RMB30 billion; net profit was RMB86,424 million; and distributed dividends on ordinary shares and perpetual bonds were RMB30,890 million.

Composition of Equity

In RMB million, except for percentages

	December 31, 2023		December 31, 2022	
Item	Amount	Percentage (%)	Amount	Percentage (%)
Share capital	**99,161**	**10.37**	92,384	11.19
Other equity instruments – perpetual bonds	**169,986**	**17.77**	139,986	16.95
Capital reserve	**162,682**	**17.01**	124,479	15.07
Other comprehensive income	**5,034**	**0.53**	4,918	0.60
Surplus reserve	**67,010**	**7.00**	58,478	7.08
General reserve	**201,696**	**21.08**	178,784	21.65
Retained earnings	**249,304**	**26.06**	225,196	27.27
Equity attributable to equity holders of the Bank	**954,873**	**99.82**	824,225	99.81
Non-controlling interests	**1,743**	**0.18**	1,589	0.19
Total equity	**956,616**	**100.00**	825,814	100.00

Off-Balance Sheet Items

The Bank's off-balance sheet items primarily include derivative financial instruments, contingent liabilities and commitments.

Derivative financial instruments mainly include interest rate contracts, exchange rate contracts and others. For details of notional amount and fair value of derivative financial instruments, please refer to "Notes to the Consolidated Financial Statements – 18 Derivative financial assets and liabilities".

Contingent liabilities and commitments mainly consist of lawsuits and claims, capital commitments, credit commitments, collateralized and pledged assets, and commitments on redemption of government bonds. For details of contingent liabilities and commitments, please refer to "Notes to the Consolidated Financial Statements – 42 Contingent liabilities and commitments". Credit commitments consist of loan commitments, bank acceptances, guarantees and letters of guarantee, letters of credit and unused credit card commitments.

Components of Credit Commitments

In RMB million, except for percentages

	December 31, 2023		December 31, 2022	
Item	**Amount**	**Percentage (%)**	**Amount**	**Percentage (%)**
Loan commitments	**54,667**	**6.33**	91,593	13.11
Bank acceptances	**161,994**	**18.77**	95,218	13.62
Guarantees and letters of guarantee	**90,880**	**10.53**	56,229	8.05
Letters of credit	**95,177**	**11.03**	65,535	9.38
Unused credit card commitments	**460,229**	**53.34**	390,287	55.84
Total credit commitments	**862,947**	**100.00**	698,862	100.00

Analysis of Cash Flow Statement

During the reporting period, net cash inflow generated from operating activities of the Bank was RMB263,337 million, a year-on-year decrease of RMB211,577 million, mainly due to the increase in cash paid for loans to customers and the decrease in cash received from bonds sold under repurchase agreements during the current period as compared to the previous year.

During the reporting period, net cash outflow used in investing activities of the Bank amounted to RMB242,428 million, representing a year-on-year decrease of RMB269,079 million, primarily due to the increase in cash received from maturity of investments in debt securities as compared to the previous year.

During the reporting period, net cash inflow generated from financing activities of the Bank was RMB192,247 million, compared with a net cash outflow of RMB37,737 million in the previous year, mainly due to the increase in cash received from the issuance of interbank certificates of deposit during the current period.

Other Financial Information

Explanation of Changes in Accounting Policies

There were no significant changes in accounting policies of the Bank during the reporting period.

Explanation of Differences in Financial Statements Prepared Under Domestic and International Accounting Standards

There was no difference between the net profit attributable to equity holders of the Bank in 2023 and the equity attributable to equity holders of the Bank at the end of 2023 in the financial statements prepared by the Bank under PRC GAAP and the corresponding figures prepared by the Bank under IFRSs.

Information on Debt Securities

During the reporting period, the Bank did not issue any enterprise bonds, corporate bonds or debt financing instruments of non-financial enterprises that need to be disclosed in accordance with the Standards Concerning the Contents and Formats of Information Disclosure by Companies Publicly Offering Securities No. 2 – Contents and Formats of Annual Reports and the Management Measures for the Information Disclosure of Corporate Credit Bonds.

Business Overview

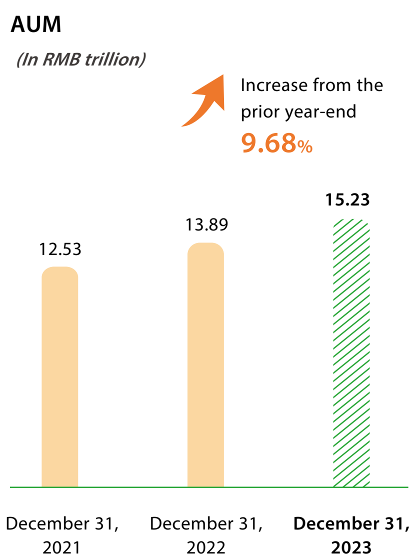
Retail Banking Business

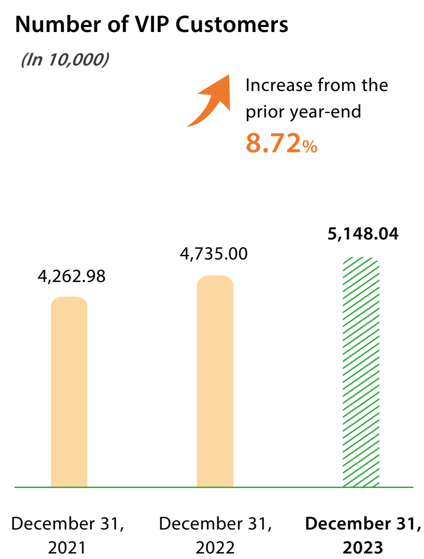
The Bank served **663** million personal customers.

Its AUM of personal customers was RMB **15.23** trillion, an increase of RMB **1.34** trillion over the prior year-end.

Income of personal banking business grew by **6.33**% year on year, accounting for **72.83**% of the operating income, up by **2.8** percentage points year on year.

The balance of micro personal loans was RMB **1.39** trillion, up by RMB **257,033** million over the prior year-end, and the growth rate exceeded **20**% for four consecutive years.





Unswervingly following the strategy of building a first-tier large retail bank and remaining committed to serving the people through financial services, the Bank focused on improving major capabilities in six aspects, built differentiated competitive advantages with innovation, and applied the new development philosophy, to contribute to China's building as a financial powerhouse. As at the end of the reporting period, the income of personal banking business grew by 6.33% year on year, accounting for 72.83% of the operating income, which was up by 2.8 percentage points year on year. The Bank served 663 million personal customers, with its AUM reaching RMB15.23 trillion, an increase of RMB1.34 trillion over the prior year-end. Personal deposits totaled RMB12.49 trillion, up by RMB1.21 trillion from the prior year-end, and personal loans amounted to RMB4.47 trillion, up by RMB424,143 million from the prior year-end.

The Bank continued to create value for customers and worked hand in hand with customers to paint a picture of a better life with the power of finance. Focusing on customer investment needs, the Bank enhanced the professional capabilities of asset allocation, captured market opportunities, selected high-quality products and educated and accompanied customers over the long term, so as to enhance their investment experience. Focusing on customer consumption demand, the Bank innovated credit card products and built a "One City, One Mall" system of preferential merchants. Through online acceptance and smart lending approval, the Bank provided customers the proactive credit extension service that features instant approval and extension, and improved the availability of credit services. The Bank explored the building of a new ecosystem for open banking, accelerated the integration of finance and life, outlets and business districts as well as online and offline operations, and created more than 1,300 "smart+" scenarios.

The Bank accelerated the FinTech innovation, and created new edges in customer services with new quality productive forces. The Bank comprehensively upgraded the CRM platform (customer relationship management system), and integrated it with marketing map functionality, thus providing more accessible marketing toolkits to frontline teams. The Bank also innovatively launched the "i Cube" intelligent operation platform, and built an operational model of "customer acquisition, touchpoints and marketing" for quick payment customers to provide them with precise service. Aiming at building the main customer interaction platform, the Bank launched the Mobile Banking 9.0 to provide immersive companion service featuring "AI space + digital employees + video customer service", thus injecting vitality into customer service. The Bank drove intensive operation, put into full operation the centralized post-lending management of consumer credit, and improved the quality and efficiency of operations management.

Basic Retail Banking

Focusing on customers' comprehensive financial service needs, the Bank advanced the deeper integration of digitalization and financial services, and upgraded the omni-channel service experience to expand the scope of customer service.

Retail Banking Business

Basic Financial Services

In terms of personal deposits, the Bank continued to strengthen its traditional advantages, continuously provided basic financial services in counties, and seized the opportunities of peak seasons of the Spring Festival and grain procurement, with the personal deposits in counties and areas below the county level accounting for nearly 70% of the total personal deposits of the Bank. The Bank increased supply of exclusive large-denomination certificates of deposit to key customer groups, and made innovation with the launch of specialty deposit products like Yue Yue Cun and Cun Tian Li. The Bank promoted the establishment of settlement scenarios such as agency distribution, breeding and planting to expand the sources of demand deposits. As at the end of the reporting period, the balance of personal deposits exceeded RMB12 trillion.

In terms of debit cards, the Bank accelerated the innovation of debit card products, upgraded its operation model, expanded its high-quality customer base, and promoted active consumption. The Bank gained accurate insight into the personalized needs of customers and continued to innovate various types of debit card segment products. Targeting young customers, the Bank launched “Tiger and Rabbit” (Ignorance Is Bliss) themed debit cards and issued the Guizhou “Village BA” co-branded debit cards as the first of its kind. Targeting business customers, the Bank tailored Business Card, and supported it with customized card number service and other special services. Targeting new urban residents, the Bank launched a new citizen-themed rider card, providing customers with preferential rates through the “U+ Card”. The Bank optimized the debit card benefits and operation mode to motivate customers to use the card for consumption. The Bank comprehensively upgraded the benefits of special debit cards targeting young customers such as Meituan Card and Shining Card, and launched the “PSBC Happy Weekend” marketing campaign, covering daily high-frequency consumption scenarios such as supermarket shopping, catering and entertainment, and traveling. The Bank improved the marketing activities guide of “Colorful YOUNG Life Illustrated Handbook”, and upgraded the online debit card operation system. During the reporting period, the spending via debit cards posted RMB8.98 trillion.

Tiger and Rabbit (Ignorance Is Bliss) themed debit cards

Guizhou “Village BA” co-branded debit card

Scan to download Mobile Banking 9.0 App

In terms of agency collection and payment, focusing on people's concerns, the Bank provided long-term fund collection and payment services to social security bureaus at all levels and individual participants, collecting and disbursing social security funds of more than RMB1 trillion. Strengthening the integration of resources, the Bank focused on both businesses (B-end) and consumers (C-end), and offered them a package of integrated financial service solutions. At the B-end, the Bank combined product building, service building and institutional building, and improved service capability for B-end corporate customers. At the C-end, the Bank created a payroll customer section in mobile banking, and comprehensively upgraded the exclusive product and benefits system to boost service experience for C-end personal customers. During the reporting period, the Bank's agency collection and agency payment amounted to RMB577,420 million and RMB1,883,409 million, respectively.

In terms of cross-border settlement, the Bank provided personal customers with various international settlement services such as cross-border telegraphic transfer (T/T) and Western Union money transfer. During the reporting period, the number of transactions for personal international settlement was 220.9 thousand, with a transaction volume of USD417 million. The Bank made steady progress in Cross-boundary Wealth Management Connect, providing quality financial services for the residents in the Greater Bay Area.

Personal Pension Business

To fulfill its mission and responsibilities as a major state-owned bank and cultivate a sense of service to the people, the Bank further dedicated itself to the development of personal pension services, providing customers with full life-cycle account service and retirement investment options of all product types. It optimized service functions, enriched pension products, innovatively launched the Retirement Benefit Calculator, and also launched the automatic contribution feature in mobile banking to create a digitally intelligent pension finance service ecosystem. The Bank unveiled the specialty service of "Family Pension Account", which provided the view of family-wide personal pension assets to facilitate the planning of family pension assets. The Bank selected over 50 wealth management products and launched time deposits with flexible terms, to enrich choices of pension products. The Bank popularized the personal pension policies and launched the pension finance service forum titled "PSBC China Pension Tour" in nine key provinces and cities across the country to spread the concept of "planning now for a better future", encouraged customers to adopt a scientific and rational approach to retirement investment, enhanced the personal pension brand "U Enjoy Future", and contributed to the building of the national pension pillar system.

Retail Banking Business

Wealth Management Business

Actively meeting customers' multi-layered demand for wealth management, the Bank pressed ahead with the capability building and worked to forge the differentiated growth pole of wealth management, thus contributing to the realization of common prosperity. The Bank accelerated the multi-dimensional product layout, enriched product choices, and introduced several low-volatility and prudent wealth management products to offer customers a wider range of selected products and superior investment experience. The Bank strengthened the application of wealth management instruments, leveraged digital means to empower frontline marketing employees, fully expanded the channels for customer acquisition, and improved the quality and efficiency of wealth management services. The Bank deepened cultivation of talent abilities, built a step-by-step training system, strengthened employee recognition and performance incentives, and further improved the core professional capabilities of the workforce. The Bank unswervingly advanced investor education, organized investor education campaigns in various forms with distinctive characteristics through online and offline channels, and achieved improvements in the number of wealth management customers, market recognition and brand image. During the reporting period, the Bank was honored the "Banking Wealth Management Brand Award of the Year" in the 14th Golden Wealth Management selection by Shanghai Securities News. As at the end of the reporting period, the Bank had 51,480.4 thousand VIP customers, an increase of 8.72% over the prior year-end; the number of Fujia customers and above reached 4,962.7 thousand, an increase of 16.76% over the prior year-end.

Wealth Management Product Line

Putting customer interests first, the Bank closely monitored market changes, seized investment opportunities, selected quality products across the market, and worked to build a wealth management product and service platform that covers "all categories, diverse strategies and comprehensive features". During the reporting period, the Bank optimized its marketing model transformed by digital and intelligent technologies, which encompasses customer research, acquisition and activation, and provided insurance services that cover the customer lifecycle. The new long-term regular premiums amounted to RMB99,894 million, accounting for 43.69% of new policy premiums, up by 15 percentage points year on year. The Bank adhered to the low-volatility and prudent strategy, and introduced dedicated online sales sections for personal wealth management products like "Ji Ji Hong" and New Customer sections, achieving cumulated sales of RMB1.38 trillion in personal wealth management products. The Bank targeted different customer groups' risk-return characteristics, allocated differentiated fund products for customers, continued to review customer positions and provide after-sales support, and improved the customer investment experience. The Bank created a range of high-quality fixed-income trust products for asset management purpose that cover different terms, and the total assets under the asset management plans (including trust plans) amounted to RMB90,779 million, a rise of 47.51% over the prior year-end. The Bank promoted the campaign of "Making Government Bonds Available in the Countryside", and the total underwriting of savings government bonds amounted to RMB136,102 million. The Bank seized the opportunity of gold allocation, enriched its own-label gold product system, and organized campaigns including "Tour Lecture on Gold" and "Facilitating Gold Purchase for the People" to improve customers' recognition of PSBC gold.

Column: Building Differentiated Competitive Advantages and Highlighting the People-Oriented Nature of Wealth Management Services

Initiating a new mechanism for talent management and training and enhancing the professional capabilities of the wealth management team

Adhering to the original spirit of service and customer-oriented principle, the Bank established a four-step work approach of "listening, proposing, implementing and reviewing" for wealth advisors to regulate the standard service process for Fujia customers and provide customers with personalized and full-process professional services through in-depth understanding of customers' needs, formulating asset allocation plans, implementing asset allocation portfolios, and carrying out reviewing and rebalancing.

The Bank advanced the building of a tiered talent training system, and conducted over 60 sessions of the training camp titled "Enhancing Abilities and Pursuing Excellence", covering more than 10,000 wealth advisors, which integrated learning and practicing for professional competence enhancement. The Bank successfully held the 8th Top 10 Wealth Advisors Competition, which drew nearly 50,000 wealth advisors, and built an elite team through competition. During the reporting period, over 30 employees were honored and recognized at influential industry events, such as the 12th Outstanding Wealth Management Expert Skills Competition, and China Private Banking Elite Competition (2023).

Upgrading wealth management services and officially launching private banking business

The Bank built an exclusive comprehensive service system and established a dedicated service line for Dingfu customers, allowing customers to directly access the private bank's dedicated manual response when calling in and enjoy warm butler-style services. The Bank selected high-quality products across the market, built exclusive product shelves that highlight stability and pursue absolute returns, and cooperated with leading securities firms in the market to provide personalized services such as corporate financing and share reduction to satisfy customers' diversified and personalized wealth management need. The Bank opened private banking centers in Wuhan, Guangzhou, Hangzhou and Changchun to provide more exclusive and private service venues for Dingfu customers.

Advancing investor education and continuously enhancing brand influence

The Bank consistently carried out investor education, and continued to conduct the "Weekly Wealth Management Lecture" campaign across nearly 40,000 outlets nationwide to cultivate the concept of customer asset allocation. During the reporting period, over 840,000 investor education campaigns were held, covering nearly 5.59 million person-times. The Bank focused on the education needs from children of high-end customers, and held nearly 300 lectures themed "Promoting Talent Growth for a Better Future" jointly with experts in college entrance examination and planning covering more than 20 provinces and attracting over 13,300 customers.

The Bank hosted the 3rd PSBC Wealth Management Festival themed "Safeguarding Wealth towards A Beautiful Life", which received a publicity exposure of 991 million times. In collaboration with Tencent News, the Bank launched The Answer to Wealth, the first domestic financial literacy documentary series, with a total exposure of over 297 million times. The Bank also teamed up with The Paper News and launched documentary series Wealth China, continuously raising its market influence and brand image of PSBC wealth management.

Solidly promoting digital empowerment and taking refined management to a new level

The Bank launched the "U Allocate Assets – Investment Consultation" service on its mobile banking, which can make the professional and obscure asset allocation theory concrete and scenario-based, and introduced the classic Sailboat Theory for asset allocation to provide customers with wealth checkups and asset allocation and form the closed loop for online operation from asset diagnosis and product recommendation to portfolio ordering, making asset allocation more intuitive and convenient. The Bank also strengthened the philosophy of centering on customers and developed a module of "Profit Center", enabling an accurate calculation of earnings on customers' investment.

The Bank built the "Wealth Advisor Marketing Cockpit", smoothing the whole process from customer KYC and asset allocation to product sales and real-time performance and significantly boosting the working efficiency and refined management of wealth advisors.

Scan to learn more about The Answer to Wealth campaign

Retail Banking Business

Retail Credit

Consumer Credit Business

Focusing on high-quality and innovation-driven development, the Bank advanced the sustained and healthy development of business. As at the end of the reporting period, the balance of personal consumer loans stood at RMB2.86 trillion.

The Bank strictly implemented the government's guiding policies for housing credit, advanced the adjustment of the mortgage rates for purchased homes in an orderly manner, and fully supported the needs of first-time home buyers and upgraders. The balance of personal residential mortgage loans amounted to RMB2.34 trillion, a net increase of RMB76,228 million.

The Bank drove consumer credit business by innovation to boost the quality and efficiency of the business. The Bank introduced new models of marketing expansion for existing customers, built the collaborative marketing mechanism with lead conversion at the core, effectively empowered pre-lending marketing through proactive credit extension, and continuously enhanced the availability of consumer credit for residents. The Bank created new scenario-based service models, built the direct sales model for new energy vehicles, and incorporated the whole lending process into auto makers' online vehicle sales scenario, which improved scenario-based service capability. The Bank developed new marketing models, seized the opportunities brought by green and low-carbon consumption and rural revitalization, continuously launched the "PSBC-sponsored Car Purchase Season for Rural Areas" marketing campaign, collaborated with quality partners on "Group Purchase Beneficial to the People", and organized over 3,000 marketing activities in total, which met the car purchase needs of residents in lower-tier markets. The Bank sped up product integration and process restructuring, built the intelligent and digital online consumer loan product system by combining online and offline channels, and continuously improved customer experience. In addition, the quality and efficiency of intensive operation continued to improve, and centralized approval was accelerated, with the average review time per deal shortened by 40%. At the Head Office, post-lending centralized management was put into full operation, further releasing frontline productivity.

Micro Loan Business

On the basis of consolidating and leveraging its offline retail banking advantages, the Bank accelerated the transformation of micro loans into a digital and intensive modern model, and promoted the transformation in terms of customer acquisition, customer life cycle management, operation process and product forms.

In terms of marketing, the Bank strengthened the empowerment by the Head Office, established customer marketing models, promoted differentiated marketing, list marketing and chain marketing for micro loan customers, and relied on digital maps to realize visual tracking and full-process management of the marketing process. In terms of customers, the Bank established a full life cycle management system for micro loan customers, generating more than 800 customer portraits, and established full-process refined management routes in customer access, service tracking, loss warning and customer retention. In terms of products, the Bank implemented the integration of micro loan product system, customized business solutions for more than 300 specialty industries and more than 400 business districts based on "One Industry, One Solution", and created the "Industry Loan" product. It also enhanced the Head Office's direct customer operation capability, utilized internal and external multi-dimensional data to facilitate proactive credit extension projects, thereby realizing instant approval and extension and draw-down for customers. In terms of risks, the Bank accelerated the reform of centralized credit review and approval and post-lending management, established a quantitative risk prevention and control team, formed a risk profile and list of non-performing customers, and deployed the voluntary termination. It also optimized the scoring card model comprehensively and strengthened the monitoring and review of strategy implementation. In terms of the workforce, the Bank implemented a matrix management and differentiated authorization of "role + hierarchy" for customer managers, approved the qualification of nearly 2,000 elite micro-loan customer managers and more than 9,000 key micro-loan customer managers, strengthened the appointment and removal, and implemented the training and capacity building programs for customer managers.

As at the end of the reporting period, outstanding personal micro loans amounted to RMB1.39 trillion, an increase of RMB257,033 million over the prior year-end, and the growth rate was 22.64%, exceeding 20% for four consecutive years. The non-performing loan ratio for micro loans was 1.73%, maintaining overall stability.

Column: Leveraging Resources Endowment and Achieving Initial Success in the Proactive Credit Extension Model for Retail Banking Business

Upholding its strategic positioning as a retail bank, the Bank leveraged its customer resource advantages, introduced innovation to the proactive credit extension model for the retail credit business, and explored a differentiated growth path that upgrades its advantages from resources endowment to value creation. The model was operated by the Head Office in a centralized manner, where thousands of profile features of over 600 million existing customers of the Bank were analyzed to form a whitelist database of high-quality customers, which included farmers, merchants and consumers and covered a wide range of customer groups. The precise list with pre-approval results was used for marketing and could improve the success rate of customer conversion, overcome the effect of "reversal selection", reduce business risks, and balance customer experience with risk control effectiveness. Digital operation was implemented throughout the process; a marketing system with synergy across channels was built; and the online services enabled by both intelligent speech and customer service agents were improved. The Bank continuously optimized the simplified application experience for front-end customers through "authorization, identification and submission", and together with systematic and automatic back-office review and approval and centralized post-lending and collection management, achieved efficient and cost-effective operation.

As at the end of the reporting period, the Bank's proactive credit extension model for the retail credit business had been running for 15 months, with outstanding loans exceeding RMB150 billion and the NPL ratio lower than 0.5%. The Bank maintained a leading position in the industry for both business growth and risk control quality. The model has gradually become an important driver of the Bank to build differentiated competitive advantages and facilitate the high-quality growth of the credit business.

Retail Banking Business

Credit Card Business

Viewing the credit card business as an important part of comprehensive services for retail customers, the Bank further deepened the reform of credit card systems and mechanisms, worked to build differentiated development advantages, comprehensively boosted core capabilities in areas like product research and development, customer expansion, customer management, channel development and risk management, and continuously improved the quality of the credit card business development. During the reporting period, the number of newly issued credit cards was 7,568.8 thousand; and the number of credit cards in circulation was 42,399.4 thousand. Consumption via credit cards amounted to RMB1,140,588 million, and the income from credit card business recorded a year-on-year increase of 7.35%. The delinquency ratio of credit cards was 1.71%, a drop of 0.24 percentage point from the prior year-end.

Strengthening product R&D and comprehensive marketing capability

The Bank continued to advance the optimization and integration of customer acquisition channels, and stepped up the building of credit card marketing teams and comprehensive marketing capability. With cross-selling at the core, the Bank comprehensively leveraged directly-operated outlets, sales teams, collaboration between China Post Group and the Bank and other marketing channels, and increased efforts to introduce quality customer groups. It intensified market-oriented management of the sales teams, and continuously improved the effectiveness of customer acquisition. The Bank built a new model of proactive credit extension, continued to optimize the whitelist, and enriched and improved the multi-channel marketing system, acquiring over 1 million new customers through proactive credit extension. Focusing on key customer groups, the Bank accelerated the upgrade of the product system, developed star products and key products, and successively launched Fangfei (Floral) credit card, U Life-themed credit card, Luckin co-branded credit card, among other new products, further enriching the types of product benefits and continuously improving comprehensive customer service capabilities.

Supporting the strategies of expanding domestic demand and upgrading consumption

The Bank actively implemented the country's policy to expand domestic demand, optimized and improved financial services, created consumption scenarios, improved cardholder experience, and supported the recovery and expansion of consumption. The Bank deepened the construction of business districts and scenario systems, and built a "One City, One Mall" preferential merchant system nationwide, establishing cooperation with over 800 complexes and 15,000 stores to effectively meet the diverse consumption needs of customers. The Bank optimized and upgraded brand promotion, boosted the effectiveness of brand marketing through various forms under the theme of "PSBC Green Card, Save as You Shop". The Bank continued to improve online channels, launched version 5.0 of PSBC Credit Card App, and created an all-in-one consumption scenario with the PSBC Credit Card App at its core, significantly improving the user experience.

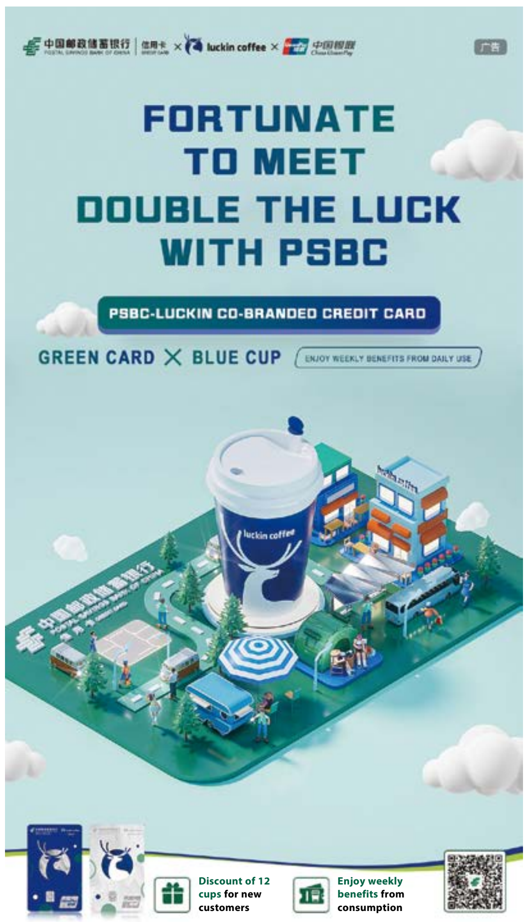
Forging intensive operation and differentiated development capabilities

Giving full play to its advantages of the intensive operation of credit cards, the Bank further intensified the capability building of intensive operation, and improved the effectiveness of intensive operation to build differentiated development advantages. The Bank boosted the capability building of targeted marketing, and optimized and perfected marketing strategies and campaign plans to effectively enhance the efficiency of targeted marketing. The Bank stepped up efforts to develop installment business, optimized the structure of installment assets, improved the process and channels for installment application, and established the intensive marketing system to drive the continued growth of the size of installment business. The Bank strengthened intensive operation in areas like credit review and approval and post-lending disposal, constantly improved operational efficiency, effectively lowered costs, and further boosted the capability in risk operation.

Merchant Acquiring Business

The Bank kept cultivating the strategic merchant market, focused on the operating characteristic and core needs of merchants, developed the innovative mechanism that combined differentiated marketing, refined management and intelligent risk control, and deepened the building of a settlement system centering on merchants. In terms of differentiated marketing, the Bank segmented customer groups, and built the operating system of "outlets + business districts" for micro and small-sized merchants, the service system of "Acquiring + SaaS" for important middle-sized merchants, and the scenario expansion system for large-sized industrial merchants accordingly. In terms of refined management, the Bank connected data chains across systems, and put into use merchant lifecycle management tools like data dashboards and integrated profitability models. In terms of intelligent risk control, the Bank constantly iterated the merchant risk warning model, and enhanced the risk control capability of the system. As at the end of the reporting period, the number of effective merchants using the Bank's acquiring service exceeded 1.56 million, with the transaction amount topping RMB490 billion. The AUM of merchants exceeded RMB120 billion on a cumulative basis, with the growth rate approximately twice the growth rate of the AUM of personal customers across the Bank. Additionally, the Bank granted more than RMB140 billion in operating loans through business coordination.

The Bank advanced the scale-up of mobile payment projects that benefit the people in county and rural areas. Centering on the overall layout of "1 million merchants with 10 major scenarios in thousands of towns and counties", the Bank continued to expand the coverage of such services in counties and rural areas, accelerated the building of the new service model of "scenarios + merchants + finance" with online and offline integration, and actively incorporated financial services into various production and living scenarios related to agriculture and in rural areas, to make efficient financial services more accessible to rural areas. As at the end of the reporting period, merchants in counties accounted for 54.81% of the total across the Bank, with the transaction amount exceeding RMB150 billion; and 651 demonstration counties of mobile payment services were established. Specifically, focusing on mobile payment for rural tourism, the Bank built the closed-loop service system connecting tourism resources providers, tourist service providers, financial service providers and tourism consumers, and launched smart cultural and tourism projects in Beijing, Jiangsu, Guangdong, etc., to drive the coordinated development across the industrial chain of rural tourism.



Poster for promoting PSBC-Luckin co-branded credit card

Corporate Banking Business

The number of customers with the Bank acting as the lead bank increased by **91.55**% over the prior year-end.

The finance product aggregate (FPA) totaled RMB**4.68** trillion, an increase of RMB**0.99** trillion over the prior year-end.

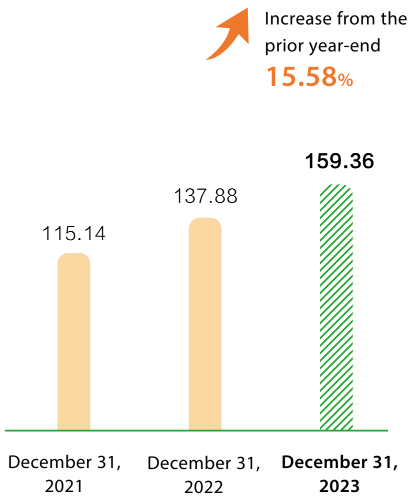
Corporate deposits amounted to RMB**1,458,437** million, an increase of RMB**28,871** million over the prior year-end.

The operating income of corporate banking was RMB**56,634** million, up by **10.35**% year on year.

The Bank served **69.4** thousand sci-tech enterprises, and the balance of loans granted to sci-tech enterprises grew by **37.65**% from the prior year-end.

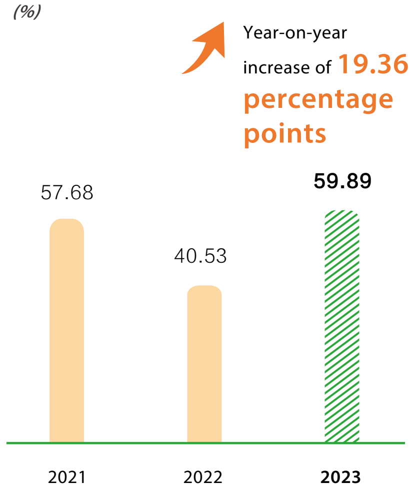
Number of corporate customers

(In 10,000)



Year-on-year growth rate of the income from intermediary corporate banking business

(%)



The corporate banking business of the Bank was guided by a systematic approach to deepen institutional and mechanism reforms. It optimized product and service elements with a customer-centric approach, and aligned development strategies with market orientation. It provided integrated financial services that met the needs of industrial transformation and upgrade and the diversified development of enterprises, effectively implemented the work requirements of providing financial support to key areas of the real economy and preventing and mitigating risks, maintained a balance between reform and stability, development and risks, as well as speed and quality, and strove to enhance the sustainability of financial support to the real economy. As at the end of the reporting period, the aggregate number of corporate customers increased by 15.58% over the prior year-end, maintaining a double-digit growth for four consecutive years. The Bank continued to improve the professional service system for technology finance, and provided whole-lifecycle services for sci-tech enterprises, with the number of served customers growing by 28.38% compared with the prior year-end. The FPA totaled RMB4.68 trillion, up by RMB0.99 trillion, or 26.83% over the prior year-end. Corporate deposits amounted to RMB1,458,437 million, up by RMB28,871 million over the prior year-end; and the average interest rate was 1.33%. The operating income of corporate banking increased by 10.35% year on year, with the intermediary business income up by 59.89% year on year. Asset quality remained sound with an NPL ratio of 0.55%.

Developing Operational Systems

Comprehensively Rolling Out the New "1 plus N" Operation and Service System

The Bank pursued innovation and built a differentiated and distinctive service model. Focusing on "tiered and classified operation, services as a lead bank, improved management level for key customers, team-based customer services, and continued innovation", the Bank improved the multi-dimensional, tiered customer service system targeting large customers, medium-large customers, small-medium customers, micro and small-sized customers as well as long-tail customer groups. The Bank established the lead bank customer pool, created the mechanism for dynamic closed-loop management, and delivered differentiated and distinctive services throughout the process. As at the end of the reporting period, the number of customers with the Bank acting as the lead bank increased by 91.55% over the prior year-end.

The Bank established the dumbbell-like organization structure with empowerment of the Head Office. The Bank promoted the set-up of direct customer operation institutions and direct operation teams in tier-1 and tier-2 branches, and made dynamic adjustments to corporate institutional settings of tier-1 sub-branches. The Bank raised the list-based management level of key customers to deliver better-quality financial services. The Bank allocated resources to key areas and precisely expanded the radius of financial services.

The Bank adopted team-based work and performance integration mechanism to meet customers' diverse needs. The Bank innovatively launched the "1+N+X" service group evaluation model, motivating customer managers to cooperate with products, risk and technology experts from middle- and back-office departments. The Bank established a work mechanism for the integration of business and technology, and arranged front-end engineers to provide service so as to improve the quality and efficiency of one-stop comprehensive financial services and enhance customer experience.

The Bank promoted the application of the "future-oriented" model with precise strategies. The Bank expanded the application of "future-oriented" model to various fields, developed insights into industry development trends, conducted analysis of enterprises' growth potential, and formulated differentiated credit extension strategies specially for lead bank customers to enhance the quality and effectiveness of credit extension service.

Building the Multi-dimensional Marketing System for Corporate Clients

With data as the cornerstone and intelligence as the direction, the Bank created "N" customer touchpoints and marketing tools around each "one" customer, and developed an innovative digital marketing service model for corporate banking that combines online, offline and remote operations.

The Bank improved the online channel matrix for corporate banking service, focused on corporate online banking and corporate mobile banking as the main platforms, expanded corporate micro-banking services, launched "PSBC Corporate Operation", an operation scenario platform, and established a customer-centric, diversified marketing service system covering all scenarios. The Bank upgraded the remote banking capacities for corporate service, leveraged its advantages of intensive, digital and intelligent operation, and worked to meet marketing and service needs in corporate scenarios through a "human-machine + intelligence" model. The Bank consolidated outlet-based marketing, advanced integrated management by customer managers, accelerated the optimization of the marketing management for corporate clients and the transformation

Corporate Banking Business

of the operational model into an intelligent one, and realized automatic allocation of "high-value" business opportunities and efficient collaboration between online and offline channels, thus boosting the efficiency of marketing and business development.

The Bank enhanced data support for customer operation throughout the entire lifecycle, built the digital marketing base for corporate clients, leveraged data analysis and customer profiling to fully understand customer needs, and improved the quality and effectiveness of marketing services for key customer groups. Through a multi-dimensional marketing model, the Bank expanded marketing services for businesses such as easy small and micro loans, electronic letters of guarantee, forex settlement and sales, corporate mobile banking promotions for improving account activity, etc.

The Bank actively deepened cooperation with enterprises and supported Tianjin in building a world-class smart and green port

Product and Service Innovation

Treasury Management and Channel Services

Empowering the settlement and cash management business with technology. The Bank continuously intensified innovative applications of big data, artificial intelligence, and Optical Character Recognition (OCR) in cash management business, built a new cash management services platform supported by the development of the new generation core system for corporate business, and improved customer experience. By leveraging minimalist page design and new interactive methods, the Bank gave play to its service advantages such as rich choices of cash management products, flexible functions and diverse scenarios, expanded and enhanced its customer fund management capacity and further elevated the value creation of corporate funds to new heights. As at the end of the reporting period, the number of cash management customers totaled 783.4 thousand, an increase of 138.6 thousand over the prior year-end. The Bank was honored the "Best Cash Management Bank" in the selection for the 2023 Most Trusted Financial Service Providers by Trade & Economic Enterprises in China (Gold Trade Awards).

Accelerating the digital transformation of trade finance and supply chain finance. The Bank advanced the digitization of trade finance, and launched electronic letters of guarantee 3.0, reducing the issuing time to two hours. The Bank's "innovative case of facilitating transaction through data empowerment to open a new era for electronic letters of guarantee" was named the "2023 Excellent Case of Innovation by Transaction Banking" by The Chinese Banker. The Bank put into operation a specialized bill acceptance product system called "U Acceptance", with "U Acceptance – U Acceptance for Rural Areas and Farmers" supporting bill issuance, acceptance and receipt online, thus meeting agriculture-related customers' bulk invoicing needs. The Bank customized innovative work mechanisms for supply chain finance, expanded the service scenarios for industrial chains, deployed the financial product combinations such as "settlement plus financing" online, and created tailored financial services for each enterprise and each link across the upstream and downstream industrial chains. The Bank facilitated the digital and intelligent transformation of risk control, adopted models like big data risk control engines, and realized online "triple checks" of financing companies. The Bank empowered omni-channel marketing through technology, realizing paperless and intensive operation and improving the quality and efficiency of services. As at the end of the reporting period, the number of valid customers of supply chain finance grew by 252.90% over the prior year-end.

Adhering to the service philosophy of bank-enterprise direct connection featuring "full connection and deep integration". The Bank promoted the model of integration between business and technology in an all-round way, and continuously improved the financial information services for primary-level institutions through a full-process, multi-angle team support. During the reporting period, 2,407 group customers were served on a cumulative basis. The Bank launched "Yi Qi Dian (directory of corporate products)", an online one-stop platform to promote product and service solutions for corporate banking. Led by digital empowerment and targeting the needs of corporate customers, the platform integrated nearly 100 financial products and solutions, providing systematic and scenario-based "plus N" marketing tools.

Financing and Credit Facility and Advisory Services

The Bank boosted the coordinated development of commercial banking and investment banking, and strengthened comprehensive customer services. During the reporting period, investment banking business achieved rapid development. Intermediary business income of investment banking was RMB2,388 million, up by 42.91% year on year.

Improving bond financing in both quality and quantity. The size of underwritten bond financing instruments of non-financial enterprises of the National Association of Financial Market Institutional Investors (NAFMII) rose by 45.21% year on year, with the Bank's ranking up by three places compared to the prior year. Registering a year-on-year growth of 255.80% in the size of underwritten securitization products, the Bank actively supported enterprises' diverse needs for putting idle assets into use, expanding financing channels, optimizing financial statements, etc. The Bank created new products and enhanced services, underwrote the first rural revitalization-themed commercial mortgage-backed notes (CMBN) in the market, the first financial institution asset-backed notes (ABN) in the market, and the first hybrid sci-tech innovation asset-backed notes (quasi-REITs) in the market.

Achieving breakthrough development in syndicated financing. The Bank sharpened investment banking mindset, upheld the role as an advisor, lead bank and underwriter, focused on urban renewal, industrial park construction and rural revitalization, and supported financing for major projects. As at the end of the reporting period, the balance of syndicated loans amounted to RMB642,861 million, an increase of 28.57% over the prior year-end. During the reporting period, the number of syndicated loan projects led by the Bank was 308, an increase of 45.28% year on year.

Giving play to the distinctive functions of M&A financing. By fully utilizing its differentiated services of M&A financial business, the Bank focused on quality state-owned enterprises and leading private enterprises, offered special support to M&A and restructuring businesses in scenarios such as asset revitalization, industrial upgrading, listed company restructuring and bankruptcy restructuring, and vigorously met customer needs for strategic development and transformation. As at the end of the reporting period, the balance of M&A loans increased by 126.29% over the prior year-end.

Vigorously introducing innovation in the financial advisory business. Targeting customers' differentiated financial needs, the Bank created new scenarios of matchmaking services for non-banking institutions including securities brokers, insurance, leasing companies, etc., achieved the mutual reinforcement between research empowerment and matchmaking services, and provided customers with solution packages that combine financing with intelligence, significantly boosting its integrated financial service capabilities.

"U Prosper" Sci-tech Finance Service System

Targeting the needs of sci-tech enterprises throughout the growth and development stages and in all aspects of operation and production, the Bank made innovations in its exclusive product system, and worked to provide customers with integrated financial services, including fund financing, capital operation, payment and settlement, wealth management, and think tank advisory services through five major categories of products, namely "U Finance", "U Investment", "U Connect", "U Wealth", and "U Intelligence". In total, the Bank has carried out a total of more than 50 offline service activities dedicated to "U Prosper" customers.

Corporate Banking Business

Column

Focusing on the Major Task of Technology Finance Development and Comprehensively Expanding the Ecosystem of Technology Finance

Upholding the philosophy of serving customers as a lead bank, the Bank advanced the high-quality development of technology finance by strengthening resources support, setting up professional institutions and teams, building exclusive services and products, and deepening external cooperation, among other means.

The Bank, in collaboration with the China Center for Promotion of SME Development, jointly launched the special campaign "Together in the Same Boat, PSBC Supporting Business Development" to support the development of specialized and sophisticated enterprises that produce new and unique products. Both parties took the lead in jointly setting up a team of financing service specialists for specialized and sophisticated enterprises that produce new and unique products, and fully leveraged the service specialists' access to both governmental and financial resources. They served as the "promoters" for policy implementation, "special envoys" for financial services, and "liaison officers" for government-bank cooperation, and deeply engaged in various service scenarios. As at the end of the reporting period, there were over 100 financing service specialists dedicated to specialized and sophisticated enterprises that produce new and unique products, who became the pioneers promoting the development of sci-tech enterprises.

The Bank vigorously expanded its friends' circle in the capital market, and worked to provide integrated investment and commercial banking services to sci-tech enterprises. The Bank established cooperation with Shenzhen Stock Exchange, Shanghai Stock Exchange and Beijing Stock Exchange. On August 4, 2023, the Bank signed a memorandum on strategic operation with Shenzhen Stock Exchange, pursuant to which both sides would continuously carry out cooperation in areas such as matchmaking service for industrial financing, cultivation of enterprises for listing, integrated financial services, product R&D and design, and the commercialization of technological outcomes, and launch financing roadshows under the joint sponsorship of PSBC and V-next, to meet enterprises' demand for equity financing and facilitate the innovative development of sci-tech enterprises.

The financing service specialist team for specialized and sophisticated enterprises that produce new and unique products in Hebei Province which were jointly established by the Bank and the China Center for Promotion of SME Development

Relying on the special service system for technology finance, the Bank focused on industrial parks and industrial chains, and energetically drove sci-tech innovation and industrial innovation. Jiangsu Branch centralized competitive resources, beefed up financial support for quality manufacturing enterprises, focused on serving industrial transformation and upgrade, precisely targeted the demand for optimizing the spatial layout of industry, developed innovative engineering factoring products to support key projects, provided credit support for key industrial parks, and drove the upgrade of industrial park construction. Centering on supplementing, extending and strengthening industrial chains, Jiangsu Branch stepped up research on key industrial chains, such as new energy vehicles, intelligent power grid, optical fiber and cable, etc., realized precise support for backbone industrial enterprises, innovatively upgraded the supply finance system, improved the efficiency of the financial services for industrial chains, optimized the financial services for industrial workers, built distinctive sub-branches serving industrial parks, and consolidated the foundation for the steady operation of industrial chains. Centering on the asset-light feature of tech enterprises, Zhejiang Branch worked to solve the financing difficulties facing enterprises. As a state-level specialized and sophisticated "little giant" enterprise that produces new and unique products dedicated to semiconductors for years, Zhejiang GPILOT Technology Co., Ltd. owns over 10 invention patents and more than 20 utility model patents. Yueqing Sub-branch in Wenzhou, Zhejiang Province set up a technology finance service team to provide special financial service solutions to address enterprises' demand arising from the growth process, and granted RMB100 million in "property mortgage + credit" loans to effectively meet enterprises' financial demand in raw material purchase. Meanwhile, it also provided integrated financial services including fund management and agency payroll service for the enterprise, and further expanded bilateral collaboration in both depth and breadth.

PSBC Jiangsu Branch pays visits to and provides financial services for a specialized and sophisticated "little giant" enterprise that produces new and unique products

Employees of PSBC Yueqing Sub-branch in Wenzhou, Zhejiang Province visit Zhejiang GPILOT Technology Co., Ltd.

Corporate Banking Business

Supporting the Real Economy in Boosting Efficiency

Leveraging resources endowment to empower coordinated regional development. The Bank actively channeled funds into strategic regions, critical industries and key projects, supported the country's key regional development strategies, facilitated the coordinated development of the Beijing-Tianjin-Hebei region, the development of the Yangtze Economic Belt, the construction of Guangdong-Hong Kong-Macao Greater Bay Area, the integrated development of the Yangtze River Delta region, and pushed forward the construction of Xiongan New Area and the Chengdu-Chongqing economic circle. As at the end of the reporting period, the loans to corporate customers in key regions increased by 27.16% over the prior year-end.

Providing whole-lifecycle services regarding local government bonds to contribute to the improved intensity and effectiveness of fiscal policies. To give full play to the effectiveness of special bonds, the Bank stepped up investment in local government bonds, provided services related to local government bonds throughout the lifecycle from "application, review, lending" to "use, management and repayment", and achieved full coverage of underwriting for provincial-level local government bonds nationwide. The Bank provided project evaluation, advisory and consulting, specialized bond packaging service and other services to over 5,000 corporate customers and offered financial support to key areas of economic and social development.

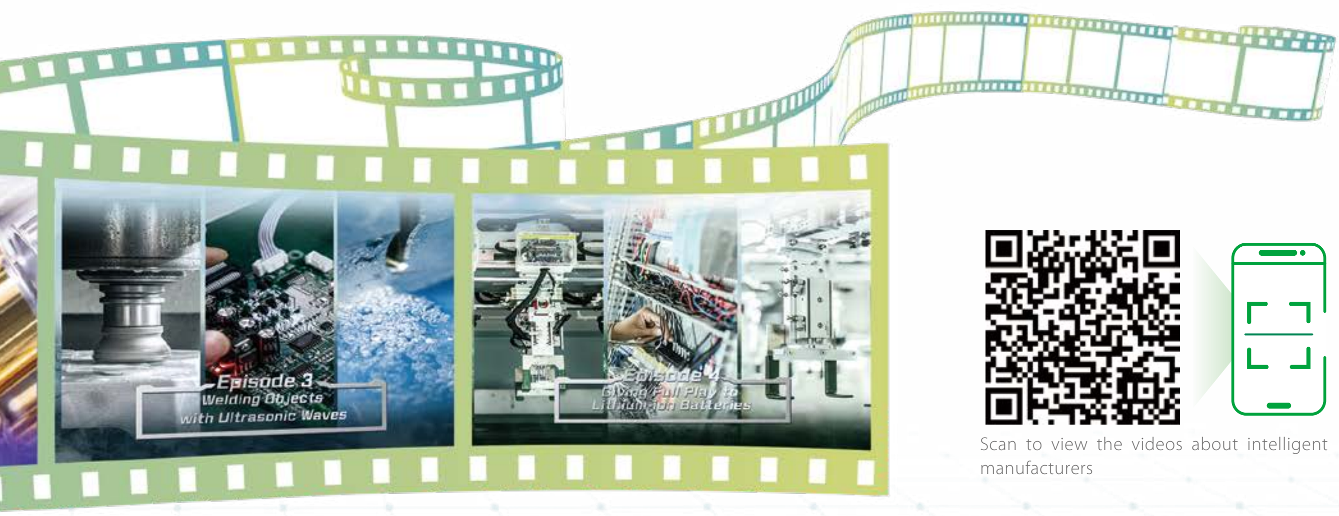
Establishing a long-term mechanism to forge new quality productive forces for the manufacturing industry. The Bank served the nurturing and expansion of emerging industries as well as the forward-looking planning of future industries, and expanded presence in areas like high-end equipment manufacturing, new materials, new energy vehicles, and electronics and information manufacturing. Meanwhile, the Bank focused on the transformation and upgrading of traditional manufacturing industries and the consolidation and improvement of competitive industries, seized opportunities associated with the intelligent and digital transformation of industries such as chemicals, steel, and non-ferrous metals, and drove the development of manufacturing towards high-end, intelligent and green practices. As at the end of the reporting period, the medium- and long-term loans to the manufacturing sector increased by 37.52% over the prior year-end.

Making innovations in financial supply to boost green transformation of economic development. The Bank vigorously supported green industries such as clean energy, green buildings and green transportation, explored opportunities for low-carbon transformation of traditional carbon-intensive industries such as coal and thermal power, and advanced the coordinated development of green finance and transition finance. The Bank continuously developed new product and service models, successively launched the country's first-ever "carbon emission reduction supporting tool + sustainability linkage + e-CNY" loan and just transition loan, to meet reasonable financing needs of enterprise in their transformation and development. As at the end of the reporting period, wholesale green loans grew by 26.50% over the prior year-end.

Vigorously expanding financial services to lower-tier markets and creating a distinctive model for rural revitalization. The Bank actively supported key projects of rural revitalization, and drove the modernization of agriculture and rural areas. As at the end of the reporting period, agriculture-related corporate loans increased by 36.29% over the prior year-end. The Bank stepped up support for key areas including grain planting, collection and storage, pig farming, feed production, high-standard farmland, and modern facility agriculture, and created service models for agricultural industry chains. Loans to high-standard farmland and cultivated land doubled from the prior year, and corporate loans granted to companies in agriculture, forestry, animal husbandry, and fishery sectors grew by 153.99% over the prior year-end. The Bank facilitated modern countryside development and solidified the foundation of new urbanization development centering on living infrastructure, improvement of living environment, rural circulation system, and public livelihood services. As at the end of the reporting period, loans for rural infrastructure construction increased by 77.33% over the prior year-end.

Making targeted efforts in model innovations to support the steady development of the real estate market. Resolutely applying the new development philosophy, the Bank prioritized risk prevention and control, put quality and efficiency first, and improved the quality and effectiveness of financial services in areas such as government-subsidized housing, urban village renovation, "dual-use" public infrastructure construction, urban renewal, and commercial properties. The Bank focused on key regions and customers, created new product models, and allocated resources accordingly. Supported by FinTech innovation, the Bank provided comprehensive packages of financial services that combined finance, products and scenarios, supporting the steady and healthy development of the real estate market.

Enhancing the quality and effectiveness of services for technology finance. Centering on three major customer groups including high-tech enterprise, small- and medium-sized sci-tech enterprises, and specialized and sophisticated enterprises that produce new and unique products, the Bank promoted comprehensive lifecycle service solutions for sci-tech enterprises based on the "U Prosper" technology finance service system, and provided all-round financial services for the development of strategic emerging industries and future industries as new quality productive forces. The Bank continued to advance the building of specialized institutions and teams for technology finance, and set up the "1 Plus N" customer service teams to provide customers with integrated financial service solutions. Specialized technology finance institutions became the driving force behind the development. The increase in the loans granted to sci-tech enterprises for the year by 15 tier-1 branches that set up specialized technology finance institutions accounted for over 75% of the increase of the Bank's total loans granted to sci-tech enterprises. During the reporting period, the Bank became one of the first lead underwriters of hybrid sci-tech innovation notes in the market, underwrote 18 sci-tech innovation notes worth RMB9,497 million in total, helped enterprises raise RMB19,112 million through debt financing in the capital market, and continuously improved the service standard of technology finance. The Bank continued to improve the "future-oriented" analytical capabilities, and built a "technology flow" evaluation system. Based on multi-dimensional data such as innovation outcomes, profitability and market competitiveness, and investment in innovation resources, the Bank tailored data-driven evaluation methods and tools for sci-tech enterprises, focused on their growth potential, and supported sci-tech enterprises in growth. As at the end of the reporting period, the Bank served 69.4 thousand sci-tech enterprises, an increase of 28.38% over the prior year-end. The balance of loans granted to sci-tech enterprises totaled RMB326,772 million, an increase of 37.65% over the prior year-end.



Scan to view the videos about intelligent manufacturers

Treasury and Asset Management Business

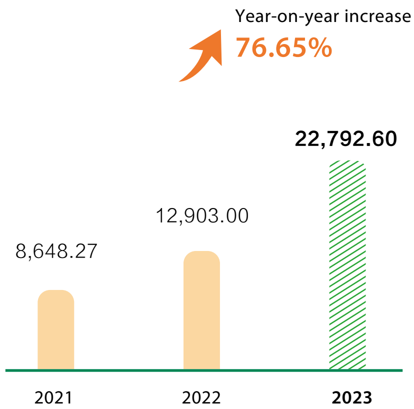
2,407 institutions registered with the "Together We Thrive" interbank ecosystem platform, with the cumulative trading volume exceeding RMB**2** trillion.

Book-entry treasury bonds worth RMB**542,020** million were underwritten, a year-on-year increase of **83.43**%.

Insurance funds under custody exceeded RMB**900** billion, up by **31.16**% over the prior year-end.

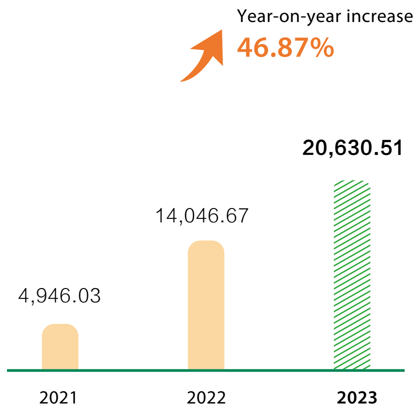
Trading volume of interest rate bonds

(In RMB100 million)



Trading volume of bill rediscounting with non-banking counterparties

(In RMB100 million)



For the treasury and asset management business, the Bank focused on building differentiated growth poles in the financial market business, deepened the development of the interbank ecosystem, continued to improve the business layout, actively promoted the transformation and development, and further improved the quality and efficiency of the development. Main results achieved in the reporting period included: Firstly, the Bank continued to promote trading transformation and enriched the value contribution of businesses. It always highlighted investment analysis as guidance and increased the flow of asset transactions while improving asset allocation, in a bid to improve the returns. During the reporting period, the volume of bond transactions was up by 75.40% year on year, the trading volume of interest rate swaps up by 34.71% year on year, and the volume of bill rediscounting transactions up by 46.87% year on year. Secondly, the Bank facilitated digital transformation and deepened the construction of the interbank ecosystem. It launched the "Together We Thrive" interbank ecosystem platform to create an ecosystem of financial scenarios characterized by customer connectivity, diverse products and information sharing. As at the end of the reporting period, 2,407 institutions registered with the platform, with the cumulative trading volume exceeding RMB2 trillion, which resulted in the continuous improvements in the Bank's influence and brand reputation in the interbank ecosystem, laying a solid foundation for expanding the breadth and depth of cooperation with interbank customers. Thirdly, the Bank accelerated the asset-light transformation and explored new growth drivers for business. By giving full play to its resources endowment, the Bank actively carried out the interbank agency sales business. As at the end of the reporting period, 931 fund products were launched on the "Together We Thrive" platform, with the size of agency sales funds topping RMB70 billion. It also strengthened the coordination efforts, with its insurance funds under custody exceeding RMB900 billion for the first time, an increase of 31.16% over the prior year-end.

Financial Interbank Business

Interbank Investment and Financing Business

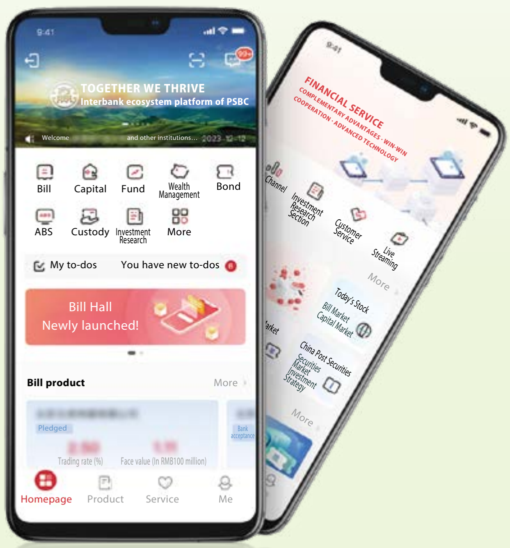
During the reporting period, with the market interest rates showing an M-shaped trend, the Bank actively seized market opportunities, and optimized the structure of investment and financing assets, continuously boosting the quality and efficiency of operation. In terms of the financing business, the Bank enriched the types of interbank deposit collaterals, continued to expand the coverage of interbank customers, with the size of pledged interbank deposits growing by 101.91% year on year. In terms of the investment business, the Bank upheld the balance among security, liquidity and returns, and improved the capability of managing fund investment, with the fund business income increasing by 13.85% year on year. The Bank tapped the opportunities associated with the allocation of securitized assets, with the increment volume of securitized asset investment business growing by 29.79% year on year, and drove the coordinated development of underwriting, custody, deposits and loans through investment. These efforts further increased the comprehensive returns.

Column: The "Together We Thrive" Platform Continues to See More Customer Acquisition Scenarios and Increasingly Shows Its Value in Innovation

In February 2023, upholding the concept of "shared journey, common progress and win-win results", the Bank officially launched the "Together We Thrive" interbank ecosystem platform. Since its launch, it has received wide attention and unanimous praise from interbank institutions for its concept about openness and sharing and unique features. As at the end of the reporting period, the platform had seen registration by 2,407 financial institutions, covering all types of interbank customers including banks, insurance companies, securities brokers, and other non-banking institutions, with the cumulative trading volume topping RMB2 trillion.

During the reporting period, the platform adhered to the customer-centric approach, kept improving customer experience and continuously created value for customers through agile iteration and independent R&D. Based on sufficient research on customer demands, the platform successively launched a bond hall, an ABS (Asset-backed Securities) hall, a wealth management hall, a custody hall, a member center, and an investment research section, forming the functional layout consisting of seven halls and two sections and fully integrating business scenarios, instrument scenarios and interactive scenarios. The "Together We Thrive" App was officially put into operation, which, through bill and financing product release, intentional application, real-time chatting and bargaining, pre-investment fund product selection and post-investment management, improved product trading and business approval efficiency, and enabled mobile handling of interbank business. Information on the "Together We Thrive" App was synchronized with that on the platform, further improving customer activity and increasing customer stickiness thanks to the flexibility and portability of mobile services.

Going ahead, the "Together We Thrive" interbank ecosystem platform will include more distinctive customer acquisition scenarios including financial product supermarkets, bill marts, wealth management, and investment research news, to provide customers with one-stop integrated financial services that cover more active scenarios, create greater value and deliver better user experience.



Interface of the "Together We Thrive" interbank App

Billing Business

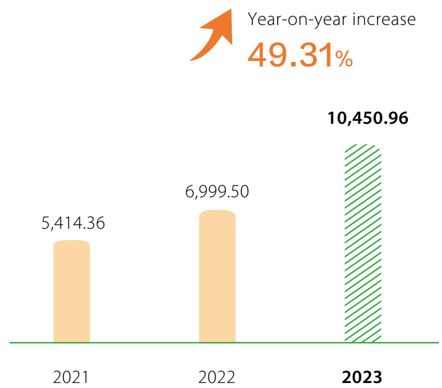
The Bank upheld the philosophy of "integrated operation" for the billing business, pursued larger-size bill discounting and stronger trading capabilities, and continuously advanced the digital, intelligent transformation and trading transformation of the billing business, significantly improving the quality and efficiency of the services for the real economy. During the reporting period, the Bank handled discounting transactions worth RMB1,045,096 million, a year-on-year increase

Treasury and Asset Management Business

of 49.31%, and served 16,735 corporate customers, a year-on-year increase of 19.21%. The trading volume of bill rediscounting with non-banking counterparties amounted to RMB2,063,051 million, which rose by 46.87% year on year.

Bill discounting amount

(In RMB100 million)



Depository Business

During the reporting period, the Bank was qualified as the futures margin depository bank by Shanghai Futures Exchange and the clearing bank for the new share issue by the Shenzhen branch of China Securities Depository and Clearing Co., Ltd., and continued to provide customers with a range of depository and settlement services related to securities, futures, gold and insurance asset management. As at the end of the reporting period, the Bank had carried out in-depth cooperation with 9 exchanges/settlement firms, as well as 139 securities, futures and insurance asset management financial institutions. During the reporting period, the cumulative transaction volume of treasury depository reached RMB2.61 trillion, of which the cumulative transaction volume of primary settlement and secondary settlement was RMB1.92 trillion and RMB0.69 trillion, respectively. Nearly 1 million depository accounts were newly added, and the cumulative number of depository accounts reached 8.67 million, representing a year-on-year increase of 12.43%.

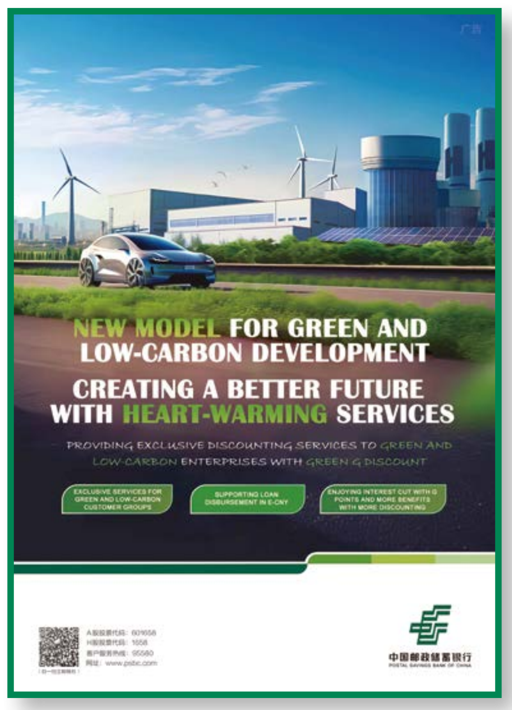
Financial Market Business

In terms of the financial market business, the Bank, based on the country's overall development, actively seized market opportunities, dynamically optimized asset allocation, further explored technology finance, and continuously strengthened risk management. As a result, the Bank maintained high-quality development of various businesses, and its core competitiveness was steadily improved.

Trading Business

In terms of the money market, the Bank continued to strengthen proactive operation, and steadily improved the efficiency of fund use while ensuring liquidity security across the Bank. Meanwhile, the Bank fully fulfilled its responsibility as a primary dealer in the interbank market, took active part in open market operation, proactively transmitted monetary policies, coordinated the use of money market instruments, and promoted the stable operation of the interbank market.

In terms of trading and market-making, the Bank comprehensively strengthened digital empowerment. Relying on the electronic trading system, the Bank actively carried out quantitative real-time trading, deepened research on trading strategies, increased trading frequency and intensity, achieved rapid flow of assets, and steadily improved the activity of market-making transactions. As a result, the Bank significantly boosted the trading competitiveness and market influence on the whole, and saw initial results of digital transformation. During the reporting period, the Bank registered a year-on-year increase of 75.40% in the volume of bond trading, and a year-on-year increase of 34.71% in the trading volume of interest rate swaps. Also, the Bank was awarded honors including Market Influencer of the Year and Market Innovation Business Institution.



Poster for Green G Discount

In terms of precious metals trading, the Bank worked to meet customer demands through quality products and services related to precious metals investment and financing. The Bank continued to drive coordination between the Head Office and branches, vigorously expanded trading counterparties, and improved trading activity and influence. In 2023, the trading volume of precious metals in the domestic market grew by 33.83% year on year.

Bond Investments

The Bank thoroughly implemented the country's major decisions and plans, comprehensively drove the transformation and upgrade of real economy, supported key areas including regional development, sci-tech innovation, advanced manufacturing and inclusive finance through direct financing, and stepped up input in quality credit bonds. As at the end of the reporting period, the Bank's investment in corporate bonds rose by 28.66% over the prior year-end. The Bank actively fulfilled its responsibility as a treasury bond underwriter, and supported the issuance of treasury bonds by coordinating trading and investment. As a result, the Bank achieved a historical high in the underwriting volume of treasury bonds, underwriting RMB542,020 million in book-entry treasury bonds on a cumulative basis, accounting for approximately 5% of the market total, ranking high in the market by comprehensive performance. The Bank implemented the green development concept, vigorously supported green, low-carbon and circular economy, continued to increase investment in green bonds, and was honored the title of "Excellent Institutional Investor of ChinaBond Green Bond Index" for five consecutive years, leading the performance of peers in terms of both the investment scale and market participation.

The Bank continuously advanced the building of the investment research system, continuously tracked the movements of interest rates, proactively seized market opportunities, scientifically developed business strategies, dynamically adjusted the pace of bond investment, reasonably arranged investment varieties and portfolio durations, firmly forestalled credit risk, and ensured returns on asset operation amid the general decline of market rates. As at the end of the reporting period, the Bank's bond investments amounted to RMB4,076,190 million, up by RMB391,881 million, or 10.64%, over the prior year-end.

Asset Management Business

For the asset management business, the Bank adhered to the business policy of "ensuring stable growth, promoting reform, controlling risks, improving capability, and pursuing high-quality development driven by higher capabilities", faithfully implemented regulatory requirements including the new rules on asset management, and strategically and proactively explored the path for the transformation of wealth management-related banking services. Upholding the mission of "serving the people, creating wealth value, supporting real economy and promoting industrial upgrade", the Bank benchmarked against first-class asset management companies, and built management systems including the system for public offering investment research, the high-standard internal control system, the risk management system with products as the center, and the stable, efficient and intensive operation supporting system, and ushered in a new phase in which the wealth management-related banking services develop in a regulated, professional and market-oriented manner.

As at the end of the reporting period, the Bank's wealth management products amounted to RMB776,499 million, of which the net-value products amounted to RMB733,726 million, accounting for 94.49% of the total. The products sold by the Bank as an agent increased by more than RMB60 billion over the year, with the increment one of the highest in the industry. See "Business Overview – Majority-owned Subsidiaries" for the business development of PSBC Wealth Management.

Custody Business

During the reporting period, the Bank proactively responded to multiple impacts from the market, including fluctuations in the capital market, massive redemption of bank-issued wealth management products and declining commission rates, adhered to product and service innovation, optimized customer services, and effectively advanced the steady growth of the size of assets under custody. Its business structure continued to optimize, and its profitability was better than the industrial average. As at the end of the reporting period, the size of assets under custody of the Bank totaled RMB4.68 trillion, up by 5.52% over the prior year-end.

During the reporting period, the Bank closely followed market focal points, and constantly achieved new breakthroughs in key businesses. Over the year, the Bank had 51 newly-issued mutual funds under custody, with the size totaling RMB78,472 million, ranking high in the industry. The Bank successfully offered custodian service to one of the first mixed valuation-based mutual funds and to the first STOXX PSBC A-share ESG Index fund in the market. Its insurance assets under custody had topped RMB900 billion for the first time, totaling RMB923,320 million, an increase of 31.16% over the prior year-end. Over the year, new auto mortgage loan-backed securities products under custody amounted to RMB66,996 million, representing 37.22% of the market shares, ranking top in the industry.

During the reporting period, the Bank advanced the intensive operation of the custody business in an orderly manner, focused on the improvement of customer service, built the custody operation center at the Head Office that integrates operation, service and research, and completed the initial development of the system for the intensive operation of the custody business. The Bank stepped up technological empowerment, built five major custody platforms, and comprehensively drove the optimization of the custody operation process, the improvement of customer experience and the implementation of new product R&D. The Bank was honored the "2023 Golden Wisdom Award – Outstanding Asset Custody Bank Award" by JRJ.com and the "2023 Outstanding Asset Custody Institution Award" by China Central Depository & Clearing Co., Ltd., with its industry influence increasingly improved.

Inclusive Finance

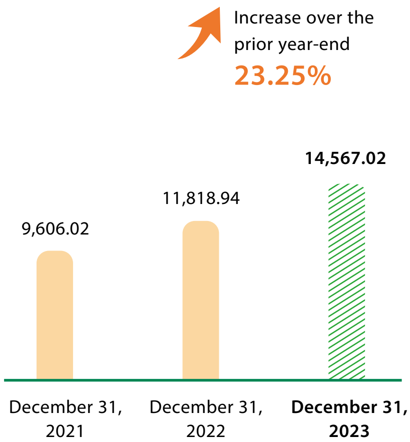
The balance of inclusive loans to MSEs was RMB **1.46** trillion, representing nearly **18**% of the total loans to customers.

The balance of agro-related loans amounted to RMB**2.15** trillion, up by RMB**346,498** million over the prior year-end, and the increment hit a historical high again.

The Bank won awards including the **"Silver Award in the SME Financier of the Year - Asia"** category of the Global SME Finance Awards[1].

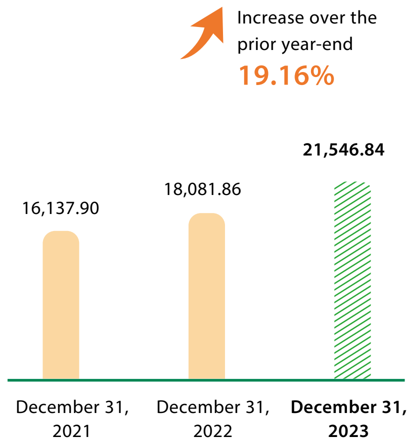
Inclusive loans to MSEs

(In RMB100 million)



Agro-related loans

(In RMB100 million)



The Bank thoroughly implemented the guiding principles of the Central Financial Work Conference, intensified inclusive financial services in weak links, built upon its resources endowment, developed a network advantage based on "geographical, kinship and social relationships", and forged a professional, dedicated and attentive inclusive service team. Meanwhile, the Bank constantly stepped up product and service innovation, deepened digital transformation, effectively enhanced service coverage and availability, and achieved the sustainable development of the inclusive finance business. As at the end of the reporting period, the balance of inclusive loans to MSEs across the Bank amounted to RMB1.46 trillion, and the balance of agro-related loans amounted to RMB2.15 trillion, with both of their proportions to total loans ranking in the forefront of major state-owned banks.

Rural Revitalization

The Bank resolutely implemented the country's rural revitalization strategy, and remained committed to its positioning of serving Sannong customers, urban and rural residents, and SMEs. The Bank established and improved organizational settings serving rural revitalization, set up an organizational structure for specialized agricultural services, which consisted of the Leading Group for Rural Revitalization, the Rural Revitalization and Inclusive Finance Management Committee, and the Sannong Finance Business Department (the Rural Revitalization Finance Department), and built the system supporting rural

1 The "Global SME Finance Awards" are granted at the SME Finance Forum, which was initiated by GPFI under the G20 framework. Launched in 2018, the Awards was established to recognize the distinguished achievements of financial institutions and FinTech companies in delivering innovative products and services to their SME clients, and popularize their experience and practice worldwide.

revitalization based on the collaboration between China Post Group and the Bank, between the Head Office and branches, and between the parent Bank and subsidiaries. Centering on the digital, intensive and scenario-based transformation of Sannong finance, the Bank effectively carried out the core projects of serving rural revitalization, increased credit supply in key areas of rural revitalization, and worked to be the major force in serving rural revitalization. As at the end of the reporting period, the balance of agro-related loans amounted to RMB2.15 trillion, an increase of RMB346,498 million over the prior year-end, accounting for more than 25% of the total loans. The Bank served over 5 million customers through agro-related loans. In 2023, the weighted average interest rate of newly granted agro-related loans was 4.76%, down by 27 bps compared with the prior year-end. The balance of personal micro loans was RMB1.39 trillion, up by RMB257,033 million, or 22.64%, over the prior year-end. More than 300,000 creditworthy villages were built, and over 10 million creditworthy households were rated.

Focusing on the Key Areas of Rural Revitalization and Continuously Increasing the Credit Supply

Firstly, the Bank supported the steady production and supply of grains and important agricultural products. The Bank deepened the cooperation with core entities like key grain enterprises, promoted innovative models for development across the grain industrial chain, established approximately 400 cross-departmental chain-style marketing teams within the Bank, pre-selected approximately 2,500 key persons, and actively provided integrated financial service packages to upstream and downstream customers across the industrial chain with key persons as the breakthrough point. As at the end of the reporting period, the Bank's balance of loans to key areas related to grains was RMB148,143 million, an increase of RMB52,724 million, or 55.26%, over the prior year-end.

Secondly, the Bank supported the building of countryside into a beautiful and harmonious place to live and work in. Focusing on the construction of rural living infrastructures and the improvement of living environment, the Bank built the ecosystem integrating counties and rural areas through multiple measures. The Bank advanced high-standard farmland and cultivated land projects across regions, and provided various entities on the project chain with financial services throughout the process of construction and operation. The Bank advanced the comprehensive development of protected agriculture, provided service for agricultural infrastructure projects at the source, connected procurement, production and sales, and provided project owners and their upstream and downstream customers with comprehensive financial services. The Bank participated in the development of smart rural platforms including those for rural property rights trading, management of rural collective funds, assets and resources, and management of new types of agribusinesses, and actively promoted the building of digital countryside. As at the end of the reporting period, agriculture-related corporate loans increased by 36.29% over the prior year-end.

Thirdly, the Bank helped consolidate and expand the gains of poverty alleviation. The Bank kept main financial assistance policies generally stable, actively developed micro credit for the people lifted out of poverty, increased financial support for the areas lifted out of poverty, particularly the key counties receiving assistance for rural revitalization, and advanced the orderly connection of work related to targeted assistance. As at the end of the reporting period, the balance of various loans granted by the Bank to the areas lifted out of poverty (832 counties lifted out of poverty) totaled RMB494,658 million, an increase of RMB81,283 million over the prior year-end. The balance of various loans granted to 160 key counties receiving state assistance for rural revitalization amounted to RMB58,152 million, an increase of RMB10,253 million, or 21.41%, over the prior year-end.

Inclusive Finance

Efforts Made in Consolidating and Building on the Gains in Poverty Alleviation and Facilitating Rural Revitalization

Item	
Balance of various loans granted to areas lifted out of poverty	RMB494,658 million
Growth of various loans granted to key counties receiving assistance for rural revitalization	21.41%
Balance of loans for targeted financial assistance	RMB158,926 million
Number of people benefiting from loans for targeted financial assistance	551,142
Forms of assistance	Targeted assistance to industries, targeted assistance to projects, targeted assistance to individuals, etc.

Fourthly, the Bank supported the expansion of channels for increasing farmers' income and achieving prosperity. The Bank prioritized the setup of business outlets in the towns and townships without access to financial services and the areas with insufficient financial services, and stepped up the promotion of mobile banking in county areas, with the number of mobile banking users in county areas exceeding 200 million, thus ensuring the supply of basic financial services in county areas. The Bank vigorously developed rural revitalization-themed debit cards and credit cards, enriched card-related benefits and card issuance channels, strengthened the deployment of protection-oriented insurance products, and launched products such as wealth management products benefiting farmers based on the characteristics of rural customers, meeting the diverse financial demands of rural customers. The Bank advanced the further application of mobile payment in counties and lower-tier areas. As at the end of the reporting period, 651 demonstration counties of mobile payment services were established, and merchants in county-level areas accounted for 54.81% of the total across the Bank, with the transaction amount exceeding RMB150 billion.

Strengthening Innovation-Driven Development and Advancing Inclusive Financial Services for Rural Areas

Firstly, the Bank created innovative service models for customer groups in specialty industries. Centering on the specialty industries developed under the "One Industry in One County and One Product from One Village" initiative, the Bank actively combined online and digital channels, promoted the "Industry Loan" model, tailored "1-to-1" exclusive service solutions for the specialty industries, and had credit lines, interest rates, repayment modes and other elements of loans tailor-made based on the features of the industries. As at the end of the reporting period, the Bank had customized business solutions for over 300 specialty industries and over 400 business districts and markets on a cumulative basis, and concluded industrial chain cooperation with more than 80 core enterprises. The balance of "Industry Loans" stood at RMB132,480 million, a net increase of RMB113,120 million over the year.

Secondly, the Bank advanced proactive credit extension among Sannong customers in an innovative manner. The Bank leveraged big data technologies to analyze the profile of existing rural customers, precisely identified the customers with potential credit demands, and generated the white list of proactive credit extension in batches. The Bank created the omni-channel and multi-dimensional Head Office direct customer operation system, reached customers through text messages, pop-up advertisements and intelligent outbound calls, constantly enhanced the Head Office's capabilities of direct customer operation through aspects such as data tracking, service response, and iteration of marketing response models, improved customer service experience, and provided customers with the speedy and considerate credit extension services. As at the end of the reporting period, RMB142.1 billion of loans under the Sannong proactive credit extension projects were granted over the year, with the balance standing at RMB106,410 million and a net increase of RMB89,110 million over the year.

Thirdly, the Bank boosted the quality and efficiency of building creditworthy villages. The Bank built a team of more than 3,000 village-based customer managers, and formed an "iron triangle" management team consisting of customer relations managers, village-based customer managers and risk specialists. The Bank optimized the loan products and rating process for creditworthy households, actively paid visits to the creditworthy villages with universal credit extension, and innovatively carried out pilot projects of digitally building creditworthy households. Relying on online data and offline networks, the Bank constantly advanced the in-depth development of creditworthy villages, and provided integrated financial services such as card opening, credit extension, wealth management, and credit cards to rural customers in batches. As at the end of the reporting period, micro loans to creditworthy villages increased by over 20% compared with the prior year-end.

Fourthly, the Bank upgraded the comprehensive service system benefiting farmers. Focusing on the five major customer groups of villages, cooperatives, farmers, agricultural enterprises and rural supermarkets, the Bank introduced innovation to the model of collaboration between China Post Group and the Bank, fully explored the diversified postal scenarios and existing customer resources with big data technology, precisely reached quality customers through collaboration, and provided rural customers with services integrating finance, delivery and e-commerce. The Bank gave play to the role of YOU+ BANK, created new models of credit services for farmers, launched exclusive wealth management products benefiting farmers, and vigorously explored the new path of digitally serving Sannong customers. The Bank deepened the cooperation with governments, enterprises, guarantee institutions and other external platforms, took active part in the "through train to agribusiness loan" promotion launched by the Ministry of Agriculture and Rural Affairs, and ramped up support for ordinary rural households, family farms and specialized large-scale farmers. As at the end of the reporting period, the Bank supported a total of nearly 400,000 agribusinesses by the "through train to agribusiness loan" promotion, with over RMB50 billion of credit granted and the loan balance exceeding RMB17 billion.

Strengthening Professional Capacity Building and Constantly Improving the Effectiveness of Sannong Financial Services

Firstly, the Bank pushed forward the intensive operation-oriented reform of Sannong finance. The Bank integrated product systems and processes, unified the interfaces for the operation of micro loans, and streamlined online and offline handling processes. The Bank advanced the centralization of review and approval, initiated pilot projects of review and approval training in rotation at the Head Office, intensified standardized management of operations, and enhanced the professional capability of the review and approval team, saving 60% of review and approval staff at the branches of concentrated operations. The Bank popularized the centralization of post-lending management, optimized post-lending management rules and strategies, and continuously improved the preciseness and effectiveness of post-lending management. Leveraging remote videos, intelligent outbound calls and other technologies, the Bank increased the use of technology in post-lending management, and improved the quality and effectiveness of post-lending management.

Secondly, the Bank strengthened the capability of preventing and controlling risks in Sannong finance. Relying on a comprehensive risk management framework featuring "all aspects, whole process, and entire staff", the Bank analyzed the profile of non-performing customers, extracted data for the early risk warning model, screened high-risk businesses, conducted thorough risk screening and business examination, and enhanced the capability of proactive risk exposure. The Bank proactively carried out risk mitigation, enforced the mandatory exit of risky customers, and strengthened control over the operational authority of key institutions and products with regard to newly generated non-performing assets. The Bank continuously carried out special rectifications of intermediaries and non-compliant behaviors, intensified monitoring over practitioner behaviors, implemented the mechanism for managing the "black list" of customer managers, strengthened the management of customer manager appointment and removal, and stepped up case prevention and compliance risk control. As at the end of the reporting period, the NPL ratio of micro loans was 1.73%, which was kept generally stable.

Thirdly, we enhanced the team building of Sannong customer managers. The Bank implemented a matrix management of "role + hierarchy" and classified customer managers into three groups, namely elite, core, and entry-level customer managers. For elite and core customer managers, the Bank carried out list-based management, set up a rating system, and designed differentiated authorization. The Bank formulated a team building plan for customer managers, initiated the reform toward centralized operation model by the customer manager team, and strengthened the cultivation and management of customer managers. The Bank implemented rigid control over the appointment and removal of customer managers, ensured that all customer managers are certified before appointment and those unqualified are removed in a timely manner. The Bank established a mechanism to invite outstanding customer managers to share their experience and kept strengthening the training and capacity building of customer managers.

Column

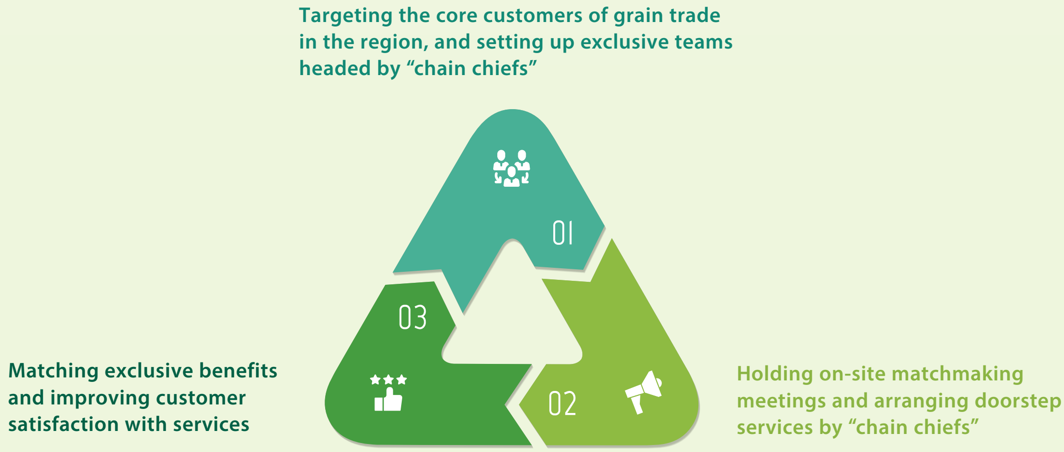
Exploring the Building of a New Model for Integrated Sannong Financial Services and Helping Stabilize the Basic Fundamentals of Agriculture

The Bank made integrated financial services both the starting point and objective of the efforts to implement the philosophy of centering on customers. The Bank strengthened the collaboration among business lines, integrated resources to the greatest extent, provided agro-related customers with integrated services in all aspects, and worked to meet the current and potential financial demands of agro-related customers. In Anhui, a major producer of wheat and rice in Jiang-Huai region (between the Yangtze River and the Huai River), the Bank's Anhui Branch actively catered to the needs arising from the development of local agricultural economy, pursued innovation while upholding fundamental principles, built the integrated marketing model for the grain industry chain based on a "chain chief mechanism", supported the steady production and supply of grains and helped stabilize the basic fundamentals of agriculture.

Firstly, the branch targeted the core customers of grain trade in the region, and set up exclusive teams headed by "chain chiefs". It looked through the list of local brokers, quickly identified core entities, designated a "chain chief" in charge of each industrial chain, and allocated cross-functional service teams familiar with the rural market for the "chain chiefs". Based on local reality, the branch tailored integrated service solutions for core entities and their upstream and downstream customers, and established a multi-dimensional financial product package ecosystem covering personal settlement, personal loans, wealth management, corporate settlement, enterprise WeChat, mobile (corporate) banking, quick card binding, and acquiring by scanning QR code, etc.

Secondly, the branch held on-site matchmaking meetings and arranged doorstep services by "chain chiefs". Centering on core entities, it organized on-site matchmaking meetings for industrial chains, promoted integrated financial service solutions to core entities and their upstream and downstream customers in a centralized manner, and offered credit extension, card opening and mobile banking registration services for the customers at the site. For the customers demanding higher credit lines, the branch arranged "chain chiefs" to conduct credit investigation at their doorstep.

Thirdly, the branch provided exclusive benefits and improved customer satisfaction with services. The branch tailored preferential credit policies for core entities, and formulated credit extension solutions by layers and categories based on the grain trading records and funding statements between core entities and the small- and medium-sized brokers and planting farmers on the chains. Meanwhile, targeting the characteristics of the grain industrial chain, such as frequent fund flows, demand for flexible subscription and redemption and relatively low threshold in subscription, the branch provided cash management products for farmers based on local conditions, matched exclusive benefits, and promoted the expansion of wealth owned by the customers across the grain industrial chain. As at the end of the reporting period, the Anhui Branch of the Bank set up more than 200 teams headed by "chain chiefs", serving over 700 core entities on the grain industrial chain, and granting more than RMB13.6 billion of micro loans to customer groups of the grain industry.



Column Promoting Industrial Revitalization Through Three Major Distinctive Financial Service Models

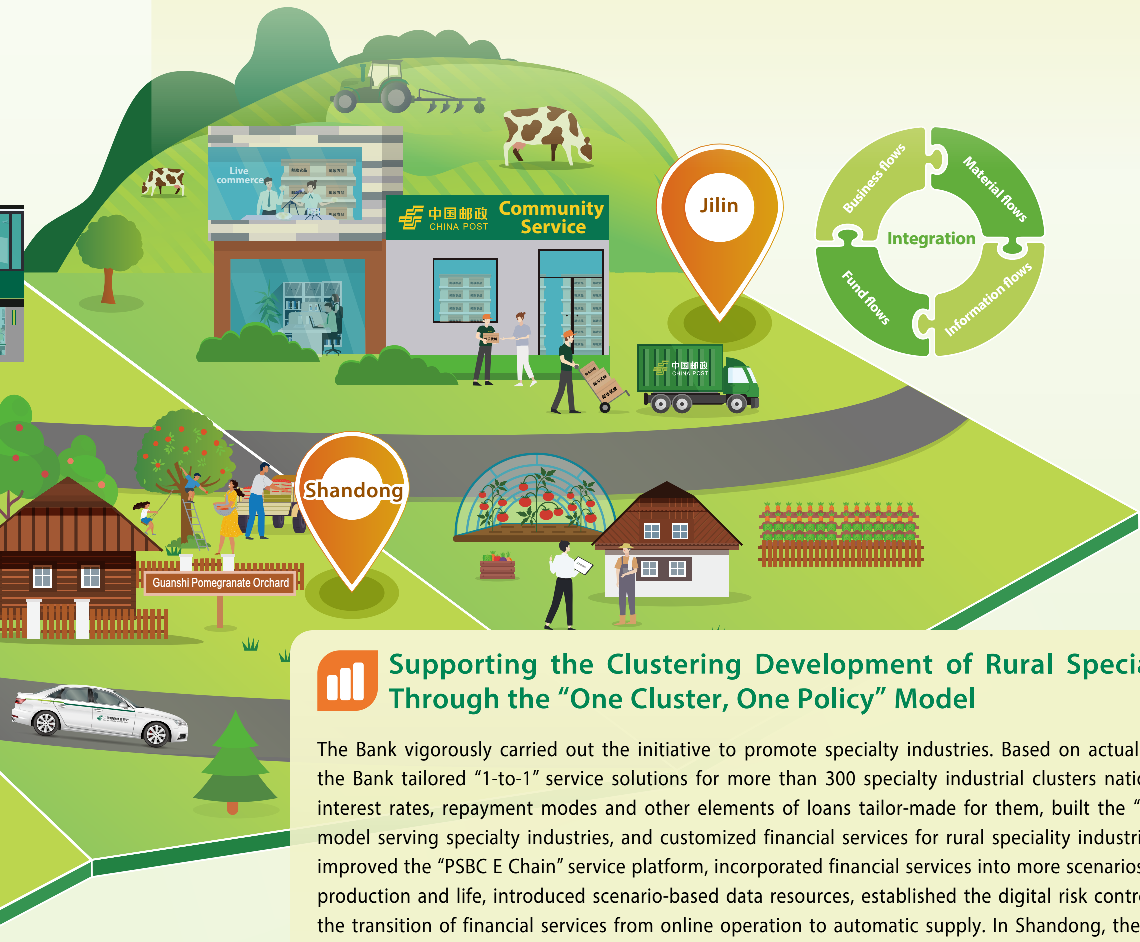
Industrial revitalization is fundamental and critical to comprehensively advancing rural revitalization. The key to giving full play to the role of finance in helping make rural speciality industries stronger is to identify the trends and needs of specialty industries based on their actual development, and provide them with differentiated, refined and exclusive financial services. The Bank made industrial revitalization a major focus of serving rural revitalization, further integrated the service networks expanded into lower-tier areas with the rural speciality industries that are "small but with excellent quality" and "distinct and superb", explored and built three highly distinctive financial service models for rural industries based on local conditions, and promoted the high-quality development of rural speciality industries. As at the end of the reporting period, the Bank granted RMB202,892 million of "Industry Loans" on a cumulative basis, with the balance standing at RMB132,480 million and a net increase of RMB113,120 million over the year.

Pushing the Upgrade of the Agricultural Industrial Chain Through "Chain-style Services"

The Bank promoted the chain-style service model targeting the whole agricultural industry chain, deepened the cooperation with leading agricultural enterprises, set up exclusive service teams, integrated financial services, provided upstream and downstream customers across the agricultural industry chain with differentiated financial services through precise connection and chain-based services, and promoted the modernization and upgrade of the agricultural industry chain. In Sichuan, the Bank collaborated with a state-level key leading agricultural industrialization enterprise with presence across the industrial chain from feedstuff supply to livestock and poultry breeding and food processing, and launched the innovative "Feedstuff Industry Loan" for downstream customers. Based on the introduced data about the feedstuff industry, the Bank flexibly adjusted risk control rules, enabled automatic review and approval and fast loan disbursement, and effectively improved the efficiency of financial services for customers across the industrial chain. As at the end of the reporting period, the Bank provided RMB1,422 million in credit support to the downstream farmers and distributors of leading enterprises.

Developing Integrated Service Solutions for Rural Speciality Industries Through Collaboration with China Post Group

Further leveraging China Post Group's "four-in-one" diversified resource advantages in integrating flows of business, goods, funds, and information, the Bank, with a focus on 100 key industries including fruit & vegetable, tea leaves and mushrooms, etc., actively developed integrated service solutions, provided services integrating delivery, e-commerce and finance, and solved the problems related to financing, sales and logistics for specialty industries. In Lishu County, Jilin, the Bank collaborated with China Post Group, actively paid visits to farmer cooperatives, leading agricultural enterprises and other customer groups in the industry, and promoted the development of three industries, i.e., field planting, greenhouse vegetable growing and beef cattle breeding. As at the end of the reporting period, the Bank served 146.5 thousand customers in the grain industry, nearly 15,000 customers in the beef cattle industry, and 8,956 customers in the greenhouse vegetable industry, granted over RMB650 million in loans over the year, and drove the sales of agricultural products worth over RMB140 million.



Supporting the Clustering Development of Rural Speciality Industries Through the "One Cluster, One Policy" Model

The Bank vigorously carried out the initiative to promote specialty industries. Based on actual industrial development, the Bank tailored "1-to-1" service solutions for more than 300 specialty industrial clusters nationwide, had credit lines, interest rates, repayment modes and other elements of loans tailor-made for them, built the "One Cluster, One Policy" model serving specialty industries, and customized financial services for rural speciality industries. Meanwhile, the Bank improved the "PSBC E Chain" service platform, incorporated financial services into more scenarios of agricultural and rural production and life, introduced scenario-based data resources, established the digital risk control system, and advanced the transition of financial services from online operation to automatic supply. In Shandong, the Bank conducted several special investigations into the specialty industry of pomegranate growing in Yicheng District, Zaozhuang City, and launched the innovative "Pomegranate Industry Loan", which, based on industrial characteristics and the customer fund use cycle, extended the longest term of a single loan for the purchase of pomegranate seedlings to 36 months, raised the credit line to RMB3 million at the highest, and effectively solved the problems facing pomegranate farmers like demand for huge loans at specific stages, lack of mortgage and guarantee, and difficulty in accessing traditional credit. Also, the Bank built creditworthy villages dedicated to pomegranate growing, further developed the "Guanshi Pomegranate Orchard", and empowered rural households in pursuing a better life. As at the end of the reporting period, the Bank granted nearly RMB20 million of loans over the year, accounting for 21.17% of the market shares.

Inclusive Finance

Microfinance

SMEs are market entities that are most dynamic and biggest in number in China, and they are the driving force behind China's economic and social development. Dedicated to serving micro and small-sized enterprises, the Bank kept moving the focus of services to lower-tiered areas, stepped up product and service innovation, deepened digital transformation, further improved the 5D (Digital) system[1], solved the problems facing microfinance in terms of marketing, products, risk control, operation and services by digital means, and accelerated the building of the differentiated growth pole of microfinance.

As at the end of the reporting period, the balance of inclusive loans to MSEs stood at RMB1.46 trillion, accounting for nearly 18% of the total loans to customers, readily ranking in the forefront among major state-owned banks. The number of customers with loan balance was 2,165.4 thousand, a net increase of 231 thousand over the prior year-end. The Bank granted inclusive loans to MSEs at an average interest rate of 4.61% in the year, a year-on-year decrease of 24 bps. The Bank was honored the Silver Award of the SME Financier of the Year – Asia and the Honorable Mention for Product Innovation of the Year, two sub-awards of the Global SME Finance Awards.

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Expanding Customer Reach Channels and Improving Service Coverage

The Bank continued to improve the multi-dimensional service system across online, remote and offline channels. Based on corporate mobile banking, which served as the main channel of microfinance services, the Bank vigorously popularized H5 light tools for the on-ground marketing of "Easy Small and Micro Loan", and further expanded the scope of customer reach by remote banking. Since April 2023, the Bank has designated inclusive service representatives in directly-operated outlets, extensively adopted digital tools such as inclusive marketing maps and panoramic inclusive business views, further strengthened the services for MSEs, and constantly expanded the scope of services for MSEs. As at the end of the reporting period, the Bank had made inclusive financial services available at all the directly-operated outlets, and designated nearly 10 thousand inclusive service representatives at over 95% of its directly-operated outlets.

1 The 5D (Digital) systems for microfinance, i.e., digital marketing system, digital product system, digital risk control system, digital operation model, and digital service method.

Enriching the Supply of Comprehensive Products and Enhancing Service Accessibility

Focusing on areas like sci-tech innovation and industrial chains, the Bank continued to improve exclusive loan products. Targeting tech enterprises that feature light assets, heavy input and long cycles, the Bank strengthened the application of innovation points, intellectual property and other data in the loan products for tech enterprises, and promoted fixed asset loans for sci-tech innovation. Based on the development of decentralized industrial chains, the Bank expanded trading scenarios for multiple industrial chains of healthcare, electronics, infrastructure construction, cement, among others, and collaborated with nearly 60 core enterprises and technology platforms, thus providing targeted services to upstream and downstream MSEs. Deepening the concept about acting as a lead bank, the Bank provided integrated services for customers through settlement, bill, L/C and L/G products; innovatively built "PSBC Facilitates Corporate Operation", a corporate financial cloud platform; provided SMEs with services in operation and management scenarios that cover personnel, properties, materials, production, supply and sales; and helped SMEs boost digital management.

Upgrading Operation Processes and Improving Service Convenience

The Bank comprehensively streamlined business processes, launched the automatic credit re-examination and approval strategy based on expert experience and data analysis, and constantly improved the level of automation for analysis, reporting, re-examination and other processes. The Bank innovatively launched the fully automated service "E Bill Connect", which integrated the process of the application for issuing banker's acceptance bills, request for acceptance, receipt notification, review and approval, approval for disbursement, as well as features such as automatic opening of margin accounts and online signing of acceptance agreements, and realized "one-click operation and instant bill issuance" for uncovered acceptance and low-risk acceptance.

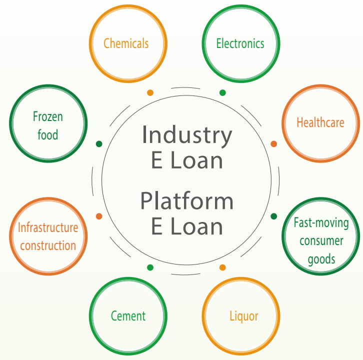
Strengthening Intelligent Risk Control Throughout the Whole Process and Enhancing Sustainable Development

The Bank advanced the building of an intelligent risk control system throughout the whole process that covers digital customer profiles, model rules, risk control strategies and automatic early warning, continued to improve intelligent risk control strategies, and improved customer access and draw-down strategies through re-examination of customers in default. The Bank comprehensively popularized intelligent risk control tools like digital customer profiles, intelligent analysis of statements, and multi-dimensional risk control monitoring, effectively boosted risk identification and monitoring capabilities, and brought the NPL ratio of inclusive loans to MSEs down by 0.07 percentage point over the prior year-end.

Inclusive Finance

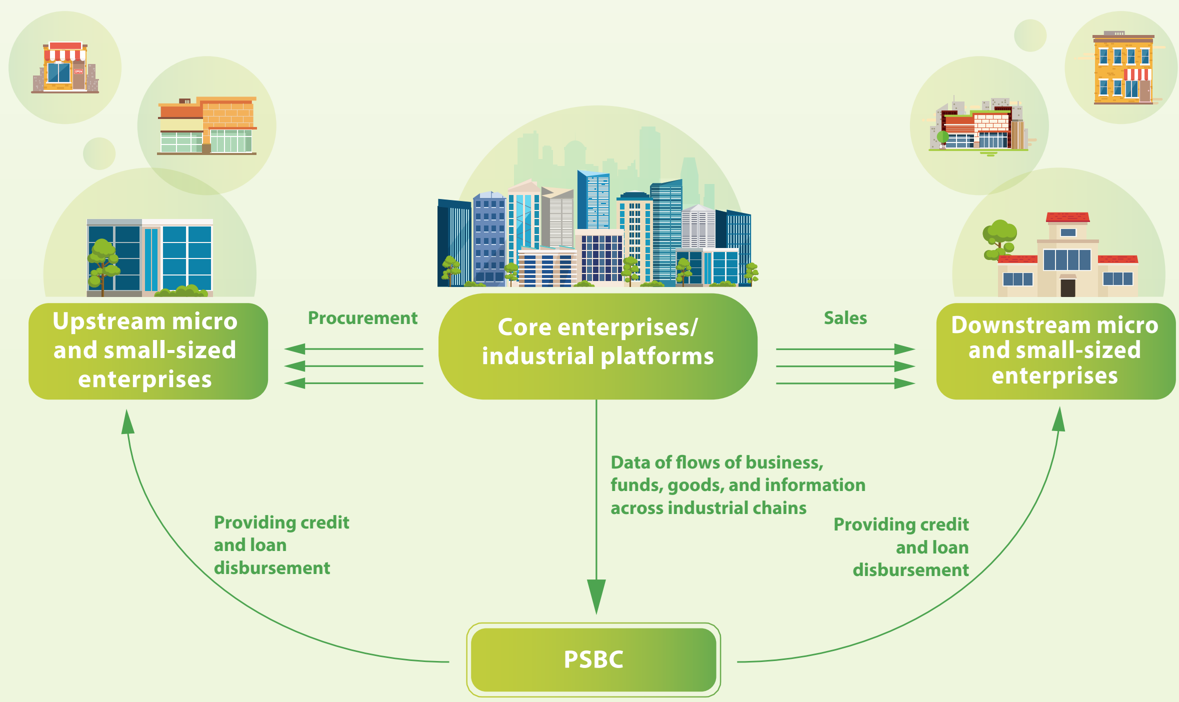
Column

Delving into Sub-sectors and Accelerating Planning of Industrial Finance



With a focus on scenarios of industrial digital finance, the Bank leveraged signature products like "Industry E Loan" and "Platform E Loan" as part of the "Easy Small and Micro Loan" product series, and accelerated the expansion of services to cover more MSEs on industrial chains. It supported multiple business models including localization operation, intra-bank syndicated operation, and fully online operations to serve customers nationwide from a single point, realized the four-in-one integration of flows of business, funds, goods, and information for industrial finance scenarios by using technological means like blockchain, IoT, big data and AI, and provided MSEs with high-quality and online industrial finance services. As at the end of the reporting period, relying on online "Easy Small and Micro Loan" products, the Bank had cooperated with nearly 60 core enterprises, which covered multiple sub-sectors including healthcare, electronics, infrastructure construction, cement, chemicals, liquor, fast-moving consumer goods, and frozen food.

Built on big data, blockchain, IoT and other technologies, the "Industry E Loan" leveraged the procurement and sales data of core enterprises on industrial chains and data within the Bank, precisely depicted the operational behaviors of the MSEs across industrial chains, and provided customized online credit products and services. To address the demand for bill financing across industrial chains, the Bank actively collaborated with industrial finance platforms and launched "Platform E Loan", provided MSEs with full-process online pledge credit service, created a series of automatic service processes including "one-stop service", "one-click pledge", "automatic clearing and repayment", etc.



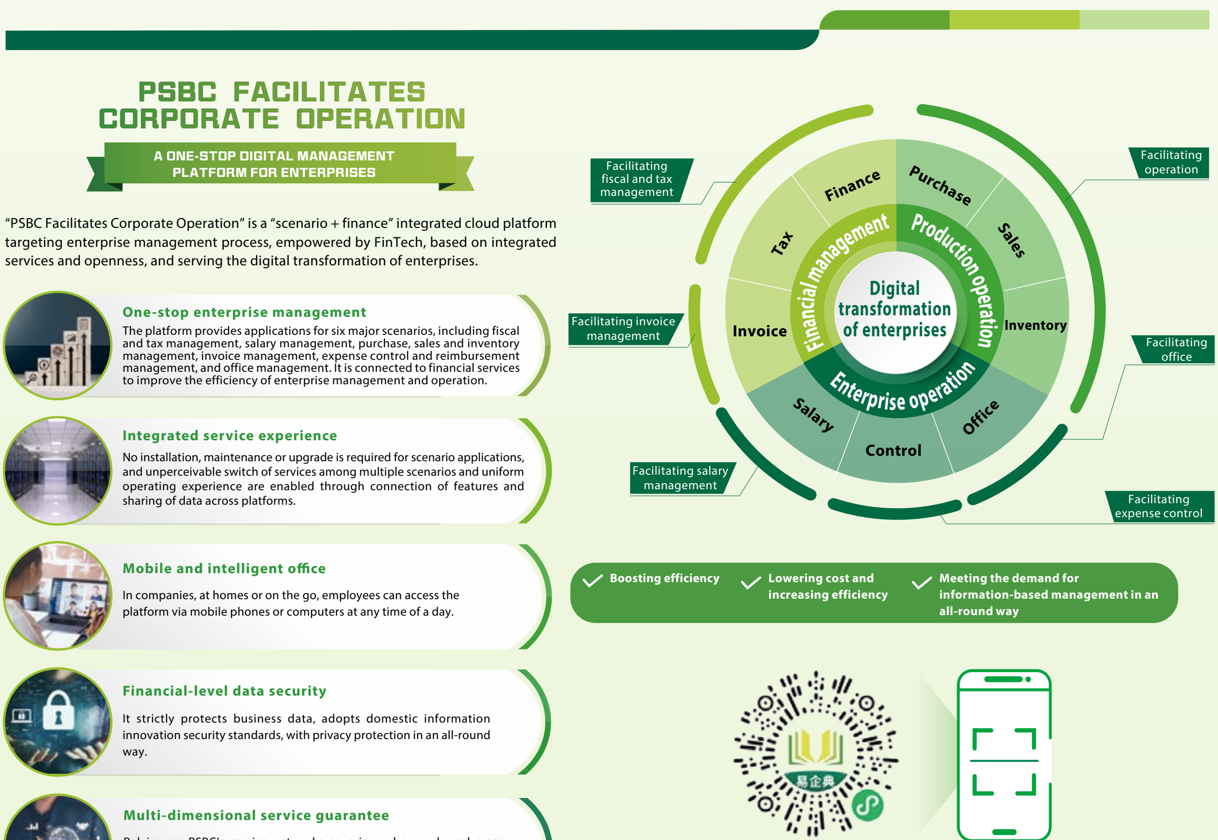
Column

Launching "PSBC Facilitates Corporate Operation", an Innovative One-Stop Digital Management Platform for Enterprises

The Bank thoroughly implemented the plan for building a digital China, and created innovative services and implementation models. Targeting at the operations and management of SMEs, it launched "PSBC Facilitates Corporate Operation", a platform integrating scenarios and finance and serving the digital transformation of enterprises. Since its launch in November 2023, the platform had served nearly 3,000 enterprises on a cumulative basis.

To address the problems facing some SMEs, such as single means of management, difficulty in data exchange due to low degree of informatization, considerable labor input, and weak security protection, "PSBC Facilitates Corporate Operation" coordinated supply of resources, leveraged FinTech, and provided applications for six major scenarios, including fiscal and tax management, salary management, purchase, sales and inventory management, invoice management, expense control and reimbursement management, and office management, as well as one-stop digital solution support. To further boost user experience, the platform enabled unperceivable linkage between various scenarios and financial services like account management, settlement and agency distribution, credit line evaluation and loan application, offered intelligent services like one-click tax declaration, intelligent invoice collection, online invoice issuance and customized review and approval, and delivered SME customers with a sense of happiness empowered by technology and a sense of financial gains.

Next, "PSBC Facilitates Corporate Operation" will unswervingly put into practice the philosophy of centering on customers, start from the perspectives of enterprises' pain points, industrial demands and customer experience, focus on digitalization, continuously create new financial service models for ecosystems, and build itself into a major brand offering SME customers with differentiated services.



Scan to learn more about the "PSBC Facilitates Corporate Operation" business

Majority-Owned Subsidiaries

The Bank has three majority-owned subsidiaries, namely YOU+ BANK, PSBC Wealth Management and PSBC Consumer Finance. During the reporting period, the Bank made constant efforts in strengthening the overall management and control of the three majority-owned subsidiaries in terms of corporate governance, financial management, capital management and risk management. In line with the overall strategy of PSBC, the three majority-owned subsidiaries fully leveraged their license advantages, actively explored differentiated development paths, advanced business transformation and upgrading, and realized sound development momentum overall.

邮惠万家银行

YOU+ BANK was established on January 7, 2022, with a registered capital of RMB5.0 billion, in which the Bank holds a 100% stake. Its business scope is: absorbing deposits from the public, individuals and MSEs mainly; providing short, medium and long-term loans mainly to individuals and MSEs; domestic and foreign settlement through electronic channels; electronic bill acceptance and discount; issuing financial bonds; buying and selling government bonds and financial bonds; interbank lending; buying and selling foreign exchange by itself or as an agent; bank card business; agency collection and payment of funds and bancassurance; other businesses approved by the banking regulatory authority of the State Council. As at the end of the reporting period, YOU+ BANK had total assets of RMB14,986 million and net assets of RMB4,574 million. During the reporting period, it realized operating income of RMB355 million and recorded a net loss of RMB263 million.

In 2023, YOU+ BANK continued to serve the overall development of the country, stayed committed to serving rural revitalization and the real economy, and continued to explore new models for the development of digital inclusive finance. It upheld and strengthened Party leadership and continued to improve the quality and efficiency of corporate governance. It focused on the building of basic capabilities and improved standardized and refined management. It leveraged shareholder resources and deepened collaborative development. As at the end of the reporting period, YOU+ BANK had 20,558.2 thousand registered users accumulatively, and AUM of RMB28,983 million on a cumulative basis.

It served the real economy and expanded scenarios in industrial finance. Focusing on the financing needs of MSMEs in the upstream and downstream of core enterprises, YOU+ BANK promoted digital supply chain finance business and increased the accessibility of financial services for MSEs. Centering on big-ticket consumption industries relating to clothing, food, housing and transportation, it explored cooperation for green finance fields such as agriculture, green home appliances and new energy, and carried out business cooperation with 20 high-quality leading platforms in the fields of agriculture, food processing, dairy products, smart home appliances, new energy, consumer electronics, etc. Additionally, relying on digital and intelligent risk control system, it provided convenient and inclusive credit products for new urban residents such as farmers, flexibly employed personnel at county-level areas and self-employed individuals. As at the end of the reporting period, YOU+ BANK served 173 thousand micro and small-sized customers on a cumulative basis, and the number of customers at county-level areas or in administrative regions below county level accounted for 49.3% of the total.

It focused on long-tail customers and enriched mass wealth products. It adhered to a differentiated development approach, relied on an open account system and product system and built a one-stop wealth product platform. It selected stable and low-volatility wealth management products from customers' perspective, enriched products portfolio including Coin Pocket, Weekly Wealth, Seasonal Wealth and Annual Wealth, built an online operation and service system centered around customer lifecycle, and continued to improve online operation capability. As at the end of the reporting period, agency sales of wealth management products of YOU+ BANK totaled RMB19,254 million.

It centered on rural revitalization and deepened collaborative development model. YOU⁺ BANK proactively collaborated with China Post Group in systematically promoting rural revitalization through financial services, carried out customer mining and data analysis for customer groups including administrative villages, farmers' cooperatives, family farms and large farming households, agricultural enterprises as well as rural supermarkets, and explored collaboration and cooperation with the focus on express delivery customer groups, commerce and trade customer groups, industrial chain customer groups and agricultural product procurement scenarios. Digital services for rural areas were gradually improving, with an expanding coverage. Customized functions such as agricultural product trading, agro-related loans, and wealth management that benefit the farmers were launched.

It doubled efforts to prevent and mitigate risks and enhanced risk management capability. It continued to improve risk management system, and gradually refined risk monitoring and reporting mechanisms. It strengthened the building of full-process risk control strategies in pre-lending, lending and post-lending stages, established a strategy iteration mechanism and advanced the standardized and modular strategy capacity building. In addition, it strengthened internal control and compliance building, upheld the principles of check-and-balance and prudence, guided employees bank-wide to firmly establish a sound, prudent, law-biding and rule-based operation philosophy and kept enhancing money laundering risk prevention and control capability. It further intensified the management of key aspects of consumer rights protection and improved the quality and effectiveness of complaint handling. It fully put in place regulatory requirements and continued to promote the building of standardized policies, process and other aspects.

It cultivated technological capabilities and supported the development of digital finance. It continued to improve agile development capability, reducing the average delivery cycle of requirements by nearly 40% compared with the previous year. YOU⁺ BANK achieved independent controllability of application systems such as mobile banking, credit reporting and anti-fraud. Furthermore, YOU⁺ BANK explored the establishment of data governance system. It continued to optimize information security management, intensified IT risk prevention and control, and ensured secure and smooth operation of business systems.

In the next step, YOU⁺ BANK will fully implement the guiding principles of the Central Financial Work Conference, focus on the development of inclusive finance and digital finance, and give play to its comprehensive service and fully digital advantages. It will persist with the market-oriented and specialized development path, strengthen systemic empowerment of financial technology, improve operational quality and efficiency, and proactively fulfill its mission of "serving Sannong customers, facilitating micro and small-sized businesses, and delivering benefits to the general public".

The brand IP image of YOU⁺ BANK

Majority-Owned Subsidiaries

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PSBC WEALTH MANAGEMENT

PSBC Wealth Management was established on December 18, 2019, with a registered capital of RMB8.0 billion, in which the Bank holds a 100% stake. Its business scope is: public issuance of wealth management products to the general public, investment and management of entrusted assets for investors; non-public issuance of wealth management products to eligible investors, investment and management of entrusted assets for investors; financial advisory and consulting services, etc. As at the end of the reporting period, PSBC Wealth Management had total assets of RMB13,010 million and net assets of RMB12,569 million. During the reporting period, it realized operating income of RMB1,417 million and recorded a net profit of RMB841 million.

The year 2023 marked the beginning of the full implementation of the guiding principles of the 20th CPC National Congress on all fronts, and was also the second year of the all-round implementation of the new rules on asset management. PSBC Wealth Management remained firmly committed to balanced development of scale, quality and profitability, aimed at fostering core competitiveness, deepened investment analysis, marketing, internal control, operational reforms and digital transformation, and continued to improve the rule-based, specialized and market-oriented development of wealth management business.

It focused on refined management and increased the product competitiveness. Firstly, its products had distinctive characteristics of stability with low volatility. Fixed income products ranked among the top in the industry in terms of annualized yield. 96.00% of newly issued close-end products reached benchmark, and products such as Heng Li, Anxin Investment and Anyi Investment had received good reputation. A number of pure fixed-income products, "fixed income+" products and cash management products were on lists of influential media including 21st Century Business Herald and Lianhe Zhiping. Secondly, PSBC Wealth Management took the lead in launching a number of innovative products in the industry. The total amount of return swaps, credit risk mitigation tools, target data indexes and other products exceeded RMB10 billion. It advanced the development of full-range product system of "inclusive finance + wealth management + pension". Thirdly, it optimized asset structure and increased allocation of assets with stable valuation. Assets like cash and deposits accounted for 39.81% of total assets, an increase of 22 percentage points compared with the prior year-end. It strengthened credit exploration. Non-financial credit bonds accounted for 52.44% of total bond investments, an increase of 15 percentage points compared with the prior year-end, effectively supporting the real economy and improving product returns.

It put customer needs first and enhanced the quality and efficiency of services. Firstly, the number of customers increased steadily. PSBC and agency channels served 11,353.9 thousand retail customers on a cumulative basis, up by 1,585.9 thousand over the year, or an annual increase of 16.24%. PSBC Wealth Management expanded direct marketing to institutions, and the number of institutional customers reached 19,576, up by 9,927 over the year, or an annual increase of 102.89%. Secondly, it continued to improve customer experience. The combination of functional products Daily Profit performed well in customer acquisition, with its scale exceeding RMB120 billion. Thirdly, it provided more targeted services. It developed exclusive products for premium customer groups such as payroll customers and teachers as well as regional-specific products, created a product brand effect, and supported pension finance. It was among the first list of institutions to conduct personal pension business and took the lead in launching three personal pension products. Fourthly, more breakthroughs were made in third-party agency sales. It signed contracts with 26 third-party agents of different channels, fully covering major state-owned banks, small and medium-sized banks and internet banks. The scale of agency sales increased by over RMB60 billion annually, which was at the top among wealth management subsidiaries of state-owned banks in terms of incremental growth.

With rule-based management as its core, it strove to build a high-standard risk control and compliance system. Firstly, adhering to the ideas of "all aspects, whole process, entire staff" and "balancing risk and reward", it deepened the comprehensive risk management system. It strengthened the investment risk management system with wealth management products at its core, established a dual-warning system to intensify the risk monitoring and examination of key areas, identified and handled credit risks in advance, and ensured product security. By developing a radar model, it realized accurate and forward-looking stress test, scientifically measured market risks and liquidity risks, refined asset risk pressure factors and liquidity coefficients, and consistently maintained a zero non-performing asset ratio. Secondly, it put in place the concept of "compliance by all staff" and established a high-standard internal control system. It comprehensively implemented new regulations on internal control in wealth management companies, continued to optimize the compliance management framework and formed an operating mode of compliance management that covers the full process (ex ante, interim and ex post). It served as director organization of the Wealth Management Committee of the China Banking Association and participated in the formulation of industry legal system and compliance standards as well as industry self-discipline research in the wealth management industry, thus improving the high-quality development of the industry.

It focused on stability, efficiency and intensiveness and strengthened IT-empowered operation. Firstly, PSBC Wealth Management conducted centralized trading across the board. Its regular scale of financing was RMB50-60 billion, and it ranked at the forefront among asset management institutions in terms of trading volume for the third straight year. Secondly, it established and improved the operation institutional systems including valuation management, clearing management, account management, as well as supervision and reporting and continued to increase operational quality and efficiency. Thirdly, guided by IT development plan featuring digital and intelligent integration, it advanced "digital wealth management" in all aspects. It put into operation the centralized trading system, credit rating system and comprehensive risk management system, established a big data platform and a data portal, actively realized empowerment through technology in expanding sales channels, stabilizing operating results and improving efficiency of investment analysis, and accelerated the building of the "second curve of digitalization and intelligent development".

The brand IP image of PSBC Wealth Management

Majority-Owned Subsidiaries

中邮消费金融有限公司
PSBC CONSUMER FINANCE CO.,LTD.

PSBC Consumer Finance was established on November 19, 2015, with a registered capital of RMB3.0 billion, in which the Bank holds a 70.50% stake. Its business scope is: granting personal consumer loans; accepting deposits from shareholders' domestic subsidiaries and domestic shareholders; borrowing from domestic financial institutions; issuing financial bonds upon approval; domestic interbank funding; advisory and agency services related to consumer finance; agency sales of insurance products related to consumer finance; investment in fixed income securities; asset securitization business; other businesses approved by banking regulators. As at the end of the reporting period, PSBC Consumer Finance had total assets of RMB58,222 million and net assets of RMB5,909 million. During the reporting period, it realized operating income of RMB6,952 million and recorded a net profit of RMB522 million.

It actively fulfilled its social responsibilities. During the reporting period, PSBC Consumer Finance continued to lower product interest rates, and the comprehensive loan pricing fell by 0.73 percentage point from a year ago. With such efforts, it further implemented the inclusive finance policies and improved the accessibility of consumer finance. In 2023, it proactively responded to the call of the state, strengthened the idea of responsible credit, and showed its sense of responsibility as a financial institution. It provided 45 thousand customers with special interest and fee reduction, repayment deferral, loan extension, credit support program and mediation service, among which, a total of RMB174 million of interest and fees were reduced or exempted for customers. In 2023, it produced and released 93 short videos with the theme of consumer protection and anti-fraud publicity, etc. As at the end of the reporting period, its Douyin account collected 1,451.2 thousand likes accumulatively and 267 thousand followers; and its WeChatVideo account collected 302.1 thousand likes accumulatively and 82.5 thousand followers. According to the latest regulatory requirements, it further optimized the building of institutions and mechanisms for protecting consumer rights, drew up comprehensive complaint management work plan, and formed a complete closed loop for consumer protection that involves prevention, in-process management and control and retrospective management. It promoted the optimization of 130 processes, thus providing better protection of legitimate rights and interests of consumers. In addition, PSBC Consumer Finance vigorously advocated and implemented low-carbon development, and realized paperless and intelligent green financial services throughout the entire process by adopting FinTech. Through digital transformation, it improved the level of consumer financial protection for rural residents and delivered credit services to extensive and remote rural areas, thus consolidating the gains in poverty alleviation and contributing to the realization of common prosperity.

It continued to pursue high-quality development. Adhering to strategic goals, PSBC Consumer Finance promoted high-quality development and achieved its business objectives. Firstly, it strengthened the development of proprietary business and scaled up resource input. With such efforts, proprietary business became an important growth driver for business. Secondly, it focused on high-value customers and intensified the research of customer groups. It refined operation mode and risk control mode and improved customer experience and customer acquisition capability. Thirdly, it took active measures to promote digital transformation, empowered business development and management improvement, and expanded the gains from transformation. In addition, PSBC Consumer Finance proactively responded to the call from related authorities to increase financial support to key areas of new consumption and advanced consumption growth in these areas. In 2023, with the recovery of consumption market, it gave priority to sectors such as tourism, fast-moving consumer goods, entertainment and services, developed related scenarios and platforms, and strived to provide customers with more thoughtful, personalized scenario-based consumer financial services.

It continuously improved the risk management system. Firstly, PSBC Consumer Finance tracked changes in internal and external environment, enhanced forward-looking risk management capability, and improved its capability to prevent credit risks and fraud risks. Secondly, it kept refining the risk strategy system. It optimized the risk control rules, promoted access and credit granting strategies tailored to each city according to their conditions and improved refined management for credit limits. Thirdly, it improved the effectiveness of risk modeling. It introduced external data sources, added derived variables in the models, which effectively improved its risk identification capability. In March 2023, PSBC Consumer Finance carried out the first NPL transfer by a consumer finance company in the country. In doing so, it not only enriched the tools for non-performing asset disposal, but also further consolidated asset quality and slowed the increase of allowance.

It promoted digital transformation on all fronts. With the strategic objective of "technology first", PSBC Consumer Finance set out the vision for digitalization of "data-driven, intelligent decision-making, connecting ecosystem, and ultimately achieving intelligent ecologicalization". It empowered business development through automation and intelligent measures, thus enabling inclusive finance to cover a wider range of consumer groups. Firstly, it continued to improve products and services. Upholding the customer-centric philosophy, it reshaped the end-to-end customer journey with digital means and improved customer experience throughout the process of credit services that involves product introduction, registration and real-name application, withdrawal and repayment. Secondly, it cemented data basis, reinforced data infrastructure and expanded data ecosystem. It developed comprehensive customer portraits and made a push for the all-round business development with data. Thirdly, it increased innovation application. It established AI middle-office and improved AI-empowered services on all fronts. It accelerated the application of new technologies such as large-scale modeling and biometric recognition in consumer finance scenarios and achieved breakthroughs in business innovations with IT empowerment. Fourthly, it strengthened information security management to ensure the stable operation of systems, fostered application-level disaster recovery capability and ensured the business continuity. It obtained the ISO27001 certification of Information Security Management System (ISMS) and was recognized as a national high-tech enterprise. During the reporting period, it achieved the goal of "zero incidents" in network security.

The brand IP image of PSBC Consumer Finance

Summer · Zhanqiao Pier · Qingdao

Discussion and Analysis (continued)

Capability Building

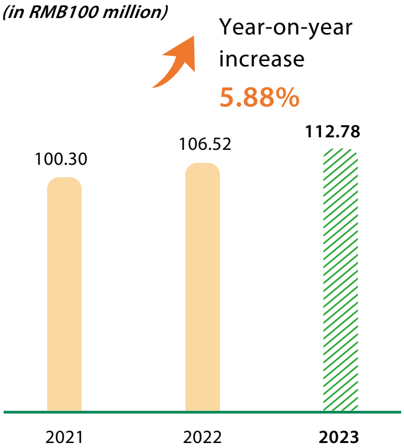
Financial Technology

IT investment amounted to RMB **11,278** million, representing a year-on-year increase of **5.88**% and accounting for **3.29**% of the Bank's operating income.

The project of developing a distributed core system for large-sized banks based on business modeling won the **first place of first prize of FinTech Development Award** of PBC.

IT Investment

(in RMB100 million)



Following the "5 plus 1" strategic path, the Bank worked to build digital and intelligent advantage in all aspects to secure its future, accelerated digital transformation by leveraging new quality productive forces and facilitated PSBC's contribution to the major initiative of developing digital finance. During the reporting period, the Bank's IT investment amounted to RMB11,278 million, representing a year-on-year increase of 5.88% and accounting for 3.29% of its operating income.

Building Digital and Intelligent Advantages in All Aspects

With the aim of empowering high-quality development through FinTech, the Bank firmly upheld the customer-centric philosophy, facilitated business process reengineering and product innovation, and continued to deepen the innovative application of FinTech. It strengthened new technology-driven capabilities, actively explored the application of cutting-edge technologies and went all out to accelerate the development of a digital ecosystem bank.

Harvesting Results of Empowering Business Development

In terms of personal banking, the mobile banking App 9.0 was launched, which was a "one-stop comprehensive services platform" and a "portable interactive companion platform". Based on rural credit information and data system, the Bank actively explored and innovated rural financial service models, allowing farmers to easily apply for loans, use funds, and make repayments at any time via mobile banking. During the reporting period, online micro loan accounted for more than 95% of all micro loans. By using big data technologies, the Bank transformed its credit extension from "passive" to "proactive" and provided customers with online "instant approval and instant disbursement" services. Asset quality was better than that of total assets, with NPL ratio lower than 0.5%. CRM platform facilitated the provision of targeted and efficient services to customers. It served 649 million customers, provided account management to 472 million customers, and launched 40.4 thousand marketing activities during the year.

In terms of corporate banking, the fund supervision system was applied to infrastructure projects including Jinan-Zhengzhou High-speed Railway and Xi'an-Chengdu High-Speed Railway as well as high-standard farmland projects. The funds under supervision totaled nearly RMB100 billion and the average daily balance of supervision accounts amounted to nearly RMB3 billion. Supply chain finance system was developed with a faster pace in terms of ecosystem building and directly connected to multiple core enterprise platforms. Over 7,000 customers were served on a cumulative basis, 80% of which were MSEs.

In terms of treasury and asset management, the Bank launched the "Together We Thrive" interbank ecosystem platform based on financial scenarios such as asset allocation, information dissemination, investment research and communication, to provide customers with digital financial services featuring open product transaction, fund and asset allocation and real-time information exchange. The platform won the second prize of FinTech Development Award of the PBC. The Bank advanced centralized management of electronic trading systems in financial market business. The average daily trading volume of RMB-denominated bonds and interest rate swaps exceeded RMB10 billion. It also launched money market business, realizing real-time pre-trade credit utilization and release for the first time.

In terms of risk management, the Bank promoted the development of proactive credit extension functionality on its internal rating platform and created a database of customers eligible for proactive credit extension through model mining. The loan balance exceeded RMB150 billion. A new generation of AML system was put into full operation, which applied big data technologies to integrate customer information, account information and massive transaction data across the Bank. A comprehensive process for reporting large-value suspicious transactions as well as a rating system for money laundering risks of customers were also established. The bulk processing time for screening large-value transactions was reduced from 2 hours to 20 minutes; and the bulk processing time for suspicious model alerts was reduced from 8 hours to 3 hours, which ensured timely reporting of large-value suspicious transactions. Automatic supplementary recording function was launched, which reduced the workload of manual supplementary recording for large-value transactions by 90%, effectively reducing the workload at the grassroots level. Moreover, the Bank completed the task of re-evaluating customer ratings across the Bank, which facilitated the swift shift of the Bank's focus toward a "risk-based" approach in its AML efforts, and enhanced its money laundering risk management. PSBC was one of the only two major state-owned banks selected as a pilot company in "blockchain + risk control management" for the national blockchain innovation application in the banking and insurance industries. Its "blockchain system for fiscal non-tax revenue and electronic bills" was rated as excellent in the final evaluation of the pilot program. It continuously promoted the innovative development of risk control management empowered by blockchain technology.

In terms of comprehensive support, the Bank developed a new remote service model of "cloud counter" that combined online and offline channels. The new model had been promoted to over 6,000 outlets and connected to approximately 8,000 devices such as ITMs (intelligent teller machines), STMs (smart teller machines) and Pads (portable Android devices). Video-based service system was adopted in business scenarios such as due diligence, insurance, wealth management, credit lending, credit cards so as to meet customers' demands for online financial services. It was honored the Outstanding Achievement Award at the Big Data Expo 2023. The Bank also integrated a video-based intelligent quality inspection system across all channels with an accuracy rate of over 90%, thus enhancing the efficiency of quality inspection by four times and cutting labor costs by 75%.

Financial Technology

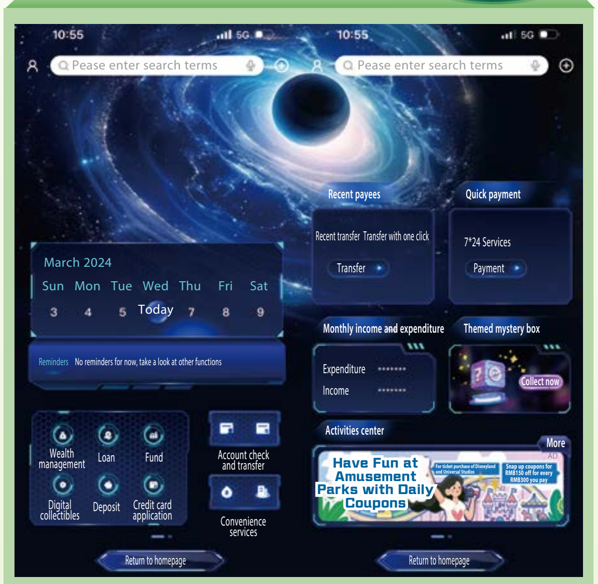
Column Leveraging Digital Technologies to Create Immersive Experience

Relying on innovative technologies, the Bank aimed to create immersive companion service featuring "AI space + digital employees + video customer service" through its mobile banking.

Customers can enjoy high-tech customized services by pulling down the home page to enter the AI space, where information such as monthly income and expenditure, quick payment and recent payees were displayed explicitly.

Digital employees can accurately identify customers' questions, offering them services such as intelligent Q&A, business handling and product introduction. Relying on the enterprise-level platform for virtual digital employee-generated contents, the Bank created a unique digital employee image with PSBC characteristics to serve as intelligent customer service representatives on mobile banking and virtual service managers on credit card app, etc. to provide intelligent services to customers. Through a new way of human-computer interaction that is more caring and diverse, it brought customers with immersive experiences with a human touch. At the same time, it took an innovative step to launch an operation platform with sign language-equipped digital employees to help the hearing-impaired better understand and handle business, making financial services more accessible.

Scan to view Smart U's introduction of digital employee



Remote video customer service enables visual interaction that integrated comprehensive queries, online processing, sign language, and other services. Mobile banking launched the function of "cloud banking", allowing users to easily handle such businesses without going to outlets. The function of "shared-screen service" was launched on corporate mobile banking, which provided end-to-end assistance through "voice communication + screen sharing", and effectively enhanced the customer service experience.

Applying Innovative Technologies to Multiple Scenarios

Continuously Releasing the Potential of "PSBC Brain"

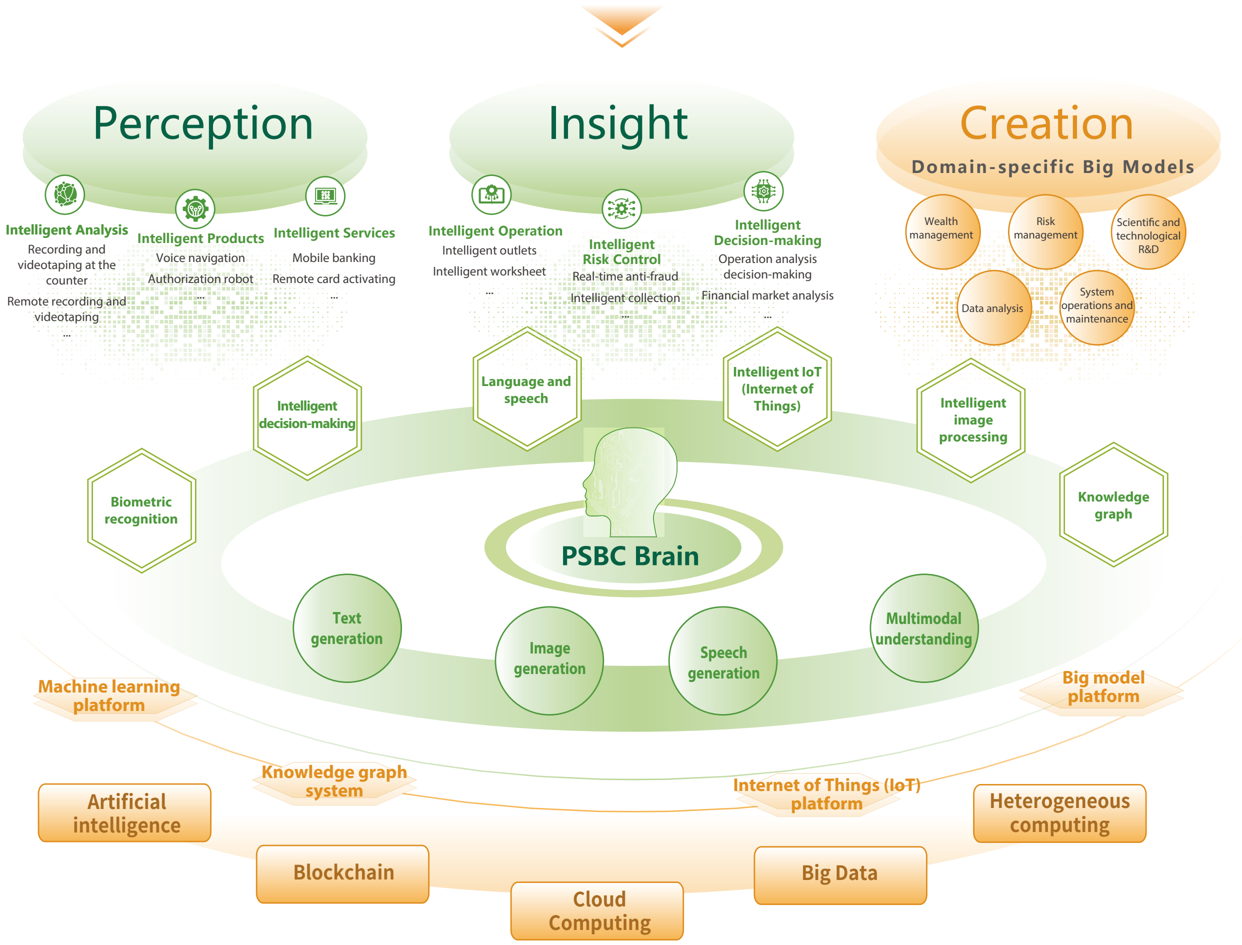
Empowering business operations and management. The Bank actively built a bank-wide ecosystem for intelligent productive force application. It vigorously promoted the use of RPA (Robotic Process Automation) technology to replace large-scale, repetitive manual tasks such as document reading, report sending, exception alerts, and cost analysis in areas such as financial management, operational management, credit extension management. As at the end of the reporting period, the RPA robots have executed a cumulative total of 2 million tasks, a year-on-year increase of over 15 times, effectively contributing to cost reduction and efficiency improvement.

Empowering business development. Optical Character Recognition (OCR) technology was applied in various business scenarios such as activating new accounts and guarantee loans to facilitate fund supervision and customer services. Intelligent language and speech technology supported inclusive finance, wealth management, credit risk control, account security and other business sectors. During the reporting period, the technology was integrated into additional 42 business scenarios, and was used 61.549 million times per month on average, representing a year-on-year increase of over 10 times.

Empowering risk management. The Bank actively used FinTech approach to strengthen security measures and protect customers' assets. It constructed an investigation graph of accounts involved in telecom fraud at the bank-wide level, through which it was able to accurately identify accounts involved in fraud cases and reconstruct manual operation process for identifying fraud syndicates, realizing efficient and intelligent decision-making. It also upgraded its biometric recognition capabilities to enhance anti-counterfeiting detection to effectively intercept image synthesis attacks during identity verification, ensuring the security of the authentication process and transaction links. The Bank developed over a hundred models in several sectors including advanced approach-applied retail pooling, credit risk scoring card, anti-fraud strategies, and AML, so as to provide a more scientific approach for credit analysis and predictive defenses, effectively identifying counterfeit activities and preventing fraud.

Financial Technology

Upgrading PSBC Brain from perception and insight to creative generation



Extending Big Data Application Scenarios

The Bank continued to iterate the blueprint for big data application scenarios, formed a new round of big data application scenario blueprint to cover 9 major domains, 49 application scenarios and 147 analysis themes in total, and supported rural revitalization, institutional operations, risk prevention and control as well as development of other key businesses.

Serving rural revitalization. The Bank implemented over 10 analysis projects such as "data mining of industrial chain whitelist" and "analysis on key customer groups of micro loans", and generated a list of more than 1,000 high-quality enterprises and a whitelist of more than 10 million creditworthy rural households, which contributed to targeted marketing. Meanwhile, it continued to optimize data products such as "rural financial service portrait", "creditworthy village visualization platform" to meet the operational decision-making needs of institutions at all levels of the Bank.

Supporting operation of branches and sub-branches. The Bank provided branches and sub-branches with statement data analysis service, offered access to over 1,000 standardized statements and more than 3,000 customizable indicators, and registered an average of over 100,000 queries per day by branches and sub-branches.

Strengthening risk prevention and control. The Bank established 9 new rule models for gambling and fraud detection and arranged the application of 5 algorithm models. Meanwhile, it continued to optimize existing models and transform data processes, resulting in a significant increase in the coverage rate of accounts involved in illegal activities compared with the beginning of the year, which in turn notably improved the Bank's risk control capability.

Proactively Exploring Application of Cutting-edge Technologies

Enhancing Capabilities to Serve MSEs through IoT Technology

The Bank developed its own IoT platform to realize integrated management of all kinds of IoT devices throughout their entire lifecycle, from "cloud" to "management", "edge", and "end". It extended data chain to MSEs to facilitate digital flow of assets. It helped solve problems such as information gap and supported post-lending risk control and credit enhancement, so as to empower the development of digital inclusive finance.

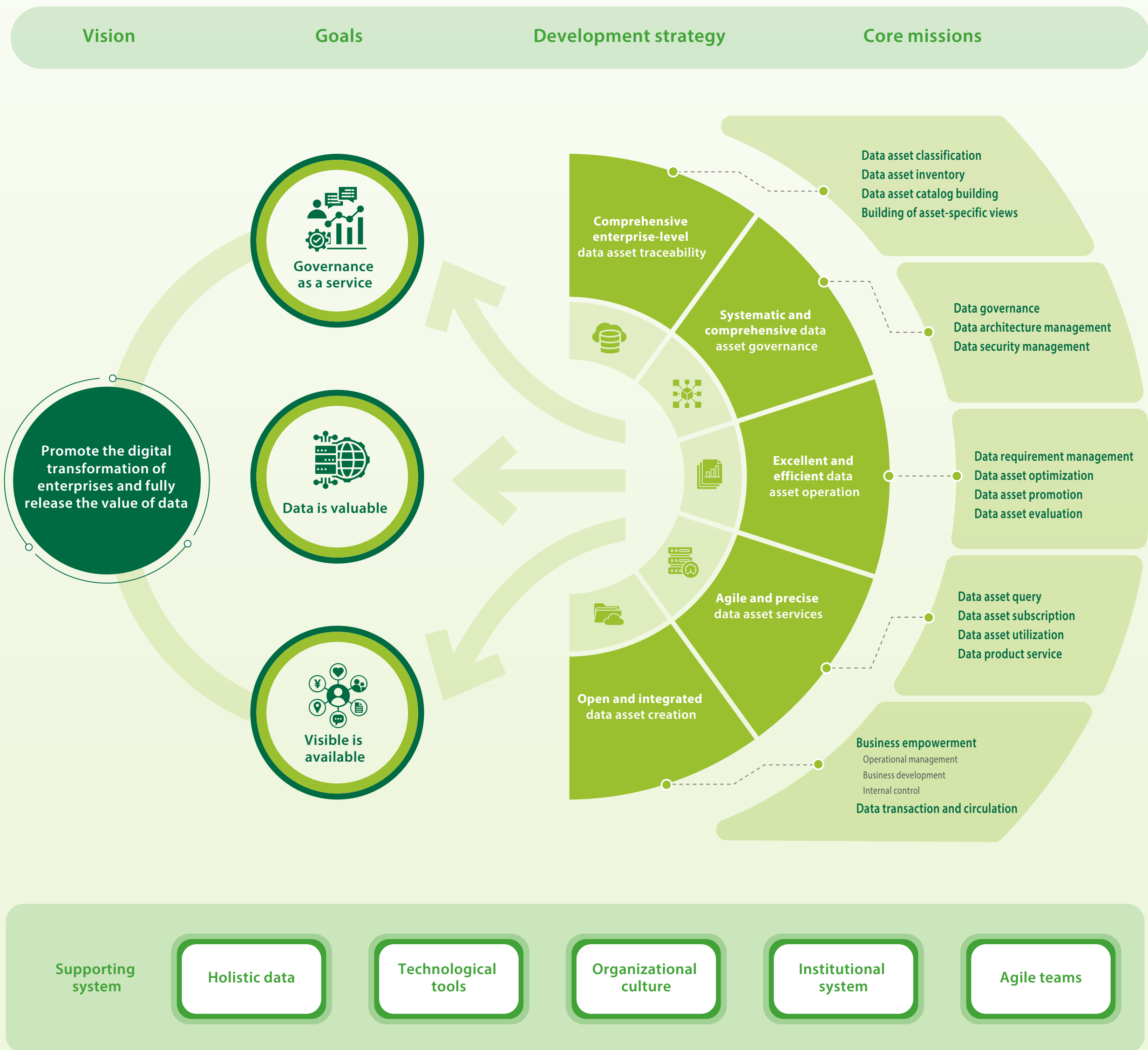
Fostering New Quality Productive Forces through Big Model Technology

Following closely the trend of applying big models in the financial sector, the Bank made efforts in various sectors including R&D testing, operational management, customer marketing and intelligent risk control. It developed "R&D Assistant" for R&D testing and incubation to support the whole R&D process including requirement analysis, UI design, code generation and system testing, improving the efficiency of end-to-end R&D. It launched "PSBC Assistant" for counter operation management, which provided online business knowledge Q&A for tellers to improve the efficiency of business handling. It launched emotional models for conversations and "Smart Think Tank" service to enhance the operation of enterprise WeChat, thus improving the ability of employees at grassroots level to understand customers in a more detailed manner. It developed "Intelligent Review Assistant" for intelligent risk control to improve the compliance and efficiency of legal review work. During the year, the Bank submitted more than 5 patent applications in the field of big model, and actively participated in a number of external research projects.

Financial Technology

Column Reconstructing the Big Data Application System from an "Assets" Perspective and Leveraging Data for Benefits

In the era of digital economy, the operation and management model of data should be re-examined and reconstructed from the perspective of assets and production factors. The Bank proactively implemented the national strategies, took into account the characteristics of banking business and technological development trend, insisted on innovation-led development, actively explored and carried out work related to data assets, and established a unified data asset management system, so as to continuously improve the quality and value of data assets and reduce the cost of using data in terms of data asset inventory, data quality, and technological support.



Firstly, the Bank has built a data asset management system with the characteristics of PSBC around the goal of "Governance As a Service, Data Is Valuable, And Visible Is Available", covering the development strategies of "data asset traceability, data asset governance, data asset operation, data asset services and data value creation", which serves as a unified guideline for the management of the Bank's data assets.

Secondly, it established enterprise-level data asset catalog to reshape the user experience of data asset utilization. The Bank carried out data asset inventory in a gradual manner, and clarified the questions of "what data assets are, what they contain, where they are located and who is responsible" in terms of data sources, data distribution and basic data conditions, so as to form a complete picture of the Bank's data assets and build an enterprise-level unified data asset catalog. As at the end of the reporting period, the Bank had a total of more than 440,000 data assets, which had been opened for use by 100,000 users across the Bank, supporting various types of users to quickly locate the required data assets and serving data analysis modeling, data development, data governance and other scenarios.

Thirdly, it continued to improve the quality of data assets and established a differentiated data asset operation model. The Bank gradually improved the building of core data assets and promoted standardized management of data assets. Through the establishment of master data information specifications, the business definition and business classification of various master data are unified from an enterprise-level perspective. At the same time, special governance was carried out to continuously improve the quality of data assets. According to the characteristics and usage scenarios of different data assets, the Bank implemented data governance results and improved the operation efficiency of data assets by making data maps, providing data asset exploration and retrieval services, and establishing standard data asset management and control lists.

Fourthly, it steadily promoted the building of data asset management platform to build data asset service capabilities. In order to strengthen the technical support of data asset management, the Bank further upgraded the data asset management platform and improved the data asset management base during the reporting period. At present, the platform has built data asset management, data asset governance, data security management, data demand and service management, data asset operation, data assets and product services and other related functions, which effectively support multiple scenarios such as data research and development, data analysis modeling, etc.

In the next step, the Bank will continue to improve the efficiency of data asset management, centering on enterprise-level data planning, and adhering to the philosophy of "consultation, contribution and shared benefits". On the one hand, the Bank will promote intelligent data applications, data integration, comprehensive data governance, and data security management and other measures to provide scenario-based, intelligent, and platform-based data services for business applications. On the other hand, it will actively carry out the exploration and practice of data asset measurement and pricing, lay the foundation for the "inclusion" of data assets in financial statements, and simultaneously strengthen the sharing and interoperability of data with other financial institutions, so as to continuously promote the efficient management and comprehensive application capabilities of financial data, and to further unlock the value of data assets.

Financial Technology

Forming New Quality Productive Forces at a Faster Pace

Taking the IT planning in the 14th Five-Year Plan period as guidance, the Bank consolidated the foundation of workplace safety, committed to self-reliance and strength in science and technology, and strengthened data governance and application empowerment. It doubled efforts in cultivating FinTech talents, accelerated the formation of independent and controllable new forces and facilitated digital transformation across the Bank through new quality productive forces.

Consolidating the Foundation of Workplace Safety

Strengthening the building of basic computing power. The scale and efficiency of cloud resource pool building were constantly increased. Over the year, nearly 10,000 physical nodes were deployed in four centers in two cities, and a cumulative production of over 1.1 million vCPUs was put into operation. The cloudification rate of business systems was steadily increased, with a cloud adoption rate of 92% for critical information systems. The average daily transaction volume exceeded 800 million, accounting for nearly 98% of the total transactions conducted on the cloud.

Improving the disaster recovery management of systems. The Bank built disaster recovery capability assessment models, strengthened the real scenario switching drills, and realized one-click switching and combination of multiple systems via integrated O&M platform. It constantly refined disaster recovery building of information systems and full-process management of switching drills. During the reporting period, the Bank's information systems maintained secure and stable operation. The service availability of critical information systems was 100%, thus ensuring a high level of business continuity.

Deepening the establishment of defense systems. The Bank took solid steps to implement cyber security planning tasks, strengthened the security protection of critical information infrastructure boundaries, and completed the deployment of devices for intrusion defense, database audit, etc. Protective measures such as honeypots and host security were adopted across the Bank, and protection capabilities for cyber security and critical information infrastructure security were constantly improved.

Consolidating the foundation of data security. The Bank issued data security sub-planning and related policies to further optimize the Bank's data security management framework. It was the only commercial bank that participated in the pilot implementation of national standard – Information Security Technology – Rules for Data Classification and Grading to study the implementation plan of national standards in the financial sector, setting industry benchmarks.

Pursuing Self-reliance and Strength in Science and Technology

The Bank actively pursued independent and controllable key FinTech technologies, adopted enterprise-level business modeling and distributed microservices architecture, and independently developed distributed technology platforms and O&M platforms. It built a reliable and solid technological foundation which was applied to the development of a series of new-generation core systems. The first batch of the new-generation credit card core systems was officially launched on December 16, 2023.

It accelerated its independent R&D capabilities. The Bank achieved 100% independent research and development for new systems and the proportion of self-developed systems throughout the Bank increased to 73%.

It stepped up the building of professional testing capabilities. On-going projects were 100% tested by itself, and TMMi (Test Maturity Model integration) level 4 certification delivered tangible results. Foreign testing tools were fully replaced by its self-developed "Star Platform" which passed the DevOps (Development and Operations) continuous testing international standard certification.

Promoting the building of intelligent O&M. Automatic O&M platform, security sensory system, etc. have been applied into branches. The new-generation dynamic environment monitoring system was put into operation. The Bank's O&M level was thus constantly improved.

Financial Technology

Enhancing Data Insight Capabilities

Data development is implemented through a layered approach. Real-time data warehouse was launched on the big data platform to support 17 real-time business scenarios such as risk control and marketing. The data middle platform outputs more than 1,300 services such as marketing lists and warning models, realizing a significant shift from providing basic data to providing data services.

Strengthening data governance. The Bank further optimized data standards, deepened special governance of five areas including institutions and counterparties, and accumulated more than 5,800 data quality examination and checking rules to strengthen management and control at source. It also passed the quantified management level (Level 4) certification of Data Capability Maturity Model (DCMM).

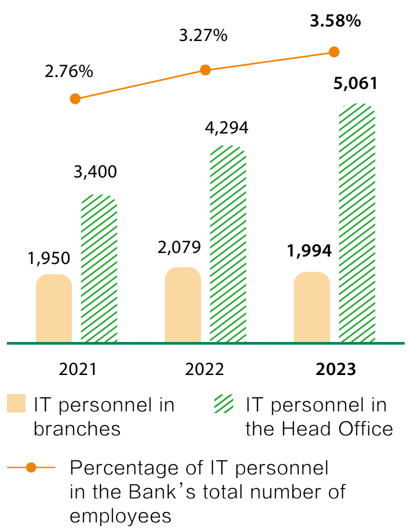
Building a Versatile Workforce

Continuously increasing tech headcount. The Bank increased the recruitment of talents in short supply in core domains such as R&D, data analysis and O&M, and steadily expanded its IT team. The IT headcount of the Head Office increased to 5,061, and that number exceeded 7,000 across the Bank.

Strengthening the capabilities of the IT team. The Bank improved organizational training systems and set up "Sharp • Light • Star" programs to facilitate the rapid growth of new hires. It optimized personnel mobility mechanisms, created a new communication model of "Head Office + Regional Characteristics" that reinforced the coordination between Head Office and branches, and established tech talent ecosystem.

Innovating team management models. It built a team of Human Resources Business Partners (HRBPs), set up a Shared Services Center (SSC) for human resources, and empowered the management of tech talents through job competence models, employee digital profiles, and workforce performance analysis.

Number and Percentage of IT Personnel



Column Strengthening Business Dispatch Mechanism to Promote Integration of Business and Technologies

Aiming to enhance the quality and efficiency of financial services, the Bank promoted the in-depth integration of technologies and business teams, so as to respond to customers' financial need agilely. It improved customer services together with the employees at the primary level and formulated a new approach and model of digital financial services where the Head Office and branches work together and the Bank and the customers cooperate to deliver win-win results.

The Bank optimized the organization and responsibility of the IT segment, set up business R&B tier-2 departments, and built a professional business R&D team based on the existing requirement R&D personnel. It carried out business requirement R&D, supporting system process design and optimization and other works for each business segment, promoted the integration of business and technologies and managed businesses at the source of requirements, so as to effectively improve project quality across the Bank. As at the end of the reporting period, this effort has covered 67 major projects in 5 segments, namely personal banking, corporate banking, treasury and asset management, comprehensive support and risk management.

The Bank selected over 100 talents to build an engineer team of customer service, empowered six areas including system support, channel alignment, product upgrade, scenario platform, operation optimization and intelligent risk control, promoted the building of a coordinated system linking banks, businesses and customers and accelerated the implementation of major projects. The implementation period of corporate banking standardized projects was shortened by 75% on average. The branches had more capabilities to handle IT projects, producing a range of leading IT projects, such as "Rong e Hui" in Fujian, "Di Guan Tong" in Shenzhen and wage regulation system for rural migrant workers in Xiamen.

The Bank actively explored the mechanism of dispatching data analysis teams. Taking personal banking, online banking, Sannong finance and other core segments as drivers, it worked to form a regular and standardized flow for dispatching data analysts to business departments, thereby improving the efficiency of responding to data application needs.

Channel Development

The Bank launched mobile banking 9.0 and the number of monthly active users (MAU) reached **69.32** million.

"Cloud counter" remote authorization was applied on about **8,000** self-service terminals.

The Bank set up a total of **4,861** "PSBC Care Stations", achieving **100%** coverage of provincial-level and municipal-level branches.

The Bank launched a **new version of PSBC Credit Card App**, providing users with a more enriched and convenient online experience.

The number of corporate online banking customers exceeded **1.4** million, up by **22.63**% from the prior year-end. The transaction amount stood at RMB **17.28** trillion, up by **34.89**% year on year.

With the aim of serving customers, the Bank made continuous efforts in innovation and transformation, and improved the ability to provide customers with multi-channel collaborative services.

Physical Distribution Channels

The Bank continuously optimized the construction and layout of outlets. The Bank proactively implemented national strategies in outlet building, continued to serve rural revitalization, focused on ensuring coverage of outlets in counties and areas below the county level, and increased resource investment in key regions such as the Beijing-Tianjin-Hebei region, the Yangtze River Economic Belt, and the Guangdong-Hong Kong-Macao Greater Bay Area. In 2023, the Bank opened 134 new outlets for business. Among them, 82.84% were in counties and areas below the county level; 19 new outlets were in key counties receiving government assistance for rural revitalization as well as in Xinjiang and Xizang that are managed as key counties receiving government assistance; and 19 city-level outlets were set up in the Beijing-Tianjin-Hebei region, the Yangtze River Economic Belt, and the Guangdong-Hong Kong-Macao Greater Bay Area to support the regional development.

The Bank continuously enhanced the productivity and efficiency of outlets. Centering on the new requirements of high-quality development, the Bank continued to implement the three-year plan for improving outlet efficiency. It focused on the enhancement of outlet productivity and staff efficiency, enriched the business models of outlets, and emphasized on building branches with distinctive business features, service characteristics, and thematic characteristics, so as to enhance the differentiation and competitiveness of the outlets.

The Bank continuously improved the service image of outlets. The Bank established flagship outlets in municipalities, cities specifically designated in the state plan, and 50 key cities to develop model outlets with strong visibility, good image and high efficiency. Complying with new image standards, it accelerated outlet renovation and optimized the layout of functional areas such as wealth management zones and negotiation zones at the outlets. As at the end of the reporting period, more than 5,000 outlets underwent interior renovation for a new image.

The Bank continuously optimized the customer experience at outlets. The Bank took solid steps to conduct the "four-in-one" special improvement campaign to enhance service quality with the focus on "specifications, standards, drills and improvement", continued to standardize outlet environment and staff service behaviors, and consolidated the foundation of service management. It deepened the "heart-warming services" scenarios by launching and promoting 25 heart-warming service measures covering service processes, marketing atmosphere, special scenarios, and special customer groups, in a bid to provide financial services with a human touch to customers.

The Bank continuously promoted the development of "PSBC Care Stations". The Bank actively built "PSBC Care Stations" at outlets with unified construction standards and service norms. These stations serve as a place where outdoor workers can take a rest, drink water, recharge mobile phones and find hygiene supplies, etc. The Bank also extended care to special customer groups, providing them with people-oriented and barrier-free services as well as maternal and baby care services. In doing so, the Bank fulfilled its social responsibility and showed its sense of responsibility as a major bank. As at the end of the reporting period, the Bank has set up a total of 4,861 "PSBC Care Stations", covering all provincial-level and municipal-level branches. Among them, 49 stations were recognized by All-China Federation of Trade Unions as the "Most Beautiful Trade Union Service Station for Outdoor Workers" in 2023.

The Bank continued to strengthen digital empowerment in operations management. The Bank continued to apply the innovative service pattern of "cloud counter"with audio-visual integration and intelligent routing technology, which enabled centralized processing of inquiries and transactions by remote centers instead of traditional on-site processing, providing more prompt and convenient outlet services to customers. As at the end of the reporting period, approximately 8,000 self-service terminals had been adapted for the remote authorization model of "cloud counter". Through the collaboration of "on-site guidance in the lobby + remote authorization from agent representatives", the Bank strengthened its lobby services and supported the transformation of outlets towards marketing services. Furthermore, the Bank explored the application of new technologies such as virtual reality, deployed AI digital employees in the "cloud counter" project to provide customers with services such as business consultation and transaction services through progressive and interactive guidance by AI digital employees, thereby facilitating the digital transformation of outlet services. The bank significantly enhanced the capabilities of self-service terminals and mobile business terminals, adding nearly 200 financial functions and over 300 bank-government business functions, so as to improve one-stop transaction experience at outlets. It implemented a mobile marketing model with single-person outreach in 6 branches, effectively supporting the marketing service at outlets.

The Bank continuously enhanced intensive operation capabilities. The Bank made significant efforts in promoting intensive operation and process reengineering of outlet businesses. During the reporting period, 10 intensive operation projects were newly implemented, including new account follow-ups, corporate wallets, letter of credit processing, etc. It centralized the processing of another 130 transactions. The Bank implemented an integrated customer service model of "online acceptance – processing at the operations center – express delivery" for personal deposit certificates. The Bank utilized intelligent technologies such as Robotic Process Automation (RPA) to enhance operational efficiency in intensive operations, and added a number of robot application scenarios, resulting in a total saving of 720,000 work hours throughout the year. It expanded the scope of intensive operation, and realized centralized processing of telecom and network fraud monitoring and analysis, significantly reducing over 98% of the front-desk verification workload at outlets. The electronic letter of credit system was connected to the letter of credit blockchain service platform of China Banking Association (CBA), and achieved centralized operation by the Head Office, which was among the best in CBA's circular.

Channel Development

The Bank continued to drive customer journey optimization. Relying on the "Lingxi (Perception)" customer experience management system, the Bank conducted dynamic monitoring of customer satisfaction for 37 customer journeys through 1,360 experience indicators in scenario-based manner. It enabled the Bank to quickly identify and address customer experience issues and establish real-time alerting and journey optimization mechanisms. As at the end of the reporting period, a total of 1,077 journey optimization measures were adopted, and new one-stop services such as "one-click sign-up", "one-click control release" and "one-click account inquiry" were introduced. Account loss reporting, transaction details printing and other services were now available on mobile banking, and the processing time for corporate account opening was reduced by 26.51% compared with the prior year-end, leading to a continuous improvement in customer satisfaction.

The Bank continuously advanced an integrated "online + offline" customer management model. The Bank build upon and expanded the services of offline outlets to provide the experience of digital financial application. Relying on online services including mobile banking and quick payment card binding, it carried out the "PSBC Happy Shopping" mobile payment experience campaign and helped customers with "1 plus 3" account upgrade[1], thus increasing customers' sense of gains with online services and bridging the digital divide for elderly customers. The Bank continued to foster new advantages of customer acquisition and activation featuring outlets plus business districts. It leverages acquiring merchants as a focal point to create high-standard and characteristic business districts in the fields of retail, dining, culture, tourism, etc. At the same time, it gave full play to the value lever of acquiring business, and realized the coordinated development of personal banking, credit cards, loans and other businesses, so as to provide diversified comprehensive financial services to merchants.

As at the end of the reporting period, the Bank had a total of 39,364 outlets, including 7,685 directly-operated outlets and 31,679 agency outlets. In addition, it has 134,959 self-service terminals, including 50,585 intelligent teller machines (ITMs), which accounted for 96.37% of self-service terminals for non-cash businesses, and 70,725 internet-enabled mobile business expansion terminals.

A "PSBC Care Station" staff at the Bank's Harbin Central Avenue Sub-branch covers tourists' luggage with dust covers.

1 "1 plus 3" account upgrade means that account opening, mobile banking opening, quick payment card binding and risk assessment services are processed all at once for customers.

Electronic Banking Channels

Personnel Mobile Banking

The Bank launched Mobile Banking 9.0 which focused on "professional wealth consultant, exclusive experience, dedicated companion, and attentive protection" to enhance the customers' interaction, scenario interaction, and product interaction through a new "three-dimensional interaction" experience. In terms of professional wealth consultant, the Bank launched functions such as "U Allocate Assets" and retirement planning, and established a wealth allocation service system that comprises "investment consultation, product shelves and wealth planning" as well as a wealth management system that comprises "income and expense management, account management and to-dos management", so as to meet customers' personalized and diversified needs for wealth management. In terms of exclusive experience, the App continuously optimized search function to further increase the accuracy. More types of business notifications were enabled in the App to refine message manager service. By launching novel functions such as themed mystery box, birthday/holiday greeting and desktop component, the App offered customers interactive experiences that are considerate and diverse. In terms of dedicated companion, the innovative AI space gave customers more science-based tailored services. In terms of attentive protection, security manager and process optimization ensured double security for customers. Relying on big data, AI, knowledge graph and other technologies, the App achieved smooth and accurate risk identification. E-tokens were fully phased out, and a dynamic limit system based on customer assets and transaction history was set up, with the daily cumulative transfer limit for mobile banking increased to a maximum of RMB5 million (inclusive). The App also enriched customer identity verification methods by introducing features such as local number authentication, login-free transfers, and the option to choose basic authentication methods for transfers. These functionalities were to further simplify transaction authentication process while ensuring compliance with risk control requirements.

Committed to the customer-centric service philosophy, the Bank focused on developing mobile banking as the major platform for customer interaction and business operations. As a result, customer base continued to grow. During the reporting period, the Bank sped up the building of the online operation system, innovatively launched the automated operation based on the new customer 100-day strategy for mobile banking, and explored new models for automated and intensive operation of mobile banking customers. It continued to enrich the system of customer benefits, launched the low-carbon section, digital collectibles and other features, and issued "rabbit collection for benefits" brand campaign that attracted 16.88 million participants. In doing so, it generated win-win results of customer engagement and asset accumulation. As at the end of the reporting period, the number of mobile banking users totaled 361 million. During the reporting period, the number of monthly active users (MAU)[1] reached 69.32 million. Transaction amount stood at RMB16.01 trillion, a year-on-year increase of 9.28%.

1 The statistical criterion for the monthly active users in mobile banking is the customers who have opened the mobile banking App.

Channel Development

Personal Mobile Banking 9.0

Corporate Electronic Banking

The Bank released Corporate Online Banking 4.0 and Corporate Mobile Banking 2.0. The new versions of corporate electronic banking enhanced the user experience for high-frequency business transactions and were connected to "PSBC Easy Business" platform, creating a six-scenario-based ecosystem, which enhanced the Bank's comprehensive financial service capabilities in the "finance plus scenario" approach. The Bank was awarded the "Best Corporate Online Banking Award" for consecutive years in the "2023 China Digital Finance Ranking" by the China Financial Certification Authority (CFCA).

Upgrading corporate online banking to version 4.0. Centering on customer services, the new version of corporate online banking redesigned homepage, innovated financing and intellectual-incorporated products, and enabled full-process online handling of agency payment, bill, letter of guarantee and other products. Visual account management view covering asset and liability analysis, income and expenditure analysis, etc. was added. Version 4.0 supported binding personal account and set product sections including inclusive finance, wealth management and operation management. It provided integrated services for all sorts of customer groups through specialty product list and specialty scenario list, and improved segmented businesses and services for corporate customers. As at the end of the reporting period, the number of registered customers of corporate online banking exceeded 1.4 million, representing an increase of 22.63% compared with the prior year-end; the effective corporate online banking customers accounted for 92.76% of the total corporate customers, representing an increase of 2.96 percentage points compared with the prior year-end. The transaction amount stood at RMB17.28 trillion, up 34.89% year on year.

Improving financial service capabilities at mobile terminals. The Bank upgraded corporate mobile banking to version 2.0 which added more than 80 functions, such as panorama view of account services, international settlement, mobile pay and corporate wallet. It launched the intelligent interaction mode of "screen sharing service" and realized targeted service guidance on a one-to-one and screen-to-screen basis through "screen sharing and voice talk". The version 2.0 supported intelligent voice search that has access to all services, and comprehensively used digital employee, customized algorithm, intelligent recommendation and other technologies to create an operation supporting system that delivers heart-warming and companion services, in a bid to serve as a smart mobile financial manager. As at the end of the reporting period, the corporate mobile banking had a total of 527.2 thousand registered users, serving over 900,000 users.

PSBC Credit Card App

The Bank launched a new version of PSBC Credit Card App to create an ecosystem that meets customers' basic needs for clothing, food, housing and mobility and provide more diversified and convenient online experience for retail customers. It reshaped five homepage channels, completed over 100 optimization measures and launched 249 functions. The flows of core functions such as registration and login, activation, card binding and quick payment were redesigned to enable one-click access to key businesses. It built upon the brand culture, applied design elements with PSBC characteristics and upgraded the visual design of the App. UnionPay Quick Pass was embedded to connect with consumption scenarios through cloud network platform, so as to provide customers with a brand-new payment experience. The card application scenarios were enriched with car-owner scenario, gas refilling scenario and platinum card service zone, etc. Bonus point channel was added to increase customer activity through increased promotion efforts.

As at the end of the reporting period, PSBC Credit Card App had a total of 24,328.5 thousand users, up 46.48% from the prior year-end; the accumulative number of bank card linked to the App reached 28,980.1 thousand, up 60.19% from the prior year-end.

Remote Service Channels

Remote Banking Services

With the focus on customer services, the Bank established intelligent and intensive remote service system to upgrade unprecedented customer service experience. During the reporting period, it continued to deepen intelligent and innovative applications, rolled out the Bank's first mascot and digital employees, and launched digital customer service and digital customer manager, so as to upgrade remote services. It launched the dedicated hotline for private banking, effectively improving featured financial services. It unveiled cloud handling service and livestream platform and expanded visual and online interaction scenarios to further increase the accessibility of financial services and provide more heartwarming remote services. During the reporting period, the answer success rate by manual response for remote banking was over 92%.

Credit Card Customer Service Hotline

The Bank continued to promote the intelligent and online transformation of the credit card hotline service. New functions including digital employees, video customer service, smart transaction robot and voiceprint code were unveiled successively to provide customers with 24/7 digital and intelligent services. In total, it delivered online services for 3.19 million person-times. Taking "Customer Service Experience Improvement Year Campaign" as the opportunity, the Bank continued to improve customer service journey experience of all channels. It strengthened effective coordination, formulated strategies flexibly and ensured the smooth operation of hotline. During the reporting period, the answer success rate by manual response was over 95%, and customer satisfaction with manual service was 99.75%.

Channel Development

Column Building Featured Sub-branches to Enhance Differentiated Service Capabilities

In order to carry out the overall deployment of the "five priorities" of technology finance, green finance, inclusive finance, pension finance and digital finance proposed by the Central Financial Work Conference, the Bank made efforts at outlets of the grass-roots level to actively build special sub-branches in technology, green, inclusive, pension, digital and other key areas, and continued to increase the investment of financial resources to serve the development of the real economy.

Technology Finance

Wenling Sub-branch, Taizhou, Zhejiang Province – A Technology Finance Sub-branch

Wenling Sub-branch in Taizhou, Zhejiang Province focused on technology-based enterprises, strengthened the financial empowerment of technology-based enterprises, and assisted the transformation and upgrading of the local industry and economy. The Bank has set up a professional service group for technology finance, clearly identifying technological enterprises as the key service targets, carrying out list-based visits, and actively integrating its development into the transformation and upgrading of local industries in light of the local pump and electric motor clusters, in order to provide comprehensive life-cycle financial services for technology-based enterprises. As at the end of the reporting period, the Sub-branch's loans to technology-based enterprises amounted to RMB1,322 million, accounting for 45.14% of all small business loans, of which the loans to technology-based enterprises related to the pumps and electric motors industry amounted to RMB378 million. The Bank has built a total of 30 professional service institutions for technology finance such as sub-branches and departments specializing in technology finance.

Green Finance

Binhe Green Sub-branch of Mentougou District, Beijing – A Green Finance Sub-branch

Vigorously implementing the philosophy of "lucid waters and lush mountains are invaluable assets", Binhe Green Sub-branch of Mentougou District, Beijing actively advanced the pilot project of "realizing the value of ecological products in specific regional units" and provided credit support for development organizations with the aim of unleashing the future value of ecological projects. It actively contributed to local green and low-carbon development and assigned professional customer managers to handle green credit business. As at the end of the reporting period, its green credit amounted to RMB874 million, accounting for 93.58% of its total credit, up 56 percentage points from prior year-end. The Bank has established a total of 28 green financial institutions, including carbon-neutral sub-branches, green sub-branches and green finance departments.

Digital Finance

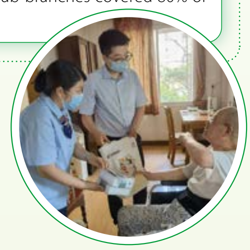
Outlet under Direct Management of Sub-branches of Henan Province – Digital Intelligence Flagship Store

Outlet under Direct Management of Sub-branches of Henan Province aimed at the digital and intelligent transformation of outlets, empowering the new business model of outlets. It adopted a space design with a sense of modern technology and introduced 19 intelligent scenarios. Relying on the creation of 5G+ digital financial scenarios, it has achieved personalized services such as smart welcome and smart handling. Through the investment in software and hardware equipment such as smart machines, robots, 5G integrated management platforms, and Internet of Things management and control platforms, business processing efficiency has been improved by 40%, and customer satisfaction has continued to improve.

Pension Finance

Wusheng Road Sub-branch of Wuhan City, Hubei Province – Jinhui (Elderly Care) Sub-branch

Wusheng Road Sub-branch of Wuhan City, Hubei Province took solid steps to improve services for elderly customers and continued to optimize facilities and service process. It set up an elderly service zone named "Enjoy Being Elderly" where reading glasses, magnifying glasses, medical kit, wheelchairs and other service facilities are available. It built barrier-free passage and public helpline, equipped with caring windows and caring seats, provided preferential number call, and organized chess and cards and other leisure activities, showing the warmth of the Bank through details and improving the business handling experience for elderly customers. In 2023, the number of elderly customers of the Sub-branch increased by 5.43% year on year and their AUM increased by 13.53% year on year. As of the end of the reporting period, Jinhui sub-branches covered 80% of prefecture-level cities nationwide.



Inclusive Finance

Ali Sub-branch, Xizang Autonomous Region – An Inclusive Finance Sub-branch

Located at the highest altitude on the Qinghai-Xizang Plateau and known as the "Roof of the World", with an average temperature ranging from 4°C to below -45°C and an oxygen content of only 45% of that of the plains, Ali, Xizang, has long been regarded as a "forbidden zone of life". In order to implement the guiding principles of the CPC Central Committee to "effectively strengthen high-quality financial services for major strategies, key areas, and weak links", and take the initiative to fulfill the responsibility of a large state-owned bank, Postal Savings Bank officially opened its sub-branch in the Ali region of the Xizang Autonomous Region on December 15, 2023, to provide enterprises and residents in the Ali region with inclusive and convenient financial services, effectively implementing the requirements of the Central Financial Work Conference, "adhering to the people-centered value orientation, and adhering to the financial services for the real economy as the fundamental purpose".

Channel Development

Column

Improving E-CNY Services at a Faster Pace

Under the guidance of People's Bank of China and committed to the customer-centric philosophy, the Bank advanced the building of e-CNY acceptance environment, innovated e-CNY product functions and optimized service experience, so as to meet differentiated needs of customers, providing more and better comprehensive financial services for customers. While developing e-CNY business, the Bank continued to speed up the development of traditional businesses and supported inclusive finance. As at the end of the reporting period, the Bank topped the operator list by the number of customers who opened personal wallets via e-CNY App.

Steadily Promoting Scenario Building

The Bank made breakthroughs in smart-contract application. Relying on the smart-contract technology, the Bank built the innovative e-CNY smart-contract prepayment consumption ecosystem, and launched "cloud manager"-based smart-contract prepayment products in pilot industries such as education and training, fitness, medical treatment, e-commerce and beauty salons.

It expanded the coverage of inclusive financial services. It took the lead in e-CNY application in corporate sectors such as MSE loans, corporate loans and green bill discounting and doubled the support for inclusive finance and green finance. Its e-CNY loan exceeded RMB5.8 billion. It improved financial services for rural revitalization, and set demonstration villages, demonstration points and online agro-related platforms of rural revitalization in e-CNY pilot areas.

It accelerated the building of government affair services scenarios. In response to the State Taxation Administration's initiative of "Spring Breeze Action for Convenient Taxation", the Bank vigorously built key scenarios such as corporate tax payment and fiscal non-tax. During the year, the amount of tax payment through e-CNY surpassed RMB7.4 billion. It successfully provided e-CNY funds with government subsidized interest to 29 enterprises in difficulty in Xiongan New Area. It exclusively linked to "Zhi Gui Tong", a government affairs and public service platform in Guangxi Province, to support local digital government affair building.

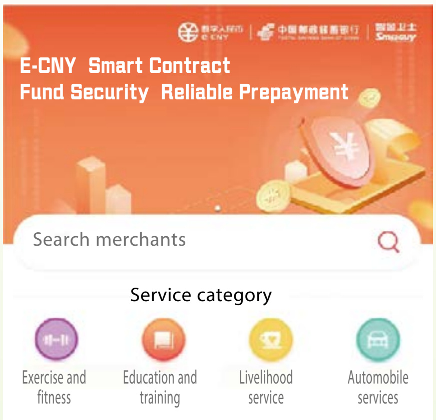
Continuously Developing Featured Products

The Bank refined the "Life" sub-section in the e-CNY section in mobile banking App, integrated scenarios in e-CNY exclusive store, mobile business district and activity zone, and launched e-CNY wage payment, e-CNY securities transfer and other functions, so as to provide customers with one-stop online e-CNY services via mobile banking App. It established a corporate wallet service system to meet customer needs on B-end and G-end and launched functions such as corporate wallet service on corporate mobile banking and one-click contract signing for corporate wallet at counters. Furthermore, it unveiled innovative functions such as collective settlement and one-code scanning to support quick collection for e-CNY merchants.

Innovative E-CNY Smart-contract Prepayment Scenarios

The Bank solved the chronic issue of traditional prepayment mode of lacking effective regulation through smart-contract prepayment products, thus ensuring the security of repayment fund for customers and expanding customer acquisition channels for merchants.

- In March 2023, the Bank launched the innovative e-CNY smart-contract prepayment service and rolled out related "meta manager"-based product "Xiao You Card" on "Xiao You E-CNY Mall". When customers select "Xiao You Card" for payment on "Xiao You E-CNY Mall", the funds will be automatically settled to the Mall, realizing timely settlement of each payment.
- In September 2023, the Bank rolled out smart-contract prepayment platform through the cooperation with partners, and piloted related products in education and training industry. When customers buy and take the course, the funds will be automatically settled to the education institutions, realizing timely settlement of each course.
- In December 2023, together with Jiangsu Exchange Depository & Clearing Co., Ltd., the Bank established "Su Jie Tong", the first e-CNY prepayment fund management platform in Jiangsu Province, to support the healthy development of prepayment consumption ecosystem.



The Bank established smart-contract prepayment platform through the cooperation with partners

Rural Revitalization Scenarios

In Shiyi Village, Beichuan Qiang Autonomous County, Mianyang, Sichuan Province, the Bank integrated e-CNY into beautiful countryside building and rural digital governance, created various e-CNY application scenarios such as tourism and wellness, specialty catering, EMS, e-commerce and convenient payment. The application of e-CNY covered over 92% of the merchants, thus contributing to rural revitalization.

An employee from the Bank's Beichuan Sub-branch in Sichuan Province delivered doorstep services to an e-CNY merchant in Shiyi village

Grain Payment and Settlement Scenario

The Bank carried out in-depth cooperation with China Grain Reserves Group Ltd. Company, developed combined payment product of "corporate account – corporate parent wallet – corporate sub-wallet – personal wallet" based on the company's payment and settlement situations. In doing so, it covered e-CNY grain payment function to all enterprises directly controlled by the company in pilot areas, so as to support the unified fund management.

Channel Development

Column: Exploring New Financial Service Mode Through Open Banking

Adhering to the development concept of "open, collaboration, sharing, and reciprocity" and focusing on building characteristic and differentiated scenarios, the Bank established an open banking service system that integrated "platform-based finance, scenario-based operation and digital operation", and developed an open banking service platform. It provided one-stop services driven by "open capability, solutions and financial cloud" to constantly widen the border of financial services. It worked hand in hand with multiple parties to promote the organic integration between finance and scenarios, outlets and business districts as well as online and offline, and went all out to shape itself into a digital eco-bank that grows together with users and customers at C-end, B-end, G-end and F-end for win-win results.

Fostering Diversified Service Ecosystem Incorporating Platform, Scenarios and Finance

The Bank developed a "scenario+" open banking mode, created a closed loop for "scenario + finance" services, accelerated the application of data, information and scenarios on the platform, and unlocked the value of data. Open capability covered 9 major types of service, namely account, e-CNY, credit card, payment and settlement, credit loan, equity, international businesses, channels and IT services. It put equal emphasis on "Going out" and "Bringing in". For one side, it focused on corporate management process and established integrated cloud platform of "scenario + finance" using service integration and open capacity as a carrier to support digital transformation for enterprises. For another, it issued industry solutions through the cooperation with SaaS vendor to provide smart operation services for businesses. The platform has connected to over 1,300 scenarios. It's worth noting that the special zone "local service" on the platform covered areas of 36 tier-1 branches, and with mobile banking as the main channel to the customer side, it was able to not only provide services for customers, but also introduce scenarios on the platform. Supported by digital and intelligent scenario operation, it provided customers with specialty services that are more considerate, diversified and accurate.

Taking the Lead in Exploring New Approaches and Modes for Industrial Chain Financial Services

Focusing on the development of characteristic industry such as agriculture, the Bank realized agile connections with industrial chain system, and integrated payment, financing and other services into the industrial chain services that cover full process and all scenarios, thus promoting data interaction and saving customers' time on running errands. Taking Shaanxi Branch as an example, by linking to Yulin Suide Online Freight Supervision Service Platform, the Branch provided targeted services for freight vehicle owners. Leveraging open capabilities including loan, OCR, online verification and electronic contracting documents, it developed tailored product "vehicle-owner loan" for industrial chain customer groups and provided online loan services for platform users. Hainan Branch, relying on its regional specialty, established an intelligent rubber platform. Based on API, H5 and other technologies of the platform, it explored a new service mode of "platform + rural household + IT + finance" and realized full-process online operation of financial services, thus dramatically improving digital services for rubber ecosystem.

Human Resources and Institution Management

Human Resources Management

In terms of recruitment, the Bank upheld an open mindset, and continued to build the employer brand to attract outstanding talents. It launched three creative online career talks for campus recruitment, including "Shining with PSBC", "Embarking on a Journey with PSBC" and "PSBC Talent Acquisition", and went to well-known universities and colleges nationwide to hold publicity talks, so as to demonstrate the PSBC's talent management mechanism and its sincerity in talent recruitment on an all-round basis. The Bank strengthened the implementation of the "U^+ Talent" training program at the Head Office, and established a full-chain talent training system covering internships, onboarding and career growth, to attract outstanding graduates to join the Bank. In the selection of "Best Employers in China 2023", the Bank was honored with two employer brand awards "Top 10 Best Employers of the Year" and "Most Attractive Employers among College Students".

In terms of talent development, the Bank attached great importance to employee development, established and effectively implemented a dual-track promotion mechanism of "management plus expertise", improved horizontal mobility mechanisms, and achieved a better alignment between individuals and positions. It enhanced the promotion opportunities for employees at different job levels, and accelerated the building of core talent teams. It continued to enhance the development of a leading talent team, selected and cultivated professional leaders in key areas of technology, retail banking, corporate banking, treasury & asset management, and risk management. The Bank improved the selection, motivation, evaluation and exit mechanisms for leading talents, and strengthened the assessment, management and dynamic adjustment of leading talents, to bring into full play the leading role of these talents in scientific research, reform and innovation, and talent development. It developed talent pools at all levels, and intensified the efforts to train and utilize outstanding young cadres. It continuously improved the talent training system, and launched key training programs of different categories and levels to constantly improve the quality and effectiveness of training. For management personnel, the Bank organized "Making Innovations • Embracing Change – Sailing Program" and "Improving Party Consciousness • Upholding Fundamental Principles and Breaking New Ground – Navigating Program", the "Steed" training camp for outstanding young cadres, and other training programs to strengthen their business management capabilities. For professional personnel, the Bank launched the "3-5-8" Refinement • Competitiveness Enhancement Program for employees of Head Office departments[1] and the "U Star Plan" training camp for newly recruited employees who would be based at the Head Office, and provided professional competence

1 "3-5-8" Refinement • Competitiveness Enhancement Program for employees of Head Office departments refers to the hierarchical and classified empowerment training for employees with 1-3 years, 4-7 years and more than 8 years of work experience in the Head Office according to the training needs of employees with different working years, aiming to help employees improve their professional capabilities and cultivate innovative thinking and build a team of talents that are sophisticated, professional and innovative.

trainings for key business lines, so as to improve employees' professionalism and competence. For frontline personnel, the Bank organized the training camp "Outlets Forging Ahead • Illuminating PSBC" for heads of outlets, strengthened trainings for wealth advisors and customer managers, consolidated the business foundation for frontline employees and improved their capabilities. During the reporting period, the Bank organized more than 45,000 training sessions, with more than 3 million person-times trained.

In terms of remuneration and benefits management, the Bank formulated the remuneration management policy in strict accordance with the relevant national and regulatory provisions as well as the requirements regarding corporate governance. The Bank maintained a balance between efficiency and fairness, and continued to optimize the allocation mechanism of total compensation based on performance and value creation. The Bank continuously improved the employee remuneration allocation system, and prioritized frontline employees at the primary level and front-line positions and core management talents who have made outstanding contributions. Employee remuneration consists of basic salary, performance-related salary, and statutory welfare income including social insurance, housing provident fund, etc. In particular, the basic salary reflects job value and personal capabilities, while the performance-related salary focuses on employees' achievements and performance. Meanwhile, senior management and employees in positions with significant risk impact are subject to a deferred payment and clawback mechanism for performance-based salary, which guides employees to effectively balance improvement of returns and risk prevention. During the reporting period, the Bank constantly promoted the application of performance appraisal results, and gave full play to the role of performance appraisal as a guiding tool. It strengthened performance coaching and communication, enhanced the overall process management of performance appraisal, and continuously improved the quality and effectiveness of performance management. It also kept optimizing its benefits system, improving welfare benefits, and enhancing the employees' sense of belonging.

Human Resources and Institution Management

Column Conducting Full-chain Coordination for Recruitment Management Practice to Build a Strong "Best Employer" Brand

In 2023, the Bank continued to build a strong employer brand and highlight its image as a reliable and responsible major bank. Based on the recruitment needs across the Bank, it carried out campus recruitment in an innovative way. **It proactively conducted publicity activities for recruitment,** and launched the first summer internship program at the Head Office. Thanks to the "U+ Intern Camp", a summer internship platform, it opened a channel for enterprise-university publicity. With the slogan of "U Build PSBC Future", the Bank organized OPEN DAY events, in which many activities were designed, including "U Pooling, Winners of Innovation, theme expansion, interactive talks, U Elite", aiming to build up its reputation and enhance interns' sense of cultural identity to spontaneously endorse PSBC and warm up for autumn campus recruitment. **The Bank continued a series of online career talks,** and launched three creative online talks for 2024 campus recruitment, namely, "Shining with PSBC" to show the Bank's features (original MV), the Head Office U+ Talent Plan of "Embarking on a Journey with PSBC" (short video drama), and practical recruitment information of "PSBC Talent Acquisition" (animation), with a viewership of over 460,000 on all platforms. **The Bank refined its publicity channels.** Based on the online publicity via multiple channels including the official website, WeChat official recruitment account, and the third-party partnership institution, it selected many renowned universities throughout the country to carry out offline talks for the 2024 campus recruitment with joint efforts of the Head Office and branches, which attracted students to participate in the interaction through talks given by influencers, sharing by alumni and other activities, further improving the accuracy of reaching excellent graduates.

Scan to view the WeChat official account of PSBC Talent Recruitment

Column

Improving the "U Series" Talent Program to Stimulate the Intrinsic Motivation of Talent Development

In 2023, the Bank further improved the "U Series" talent recruitment and training program, and integrated talent recruitment, talent training and internal transfer. The "U Series" program includes "U$^+$ Talent" program, "U Transfer Program" and "U Exchange Program", which guides employees to clarify their career orientation, increase opportunities to gain work experience in multiple positions, develop greater competence, jointly establish a talent supply chain and cultivate talents who are highly skilled, have a broad perspective, and are capable of shouldering responsibilities.

The "U$^+$ Talent" Plan refers to talent acquisition and training program through campus recruitment. The whole training cycle consists of the "U$^+$ Intern Camp", "U$^+$ Training Camp", "U$^+$ Practice Camp", "U$^+$ Elite Camp" to "U$^+$ Takeoff Camp", in which a mentoring system was adopted throughout the whole process, so as to achieve personal growth together with organizational development, mutual learning between mentors and new employees, and win-win results for the Head Office and frontline units. The Bank launched whole-chain talent training for interns, new employees and those in growing period in 2023. It organized the Head Office "U$^+$ Intern Camp" program, integrated ways of "ice-breaking and cooperation, mentoring, phased discussion, assessment, and talent placements", applied the one-on-one mentoring mechanism for departments which need talents and interns, and launched a 2-month mentoring program, with the aim of targeting excellent students in advance and attracting more outstanding graduates to join in the Bank. The Bank organized "U$^+$ Training Camp" with the theme of "U and Me • Make the 'Fire' Work", and the "U Star Plan" training camp for new employees of the Head Office from campus recruitment, made full use of lecturing, interview, scenario simulation and other teaching forms, together with cultural and sports competitions, to help new employees to fit in rapidly. It launched the "U$^+$ Practice Camp" to enhance the effectiveness of employee training by ways of tutor guidance, primary-level practice, subject research review meetings, and compilation of quarterly publications, and helped employees to get a good kickoff in their careers.

The "U Transfer Program" refers to a cross-departmental talent transfer program for the Head Office employees, which improves the mechanism of internal talent transfer by establishing an open and standard platform for employees to be transferred among different departments. Since 2022, the Bank has implemented two rounds of the "U Transfer Program", with a total of 150 employees transferred to different departments. On the basis of ensuring general stability of employees, it made good use of internal talents and created a more open, inclusive, and active cultural atmosphere.

The "U Exchange Program" refers to a program of exchanges of employees among the Head Office departments, aiming to provide the Head Office employees with more opportunities to gain work experience in multiple positions, broaden their horizons, promote exchanges and understanding among departments, and stimulate the synergy and creativity of the team. The Bank completed the first "U Exchange Program" in 2023, with 69 person-times of cross-departmental exchanges.

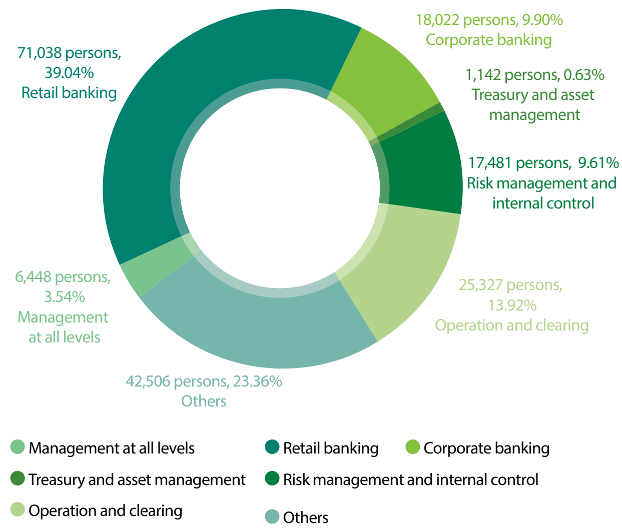
Employees

As at the end of the reporting period, the Bank had a total of 197,146 employees, among which, 181,964 were contract employees (including 1,714 in majority-owned subsidiaries), and 15,182 were from labor dispatch agencies. The number of retired employees of the Bank was 28,056. In terms of talent quantity, the Bank kept its personnel in a reasonable size, and shifted the idea of talent allocation from quantity growth to improving individual efficiency. In terms of talent quality, the Bank steadily improved the number of employees with high qualifications, and the proportion of employees with a bachelor's degree or above in the Bank continued to increase, with a rise of 5.38 percentage points over the past three years. In terms of talent structure, the position distribution was more reasonable, and more human resources flew to core businesses and front-line marketing positions in an orderly manner.

The Bank values gender diversity among employees. As at the end of the reporting period, the proportion of male employees and female employees (including senior management members) of the Bank was approximately 40.49% and 59.51%, respectively. The composition of the Bank's workforce meets relevant requirements and is expected to maintain at a reasonable level of gender diversity.

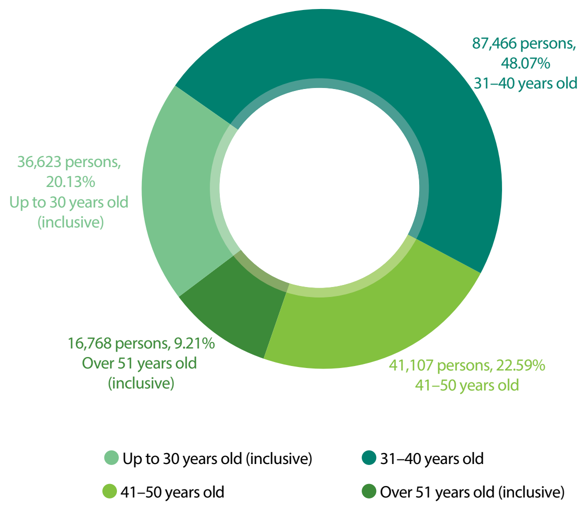
Human Resources and Institution Management

The Bank's Employees by Function

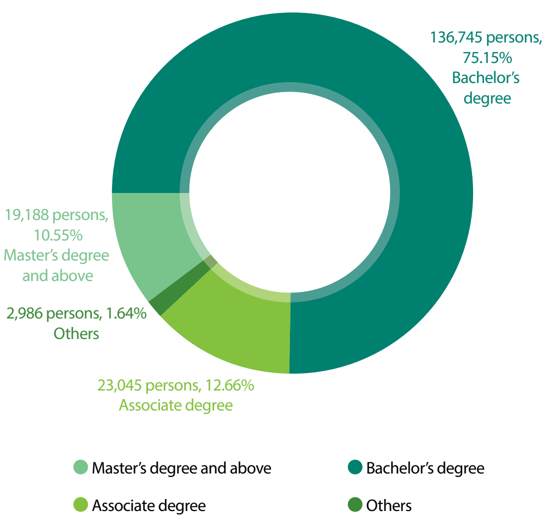


Note: Others include administration, information technology, and other supporting positions.

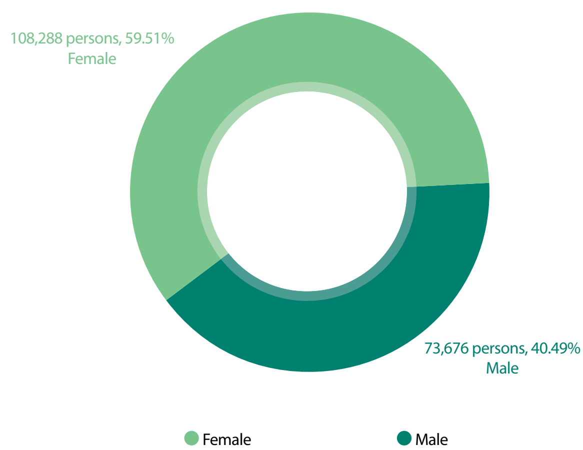
The Bank's Employees by Age



The Bank's Employees by Education Background



The Bank's Employees by Gender



1 The Bank's employees refer to contract employees of the Bank (including those at its majority-owned subsidiaries).

Institution Management

The Head Office of the Bank is located in Beijing, being the hub for decision-making and management of the Bank. The Bank has established tier-1 branches in the capital cities of provinces, autonomous regions, municipalities, and cities with independent planning status. As the operation management center within the corresponding regions, tier-1 branches are responsible for managing all sub-branches in their respective areas and directly report to the Head Office. Tier-2 branches are generally set up in the prefecture-level cities in provinces and autonomous regions. In addition to their operation management functions, tier-2 branches are also responsible for managing subordinate branches and sub-branches, and report to the tier-1 branches in their respective regions. Tier-1 sub-branches primarily undertake the functions of business operation and outlet management, and report to their supervisory tier-2 branches. Tier-2 sub-branches primarily undertake the function of business operation.

During the reporting period, the Bank continued to optimize its organizational structure to better support the implementation of its strategies and business development. A Money Laundering Risk Management Committee was set up under the senior management of the Head Office to enhance the governance structure for money laundering risks across the Bank. It optimized and adjusted the organizational structure of the IT segment at the Head Office, and renamed the Information Technology Management Committee under the senior management as the Financial Technology Committee. The Information Technology Management Department and the Financial Technology Innovation Department were merged as the Financial Technology Department. The Data Center was renamed as the Operations Data Center to propel the transformation of the technology governance structure and strengthen the leading role of information technology in overall coordination. It carried out pilot projects of personnel optimization with tier-2 branches, optimized institutional setting and staffing in tier-2 branches, and further aligned personnel allocation with business needs and grassroots institutions.

As at the end of the reporting period, the Bank had 8,007 institutions, including the Head Office, 36 tier-1 branches, 324 tier-2 branches, 2,221 tier-1 sub-branches, 5,422 tier-2 sub-branches and others, and three majority-owned subsidiaries.

The Bank's Branches, Sub-Branches and Employees by Geographical Region and Asset Size

In RMB million, except for percentages or otherwise stated

Region	Asset size	Percentage(1) (%)	Number of institutions	Percentage (%)	Number of employees	Percentage (%)
Head Office	10,795,641	39.32	1	0.01	8,272	4.55
Yangtze River Delta	2,682,621	9.77	904	11.29	20,522	11.28
Pearl River Delta	1,729,157	6.30	725	9.05	18,872	10.37
Bohai Rim	2,681,622	9.77	1,120	13.99	26,526	14.58
Central China	5,009,135	18.25	2,371	29.61	46,334	25.46
Western China	3,349,694	12.20	2,104	26.28	41,761	22.95
Northeastern China	1,205,801	4.39	782	9.77	19,677	10.81
Total	15,726,631(2)	100.00	8,007	100.00	181,964	100.00

Note (1): The proportion of total assets in each region is calculated based on the aggregated data before offsetting.
Note (2): Total assets are the amount after internal offset, and the offset amount is RMB11,727,040 million.
Note (3): Other than the number of institutions disclosed above, the Bank has one Credit Card Center as a specialized institution.

Risk Management

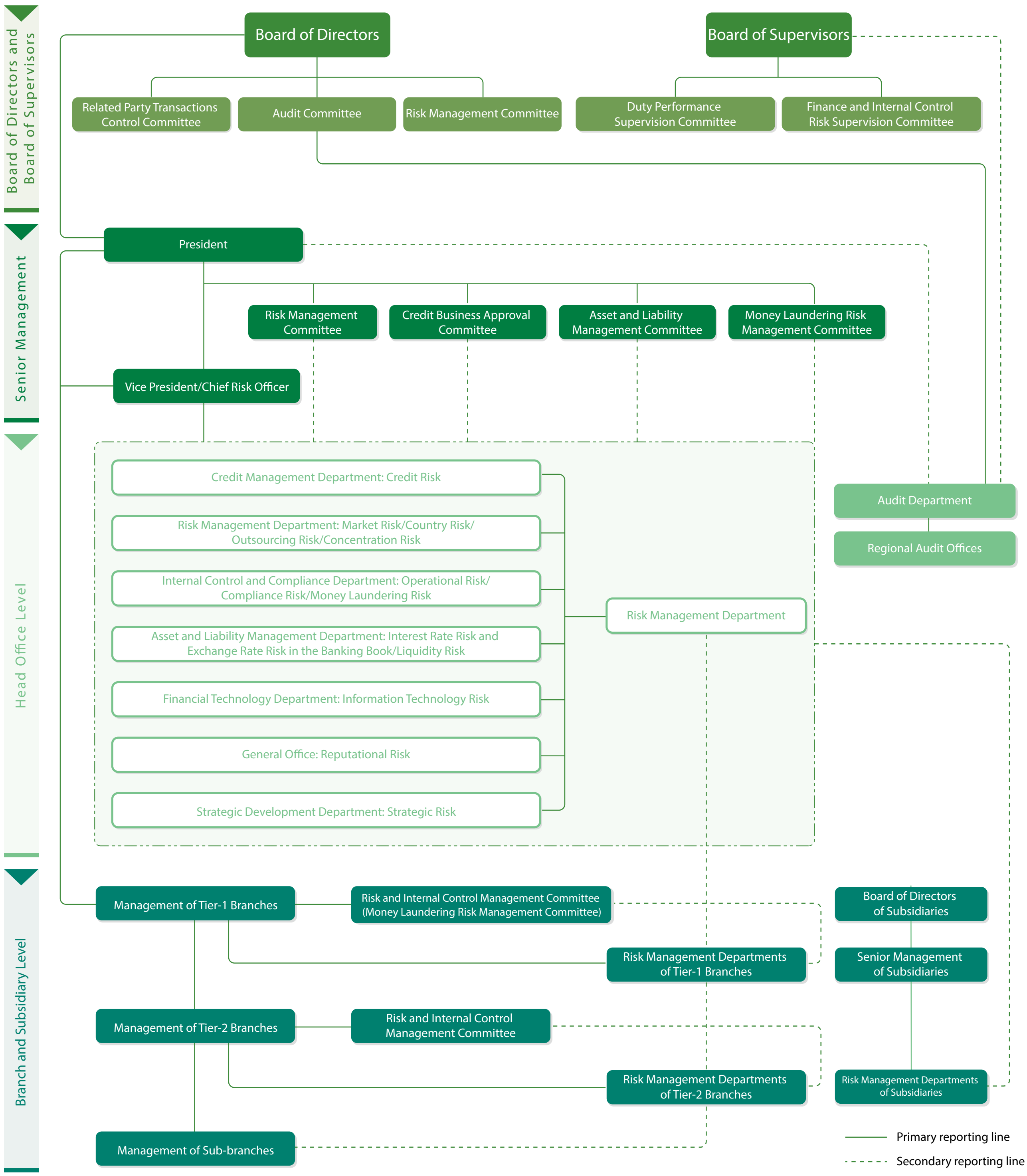
Risk Management Organizational Structure

The Board of Directors assumes ultimate responsibilities for comprehensive risk management. It is responsible for establishing the risk culture; formulating and approving risk management strategies; setting and approving the risk appetite and ensuring the establishment of risk limits; reviewing and approving major risk management policies and procedures; monitoring comprehensive risk management implemented by the senior management; reviewing comprehensive risk management reports; reviewing and approving disclosure of comprehensive risks and various significant risks; appointing Chief Risk Officer; and performing other duties related to risk management.

The Board of Supervisors assumes the responsibilities for supervising the comprehensive risk management, and is responsible for supervising and inspecting the Board of Directors and the senior management in fulfilling their duties of risk management and urging them to make rectifications.

The senior management assumes the responsibilities for the implementation of comprehensive risk management and executes the Board's resolutions. It is responsible for setting up the operation and management structure in line with the requirements of comprehensive risk management, clarifying division of responsibilities among functional departments responsible for comprehensive risk management, business departments and other departments in risk management, establishing an operational mechanism with effective coordination and balanced power across departments, and formulating a clear execution and accountability mechanism to ensure adequate communication and effective implementation of risk management strategies, risk appetite and risk limits. It sets risk limits according to risk appetite determined by the Board of Directors, including but not limited to dimensions such as industry, region, customer, product, etc. It also formulates risk management policies and procedures, evaluates them regularly and adjusts them when necessary. It assesses overall risks and the management of various material risks, and reports to the Board of Directors. It establishes a sound management information system and a data quality control mechanism, oversees breaches of risk appetite, risk limits, and violations of risk management policies and procedures, and deals with them under authorization of the Board of Directors. It also assumes other responsibilities of risk management.

Risk Management Organizational Structure



Note: Other risks not mentioned above have been incorporated into the Bank's comprehensive risk management framework.

Three Lines of Defense

The Bank kept improving the "three lines of defense" for internal control, classified major risks such as credit risk, market risk and operational risk, etc., and incorporated all institutions and departments into the "three lines of defense".

The first line of defense refers to the business management departments, tier-1 and tier-2 sub-branches, and agency business institutions associated with relevant risks, all of which bear the primary responsibilities for risk prevention and control. The second line of defense refers to risk management departments, internal control and compliance departments, and leading management departments for relevant risks, which are responsible for coordinating, supervising and reviewing the work related to risk and internal control. The third line of defense refers to the audit and the discipline inspection departments which supervise the first and second lines of defense.

Comprehensive Risk Management

In 2023, the Bank earnestly carried through the decisions and plans of the CPC Central Committee, stringently implemented a prudent and sound risk appetite, and constantly enhanced its capabilities in early identification, early warning, early exposure and early disposal of risks. It pressed ahead with the transformation toward digital and intensive risk management, and continuously and effectively forestalled and defused risks in key areas to empower high-quality business development. During the reporting period, the Bank maintained a sound risk situation overall with all risk indicators remaining stable.

The Bank deepened the building of the risk management framework. It continuously improved its comprehensive risk management framework which covers all aspects, the whole process and all employees, enhanced the long-term risk reporting mechanism for its subsidiaries, and strengthened risk assessment and performance appraisal. The Bank proactively implemented the new rules on capital management, continuously promoted the development of the advanced approaches for capital management, and deepened application of internal ratings-based approaches to comprehensively improve the capital measurement capability. It built a solid foundation for the risk data system, completed the initial development of a big data foundation for financial risks, and put into operation the comprehensive risk management system. The Bank leveraged the empowering role of intelligent technology in risk control. It expanded the dimensions of customer profiles, facilitated the expansion of customer products, and supported intensive operation of retail credit. It enhanced the application of comprehensive risk digitalization indicator tools, and supported forward-looking and process management of risks. The Bank expanded the application of intelligent tools for legal affairs, compliance and consumer protection to raise the quality and efficiency of risk management throughout the Bank. It also enhanced its professional capability for risk control. It strengthened risk tracking and monitoring in key areas, and promoted the mechanism for a follow-up review of risk-prone businesses. The Bank created and improved compliance profiles of institutions and employees, enhanced management over violations, promoted rigid control by systems, and implemented the requirements of ensuring effective management of key personnel and critical systems.

Risk Appetite

Risk appetite is the type and level of risks that the Bank is willing to bear while pursuing its strategic business objectives, and is decided by the Board of Directors. It represents a balance among income, capital and risk, and enables the Bank to undertake the risk level compatible with its business strategies and management capabilities and to create value through risk management.

The Bank upheld a prudent and sound risk appetite, pursued the long-term balance of stabilizing growth and preventing risk, closely followed changes in internal and external risk environment, focused on risk control in key fields, and set management objectives against all types of major risks in line with the strategic positioning adopted by the Bank Group, the Bank and its subsidiaries. In doing so, it aimed to make sure that risks are generally under control and continuously support the stable operation and high-quality development of all businesses.

Intelligent Risk Control

The Bank continuously promoted the digital transformation of risk management, and significantly enhanced the capability of intelligent risk control. It built the digital risk control system, supported data-driven full-process credit extension management, and realized early identification, early warning, early exposure and early disposal for risk management. In terms of risk control for retail banking businesses, the Bank innovatively introduced a proactive credit extension model directly operated by the Head Office, and achieved end-to-end intelligent operation of retail banking. In terms of risk control for non-retail banking businesses, the Bank established a "technology flow" evaluation system for tech companies, and constantly improved the Bank's capabilities of providing services and creating value in the technology finance area. In terms of credit approval, the Bank deployed online paperless review and approval, widely connected internal and external data, realized semi-automatic report generation, and embedded intelligent credit review and analysis tools into the operation process to build a new data-driven credit approval and decision-making model with "machine assistance + expert decision-making", which effectively improved the efficiency and accuracy of approval and decision-making process. In terms of fraud risks, the Bank continuously optimized the enterprise-level fraud risk management framework, timely monitored and proactively forestalled risks of credit fraud, telecommunications fraud and online fraud to ensure the security of credit, accounts and transactions. In terms of monitoring and early warning, the Bank continued to improve the functions of the "Jinjing" (Gold Eye) system, enriched the intelligent control rules, and built multi-dimensional intelligent monitoring to facilitate the panoramic analysis of the credit risk of the group and corporate customers' credit business. In the field of consumer protection, the Bank explored intelligent applications for consumer protection, developed an intelligent model for classifying complaint issues based on large-scale modeling, and enabled automated statistical analysis and intelligent monitoring of consumer protection complaints management. It launched and promoted the consumer protection-related complaint text analysis model and the supplementary intelligent tool for consumer protection examination, and effectively improved the pre-examination and post-analysis capabilities for consumer protection management. In terms of internal control and compliance, the Bank established compliance profiles of institutions and employees, improved the monitoring model system of the compliance management system, optimized the risk verification mechanism, and strengthened the intelligent limits on high-risk institutions and personnel. The Bank optimized institutional building, developed an auxiliary compliance review platform, and enhanced the effectiveness of compliance review in terms of digitization and intelligence. In terms of anti-money laundering, the Bank optimized the rule-based and algorithm-based suspicious transaction monitoring models, initiated a project for anti-money laundering data governance, and improved quality of system tools and data to support money laundering risk management. In the field of the intelligent risk control infrastructure, the Bank completed the initial development of a big data foundation for financial risks, and put into operation the comprehensive risk management system, providing fundamental support for intelligent application of risk management at the Head Office and branches.

Advanced Approaches for Capital Management

The Bank continuously deepened the application and development of advanced approaches, and drove the enhancement of its operation and management. In compliance with the latest requirements of the Capital Rules for Commercial Banks and according to the changes in internal and external environment, the Bank carried out a new round of risk parameter calibration and model iteration optimization to enhance the discriminative ability, prudence, and accuracy of the models. It upgraded the risk data mart, strengthened the prudential management of default determination, continuously pushed forward the accumulation of various rating data and system improvement, and made consistent efforts in the building of fundamental risk management capabilities.

During the reporting period, the Bank continuously pushed forward the in-depth application of the instruments of advanced approaches. It optimized the mechanism of dynamic rating update, and integrated system warning prompts with rating management to improve the timeliness of risk identification. It continued to deepen the application of internal ratings-based approach in areas of pre-lending access, limit management, and differentiated post-lending management for non-retail loans to improve the management quality and efficiency in key links of credit extension. The Bank continued to optimize the application strategies for internal ratings-based approach of retail banking, which played an important role in automatic review and approval, differentiated warning and early collection of loans, to improve the efficiency of centralized retail operations within the Bank. It made full use of internal rating risk parameters in the internal management such as the transmission of the Bank's risk appetite, differentiated risk pricing, impairment allowance management, economic capital measurement, and limit allocation, and deepened the use of RAROC, EVA (economic value added) and other indicators in the assessment of institutions and business lines to guide the whole Bank to improve the efficiency of capital use.

Column

Anti-fraud Platform — Building an Integrated Fraud Risk Prevention and Control Shield with Fusion of Digital and Intelligent Technologies

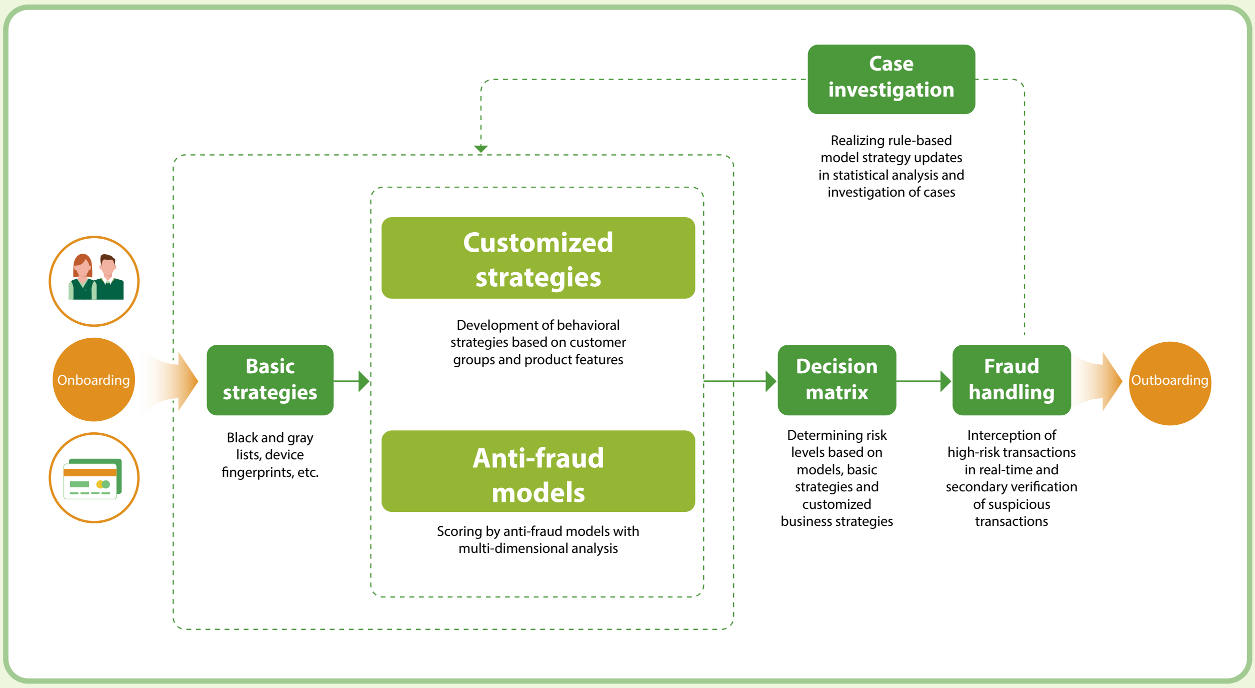
The Bank relied on digital technology to support business development, and by leveraging cutting-edge technologies and utilizing rule-based model strategies as the foundation, comprehensively applied technologies such as stream computing, graph computing, decision engines, machine learning and graph databases to develop an enterprise-level intelligent anti-fraud platform that combines pre-detection, real-time intervention and post-analysis capabilities.

Continuously "Safeguarding the Bank through Risk Management" to Improve Digital Risk Control Capability

Firstly, comprehensively applying various new technologies to facilitate the transformation and upgrading of risk control strategies. The Bank accelerated the integration of a wide range of cutting-edge technologies such as big data, cloud computing and artificial intelligence with traditional financial business scenarios, and focused on "data + scenarios + technology" as a breakthrough point to drive the transformation of fraud prevention and control strategies from "standalone" strategy to an integrated strategy of "in-depth defense", which significantly improved the efficiency of detecting, monitoring, analyzing, controlling fraud risks, and realized refined, centralized and intelligent risk management.

Secondly, developing a risk gradient defense system to improve the closed-loop anti-fraud ecosystem. Relying on technology capabilities, the Bank continued to expand service channels and business lines. A gradient defense system comprising pre-customer onboarding control, real-time transaction warning and interception, post-event tracing and crackdown, case accumulation, as well as risk analysis has been devised and deployed to evaluate different types of fraud risks on an all-round basis and ensure the security of customer funds throughout the entire process.

Thirdly, deepening research on intelligent modeling to enhance the efficiency of risk monitoring in multiple dimensions. Relying on the graph neural networks and other technologies, the Bank is able to capture complex relationships and non-linear features among data, thereby improving its abilities to detect potential fraudulent transactions. It has built a multi-dimensional intelligent monitoring system for the entire lifecycle of various businesses of the Bank, including personal banking, corporate finance, digital currency, credit cards, consumer credit, internet finance, operations management in an all-round manner. The system enables it to detect all kinds of risks, including known frauds with high frequency and low losses, unknown frauds with medium frequency and losses, as well as high-risk frauds with low frequency but material losses by premeditated fraud gangs.



Enhancing the Effectiveness of Risk Prevention and Control and Safeguarding Customer Funds' Security

Firstly, the Bank established an automatic identification mechanism for suspicious transactions and strengthened the ability to prevent and control account risks. Taking the "intelligent risk identification model + customer risk profile + risk device identification" as the direction from a network perspective, the Bank continued to develop core capabilities such as enterprise-level blacklist database, feature libraries, device fingerprints, facial recognition, rule engines, decision engines and query engines, etc. so as to realize the automatic identification of suspicious transactions and the automatic implementation of risk strategies and safeguard customer funds' security with a risk control mechanism that is smarter, more efficient and more accurate.

Secondly, the Bank focused on optimizing customer experience through precise prevention and control. The Bank customized customer risk profiles at the bank-wide level, established a panoramic risk view, adopted distinctive and differentiated intelligent prevention and control methods for different types of risk customer groups, effectively improved the breadth, accuracy and depth of fraud risk identification, and continuously explored the optimal balance between risk prevention and control and business development to enable the ultimate experience of "mobile banking + intelligent risk control + personalized services" while safeguarding customer funds' security.

Thirdly, the Bank worked to ensure that anti-fraud efforts were made in a holistic way and formed a collaborative system of collective prevention and governance. The Bank strengthened information sharing, mobilized the efforts of departments, established a mechanism for cross-institutional information exchange on prevention and control, and jointly developed an integrated anti-fraud approach in the financial sector. It has also established omni-channel, multi-dimensional risk list management system and a cross-institutional risk monitoring system. This helped achieve coordination between the Head Office and branches, collaboration between China Post Group and the Bank, and cross-institutional coordination to enhance the effectiveness of joint prevention of anti-fraud and promote the implementation and refinement of efforts to combat the fund chain of telecommunications and online fraud.

With data as the foundation and models as the core, the anti-fraud platform always adheres to the corporate values of embracing change and continuous innovation. It focuses on intelligent risk control scenarios, and persists in exploring cutting-edge technologies. By continuously optimizing anti-fraud features, rules and models, it enhances fraud detection, ensures regulatory compliance, reduces operating costs, and minimizes fraud losses. This effectively supports the high-quality business development across the Bank. Relevant achievements have been recognized with honors such as the Cloud Eagle Award and the Innovative Case in the Enterprise Digital Transformation Forum of CIFTIS.

The project of "Digital and Intelligent Risk Control Platform" of PSBC was selected for the Cloud Eagle excellent project library

PSBC was honored for the "Innovative Case of Enterprise-level Intelligent Anti-fraud Platform".

Credit Risk

Credit risk refers to the risk of loss that may arise from the default by, or downgrade of credit rating or weakened capability to fulfill contractual obligations of an obligor or counterparty. The Bank is exposed to credit risk primarily through its loans, treasury business (including deposits and placements with banks, financial assets held under resale agreements, investments in corporate bonds and financial bonds, interbank investment, etc.) and off-balance sheet credit businesses (including guarantees, commitments, etc.).

The organizational system of the Bank on credit risk management is as follows: the Board of Directors undertakes the ultimate responsibilities for credit risk management, and the Board of Supervisors undertakes the supervisory responsibilities for credit risk management. The senior management undertakes the responsibilities for implementation of credit risk management, and is responsible for the implementation of resolutions approved by the Board of Directors on credit risk. Under the senior management, the Risk Management Committee and Credit Business Approval Committee are responsible for credit risk management and approving credits within the scope of authorization respectively. Each business department shall bear the primary responsibility for credit risk prevention and control, and implement policies, standards and requirements of credit risk management in its field of business in accordance with the division of functions; departments of credit management, risk management, credit approval, internal control and compliance, legal affairs and others are responsible for the overall planning, supervision and review of credit risk prevention and control, among which the Credit Management Department is the leading department of credit risk management, and internal audit department exercises independent and objective supervision of the performance of duties in credit risk management.

Credit Risk Management

Improving management mechanism and stimulating driving force for development

The Bank continued to optimize credit policies, and improved the industry research mechanism, in a bid to lead the high-quality development of credit businesses. It developed and upgraded four lists of target marketing customers for emerging industries, proactively promoted the application of research results, and 42.09% of potential credit customers on the lists were successfully converted to actual customers. It fully optimized and promoted the "future-oriented" model, promoted the transformation of the risk management from passive credit review to considering risks first in leading business development, and facilitated the successful launch of the lead bank model. In 2023, the Bank approved business for nearly 10,000 customers by using the "future-oriented" model, with the amount exceeding RMB1.3 trillion. The Bank established the Group-wide consolidated credit management mechanism, and expanded the scope of unified credit extension management. It deepened the unified credit extension management system for retail banking, carried out management of unified credit extension exposure limit for small enterprise customers in an innovative manner, and effectively supported high-quality business development.

Strengthening joint risk prevention and control to firmly guard against risks

The Bank strengthened joint risk prevention and control for asset quality, pushed forward the successful implementation of new rules on asset classification, improved the list-based management mechanism for large-value corporate customers, took precautionary measures against unexpected large exposures, established the list-based management mechanism for retail banking businesses, strictly prevented concentrated retail risks, and cemented the foundation for asset quality. The Bank advanced the building of the monitoring and warning systems, enriched data access, and upgraded the warning rule model. It strengthened risk prevention and control in real estate, local financing platforms and other areas, monitored and found out the real situations dynamically, carried out investigation in key areas and adopted policies by category. The Bank conducted comprehensive governance for guarantee management, and fully improved the guarantee management capabilities. It promoted the follow-up review mechanism for risk-prone large-value business and improved its capabilities of proactive ex-ante prevention. It also made solid progress in risk evaluation and tracking of key retail products, promoted the optimization of risk control strategies and processes.

Strengthening NPA disposal and focusing on improving quality and efficiency

In 2023, the Bank carried out an intensive campaign themed "silt removal to reinforce the dike", in which it took intensive and digitalized transformation as a major task, continued to strengthen the building of asset preservation capability and bolster the contribution of asset preservation to value creation. As at the end of the reporting period, the Bank disposed of a total of RMB62,573 million of on- and off-balance-sheet principal and interest on non-performing loans, representing a year-on-year increase of 17.37%, among which, RMB26,519 million of principal and interest was from cash collection, RMB19,403 million of principal and interest from bad debt write-offs, RMB1,233 million of principal and interest from disposal of NPA by way of settling debts with assets, RMB13,141 million by NPA securitization, and RMB2,277 million from other means.

Reinforcing the empowering capability of FinTech, and making innovations in management modes

The Bank made innovations in credit management modes to improve the efficiency of credit extension, and fully promoted the paperless and asset-light services for corporate credit business covering all institutions, entire product lines and whole processes. It continued to improve the function of "Jinjing" (Gold Eye) system, expanded intelligent monitoring capabilities, enriched intelligent control rules, and built a multi-dimensional intelligent monitoring system covering industries, regions, institutions, customers and processes to support the panoramic analysis of credit business risks for group customers and corporate customers. The Bank optimized the "Jindun" (Gold Shield) system and completed corresponding reform to support new rules on asset classification. It also improved the asset quality monitoring timeliness to "t+1", and carried out unified and rule-based management for manual classification of financial assets. Credit report inquiry function was launched on over 50,000 ITMs to provide individuals and enterprises with a convenient way to inquire about their credit reports on a self-service basis, guide information owners to pay attention to their own credit status and enhance their awareness of integrity, thus helping to improve the construction of the credit system. It accelerated the digital transformation of NPA management, launched "Jinwei" (Gold Guard), a new generation NPA management system, and stepped up efforts to build an intelligent collection platform across the Bank.

Column Establishing "Jindun" (Gold Shield) System to Ensure Asset Quality and Improve Digitalized Risk Control

To accelerate the advancement of digital transformation and hold the bottom line of credit risk prevention and control, the Bank established "Jindun" (Gold Shield) asset quality management system which integrates the asset quality management from all perspectives with the full-process management of risk classification. The system adopts a microservices architecture, applies multiple computing power engines and the technology of separating big data storage and compute, and can store and compute tens of billions of asset quality data entries across the Bank. It allows sub-second query and display of hundreds of millions level data, and develops various application scenarios including centralized monitoring & analysis and intelligent control of asset quality in an innovative manner. The system realizes unified data assets, unified analysis visuality, and unified process control centered on asset quality management, and enables the comprehensive, unified and standard management of risk classification of personal and corporate, on- and off-balance-sheet, credit and non-credit businesses. It also supports intelligent monitoring, intelligent reporting, intelligent analysis and intelligent prediction of asset quality. Besides, the system allows the entire-process business handling in an innovative manner, including packaging, unpacking, consolidated processing within the system, and consolidated approval via short messages, makes the operation process more efficient and convenient, and achieves breakthroughs in multiple aspects of asset quality management.

Since its launch, "Jindun" (Gold Shield) asset quality management system has fully leveraged the role of financial technology in promoting the transformation of intelligent risk control in banks, and achieved dual improvements in credit risk management efficiency and effectiveness, helping the Bank to maintain outstanding asset quality.

Credit Risk Analysis[1]

Non-Performing Loans Structure by Collateral

In RMB million, except for percentages

Item	December 31, 2023		December 31, 2022	
	Amount	Percentage (%)(1)	Amount	Percentage (%)(1)
Unsecured loans	**20,746**	**30.75**	19,858	32.70
Guaranteed loans(2)	**7,184**	**10.65**	8,158	13.43
Loans secured by mortgages(2)(3)	**38,353**	**56.85**	31,206	51.38
Loans secured by pledges(2)(4)	**1,177**	**1.75**	1,514	2.49
Discounted bills	**–**	**–**	–	–
Total	**67,460**	**100.00**	60,736	100.00

Note (1): Calculated by dividing the balance of non-performing loans secured by each type of collateral by total non-performing loans.

Note (2): Represents the total amount of loans fully or partially secured by collateral in each category. If a loan is secured by more than one form of collateral, the classification would be based on the primary form.

Note (3): Represents loans secured by assets that are still under the possession of the borrower, and mainly includes loans secured by buildings and fixtures, land use rights, machinery, equipment and vehicles.

Note (4): Represents loans secured by possession of or registration as the holder of assets, which mainly include moveable property, certificates of deposit, financial instruments, intellectual property rights and the rights to obtain future cash flows.

Aging Analysis of Overdue Loan Structure

In RMB million, except for percentages

Item	December 31, 2023		December 31, 2022	
	Amount	Percentage of total loans (%)	Amount	Percentage of total loans (%)
Overdue for 1 to 90 days	**25,826**	**0.32**	25,237	0.35
Overdue for 91 to 180 days	**13,046**	**0.16**	11,744	0.16
Overdue for 181 days to 1 year	**15,293**	**0.19**	12,566	0.18
Overdue for 1 to 3 years	**16,814**	**0.21**	12,574	0.18
Overdue for over 3 years	**3,050**	**0.03**	6,031	0.08
Total	**74,029**	**0.91**	68,152	0.95

1 The total loans to customers in the "Credit Risk Analysis" section in this report exclude accrued interest.

Overdue Loans to Customers by Geographical Region

In RMB million, except for percentages

	December 31, 2023		December 31, 2022	
Item	**Amount**	**Percentage (%)**	**Amount**	**Percentage (%)**
Head Office	**5,777**	**7.80**	5,898	8.65
Yangtze River Delta	**13,184**	**17.81**	12,126	17.79
Pearl River Delta	**9,256**	**12.50**	7,123	10.45
Bohai Rim	**8,875**	**11.99**	7,387	10.84
Central China	**17,051**	**23.04**	16,259	23.86
Western China	**15,619**	**21.10**	15,028	22.05
Northeastern China	**4,267**	**5.76**	4,331	6.36
Total	**74,029**	**100.00**	68,152	100.00

Loan Concentration

In RMB million, except for percentages

Top ten single borrowers	Industry	Amount	Percentage of total loans (%)	Percentage of net capital (%)[1]
Borrower A[2]	Transportation, storage and postal services	155,479	1.91	13.34
Borrower B	Transportation, storage and postal services	18,078	0.22	1.55
Borrower C	Transportation, storage and postal services	14,644	0.18	1.26
Borrower D	Mining	13,340	0.16	1.14
Borrower E	Transportation, storage and postal services	13,202	0.16	1.13
Borrower F	Transportation, storage and postal services	12,404	0.15	1.06
Borrower G	Transportation, storage and postal services	12,074	0.15	1.04
Borrower H	Transportation, storage and postal services	10,621	0.13	0.91
Borrower I	Manufacturing	10,324	0.13	0.89
Borrower J	Leasing and commercial services	9,458	0.12	0.81

Note (1): Represents loan balances as a percentage of the Bank's net capital, calculated in accordance with the requirements of the Capital Rules for Commercial Banks (Provisional).

Note (2): Percentage of loans to the largest single borrower = balance of loans to the largest borrower/net capital x 100%. The largest borrower refers to the customer with the highest balance of loans at the period end. As at the end of the reporting period, China State Railway Group Co., Ltd. was the Bank's largest single borrower. The outstanding loan balance with China State Railway Group Co., Ltd. was RMB155,479 million, accounting for 13.34% of the Bank's net capital. The credit line the Bank extended to China State Railway Group Co., Ltd. includes the legacy credit line of RMB240 billion which was approved by the relevant regulatory authorities. As at the end of the reporting period, the outstanding loan balance under such credit line for China State Railway Group Co., Ltd. was RMB139.5 billion. After deduction of this RMB139.5 billion, the Bank's balance of loans to China State Railway Group Co., Ltd. accounts for 1.37% of the Bank's net capital.

Distribution of Loans by Five-Category Classification

In RMB million, except for percentages

Item	December 31, 2023		December 31, 2022	
	Amount	Percentage (%)	Amount	Percentage (%)
Normal	**8,005,761**	**98.49**	7,089,573	98.60
Special mention	**54,952**	**0.68**	40,067	0.56
Non-performing loans	**67,460**	**0.83**	60,736	0.84
Substandard	**22,019**	**0.27**	20,415	0.28
Doubtful	**16,420**	**0.20**	15,739	0.22
Loss	**29,021**	**0.36**	24,582	0.34
Total	**8,128,173**	**100.00**	7,190,376	100.00

As at the end of the reporting period, the Bank's non-performing loan balance amounted to RMB67,460 million, representing an increase of RMB6,724 million compared with the prior year-end. The non-performing loan ratio was 0.83%, representing a decrease of 0.01 percentage point compared with the prior year-end. The balance of special mention loans amounted to RMB54,952 million, representing an increase of RMB14,885 million compared with the prior year-end. Special mention loan ratio was 0.68%, representing an increase of 0.12 percentage point compared with the prior year-end. The ratio of special mention and non-performing loans was 1.51%, representing an increase of 0.11 percentage point compared with the prior year-end.

Distribution of Non-Performing Loans by Product Type

In RMB million, except for percentages

Item	December 31, 2023			December 31, 2022		
	Non-performing loan balance	Percentage (%)	Non-performing loan ratio (%)(1)	Non-performing loan balance	Percentage (%)	Non-performing loan ratio (%)(1)
Personal loans						
Consumer loans						
Residential mortgage loans	**12,793**	**18.96**	**0.55**	12,878	21.20	0.57
Other consumer loans	**9,391**	**13.92**	**1.81**	9,913	16.32	2.14
Personal micro loans	**23,946**	**35.50**	**1.73**	19,203	31.62	1.70
Credit card overdrafts and others	**3,745**	**5.55**	**1.71**	3,541	5.83	1.95
Subtotal	**49,875**	**73.93**	**1.12**	45,535	74.97	1.13
Corporate loans						
Corporate loans(2)	**10,372**	**15.38**	**0.47**	8,883	14.63	0.47
Small business loans	**6,102**	**9.04**	**1.05**	5,039	8.30	1.12
Trade finance	**1,111**	**1.65**	**0.26**	1,279	2.10	0.38
Subtotal	**17,585**	**26.07**	**0.55**	15,201	25.03	0.57
Discounted bills	**–**	**–**	**–**	–	–	–
Total	**67,460**	**100.00**	**0.83**	60,736	100.00	0.84

Note (1): Calculated by dividing the balance of non-performing loans in each product type by total loans in that product type.
Note (2): Consist of general corporate loans and advances.

Distribution of NPL Formation Ratio[(1)] by Product Type

%

Item	December 31, 2023	December 31, 2022	Increase/(decrease)
Personal loans			
Consumer loans			
Residential mortgage loans	**0.44**	0.41	0.03
Other consumer loans	**2.74**	3.07	(0.33)
Personal micro loans	**1.93**	1.80	0.13
Credit card overdrafts and others	**3.54**	3.34	0.20
Subtotal	**1.26**	1.24	0.02
Corporate loans			
Corporate loans[(2)]	**0.37**	0.25	0.12
Small business loans	**1.22**	1.21	0.01
Trade finance	**0.00**	0.41	(0.41)
Subtotal	**0.42**	0.42	0.00
Discounted bills	**–**	–	–
Total	**0.85**	0.85	0.00

Note (1): Calculated by dividing the sum of difference between the NPL balance at the end of the period and the NPL balance at the beginning of the period of each product category and the amount collected, disposed of and adjusted upwards during the period by the total amount of loans at the beginning of the period of that product category. The data for the comparative period has been restated.

Note (2): Consist of general corporate loans and advances.

Distribution of Non-Performing Loans by Geographical Region

In RMB million, except for percentages

	December 31, 2023		December 31, 2022	
Item	**Amount**	**Percentage (%)**	**Amount**	**Percentage (%)**
Head Office	**3,747**	**5.55**	3,543	5.83
Yangtze River Delta	**11,680**	**17.31**	10,830	17.83
Pearl River Delta	**8,190**	**12.14**	5,926	9.76
Bohai Rim	**8,024**	**11.90**	6,374	10.49
Central China	**16,905**	**25.06**	16,164	26.62
Western China	**15,244**	**22.60**	13,801	22.72
Northeastern China	**3,670**	**5.44**	4,098	6.75
Total	**67,460**	**100.00**	60,736	100.00

Domestic Non-Performing Corporate Loans by Industry

In RMB million, except for percentages

Item	December 31, 2023		December 31, 2022	
	Amount	Non-performing loan ratio (%)	Amount	Non-performing loan ratio (%)
Transportation, storage and postal services	**576**	**0.07**	2,272	0.29
Manufacturing	**3,332**	**0.65**	3,261	0.80
Production and supply of electricity, heating, gas and water	**224**	**0.08**	231	0.09
Financial services	**–**	**–**	–	–
Wholesale and retail	**2,272**	**0.96**	3,039	1.70
Construction	**993**	**0.50**	641	0.41
Real estate	**6,191**	**2.45**	3,059	1.45
Mining	**4**	**0.00**	12	0.02
Water conservancy, environmental and public facilities management	**1,726**	**0.93**	489	0.38
Leasing and commercial services	**1,539**	**0.74**	917	0.62
Agriculture, forestry, animal husbandry and fishery	**163**	**0.54**	807	5.57
Information transmission, computer services and software	**150**	**0.76**	70	0.55
Accommodation and catering	**109**	**1.45**	153	3.64
Residential services and other services	**79**	**1.79**	67	1.89
Culture, sports and entertainment	**38**	**0.22**	43	0.35
Others(1)	**189**	**0.50**	140	0.46
Total	**17,585**	**0.55**	15,201	0.57

Note (1): Mainly include education, scientific research and technical services, health and social security, etc.

Movements of Allowance for Impairment Losses on Loans

Allowance for Impairment Losses of Customer Loans at Amortized Cost

In RMB million

	December 31, 2023			
Item	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loss allowance as at January 1, 2023	169,911	9,087	53,725	232,723
Transfers:				
Transfer to stage 1	2,760	(1,548)	(1,212)	–
Transfer to stage 2	(4,113)	6,566	(2,453)	–
Transfer to stage 3	(6,916)	(2,452)	9,368	–
Changes of ECL arising from transfer of stages	(1,936)	5,069	33,019	36,152
Financial assets derecognized or settled during the period	(59,385)	(3,325)	(12,817)	(75,527)
New financial assets originated or purchased	71,876	–	168	72,044
Remeasurement	(13,957)	(706)	2,322	(12,341)
Write-offs	–	–	(19,403)	(19,403)
Loss allowance as at December 31, 2023	158,240	12,691	62,717	233,648

Allowance for Impairment Losses of Customer Loans at Fair Value Through Other Comprehensive Income

In RMB million

	December 31, 2023			
Item	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loss allowance as at January 1, 2023	1,253	1	168	1,422
Transfers:				
Transfer to stage 1	–	–	–	–
Transfer to stage 2	(1)	1	–	–
Transfer to stage 3	–	–	–	–
Changes of ECL arising from transfer of stages	–	–	–	–
Financial assets derecognized or settled during the period	(1,253)	(1)	(168)	(1,422)
New financial assets originated or purchased	819	–	–	819
Remeasurement	–	–	–	–
Write-offs	–	–	–	–
Loss allowance as at December 31, 2023	818	1	–	819

Large Exposure Management

In strict accordance with the requirements of Rules on Large Exposure of Commercial Banks, the Bank bolstered information system support for large risk exposure management, improved the monitoring and early warning management system for large exposure, strengthened control of customer concentration risk, and tightened management of large exposure through consolidation of financial statements, to continuously improve refined management capabilities of credit risk.

Market Risk

Market risk refers to the risk of losses in the Bank's on- and off-balance sheet businesses arising from adverse movements in market prices (including interest rate, exchange rate, stock price and commodity price). The major market risks that the Bank is exposed to include interest rate risk and exchange rate risk.

The Bank strictly followed the relevant regulatory requirements on market risk management and established a market risk management framework commensurate with the nature, scale and complexity of the Bank's businesses. The Board of Directors undertakes the ultimate responsibilities for overseeing the market risk management; the senior management is responsible for formulating, periodically reviewing and monitoring the implementation of the market risk management policies and procedures; the Risk Management Department is responsible for conducting market risk management, the Asset and Liability Management Department is responsible for managing the interest rate and exchange rate risk in banking book, and each business department is responsible for the market risk management in its field of business in accordance with the division of functions.

The Bank actively responded to fluctuations in the external financial markets, continuously optimized market risk management tools and management and control mechanisms, and strengthened market risk monitoring and analysis at the Group level. During the reporting period, the Bank's market risks were generally under control.

Classification of Trading Book and Banking Book

The Bank classifies on- and off-balance sheet assets and liabilities into banking book and trading book. The trading book includes financial instruments, foreign exchange and commodity positions held by the Bank for the purposes of trading or hedging the risks of other items in the trading book as well as other instruments identified by the NFRA. Except for instruments in the trading book, all other instruments are included in the banking book.

Market Risk Management for Trading Book

The Bank manages the market risk of trading book by adopting multiple methods including sensitivity analysis, exposure analysis, profit or loss analysis, limit management, stress testing, etc.

During the reporting period, the Bank continued to strengthen the management of risks in the treasury business market, formulated the annual market risk limit plan, and refined the portfolio limit of trading strategies. It kept a close eye on fluctuations in the external financial market, and improved the emergency management mechanism of market risk. The Bank pushed forward the digital transformation of market risk management, improved functions of the treasury business risk monitoring system, strengthened monitoring, reporting and alerting, and steadily promoted the comprehensive implementation of the market risk capital measurement rules under the new rules on capital management.

Market Risk Management for Banking Book

Management of Interest Rate Risk in Banking Book

Interest rate risk refers to the risk that causes losses to the economic value of books and overall earnings of banks due to adverse changes in interest rate and maturity structure, etc. The interest rate risk in the Bank's banking book mainly arises from the mismatch between the repricing periods of assets and liabilities as well as the inconsistent changes in their pricing basis.

The Bank mainly carried out management of interest rate risk in the banking book through repricing gap analysis, net interest income and economic value sensitivity analysis, limit management, duration management, stress testing, proactive adjustment of asset-liability structure and other methods. During the reporting period, the Bank implemented a prudent management strategy for interest rate risk in the banking book, paid close attention to changes in market interest rates and interest rate risk events in the domestic and overseas banking sectors, and strengthened the limit control of key businesses. It optimized the maturity structure of assets and liabilities, struck a balance between volume and price, and enriched the risk management toolbox, thereby continuously improving the ability to actively control and mitigate interest rate risk. During the reporting period, the overall interest rate risk of the Bank's banking book remained stable, and all risk indicators met the regulatory requirements.

Interest Rate Risk Analysis

Interest Rate Risk Gap

In RMB million

Item	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing
December 31, 2023	**(216,303)**	**(1,164,746)**	**(967,824)**	**954,439**	**1,586,589**	**640,145**
December 31, 2022	(333,680)	(795,752)	(831,211)	473,069	1,559,012	654,362

Interest Rate Sensitivity Analysis

We assume that the market interest rates move up or down in parallel, the repricing cycles of loans, time deposits and other businesses are determined according to the contract and the repricing cycles of non-fixed-term businesses such as demand deposits are set as overnight. Regardless of the risk management activities that may be taken by the management to mitigate interest rate risk, the interest rate sensitivity analysis of the Bank's banking book is as follows:

In RMB million

Basis point movements in yield rate	December 31, 2023 (Decrease)/Increase in net interest income	December 31, 2022 (Decrease)/Increase in net interest income
Upward parallel shift of 100 bps for yield curves	**(15,670)**	(13,143)
Downward parallel shift of 100 bps for yield curves	**15,670**	13,143

Exchange Rate Risk Management

Exchange rate risk refers to the risk of losses in foreign exchange exposure arising from unbalanced foreign exchange assets and liabilities due to adverse movements in exchange rates. During the reporting period, the foreign exchange exposure of the Bank remained relatively stable. Relevant indicators of exchange rate risk met regulatory requirements, and the exchange rate risk was controllable on the whole.

During the reporting period, the Bank paid close attention to the impact of geopolitical events and the Fed's interest rate hike on the global economy and finance, actively studied and analyzed market exchange rate fluctuations and future trends, and dynamically monitored and analyzed foreign exchange exposure limits. It regularly conducted stress testing, strengthened risk monitoring, explored the proactive management approaches for foreign exchange exposure, and ensured that the exchange rate risk of the Bank was within an acceptable range.

Exchange Rate Risk Analysis

For analysis of the Bank's exchange rate risk, please refer to "Notes to the Consolidated Financial Statements – 45.4 Market risk – Foreign exchange rate risk".

Currency Concentration

In RMB million

	December 31, 2023			
Item	**USD (RMB equivalent)**	**HKD (RMB equivalent)**	**Others (RMB equivalent)**	**Total**
Spot assets	**75,038**	**848**	**7,979**	**83,865**
Spot liabilities	**(39,744)**	**(3,301)**	**(1,726)**	**(44,771)**
Forward purchases	**59,458**	**6,740**	**2,939**	**69,137**
Forward sales	**(74,261)**	**(3,777)**	**(9,371)**	**(87,409)**
Net long/(short) position	**20,491**	**510**	**(179)**	**20,822**

	December 31, 2022			
Item	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	Total
Spot assets	78,939	854	6,581	86,374
Spot liabilities	(40,886)	(242)	(1,034)	(42,162)
Forward purchases	35,823	1,376	480	37,679
Forward sales	(49,599)	(1,407)	(6,218)	(57,224)
Net long/(short) position	24,277	581	(191)	24,667

Liquidity Risk

Liquidity Risk Management

Liquidity risk refers to the risk of failure to obtain sufficient funds by commercial banks at a reasonable cost in a timely manner to repay matured debts, fulfill other payment obligations and meet other financial needs of normal operation.

Governance Structure of Liquidity Risk Management

The governance structure of the Bank's liquidity risk management consists of the systems for decision making, execution and monitoring. Among them, the decision-making system includes the Board of Directors and its Risk Management Committee, the senior management of the Head Office and its Asset and Liability Management Committee and Risk Management Committee; the execution system comprises the department responsible for liquidity management, leading management departments of on- and off-balance sheet businesses, Risk Management Department, Information Technology Department and Operation Management Department of the Head Office, and relevant departments of branches and sub-branches; the monitoring system consists of the Board of Supervisors, the Audit Department, and departments responsible for legal affairs and compliance, etc.

Objective, Strategy and Policy of Liquidity Risk Management

The objective of liquidity risk management of the Bank is to effectively identify, measure, monitor and control liquidity risk via the establishment of a scientific and comprehensive liquidity risk management system, and to ensure the liquidity demand is satisfied and its payment obligation to external parties is fulfilled promptly under the normal operation scenario and the stress scenario. The Bank adheres to a prudent and sound liquidity risk management strategy to strike a balance between fund sources and utilization in terms of their amount, maturities, and structure. The Bank, in accordance with requirements in regulatory policies, changes in external environment as well as the characteristics of its business, formulates liquidity risk management policies such as those on limit management, intraday liquidity management, stress testing, and contingency plans, manages the liquidity risk of the Bank in a centralized manner and clarifies that the subsidiaries assume primary responsibilities for their liquidity risk management.

Liquidity Risk Management Method

The Bank paid close attention to changes in macroeconomic situation and monetary policies, closely monitored liquidity conditions in the market and of the Bank, and strengthened trend forecast and analysis on factors affecting liquidity. It strictly implemented limit management, strengthened asset-liability management and matching, and effectively controlled the risk of maturity mismatch. It adhered to the philosophy of maintaining high-quality liability development, ensured a stable source of deposits, and used interbank liabilities as liquidity replenishment and adjustment tool to enhance the diversification of capital sources. The Bank strengthened capital position management to meet various payment requirements. It also strengthened liquidity risk consolidated management to ensure safety of the Group's liquidity. The Bank continued to optimize its liquidity management system to enhance the level of informatization and intelligent management.

Key Factors Affecting Liquidity Risk

In addition to changes in macroeconomic situation, monetary policies and market liquidity conditions, liquidity risk of the Bank may arise from the following events or factors: withdrawal of customers' deposits, drawing of loans by borrowers, overdue payment of debtors, excessive maturity mismatch of assets and liabilities, difficulties in liquidating assets, and weakening in financing ability, etc.

In 2023, the situation for commercial banks to conduct liquidity risk management was complex and volatile. The Bank focused on the impact of external factors such as macroeconomic situation, market liquidity and changes in capital prices on liquidity. It also paid close attention to the fluctuation of internal capital sources, total size, structure and matching pace of assets and liabilities, and strengthened prospective and proactive management to effectively balance safety, liquidity and efficiency.

Liquidity Risk Stress Testing

The Bank performs liquidity risk stress testing every quarter to test the risk tolerance under stress scenarios and constantly improves stress testing methods based on regulatory and internal management requirements. During the reporting period, the stress testing results indicated that the Bank could pass the minimum viability test under various stress scenario assumptions.

Liquidity Risk Analysis

The Bank's liabilities were stable, as its major source of funds was retail deposits. Its assets were highly liquid, with a relatively large proportion of qualified high-quality bonds. Its overall liquidity position was sufficient, safe, and under control. As at the end of the reporting period, the liquidity ratio of the Bank was 83.39%; the liquidity coverage ratio was 303.61%; and the net stable funding ratio was 166.79%, all meeting the regulatory requirements.

Liquidity Gap Analysis

Net Position of Liquidity

In RMB million

Item	Overdue	Repayable on demand	Within 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Undated	Total
December 31, 2023	**15,035**	**(3,935,590)**	**(635,188)**	**(1,668,430)**	**(1,578,122)**	**2,820,698**	**4,558,237**	**1,255,660**	**832,300**
December 31, 2022	15,586	(4,005,681)	(541,711)	(1,319,402)	(935,554)	1,948,002	4,357,384	1,207,176	725,800

Liquidity Coverage Ratio

In RMB million, except for percentages

Item	December 31, 2023	December 31, 2022
High-quality liquid assets	**2,950,726**	2,601,067
Net cash outflow for the next 30 days	**971,893**	1,036,868
Liquidity coverage ratio (%)	**303.61**	250.86

Net Stable Funding Ratio

In RMB million, except for percentages

Item	December 31, 2023	September 30, 2023	June 30, 2023
Total available stable funding	**13,284,936**	12,611,319	12,526,993
Total required stable funding	**7,965,288**	7,809,126	7,665,836
Net stable funding ratio (%)	**166.79**	161.49	163.41

The net stable funding ratio (NSFR) is introduced to ensure commercial banks have sufficient stable sources of funding to meet the needs for stable funding of all types of assets and off-balance sheet risk exposures. According to the minimum regulatory standard set by the Rules on Liquidity Risk Management of Commercial Banks, NSFR should be no less than 100% from July 1, 2018.

The formula for calculating the NSFR is: Net stable funding ratio = available stable funding (ASF)/required stable funding (RSF) x 100%

Available stable funding refers to the sum of the book value of a commercial bank's all types of capital and liability items multiplied by their corresponding ASF coefficients. Required stable funding refers to the sum of the book value of a commercial bank's all types of asset items and off-balance sheet risk exposures multiplied by their corresponding RSF coefficients.

Operational Risk

Operational risk refers to the risk of losses resulting from problems in internal procedures, employees and IT systems, or from external events, including legal risk but not including strategic risk and reputational risk. The operational risks which the Bank may be exposed to mainly include internal fraud, external fraud, employment rules and workplace safety, customers, products and business activities, damage to physical assets, IT systems, as well as execution, delivery and process management. During the reporting period, the Bank's operational risk and operational risk loss ratio were kept at a relatively low level.

The Bank continuously improved the operational risk management framework, strengthened the joint performance of operational risk management tools, and enhanced the quality and efficiency of the application of operational risk management tools. It completed the annual self-assessment of operational risk and control, and included directly-operated institutions and agency outlets into the assessment scope. The Bank carried out re-examination of key risk indicators, and introduced over 40 indicators in such areas as newly occurred cases in the sector, regulatory penalties, and anti-money laundering. It consolidated the foundation for operational risk data management, and carried out assessment of operational risk events and loss data quality. The Bank worked towards the digital transformation of operational risk management in all aspects, adopted an agile iterative approach to optimize the functions of the operational risk management system, had access to data from systems such as the compliance management system, lending risk management system, and legal affairs management system, and further expanded the loss data sources. The Bank developed and launched a new operational risk "cockpit" to create a multi-dimensional data analysis visual card, and worked to make the operational risk management system more intelligent. Meanwhile, it advanced the regular implementation of operational risk management tools at agency outlets, completed self-assessment of operational risk and control at agency outlets, pushed forward the submission of agency outlets' operational risk events and loss data, and continued to improve the operational risk management across the Bank.

Legal Risk

Legal risk refers to the risk of commercial banks suffering from adverse legal consequences including legal liabilities, loss of rights and reputational damage due to violation of laws and regulations or terms of contract of its business operations, non-compliance with laws and breach of contracts by others including the counterparty to the contract, and significant changes in the external legal environment. During the reporting period, the Bank's legal risk was manageable in general.

The Bank continued to improve the legal risk management framework, and enhanced the capability for legal risk management, prevention and control. It prepared legal review guidelines, and gradually improved the specialization and standardization level of legal review. It properly responded to major litigation and legal disputes, and effectively prevented and controlled litigation risks. The Bank continued to strengthen civil litigations management, carried out in-depth analysis of lawsuits, timely summarized and promoted experience in handling litigations, and worked to improve the capabilities of branches at all levels to forestall and defuse legal risks. It strengthened authorization management, optimized annual authorization and further refined authorization management. It tightened intellectual property management, and encouraged independent innovation, to promote the creation, use and protection of intellectual property rights in an all-around manner. Moreover, the Bank actively carried out law publicity to enhance the legal awareness of all employees. It optimized the legal affairs system, and increased the technological support for legal risk prevention and control.

Compliance Risk

Compliance risk refers to the risk of being subject to legal sanctions, regulatory penalties and significant financial and reputational losses as a result of failure to comply with laws, regulations and rules. During the reporting period, the foundation for compliance management was effectively strengthened. The Bank maintained its business operation in compliance with laws and regulations, and sustained the momentum of steady development, with the overall compliance risk under control.

The Bank continued to oversee the review of compliance risks, optimized the review mechanism and review procedures, and took compliance review as an essential requirement for the formulation of all rules and regulations of the Bank, research and development of business products, the operation of major projects and other business management behaviors. During the reporting period, the Bank reviewed over 800 new rules and regulations, new products, new businesses and meeting materials, and gave more than 2,000 opinions. Leveraging the enterprise knowledge management system, it built a basic database of internal and external rules and regulations, imported over 1.8 million external laws and regulations and continued to maintain and update the data, and completed the access of more than 3,200 data of the Head Office's policies. The Bank optimized the query function, enabled queries from five aspects, i.e., business module, policy category, year of issuance, applicable agencies, and invalidated regulations, and realized the intelligent search, sorting, clustering of multiple data sources and other functions. Also, the Bank carried out sorting and re-examination of policies in an all-round way, continuously improved policies, and strengthened its business operation in compliance with laws and regulations. It strengthened compliance risk monitoring, intensified efforts to learn and research regulatory policies, issued regulatory trends and risk alerts, and strictly abided by laws and regulations as well as regulatory requirements. The Bank organized all its employees to sign the letter of commitment to compliance online, consolidated compliance management, and raised employees' awareness of compliance.

Anti-Money Laundering

Money laundering risk refers to the risk arising from illegal activities such as money laundering, terrorist financing and proliferation financing caused by the use of business and products by illegal criminals. Centering on core tasks such as customer due diligence, retention of customer identity information and transaction records, and suspicious transaction monitoring and analysis, the Bank continuously strengthened management mechanisms, optimized workflow processes, worked further to make the management of money laundering risk more digitalized and intensive, and improved the management of money laundering risk. During the reporting period, the Bank had no major money laundering risk events, and the money laundering risk was overall under control.

In strict compliance with anti-money laundering (AML) laws and regulations, the Bank upheld the risk-based AML management concept, and earnestly fulfilled its legal obligations and social responsibilities concerning AML. It improved the "Three Lines of Defense" duty performance mechanism at all levels and for AML, strengthened the building of AML teams at the Head Office and branches, and enhanced the foundation and capabilities of performing AML duties. The Bank further refined and specified the compliance requirements for customer due diligence, carried out in-depth governance in the basic information of customer identities, and comprehensively improved the information compliance and effectiveness. It continued to improve its strategies and measures for customer-related money laundering risk management and control, and promoted the effectiveness of customer-related money laundering risk management and control. The Bank also further optimized the model of money laundering risk assessment approaches, and continuously adjusted and improved the management policies, measures and procedures for money laundering risk management. It completed 77 R&D requirements for suspicious transaction monitoring models and AI intelligent screening algorithm models for warning cases, and fully enhanced the compliance and effectiveness of the suspicious transaction monitoring standard system. It sorted out 557 key points for manual identification of suspicious transactions, and improved the guidelines on manual selection for suspicious transaction monitoring. The Bank successfully launched the new generation AML system, and continued to upgrade the system, to further improve its functionality. It completed the Phase I of the AML data governance project and constantly reinforced the data foundation for AML.

Information Technology Risk

Information technology risk refers to the operational, legal, reputational and other risks caused by natural and human factors, technological loopholes and management flaws when applying information technology. During the reporting period, the operation of the Bank's information systems was overall stable, with no material security incident found, and various monitoring indicators of information technology risk were within a reasonable range.

The Bank reinforced the information technology internal control and risk prevention and control system. It drove the implementation of its cyber safety plan, strengthened the security of key IT infrastructure, and further improved the capabilities of "three-pronged approach and six defenses" for cyber safety. The Bank strengthened data security management and promoted lifecycle data classification and rating. It also enhanced IT outsourcing management, and strictly put the requirements for outsourcing risk identification, assessment, monitoring and disposal in place. It enhanced the quality of the building of a backup system for disaster recovery, improved the emergency response mechanism, ensured uninterrupted services in critical periods and business peaks, and constantly improved the business continuity management.

Reputational Risk

Reputational risk refers to the risk resulting from negative comments by stakeholders, the public, the media and other parties due to the Bank's institutional behaviors, employees' behaviors or external events, etc., which damages the brand value, adversely affects normal operations, and even affects market and social stability. During the reporting period, public opinions about the Bank remained overall positive, and no major reputational incident occurred. Through effective reputational risk management, the Bank created a favorable external public opinion environment for the transformation and development of the Bank and the implementation of various key tasks.

Upholding the reputational risk management concept of "addressing both symptoms and root causes, with a focus on root causes", the Bank strengthened the coordinated management of reputational risk and other types of risk, and continuously enhanced the foundation for reputational risk management. It kept optimizing the ex ante evaluation mechanism in light of actual conditions, made a list of ex ante assessment, progressively expanded the scope of items to be evaluated, and strengthened management and control over reputational risk from the source. The Bank continued to press ahead with the management of reputational risk at earlier stages, and carried out screening of reputational risk. It conducted in-depth analysis of hidden reputational risk, and took targeted steps for control in time. It continued to utilize information technology to improve the quality and effectiveness of reputational risk management, and enhanced the role of science and technology in supporting management of reputational risk. Moreover, the Bank further improved the closed-loop management mechanism of reputational events, and responded to and handled such events in an orderly manner. With the main focus on better telling PSBC stories, the Bank effectively carried out publicity activities on key themes such as supporting the real economy, serving rural revitalization, financing micro and small-sized enterprises, developing green finance, strengthening technology empowerment, and protecting consumer rights. It carried out integrated marketing by coordinating the use of various media resources, in particular, enhancing outreach to both lower-tier markets and key urban branches. By doing so, the Bank achieved favorable outcomes in improving its corporate image, facilitating market expansion, communicating investment value, and supporting business development, and continuously improved its brand image and social impact. These efforts helped the Bank continue to accumulate reputation capital, forestall and defuse reputational risk.

Strategic Risk

Strategic risk refers to the risk arising from improper operational strategies or the changes in the external environment of commercial banks. During the reporting period, the Bank continued to improve its management and control over strategic risks, and the strategic risk was generally under control.

The Bank sped up the pace of making breakthroughs and innovations, as well as transformation and upgrade, and persisted in building its countercyclical capabilities. Focusing on the five major differentiated growth poles, it developed differentiated development characteristics. Leveraging the advantages in resources, it fostered new competitive strengths, promoted the organizational structure reform and intensive reform to fully invigorate the vitality of development. The Bank strengthened technology empowerment, and conducted in-depth innovation and application of new technology, and worked hard to build a digital ecosystem-based bank. By comprehensively assessing the implementation of strategies, the Bank fully identified and monitored various risk factors during the implementation of strategies, continued to carry out in-depth strategic research, and increased the effectiveness of strategy management.

Country Risk

Country risk refers to the risk of the inability or refusal of the debtors of a country or region to repay their debts owed to the bank, or commercial benefit loss suffered by the bank in that country or region due to changes and incidents occurred in its politics, economy and society. During the reporting period, the Bank's country risk exposure mainly concentrated in low-risk countries or regions, and country risk was generally controllable.

In strict compliance with country risk policies and relevant regulatory requirements, the Bank managed country risk through a series of management instruments such as country risk rating, limit control, exposure measurement and monitoring. The Bank paid close attention to the changes in country risks of all countries or regions, regularly monitored and reported the implementation of country risk limit and changes in country risk exposure, optimized the country risk rating and limit approval methods, and gave priority to low-risk countries or regions in business development, thus effectively controlling country risk.

Climate Risk

Climate risk refers to the potential adverse effects of climate change on the natural system and the economic and social system, mainly including physical risks and transition risks. Among them, physical risk refers to the risk of events such as climate anomalies and environmental pollution that may lead to severe damage to the balance sheets of enterprises, households, banks, insurance companies and other market entities, which in turn affects the financial system and the macro economy. Transition risk refers to the risk of repricing of high-carbon assets and financial losses due to significant tightening of relevant policies such as carbon emissions or technological innovations, in order to address climate change and promote low-carbon economic transformation. During the reporting period, the Bank's climate risk was controllable overall.

The Bank paid high attention to environmental and climate risks, and incorporated them into its comprehensive risk management framework for control. It formulated and issued management measures for ESG risk, incorporated environmental and climate risks into the whole-process credit management in terms of risk policy, risk limit, credit policy, customer rating, review and approval, disbursement management and post-lending management, and effectively identified, monitored and prevented ESG risk in business activities. The Bank carried out stress tests of climate risk sensitivity for eight industries, including electric power, steel, building materials, petrochemical, chemicals, papermaking, civil aviation and non-ferrous metal smelting, for two consecutive years to analyze the potential impact of rising cost in high-carbon industries after the introduction of carbon cost on the Bank's credit asset quality and capital adequacy level. The test results showed that under the stress scenario, the credit risk of some high-carbon customers increased, but the impact on the Bank's capital adequacy level was generally controllable. The Bank has deepened environmental and climate risk management, conducted ESG and climate risk inspections for seven consecutive years to find out the real situation, handle them by category, and prevent and mitigate potential risks. It also supported the green and low-carbon transformation and development of high-carbon enterprises engaged in coal power, coal, steel, non-ferrous metals etc. to support their reasonable financing needs. It prohibited support for overseas high-carbon fossil energy projects such as coal and coal power, and resolutely implemented the one-vote veto system for environmental assessment.

Risk Consolidated Management

Risk consolidated management refers to the continuous improvement of the comprehensive risk management framework of the Bank Group and its subsidiaries, and the management process of effectively identifying, measuring, monitoring and controlling the overall risk of the Bank Group. Pursuant to regulatory requirements, as at the end of the reporting period, the Bank's subsidiaries were all incorporated into its risk consolidated management framework, and the overall risks of the Bank Group were manageable.

The Bank strictly followed national policies and relevant regulatory requirements, firmly held the bottom line to ensure no systemic risks arise, and continuously improved the risk consolidated management of the Bank Group. With a focus on the Bank Group's risk appetite plan, the Bank limited the risk of its subsidiaries within an acceptable range. It developed risk compliance assessment plans in a rational manner to ensure all risk limits and compliance requirements be effectively implemented. The Bank continued to improve the long-term risk reporting mechanism for subsidiaries, and optimized the risk information reporting mechanism for subsidiaries, to ensure the Bank keep abreast of their risk levels and management in a comprehensive and timely way. The Bank also strengthened risk isolation management of the Bank Group, optimized management of businesses coordination, realized the coordination of business collaboration and risk isolation, and effectively prevented the risk contagion among all institutions of the Bank Group.

Capital Management

The objective of the Bank's capital management is to maintain a stable and reasonable capital adequacy level, and continuously meet regulatory policies and macro-prudential requirements; to comprehensively establish and apply a value management system centered on economic capital, strengthen capital constraints, and communicate the concept of value creation; to continuously strengthen the Bank's capital, constantly improve the endogenous growth of capital and proactively expand external channels for capital replenishment.

In September 2023, the PBC and the NFRA released the 2023 list of domestic systemically important banks, and the Bank was again included in the list. According to the regulatory requirements, the Bank established and improved the management mechanism for the recovery and disposal plan based on its own operation situations, constantly improved the risk prevention and control ability, strengthened the crisis management, and reduced the Bank's risk spillover in the crises to maintain financial stability. During the reporting period, the Bank continued to improve its capital management system, effectively implemented regulatory requirements, stepped up refined capital management, steadily improved the capital replenishment by internal resources, and replenished capital through external resources in a reasonable and orderly manner, hence further building up its capital strength and effectively supporting the sustainable and healthy development of various businesses. As at the end of the reporting period, the Bank's capital indicators stayed within the reasonable range, and the capital adequacy ratios and the leverage ratio continued to meet all regulatory requirements including additional requirements for domestic systemically important banks and maintained at a sound and reasonable level.

Through overall arrangement, the Bank vigorously propelled the implementation of the new rules on capital management, continuously refined the risk management and capital management, and pushed forward relevant work in an orderly manner, with a focus on tasks such as exposure category, information system building, business process optimization and data governance. It carried out multiple rounds of training, and comprehensively transmitted the concept of the new rules from top to bottom, hence consolidating the implementation quality and efficiency of new regulations. The Bank enhanced the basic capabilities of refined risk management in an all-round manner through refined capital measurement.

Capital Planning and Capital Adequacy Ratio Management Plan

Pursuant to regulatory requirements, the Bank made capital planning in light of economic and financial situations, development strategies, risk appetite and other factors, and defined capital management objectives and management measures to ensure the Bank's capital adequacy ratios continue to meet regulatory requirements and are in line with long-term sustainable development and shareholder return requirements.

Capital Management

Capital Adequacy Ratio

According to the requirements of the Capital Rules for Commercial Banks (Provisional) and its supporting policy documents, the Bank measured credit risk by weighted approach, market risk by standardized approach, and operational risk by basic indicator approach. As at the end of the reporting period, the core tier 1 capital adequacy ratio, tier 1 capital adequacy ratio and capital adequacy ratio were 9.53%, 11.61%, and 14.23% respectively.

Capital Adequacy Ratio

In RMB million, except for percentages

	December 31, 2023		December 31, 2022	
Item	**The Group**	**The Bank**	**The Group**	**The Bank**
Core tier 1 capital – net	**780,106**	**757,568**	679,887	658,372
Tier 1 capital – net	**950,258**	**927,554**	820,013	798,358
Net capital	**1,165,404**	**1,141,720**	1,003,987	981,608
Risk-weighted assets	**8,187,064**	**8,119,361**	7,266,134	7,216,448
Credit risk-weighted assets	**7,680,735**	**7,628,202**	6,779,896	6,744,048
Market risk-weighted assets	**56,108**	**56,108**	52,806	52,806
Operational risk-weighted assets	**450,221**	**435,051**	433,432	419,594
Core tier 1 capital adequacy ratio (%)	**9.53**	**9.33**	9.36	9.12
Tier 1 capital adequacy ratio (%)	**11.61**	**11.42**	11.29	11.06
Capital adequacy ratio (%)	**14.23**	**14.06**	13.82	13.60

Market Risk Capital Requirements

In RMB million

Item	**December 31, 2023**	**December 31, 2022**
Interest rate risk	**2,792**	2,230
Exchange rate risk	**1,696**	1,994

Leverage Ratio

As at the end of the reporting period, the leverage ratio calculated by the Bank pursuant to the Administrative Measures for the Leverage Ratio of Commercial Banks (Revised) was 5.78%, meeting the regulatory requirements. For details of leverage ratio, please refer to "Appendix I: Supplementary Financial Information".

Economic Capital Management

The Bank continued to improve the refined management of economic capital and pressed ahead with the implementation of the concept of achieving transformation and development with less capital consumption. It reinforced internal capital constraint and advanced the intensive use of capital. The Bank promoted greater application of the capital allocation mechanism with risk-adjusted return on capital (RAROC) as the core indicator, and intensified resource allocation in businesses with high returns. It continuously promoted the application of internal rating results in economic capital measurement, allocation and performance assessment in an orderly manner. The awareness of capital saving and value creation has been continuously enhanced across the Bank, and business structure continuously improved.

Capital Financing Management

On the basis of replenishing capital from internal sources through retained earnings, the Bank comprehensively utilized external financing instruments to replenish its capital.

In accordance with its capital requirements and capital replenishment plan, the Bank non-publicly issued 6,777,108,433 A shares of ordinary shares in March 2023 at an issue price of RMB6.64 per share, raising a total of approximately RMB45 billion. After deducting the issuance cost, actual net proceeds were approximately RMB44,980.159 million, all of which were used to replenish core tier 1 capital. Please refer to "Changes in Share Capital and Shareholdings of Shareholders" for details.

The Bank issued RMB30 billion write-down undated capital bonds each in the national Interbank Bond Market in October 2023 and March 2024, respectively, with all proceeds used to replenish additional tier 1 capital in accordance with applicable laws and approval of the competent authorities.

The Bank issued RMB20 billion tier 2 capital bonds in the national Interbank Bond Market in May 2023, with all proceeds used to replenish tier 2 capital in accordance with applicable laws and approval of the competent authorities.

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Corporate Governance

Changes in Share Capital and Shareholdings of Shareholders

Ordinary Shares

As at the end of the reporting period, the total number of ordinary shares of the Bank amounted to 99,161,076,038, including 79,304,909,038 A shares and 19,856,167,000 H shares, accounting for 79.98% and 20.02% of all shares respectively.

Details of Changes in Shares

share, except for percentages

	As at December 31, 2022		Increase/decrease (+, -) during the reporting period					As at December 31, 2023	
	Number of shares	Percentage (%)	Issuance of new shares	Issuance of bonus shares	Transferred from reserve	Others	Subtotal	Number of shares	Percentage (%)
I. Shares subject to selling restrictions	61,253,339,187	66.30	+6,777,108,433	–	–	-55,847,933,782	-49,070,825,349	**12,182,513,838**	**12.29**
1. Shareholdings of the State	–	–	–	–	–	–	–	**–**	**–**
2. Shareholdings of state-owned legal entities	61,253,339,187	66.30	+6,777,108,433	–	–	-55,847,933,782	-49,070,825,349	**12,182,513,838**	**12.29**
3. Other domestic shareholdings	–	–	–	–	–	–	–	**–**	**–**
Including: Shareholdings of domestic non-state-owned legal entities	–	–	–	–	–	–	–	**–**	**–**
Shareholdings of domestic natural persons	–	–	–	–	–	–	–	**–**	**–**
4. Foreign shareholdings	–	–	–	–	–	–	–	**–**	**–**
Including: Shareholdings of foreign legal entities	–	–	–	–	–	–	–	**–**	**–**
Shareholdings of foreign natural persons	–	–	–	–	–	–	–	**–**	**–**
II. Circulating shares not subject to selling restrictions	31,130,628,418	33.70	–	–	–	+55,847,933,782	+55,847,933,782	**86,978,562,200**	**87.71**
1. RMB ordinary shares	11,274,461,418	12.21	–	–	–	+55,847,933,782	+55,847,933,782	**67,122,395,200**	**67.69**
2. Domestically listed foreign shares	–	–	–	–	–	–	–	**–**	**–**
3. Overseas listed foreign shares	19,856,167,000	21.49	–	–	–	–	–	**19,856,167,000**	**20.02**
4. Others	–	–	–	–	–	–	–	**–**	**–**
III. Total ordinary shares	92,383,967,605	100.00	+6,777,108,433	–	–	–	+6,777,108,433	**99,161,076,038**	**100.00**

Changes in Ordinary Shares

Pursuant to the Approval of the Non-public Issuance of Shares by Postal Savings Bank of China Co., Ltd. (Zheng Jian Xu Ke [2023] No. 340) issued by the CSRC on February 16, 2023, the Bank completed the non-public issuance of 6,777,108,433 A shares of ordinary shares in March 2023. The closing price of the A shares of the Bank on the date of signing the subscription agreement (i.e. February 24, 2023) was RMB4.54 per share. After issuance, the Bank raised a total of around RMB45,000 million at an issue price of RMB6.64 per share. After deducting the issuance fee, the actual net proceeds raised totaled approximately RMB44,980.159 million, and net proceeds per share was approximately RMB6.64. After completion of the non-public issuance, total number of shares of the Bank increased from 92,383,967,605 to 99,161,076,038. For details, please refer to the announcement of the Bank dated March 29, 2023.

Impact of Changes in Ordinary Shares on Financial Indicators such as Earnings per Share and Net Assets per Share of Last Year and the Latest Period

During the reporting period, the Bank completed the non-public offering of ordinary A shares. After the issuance, the total number of shares of the Bank increased from 92,383,967,605 to 99,161,076,038, with an increase of RMB6,777,108,433.00 in share capital and RMB38,203,050,586.96 in capital reserve.

RMB Yuan

Item	2023	2023 under same standard(1)
Basic earnings per share	**0.83**	**0.88**
Diluted earnings per share	**0.83**	**0.88**
Net assets per share attributable to ordinary shareholders of the Bank	**7.92**	**8.01**

Note (1): Basic earnings per share, diluted earnings per share and net assets per share attributable to ordinary shareholders of the Bank for 2023 under same standard are calculated on the basis of no share issuance in 2023.

Changes in Shares Subject to Selling Restrictions

share

Name of shareholder	Number of shares subject to selling restrictions at the beginning of 2023	Shares released from selling restrictions in 2023	Increase in shares subject to selling restrictions in 2023	Number of shares subject to selling restrictions at the end of the reporting period	Reason for selling restrictions	Date of release from selling restrictions
China Post Group Corporation Limited	55,847,933,782	55,847,933,782	–	–	Commitments on selling restrictions of initial public offering of A shares	June 12, 2023
	5,405,405,405	–	–	5,405,405,405	Commitments on selling restrictions of non-public issuance of A shares in 2021	March 25, 2026
China Mobile Communications Group Co., Ltd.	–	–	6,777,108,433	6,777,108,433	Commitments on selling restrictions of non-public issuance of A shares in 2023	March 28, 2028
Total	61,253,339,187	55,847,933,782	6,777,108,433	12,182,513,838	/	/

Changes in Share Capital and Shareholdings of Shareholders

Number of Shareholders and Shareholdings

As at the end of the reporting period, the Bank had a total number of 185,559 ordinary shareholders (including 183,091 A-share holders and 2,468 H-share holders) and no holders of preference shares with voting rights restored or holders of special voting shares.

As at February 29, 2024, the Bank had a total number of 162,312 ordinary shareholders (including 159,847 A-share holders and 2,465 H-share holders) and no holders of preference shares with voting rights restored or holders of special voting shares.

The shareholdings of top 10 ordinary shareholders as at the end of the reporting period are as follows:

Shareholdings of Top Ten Ordinary Shareholders

share, except for percentages

Name of shareholder	Number of shares held	Shareholding percentage (%)	Number of shares subject to selling restrictions	Number of shares pledged, marked or locked-up	Nature of shareholder	Type of ordinary shares
China Post Group Corporation Limited	62,255,549,280	62.78	5,405,405,405	–	State-owned legal entity	RMB ordinary shares, overseas listed foreign shares
HKSCC Nominees Limited	19,843,173,300	20.01	–	Unknown	Foreign legal entity	Overseas listed foreign shares
China Mobile Communications Group Co., Ltd.	6,777,108,433	6.83	6,777,108,433	–	State-owned legal entity	RMB ordinary shares
China Life Insurance Company Limited	1,730,893,405	1.75	–	–	State-owned legal entity	RMB ordinary shares
China Telecommunications Corporation	1,117,223,218	1.13	–	–	State-owned legal entity	RMB ordinary shares
Hong Kong Securities Clearing Company Limited	586,506,809	0.59	–	–	Foreign legal entity	RMB ordinary shares
New China Life Insurance Co., Ltd. – Traditional – General insurance products – 018L – CT001 Shanghai	159,440,321	0.16	–	–	Others	RMB ordinary shares
National Social Security Fund Portfolio 108	132,345,044	0.13	–	–	Others	RMB ordinary shares
Shanghai International Port (Group) Co., Ltd.	112,539,226	0.11	–	–	State-owned legal entity	RMB ordinary shares
Shanghai Pudong Development Bank Co., Ltd. – E Fund Yufeng Return Bond Fund	91,121,435	0.09	–	–	Others	RMB ordinary shares

Note (1): The total number of shares held by HKSCC Nominees Limited as the nominee is the total number of H shares held by all institutional and individual investors registered with the company as at the end of the reporting period, which includes 80,700,000 H shares held by the controlling shareholder China Post Group Corporation Limited through HKSCC Nominees Limited as the nominee.

Note (2): The total number of shares held by Hong Kong Securities Clearing Company Limited refers to the A shares (Shanghai-Hong Kong Stock Connect) held on behalf of Hong Kong investors and overseas investors as the nominee.

Note (3): HKSCC Nominees Limited is a wholly-owned subsidiary of Hong Kong Securities Clearing Company Limited (HKSCC). Apart from this, the Bank is not aware of any connected relations among the aforementioned shareholders or whether they constitute persons acting in concert as stipulated in the Administrative Measures for the Takeover of Listed Companies.

Note (4): Except for HKSCC Nominees Limited, whose participation in margin trading, short selling or refinancing was unknown to the Bank, the rest of the top ten ordinary shareholders of the Bank did not participate in margin trading or short selling.

Note (5): The above shareholders do not have special repurchase accounts nor do they involve delegation/entrustment of voting rights or abstention of voting rights.

Note (6): In March 2023, the Bank completed the non-public offering of 6,777,108,433 new shares, and China Mobile Communications Group Co., Ltd. became one of the top ten ordinary shareholders due to the participation in placement of new shares. Save as disclosed above, no other strategic investor or general legal entity became the top ten ordinary shareholders of the Bank due to the participation in placement of new shares.

Shareholdings of the Top Ten Shareholders Not Subject to Selling Restrictions

share

Name of shareholder	Number of circulating shares held not subject to selling restrictions	Type and number of shares: Type	Number
China Post Group Corporation Limited	56,850,143,875	RMB ordinary shares	56,769,443,875
		Overseas listed foreign shares	80,700,000
HKSCC Nominees Limited	19,843,173,300	Overseas listed foreign shares	19,843,173,300
China Life Insurance Company Limited	1,730,893,405	RMB ordinary shares	1,730,893,405
China Telecommunications Corporation	1,117,223,218	RMB ordinary shares	1,117,223,218
Hong Kong Securities Clearing Company Limited	586,506,809	RMB ordinary shares	586,506,809
New China Life Insurance Co., Ltd. – Traditional – General insurance products – 018L – CT001 Shanghai	159,440,321	RMB ordinary shares	159,440,321
National Social Security Fund Portfolio 108	132,345,044	RMB ordinary shares	132,345,044
Shanghai International Port (Group) Co., Ltd.	112,539,226	RMB ordinary shares	112,539,226
Shanghai Pudong Development Bank Co., Ltd. – E Fund Yufeng Return Bond Fund	91,121,435	RMB ordinary shares	91,121,435
Industrial and Commercial Bank of China Limited – Huatai-PineBridge CSI 300 Trading Open-ended Index Fund	82,568,700	RMB ordinary shares	82,568,700

Note (1): The total number of shares held by HKSCC Nominees Limited as the nominee is the total number of H shares held by all institutional and individual investors registered with the company as at the end of the reporting period, which includes 80,700,000 H shares held by the controlling shareholder China Post Group Corporation Limited through HKSCC Nominees Limited as the nominee.

Note (2): The total number of shares held by Hong Kong Securities Clearing Company Limited refers to the A shares (Shanghai-Hong Kong Stock Connect) held on behalf of Hong Kong investors and overseas investors as the nominee.

Note (3): HKSCC Nominees Limited is a wholly-owned subsidiary of Hong Kong Securities Clearing Company Limited (HKSCC). Apart from this, the Bank is not aware of any connected relations among the aforementioned shareholders or whether they constitute persons acting in concert as stipulated in the Administrative Measures for the Takeover of Listed Companies.

Note (4): Except for HKSCC Nominees Limited, whose participation in margin trading, short selling or refinancing was unknown to the Bank, the rest of the top ten shareholders not subject to selling restrictions of the Bank did not participate in margin trading or short selling.

Note (5): The above shareholders do not have special repurchase accounts nor do they involve delegation/entrustment of voting rights, abstention of voting rights, nor do any strategic investor or general legal entity become the top ten shareholders not subject to selling restrictions due to the participation in placement of new shares.

Lending of Shares by the Top Ten Shareholders through Participation in Refinancing

share, except for percentages

Name of shareholder	Shares held in common accounts and credit accounts at the beginning of the reporting period		Shares lent through refinancing and unreturned at the beginning of the reporting period		Shares held in common accounts and credit accounts at the end of the reporting period		Shares lent through refinancing and unreturned at the end of the reporting period	
	Number in aggregate	Percentage (%)	Number in aggregate	Percentage (%)	Number in aggregate	Percentage (%)	Number in aggregate	Percentage (%)
Industrial and Commercial Bank of China Limited – Huatai-PineBridge CSI 300 Trading Open-ended Index Fund	44,715,800	0.05	–	–	82,568,700	0.08	120,100	0.00

Changes in the Top Ten Shareholders Compared with the Prior Year-end

share, except for percentages

Name of shareholder	Addition/exit during the reporting period	Number of shares lent through refinancing and unreturned at the end of the reporting period		Number of shares held in the shareholders' common accounts and credit accounts and shares lent through refinancing and unreturned at the end of the reporting period	
		Number in aggregate	Percentage (%)	Number in aggregate	Percentage (%)
China Mobile Communications Group Co., Ltd.	Addition	–	–	6,777,108,433	6.83
New China Life Insurance Co., Ltd. – Traditional – General insurance products – 018L – CT001 Shanghai	Addition	–	–	159,440,321	0.16
National Social Security Fund Portfolio 108	Addition	–	–	132,345,044	0.13
Shanghai Pudong Development Bank Co., Ltd. – E Fund Yufeng Return Bond Fund	Addition	–	–	91,121,435	0.09
Industrial and Commercial Bank of China Limited – Huatai-PineBridge CSI 300 Trading Open-ended Index Fund	Addition	120,100	0.00	82,688,800	0.08
E Fund Management Co., Ltd. – Social Security Fund Portfolio 1104	Exit	35,200	0.00	73,800,000	0.07
Dajia Life Insurance Co., Ltd. – Universal Products	Exit	–	–	29,773,476	0.03
Foresea Life Insurance Co., Ltd. – Self-owned funds	Exit	–	–	7,394,997	0.01
Shenzhen New Star Investment Management Co., Ltd. – New Star Growth No. 1 Fund	Exit	–	–	–	–

Shareholdings of the Top Ten Shareholders Subject to Selling Restrictions

share

Name of shareholder	Number of shares subject to selling restrictions	Conditions for listing and trading of shares subject to selling restrictions: Date on which listing and trading may commence	Conditions for listing and trading of shares subject to selling restrictions: Number of new shares allowed to be listed and traded	Selling restrictions
China Post Group Corporation Limited	5,405,405,405	March 25, 2026	–	5 years since share acquisition after the non-public issuance of A shares of the Bank in 2021
China Mobile Communications Group Co., Ltd.	6,777,108,433	March 28, 2028	–	5 years since share acquisition after the non-public issuance of A shares of the Bank in 2023

Strategic Investor or General Legal Entity Becoming Top Ten Shareholders Due to Placement of New Shares

Name of strategic investor or general legal entity	Agreed start date of shareholding	Agreed end date of shareholding
China Mobile Communications Group Co., Ltd.	March 28, 2023	–

Shareholdings by the Directors, Supervisors and Senior Management Members

During the reporting period, the shareholdings by the Directors, Supervisors and senior management members of the Bank remained unchanged. As at the Latest Practicable Date, none of the Directors, Supervisors and senior management members of the Bank held any shares of the Bank.

Substantial Shareholders

According to the Interim Measures on Equity Management of Commercial Banks published by the former CBIRC, China Post Group, China Mobile Communications Group Co., Ltd., China State Shipbuilding Corporation Limited ("CSSC") and Shanghai International Port (Group) Co., Ltd. ("SIPG") are substantial shareholders of the Bank, as China Post Group and China Mobile Communications Group Co., Ltd. hold more than 5% of interests in the Bank while CSSC and SIPG designate Directors to the Bank.

Basic Information of Substantial Shareholders

There was no change in the controlling shareholder or de facto controller of the Bank during the reporting period.

During the reporting period, the Bank non-publicly offered 6,777,108,433 A shares of ordinary shares in March 2023 to China Mobile Communications Group Co., Ltd., making China Mobile Communications Group Co., Ltd. a substantial shareholder of the Bank as it holds more than 5% of the Bank's shares.

Changes in Share Capital and Shareholdings of Shareholders

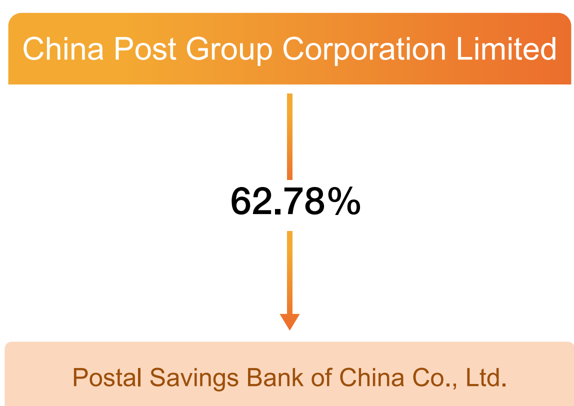
Controlling Shareholder and De Facto Controller

The controlling shareholder and de facto controller of the Bank is China Post Group. China Post Group Corporation Limited ("China Post Group"), a wholly state-owned enterprise incorporated in accordance with the Company Law of the People's Republic of China, was established on October 4, 1995, and was officially restructured into China Post Group Corporation Limited on December 17, 2019. It engages in various postal businesses in accordance with law, undertakes the obligations of general postal services and provides special postal services entrusted by the government. China Post Group has a registered capital of RMB137.6 billion. Its registered address is No. 3 Financial Street, Xicheng District, Beijing. Its unified social credit code is 911000000000192465 and legal representative is Mr. Liu Aili. China Post Group is principally engaged in domestic and international mail delivery, distribution of publications such as newspapers and journals, stamp issuance, postal remittance, operation of postal savings business in accordance with law, confidential correspondence, postal financial business, emerging business such as postal logistics and e-mail, e-commerce, agency business and other businesses as stipulated by the state.

Other domestic and overseas listed companies directly held by China Post Group as at the end of the reporting period are listed below:

No.	Name of institution	Shareholding percentage	Stock exchange
1	Bank of Communications Co., Ltd.	0.0847%	SSE, Hong Kong Stock Exchange
2	Shanghai Pudong Development Bank Co., Ltd.	0.5370%	SSE
3	China Merchants Bank Co., Ltd.	0.0837%	SSE, Hong Kong Stock Exchange
4	New Guomai Digital Culture Co., Ltd.	0.1846%	SSE
5	Shenergy Company Limited	0.0059%	SSE
6	Orient Securities Company Limited	2.6927%	SSE, Hong Kong Stock Exchange
7	China Merchants Securities Co., Ltd.	0.0278%	SSE, Hong Kong Stock Exchange
8	Industrial Bank Co., Ltd.	0.1094%	SSE
9	China Pacific Insurance (Group) Co., Ltd.	0.0018%	SSE, Hong Kong Stock Exchange
10	Petrochina Company Limited	0.0004%	SSE, Hong Kong Stock Exchange
11	COSCO SHIPPING Development Co., Ltd.	0.0025%	SSE, Hong Kong Stock Exchange
12	China Coal Energy Company Limited	0.0025%	SSE, Hong Kong Stock Exchange
13	Yangmei Chemical Co., Ltd.	0.0556%	SSE
14	Southwest Securities Company Ltd.	0.1361%	SSE
15	Bank of Chongqing Co., Ltd.	0.1349%	SSE, Hong Kong Stock Exchange

As at the end of the reporting period, China Post Group directly held 62,174,849,280 A shares and 80,700,000 H shares of the Bank, with a shareholding percentage of 62.78%. The property right relationship between the Bank and China Post Group, the controlling shareholder and de facto controller, is as follows:



Other Substantial Shareholders

China Mobile Communications Group Co., Ltd. ("China Mobile Group") is a wholly state-owned enterprise established under the Company Law of the People's Republic of China by the state with a registered capital of RMB300 billion. Its registered address is No. 29 Financial Street, Xicheng District, Beijing. Its unified social credit code is 911100007109250324, and the legal representative is Yang Jie. China Mobile Group, a central state-owned enterprise established on July 22, 1999 in accordance with the overall plan of the national telecommunications system reform, is the world's largest mobile communications service provider with over 900 million mobile users and over 200 million household customers. China Mobile Group is principally engaged in basic telecommunications business, value-added telecommunications business, and innovative digital services such as digital media content and information solutions. As a unit which holds the license for operating international networking of computer information and international communication accesses, China Mobile Group is able to provide quality products and services related to information and communication, and integrated information solutions to individuals, families, government agencies, enterprises and other customers.

China State Shipbuilding Corporation Limited ("CSSC") is a wholly state-owned enterprise established on November 8, 2019 under the Company Law of the People's Republic of China by the state with a registered capital of RMB110 billion. Its registered address is No. 889 Zhonghua Road, Huangpu District, Shanghai and its unified social credit code is 91310000MA1FL70B67 and the legal representative is Wen Gang. CSSC has the largest shipbuilding and repair base in China and the most complete research and development capacity for shipping and supporting products. It is the world's largest shipbuilding group capable of designing and building shipping and marine equipment that meet the requirements of global classification societies, international general technical standards and safety conventions. CSSC is principally engaged in the research, development and production of naval products, merchant ships and supporting facilities as well as non-marine equipment, and is one of the Global 500 companies in China's shipping industry.

Changes in Share Capital and Shareholdings of Shareholders

Shanghai International Port (Group) Co., Ltd. ("SIPG"), the operator of public terminals in the Port of Shanghai, is a large specialized business group established in January 2003 by restructuring the former Shanghai Port Administration Bureau. In June 2005, SIPG was transformed into a joint-stock limited liability company after completion of the conversion into a joint-stock company, and was listed on SSE on October 26, 2006, becoming the first joint-stock port company listed as a whole in China. It is now the largest public company in the port industry in China and is also one of the largest port companies in the world. The registered capital of SIPG is approximately RMB23,284 million. SIPG has its registered address at 4/F, Area A, Comprehensive Building, No. 1 Tonghui Road, China (Shanghai) Pilot Free Trade Zone, and its headquarters at No. 358 (International Port Building) East Daming Road, Hongkou District, Shanghai. Its unified social credit code is 913100001322075806, and the legal representative is Mr. Gu Jinshan. Its de facto controller is Shanghai State-owned Assets Supervision and Administration Commission. SIPG is mainly engaged in port-related business including container services, bulk cargo services, port logistics and port services.

Pledging of the Bank's Shares by Its Substantial Shareholders

As at the end of the reporting period, CSSC pledged 1,560,000,000 ordinary shares of the Bank, accounting for 1.57% of the total share capital of the Bank, and there was no share pledge by other substantial shareholders of the Bank.

Other Legal Entity Shareholders Holding 10% or More of the Bank's Shares

Save for China Post Group, as at the end of the reporting period, the Bank had no other legal entity shareholders[1] holding 10% or more of its shares.

Related Parties of Substantial Shareholders and Connected Transactions

About 1,700 institutions including the above-mentioned substantial shareholders and their controlling shareholders, de facto controllers, related parties, persons acting in concert and ultimate beneficiaries are regarded as related parties of the Bank. During the reporting period, the types of transactions between the Bank and the above-mentioned related parties mainly included credit extension, asset transfer, service provision, etc. These connected transactions were included in the routine connected transaction management of the Bank and submitted to the Board of Directors and its Related Party Transactions Control Committee for approval or kept on record.

For details on the Bank's connected transactions with substantial shareholders and their related parties, please refer to "Connected Transactions and the Implementation of the Management System for Connected Transactions" and "Notes to the Consolidated Financial Statements – 40 Relationship and transactions with related parties".

1 Excluding HKSCC Nominees Limited.

Interests and Short Positions Held by Substantial Shareholders and Other Persons

As at the end of the reporting period, so far as was known to the Directors, Supervisors and President of the Bank, saved as disclosed below, there were no other persons (other than the Directors, Supervisors and President of the Bank) or companies who had interests or short positions in the shares or underlying shares of the Bank which were required to be disclosed to the Bank and Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept pursuant to Section 336 of the SFO:

share, except for percentages

Name of shareholder	Capacity	Class of shares	Relevant interests and short positions (shares)	Nature of interests	Percentage of issued class shares (%)	Percentage of total issued shares (%)
China Post Group Corporation Limited	Beneficial owner	A shares	62,174,849,280	Long position	78.40	62.70
	Beneficial owner	H shares	80,700,000	Long position	0.41	0.08
China Mobile Communications Group Co., Ltd.	Beneficial owner	A shares	6,777,108,433	Long position	8.55	6.83
China State Shipbuilding Corporation Limited	Interest of controlled corporations	H shares	3,939,907,462	Long position	19.84	3.97
Shanghai International Port (Group) Co., Ltd.	Beneficial owner and interest of controlled corporations	H shares	3,702,921,041	Long position	18.65	3.73
	Beneficial owner	A shares	112,539,226	Long position	0.14	0.11
Li Ka-Shing	Interest of controlled corporations	H shares	1,774,700,000	Long position	8.94	1.79
	Founder of discretionary trust	H shares	196,138,000	Long position	0.99	0.20
Li Tzar Kuoi, Victor	Interest of controlled corporations	H shares	1,774,700,000	Long position	8.94	1.79
	Potential beneficiary of discretionary trust	H shares	196,138,000	Long position	0.99	0.20
BNP PARIBAS SA	Interest of controlled corporations	H shares	1,545,250,830	Long position	7.78	1.56
	Interest of controlled corporations	H shares	197,955,033	Short position	1.00	0.20
China National Tobacco Corporation	Beneficial owner	H shares	1,296,000,000	Long position	6.53	1.31
Li Lu	Interest of controlled corporations	H shares	1,274,411,000	Long position	6.42	1.29
CITIC Securities Company Limited	Interest of controlled corporations	H shares	1,652,007,744	Long position	8.32	1.67
	Interest of controlled corporations	H shares	2,595,731,797	Short position	13.07	2.62

Note (1): The information disclosed above is based on the information provided on the website of Hong Kong Stock Exchange and the information available to the Bank at the end of the reporting period. Pursuant to Section 336 of the SFO, shareholders of the Bank are required to file a disclosure of interests form when certain criteria are met. When a shareholder's shareholding in the Bank changes, the shareholder is not required to inform the Bank and Hong Kong Stock Exchange unless certain criteria are met, therefore the shareholder's latest shareholding in the Bank may differ from the shareholding filed with Hong Kong Stock Exchange.

Note (2): China State Shipbuilding Corporation Limited is interested in a total of 3,939,907,462 H shares (long position), of which 3,777,884,462 H shares (long position) are indirectly held by controlled corporations, namely China Shipbuilding Industry Corporation, China Shipbuilding & Offshore International Co., Limited, China Shipbuilding & Offshore International (H.K.) Co., Limited and China Shipbuilding Capital Limited through CSIC Investment One Limited as the beneficial owner, and 162,023,000 H shares (long position) are indirectly held by the controlled corporation China Shipbuilding Industry Corporation through China Shipbuilding Capital Limited as the beneficial owner.

Note (3): Shanghai International Port (Group) Co., Ltd. is interested in a total of 3,702,921,041 H shares (long position), of which 337,300,000 H shares (long position) are beneficially owned by it, 3,215,660,360 H shares (long position) are beneficially owned by the controlled corporation Shanghai International Port Group (HK) Co., Limited; and 149,960,681 H shares (long position) are indirectly held by the controlled corporation Shanghai International Port Group (HK) Co., Limited through Shanghai Port Group (BVI) Holding Co., Limited as the beneficial owner.

Note (4): Mr. Li Ka-Shing and Mr. Li Tzar Kuoi, Victor is each interested in a total of 1,970,838,000 H shares (long position), of which 1,108,228,000 H shares (long position), 397,221,000 H shares (long position), 269,251,000 H shares (long position) and 196,138,000 H shares (long position) are beneficially owned by the controlled corporation Li Ka Shing (Canada) Foundation, Li Ka Shing (Global) Foundation, Li Ka Shing Foundation Limited and Silvery Ring Limited.

Note (5): BNP PARIBAS SA is deemed to be interested in a total of 1,545,250,830 H shares (long position) and 197,955,033 H shares (short position) as it controls several enterprises, of which 1,297,692,946 H shares (long position) are available for lending, 116,837,789 H shares (long position) and 106,540,595 H shares (short position) are owned through holding listed derivatives of convertible instruments, and 57,041,925 H shares (long position) are owned through holding cash-settled unlisted derivatives.

Note (6): Li Lu is interested in 1,274,411,000 H shares (long position) indirectly held by the controlled corporation LL Group, LLC through Himalaya Capital Investors, L.P. as the beneficial owner. Himalaya Capital Management LLC is interested in the 1,274,411,000 H shares (long position) as the investment manager.

Note (7): CITIC Securities Company Limited is deemed to be interested in a total of 1,652,007,744 H shares (long position) and 2,595,731,797 H shares (short position) as it controls several enterprises, including 26,427,459 H shares (long position) and 1,297,173,870 H shares (short position) held through holding listed derivatives of convertible instruments, 327,826,130 H shares (long position) and 1,297,753,870 H shares (short position) held through holding unlisted derivatives delivered in kind, and 804,057 H shares (short position) held through holding cash-settled unlisted derivatives.

Issuance and Listing of Securities

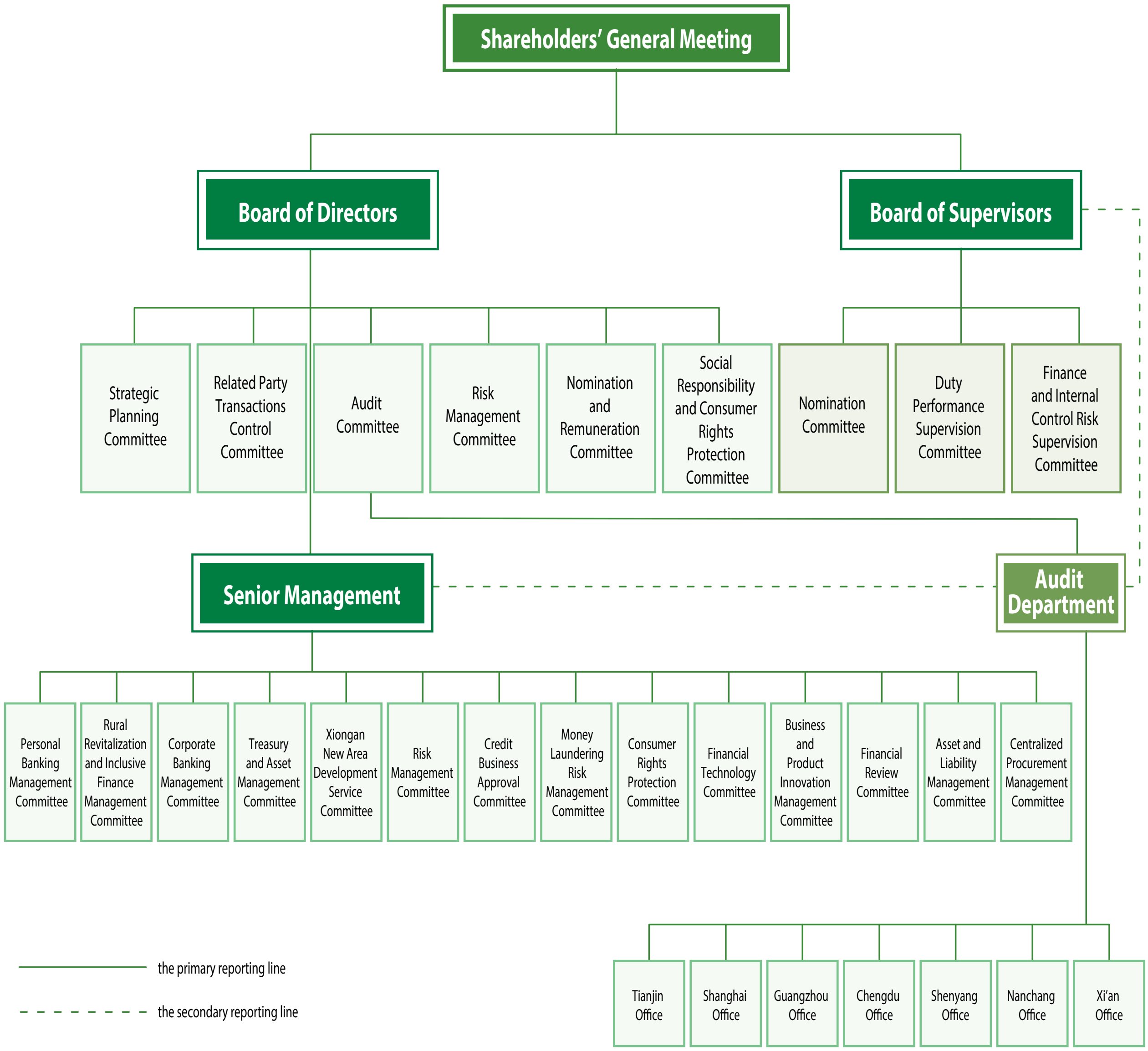
Type of equity and derivative securities	Issuing date	Issue price (RMB/share)	Issuing quantity (share)	Listing date	Permitted trading volume (share)	Termination date of transaction
RMB ordinary shares	March 28, 2023	6.64	6,777,108,433	March 28, 2023	6,777,108,433	–

For details of the issuance of other securities of the Bank during the reporting period, please refer to "Notes to the Consolidated Financial Statements – 33 Debt securities issued" and "Notes to the Consolidated Financial Statements – 35.2 Other equity instruments".

The Bank has no employee stocks.

Corporate Governance

Corporate Governance Chart



Corporate Governance

Corporate Governance Code

During the reporting period, the Bank complied with laws and regulations, requirements for corporate governance put forth by the NFRA, CSRC, SSE and other regulatory authorities as well as the principles and code provisions of the Corporate Governance Code in Appendix C1 (previously Appendix 14) to the Hong Kong Listing Rules. It continued to improve the corporate governance structure and mechanism, and cultivated the corporate governance culture. All corporate governance bodies performed their respective duties and responsibilities, operated in a coordinated way with effective checks and balances, and continuously improved the quality and efficiency of corporate governance.

Shareholders' Rights

Convening of an Extraordinary General Meeting

The Bank protects shareholders' rights in strict compliance with the regulatory requirements and the Articles of Association. Shareholders who individually or collectively hold more than 10% of the total voting shares of the Bank (the "Requesting Shareholders") are entitled to request the Board of Directors to convene an extraordinary general meeting and submit proposals to the Board of Directors in writing. The Board of Directors shall reply in writing as to whether it agrees or refuses to convene such a meeting within 10 days upon receipt of the proposal in accordance with the laws, administrative regulations, ministerial rules and the Articles of Association.

If the Board of Directors agrees to convene an extraordinary general meeting, a notice of such a meeting shall be issued within 5 days after relevant resolution of the Board of Directors is passed. Consent of the Requesting Shareholders must be sought if there are any changes to the original proposal in the notice. If the Board of Directors does not agree to convene an extraordinary general meeting, or fails to provide feedback within 10 days upon receipt of the proposal, the Requesting Shareholders have the right to propose to the Board of Supervisors to convene an extraordinary general meeting, and shall submit such proposal to the Board of Supervisors in writing.

If the Board of Supervisors agrees to convene an extraordinary general meeting, a notice of such a meeting shall be issued within 5 days upon receipt of the proposal. Consent of the Requesting Shareholders must be sought if there are any changes to the original proposal in the notice.

If the Board of Supervisors fails to issue the notice of the extraordinary general meeting within the specified period, it is deemed that such a meeting will not be convened or presided over by the Board of Supervisors, and shareholders who individually or collectively hold more than 10% of the Bank's shares for over 90 consecutive days have the right to convene and preside over the meeting on their own initiative.

Convening of an Extraordinary Board Meeting

The Requesting Shareholders are entitled to propose the convening of an extraordinary board meeting to the Chairman of the Board of Directors. The Chairman should convene and chair the extraordinary board meeting within ten days upon receipt of the proposal.

Enquiries to the Board of Directors

Shareholders of the Bank have the right to access information and are entitled, in accordance with laws, administrative regulations, ministerial rules and the Articles of Association, to obtain relevant information including the Articles of Association of the Bank, the share capital, the latest audited financial statement, reports of the Board of Directors and of the Board of Supervisors, minutes of Shareholders' General Meetings, and other relevant information. Shareholders who request access to information or request documents shall provide the Bank with written documents evidencing the class and number of shares held by them in the Bank, and the Bank shall provide such information or documents as requested upon verification of such shareholders' identities. The Office of the Board of Directors shall be responsible for assisting the Board of Directors with its daily matters. Shareholders can contact the Office of the Board of Directors for any enquiries.

Proposals to the Shareholders' General Meeting

Pursuant to the Articles of Association, shareholders who individually or collectively hold more than 3% of the total voting shares of the Bank (the "Proposing Shareholders") have the right to submit proposals to the Shareholders' General Meeting. Shareholders holding individually or collectively more than 1% of the total voting shares of the Bank have the right to propose Independent Non-executive Director candidates and External Supervisor candidates to the Shareholders' General Meeting. The Proposing Shareholders have the right to submit interim proposals to the convener in writing up to ten days before the Shareholders' General Meeting. The convener shall issue a supplemental notice on the Shareholders' General Meeting within two days upon receipt of such proposals.

Proposals to the Board of Directors

The Requesting Shareholders are entitled to submit proposals to the Board of Directors.

Corporate Governance

Shareholders’ General Meeting

During the reporting period, the Bank held one Annual General Meeting in total, with 12 proposals reviewed and approved and 4 reports listened to. Details are as follows:

Meeting	Date	Websites for publishing resolutions	Disclosure date of resolutions	Meeting resolutions
2022 Annual General Meeting	June 30, 2023	The announcement on resolutions was published on the websites of SSE (www.sse.com.cn), Hong Kong Stock Exchange (www.hkexnews.hk) and the Bank on June 30, 2023.	June 30, 2023	See the announcements on the resolutions and poll results of the Shareholders' General Meeting

On June 30, 2023, the Bank held the 2022 Annual General Meeting in Beijing. The meeting reviewed and approved 12 proposals, including the proposals on the final financial accounts for 2022, the profit distribution plan for 2022, the change of registered capital and the revision of the Articles of Association. The meeting also listened to 4 reports including the Independent Directors Debriefing Report in 2022, the Report on the Evaluation of the Substantial Shareholder in 2022, the Report on the Implementation of the Plan on Authorization of the Shareholders’ General Meeting to the Board of Directors in 2022, and the Report on the Special Report on Related Party Transactions in 2022.

The aforementioned Shareholders’ General Meeting was convened and held in strict accordance with relevant laws, regulations and the listing rules of the Chinese mainland and Hong Kong. Directors, Supervisors and senior management members of the Bank attended or sat in on the meeting and exchanged views with shareholders on matters of their concern. The Bank issued relevant announcements on resolutions and legal opinions in a timely manner in accordance with the regulatory requirements. For details, please refer to the announcement of the Bank dated June 30, 2023.

In order to protect the rights of minority shareholders to access information, participate and make decisions, the Shareholders’ General Meeting was held in the form of on-site meeting, and an A-share online voting was provided to promote in-depth communication and exchange with shareholders, especially minority shareholders, effectively protecting the rights and interests of shareholders.

Directors, Supervisors and Senior Management

Basic Information

Name	Title	Gender	Date of birth	Tenure
Directors				
Liu Jianjun	Executive Director	Male	August 1965	August 2021 – July 2024
	President			August 2021 – now
Yao Hong	Executive Director	Female	October 1966	August 2016 – now
	Vice President			December 2006 – now
	Chief Risk Officer			May 2023 – now
Han Wenbo	Non-executive Director	Male	December 1966	May 2017 – April 2024
Chen Donghao	Non-executive Director	Male	June 1964	July 2021 – July 2024
Wei Qiang	Non-executive Director	Male	August 1963	May 2021 – May 2024
Huang Jie	Non-executive Director	Male	January 1969	January 2024 – January 2027
Liu Yue	Non-executive Director	Male	March 1962	December 2017 – now
Ding Xiangming	Non-executive Director	Male	October 1968	October 2017 – now
Wen Tiejun	Independent Non-executive Director	Male	May 1951	October 2019 – October 2025
Chung Shui Ming Timpson	Independent Non-executive Director	Male	November 1951	October 2019 – October 2025
Hu Xiang	Independent Non-executive Director	Male	November 1975	October 2017 – now
Pan Yingli	Independent Non-executive Director	Female	June 1955	December 2019 – November 2025
Tang Zhihong	Independent Non-executive Director	Male	March 1960	March 2023 – March 2026
Supervisors				
Chen Yuejun	Chairman of the Board of Supervisors	Male	June 1965	January 2013 – now
	Shareholder Representative Supervisor			December 2012 – now
Bai Jianjun	External Supervisor	Male	July 1955	October 2019 – now
Chen Shimin	External Supervisor	Male	July 1958	December 2019 – now
Li Yue	Employee Supervisor	Male	March 1972	December 2012 – July 2025
Gu Nannan	Employee Supervisor	Male	July 1969	June 2021 – June 2024
Senior Management Members				
Liu Jianjun	See "Directors" above			
Yao Hong	See "Directors" above			
Xu Xueming	Vice President	Male	July 1967	January 2013 – now
Du Chunye	Vice President	Male	May 1977	July 2020 – now
	Secretary to the Board of Directors			April 2017 – now
	Joint Company Secretary			March 2017 – now
Niu Xinzhuang	Vice President	Male	July 1976	June 2023 – now
	Chief Information Officer			July 2020 – now
Wang Fei	Secretary of the Commission for Discipline Inspection	Female	October 1972	April 2023 – now
Liang Shidong	Retail Business Director	Male	January 1976	July 2023 – now

Name	Title	Gender	Date of birth	Tenure
Resigned Personnel				
Zhang Xuewen	Former Executive Director, former Vice President	Male	November 1962	January 2013 – April 2023
Fu Tingmei	Former Independent Non-executive Director	Male	May 1966	August 2016 – March 2023
Zhao Yongxiang	Former Shareholder Representative Supervisor	Male	February 1964	May 2016 – March 2024
Wu Yu	Former External Supervisor	Male	January 1966	May 2016 – May 2023
Bu Dongsheng	Former Employee Supervisor	Male	September 1965	May 2017 – May 2023
Qu Jiawen	Former Vice President	Male	April 1963	January 2013 – April 2023

Note (1): According to laws, regulations and the Articles of Association of the Bank, the Directors and Supervisors of the Bank may be re-elected for consecutive terms after their current term expires. Before the newly elected Directors and Supervisors take office, the former Directors and Supervisors shall continue to perform their duties.

Note (2): During the reporting period, none of the Directors, Supervisors and senior management members of the Bank held any share options or were granted restricted shares of the Bank.

Positions Taken by Directors, Supervisors and Senior Management Members at Shareholder Companies

Name	Name of the shareholder company	Positions held in the shareholder company	Term of office
Liu Jianjun	China Post Group	Vice President	May 2021 – now
Han Wenbo	China Post Group	Board Member	February 2021 – now
Chen Donghao	China Post Group	Board Member	February 2021 – now
Ding Xiangming	SIPG	Vice President	July 2013 – now
		Secretary to the Board of Directors	March 2014 – now
		General Counsel	November 2022 – now
Zhang Xuewen	China Post Group	Assistant President	February 2022 – April 2023
Zhao Yongxiang	China Post Group	Senior Manager of Discipline Inspection Office of the Leading Party Members' Group	February 2023 – February 2024

Note (1): The relevant regulatory authorities have agreed to exempt Mr. Liu Jianjun and Mr. Zhang Xuewen from restrictions on concurrent positions as senior management. Mr. Zhang Xuewen resigned from his positions as Executive Director, Vice President, etc. of the Bank on April 19, 2023, due to reaching the statutory retirement age. Moreover, there were no other instances where Directors, Supervisors, or senior management of the Bank held positions in any shareholder companies. The Independent Non-executive Directors of the Bank are of the view that during the reporting period, Mr. Liu Jianjun and Mr. Zhang Xuewen practically fulfilled their undertakings, performed their duties with due diligence and properly managed the relationship between the Bank and its controlling shareholder while holding concurrent positions. Their actions did not harm the interests of the Bank or other shareholders due to such concurrent positions, which was in compliance with the independence requirements of personnel in listed companies.

Remuneration Paid to Directors, Supervisors and Senior Management Members of the Bank in 2023

In RMB10,000

Name	Title	Fees (1)	Remuneration paid (2)	Contributions by the employer to social insurance, housing provident fund, enterprise annuity, etc. (3)	Total (4)=(1)+(2)+(3)	Obtain remuneration from shareholder companies or other related parties or not during the tenure in 2023
Liu Jianjun	Executive Director, President	–	–	–	–	Yes
Yao Hong	Executive Director, Vice President, Chief Risk Officer	–	50.97	26.08	77.05	No
Han Wenbo	Non-executive Director	–	–	–	–	Yes
Chen Donghao	Non-executive Director	–	–	–	–	Yes
Wei Qiang	Non-executive Director	–	–	–	–	Yes
Huang Jie	Non-executive Director	–	–	–	–	–
Liu Yue	Non-executive Director	–	–	–	–	No
Ding Xiangming	Non-executive Director	–	–	–	–	Yes
Wen Tiejun	Independent Non-executive Director	34.80	–	–	34.80	No
Chung Shui Ming Timpson	Independent Non-executive Director	34.80	–	–	34.80	No
Hu Xiang	Independent Non-executive Director	34.80	–	–	34.80	Yes
Pan Yingli	Independent Non-executive Director	34.80	–	–	34.80	No
Tang Zhihong	Independent Non-executive Director	28.23	–	–	28.23	Yes
Chen Yuejun	Chairman of the Board of Supervisors, Shareholder Representative Supervisor	–	52.14	27.09	79.23	No
Bai Jianjun	External Supervisor	30.00	–	–	30.00	Yes
Chen Shimin	External Supervisor	30.00	–	–	30.00	Yes
Li Yue	Employee Supervisor	–	–	–	–	No
Gu Nannan	Employee Supervisor	–	–	–	–	No
Xu Xueming	Vice President	–	50.91	25.92	76.83	No
Du Chunye	Vice President, Secretary to the Board of Directors, Joint Company Secretary	–	50.91	26.00	76.91	No
Niu Xinzhuang	Vice President, Chief Information Officer	–	60.75	22.12	82.87	No

In RMB10,000

Name	Title	Fees (1)	Remuneration paid (2)	Contributions by the employer to social insurance, housing provident fund, enterprise annuity, etc. (3)	Total (4)=(1)+(2)+(3)	Obtain remuneration from shareholder companies or other related parties or not during the tenure in 2023
Wang Fei	Secretary of the Commission for Discipline Inspection	–	32.22	23.07	55.29	No
Liang Shidong	Retail Business Director	–	80.00	21.72	101.72	No
Resigned Personnel						
Zhang Xuewen	Former Executive Director, former Vice President	–	17.75	8.24	25.99	No
Fu Tingmei	Former Independent Non-executive Director	8.70	–	–	8.70	No
Zhao Yongxiang	Former Shareholder Representative Supervisor	–	–	–	–	Yes
Wu Yu	Former External Supervisor	12.50	–	–	12.50	Yes
Bu Dongsheng	Former Employee Supervisor	–	–	–	–	No
Qu Jiawen	Former Vice President	–	16.83	7.96	24.79	No

Note (1): The remuneration plan of senior management members of the Bank was reviewed and determined by the Board of Directors; the remuneration plan of Directors was reviewed and determined by the Board of Directors and the Shareholders' General Meeting; and the remuneration plan of Supervisors was reviewed and determined by the Board of Supervisors and the Shareholders' General Meeting.

Note (2): During the reporting period, the total remuneration paid to Directors, Supervisors and senior management members by the Bank amounted to RMB8,493.1 thousand. The final remuneration payable to Directors, Supervisors and senior management members of the Bank is still subject to confirmation, and the remaining details will be disclosed separately upon confirmation.

Note (3): Mr. Liu Jianjun, Executive Director and President of the Bank, held positions at and received remuneration from China Post Group Corporation Limited, the controlling shareholder of the Bank, and did not receive any remuneration from the Bank.

Note (4): Mr. Han Wenbo, Mr. Chen Donghao, Mr. Wei Qiang, Mr. Liu Yue and Mr. Ding Xiangming, Non-executive Directors of the Bank, did not receive any remuneration from the Bank. Mr. Huang Jie, who was appointed as a Non-executive Director of the Bank on January 19, 2024, did not receive any remuneration from the Bank in 2023.

Note (5): Mr. Zhao Yongxiang, a former Shareholder Representative Supervisor, did not receive any remuneration from the Bank.

Note (6): Employee Supervisors of the Bank did not receive remuneration as Employee Supervisors, and the remuneration due to them as employees of the Bank is not included here.

Note (7): Some of the Bank's Independent Non-executive Directors held positions as Independent Non-executive Directors at and received remuneration from other legal entities or organizations. Such circumstance does not constitute the receipt of remuneration from related parties under the regulatory rules of the listing places.

Biographies of Directors, Supervisors and Senior Management Members

Biographies of Directors

Liu Jianjun, Executive Director and President

Liu Jianjun, male, obtained a master's degree in Economics from Dongbei University of Finance and Economics and holds the title of Senior Economist. Mr. Liu Jianjun began to serve as Executive Director and President of the Bank since August 2021, and has performed responsibilities on behalf of Chairman of the Bank since April 2022. He previously served as Deputy General Manager of Weifang Branch and Jinan Branch as well as the General Manager of Dezhou Branch under Shandong Branch of China Construction Bank; Deputy General Manager of Jinan Branch of China Merchants Bank, General Manager of the Retail Banking Department, General Manager of the Retail Management Department, Business Executive of the Head Office and Senior Executive Vice President of the General Office of Retail Finance, Director of the Credit Card Center of China Merchants Bank, Executive Director, Executive Vice President and Secretary of the Board of Directors of China Merchants Bank. He is now Vice President of China Post Group.

Yao Hong, Executive Director, Vice President and Chief Risk Officer

Yao Hong, female, obtained a master's degree in Management from Hunan University and holds the title of Senior Economist. Ms. Yao has served as Vice President, Executive Director and Chief Risk Officer of the Bank since December 2006, August 2016 and May 2023 respectively. She previously served as Deputy Director of the Savings Business Division under the Postal Savings and Remittance Bureau of the Ministry of Posts and Telecommunications, and Director of the Savings Business Division and Associate Director General of the Postal Savings and Remittance Bureau of the State Post Bureau. She concurrently serves as Vice Chairman of Payment & Clearing Association of China.

Han Wenbo, Non-executive Director

Han Wenbo, male, obtained a doctor's degree in Management from Northeast Agricultural University and holds a PRC lawyer's license and the title of Economist. Mr. Han has served as Non-executive Director of the Bank since May 2017 and has served as Board Member of China Post Group since February 2021. He previously served as Deputy Director of General Office and Assistant Ombudsman of Heilongjiang Fiscal Ombudsman Office of the Ministry of Finance (MOF), Assistant Ombudsman of Beijing Fiscal Ombudsman Office of the MOF, Vice Ombudsman of Sichuan Fiscal Ombudsman Office of the MOF, Vice Ombudsman of Beijing Fiscal Ombudsman Office of the MOF, and Deputy Director (Deputy Director General level) and Director (Director General level) of the General Office of the Inspection Work Leadership Group of the MOF.

Chen Donghao, Non-executive Director

Chen Donghao, male, graduated from Renmin University of China with a bachelor's degree in law. Mr. Chen has served as Non-executive Director of the Bank since July 2021 and the Director of China Post Group since February 2021. Mr. Chen served as Deputy Director of Division II, Deputy Director and Director of the General Office, Director of Division IV of the Department of Treaty and Law, Deputy Chief of the Department of Tax Policy of the Ministry of Finance, etc.

Wei Qiang, Non-executive Director

Wei Qiang, male, graduated from Party School of the Central Committee of the Communist Party of China and holds the title of Senior Auditor. Mr. Wei has served as Non-executive Director of the Bank since May 2021. He served as teacher and the deputy chief of the finance department of Sichuan Post and Telecommunication College, deputy chief staff member, chief staff member, Deputy Director and Deputy Director (presiding over work) of the Public Finance Audit Division, Director of the

Corporate Governance

Financial Audit Division I of the Chengdu Regional Office of the National Audit Office, Assistant Commissioner and Deputy Commissioner of Changsha Regional Office, Deputy Commissioner of Chengdu Regional Office, Deputy Commissioner (presiding over work) and Commissioner of Lanzhou Regional Office, Head of the Department of Enterprise Audit, Director of the General Office, Director of the Training Center (Audit Communication Center), Head of the Department of Public Finance Audit of the National Audit Office, etc.

Huang Jie, Non-executive Director

Huang Jie, male, obtained an Executive Master's degree of Business Administration from Xiamen University and is a senior accountant. Mr. Huang has served as Non-executive Director of the Bank since January 2024. Mr. Huang previously served as Deputy Director of Finance Department of Hebei Mobile Communication Company, General Manager of Finance Department of China Mobile Group Hebei Co., Ltd., Director, Deputy General Manager and Chief Accountant of China Mobile Group Hebei Co., Ltd., as well as General Manager of Finance Department and Securities Affairs Department and Domestic Representative for information disclosure at China Mobile Limited, etc. He currently serves as Chief Accountant of China State Construction Engineering Corporation Limited.

Liu Yue, Non-executive Director

Liu Yue, male, obtained a doctor's degree in Engineering from Harbin Engineering University and holds the title of Senior Engineer. Mr. Liu has served as Non-executive Director of the Bank since December 2017. He previously served as an engineer and Deputy Director of Comprehensive Planning Bureau of China State Shipbuilding Corporation, Deputy Director of Science, Technology and Quality Control Department of China National Space Administration, Board Secretary, Director and Executive Director of CSIC Science & Technology Investment & Development Co., Ltd., Assistant Director, Deputy Director and Director of Planning and Development Department and Chief Economist of China Shipbuilding Industry Corporation, and Chairman of China Shipbuilding Capital Limited.

Ding Xiangming, Non-executive Director

Ding Xiangming, male, obtained an MBA degree from Shanghai Maritime University, and holds the title of Senior Economist. Mr. Ding has served as Non-executive Director of the Bank since October 2017. He previously served as General Manager of Investment and Development Department, Vice President, General Manager of Investment and Development Department, Vice President, Board Secretary and General Manager of Investment and Development Department of Shanghai International Port (Group) Co., Ltd. ("SIPG"). Mr. Ding currently serves as Vice President, Board Secretary and General Counsel of SIPG.

Wen Tiejun, Independent Non-executive Director

Wen Tiejun, male, obtained a doctor's degree in Management from China Agricultural University. Mr. Wen has served as Independent Non-executive Director of the Bank since October 2019. He previously served as an assistant researcher of the Rural Development Research Center of the State Council, a researcher of the Research Center for Rural Economy of the Ministry of Agriculture, Deputy Secretary General of the China Society of Economic Reform, Dean of School of Agricultural Economics and Rural Development at Renmin University of China, and Independent Non-executive Director of Agricultural Bank of China Limited. Mr. Wen currently serves as a member of the National Committee of Experts on Food Security, a provincial and ministerial-level adviser and policy advisory expert of the Ministry of Commerce, the Ministry of Civil Affairs, the National Forestry and Grassland Administration, Beijing Municipality and Fujian Province of the PRC, etc., and external director of Xinjiang Culture & Tourism Investment Group Co., Ltd.

Chung Shui Ming Timpson, Independent Non-executive Director

Chung Shui Ming Timpson, male, obtained an honorary doctor's degree in Social Science from the City University of Hong Kong. He is a fellow member of the Hong Kong Institute of Certified Public Accountants, and received the title of Justice of the Peace from the HKSAR Government in 1998 and was awarded the Gold Bauhinia Star by the HKSAR Government in 2000. Mr. Chung has served as Independent Non-executive Director of the Bank since October 2019. He previously served as Senior Auditing Director of Coopers & Lybrand, Chairman of the Management Board of the City University of Hong Kong, Chief Executive Officer of Shimao International Holdings Ltd., Chairman of the Hong Kong Housing Society, a member of the HKSAR Executive Council, Chief Executive Officer of HKSAR Government Land Fund Trust, and Independent Non-executive Director of Nine Dragons Paper (Holdings) Limited, Henderson Land Development Co., Ltd., China Everbright Bank Co., Ltd., China Construction Bank Corporation, Jinmao Hotel and Jinmao (China) Hotel Investments and Management Limited, Glorious Sun Enterprises Limited, etc. He currently serves as Independent Non-executive Director of China Unicom (Hong Kong) Limited, Miramar Hotel and Investment Company Limited, China Overseas Grand Oceans Group Ltd., China Everbright Limited, China Railway Group Limited and Orient Overseas (International) Limited and Pro-Chancellor of City University of Hong Kong.

Hu Xiang, Independent Non-executive Director

Hu Xiang, male, obtained a master's degree in Economics from the Graduate School of the PBC. Mr. Hu has served as Independent Non-executive Director of the Bank since October 2017. He previously served as Principal Staff Member of Entrusted Investment Division of Investment Department and Deputy Director (presiding over the work) of Share Transfer Division of Overseas Investment Department of National Council for Social Security Fund, Deputy General Manager of Penghua Fund Management Co., Ltd., Director of Shanghai Zhitong Construction Development Co., Ltd., Director of Shanghai TURIN Chi Robot Co., Ltd. and Independent Director of New China Fund Management Co., Ltd., etc. Mr. Hu currently serves as Chairman and General Manager of Great Wheel Asset Management Company Zhejiang and Director of World Transmission Technology (Tianjin) Co., Ltd.

Pan Yingli, Independent Non-executive Director

Pan Yingli, female, obtained a doctor's degree in World Economics from East China Normal University. Ms. Pan has served as Independent Non-executive Director of the Bank since December 2019. She previously served as associate professor, professor and tutor of doctorate candidates in East China Normal University, an invited expert of Shanghai Municipal Government on decision-making consultation, as well as an Independent Non-executive Director of China Merchants Bank Co., Ltd. Ms. Pan currently serves as Director of Research Center for Global Finance at Shanghai Jiao Tong University, professor in Finance at Antai College of Economics and Management of Shanghai Jiao Tong University, Chief Expert of the Decision-making Consultation Research Base Pan Yingli Studio of Shanghai Municipal Government, Independent Non-executive Director of Pujiang International Group Limited and Independent Director of Asia Cuanon Technology (Shanghai) Co., Ltd.

Tang Zhihong, Independent Non-executive Director

Tang Zhihong, male, obtained a Bachelor of Arts degree from Jilin University and is a senior economist. Mr. Tang has served as Independent Non-executive Director of the Bank since March 2023. Mr. Tang previously served as Deputy Director of the Education Department and Deputy Director of the Audit Department of Liaoning branch of the People's Bank of China, Deputy Secretary of Party Group and Vice President, Secretary of Party Group and President of Liaoning Jinzhou branch of the People's Bank of China, Director of Jinzhou branch of the State Administration of Foreign Exchange, Vice President of Shenyang branch of China Merchants Bank Co., Ltd., Deputy Director of Shenzhen management department of China Merchants Bank Co., Ltd., President of Lanzhou branch of China Merchants Bank Co., Ltd., Secretary of the Party Committee and President of Shanghai branch of China Merchants Bank Co., Ltd., Secretary of the Party Committee and Director of the Shenzhen management department of China Merchants Bank Co., Ltd., a member of the Party Committee, Assistant President and Vice President of China Merchants Bank Co., Ltd. He currently serves as Independent Non-executive Director of Harbin Electric Company Limited and External Director of Overseas Chinese Town Holdings Company.

Biographies of Supervisors

Chen Yuejun, Chairman of the Board of Supervisors and Shareholder Representative Supervisor

Chen Yuejun, male, obtained a doctor's degree in Economics from the Southwestern University of Finance and Economics, and holds the title of Senior Economist. Mr. Chen has served as Chairman of the Board of Supervisors of the Bank since January 2013. He previously served as Deputy Director and Director of the Audit and Supervision Bureau and Bank Supervision Department I of the PBC, Deputy Chief of the Sichuan Regulatory Bureau of former CBRC, Deputy Director of the Banking Regulatory Department IV of former CBRC, and Director (Director General level) of the Financial Work Office of the People's Government of Sichuan Province.

Bai Jianjun, External Supervisor

Bai Jianjun, male, obtained a master's degree and doctor's degree in Law from Peking University. Mr. Bai has served as External Supervisor of the Bank since October 2019. He previously served as a professor and tutor of doctorate candidates in Peking University Law School, Director of the Research Institute of Empirical Legal Affairs of Peking University, Deputy Director of the Financial Law Research Center of Peking University, a visiting researcher in New York University in the USA, a visiting professor in Niigata University in Japan, External Supervisor of China Construction Bank Corporation, and Independent Director of Beijing Boya-Yingjie Science & Technology Co., Ltd, CSC Financial Co., Ltd., and Sichuan Xinwang Bank Co., Ltd.

Chen Shimin, External Supervisor

Chen Shimin, male, obtained a bachelor's degree and a master's degree in Economics from Shanghai University of Finance and Economics, a doctor's degree in Accounting from the University of Georgia in the USA, and is a Certified Management Accountant in the USA. Mr. Chen has served as External Supervisor of the Bank since December 2019. He previously served as Sub-dean and Curriculum Director of the master's degree programme of business administration of China Europe International Business School, External Supervisor of Shanghai Pudong Development Bank Co., Ltd., and Independent Director of Huaxia Happiness Foundation Co., Ltd. He currently serves as a professor of Accounting and Director of the Case Center in China Europe International Business School, as well as Independent Director of Yincheng International Holding Co., Ltd., Sun. King Power Electronics Group Limited, Advanced Micro-Fabrication Equipment (Shanghai) Inc. China and China Guangfa Bank Co., Ltd.

Li Yue, Employee Supervisor

Li Yue, male, obtained a bachelor's degree in Arts from Heilongjiang University and holds the title of Senior Corporate Culture Specialist. Mr. Li has served as Employee Supervisor of the Bank since December 2012. He previously served as Project Manager of the Investment Attraction Bureau, Deputy Director and Director of Beijing Liaison Office of Jiangsu Nantong Economic & Technological Development Area, Deputy Director of Beijing Liaison Office of Nantong People's Government of Jiangsu Province, as well as Deputy Director (presiding over the work) of Party and Masses' Affairs Department, Deputy Director of Inspection and Supervision Department, Director of Party and Masses' Affairs Department and Director of Party Committee and Party Building Department of the Bank. He currently serves as Director of Party Building Department and Deputy Secretary to the Party Committee of the Bank.

Gu Nannan, Employee Supervisor

Gu Nannan, male, obtained a master's degree in Management from the Australian National University and holds the title of Senior Economist. Mr. Gu has served as Employee Supervisor of the Bank since June 2021. He served as Deputy Director of Personnel and Education Department and Deputy Director of Organization Department of the Party Committee of Beijing Municipal Postal Administration, General Manager of the Human Resources Department of the Beijing Branch of the Bank, Deputy General Manager of the Human Resources Department, Deputy General Manager (presiding over the work) of Office of the Board of Directors and General Manager of Office of the Board of Directors of the Bank. Mr. Gu Nannan currently serves as General Manager of the Office of the Board of Supervisors of the Bank.

Biographies of Senior Management

Liu Jianjun, Executive Director and President

For the biography of Liu Jianjun, please refer to the aforesaid section "Biographies of Directors".

Yao Hong, Executive Director, Vice President and Chief Risk Officer

For the biography of Yao Hong, please refer to the aforesaid section "Biographies of Directors".

Xu Xueming, Vice President

Xu Xueming, male, obtained an Executive Master's degree of Business Administration from Peking University and holds the title of Senior Economist. Mr. Xu has served as Vice President of the Bank since January 2013. He previously served as Deputy Chief of Beijing Postal Savings and Remittance Bureau, Director of the Public Service Division of the Beijing Postal Administration Bureau, Chief of Beijing Western Post Bureau, Deputy Chief of Beijing Postal Administration Bureau, Deputy General Manager of Beijing Post Company, President of Beijing Branch and Secretary to the Board of Directors of the Bank. He concurrently serves as Director of China Post Securities Co., Ltd., Director of Ule Holdings Company and Director of China Bankers Institute of China Banking Association.

Du Chunye, Vice President, Secretary to the Board of Directors and Joint Company Secretary

Du Chunye, male, obtained a master's degree in Business Administration from Beijing University of Posts and Telecommunications and holds the title of Senior Economist. Mr. Du has served as Joint Company Secretary of the Bank since March 2017, Secretary to the Board of Directors of the Bank since April 2017, and Vice President of the Bank since July 2020. He previously served as Deputy Manager and Manager of the General Manager's Office of China Post Group, as well as General Manager of the General Office, Vice President of Beijing Branch, President of Shenzhen Branch and President of Beijing Branch of the Bank. He concurrently serves as natural-person member representative (and Vice-President member) of China Association for Public Companies, and Deputy Chairman of the ESG Special Committee of China Association for Public Companies.

Niu Xinzhuang, Vice President and Chief Information Officer

Niu Xinzhuang, male, obtained a master's degree in Management from Nanjing University of Aeronautics and Astronautics. He has served as Chief Information Officer of the Bank since July 2020, and Vice President of the Bank since June 2023. He previously served as Assistant to General Manager, Deputy General Manager and General Manager of the Technology Development Department and General Manager of the Information Technology Department of the Head Office of China Minsheng Banking Corporation Limited, Executive Director and General Manager of Minsheng Fintech Corp. Ltd., and General Manager of the Financial Technology Innovation Department of the Bank.

Wang Fei, Secretary of the Discipline Inspection Committee

Wang Fei, female, obtained a doctor's degree in Economics from Renmin University of China and holds the title of Senior Economist. Ms. Wang has served as Secretary of the Discipline Inspection Committee of the Bank since April 2023. Ms. Wang once held the positions in China Post Group Corporation including Manager of the Salary and Welfare Division, Director of the Division of Human Resources, Deputy General Manager, Deputy Director of the Party Organization Department, Director of the Vocational Skills Appraisal and Guidance Center, Vice President of the CPC China Post Group Corporation Party School, General Manager of the Human Resources Department (Director of the Party Committee Organization Department) of the Bank.

Liang Shidong, Chief Retail Banking Officer

Liang Shidong, male, obtained a doctor's degree in Management from University of Science and Technology of China and holds the title of Researcher. Mr. Liang has served as Chief Retail Banking Officer of the Bank since July 2023. He previously served as Deputy Director and Director of the Risk Management Department of China Construction Bank, Deputy Director General of the Financial Stability Bureau of the PBC, a member of the CPC committee of National Association of Financial Market Institutional Investors, Director of CNIC Corporation Limited, Chief Risk Officer and General Manager of the Risk Management Department of the Bank, and Secretary of the Party Committee and Chairman of YOU^{+} BANK. He used to be a member of the Policy Development Committee of the Basel Committee on Banking Supervision (BCBS) and a member of the Steering Committee of the Financial Stability Board (FSB). Mr. Liang previously served as a member of the 12th committee of All-China Youth Federation.

Changes in Directors, Supervisors and Senior Management Members

Changes in Directors

According to the resolution of the Board of Directors and the resolution of the Shareholders' General Meeting of the Bank and upon approval by the former CBIRC on March 10, 2023, Mr. Tang Zhihong would serve as Independent Non-executive Director, Chairman and member of the Related Party Transactions Control Committee of the Board of Directors, member of the Risk Management Committee of the Board of Directors and member of the Nomination and Remuneration Committee of the Board of Directors of the Bank, with a three-year term of office. Mr. Fu Tingmei no longer serves as Independent Non-executive Director or at relevant special committees of the Board of Directors of the Bank from the date when Mr. Tang Zhihong took office. For details, please refer to the announcements of the Bank dated October 26, 2022, November 11, 2022 and March 16, 2023.

On April 19, 2023, Mr. Zhang Xuewen reached the mandatory retirement age, and resigned from positions as Executive Director, member of the Strategic Planning Committee of the Board of Directors, member of the Related Party Transactions Control Committee of the Board of Directors and member of the Nomination and Remuneration Committee of the Board of Directors of the Bank. For details, please refer to the announcement of the Bank dated April 19, 2023.

On May 29, 2023, the Board of Directors of the Bank nominated Mr. Huang Jie as candidate for Non-executive Director of the Bank. At the 2022 Annual General Meeting of the Bank held on June 30, 2023, Mr. Huang Jie was elected as Non-executive Director of the Bank. On January 19, 2024, the qualification of Mr. Huang Jie as a Director has been approved by the NFRA, and he has been appointed as a Non-executive Director of the Bank as well as a member of the Strategic Planning Committee and a member of the Audit Committee of the Board of Directors of the Bank for a term of three years. For details, please refer to the announcements of the Bank dated May 29, 2023, June 30, 2023 and January 23, 2024.

On December 28, 2023, the Board of Directors of the Bank nominated Mr. Ding Xiangming for re-election as a candidate for Non-executive Director of the Bank. The election is subject to approval of the Shareholders' General Meeting. For details, please refer to the announcement of the Bank dated December 28, 2023.

On December 28, 2023, the Board of Directors of the Bank nominated Mr. Hong Xiaoyuan as a candidate for Independent Non-executive Director of the Bank. The election is subject to the approval of the Shareholders' General Meeting, and his qualification as a director is pending approval from the NFRA. For details, please refer to the announcement of the Bank dated December 28, 2023.

On March 28, 2024, the Board of Directors of the Bank nominated Mr. Liu Xin'an and Mr. Zhang Xuanbo as candidates for Non-executive Directors of the Bank. The election is subject to the approval of the Shareholders' General Meeting, and their qualifications as directors are pending approval from the NFRA. For details, please refer to the announcement of the Bank dated March 28, 2024.

Changes in Supervisors

On May 29, 2023, Mr. Bu Dongsheng resigned from his positions as Employee Supervisor and member of the Finance and Internal Control Risk Supervision Committee of the Board of Supervisors of the Bank due to expiry of term of office. As the composition of the Board of Supervisors of the Bank met the requirement for the proportion of external supervisors, Mr. Wu Yu no longer serves as External Supervisor, Chairman and member of the Finance and Internal Control Risk Supervision Committee of the Board of Supervisors of the Bank from the date of resignation of Mr. Bu Dongsheng. For details, please refer to the announcement of the Bank dated May 29, 2023.

On March 8, 2024, Mr. Zhao Yongxiang resigned from his positions as a Shareholder Representative Supervisor and a member of the Duty Performance Supervision Committee of the Board of Supervisors of the Bank due to reaching the statutory retirement age. For details, please refer to the announcement of the Bank dated March 8, 2024.

Corporate Governance

Changes in Senior Management

On April 19, 2023, Mr. Zhang Xuewen reached the mandatory retirement age, and resigned from the position as Vice President of the Bank. For details, please refer to the announcement of the Bank dated April 19, 2023.

On April 19, 2023, Mr. Qu Jiawen reached the mandatory retirement age, and resigned from the position as Vice President of the Bank. For details, please refer to the announcement of the Bank dated April 19, 2023.

On April 19, 2023, Ms. Wang Fei began to serve as Secretary of the Discipline Inspection Committee of the Bank.

On April 27, 2023, the Board of Directors of the Bank appointed Mr. Niu Xinzhuang as Vice President of the Bank. On June 6, 2023, the qualifications of Mr. Niu Xinzhuang were approved by the NFRA. For details, please refer to the announcements of the Bank dated April 27, 2023 and June 8, 2023.

On May 29, 2023, the Board of Directors of the Bank appointed Ms. Yao Hong to concurrently serve as Chief Risk Officer of the Bank; and Mr. Liang Shidong ceased to serve as Chief Risk Officer of the Bank. For details, please refer to the announcement of the Bank dated May 29, 2023.

On May 29, 2023, the Board of Directors of the Bank appointed Mr. Liang Shidong as Chief Retail Banking Officer of the Bank. His qualification was approved by the NFRA on July 14, 2023. For details, please refer to the announcements of the Bank dated May 29, 2023 and July 21, 2023.

Board of Directors and Special Committees

Functions and Powers of the Board of Directors

The Board of Directors is responsible to the Shareholders' General Meetings. It is responsible for convening the Shareholders' General Meetings, reporting its work at the meetings and implementing resolutions adopted at the Shareholders' General Meetings; making decisions on the Bank's development strategies, business plans and investment plans; reviewing and approving capital management plans and risk capital allocation plans of the Bank; formulating the Bank's annual financial budget and final accounts plans, profit distribution plan and loss recovery plan, plan for the increase or reduction of the Bank's registered capital, plan for issuance of bonds or other marketable securities and listing plan, plans for merger, division, dissolution, liquidation or other changes in the corporate form, plan for repurchase of the Bank's shares, plan for material changes in equity interest or financial reorganization, and capital replenishment plans; making decisions on the general management rules, risk management and internal control policies of the Bank and supervising the implementation of such basic management rules and policies; reviewing and approving the internal audit rules of the Bank; appointing or dismissing the President and the Secretary to the Board of Directors of the Bank according to the nomination of the Chairman of the Board of Directors; appointing or dismissing Vice Presidents and other senior management members according to the nomination of the President and deciding on their remuneration, performance appraisal, incentive and punishment; listening to the risk management report presented by the senior management and evaluating the effectiveness of risk management in the Bank in order to improve the Bank's risk management; regularly assessing and improving the Bank's corporate governance; and examining the work of the senior management to monitor and ensure the effective performance of their management responsibilities, etc.

At present, the Bank has established a comprehensive, standardized and effective system of policies and operating mechanisms to ensure the independent and proper operation of the Board of Directors and timely and complete access to independent views and opinions. Specifically, the Bank clearly defined the criteria and procedures for the nomination and election of Directors in the Articles of Association and the working rules of special committees under the Board of Directors. Directors with significant conflicts of interest in matters discussed by the Board should recuse themselves. The Board of Directors, the special committees under the Board of Directors, and Independent Directors fully consider the opinions of external auditors and may engage intermediary agencies or professionals to provide opinions, with reasonable costs borne by the Bank. Upon review, such mechanisms were effectively implemented during the reporting period. Meanwhile, the types, content, timing and methods of reporting information by the senior management or relevant departments to the Board of Directors and its special committees are clearly defined in the Management Measures for the Information Reporting by the Senior Management of Postal Savings Bank of China Co., Ltd. by the Bank. This ensures that the Board of Directors and its special committees can obtain accurate business information in a timely manner and make sensible and independent judgments and decisions.

Composition of the Board of Directors and Board Diversity Policy

Composition of the Board of Directors

The Board of Directors of the Bank comprised 13 Directors, including Executive Directors Mr. Liu Jianjun and Ms. Yao Hong; Non-executive Directors Mr. Han Wenbo, Mr. Chen Donghao, Mr. Wei Qiang, Mr. Huang Jie, Mr. Liu Yue and Mr. Ding Xiangming; and Independent Non-executive Directors Mr. Wen Tiejun, Mr. Chung Shui Ming Timpson, Mr. Hu Xiang, Ms. Pan Yingli and Mr. Tang Zhihong.

Board Diversity

The Bank believes that the board diversity is an important factor in maintaining the Bank's good corporate governance, achieving sustainable development and reaching strategic objectives. The appointment of Board members is based on the skills and experience required for the overall effective operation of the Board of Directors as a whole, adhering to the principle of meritocracy and taking into consideration various aspects, including but not limited to gender, age, cultural and educational background, professional experience and nationality of Directors. In 2023, in accordance with the Articles of Association and the needs of corporate governance practice, the Bank nominated one Independent Non-executive Director and elected two Non-executive Directors, as part of the effort to promote board diversity. Currently, all Executive Directors of the Bank have long been engaged in financial management and are familiar with the operation and management of the Bank; the Non-executive Directors come from government authorities or large state-owned enterprises, and have rich experience in management; and the Independent Non-executive Directors are well-known experts in the fields of economics, Sannong, auditing, banking, etc., and are able to provide professional advice to the Bank from the perspectives of different fields. The Board of Directors of the Bank includes Directors who have experience, knowledge and background in green credit, with Ms. Yao Hong, an Executive Director who has long been in charge of green credit-related work, and Mr. Wen Tiejun, an Independent Non-executive Director with expertise in green finance research. The Bank's Board of Directors consists of five Independent Non-executive Directors, and the proportion of Independent Non-executive Directors exceeds one-third of the total number of Board members. There are two female Directors in the Board of Directors of the Bank, with due regard for board diversity. The Board of Directors considers that the nomination policy of Bank can ensure that there will be potential successors in place to maintain the existing gender diversity of the Board of Directors. For information on gender diversity among the Bank's employees, please refer to "Discussion and Analysis – Capacity Building".

To promote board diversity, the Nomination and Remuneration Committee of the Board of Directors of the Bank formulated and supervised the implementation of the board diversity policy. It is responsible for reviewing the implementation of this policy annually and reporting to the Board of Directors, and proposing recommendations for revisions to the policy to the Board of Directors according to the corporate governance practice to ensure its effectiveness. The Bank formulated and achieved the following measurable objectives for the board diversity policy: (1) ensuring due regard for diversity in gender, age, geographical background, cultural background, or educational background of Directors; (2) inclusion of Director candidates with working experience in other industries; and (3) inclusion of Director candidates with knowledge and professional experience in different fields. After self-inspection, the Nomination and Remuneration Committee of the Board of Directors believes that the composition of the Board of Directors of the Bank during the reporting period was in line with the requirements of the board diversity policy.

Meetings of the Board of Directors

Meetings of the Board of Directors

During the reporting period, the Bank convened 7 meetings of the Board of Directors, reviewed 99 proposals and listened to 22 reports. The Board of Directors deliberated and approved proposals including the fixed asset investment budget, final financial accounts and profit distribution plan, as well as development planning proposals such as the 2023-2025 three-year capital rolling plan and the capital adequacy ratio management plan for 2023; major matters related to human resources management such as the selection and appointment of senior management members, selection and appointment of Directors, adjustments to members of special committees of the Board of Directors, etc. The Board of Directors regularly reviewed work progress on risk management, internal control, case prevention management, data governance, the implementation of the board diversity policy, the rectification pursuant to regulatory opinions, the green banking development and the fulfillment of corporate social responsibility, and regularly listened to work reports regarding the implementation of major decisions and plans of the CPC Central Committee in respect of supporting rural revitalization, implementing inclusive financial policies, facilitating the high-quality development of manufacturing with financial services, data governance, and improving the quality and efficiency of services for the real economy, etc. All Directors conducted in-depth research and earnest discussions, and put forward many valuable opinions and suggestions at the meetings and during recess periods, which were duly adopted or responded to by the Bank, ensuring that the Board of Directors made well-convinced decisions in leading the reform and development of the Bank.

Meeting	Date	Convening method	Resolutions
The First Meeting of the Board of Directors in 2023	March 30, 2023	On-site	Reviewed and approved 22 proposals including the 2022 annual financial report
The Second Meeting of the Board of Directors in 2023	April 27, 2023	On-site	Reviewed and approved 8 proposals including the first quarterly report of 2023
The Third Meeting of the Board of Directors in 2023	May 29, 2023	On-site	Reviewed and approved 20 proposals including the comprehensive risk management report for the first quarter of 2023
The Fourth Meeting of the Board of Directors in 2023	June 30, 2023	Written circulation	Reviewed and approved the proposal on formulating the Measures on the Classification and Management of Financial Asset Risks
The Fifth Meeting of the Board of Directors in 2023	August 30, 2023	On-site	Reviewed and approved 12 proposals including the 2023 interim report, highlights and results announcement
The Sixth Meeting of the Board of Directors in 2023	October 27, 2023	On-site	Reviewed and approved 15 proposals including the amendment to the equity management measures
The Seventh Meeting of the Board of Directors in 2023	December 28, 2023	On-site	Reviewed and approved 21 proposals including the nomination of Mr. Ding Xiangming as a candidate for Non-executive Director of the Bank and the nomination of Mr. Hong Xiaoyuan as a candidate for Independent Non-executive Director of the Bank

Corporate Governance

Attendance of Directors at Meetings

During the reporting period, the attendance of Directors at Shareholders' General Meetings, meetings of the Board of Directors and special committees of the Board of Directors is listed below:

Director	Shareholders' General Meeting	Board of Directors			Strategic Planning Committee	Related Party Transactions Control Committee	Audit Committee	Risk Management Committee	Nomination and Remuneration Committee	Social Responsibility and Consumer Rights Protection Committee
	Number of attendance in person/ Number of meetings that should be attended	Number of attendance in person/ Number of meetings that should be attended	Number of on-site meetings attended	Number of attendance by proxy	Number of attendance in person/ Number of meetings that should be attended	Number of attendance in person/ Number of meetings that should be attended	Number of attendance in person/ Number of meetings that should be attended	Number of attendance in person/ Number of meetings that should be attended	Number of attendance in person/ Number of meetings that should be attended	Number of attendance in person/ Number of meetings that should be attended
Executive Directors										
Liu Jianjun	1/1	7/7	6	0	8/8	–	–	–	6/6	5/5
Yao Hong	1/1	6/7	5	1	7/8	3/4	–	6/8	–	5/5
Non-executive Directors										
Han Wenbo	1/1	7/7	6	0	8/8	–	–	8/8	–	–
Chen Donghao	1/1	7/7	6	0	–	–	–	8/8	–	5/5
Wei Qiang	1/1	7/7	6	0	–	–	6/6	8/8	–	–
Huang Jie	–	–	–	–	–	–	–	–	–	–
Liu Yue	1/1	6/7	5	1	7/8	–	6/6	–	–	–
Ding Xiangming	1/1	6/7	5	1	–	3/3	–	–	–	5/5
Independent Non-executive Directors										
Wen Tiejun	1/1	6/7	5	1	7/8	–	4/6	–	6/6	–
Chung Shui Ming Timpson	1/1	6/7	5	1	–	4/4	6/6	6/8	–	–
Hu Xiang	1/1	7/7	6	0	8/8	–	6/6	–	–	5/5
Pan Yingli	1/1	7/7	6	0	–	4/4	5/6	–	6/6	–
Tang Zhihong	1/1	7/7	6	0	–	4/4	–	7/7	6/6	–
Resigned Directors										
Zhang Xuewen	–	1/1	1	0	1/1	–	–	–	2/2	–
Fu Tingmei	–	–	–	–	–	–	–	1/1	–	–

Note (1): "Attendances in person" refers to on-site attendances and attendances by way of electronic communications such as telephone and video conferencing. During the reporting period, Directors who were unable to attend the Board or committee meetings in person had designated other Directors as proxies to attend and vote on their behalf at the meetings.

Note (2): In the year 2023, there were no instances of Directors being absent from Board meetings, Directors failing to attend two consecutive meetings in person, or Directors not attending more than two-thirds of the Board meetings in person.

Note (3): For details on changes in Directors, please refer to "Corporate Governance – Changes in Directors, Supervisors and Senior Management Members".

Special Committees of the Board of Directors

There are six special committees under the Board of Directors, namely the Strategic Planning Committee, Related Party Transactions Control Committee, Audit Committee, Risk Management Committee, Nomination and Remuneration Committee, and Social Responsibility and Consumer Rights Protection Committee. For details of adjustments to members of the special committees of the Board of Directors, please refer to "Corporate Governance – Changes in Directors, Supervisors and Senior Management Members".

During the reporting period, within the scope authorized by the Board of Directors and in accordance with the Bank's Articles of Association and relevant rules of procedure, special committees of the Board of Directors gave full play to their expertise and diligently performed their duties. The special committees convened 37 meetings, at which they reviewed 113 proposals and listened to 15 reports, focusing on major matters including the Bank's development strategy, connected transaction management, internal and external audits, risk management, internal control and compliance, nomination and remuneration, consumer rights protection, and fulfillment of social responsibilities. They actively put forward opinions and suggestions to the Board of Directors, which provided strong support for the well-grounded and efficient decision-making of the Board of Directors.

Strategic Planning Committee

The Strategic Planning Committee of the Bank comprised seven Directors, namely, Executive Directors Mr. Liu Jianjun and Ms. Yao Hong; Non-executive Directors Mr. Han Wenbo, Mr. Huang Jie and Mr. Liu Yue; and Independent Non-executive Directors Mr. Wen Tiejun and Mr. Hu Xiang. Mr. Liu Jianjun assumes duties on behalf of the Chairman of the Committee.

The Committee primarily performs such duties as reviewing the implementation of major plans and decisions of the CPC Central Committee, the Bank's business objectives, overall strategic development plans and special strategic development plans, strategic capital allocation, asset and liability management objectives, business development plans, development plans for inclusive finance business, major management policies, major investment and financing plans and other matters significant to the development of the Bank, and provides recommendations to the Board of Directors.

In 2023, the Strategic Planning Committee convened eight meetings, at which it reviewed and approved 25 proposals. It reviewed and approved proposals on supporting rural revitalization, implementing inclusive financial policies, serving the 2024-2025 development plan and the long-range objectives through the year 2035 for the development of Xiong'an New Area, serving the real economy, and serving the high-quality development of the manufacturing industry, etc., strictly implemented major plans and decisions of the CPC Central Committee and improved the quality and efficiency of the work on inclusive finance on all fronts. It also reviewed and approved proposals including the assessment report on implementation of the 14th Five-Year Plan Outline in 2022, strengthened strategy implementation and improved efficiency of strategic management. It reviewed and approved proposals regarding the annual asset and liability business allocation plan, and the capital allocation plan, which provided drive for enhancing capital strength and risk resistance ability and achieving sustainable development.

(The Strategic Planning Committee met on March 30, 2023, April 27, 2023, May 29, 2023, June 30, 2023, August 18, 2023, August 30, 2023, October 27, 2023, and December 28, 2023, respectively.)

Related Party Transactions Control Committee

The Related Party Transactions Control Committee of the Bank comprised five Directors, namely, Executive Director Ms. Yao Hong, Non-executive Director Mr. Ding Xiangming, and Independent Non-executive Directors Mr. Tang Zhihong, Mr. Chung Shui Ming Timpson, and Ms. Pan Yingli. Mr. Tang Zhihong is the Chairman of the Committee.

The Committee primarily performs such duties as managing matters on connected transactions of the Bank, reviewing the basic management policies for connected transactions, supervising their implementation and making suggestions to the Board of Directors; identifying related parties of the Bank, reporting to the Board of Directors and Board of Supervisors, promptly informing relevant personnel of the Bank, reviewing major connected transactions or other connected transactions subject to the approval of the Board of Directors or the Shareholders' General Meeting, and submitting to the Board of Directors or the Shareholders' General Meeting through the Board of Directors for approval.

In 2023, the Related Party Transactions Control Committee convened four meetings, at which it reviewed and approved three proposals and listened to one report. It reviewed and approved the proposals including the amendment to the Working Rules of the Related Party Transactions Control Committee of the Board of Directors, the annual special report on connected transactions and related parties, etc. The Committee timely improved the working mechanism of the Related Party Transactions Control Committee of the Board of Directors in accordance with the revised Articles of Association, identified related parties and related matters, and provided opinions and recommendations to the Board of Directors on strengthening the Bank's connected transaction management and controlling connected transaction risks. *(The Related Party Transactions Control Committee met on April 19, 2023, August 29, 2023, October 20, 2023 and December 22, 2023, respectively.)*

Audit Committee

The Audit Committee of the Bank comprised seven Directors, namely, Non-executive Directors Mr. Wei Qiang, Mr. Huang Jie and Mr. Liu Yue; and Independent Non-executive Directors Mr. Chung Shui Ming Timpson, Mr. Wen Tiejun, Mr. Hu Xiang, and Ms. Pan Yingli. Mr. Chung Shui Ming Timpson is the Chairman of the Committee.

The Committee primarily performs such duties as supervising the Bank's internal control, reviewing its major financial and accounting policies and their implementation, reviewing its basic audit management policies, rules, medium- and long-term plans as well as annual work plans, supervising and evaluating the work of the internal audit department, proposing the engagement or dismissal of accounting firms, making suggestions to the Board of Directors, etc.

In 2023, the Audit Committee convened six meetings, at which it reviewed and approved 20 proposals and listened to 9 reports. It reviewed the effectiveness of the Bank's internal control at least once a year and provided opinions and recommendations to the Board of Directors on issues such as maintaining financial health and stability, increasing the effectiveness of internal control, strengthening internal and external audit supervision, etc. *(The Audit Committee met on January 31, 2023, March 24, 2023, April 21, 2023, August 22, 2023, October 23, 2023, and December 13, 2023, respectively.)*

Regularly reviewing the Bank's financial status and financial reports and overseeing the Bank's stable financing operation

The Audit Committee reviewed and approved proposals on the financial statements and auditor's report for 2022, the financial statements for the first quarter of 2023, the interim financial statements and review report of 2023, the financial statements for the third quarter of 2023, etc. It reviewed and checked the truthfulness, completeness and accuracy of the information contained in the financial reports and concluded that there were no significant accounting and auditing issues in the financial accounting reports, and there was no fraud, malpractice and material misstatement related to the financial accounting reports, and submitted them for the deliberation and approval of the Board of Directors.

Regularly assessing the effectiveness of internal control and providing guidance on the internal audit work

In accordance with the relevant requirements of laws and regulations, regulatory rules and the Bank's Articles of Association, the Audit Committee organized and conducted the annual assessment of internal control, engaged external auditors to audit the effectiveness of internal control in the financial report of the Bank, and regularly supervised and assessed the adequacy and effectiveness of the Bank's internal control system by checking and evaluating the compliance and effectiveness of major business activities, etc. In 2023, the Audit Committee reviewed and approved the audit reports for 2022 and the first half of 2023, and the 2023 audit plan. It listened to reports on the audit work for the first quarter of 2023 and third quarter of 2023. It also supervised and provided guidance on the work of the internal audit department, ensured that the audit department had sufficient resources for functioning, and provided opinions and recommendations to the Board of Directors on promoting the application of the audit results. The Committee reviewed and approved the audit reports on business continuity and implementation of the internal capital adequacy assessment procedures and followed the rectification and accountability of internal audit findings. It ensured the effectiveness of work procedures and outcomes and strengthened the application of audit findings.

Strengthening the engagement and management of auditing firms and fully leveraging the role of external audits

The Audit Committee provided guidance on the performance evaluation of accounting firm in 2022 and made proposals on re-engagement of accounting firm for 2023 to the Board of Directors; listened to the accounting firms' reports on the pre-audit of financial statements for 2022, the audit of financial statements for 2022, the review of 2023 interim financial statements, the procedures for agreeing on the quarterly financial statements, the 2023 audit plan, etc.; enhanced communication with the accounting firm; supervised and evaluated the work of accounting firm to ensure the independence and effectiveness of its work, with a focus on the research and implementation of the management recommendations of accounting firms; and continued to promote adequate communication between internal and external auditors.

Risk Management Committee

The Risk Management Committee of the Bank comprised six Directors, namely, Executive Director Ms. Yao Hong, Non-executive Directors Mr. Han Wenbo, Mr. Chen Donghao, and Mr. Wei Qiang, and Independent Non-executive Directors Mr. Chung Shui Ming Timpson and Mr. Tang Zhihong. Mr. Han Wenbo is the Chairman of the Committee.

The Committee primarily performs such duties as, based on the Bank's overall strategic development plan, reviewing and revising the Bank's risk management strategies, basic policies on risk management, risk appetite, comprehensive risk management framework, and important procedures and policies of risk management; reviewing risk management reports; and making suggestions to the Board of Directors.

In 2023, the Risk Management Committee convened eight meetings, at which it reviewed and approved 39 proposals and listened to four reports. It reviewed the effectiveness of risk management and internal control and compliance at least once a year, and provided opinions and advice to the Board of Directors on strengthening the comprehensive risk management including subsidiaries, continuously strengthening agency financial services, and making solid efforts to promote rectification as notified by regulators, etc.

(The Risk Management Committee met on February 8, 2023, March 24, 2023, April 21, 2023, May 25, 2023, June 19, 2023, August 29, 2023, October 20, 2023, and December 18, 2023, respectively.)

Enhancing top-level design and ensuring that no systemic risks arise

The Risk Management Committee reviewed and approved the risk management strategy and risk appetite plan for 2023, the 2023-2025 three-year capital rolling plan and the capital adequacy ratio management plan for 2023; clarified the Bank's risk management strategies and risk preference as guidelines and constraints for risk management, strengthened the communication and implementation, enhanced refined capital management, enhanced internal capital accumulation, and put more emphasis on the balance of development and control, returns and risks, scale and efficiency, and established long-term incentive and constraint mechanisms.

Implementing new rules on capital management and refining the policy system

The Risk Management Committee reviewed and approved basic management policies, namely the Classified Management Measures for Risks in Financial Assets, the Management Measures for Systemically Important Banks, the Management Measures for Large Exposures, the Management Measures for Internet Loans, the Management Measures for Liquidity Risk, the Management Measures for Internal Rating System for Credit Risk, the Management Policy on Stress Testing, the Management Measures for Off-Balance Sheet Business Risks, and the Management Measures for Outsourcing; promoted the implementation of the new rules on capital management; standardized risk management processes and mechanisms, and effectively enhanced the level of risk management and the ability to resist systemic risks.

Strengthening the monitoring and mitigation of risks in key areas and continuously enhancing comprehensive, entire-staff, whole-process risk control

The Risk Management Committee reviewed and approved proposals including the report on the implementation of the expected credit loss method for 2022, the report on consolidated management, the implementation of rectification based on regulatory notices, the comprehensive risk management report, and the internal control and compliance management report. It strengthened the management of the implementation of expected credit loss method, promoted continuous enhancement of comprehensive risk management and consolidated management, and effectively addressed key challenging issues through the rectification of problems notified by regulators. It gave high priority to credit risk, internal control and compliance, case prevention, anti-money laundering, and other key areas of risk prevention and control, strengthened comprehensive risk management of subsidiaries, and persistently safeguarded the risk bottom line. Leveraging the synergetic effect of the three lines of defense in risk control, the Bank continuously refined internal controls and advanced the risk control at agency institutions through joint efforts of China Post Group and the Bank, so as to continuously enhance the intelligence and precision of risk management.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee of the Bank comprised four Directors, namely, Executive Director Mr. Liu Jianjun; and Independent Non-executive Directors Mr. Wen Tiejun, Ms. Pan Yingli, and Mr. Tang Zhihong. Mr. Wen Tiejun is the Chairman of the Committee.

The Committee primarily performs such duties as conducting annual review of the structure, size and composition of the Board of Directors, and making recommendations to the Board regarding its size and composition; formulating the criteria and procedures for the selection and appointment of Directors, chairmen and members of special committees of the Board of Directors and senior management members, performing preliminary reviews of the qualifications and qualities of candidates for Directors and senior management members, and making recommendations to the Board of Directors; developing methods for evaluating the performance of Directors and assessing the performance of senior management members, as well as remuneration methods or schemes for Directors and senior management members, and submitting them to the Board of Directors for consideration.

The Articles of Association sets out the procedures and methods for the nomination of Directors and specific requirements for the appointment of Independent Non-executive Directors. When reviewing the qualifications of Director candidates, the Nomination and Remuneration Committee mainly considers whether they meet the requirements of laws and regulations for directorship, whether they can be faithful and diligent in fulfilling their duties, whether they understand the Bank's operation and management and whether they are willing to be supervised by the Board of Supervisors on their performance, and considers the diversity requirements of the Board of Directors at the same time. For details, please refer to the Articles of Association and Rules of Procedure for the Nomination and Remuneration Committee of the Board of Directors on the Bank's website. During the reporting period, the Bank strictly implemented relevant provisions of the Articles of Association in appointing or renewing the appointment of Directors of the Bank.

In 2023, the Nomination and Remuneration Committee convened six meetings, at which it reviewed and approved 16 proposals. It reviewed and approved the proposals on the structure, size and composition of the Board of Directors and the implementation of the board diversity policy, regularly reviewed the structure, size and composition of the Board of Directors and the implementation of the board diversity policy, and continued to promote the development of board diversity; reviewed and approved the proposals on the evaluation of Directors' performance in 2022 by the Board of Directors, and evaluated Directors' performance from multiple dimensions in accordance with regulatory requirements. It also reviewed and approved the proposals on the qualifications and conditions of Directors including Huang Jie, Ding Xiangming and Hong Xiaoyuan, and senior management members including Yao Hong, Niu Xinzhuang and Liang Shidong, and timely adjustment of the composition of the special committees under the Board of Directors, ensured the standardization, effectiveness and transparency of the nomination process, strengthened the examination of qualifications of Directors and senior management members, and constantly optimized the composition of the special committees of the Board of Directors.

(The Nomination and Remuneration Committee met on March 20, 2023, April 17, 2023, April 24, 2023, May 26, 2023, October 26, 2023, and December 27, 2023, respectively.)

Social Responsibility and Consumer Rights Protection Committee

The Social Responsibility and Consumer Rights Protection Committee of the Bank comprised five Directors, namely, Executive Directors Mr. Liu Jianjun and Ms. Yao Hong, Non-executive Directors Mr. Chen Donghao and Mr. Ding Xiangming, and Independent Non-executive Director Mr. Hu Xiang. Mr. Liu Jianjun is the Chairman of the Committee.

The Committee primarily performs duties such as developing strategies, policies and objectives of social responsibility and consumer rights protection in line with the Bank's development strategies and actual situation, developing relevant basic management policies and submitting them to the Board of Directors for approval before implementation; regularly listening to reports of the senior management on the progress in consumer rights protection according to the authorization of the Board of Directors, and supervising and evaluating the comprehensiveness, timeliness and effectiveness of the Bank's consumer rights protection as well as duty performance of the senior management.

In 2023, the Social Responsibility and Consumer Rights Protection Committee convened five meetings, at which it reviewed and approved 10 proposals and listened to one work report. It attached great importance to matters such as green finance, consumer rights protection, sustainable development, climate investment and financing, reviewed and approved the proposals on the work and plan of consumer protection, annual evaluation on consumer protection, audit report on consumer protection, amendment of the Management Measures for Consumer Protection and Working Rules of the Social Responsibility and Consumer Rights Protection Committee of the Board of Directors, etc., listened to the report on complaints referred from the regulators, regularly supervised, evaluated and provided guidance on the consumer protection work across the Bank, and made relevant suggestions to the Board of Directors. It also reviewed and approved the 2022 Corporate Social Responsibility (Environmental, Social and Governance) Report, the Work Report on Green Bank Development, and the Task Force on Climate-Related Financial Disclosures (TCFD) Status Report, continued to deepen the green finance service, enhanced climate-related information disclosures, and actively and fully performed its social responsibility as a major state-owned bank.

(The Social Responsibility and Consumer Rights Protection Committee met on March 27, 2023, May 26, 2023, August 25, 2023, October 20, 2023, and December 22, 2023, respectively.)

Directors' Responsibilities for Financial Reporting

Directors are responsible for overseeing the preparation of financial statements for each accounting period to ensure financial statements present a true and fair view of the Bank's financial position, operating results and cash flows. During the preparation of the financial statements for the year 2023, the Directors diligently applied appropriate accounting policies, and made prudent and reasonable judgments and estimates.

During the reporting period, the Bank complied with the requirements of relevant laws and regulations and listing rules of places where the Bank's shares are listed, and completed the disclosure of the 2022 Annual Report and 2022 Results Announcement, First Quarterly Report of 2023, 2023 Interim Report and 2023 Interim Results Announcement, and Third Quarterly Report of 2023.

Terms of Office of Directors

The Bank strictly adhered to the SSE Listing Rules, the Hong Kong Listing Rules and the provisions of the Articles of Association that the Directors shall be elected by the Shareholders' General Meeting with a term of office of three years. After the expiration of the term, Directors can be re-elected for consecutive terms, with the term of consecutive re-election calculated from the date of approval by the Shareholders' General Meeting.

Surveys, Researches and Training Attended by Directors and Company Secretaries

Directors' Participation in Surveys and Researches

During the reporting period, the Directors of the Bank actively engaged in various forms of surveys and researches on topics such as comprehensive risk management, prevention and mitigation of major financial risks, agency financial business case prevention, security and compliance management, collaboration between the Bank and China Post Group to support rural revitalization, supporting the private economy, online financial business, real estate business, budget management, implementation of rectification based on regulatory notices, creditworthy village construction, management of subsidiaries, etc., conducted visits of 94 person-times, and produced a number of research and project reports. They actively put forward suggestions on supporting private enterprises and private economy, supporting rural revitalization, improving corporate governance system, etc. as reference for the decision-making of the Board of Directors and senior management, and continuously improved the Directors' ability to fulfill their duties and the effectiveness of decision-making and supervision.

Directors' Participation in Training

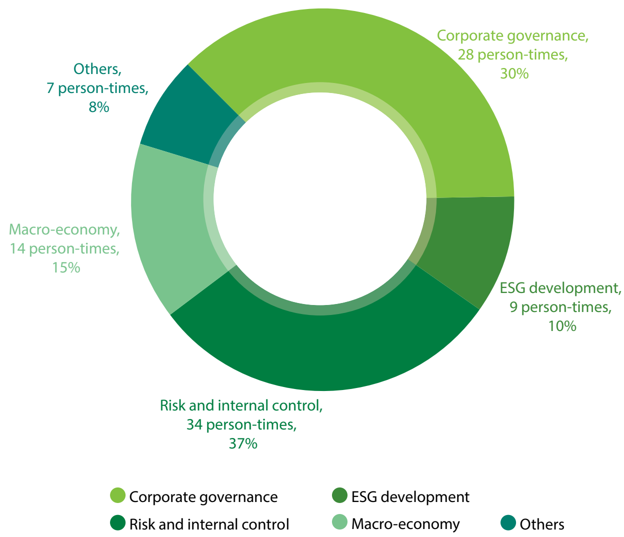
During the reporting period, the Bank made an overall plan for the training of Directors, continuously increased resources for Directors' training, meticulously selected quality training institutions, subjects and trainers, and organized Directors to participate in training through on-site and online meetings up to 92 person-times, which helped them to keep up with economic, financial and industry trends at home and abroad, and continuously improved their competence.

During the reporting period, in strict compliance with relevant regulatory requirements, the Directors of the Bank actively participated in a series of training sessions organized by the MOF, the SSE, the associations for public companies, the Beijing branch of the CSRC, other third-party institutions and the Bank itself, covering a wide range of topics such as macroeconomy and policies, corporate governance, information disclosure, investor relations management, independent director policies, anti-money laundering and counter-terrorist financing, ESG rating and outlook, market value management, recovery and outlook of the consumer industry, and interpretation of regulatory policies, etc. During the reporting period, all Directors attended training.

Corporate Governance

Types of training	Main training topics
Training organized by regulators and self-regulation organizations	Training held by the MOF, the SSE, the associations for public companies, the Beijing branch of the CSRC, and The Hong Kong Chartered Governance Institute, covering a wide range of topics such as macroeconomy and financial and economic situations, interpretation of the reform of the independent director policies, market value and strategic management, and summary of regulatory policies
Training organized by third-party institutions	Macroeconomy and policies Outlook of the Bank's development and interpretation of hot topic events Investment strategies and industry trends ESG rating and outlook Banks' capital and liquidity management
Special training organized by the Bank	Anti-money laundering and counter-terrorist financing IFRS Sustainability Disclosure Standards S1 and S2 Management of non-licensed institutions in different regions Management of subsidiary companies Capital management Other themes related to operation and management

Training categories and percentage



Company Secretaries' Participation in Training

Mr. Du Chunye and Dr. Ngai Wai Fung, Director and Chief Executive Officer of SWCS Corporate Services Group (Hong Kong) Limited, are joint company secretaries of the Bank. The primary contact person for Dr. Ngai Wai Fung at the Bank is Mr. Du Chunye.

During the reporting period, the company secretaries met requirements set in Rule 3.29 of the Hong Kong Listing Rules with far more hours spent in professional training in the year than the regulatory requirement of no less than 15 hours per year.

Independence and Duty Performance of Independent Non-executive Directors

During the reporting period, the Independent Non-executive Directors of the Bank complied with the relevant requirements regarding independence of independent directors under the Administrative Measures for Independent Directors of Listed Companies, the Self-Regulatory Supervision Guidelines for Listed Companies on the Shanghai Stock Exchange No. 1 – Standardized Operation, the Hong Kong Listing Rules and the Articles of Association, and there was no impact on their independence. The Bank received annual confirmation letters from all Independent Directors, which included their confirmation on independence self-examination, and acknowledged their independence.

The Independent Non-executive Directors of the Bank diligently attended the Shareholders' General Meeting, the meetings of the Board of Directors and special committees of the Board of Directors of which they are members, fully leveraged their professional expertise and extensive working experience, continuously monitored significant operational and managerial matters such as the legality and fairness of significant connected transactions, annual profit distribution plan, internal control assessment, nomination of directors, appointment of senior management, and the integrity and truthfulness of information disclosure, and expressed objective and impartial opinions based on the overall interests of the Bank, in a bid to safeguard the rights of depositors and minority shareholders. During the reporting period, the Independent Non-executive Directors attached high priority to the above matters and provided independent opinions on the special report on connected transactions in 2022, internal control assessment, engagement of accounting firms, profit distribution plan for 2022, selection and appointment of Directors and senior management members, etc.; and expressed prior approval on the special report on connected transactions and the engagement of accounting firms, etc. They earnestly reviewed the 2022 annual report and results announcement, first quarterly report of 2023, 2023 interim report and interim results announcement, third quarterly report of 2023, and corporate social responsibility report, etc. to ensure the disclosed contents were true, accurate and complete. During the reporting period, the Bank's Independent Non-executive Directors did not raise any objections to resolutions of the Board of Directors or special committees of the Board of Directors.

By sitting in on operation and management work meetings and results announcement conferences of the Bank, listening to reports from the senior management members and communicating with external auditors, the Independent Non-executive Directors of the Bank proactively strengthened communication with other Directors, Supervisors, senior management members, functional departments, accounting firms, shareholders and regulatory authorities to gain an in-depth understanding of the operation and management of the Bank. They earnestly performed their duties with integrity and diligence, complied with the working rules for Independent Non-executive Directors, provided strong support to the Board of Directors for sound decision-making, safeguarded the interests of the Bank and all shareholders and worked for the Bank for far more than 15 working days.

On October 27, 2023, the Bank organized and convened a symposium for Independent Directors, at which all Independent Non-executive Directors exchanged views and discussed matters including improving the quality and effectiveness of corporate governance, enhancing refined risk management and internal control, enhancing consolidated management of subsidiaries, promoting transformation and development under the new situation, etc., and earnestly provided opinions and suggestions for business development after taking into account of both internal and external environment and the Bank's actual situations. The Bank attached great importance to the opinions and recommendations of the Independent Non-executive Directors and timely organized researches and implementation based on the actual situations of the Bank.

Corporate Governance

Board of Supervisors and Special Committees

Functions and Powers of the Board of Supervisors

The Board of Supervisors is the supervisory body of the Bank, and is accountable to the Shareholders' General Meeting. It exercises the following functions and powers according to the requirements of the Company Law of the People's Republic of China and the Articles of Association: to supervise the duty performance of the Board of Directors and senior management, to supervise and make enquiries on the duty performance of Directors and senior management members, and to urge Directors and senior management members to correct their conduct that is detrimental to the interests of the Bank; to propose the removal of or initiate legal proceedings against Directors and senior management members who violate laws, administrative regulations, the Articles of Association or the resolutions of Shareholders' General Meetings; to inspect and supervise the Bank's financial activities; to supervise matters such as business decision-making, risk management and internal control, and give guidance to the internal audit department of the Bank to independently perform the duty of auditing and supervision, and carry out business management and evaluation of the internal audit department; to propose the convening of extraordinary general meetings, and convene and preside over the meeting when the Board of Directors fail to perform its duty of convening and presiding over the meeting as stipulated in the Company Law of the People's Republic of China; to make proposals to the Shareholders' General Meeting; to formulate amendments to the rules of procedures of the Board of Supervisors; to supervise the implementation of policies and basic management rules of the Bank; to nominate Shareholder Representative Supervisors, External Supervisors and Independent Directors; to conduct audit on resigning Directors and senior management members as required; to negotiate with the Directors on behalf of the Bank; to examine financial information to be submitted to the Shareholders' General Meeting by the Board of Directors, including financial reports, business reports, profit distribution plans, etc., and in case of any doubt, to entrust certified public accountants and auditors to assist in the review in the name of the Bank; to review the Bank's periodic reports prepared by the Board of Directors, and provide review opinions in writing; to supervise the appointment, dismissal, re-appointment and audit of the Bank's external auditors; to formulate measures for evaluating the duty performance of Supervisors; to formulate remuneration policies or plans for Supervisors, and propose remuneration allocation plans for Supervisors based on their performance evaluation, and submit them to the Shareholders' General Meeting for approval.

Composition of the Board of Supervisors

The Board of Supervisors of the Bank consisted of five Supervisors, namely Mr. Chen Yuejun, Chairman of the Board of Supervisors and Shareholder Representative Supervisor; External Supervisors Mr. Bai Jianjun and Mr. Chen Shimin; and Employee Supervisors Mr. Li Yue and Mr. Gu Nannan. For details of current Supervisors, please refer to "Corporate Governance – Directors, Supervisors and Senior Management".

Meetings of the Board of Supervisors

Meetings of the Board of Supervisors

During the reporting period, the Board of Supervisors of the Bank held seven meetings (six on-site meetings and one meeting by written circulation) in strict accordance with relevant laws, regulations, the Articles of Association and the rules of procedure of the Board of Supervisors, at which it studied and reviewed 102 proposals and supervision items, including the 2023 work plan of the Board of Supervisors, the 2022 Annual Report, highlights and results announcement, the 2022 internal control evaluation report, the 2022 work report of the Board of Supervisors, the 2022 evaluation report on the performance of the Board of Directors, the senior management and their members by the Board of Supervisors, the 2022 evaluation report on the performance of the Board of Supervisors and its members, etc.

Meeting	Date	Convening method	Resolutions
The First Meeting of the Board of Supervisors in 2023	February 28, 2023	Written circulation	Reviewed and approved the proposal on the 2023 work plan of the Board of Supervisors
The Second Meeting of the Board of Supervisors in 2023	March 30, 2023	On-site	Reviewed and approved the proposals including the 2022 final accounts plan, etc.
The Third Meeting of the Board of Supervisors in 2023	April 27, 2023	On-site	Reviewed and approved the proposals including the engagement of accounting firms for 2023, etc.
The Fourth Meeting of the Board of Supervisors in 2023	May 29, 2023	On-site	Reviewed and approved the proposals including the adjustment of members of special committees of the Board of Supervisors, etc.
The Fifth Meeting of the Board of Supervisors in 2023	August 30, 2023	On-site	Reviewed and approved the proposals including the Special Report on the Deposit and Actual Use of Proceeds from Non-public Issuance of RMB Ordinary Shares (A-shares), etc.
The Sixth Meeting of the Board of Supervisors in 2023	October 27, 2023	On-site	Reviewed and approved the proposals including the third quarterly report of 2023, etc.
The Seventh Meeting of the Board of Supervisors in 2023	December 28, 2023	On-site	Reviewed and approved the proposals including the 2023 evaluation report on the performance of the Board of Directors, the senior management and its members by the Board of Supervisors, etc.

Attendance of Supervisors at Meetings

The attendance of the Bank's Supervisors at meetings of the Board of Supervisors and its special committees during the reporting period is listed below:

	Board of Supervisors			Nomination Committee	Duty Performance Supervision Committee	Finance and Internal Control Risk Supervision Committee
Supervisors	Number of attendance in person/Number of meetings that should be attended	Number of on-site meetings attended	Number of attendance by proxy	Number of attendance in person/Number of meetings that should be attended	Number of attendance in person/Number of meetings that should be attended	Number of attendance in person/Number of meetings that should be attended
Shareholder Representative Supervisor						
Chen Yuejun	7/7	6	0	–	–	–
External Supervisors						
Bai Jianjun	7/7	6	0	2/2	–	4/4
Chen Shimin	7/7	6	0	–	6/6	–
Employee Supervisors						
Li Yue	7/7	6	0	2/2	6/6	7/7
Gu Nannan	7/7	6	0	2/2	6/6	7/7
Resigned Supervisors						
Zhao Yongxiang	7/7	6	0	–	6/6	–
Wu Yu	3/3	3	0	–	–	3/3
Bu Dongsheng	3/3	3	0	–	–	3/3

Note (1): "Attendance in person" refers to on-site attendances and attendances by way of electronic communications, such as telephone and video conferencing.

Note (2): In the year 2023, there were no instances of Supervisors being absent from meetings of the Board of Supervisors, Supervisors failing to attend two consecutive meetings in person, or Supervisors failing to personally attend more than two-thirds of the on-site meetings of the Board of Supervisors.

Note (3): For details on changes in Supervisors, please refer to "Corporate Governance – Changes in Directors, Supervisors and Senior Management Members".

Special Committees of the Board of Supervisors

There are three special committees under the Board of Supervisors of the Bank, namely the Nomination Committee, Duty Performance Supervision Committee, and Finance and Internal Control Risk Supervision Committee.

Nomination Committee

The Nomination Committee of the Board of Supervisors of the Bank comprised three members, namely, External Supervisor Mr. Bai Jianjun and Employee Supervisors Mr. Li Yue and Mr. Gu Nannan, and was chaired by Mr. Bai Jianjun. The Nomination Committee is mainly responsible for the formulation of procedures and criteria for the selection and appointment of Shareholder Representative Supervisors and External Supervisors, the preliminary review of their eligibility for appointment and qualifications, as well as other matters authorized by the Board of Supervisors. During the reporting period, the Nomination Committee held two meetings to study and review matters including recommendations to change the composition of the special committees of the Board of Supervisors.

Duty Performance Supervision Committee

The Duty Performance Supervision Committee of the Board of Supervisors of the Bank comprised three members, namely, External Supervisor Mr. Chen Shimin, Employee Supervisors Mr. Li Yue and Mr. Gu Nannan, and was chaired by Mr. Chen Shimin. The Duty Performance Supervision Committee is mainly responsible for supervising and evaluating the performance of duties of the Board of Directors, the senior management and their members, providing advice to the Board of Supervisors, and handling other matters authorized by the Board of Supervisors. During the reporting period, the Duty Performance Supervision Committee held six meetings, at which it studied and reviewed matters including the 2022 evaluation report on the performance of the Board of Directors, the senior management and their members by the Board of Supervisors, the 2022 evaluation report on the performance of the Board of Supervisors and its members, etc.

Finance and Internal Control Risk Supervision Committee

The Finance and Internal Control Risk Supervision Committee of the Board of Supervisors of the Bank comprised three members, namely, External Supervisor Mr. Bai Jianjun, Employee Supervisors Mr. Li Yue and Mr. Gu Nannan, and was chaired by Mr. Bai Jianjun. The Finance and Internal Control Risk Supervision Committee is mainly responsible for researching and submitting supervision reports on the Bank's finance, internal control and risk management, supervising the establishment and improvement of the Bank's internal control governance structure and comprehensive risk management governance structure, and handling other matters authorized by the Board of Supervisors. During the reporting period, the Finance and Internal Control Risk Supervision Committee held seven meetings, at which it reviewed the financial statements and audit report for 2022, the report on the rectification of the supervision opinions of the Board of Supervisors for 2022, and the interim financial statements and review report for 2023, etc.

Functions of Senior Management

Senior management members refer to the Bank's President, Vice Presidents, Secretary to the Board of Directors, and other senior management members designated by the Board of Directors. All senior management members are collectively referred to as senior management. During the reporting period, the senior management of the Bank carried out business management activities within the scope authorized by the Articles of Association and the Board of Directors, analyzed the internal and external situations in depth in accordance with the annual business objectives set by the Board of Directors, firmly guarded against risks, carried out work with solid steps and achieved sustained improvement in business performance.

Corporate Governance

The President of the Bank is accountable to the Board of Directors, and exercises the following functions and powers: to take charge of the operation and management of the Bank, to organize the implementation of the resolutions of the Board of Directors, and to report to the Board of Directors on its work; to formulate specific rules of the Bank (other than internal audit rules); to formulate business plans and investment plans of the Bank, and to organize the implementation of such plans upon approval by the Board of Directors; to formulate policies and fundamental management rules of the Bank, and to make proposals to the Board of Directors; to prepare the Bank's annual financial budget plan and final accounts plan, capital management plan, risk capital allocation plan, profit distribution plan, loss recovery plan, plan for increase or decrease of registered capital, plans for issuance of bonds or other marketable securities, listing plan, share repurchase plan, and to make suggestions to the Board of Directors; to authorize Vice Presidents, other senior management members, heads of departments in the Head Office, heads of domestic and overseas tier-1 branches, branches and other institutions directly under the Head Office as well as overseas institutions to carry out daily operation and management activities within the scope authorized by the Board of Directors; and other functions and powers to be exercised by the President, as prescribed in laws, administrative regulations, ministerial rules and the Articles of Association or determined by the Shareholders' General Meeting or the Board of Directors.

Division of Responsibilities between the Chairman and the President

Pursuant to code provision C.2.1 of the Corporate Governance Code in Appendix C1 to the Hong Kong Listing Rules and the Articles of Association, the roles of Chairman and President of the Bank are separated with clear division of responsibilities. The Chairman of the Bank is responsible for major matters related to overall strategic development. The President of the Bank is responsible for the operation and management of the Bank. The President of the Bank shall be appointed by, and is accountable to, the Board of Directors, and shall perform duties in accordance with the Articles of Association and the authorization of the Board of Directors.

Due to change of job, Mr. Zhang Jinliang resigned as Chairman and legal representative of the Bank on April 25, 2022. Upon the recommendations of more than half of the Directors, Mr. Liu Jianjun, Executive Director and President of the Bank, assumed the responsibilities as the Chairman and legal representative of the Bank immediately after the resignation of Mr. Zhang Jinliang (hereinafter referred to as the "Transitional Arrangement"). Although the Transitional Arrangement deviates slightly from the regulatory requirements, the Board of Directors believed that it was an appropriate arrangement before the nomination and election of the Chairman candidate are completed. This arrangement ensures the smooth operation of the Board of Directors and the day-to-day operation of the Bank, without weakening the balance of power and authority between the Board of Directors and the management of the Bank, for the following reasons: (1) the nomination and election of Chairman candidate require a certain amount of time and must go through statutory procedures; (2) Mr. Liu Jianjun has rich experience in the financial industry and a deep understanding of the Bank's operation, management, culture, etc.; (3) the resolutions of the Board of Directors require approval of at least half of the Directors, and there are five Independent Non-executive Directors on the board who are able to effectively perform their duties, ensuring a balance of power in the Board's operations; (4) the Bank's major decisions on strategic, business, operational and financial matters must be made collectively by the Board of Directors and the management upon discussion. Mr. Liu Jianjun's temporary assumption of the Chairman's responsibilities is only a transitional arrangement. The Bank is proceeding with the nomination and election of relevant candidate to comply with the Hong Kong Listing Rules and other relevant regulatory requirements.

Securities Transactions by Directors and Supervisors

The Bank has adopted a code of conduct for securities transactions by Directors, and Supervisors on terms no less stringent than those set out in the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix C3 (previously Appendix 10) to the Hong Kong Listing Rules. The Directors and Supervisors of the Bank confirmed that they complied with aforementioned code of conduct during the reporting period.

Appraisal and Incentive Mechanisms for Senior Management

The Bank has established clear standards in relation to the remuneration policies of senior management members, and continued to improve the performance appraisal system as well as incentive and constraint mechanism for them. The Bank determines performance-based annual remunerations of senior management members according to their performance assessment results, and has established the policy for deferred payment and clawback of performance-based annual remunerations.

Explanation of Independence from the Controlling Shareholder

The Bank possesses independent and complete business and autonomous management capabilities. There is no situation where the independence and autonomous management capabilities cannot be guaranteed in terms of assets, personnel, finance, institutions, and operations from the controlling shareholder. The controlling shareholder and its related parties do not occupy or control any assets of the Bank. The Bank has independent and sound financial, accounting and personnel management policies, and the controlling shareholder and its related parties do not intervene in the financial, accounting and personnel activities of the Bank. The controlling shareholder and its related parties do not intervene in the specific operations of the Bank, nor do they affect the independence of the Bank's operation and management. In addition, China Post Group, the Bank's controlling shareholder, has signed a non-competition undertaking, committing that China Post Group and other entities it controls will not engage in the same or similar businesses as those of the Bank.

Auditors' Engagement and Remuneration

As reviewed and approved by the 2022 Annual General Meeting, the Bank engaged Deloitte Touche Tohmatsu Certified Public Accountants LLP and Deloitte Touche Tohmatsu as the auditors of the Bank for 2023, responsible for providing audit and related services for the financial statements of the Bank prepared in accordance with the China Accounting Standards for Business Enterprises and IFRSs in 2023, respectively. PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers ceased to be the auditors of the Bank after the expiration of a maximum of eight-year term after re-appointment in 2020. Deloitte Touche Tohmatsu Certified Public Accountants LLP and Deloitte Touche Tohmatsu have provided audit services to the Bank for three years. The accumulated service duration of the audit engagement partners and certified public accountants for the Bank is less than five years.

In 2023, the fees payable to Deloitte Touche Tohmatsu Certified Public Accountants LLP and Deloitte Touche Tohmatsu for the audit of Group financial statements provided to the Bank amounted to RMB29.80 million (including RMB1.80 million for internal control audit). In 2023, the fees payable to Deloitte Touche Tohmatsu Certified Public Accountants LLP and its member institutions for the audit of financial statements provided to the subsidiaries of the Bank and for other services provided to the Bank amounted to RMB1.668 million and RMB9.9103 million, respectively.

Corporate Governance

Sponsors' and Underwriters' Engagement and Remuneration

The Bank engaged China International Capital Corporation Limited and China Post Securities Co., Ltd. as joint sponsors of the non-public issuance of A shares of the Bank in 2023, and engaged China International Capital Corporation Limited, China Post Securities Co., Ltd., CSC Financial Co., Ltd. and CITIC Securities Co., Ltd. as joint lead underwriters of the non-public issuance of A shares of the Bank in 2023. On March 28, 2023, the Bank completed the non-public issuance of 6,777,108,433 A shares of RMB ordinary shares, and the underwriting fee was RMB4.50 million (value added tax included).

Significant Changes to the Articles of Association during the Reporting Period

On June 30, 2023, the Bank held the 2022 Annual General Meeting, which reviewed and approved the proposal on the amendments to the Articles of Association of Postal Savings Bank of China Co., Ltd. On September 22, 2023, the NFRA issued the Approval by the National Financial Regulation Administration on the Change of Registered Capital of Postal Savings Bank of China Co., Ltd. (Jin Fu [2023] No. 288), according to which, the registered capital of the Bank was changed to RMB99,161,076,038. In accordance with this approval, the Bank revised relevant provisions in its Articles of Association, and the remaining provisions are pending approval from the NFRA.

Self-examination of Special Actions on the Governance of Listed Companies

The Bank has earnestly conducted a self-examination by following relevant requirements of the CSRC, and found no material differences between the actual practice of corporate governance and the requirements of laws, administrative regulations and CSRC normative documents on the corporate governance of listed companies. There were no major issues that needed to be disclosed to investors that might affect the Bank's operation and management.

Internal Control and Internal Audit

Internal Control

The Bank has established an internal control governance and organizational structure with reasonable division of labor, clear responsibilities and clear reporting relationships which consists of the Board of Directors, the Board of Supervisors, senior management, departments of internal control management, internal audit departments, and business departments. Considering the purpose of monitoring the above internal control system is to manage rather than eliminate the risk of failing to achieve business objectives, the Board of Directors can only reasonably, not absolutely, assure that the above system and internal control can prevent any material misstatement or loss.

The Bank continuously refined the internal control system, and promoted the improvement of the quality and efficiency of internal control and compliance. It refined the working mechanism of the rigid control of the problem identification system, integrated problem rectification with system rigid control in an orderly way, and dynamically conducted control effectiveness rechecks, forming a closed-loop management. During the reporting period, a systematic and rigid control checklist for problem identification was established through four rounds of inspections, with a total of 88 identified issues. Each issue was addressed through the development and implementation of control plans. The Bank established a normalized evaluation mechanism for system parameter thresholds and assessed the rationality of key system parameter threshold settings. It further promoted the dispatch of risk managers, established a mechanism for the transmission and correction of problems identified in duty performance, built teams through centralized training, optimized responsibilities and on-site supervision, and conducted special assessment and cross-checks to improve risk managers' ability to perform their duties. It cultivated a culture of compliance, organized activities such as internal control and compliance knowledge competition, Top 10 Risk Managers Competition, "Compliance Culture at Grassroots Level", the "Gold Shield Award" for excellent units, individuals, and sub-branch managers in internal control and risk management, case warning education tours, and other initiatives to disseminate risk control concepts. It improved the functions of the compliance management system, strengthened the construction of data analysis tools, established a compliance profile system for employees, transformed data analysis from a "chain" to a "network" approach, to precisely monitor and detect employee compliance violations. It continued to improve the system of accountability for violations and intensify accountability measures for serious violations to further strengthen the deterrent mechanism against non-compliance. It also conducted communication activities in various forms with a wide range of audience to advocate for the prevention of illegal fundraising, and reinforced the awareness and capabilities of the general public and employees to guard against illegal fundraising.

In accordance with the requirements of the Basic Standards for Enterprise Internal Control and its supporting guidelines, the Guidelines for Internal Control of Commercial Banks, the Notice on Further Enhancing the Effectiveness of Internal Control for Financing Reporting of Listed Companies and other internal control regulatory requirements, and considering the Bank's basic rules for internal control and assessment methods, the Bank assessed the effectiveness of internal control as at December 31, 2023 (the base date of the internal control assessment report). Based on the Bank's identification criteria for deficiencies in internal control over financial reporting and deficiencies in internal control unrelated to financial reporting, as at the base date of the internal control assessment report, the Bank maintained effective internal control over financial reporting in all material aspects pursuant to the system of standards for enterprise internal control and relevant regulations with no significant internal control deficiencies over financial reporting or unrelated to financial reporting. The Board of Directors of the Bank reviewed and approved the 2023 Annual Internal Control Assessment Report of Postal Savings Bank of China Co., Ltd. Please visit the websites of SSE, Hong Kong Stock Exchange and the Bank for details of the report.

Deloitte Touche Tohmatsu Certified Public Accountants LLP audited the effectiveness of the internal control over financial reporting of the Bank as at December 31, 2023 in accordance with relevant regulations, and issued an unqualified Internal Control Audit Report. For details, please visit the websites of SSE, Hong Kong Stock Exchange and the Bank.

Internal Audit

The Bank implements an internal audit system in accordance with the Guidelines for Internal Audit of Commercial Banks, and the Internal Audit Regulations of the National Audit Office of China, builds an independent and vertical audit system featuring "Audit Department at the Head Office + 7 regional audit offices + 29 audit divisions", establishes an audit management structure suitable for the Bank's operation and development and meeting the requirements for governance, sets up and effectively puts into practice the internal audit reporting system and reporting lines. The audit line of the Bank is independent from the first and the second lines of defense to continuously improve the professionalism and authority of audits. The Audit Department at the Head Office carries out work under the leadership of the Board of Directors and the Audit Committee thereunder, regularly reports to the Board of Directors, the Audit Committee thereunder and the Board of Supervisors, and notifies the senior management.

Corporate Governance

The Audit Department at the Head Office is responsible for preparing the annual audit plan in accordance with the requirements of regulatory institutions and the corporate governance members of the Bank, and organizing the implementation of the plan upon the approval of the Board of Directors and the Audit Committee thereunder. It is responsible for the overall audit work and the coordination of audit resources of the Bank, as well as the organization and implementation of bank-wide audit activities in accordance with the audit charter of the Bank and relevant guidelines. The regional audit offices thereunder, in accordance with the unified arrangement, are responsible for implementing the annual audit plan of the Head Office, allocating audit resources under jurisdiction, and organizing the implementation of various audits. The audit divisions shall execute the audit tasks assigned and be responsible for carrying out audits.

During the reporting period, the internal audit adhered to a concept of problem-oriented, risk-based and efficiency-first audit, and carried out a series of audits around the decisions and plans of the CPC Central Committee, regulatory requirements and the key businesses of the Bank. It effectively revealed issues and risks in areas such as internal control mechanisms, risk prevention, business operation in compliance with laws and regulations, financial revenue and expenditure, information technology, and corporate governance of the Bank, and provided audit opinions from the perspectives of policies and procedures, institutions and mechanisms, system operations, quality and effectiveness of operations, bringing into full play its role in audit supervision, evaluation and consultation. Meanwhile, the Bank attached equal importance to the rectification and disclosure of problems identified in audits, in a bid to improve the quality and effectiveness of the rectification of problems across the Bank.

During the reporting period, the internal audit of the Bank focused on its core responsibilities and strengthened the building of the audit system. It set and improved audit policies and standards and raised the audit standardization level; adhered to the principle of reinforcing audits through science and technology and improved the quality and effectiveness of audits; strengthened the building of the audit team and increased their professional capability; enhanced the utilization of audit results and formed a collaborative supervisory force; continuously expanded the breadth and depth of internal audits, and thus provided solid support to the Bank's steady operation and high-quality development.

Information Disclosure and Investor Relations

Information Disclosure

The Bank strictly abided by laws, regulations, and the regulatory requirements and the rules of the listing places, and established a sound, effective and feasible information disclosure management system. Adhering to the principle of providing concise, clear and easily understood information, the Bank disclosed information in a true, accurate, complete, timely and fair manner. While ensuring compliance, the Bank proactively expanded the scope and depth of voluntary information disclosure, enhanced the quality and effectiveness of information disclosure, improved the transparency of the Bank, and protected the rights of domestic and overseas shareholders to access information.

In 2023, the Bank intensified efforts to advance the rule-based development of voluntary disclosure by optimizing top-level design, innovating working mechanism, and enriching presentation forms. Firstly, in line with the latest regulatory requirements, it reviewed information disclosure policies, and developed an information disclosure management toolkit to ensure thorough compliance in disclosure and rule-based voluntary disclosure. Secondly, the Bank gave consideration to and maintained an overall balance between the regulatory requirements of listing places and industry regulators, and promoted related training on information disclosure and corporate governance in a targeted manner to implement the information disclosure concept and foster an information disclosure culture. Thirdly, centering on the concerns of the market and investors, the Bank proactively disclosed its strategic plans, corporate culture, business features and other highlights by releasing temporary reports on a voluntary basis and adding voluntary disclosures in regular reports. Fourthly, the Bank updated the information disclosure management system, raised the efficiency of report preparation coordination, standardized the process of information transmission, and enhanced the online management of insider information and insiders, so as to implement the information confidentiality management and registration requirements. During the reporting period, the Bank strictly observed the insider information management rules and confidentiality policies, timely collected insider information, rigorously controlled the scope of individuals with access to such information, and disclosed information in compliance with laws and regulations. With no corrections to major accounting errors and no material omission during the reporting period, the Bank was rated A (Excellent) by the SSE in its evaluation on information disclosure of listed companies in the year.

The Bank continuously innovated the disclosure forms of regular reports and won widespread recognition from various organizations. For the 2022 Annual Report, PSBC won multiple awards in prestigious competitions such as the ARC Awards in the International Annual Report Competition, Vision Awards of LACP (League of American Communications Professionals), and IADA (International Annual Report Design Awards) award, etc.

Certificate of ARC Awards in International Annual Report Competition

Certificate of LACP (League of American Communications Professionals) Vision Awards

Certificate of IADA (International Annual Report Design Awards)

Corporate Governance

Investor Relations

The Bank attaches great importance to investor relations management, adhering to the principles of initiative and sincerity, transparency and compliance, accuracy and effectiveness, and comprehensiveness and equality. Through multiple channels, media and methods, it leveraged investor communication activities such as results presentations, road shows, surveys, summits and forums, and communication platforms such as the investors hotline, mailbox, and SSE E-interaction to strengthen two-way interaction with the capital market, accurately communicated the business development information, comprehensively showcased the investment value, and enhanced market recognition.

During the reporting period, under the guidance of the Board of Directors and the senior management, the Bank held four results presentations in various forms such as online livestreaming, live text broadcast and phone access, fully conveying the Bank's development strategy and long-term investment value to capital markets.

Senior management members of PSBC in a results announcement conference

After the release of the 2022 annual results and 2023 interim results, the senior management members of the Bank led teams to carry out roadshows at home and abroad, conducted in-depth communication with investors and analysts on business development, transformation and innovation, strategic vision and other situations of the Bank with a sincere and open attitude, and actively responded to the concerns of the capital market. In 2023, in order to engage domestic and overseas investors, the Bank organized 35 roadshows, attended 22 investment forums and summits, received visits of 49 surveys, and held the Capital Market Open Day with the theme of further exploring the blue-ocean market of Sannong finance and developing differentiated growth poles and a special event "Understand My Listed Company – Take A Close Look at Blue Chips". Through the in-depth communication with domestic and overseas institutional investors, it promoted the Bank's investment value, widely covering various capital market entities.

In 2023, the Bank won the honor of the "Outstanding Practice for Results Presentation in 2022 Annual Reports of Listed Companies" granted by China Association of Public Companies, the "Special Award – 2023 Outstanding Listed Company" at the 13th China Securities Golden Bauhinia Award, the "Best Institutional Communication Award" at the Panorama Investor Relations Gold Medal (2022), and the "Best Capital Market Communication Award", the "Best Shareholder Relationship Award", and the "Best Information Disclosure Award" at the 7th China Excellent IR Annual Selection.

In accordance with relevant regulatory requirements, the Bank has kept a record of the aforementioned investor receptions and communication activities, and properly kept relevant documents.

If investors have any inquiries regarding the Bank's business performance, please contact:
The Office of the Board of Directors of Postal Savings Bank of China Co., Ltd.
Address: No. 3 Financial Street, Xicheng District, Beijing
Telephone: 86-10-68858158
Fax: 86-10-68858165
E-mail: psbc.ir@psbcoa.com.cn

Shareholder Communication Policy

The Bank has formulated a shareholder communication policy, which shall be reviewed periodically to ensure that the opinions and concerns of shareholders are effectively addressed. According to the shareholder communication policy, the Bank conveys information to the shareholders and investors through various channels: the Bank publishes annual reports, interim reports and quarterly reports on a regular basis, and holds the results announcements to timely announce its operating results to shareholders and investors; the Bank holds annual general meetings and other extraordinary general meetings that may be convened, discloses the meeting materials in advance, timely answers the enquiries of shareholders and reviews the procedures of general meetings from time to time, in a bid to fully protect the shareholders' rights to attend meetings; the Bank updates the materials in the investor relations column regularly, and publishes all the disclosure information issued on the websites of the SSE and the Hong Kong Stock Exchange as well as other promotional materials of the Bank on its website, so that shareholders and investors may obtain the latest information about the Bank in a timely manner; the Bank actively holds various investor relations activities to maintain communication with shareholders and meet the reasonable needs of shareholders in a timely manner. The contact information of the Bank is shown on the Bank's website for any query from shareholders.

During the reporting period, the Bank reviewed the above-mentioned shareholder communication policy and its implementation, and believed that the shareholder communication policy was effectively implemented.

Report of the Board of Directors

Principal Business and Business Review

The Bank and its subsidiaries are mainly engaged in provision of banking and related financial services. The Bank complied with the laws and regulations that have a significant impact on its operation in all material respects. The Bank's business operations, information on Directors and Supervisors, and business review as required by Schedule 5 of the Hong Kong Companies Ordinance are set out in relevant sections including "Message from the Management", "Discussion and Analysis", "Corporate Governance", "Significant Events", "Financial Statements", this "Report of the Board of Directors", etc.

Profit and Dividend Distribution

For the Bank's profit and financial position during the reporting period, please refer to "Financial Highlights" and "Discussion and Analysis – Analysis of Financial Statements".

With the approval at the 2022 Annual General Meeting held on June 30, 2023, the Bank, based on the total share capital of 99,161,076,038 ordinary shares, distributed cash dividends of RMB2.579 (before tax) per ten ordinary shares, totaling approximately RMB25,574 million (before tax), to all the ordinary shareholders whose names appeared on the share register on the record date. The record date for the distribution of A-share and H-share dividends was July 12, 2023. The A-share dividends for 2022 were distributed on July 13, 2023, and the H-share dividends for 2022 were distributed on August 10, 2023. The Bank did not declare or distribute interim dividends for 2023, nor did it convert any capital reserve to share capital.

In accordance with the Company Law of the People's Republic of China, the Administrative Measures for Provisioning of Financial Enterprises, the Articles of Association and relevant requirements, statutory surplus reserve of RMB8,532 million and general reserve of RMB22,664 million were appropriated for 2023. On the basis of 99,161,076,038 ordinary shares of the total share capital of the Bank, totaling approximately RMB25,881 million (before tax) of cash dividends were distributed to all the ordinary shareholders whose names appeared on the share register on the record date with RMB2.610 (before tax) per ten ordinary shares. Cash dividends are denominated and declared in Renminbi. The remaining undistributed profits are carried forward to the next year. The Bank did not convert its capital reserve to share capital in 2023. The above dividends will be paid to shareholders of A shares and H shares listed on the Bank's register of shareholders after the market closes on July 10, 2024 (Wednesday). The Bank will suspend the registration procedures of H share ownership transfer from July 5, 2024 (Friday) (inclusive) till July 10, 2024 (Wednesday) (inclusive). The H-share holders of the Bank who wish to receive the proposed cash dividends must lodge their share certificates together with the share transfer documents with the Bank's H share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F, Hopewell Center, 183 Queen's Road East, Wan Chai, Hong Kong before 4:30 p.m. on July 4, 2024 (Thursday). In accordance with the relevant regulatory requirements and business rules, dividends for A shares are expected to be paid on July 11, 2024, and those for H shares on August 8, 2024.

The aforesaid proposed annual dividend distribution plan for 2023 is still subject to the review and approval of the 2023 Annual General Meeting of the Bank. The Bank will make further announcements on details of the distribution plan, distribution date, dividend-related tax matters and tax relief related to the dividends.

The Bank had no plans for converting capital reserve to share capital in the last three years. The cash dividends of ordinary shares for the last three years are as follows:

Cash dividends of ordinary shares for the last three years

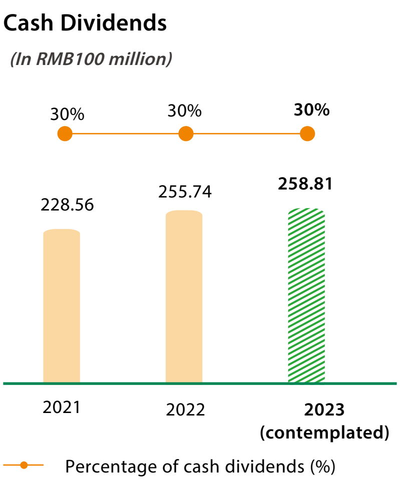
Items	2023	2022	2021
Distributed dividends per ten shares (before tax, in RMB)	**2.610**	2.579	2.474
Cash dividends (before tax, in RMB million)	**25,881**	25,574	22,856
Net profit attributable to equity holders of the Bank in the consolidated statements (in RMB million)	**86,270**	85,224	76,170
Percentage of cash dividends[(1)] (%)	**30**	30	30

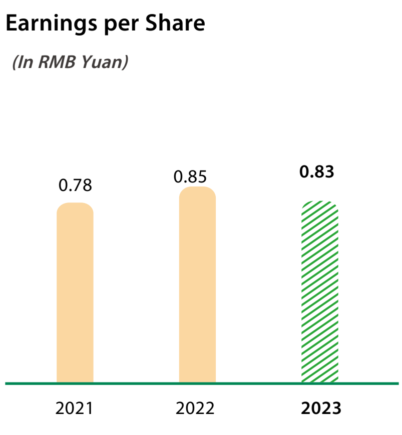
Note (1) : Calculated by dividing cash dividends on ordinary shares (before tax) by net profit attributable to equity holders of the Bank for the period.

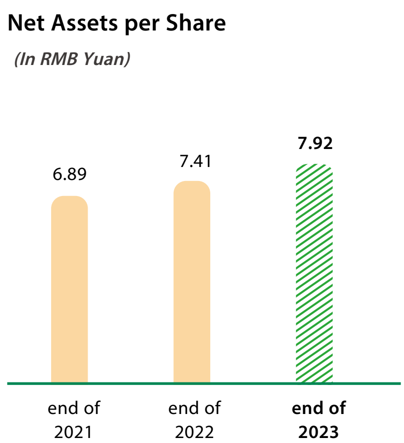
Implementation of Cash Dividend Policy

The Bank attaches importance to ensuring reasonable returns to investors as well as maintaining the continuity and stability of profit distribution policies. It takes into account the overall interests of all shareholders as well as the long-term interests and sustainable development of the Bank. The Bank may distribute dividends in cash or in shares, and priority shall be given to cash dividend distribution. In principle, the Bank distributes its profits once a year, and might consider interim profit distribution under certain conditions.

The formulation and implementation of the Bank's cash dividend policy comply with the provisions stipulated in the Bank's Articles of Association and the requirements provided in the resolutions of the Shareholders' General Meeting. The decision-making procedures and mechanisms are complete, and the dividend distribution standards and proportions are clear and explicit. Independent Non-executive Directors have diligently fulfilled their obligations, played their due roles, and expressed their opinions. Minority shareholders have the opportunity to fully express their opinions and demands, and their legitimate rights and interests are fully protected.







Report of the Board of Directors

Reserves

For details of changes in reserves of the Bank during the reporting period, please refer to "Consolidated Statement of Changes in Equity".

Financial Summary

For the summary of operating results, assets and liabilities for the five years ended December 31, 2023, please refer to "Financial Highlights".

Donations

During the reporting period, the Bank donated RMB15.4674 million (domestically).

Fixed Assets

For details of changes in fixed assets of the Bank during the reporting period, please refer to "Notes to the Consolidated Financial Statements – 24 Property and equipment".

Subsidiaries

For details of the Bank's majority-owned subsidiaries during the reporting period, please refer to "Discussion and Analysis – Majority-Owned Subsidiaries" and "Notes to the Consolidated Financial Statements – 22 Investment in subsidiaries".

Share Capital and Public Float

As at the end of the reporting period, the Bank had 99,161,076,038 ordinary shares in total (including 79,304,909,038 A shares and 19,856,167,000 H shares). As at the Latest Practicable Date, based on publicly available information, the Bank had maintained sufficient public float in compliance with the minimum requirement of the Hong Kong Listing Rules.

Tax Relief

Shareholders of the Bank are taxed in accordance with the following tax regulations and the amendments thereof from time to time, and may enjoy possible tax relief according to the actual situation. Shareholders should seek professional advice from tax and legal advisors. The laws, regulations and stipulations cited below are all relevant regulations issued as of December 31, 2023.

A-Share Holders

In accordance with the Notice on Implementing Differentiated Individual Income Tax Policy for Stock Dividends and Bonuses of Listed Companies (Cai Shui [2012] No. 85) and the Notice on Differentiated Individual Income Tax Policy for Stock Dividends and Bonuses of Listed Companies (Cai Shui [2015] No. 101) issued jointly by the MOF, the State Taxation Administration and the CSRC, for shares of listed companies obtained by individuals from public offerings or the transfer market, where the holding period is less than one month (inclusive), the dividends and bonuses shall be counted as taxable income in the full amount; where the holding period is more than one month and less than one year (inclusive), 50% of the dividends and bonuses shall be counted as taxable income on a provisional basis; and where the holding period exceeds one year, the dividends and bonuses are temporarily exempted from individual income tax. The above-mentioned income is subject to a uniform individual income tax rate of 20%. The dividends and bonuses obtained by equity investment funds from listed companies are also subject to individual income tax in accordance with the aforementioned rules.

In accordance with Article 26.2 of the Enterprise Income Tax Law of the People's Republic of China, dividends, bonuses and other equity investment proceeds distributed between qualified resident enterprises shall be tax-free.

In accordance with Article 83 of the Implementation Rules for the Enterprise Income Tax Law of the People's Republic of China, dividends, bonuses and other equity investment proceeds distributed between qualified resident enterprises referred to in Article 26.2 of the Enterprise Income Tax Law of the People's Republic of China mean those investment proceeds obtained by resident enterprises directly investing in other resident enterprises, excluding those investment proceeds obtained from publicly offered and tradable stocks of resident enterprises held for less than 12 months on a continuing basis.

In accordance with the Enterprise Income Tax Law of the People's Republic of China and the Implementation Rules for the Enterprise Income Tax Law of the People's Republic of China, dividend income obtained by non-resident enterprises shall be levied at a preferential enterprise income tax rate of 10%.

H-Share Holders

In accordance with Chinese tax laws and regulations, the dividends and bonuses received by overseas resident individual shareholders from stocks issued by domestic non-foreign enterprises in Hong Kong are subject to the payment of individual income tax, which shall be withheld by the withholding agents. However, overseas resident individual shareholders of stocks issued by domestic non-foreign enterprises in Hong Kong can enjoy relevant tax benefits pursuant to provisions in the tax conventions signed between China and the country where they reside or the tax arrangements between the Chinese mainland and Hong Kong (Macao). Accordingly, the Bank generally withholds 10% of the dividends to be distributed to individual H-share holders as individual income tax unless otherwise specified by relevant tax laws, regulations and agreements.

In accordance with the Notice on Issues concerning Withholding the Enterprise Income Tax on Dividends Paid by Chinese Resident Enterprises to H-share Holders Who Are Overseas Non-resident Enterprises (Guo Shui Han [2008] No. 897) issued by the State Taxation Administration of PRC, the Bank will withhold and pay enterprise income tax at a rate of 10% when distributing annual dividends to H-share holders who are overseas non-resident enterprises from the year of 2008.

In accordance with the current practice of the Inland Revenue Department of Hong Kong, there is no tax payable in Hong Kong on dividends paid by the Bank on H shares.

The taxation relating to Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect shall be implemented in accordance with the requirements of the Circular on Tax Policies concerning the Pilot Program of an Interconnection Mechanism for Transactions in the Shanghai and Hong Kong Stock Markets (Cai Shui [2014] No. 81) and the Circular on Tax Policies concerning the Pilot Program of an Interconnection Mechanism for Transactions in the Shenzhen and Hong Kong Stock Markets (Cai Shui [2016] No. 127) by the MOF, the State Taxation Administration, and the CSRC.

Purchase, Sale or Redemption of Shares

During the reporting period, the Bank and its subsidiaries did not purchase, sell or redeem any of its listed shares.

Pre-emptive Rights

There are no mandatory provisions in relation to pre-emptive rights in the Articles of Association of the Bank. According to the Articles of Association, the Bank may increase its registered capital by public or non-public issuance of shares, distribution of new shares to existing shareholders, placement of new shares to existing shareholders, conversion of capital reserve to share capital and other methods as permitted by laws, regulations and relevant authorities.

Equity-linked Agreement

During the reporting period, the Bank did not enter into or renew any other equity-linked agreements.

Major Customers

During the reporting period, the aggregate interest income and other operating income of the Bank's top five customers accounted for no more than 30% of the Bank's interest income and other operating income for the year.

Material Relationship with Employees and Suppliers

Due to the nature of its business, the Bank did not have major suppliers.

For details of the Bank's relationship with its employees, please refer to the 2023 Corporate Social Responsibility (Environmental, Social and Governance) Report of Postal Savings Bank of China published on the websites of the SSE, the Hong Kong Stock Exchange and the Bank.

Use of Raised Funds

The funds raised by the Bank have been used in accordance with the purposes disclosed in the offering prospectuses, which is to consolidate the Bank's capital base to support the continued growth of the Bank's business.

For the plan of the use of proceeds disclosed in the public disclosure documents such as prospectuses and offering prospectuses previously issued by the Bank, the implementation progress is in line with the planning as described after verification and analysis.

For details on the progress of the use of funds raised by the Bank during the reporting period, please refer to the announcement of the Bank dated March 28, 2024.

Directors' and Supervisors' Interests in Contracts of Significance

For details on the list of Directors and Supervisors, biographies and their changes, please refer to "Corporate Governance – Directors, Supervisors and Senior Management". During the reporting period, none of the Directors or Supervisors of the Bank or entities associated with such Directors or Supervisors had any direct or indirect material interests in any significant transaction, arrangement or contract entered into by the Bank or any of its subsidiaries in relation to the Bank's business. None of the Directors or Supervisors of the Bank entered into any service contract with the Bank or any of its subsidiaries that is subject to indemnification (other than statutory damages) upon termination by the Bank within one year.

Directors' and Supervisors' Interests in Competing Businesses

None of the Directors and Supervisors held any interest in any business that directly or indirectly competes or may compete with the Bank.

Directors' and Supervisors' Rights to Acquire Shares or Debentures

During the reporting period, the Bank did not grant any rights to subscribe for shares or debentures to any of its Directors or Supervisors, nor did any of such rights be exercised; nor did the Bank or its subsidiaries enter into any agreement or arrangement which would enable Directors and Supervisors to profit from the purchase of shares or debentures of the Bank or other companies.

Interests in Shares, Underlying Shares, and Debentures Held by Directors and Supervisors

As at the end of the reporting period, none of the Directors or Supervisors of the Bank held any interests or short positions (including interests and short positions in which they are deemed to have under such provisions of the SFO) in the shares, underlying shares or debentures of the Bank or any of its associated corporations (as defined in Part XV of the SFO) which are required to be notified to the Bank and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or any interests or short positions which have to be recorded in the register under Section 352 of the SFO, or any interests or short positions which have to be notified to the Bank and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Hong Kong Listing Rules. For details of the interests and short positions of the Bank's substantial shareholders and other persons, please refer to "Changes in Share Capital and Shareholdings of Shareholders – Interests and Short Positions Held by Substantial Shareholders and Other Persons".

Connected Transactions

During the reporting period, the Bank complied with laws, regulations and regulatory requirements, and strengthened the management of connected transactions. It refined the management mechanism, improved approval and filing processes, organized training, continued to cultivate a culture of compliance and further improved the management of connected transactions. The Bank's connected transactions were conducted in accordance with laws and regulations and were in the overall interests of the Bank and minority shareholders.

For further details on the connected transactions of the Bank and important contracts entered into between the Bank and its controlling shareholder or its subsidiaries, please refer to "Connected Transactions and the Implementation of the Management System for Connected Transactions".

For details of connected transactions defined under domestic and foreign laws, regulations and accounting standards, please refer to "Notes to the Consolidated Financial Statements – 40 Relationship and transactions with related parties".

Report of the Board of Directors

Remuneration of Directors, Supervisors and Senior Management Members

The remuneration plan of senior management members of the Bank shall be reviewed and approved by the Board of Directors. The remuneration plan of Directors of the Bank shall be submitted to the Shareholders' General Meeting of the Bank for further review and approval after it is reviewed and approved by the Board of Directors. The remuneration plan of Supervisors shall be submitted to the Shareholders' General Meeting of the Bank for further review and approval after it is reviewed and approved by the Board of Supervisors. The annual remuneration of Directors, Supervisors and senior management members shall be determined according to their annual assessment results. For details of the remuneration, please refer to "Corporate Governance – Directors, Supervisors and Senior Management". The Bank did not formulate any share incentive plans for the Bank's Directors, Supervisors and senior management members.

Permitted Indemnity Provision

According to the Articles of Association, unless the Directors, Supervisors or senior management members are proved to have failed in performing their duties and responsibilities honestly or in good faith, the Bank shall bear the civil liability incurred by the Directors, Supervisors and senior management members during their terms of office to the greatest extent permitted by laws and administrative regulations or to the extent not prohibited by laws and administrative regulations. The Bank has purchased liability insurance for Directors, Supervisors and senior management members for the potential liabilities that may arise from their discharge of duties.

Financial, Business and Family Relationship among Directors, Supervisors and Senior Management Members

Save as disclosed in this report, the Bank is not aware of any other financial, business, kinship or other material relationship between the Directors, Supervisors and senior management members of the Bank.

Management Contracts

During the reporting period, the Bank did not enter into or maintain any management or administrative contracts relating to the Bank's overall or important business.

Auditors

The financial statements of 2023 prepared by the Bank in accordance with the PRC GAAP and IFRSs have been audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP and Deloitte Touche Tohmatsu according to the Auditing Standards of China and International Standards on Auditing respectively, and both of them issued unqualified audit opinions.

Board of Directors of Postal Savings
Bank of China Co., Ltd.
March 28, 2024

Report of the Board of Supervisors

Work of the Board of Supervisors

During the reporting period, the Board of Supervisors of the Bank resolutely implemented the decisions and plans of the CPC Central Committee and the State Council, strictly followed regulatory requirements, earnestly performed its supervisory functions around the Bank's priorities, continuously improved the quality and efficiency of supervision, and earnestly safeguarded the legitimate rights and interests of the Bank and its shareholders, employees, creditors and other stakeholders, hence providing strong support for the Bank's high-quality development. All Supervisors performed their duties faithfully and diligently, discussed matters and made decisions in compliance with laws and regulations, expressed comments and suggestions independently, professionally and objectively, and intensively participated in supervision, inspection and surveys. Their time of duty performance for the Bank complied with regulatory requirements.

Supervision on Strategies

The Board of Supervisors championed the integration of the Party's leadership and corporate governance, and fully implemented the major decisions and plans of the CPC Central Committee. It continuously performed its supervisory responsibilities around the Bank's priorities, such as the implementation of the 14th Five-Year Plan and inclusive financial policies, improving the quality and efficiency of serving the real economy and building a green bank. The Board of Supervisors focused on the strategy of building up China's strength in agriculture, carried out special inspections in the building of creditworthy villages, improved the quality and efficiency of serving Sannong finance, and promoted rural revitalization across the board. It focused on the strategy of building China into a manufacturer of quality, carried out special supervision of risks in loans to the manufacturing sector, promoted the steady growth in loans to the manufacturing sector, and constantly improved the high-quality financial services for major strategies, key areas and weak links. The Board of Supervisors focused on the green development concept, and continuously paid attention to the growth of green finance, ESG, and climate risk management, in a bid to accelerate the building of a green inclusive bank, climate-friendly bank and eco-friendly bank. The Board of Supervisors closely tracked the Bank's implementation of the "5 plus 1" strategic path and the building of the "Major Capabilities in Six Aspects", in a bid to facilitate the Bank's high-quality development.

Supervision on Duty Performance

The Board of Supervisors carried out duty performance supervision and evaluation in accordance with law, constantly optimized duty performance evaluation procedures and indicators, and timely followed the procedures of reporting evaluation results to regulators. It strengthened the application of performance evaluation results, and conducted analyses of performance evaluation results for seven consecutive years. It communicated evaluation results and recommendations for improving performance on-site during meetings of the Board of Directors, and provided written feedback on evaluation results and related suggestions and advice to Directors and Supervisors. The Board of Supervisors strengthened the supervision of consolidated management, attached importance to the governance and operations of majority-owned subsidiaries, and carried out special supervision with the focus on the governance capability building of YOU+ BANK to improve the efficiency of corporate governance. It extended supervision to branches and sub-branches, and carried out special supervision on special committees of the senior management at tier-1 branches to improve the quality and effectiveness of governance at branches and sub-branches.

Report of the Board of Supervisors

Supervision on Risk Management

The Board of Supervisors carried out an in-depth study of the situation and risks, proactively performed duties of supervision, and ensured no systematic risks arise. It regularly debriefed work reports on comprehensive risk management, capital management and the implementation of the expected credit loss method, reviewed quarterly reports on the Bank's risks, internal control and financial supervision, and provided targeted supervisory opinions. The Board of Supervisors strengthened supervision over risks in key areas, exercised special supervision over Sannong Speedy Loan and residential mortgage loans to effectively prevent and mitigate financial risks. It carried out forward-looking risk studies for key industries, and conducted studies on risks in photovoltaic, real estate and construction industries. It intensified efforts to strengthen supervision over risk management capability, and conducted special supervision of capital management to promote the implementation of new rules on capital management and improve the capability of refined capital management. The Board of Supervisors strengthened the supervision of consolidated risk management, attached importance to operations and risk management of majority-owned subsidiaries, and improved the Bank's overall risk prevention capability. It closely monitored the changes in capital adequacy ratio, leverage ratio and other regulatory indicators to ensure the Bank's sound operations.

Supervision on Finance

The Board of Supervisors earnestly carried out financial supervision, and helped to achieve efficiency of refined management. It monitored major financial decisions and implementation, reviewed periodic reports, final accounts plan, profit distribution plans, assets and liabilities plans, fixed asset investment budget, capital allocation plan and other proposals. It also carried out supervision on development efficiency, closely monitored revenue and profit, net interest margin, ROA, economic value added and other indicators, focused on operational efficiency of majority-owned subsidiaries, and provided targeted supervisory opinions. It carried out supervision over the balance of development, paid attention to income from intermediary business, profit per capita and other key financial indicators, and pushed forward business transformation and high-quality development. The Board of Supervisors carried out supervision over refined financial management, and completed special supervision over management of non-performing loan collection and insurance claims. It continuously strengthened supervision of key financial areas, drove the Bank to constantly improve its refined management capability, and contributed to improving development quality in step with the management level.

Supervision on Internal Control

The Board of Supervisors conducted in-depth supervision on internal control, and worked hard to improve the efficiency of compliance management. It focused on the progress in establishing an internal control system, reviewed and debriefed proposals regarding the internal control evaluation, case prevention and management, consumer protection, and anti-money laundering, and constantly paid attention to the progress in establishing the internal control system. The Board of Supervisors pushed forward its monitoring of key areas for internal control, and carried out special supervision over regulatory penalties, and case prevention and management. It enhanced monitoring on the progress in information system building, and completed special supervision over the building of technological capability. The Board of Supervisors promoted supervision over employees' behaviors, and completed special supervision over the management of passive resigned employees. It strengthened the monitoring of consumer protection, and followed the handling of customer complaints and complaints forwarded by regulatory authorities. It strengthened the supervision of compliance management at agency institutions, and paid attention to the basic management of internal controls, position development, and law-compliant sales at agency outlets. It continuously enhanced the supervision over weak links in internal control, promoted the continuous improvement of the internal control management system across the Bank, further deepened the building of a compliance culture and laid a solid foundation for steady and sound business development.

Self-building

The Board of Supervisors continued to improve the work mechanism of supervision, and continuously improved supporting capacity via services. It continuously improved the regular and long-effect supervision mechanisms of rectification, kept a record of the implementation of rectification measures, and intensified efforts to track and supervise the rectification of problems on a daily basis. It carried out evaluation on rectification for the seventh consecutive year, enhanced the quality and efficiency of rectification, and improved the closed-loop management mechanism of supervisory opinions. The Board of Supervisors made innovations in supervision methods, and utilized internal and external data platforms and data mining technology to regularly analyze and study the economic development and operation and the special audit reports. It carried out management of supervisors' term of office in an orderly manner, and correspondingly adjusted the composition of special committees to ensure a sensible organizational structure of the Board of Supervisors. It implemented regulatory requirements in line with standards, systematically analyzed responsibilities and work requirements for the Board of Supervisors and its supervisors defined in related laws, regulations and supervisory policies, and enhanced improvement in related areas in a targeted manner.

Report of the Board of Supervisors

Work of External Supervisors

During the reporting period, External Supervisors of the Bank acted in strict compliance with the Articles of Association, performed their duties diligently, discussed at meetings in due course, and fully studied and reviewed all proposals. They actively participated in all supervision activities carried out by the Board of Supervisors, earnestly attended meetings of the Board of Supervisors and its special committees, and expressed professional, rigorous and independent opinions and recommendations, playing an active role in improving the corporate governance and the management of the Bank. Time spent by each External Supervisor on supervision for the Bank complied with the regulatory requirements.

Independent Opinions Issued by the Board of Supervisors

Law-compliant Operation

During the reporting period, the Board of Directors and the senior management of the Bank continued to operate in compliance with applicable laws and regulations and improved internal control policies, with the decision-making procedures complying with laws, regulations and the Articles of Association. The Directors and senior management members performed their duties conscientiously. The Board of Supervisors did not find they had any violation of laws and regulations or any act that harmed the interests of the Bank in their performance of duties.

Annual Report

The preparation and review procedures of this annual report of the Bank were in compliance with laws, regulations and regulatory provisions, and contents of this report reflected the actual conditions of the Bank truly, accurately and completely.

Use of Raised Funds

During the reporting period, the use of raised funds by the Bank was in line with the purposes as disclosed in the prospectuses.

Acquisition and Sale of Assets

During the reporting period, there was no insider dealing or any other act that impaired the shareholders' interests or resulted in losses of the Bank's assets in the process of the Bank's acquisition or sale of assets.

Connected Transactions

During the reporting period, the Bank 's connected transactions were conducted based on commercial principles. The Board of Supervisors did not find any activity that impaired the interests of the Bank. The approval, voting, disclosure and implementation of connected transactions complied with applicable laws and regulations and the Articles of Association.

Implementation of Resolutions Passed at the Shareholders' General Meeting

During the reporting period, the Board of Supervisors had no objection to the reports or proposals presented by the Board of Directors to the Shareholders' General Meeting for consideration. The Board of Directors earnestly implemented the resolutions approved at the Shareholders' General Meeting.

Internal Control

During the reporting period, the Board of Supervisors reviewed the Bank's annual internal control assessment report and had no objection to the report.

Implementation of Information Disclosure Management Rules

During the reporting period, the Bank performed its duty of information disclosure in strict compliance with the regulatory requirements, implemented the information disclosure management rules earnestly, and disclosed information in a timely and fair manner. Information disclosed during the reporting period was true, accurate and complete.

Corporate Social Responsibilities

During the reporting period, the Bank earnestly performed its social responsibilities. The Board of Supervisors reviewed the Bank's 2023 Corporate Social Responsibility (Environmental, Social, and Governance) Report and had no objection to the report.

Performance Evaluation of Directors, Supervisors, and Senior Management Members

All the Directors, Supervisors, and senior management members who participated in the 2023 performance assessment were evaluated as competent.

Save as disclosed above, the Board of Supervisors had no objection to other supervision issues during the reporting period.

Board of Supervisors of Postal Savings
Bank of China Co., Ltd.
March 28, 2024

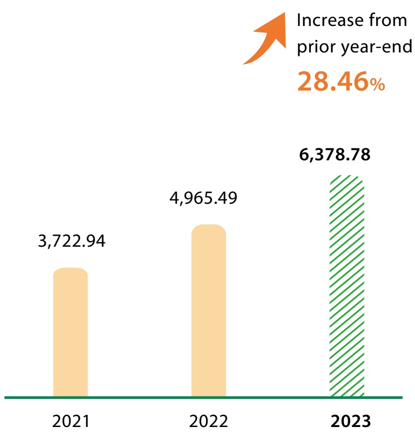
Environmental and Social Responsibilities

Green Finance

PSBC launched functions related to personal carbon accounts at mobile banking

Balance of green loans

(In RMB100 million)



The Bank thoroughly implemented the guiding principles of the 20th National Congress of the CPC, the Central Economic Work Conference and the Central Financial Work Conference, firmly established and put into action the philosophy that "lucid waters and lush mountains are invaluable assets", strictly followed national policies and regulatory requirements, and supported the UN's Sustainable Development Goals (SDGs) for 2030 and the Paris Agreement. From the aspects of top-level design, policy system, resource allocation, product innovation, risk management, technology empowerment and green operation, it comprehensively advanced green banking, vigorously developed sustainable finance, green finance and climate financing, explored transition finance and just transition, supported biodiversity protection, and contributed to the realization of carbon peaking and carbon neutrality goals. As at the end of the reporting period, the Bank's balance of green loans amounted to RMB637,878 million, up 28.46% over the prior year-end, and outpaced the average growth rate of the Bank's total loans for several consecutive years; the balance of green bond investments amounted to RMB36,769 million; the value of green bond underwriting amounted to RMB6,087 million. The Bank aligned with international mainstream initiatives and signed the UN Sustainable Blue Economy Finance Initiative as the first among major state-owned commercial banks in China. It was rated as an "Advanced Organization in Green Bank Evaluation" again by China Banking Association, and awarded "A" in MSCI's ESG ratings for three years in a row.

Improving green governance. The Bank advanced green banking at the strategic level, and strengthened green corporate governance. The Board of Directors, the Social Responsibility and Consumer Rights Protection Committee under the Board of Directors, and the Board of Supervisors regularly listened to reports about green banking and ESG management, and established and promoted the green development philosophy that advocates resource conservation, low carbon, environmental protection, sustainable development, etc. The senior management implemented decisions made by the Board of Directors; and the green finance steering groups for carbon peaking and carbon neutrality and the working groups regularly held meetings, set green finance goals, made overall plans and systematically advanced the work related to carbon peaking and carbon neutrality. The Bank promoted institutional and mechanism innovation, and set up a total of 28 green finance institutions, including carbon neutrality sub-branches, green sub-branches, and green finance departments, etc., in a bid to improve the quality and effectiveness of transition to low-carbon and green finance services.

Improving the management mechanism. The Bank continued to optimize the credit extension policy (Version 2023), and developed separate guidelines on the credit extension policy for green finance, according to which industries such as hydropower, nuclear power, wind power, photovoltaic power generation, biomass power generation, electrochemical energy storage, energy conservation and environmental protection, new energy vehicles, lithium-ion batteries, charging stations, railways, rail transit and marine industries were categorized as industries encouraged to finance. It put emphasis on biodiversity protection and climate change, and channeled more financial resources to biodiversity-related areas and nature-based solutions. It offered support for the green and low-carbon transition of high-carbon enterprises in industries like coal power, coal, iron and steel, nonferrous metals, etc. to meet their reasonable financing needs, prohibited providing support for overseas high-carbon fossil fuel energy projects such as coal and coal power, and resolutely implemented the one-vote veto system for environmental evaluation. The Bank issued documents such as the Key Points for Green Finance Work (Carbon Peaking and Carbon Neutrality) in 2023, and the Strategies for Business Development of Clean Energy Industries, etc. and clarified the goals and key tasks of green finance of the year to guide branches to conduct precision marketing and assist customers in their transformation and development.

Optimizing resource allocation. From aspects including performance assessment, scale of credit extension, internal funds transfer pricing (FTP), economic capital, internal audit, etc., the Bank channeled more resources to key areas of green finance such as low-carbon transportation, renewable energy, clean energy, green buildings, and energy conservation and environmental protection. It improved the mechanism for performance assessment, implemented a differentiated policy for measuring economic capital of green finance, further expanded the scope of economic capital measurement in green finance, and set an economic capital adjustment coefficient of 90% for green finance and other businesses. The Bank provided preferential interest rates and cut certain percentage points in FTP for green projects with significant emissions reduction, and cut 15 bps for green credits and green bonds, and 70 bps for green agriculture and green MSEs receiving inclusive loans.

Continuing product innovation. Firstly, carrying out pilot product portfolio innovation. It launched China's first "carbon reduction supporting tools + linkages of sustainability + e-CNY" loans scenario business, and underwrote the first green asset-backed commercial paper featuring the three labels of "carbon neutrality + rural revitalization + old revolutionary base area" in the market, in a bid to promote enterprises' transition to low-carbon development and set a new example for green finance services through product portfolio innovation. Secondly, exploring business innovation. The Bank granted China's first just transition loans to explore a new model for transition finance. The Bank issued its first green financial bond with a scale of RMB5 billion, and all the proceeds were used for industrial projects of infrastructure green upgrade specified in the Green Bond Support Project Catalogue (2021). Thirdly, strengthening product innovation. The Bank launched several sustainability-linked financing businesses and made innovations in Green G Discount. As at the end of the reporting period, the face value of discounted bills totaled RMB4,013 million on a cumulative basis. The Bank continued to provide carbon accounting services for corporate customers. As at the end of the reporting period, it completed carbon accounting for a total of 4,067 enterprises. It launched two ESG-theme wealth management products, i.e., 2023 PSBC Wealth Yueyi • Hongjin Closed-end RMB Wealth Management Product (Tranche 13) (ESG Selected) and 2023 PSBC Wealth • Hongjin Closed-end RMB Wealth Management Product (Tranche 32) (ESG Selected) of

PSBC Wealth Management. It launched personal carbon accounts in the low carbon section on mobile banking, which would record users' low-carbon behaviors related to green finance, green life and other scenarios, and encourage users to put into practice the low-carbon philosophy in their life.

Strengthening ESG and climate risk management. The Bank improved climate risk database. Through the "Jinjing" (Gold Eye) credit risk monitoring system, the Bank had access to 13 types of environmental protection data, including annual greenhouse gas emissions, annual corporate pollutant emissions, climate data of listed companies, color changes in environmental performance levels, daily averages of data exceeding the standard through online monitoring, regulatory records, blacklist in regulatory records, feedback on corporate regulatory records, corporate feedback status, pollutant discharge permits, greenhouse gas emission reports, carbon accounting of corporate clients, red lines for ecological conservation, etc., to strengthen digital empowerment and technology application. It identified and assessed the impacts that were brought by climate risks (including physical risks and transition risks) and might be transmitted to traditional risks such as credit risk, market risk, liquidity risk, operational risk, reputation risk, etc., including the impact of climate change on the macro environment, the industries, the repayment ability of the Bank's credit customers or projects, and market prices of collaterals. The Bank carried out special ESG and climate risk investigation for seven consecutive years, and conducted special ESG risk investigation across the Bank as well as special climate risk investigation of enterprises with high energy consumption and high pollution, and introduced risk mitigation measures for each issue of risk-involved customers. It conducted stress tests of climate risk for eight high-carbon industries. The test results showed that under the stress scenario, the credit risk of some high-carbon customers increased, but the impact on the Bank's capital adequacy level was generally controllable.

Enhancing capacity building. The Bank carried out digital transformation of green finance, and completed PBC's pilot project for the comprehensive application of financial data titled "Big Data Technology-Based Green Credit Service", and promoted the function of automatic identification of green labels across the Bank. The "Digital Transformation Empowering the Development of Green Finance" project of the Bank was named one of the "Model Cases of Digital Transformation of Listed Companies in 2023" by China Association for Public Companies. It conducted the research titled "Transition Finance Supporting Just Transition: The Role of Commercial Banks" jointly with the National School of Development at Peking University, and the research on ESG ratings and investment of public companies, of which the project was approved by China Association for Public Companies. The Bank also took part in teaching material compilation and research of topics together with China Banking Association, Green Finance Committee of China Society for Finance and Banking, and China Carbon Neutral Action Alliance. It enriched its green finance training system, and organized bank-wide training on credit policies, green credit statistics, ESG and climate risks, etc.

Column: Launching China's First "Carbon Reduction Supporting Tools + Linkages of Sustainability + E-CNY" Loans

Guangxi Branch of the Bank launched China's first "carbon reduction supporting tools + linkages of sustainability + e-CNY" loans scenario business in Nanning, Guangxi.

The loan was granted to an energy company in Guangxi. As an energy investment and operation company under a large state-owned enterprise in Guangxi, the company focuses on investment and operation of traditional energy and new energy. During the developing period of the project, the company received fund support from PSBC, and the loan was used for a distributed solar PV project with a total installed capacity of 8.48MW. It is estimated that the project will have an annual generation capacity of 8.0779 million kWh. Compared with the current coal-fired power plants, the project can save 2,463.75 tons of standard coal per year, reduce carbon dioxide emissions by 8,053.64 tons, with significant progress in energy conservation, emission reduction and environmental protection.

Such loan can receive fund through the carbon-reduction supporting tool of the People's Bank of China. The Guangxi Branch of the Bank provided preferential interest rates for the loan to this project, and the loan setting indicators were linked to the sustainability performance goals. If the borrower achieves the target of newly installed capacity for renewable energy generation during the agreed period, the interest rate would remain unchanged. Otherwise, the interest rate for the third interest-bearing year will be raised, in a bid to stimulate the enterprise to proactively promote carbon reduction by utilizing advanced technologies and high-efficiency equipment. This will enable the enterprise to enjoy the preferential interest rates brought by carbon reduction while obtaining great environmental and social benefits.

Meanwhile, the Bank conducted loan disbursement in e-CNY in an innovative way. Both the borrowing enterprise and project contractor opened corporate e-CNY wallets at the Bank, and the loan was disbursed in e-CNY to the borrowing enterprise and paid to the project contractor in a targeted way, which reduced the risk of fund embezzlement, and ensured closed-loop flow of the credit funds and the authenticity and reliability of the use of the loan. The enterprise needed no charge and service fee for subsequent payment in e-CNY, and the real-time crediting reduced capital costs while improving the capital turnover efficiency for the enterprise.

Green Operations

The Bank followed the concept of prioritizing energy conservation and conducting low-carbon operation, and continuously promoted and put into practice green operations. The Head Office signed letters of commitment on ecological and environmental protection of 2023 with principal responsible persons of 36 tier-1 branches and majority-owned subsidiaries, to fulfill its commitment to ecological and environmental protection. It issued the Regulations of the Head Office on Energy Management of Postal Savings Bank of China Co., Ltd. (Revised Version 2023) and the Score-based Management Measures for Minor Non-compliance of Employees of Postal Savings Bank of China Co., Ltd. (Revised Version 2023) to enhance internal control, standardize employee behaviors and strengthen the holistic vision on green operation for employees on different positions. The Bank encouraged employees to take the lead in practicing a green lifestyle, act as an important participant, contributor, and torchbearer in the building of beautiful China, and raise their awareness of energy conservation, environmental protection and ecological conservation; resolutely stop wasting food and reduce the use of disposable items; accelerate the transition to a frugal, green, low-carbon, and healthy lifestyle in various aspects such as clothing, food, housing, transportation, and travel. In accordance with the Energy Management Systems – Requirements with Guidance for Use (GB/T23331-2020), the Bank prepared the Energy Management Manual of Postal Savings Bank of China Co., Ltd., established an energy management system and put it into trial use. It proactively implemented various work plans of national and local governments for energy conservation and carbon reduction, and by strengthening organizational leadership, the total energy consumption and energy intensity have been decreasing year by year. The Head Office was rated "Excellent" in the assessment organized by Xicheng District Government, Beijing, on the performance of key energy consuming organizations of the year in meeting the targets and fulfilling the responsibilities for energy saving for the second consecutive year.

Continuously promoting the development of green buildings, and strengthening technological innovation. Following the concept of "improving efficiency and promoting green development", all branches strictly implemented the requirements of local governments on green buildings, and advanced the development of green banking in a solid and orderly manner. For example, in the renovation of the business premises of PSBC Zhejiang Branch, the design was carried out in strict accordance with the Design Standard for Energy Efficiency of Public Buildings; and the business premises of PSBC Dongguan Sub-branch were designed and constructed in strict accordance with the national I-star standard set forth in the Implementation Plan for the Green Building Action in Dongguan. The Hefei Base (Phase III) project adopted advanced construction technology and produced outstanding comprehensive benefits. The project applied new technologies in 9 major categories and 22 sub-categories, and obtained more than 20 awards, including national, provincial and ministerial-level awards, and awards of the Building Information Modelling (BIM) Competition and Quality Control (QC). The solar photovoltaic system installed in the base has an installed capacity of 125.345kW and an annual power generation of 132 thousand kWh, all of which is generated and used by the base, realizing the application of green electricity. In December 2023, the project was awarded the National Quality Engineering Award by the China Association of Construction Enterprise Management.

Putting into action the green procurement concept. The Bank clearly required that the principles of openness, fairness and impartiality should be followed in procurement policies, and prioritized the procurement of green, energy-saving, and environment-friendly products, and products with green labels. In the process of admitting supplier qualification, business rating, agreement signing, and post evaluation, etc., the suppliers' green environmental protection, environmental management, and other aspects concerning assuming green responsibilities were taken as important evaluation indicators. The Bank also organized suppliers to sign the Agreement on Energy Conservation, Emission Reduction and Green and Eco-friendly Development.

Care for Employees

Launching "PSBC Voice" Event, and Promoting Greater Benefits for both Enterprise and Employees

Focusing on "Innovation in Workplace", "Career Growth", "Confusion in Work" and other hot topics of employees' concerns, the Bank launched the "Together for the Better – PSBC Voice" event, and aimed to listen to employees' voices, evoke strength, trigger thoughts, and reach consensus. The opening ceremony of the event was held at the Head Office of the Bank, with on-site experience zones and touring displays available in Beijing, Shenzhen and Zhejiang branches, and supplementary online activities available for the whole Bank. The senior management members took part in the activities by various means to have in-depth communications and interactions with employees. In a message given by President Liu Jianjun, he said that communication plays an important role in promoting talent exchanges, removing departmental barriers, stimulating innovative thinking, and increasing enterprise vitality. He also encouraged employees to think proactively, make their voices heard, and take the event as an opportunity to jointly create an equal, open and inclusive workplace and build synergy for development.

During the event, six theme areas of "Cheering for Your Career", "Stories of Young Employees", "PSBC Institute", "Journals by New Hires", "Work Attitudes", and "PSBC Live Show" and innovative photo-op spots were set up, and aimed to have more "dialogues" with employees, strengthen the corporate cultural consensus, and bring greater benefits to PSBC and employees through immersive interaction.

Opening ceremony at the Head Office

On-site photo of Zhejiang Branch

On-site photo of Shenzhen Branch

On-site photo of Beijing Branch

Scan to learn more about the "PSBC Voice" Event

Column

Building a "Free Expression" Platform to Listen to Employees' Voices

Faced with the fast changes of the times, the business transformation of commercial banks is confronted with unprecedented challenges. Only by being full of vigor, having open mindset, embracing changes, continuing with innovation, breaking through hierarchical and linear constraints, and gathering the wisdom of all employees across the Bank, can the Bank stay on a steady and sustained development course, and nurture opportunities for development and reform. The Bank attached great importance to innovation and development and earnestly listened to the opinions and suggestions of employees, independently built and managed the internal network titled "Free Expression" platform where all employees can make their voices heard anonymously or in their real name. The platform adheres to the principles of focusing on development, giving equal opportunities for voicing, and prohibiting retroactive investigation, provides a direct channel for employees at all levels to report issues, propose suggestions and share innovative ideas and experience as well as for institutions at all levels to listen to the appeals from primary-level employees and communicate authoritative information, in a bid to build consensus and act in an innovative spirit to pursue high-quality development throughout the Bank.

It is an important measure for the Bank to launch the "Free Expression" platform, which is an innovative digital method of the Bank, to strengthen major capabilities in six aspects, convey the concept of "innovation creates value", and remove constraints that traditional organizational mode has imposed on innovation and reform. Leveraging this platform, the innovative ideas from the primary level can rapidly reach the headquarters for decision making, so that the senior management members can directly pay attention to and solve problems. Meanwhile, the Bank made a series of institutional arrangements and technology applications, such as setting an integral closed-loop disposal mechanism, building a dedicated management team, incorporating the progress in disposal and execution into performance evaluation, and conducting selection of rational suggestions. This had effectively accelerated conversion of high-quality suggestions, solved problems, promoted successful experience, optimized products and services, improved management decision-making efficiency, removed barriers and pain points in work, and provided support and empowerment for employees at the front-line.

Since the bank-wide popularization of the "Free Expression" platform in 2023, it has effectively played a positive role in streamlining decision-making levels, boosting business transformation, and building an innovative culture, and fully motivated employees to take part in innovation. During the reporting period, the platform viewership reached 5.2 million person-times, and exchanged a total of 180,000 opinions. Employees provided many valuable and insightful suggestions and advices based on their work experience, observations and industry experience, which triggered extensive discussions. Responsible institutions gave positive responses to employees' concerns, set multiple interactive columns including Sannong finance, inclusive finance and technological operation, collected and followed opinions on issues, and earnestly pushed forward the implementation. For example, when a customer manager reported that the risk control rules influenced user experience, the business and risk control teams immediately held a meeting and adjusted the pre-warning strategy, and improved the procedures within five days, which ensured business development and customer services. When technical personnel proposed suggestions on data asset application, the data management department proactively communicated with the employee to confirm the details, and upgraded the system a week later, which provided strong support for operation.

Continuing the Annual PSBCer Survey to Learn About Employee Experience

Starting from 2018, the Bank has conducted the annual PSBCer survey for six consecutive years. Based on employee experience, the survey focuses on PSBC's business transformation from the perspectives of employees, conveys employees' real feelings for work and life as well as their career propositions centering on the sense of happiness, security and fulfillment, as well as the organizational climate and career growth, and expresses employee voices in a data-based way, thus providing a basis for creating a more popular workplace.

In 2023, the Bank analyzed indicators that have an influence on employee experience, including satisfaction with work, sense of identity and belonging, happiness index, and stress perception, launched the "PSBCer index" for the first time to quantify the comprehensive assessment on employee experience, and prepared the report titled Bringing Mutual Benefits – Annual PSBCer Survey 2022. At the same time, focusing on the appeals from different groups, the Bank conducted special analysis to elaborate on how to find out the pain points of employees, understand their appeals and serve them in an efficient manner under new conditions, in a bid to bring greater benefits to the Bank and employees and support them to make greater progress while maintaining a benign linkage with the growth of the Bank's economic benefits. The survey covered employees at all positions of the 36 tier-1 branches, majority-owned subsidiaries, and all business lines of Head Office organs, and effective sample data totaled 145,899 entries, from nearly 80% of the total employees of the Bank.

Environmental and Social Responsibilities

Enriching Functions of Family Culture, and Caring for Employees' Physical and Mental Health

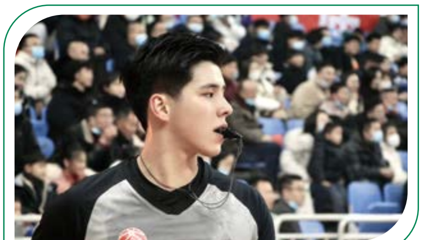
In 2023, the Bank continued to explore innovative and effective ways and approaches to serving the primary level and employees. It took several steps to build staff homes, making it a better and cosy place and the most frontline and direct stronghold for employee care, and organized the selection of excellent outlets providing care services internally throughout the Bank. It carried out in-depth work experience exchanges on serving employees, completed three rounds of three-year planning for building staff homes bank-wide, continued to enrich the connotation of family culture and promote the concept of family culture, and helped employees have a greater sense of fulfillment, happiness and security.

The Bank attached importance to building a healthy and positive work-life philosophy. With the overall goal of "developing the awareness of mental health, enhancing the ability of psychological adjustment, and promoting the development of a harmonious enterprise", it called for efforts to proactively face the root causes of stress from the source, provided guidance to create a sound working atmosphere, and made solid progress in providing psychological care services for employees. From four dimensions of mechanism formation, team building, consolidation of positions and demonstration site building, the Bank created mental health centers and teams of mental health professionals, carried out pilot programs to play a guiding and exemplary role, opened a mental health hotline, and organized various mental care activities for frontline employees such as mental health lectures, employee mental care skill training, and psychological counseling. All of these efforts encouraged and helped employees shape a positive mindset.

Continuing to Encourage the Bank's Young Employees to Grow in a Well-rounded Way

Adhering to the purpose of "letting the brilliance of young PSBCers be seen", the Bank launched the cultural IP project of "PSBC New Youth" in recent years. It focuses on the young PSBCers from different regions, displays diversified profiles of modern young PSBCers, and, by way of storytelling, highlights the core characteristics of "PSBC New Youth": pioneering actions and interesting souls.



Through the WeChat official account of PSBC Labor Union, the Bank published stories of nearly 30 young PSBC employees. Among them, some developed from the third-party contractors to sub-branch management personnel, some are outstanding university graduates who chose to go back to the rural area and make contributions, some are sub-branch heads who were transferred from the inland region to the northwestern region, some are loan officers who travelled from northeastern region to the south part of the country, and some are customer managers holding a national referee certificate. They work hard and shine in different regions and at different positions, and their stories provide great emotional value and inspirations, and generate strong emotional and inner heart resonance among the young employees of the Bank. As the messages at the end of the text say, "as a peer, I'm deeply touched after reading these stories. Thinking of every day of hard work and every drop of sweat shed, I pay tribute to PSBC new youth!" and "as a primary-level employee, we really need such stories with positive energy. When we feel confused about our career, it feels like a beam of light that illuminates the way forward.".

Scan to read columns of "PSBC New Youth"

After two years of cultivation and development, the cultural IP project of "PSBC New Youth" created a communication matrix integrating online and onsite forms such as written stories, comics, videos, peripheral cultural and creative products and pop-up activities, and fostered a dynamic environment in which all young employees of the Bank are able to fully tap their potential and excel. In addition, the Bank launched peripheral cultural and creative products that made a hit among the employees.

Environmental and Social Responsibilities

Consumer Protection

Adhering to people-centered development philosophy, the Bank strengthened its understanding of the political consciousness and put people first in the financial work, incorporated consumer protection into its corporate governance, corporate culture building and business development strategies, continued to improve the whole-process consumer protection that involves prevention, in-process control, and post-event supervision, and fulfilled the main responsibility for protecting consumer rights and interests substantially.

During the reporting period, the Bank complied with regulatory regulations such as the Administrative Measures for Consumer Protection in Banks and Insurance Institutions, amended the management measures for consumer rights protection, complaint management measures, and management measures for the protection of consumers' personal information, and improved the consumer protection system. As per the principle of "prevention first", it conducted in-depth and detailed review of consumer protection, where the policies, rules, business rules, fee prices, terms and conditions of agreements, and publicity texts that may affect consumers' rights and interests were checked and assessed, and brought forward the timing of risk control. It optimized the complaint management mechanism, stepped up the complaint monitoring and alert efforts, and continuously improved the quality of products and services. It continuously intensified efforts in training, supervision and inspection, and carried out educational activities for publicizing financial knowledge, advanced digital transformation, and endeavored to enhance the capabilities of consumer protection.

The Bank proactively carried out promotional activities such as the "March 15" Week on Education and Publicity of Consumer Protection, the Journey for Financial Knowledge campaign, and the Month on Education and Publicity of Financial Consumer Protection, and brought into full play the advantages in extensive outlet network covering both urban and rural areas. During the education and publicity month, the Bank, in light of the current situation that rural areas lack educational and publicity resources, conducted a special publicity campaign themed on "Spreading Financial Knowledge in Rural Areas", provided more publicity resources for remote areas, poverty-stricken areas and places with high concentrations of minority people, and raise the financial awareness of rural consumers. During the campaign, the Bank carried out publicity campaigns in 7,174 villages, and reached 13.73 million rural consumers.

Social Responsibilities

Continuously Carrying Out "PSBC Care" Public-interest Activities, and Contributing to the Society

The year 2023 marked the 6th anniversary of the founding of PSBC Foundation, which focuses on the field of education, provides educational funds and support for students and contributes to the society. In 2023, PSBC Foundation raised a total of RMB11.7079 million.

The Bank continued to organize PSBC welfare campaigns with colorful activities. In 2023, it funded two PE classrooms, and donated caring packages to primary school students in rural areas of Dongchuan District, Yunnan Province. The PSBC Welfare Day campaign called on all employees across the Bank and inspired those who are enthusiastic about charity work to donate for the public good. All institutions at different levels of the Bank combined green public good and community welfare with the Welfare Day. They organized a wide range of activities such as community services, strolls, and tree planting, and promoted the concept of PSBC welfare to the society.

The PSBC Self-improvement Class campaign was launched again. Students of PSBC Self-improvement Class took the college entrance examination, with an undergraduate admission rate of 61%. Some students were admitted to China's prestigious universities such as Tsinghua University, Peking University, Zhejiang University, Nankai University, Harbin Institute of Technology, Beijing Normal University, and Central University of Finance and Economics with excellent academic performance. The PSBC Scholarship funded a total of 1,346 students. New PSBC Self-improvement Class started officially, and representatives of volunteers of the Bank went to some schools to attend the opening ceremony, and they conveyed the care of PSBC by participating in interactive activities and special class meetings, and visiting students' families for greetings.

For details about the Bank's efforts in building on the achievements in poverty alleviation, serving rural revitalization, and providing financial support for micro and small-sized enterprises, please refer to "Discussion and Analysis – Business Overview". For details of the Bank's fulfillment of social responsibilities, please refer to the 2023 Corporate Social Responsibility (Environmental, Social and Governance) Report of Postal Savings Bank of China published on the websites of the SSE, the HKEX and the Bank.

Connected Transactions and the Implementation of the Management System for Connected Transactions

Connected Transactions with China Post Group[1]

As at the end of the reporting period, China Post Group directly held approximately 62.78% of the total issued equity shares of the Bank, and was the Bank's controlling shareholder. According to the provisions on connected transactions of the NFRA, the CSRC, the SSE and the Hong Kong Stock Exchange, China Post Group and its associates are the Bank's related parties, and the following transactions constitute connected transactions of the Bank under various regulatory rules. During the reporting period, the Bank fully complied with relevant provisions for connected transactions under various regulatory rules, and entered into the following transactions with China Post Group and its associates in the ordinary course of business on normal or better business terms.

Agency Banking Businesses

On September 7, 2016, the Bank and China Post Group entered into the Agency Banking Businesses Framework Agreement in relation to the Bank's entrustment of China Post Group (the "Agency Banking Businesses Framework Agreement") to conduct certain commercial banking businesses through agency outlets in accordance with requirements as stipulated in the Notice of the State Council on Issuing the Plan for Reforming the Postal System (Guo Fa [2005] No. 27) and the Notice of the China Banking Regulatory Commission on Issuing the Measures for the Administration of Agency Business Institutions of Postal Savings Bank of China (Revision) (Yin Jian Fa [2015] No. 49). The Agency Banking Businesses Framework Agreement came into effect from September 7, 2016 with an indefinite term provided that the regulatory requirements are met in places where the Bank's shares are listed or relevant requirements are exempted.

In accordance with the Notice of the State Council on Issuing the Plan for Reforming the Postal System (Guo Fa [2005] No. 27) and the Notice of the China Banking Regulatory Commission on Issuing the Measures for the Administration of Agency Business Institutions of Postal Savings Bank of China (Revision) (Yin Jian Fa [2015] No. 49), both the Bank and China Post Group are required to follow the exclusive and indefinite operation model consisting of both directly-operated outlets and agency outlets, and neither the Bank nor China Post Group is entitled to terminate the agency arrangement. In the event that national policies are adjusted in the future which allow for the termination of the agency arrangement between China Post Group and the Bank, following friendly negotiations between China Post Group and the Bank, where the Bank terminates the Agency Banking Businesses Framework Agreement, written opinions from all Independent Directors of the Bank and a resolution by the Board of Directors are required. Additionally, the Bank shall comply with the filing and approval procedures as required by relevant laws and regulations (if necessary).

When the Bank got listed in the H-share market in 2016 and in the A-share market in 2019, due to the particularity of the agency banking businesses, it was not feasible to project the annual caps. According to relevant provisions of the Hong Kong Listing Rules, requirements to keep the term of the agreement within three years and to project annual caps were exempted. Meanwhile, pursuant to relevant provisions in the SSE Listing Rules, review and disclosure as connected transactions were exempted.

1 Except for the connected transactions between the Bank and China Post Group and its associates disclosed in this section that constitute connected transactions under the Hong Kong Listing Rules, the other connected transactions disclosed in this section do not constitute connected transactions under the Hong Kong Listing Rules, and the Bank has no other connected transactions or continuing connected transactions that shall be disclosed according to relevant provisions on connected transactions in the Hong Kong Listing Rules.

Agency Deposit-Taking Business

Pursuant to the Agency Banking Businesses Framework Agreement, China Post Group provides the Bank with agency Renminbi personal deposit-taking business and agency foreign currency personal deposit-taking business.

Agency Renminbi Deposit-Taking Business

The Bank calculates the deposit agency fees for the agency Renminbi deposit-taking business payable to China Post Group according to the principle of "Fixed Rate, Scaled Fees Based on Deposit Type", i.e., different fee rates are applied to deposits with different maturities (the "Scaled Fee Rates"), and the actual weighted average deposit agency fee rate (the "Composite Rate") is calculated based on the Scaled Fee Rates and the daily average balance of agency deposits. The Composite Rate is capped at 1.50%.

The formula for calculating the deposit agency fees of the Bank is:

Monthly deposit agency fees at an outlet = Σ (aggregate amount of deposits for each type of deposits at the outlet for the month × the corresponding scaled fee rate/365) – aggregate cash (including that in transit) for the month at the outlet × 1.50%/365

When calculating the actual amount of deposit agency fees payable by the Bank based on the aforesaid formula, the deposit agency fees corresponding to the cash at the relevant outlet, which comprises reserves held by agency outlets and agency deposits in transit, are deducted.

During the reporting period, the aggregate amount of deposit agency fees paid by the Bank for the agency Renminbi deposit-taking business was RMB115,623 million with a Composite Rate of 1.24%, lower than the agreed cap on Composite Rate of 1.50%.

The table below sets forth the average daily balances, Scaled Fee Rates and the corresponding deposit agency fees for each type of deposits paid to China Post Group by the Bank for the agency Renminbi deposit-taking business during the reporting period:

In RMB million, except for percentages

	For the year ended December 31, 2023		
Type	**Average daily balance**	**Scaled Fee Rates (%)**	**Deposit agency fees**
Demand deposits	**2,080,719**	**2.33**	**48,481**
Time-demand optional deposits	**14,853**	**1.50**	**223**
Call deposits	**42,286**	**1.70**	**719**
3-month time deposits	**166,080**	**1.25**	**2,076**
6-month time deposits	**252,535**	**1.15**	**2,904**
1-year time deposits	**5,318,262**	**1.10**	**58,501**
2-year time deposits	**611,376**	**0.35**	**2,140**
3-year time deposits	**810,787**	**0.10**	**811**
5-year time deposits	**4,655**	**–**	**–**
Daily balance of cash (including cash in transit)	**15,467**	**1.50**	**(232)**[1]
Total	**9,301,553**	**1.24**	**115,623**

1 Pursuant to the Agency Banking Businesses Framework Agreement, 1.50% shall be applied for calculating the deposit agency fee corresponding to cash, which is to be deducted from the total deposit agency fee payable.

Connected Transactions and the Implementation of the Management System for Connected Transactions

The adjustment of deposit agency fees includes active adjustment and passive adjustment. China Post Group and the Bank may proactively adjust the Scaled Fee Rates according to factors such as actual business demands. Meanwhile, according to the agreement of both parties, a passive adjustment mechanism shall be triggered when there is a significant change in the interest rate environment in the future. Since the signing of the Agency Banking Businesses Framework Agreement on September 7, 2016, the Bank and China Post Group have not proactively adjusted the Scaled Fee Rates of deposit agency fees, but made a passive adjustment to the Scaled Fee Rates of deposit agency fees[1] in 2022.

To effectively control the funding cost and maintain a steady growth in the size of deposits, the Bank introduced relevant mechanisms to boost the increase of deposits, including two arrangements, i.e., cost-sharing for increase on deposits interest rates and incentives for deposits. The Bank and China Post Group have agreed that the amount of deposit incentives shall not be higher than the payment by China Post Group under the cost-sharing mechanism for increase on deposits interest rates under any circumstances. During the reporting period, the net settlement amount of the Bank's deposit-boosting mechanisms was minus RMB720 million[2].

Agency Foreign Currency Deposit-Taking Business

As the agency fees for foreign currency deposit-taking business are insignificant, they are not calculated according to the formula of "Fixed Rate, Scaled Fees Based on Deposit Type", but according to the market practice:

For short-term foreign currency deposits (with a term of less than 12 months), the Bank calculates the short-term deposit agency fee rate by deducting the Composite Rate of interest payable to customers on the foreign currency deposits with corresponding term from the composite interest rate calculated based on the interest rate of foreign currency with the corresponding term on the PRC interbank foreign currency market quoted on Bloomberg. For long-term foreign currency deposits (with a term of 12 months or more), the Bank calculates the deposit agency fee rate by deducting the Composite Rate of interest payable to customers on the foreign currency deposits with the corresponding term from the composite interest rate calculated based on the interest rate of foreign currency with corresponding term in the global interest rate swap market quoted on Bloomberg and adjusting for the difference between the China overnight interbank borrowing rate for foreign currency and the interbank borrowing rate of relevant foreign currencies generally accepted by the banking industry.

During the reporting period, the amount of deposit agency fees for the Bank's foreign currency deposits was insignificant.

Agency Intermediary Banking Business

Pursuant to the Agency Banking Businesses Framework Agreement, China Post Group provides agency intermediary banking business services to the Bank via agency outlets, which mainly include settlement services, agency financial services and other services. Settlement services primarily include cross-region transactions, interbank transactions, personal remittance, cross-border remittance, SMS business, and other settlement businesses, while agency financial services and other services primarily include bancassurance, agency sales of wealth management products, agency sales of funds, agency sales of government bonds, agency sales of assets management plans, agency collection and payment services, and other services.

1 For details of this passive adjustment, please refer to the announcements of the Bank dated September 29, 2022 and November 1, 2022.

2 Pursuant to the agreement between the Bank and China Post Group, the deposit agency fee and the settlement amount of the deposit-boosting mechanisms were settled on a net basis, and the Renminbi deposit agency fees and other amounts totaled RMB114,903 million in 2023.

Agency intermediary banking business is one of the core services the Bank provides to its customers. Most customers of agency outlets access intermediary banking services in the outlets. Comprehensive services including intermediary banking services available at agency outlets help the Bank attract customers and deposits, enhance their loyalty, promote cross-selling among business lines, and thereby are significant in boosting the Bank's development and expansion. Since the Bank is the principal provider of the agency intermediary banking services and pursuant to the requirement of accounting standards, income from the agency intermediary banking business shall initially be recognized by the Bank, and the fees and commissions shall then be paid to postal enterprises by the Bank following the principle of "fees payable to the entity which provides the services".

During the reporting period, fees payable by the Bank for the agency intermediary banking business were RMB19,633 million, of which fees payable for settlement services provided by agency outlets were RMB6,760 million, and fees payable for agency financial services and other services by agency outlets were RMB12,873 million.

Land Use Rights and Property Leasing

Pursuant to the Land Use Rights and Property Leasing Framework Agreement between China Post Group Corporation Limited and Postal Savings Bank of China Co., Ltd. entered into between the Bank and China Post Group on October 28, 2021 (the "Land Use Rights and Property Leasing Framework Agreement"), the Bank and China Post Group and its associates lease their properties, ancillary equipment and other assets to each other in the form of operating lease in the ordinary course of business. The Land Use Rights and Property Leasing Framework Agreement came into force on January 1, 2022 and will remain in force until December 31, 2024. On the premise that both parties to the agreement raise no objections and regulatory requirements are met in places where the shares of the Bank are listed, the Land Use Rights and Property Leasing Framework Agreement shall be automatically renewed for a further term of three years upon expiry, and shall be renewed once at most. For details of the signing of the connected transaction agreement, please refer to the Bank's announcement dated October 28, 2021.

During the reporting period, China Post Group and its associates paid a total of RMB68 million of rent to the Bank for leasing certain of the Bank's land use rights, properties and ancillary equipment for business or office purposes. China Post Group agreed to lease certain assets including land use rights, properties and ancillary equipment to the Bank. The above-mentioned properties and ancillary equipment leased by the Bank were mainly used as outlets or offices. The total amount of rent paid by the Bank to China Post Group and its associates for leasing properties and ancillary equipment was RMB892 million.

The amount of lease transactions provided by the Bank to related parties as a percentage of the operating income was relatively small, so was the amount of lease transactions received by the Bank from related parties as a percentage of operating expenses. There was no significant difference between the prices of the leases and the market prices of similar assets in the same region or adjacent regions.

Comprehensive Services and Other Transactions

Pursuant to the Comprehensive Services Framework Agreement between China Post Group Corporation Limited and Postal Savings Bank of China Co., Ltd. entered into by the Bank and China Post Group on October 28, 2021 (the "Comprehensive Services Framework Agreement"), the Bank and China Post Group and its associates provide services or commodities to each other. The Comprehensive Services Framework Agreement came into force on January 1, 2022 and will remain in force until December 31, 2024. If both parties to the agreement raise no objections and regulatory requirements are met in places where the shares of the Bank are listed, the Comprehensive Services Framework Agreement shall be automatically renewed for a further term of three years upon expiry, and shall be renewed once at most. For details of the signing of the connected transaction agreement, please refer to the Bank's announcement dated October 28, 2021.

Connected Transactions and the Implementation of the Management System for Connected Transactions

Rendering comprehensive services and selling business materials to China Post Group and its associates

The comprehensive services provided by the Bank to related parties are mainly labor services and agency business services, among which, labor services include cash escort and vaults, equipment maintenance and other services; agency business services include bancassurance, agency sales of funds and agency sales (distribution) of precious metals. The business materials sold by the Bank to related parties are mainly printed items such as brochures used in the ordinary and usual course of business. During the reporting period, the total revenue from the comprehensive services and sales of business materials provided by the Bank to China Post Group and its associates was RMB3,087 million.

The comprehensive services provided by and business materials and other goods sold by the Bank to related parties are priced after arm's length negotiations between parties with reference to terms and market prices comparable to those provided by the Bank to independent third parties.

Receiving comprehensive services and purchasing products from China Post Group and its associates

The comprehensive services received by the Bank from related parties are mainly labor services and marketing services, among which, labor services include cash escort and vaults, equipment maintenance, advertising, properties, training, mail and other services; marketing services are mainly for deposits and other businesses. The goods purchased by the Bank from related parties are mainly philatelic items and promotional supplies other than philatelic items, and other banking related materials. During the reporting period, the aggregate amount paid by the Bank to China Post Group and its associates for comprehensive services and product procurement was RMB2,882 million.

The goods purchased from or comprehensive services provided by related parties to the Bank are determined after arm's length negotiations between parties with reference to terms and market prices comparable to those purchased by or provided to independent third parties by the related parties.

Trademark Licensing

On September 5, 2016, the Bank entered into the Trademark Licensing Agreement between China Post Group Corporation and Postal Savings Bank of China Co., Ltd. (the "Trademark Licensing Agreement") with China Post Group. The agreement is for a term of twenty years commencing from the date of execution. During the term of the Trademark Licensing Agreement, China Post Group licenses the Bank to use trademarks under the agreement, and the Bank is not required to pay any consideration. On October 28, 2021, the Board of Directors of the Bank re-performed relevant decision-making procedures and disclosure obligations every three years for the Trademark Licensing Agreement with a term of more than three years in accordance with relevant provisions of the SSE. For details of the re-performance of relevant reviewing procedures for the Trademark Licensing Agreement, please refer to the Bank's announcement dated October 28, 2021.

Disclosure and Consideration Requirements for Relevant Connected Transactions

The agency banking businesses constitute connected transactions as defined in the Hong Kong Listing Rules and are subject to the annual reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules. The Hong Kong Stock Exchange has granted the Bank, in respect of the Agency Banking Businesses Framework Agreement, a waiver from strict compliance with the requirement of setting a term of no more than three years under Rule 14A.52 of the Hong Kong Listing Rules; and for agency deposit-taking business and agency intermediary banking business, a waiver from strict compliance with the requirements of setting monetary annual caps under Rule 14A.53(1) of the Hong Kong Listing Rules.

Transactions related to land use rights, property leasing and certain comprehensive service constitute connected transactions as defined under the Hong Kong Listing Rules and are subject to the annual reporting, announcement and annual review requirements under Chapter 14A of the Hong Kong Listing Rules, but are exempted from the requirement of independent shareholders' approval.

In addition to the above-mentioned continuing connected transactions, the Bank's continuing connected transactions also include the transactions under the Trademark Licensing Agreement, leasing of properties and ancillary equipment by the Bank to China Post Group and/or its associates under the Land Use Rights and Property Leasing Framework Agreement, and the sales of production materials and other goods by the Bank to China Post Group and/or its associates under the Comprehensive Services Framework Agreement. Meanwhile, in the ordinary and usual course of business, the Bank also provided associates with commercial banking services and products, including providing associates with loans and credit facilities, taking deposits from associates and providing associates with other banking services and products. The aforesaid continuing connected transactions are exempted from compliance with the annual reporting, announcement, annual review and the requirement of independent shareholders' approval under Chapter 14A of the Hong Kong Listing Rules.

Implementation of the Caps of Connected Transactions

Pursuant to relevant provisions in the SSE Listing Rules and the Hong Kong Listing Rules, on October 28, 2021, the Bank held the 12th meeting of the Board of Directors in 2021, at which it reviewed and approved the Proposal on the Forecast Caps of Connected Transactions of Postal Savings Bank of China for 2022-2024, and published the Announcement of Postal Savings Bank of China Co., Ltd. on Renewing the Connected Transactions Framework Agreement and Proposed Annual Caps of Routine Connected Transactions from 2022 to 2024 and the Announcement of Postal Savings Bank of China Co., Ltd. on Continuing Connected Transactions and Proposed Annual Caps from 2022 to 2024 on the websites of the SSE and Hong Kong Stock Exchange, respectively. Due to business development and other reasons, the Bank held the seventh meeting of the Board of Directors in 2022 on August 22, 2022, at which it reviewed and approved the Proposal on Revising the Annual Caps of the Bancassurance Services Provided by Postal Savings Bank of China to China Post Group and Its Associates from 2022 to 2024, agreed to revise the annual caps of connected transactions of the bancassurance services provided by the Bank to China Post Group and its associates from 2022 to 2024, and released the Announcement of Postal Savings Bank of China Co., Ltd. on Continuing Connected Transactions and the Announcement on Continuing Connected Transactions and Revised Annual Caps for the Years from 2022 to 2024 on the websites of the SSE and Hong Kong Stock Exchange, respectively. As at the end of the reporting period, the actual amounts of the above-mentioned connected transactions did not exceed the annual caps.

Connected Transactions and the Implementation of the Management System for Connected Transactions

Implementation of the Caps of Connected Transactions with China Post Group and its Associates

Credit Type Connected Transactions[1]

In 2023, the caps of routine credit type connected transactions between the Bank and China Post Group and its associates was RMB14 billion. As at the end of the reporting period, the balance of credit to China Post Group and its associates by the Bank was RMB808 million.

Non-credit Type Connected Transactions

The implementation of the caps of routine non-credit type connected transactions between the Bank and China Post Group and its associates as at the end of the reporting period is shown in the following table:

In RMB100 million

Type of Connected Transactions	Annual caps in 2023	Amount of connected transactions as at December 31, 2023
Leasing of certain properties and ancillary equipment by China Post Group and/or its associates to the Bank	14.90	8.92
Leasing of certain properties and ancillary equipment by the Bank to China Post Group and/or its associates	2.00	0.68
Sale of philatelic items and provision of mailing services by China Post Group and/or its associates to the Bank	4.40	1.32
Sale of goods other than philatelic items by China Post Group and/or its associates to the Bank	13.80	5.46
Provision of marketing services for deposit-taking and other businesses by China Post Group and/or its associates to the Bank	19.50	10.31
Provision of labor services by China Post Group and/or its associates to the Bank	17.90	11.72
Provision of bancassurance services by the Bank to China Post Group and/or its associates	37.50	27.11
Provision of agency sales (distribution) of precious metals business by the Bank to China Post Group and/or its associates	7.00	1.76
Sales of production materials and other goods by the Bank to China Post Group and/or its associates	2.50	0.76
Provision of labor services by the Bank to China Post Group and/or its associates	4.00	1.10

1 According to Rule 14A.87 of the Hong Kong Listing Rules, for any financial assistance provided by a banking company in its ordinary and usual course of business to a connected person or commonly held entity, the transaction is fully exempt if it is conducted on normal commercial terms. Therefore, all credit type transactions conducted by the Bank with all connected parties including China Post Group conducted on normal commercial terms are fully exempted in accordance with the Hong Kong Listing Rules.

Implementation of the Caps of Connected Transactions with China UnionPay Co., Ltd.

The implementation of the caps of routine connected transactions between the Bank and China UnionPay Co., Ltd. as at the end of the reporting period is shown in the following table:

In RMB100 million

Type of Connected Transactions	Annual caps in 2023	Amount of connected transactions as at December 31, 2023
Clearing services between the Bank and China UnionPay Co., Ltd. – Fund paid by the Bank	**32.50**	**12.79**
Clearing services between the Bank and China UnionPay Co., Ltd. – Fund received by the Bank	**78.50**	**47.01**

Confirmation of Connected Transactions

Confirmation from Independent Non-executive Directors

The Independent Non-executive Directors of the Bank have reviewed the above continuing connected transactions in accordance with the Hong Kong Listing Rules and confirmed that the continuing connected transactions under the Hong Kong Listing Rules were entered into:

- in the ordinary and usual course of business of the Bank;
- on normal commercial terms or better; and
- according to the agreement governing them, on terms that are fair and reasonable and in the interests of the Bank's shareholders as a whole.

The Independent Non-executive Directors also confirmed that:

- the methods and procedures established by the Bank were sufficient to ensure that the transactions had been conducted on normal commercial terms and brought no harm to the interests of the Bank and minority shareholders; and
- the Bank had established appropriate management procedures.

Connected Transactions and the Implementation of the Management System for Connected Transactions

Confirmation from Auditor

The Bank has appointed Deloitte Touche Tohmatsu to report continuing connected transactions in accordance with requirements of the Hong Kong Listing Rules. Deloitte Touche Tohmatsu has written to the Board of Directors to confirm that nothing has come to its attention that the continuing connected transactions under the Hong Kong Listing Rules:

- had not been approved by the Board of Directors;
- were not, in all material respects, in accordance with the pricing policies of the Group for transactions involving the provision of goods or services by the Group;
- were not entered into, in all material respects, in accordance with the relevant agreements governing the transactions; and
- had exceeded the cap (if applicable).

Implementation of the Management System for Connected Transactions

During the reporting period, the Bank complied with the regulatory rules of the NFRA, the CSRC, the SSE and the Hong Kong Stock Exchange, further improved the management system and operating mechanism for connected transactions, and enhanced the management of connected transactions. Firstly, after studying various regulatory requirements, the Bank formulated the criteria for identifying related parties, and established a comprehensive list of related parties of the Bank and regularly updated and maintained it, which laid the foundation for effectively identifying connected transactions. Secondly, the Bank strictly followed requirements of regulatory authorities, made efforts to establish the organizational structure and operating mechanism for managing connected transactions with the feature of "scientific management and effective control", continuously improved the corporate governance system and protected the legitimate rights and interests of minority shareholders according to law. Thirdly, the Bank continued the efforts to develop the connected transactions management system, comprehensively reviewed the connected transactions of the Bank and promoted the IT application to the connected transaction management.

For more information on the operation of the Related Party Transactions Control Committee of the Board of Directors during the reporting period, please refer to "Corporate Governance".

During the reporting period, the Bank had no material related party transactions under the SSE rules. For more information on related parties and transactions with related parties, please refer to "Notes to the Consolidated Financial Statements – 40 Relationship and transactions with related parties".

Significant Events

Material Legal Proceedings and Arbitration

During the reporting period, there were no legal proceedings or arbitrations with material impact on the business operation of the Bank.

As at the end of the reporting period, the Bank was the defendant or arbitration respondent in certain pending and material legal proceedings or arbitrations each with a claim amount of over RMB10 million, and the aggregate claim amount was approximately RMB2,640 million. Accruals in respect of these matters have been fully established, and the Bank considers that these pending cases will not have any material adverse impact on the business, financial position or operating results of the Bank.

Major Asset Acquisition, Disposal and Merger

During the reporting period, the Bank did not carry out any major asset acquisition, disposal or merger activities.

Significant Contracts and Their Performance

Material Custody, Subcontracting and Leasing

During the reporting period, there was no significant matter in relation to material arrangements for custody, subcontracting and leasing of assets of other companies by the Bank, or material arrangements for custody, subcontracting and leasing of assets of the Bank by other companies.

Material Guarantees

The provision of guarantees is an off-balance sheet service in the ordinary course of business of the Bank. During the reporting period, the Bank did not have any other material guarantee that needed to be disclosed except for the financial guarantee services within the business scope as approved by the PBC and the NFRA. The Bank did not enter into any guarantee contract in violation of laws, administrative regulations and the resolution procedures for external guarantees stipulated by the CSRC.

Material Events Concerning Entrusting Other Persons for Cash Management or Entrusted Loans

During the reporting period, no such material matters concerning entrusting other persons for cash management or entrusted loans occurred in the Bank.

Credibility

During the reporting period, there were no cases in which the Bank and its controlling shareholder failed to perform obligations under effective legal judgments of courts in major litigation cases, and there were no cases in which the debts of a relatively large amount were due and unpaid.

Appropriation of Funds by Controlling Shareholder and Other Related Parties

During the reporting period, there was no appropriation of the Bank's funds by controlling shareholder and other related parties. The auditor has issued the Special Explanation about Appropriation of Funds by Controlling Shareholder, De Facto Controller and Other Related Parties of Postal Savings Bank of China Co., Ltd.

Fulfillment of Commitments

Commitments during or carried forward to the reporting period by the de facto controller, shareholders, related parties and acquirers of the Bank, the Bank and other relevant parties are as follows:

Commitment background	Commitment type	Commitment by	Summary of the commitment	Time of the commitment	Term of the commitment	Is there a term for fulfillment	Whether timely and strictly fulfilled
Commitments in relation to initial public offering	Lock up of shares	China Post Group	Commitments in relation to the term of shareholding of shareholders	June 18, 2019	42 months since the date of listing at A-share market	Yes	Yes
	Others	China Post Group	Commitments in relation to shareholders' intention to hold shares and intention to reduce their holdings	June 18, 2019	Long-term	Yes	Yes
		Directors and senior management of the Bank	Commitments to take remedial measures for the dilution on immediate return	June 18, 2019	Long-term	Yes	Yes
		The Bank	Commitments to take remedial measures for the dilution on immediate return	June 18, 2019	Long-term	Yes	Yes
	Resolving competition amongst peers	China Post Group	Commitment in relation to avoiding competition amongst peers	October 10, 2019	Long-term	Yes	Yes
	Resolving defective title of lands and other items	China Post Group	Letter of confirmation on matters in relation to land and real estate injected into Postal Savings Bank of China Co., Ltd.	August 27, 2019	Long-term	Yes	Yes
	Resolving connected transactions	China Post Group	Commitment in relation to decreasing and standardizing connected transactions	November 6, 2019	Long-term	Yes	Yes
Commitments in relation to non-public issuance of A shares in 2021	Subscription and lock up of shares	China Post Group	Commitment in relation to further clarifying the number of intending subscription to shares of A-share non-public issuance of Postal Savings Bank of China Co., Ltd.	February 5, 2021	5 years since share acquisition after the non-public issuance of A shares	Yes	Yes
Commitments in relation to non-public issuance of A shares in 2023	Subscription and lock up of shares	China Mobile Communications Group Co., Ltd.	Commitment in relation to subscription of new shares of Postal Savings Bank of China Co., Ltd.	February 24, 2023	5 years since share acquisition after the non-public issuance of A shares	Yes	Yes

Pledge of Assets

For details relating to the pledge of assets of the Bank during the reporting period, please refer to "Notes to the Consolidated Financial Statements – 42.2 Collateral".

Penalties Imposed on the Bank and Its Directors, Supervisors, Senior Management Members and Controlling Shareholder

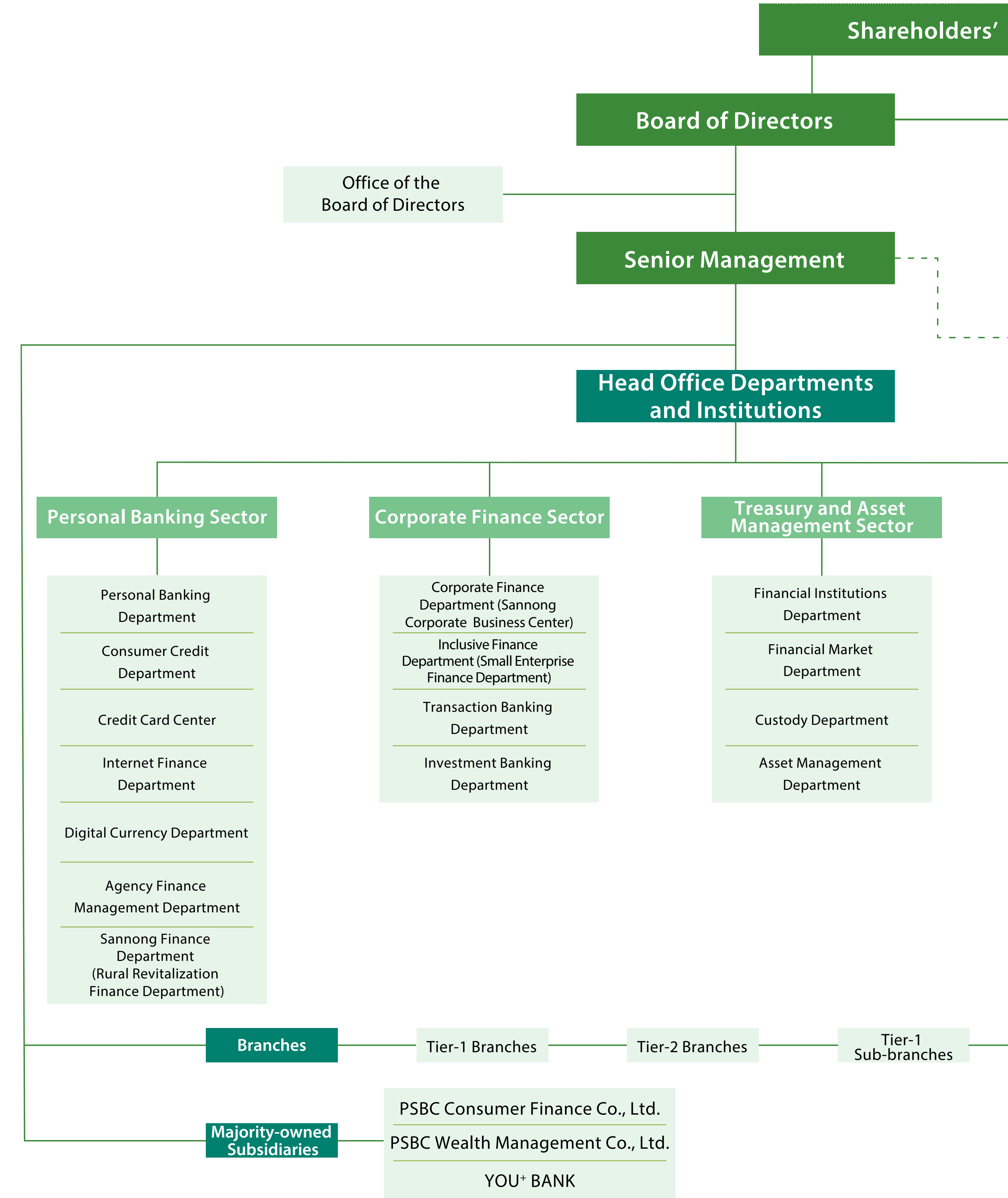
During the reporting period, neither the Bank nor any of its controlling shareholder, Directors, Supervisors or senior management members were subject to investigation, criminal punishment or material administrative penalty due to suspected crime, or investigation, administrative penalties or regulatory measures by the CSRC due to suspected violation of laws and regulations, or disciplinary actions by the stock exchange. Neither the controlling shareholder, Directors, Supervisors nor senior management members of the Bank were subject to detention or other compulsory measures by the competent authorities due to suspected violation of laws and regulations, or disciplinary actions and such action affected his/her performance of duties.

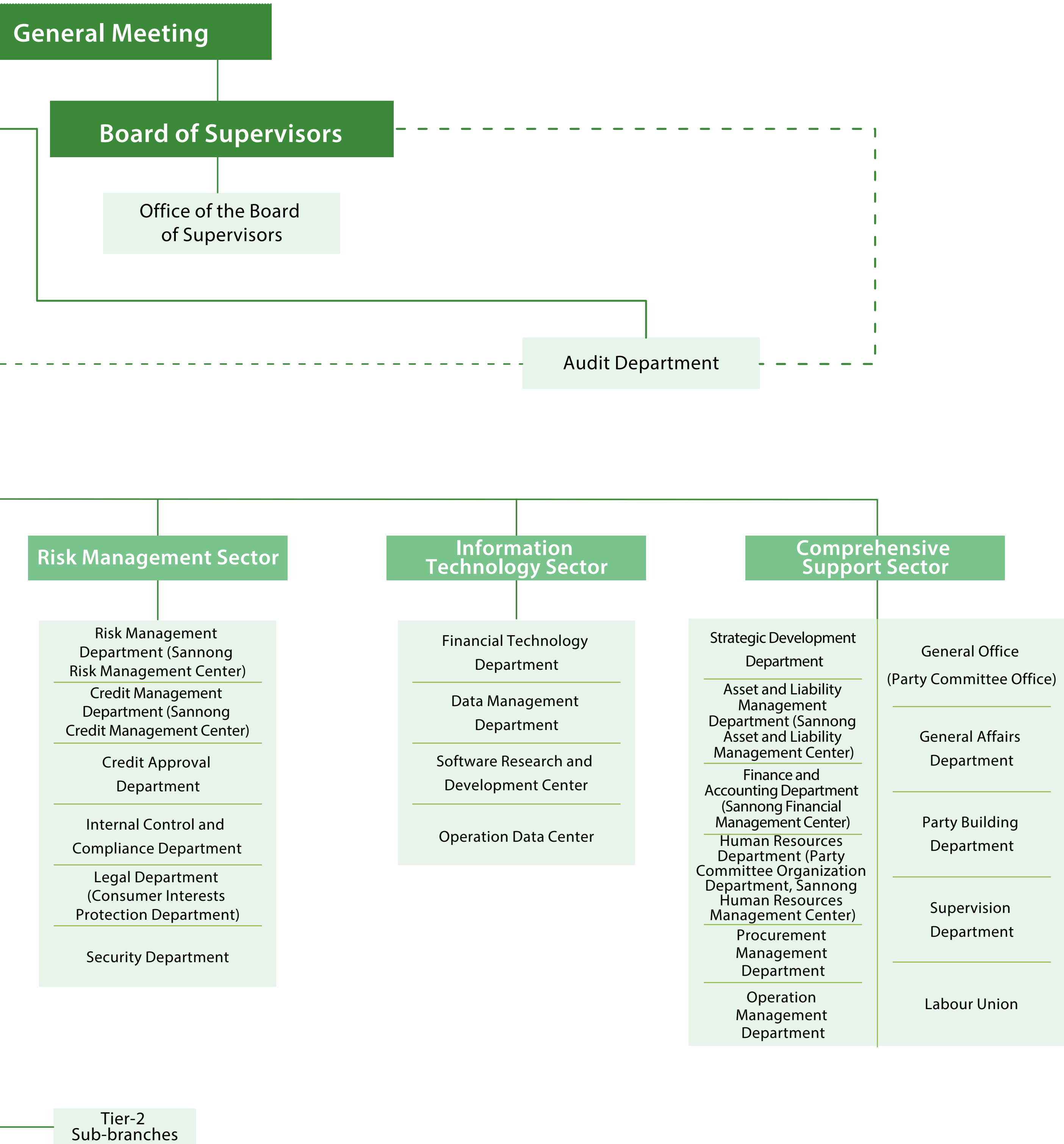
Other Significant Events

The Bank issued RMB30 billion write-down undated capital bonds in the national Interbank Bond Market in March 2024, with all proceeds used to replenish additional tier 1 capital in accordance with applicable laws and approval of the competent authorities.

For details of other significant matters disclosed by the Bank pursuant to regulatory requirements during the reporting period, please refer to the announcements published by the Bank.

Organizational Structure





Note: Primary reporting line
Secondary reporting line

Winter · Saint Sophia Cathedral · Harbin

Financial Statements and Others

INDEPENDENT AUDITOR'S REPORT

Deloitte. 德勤

TO THE SHAREHOLDERS OF POSTAL SAVINGS BANK OF CHINA CO., LTD.
(A joint stock company incorporated in the People's Republic of China with limited liability)

Opinion

We have audited the consolidated financial statements of Postal Savings Bank of China Co., Ltd. (the "Bank") and its subsidiaries (collectively referred to as the "Group") set out on pages 257 to 432 which comprise the consolidated statement of financial position as at December 31, 2023 and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information and other explanatory information.

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

Basis for Opinion

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

Key Audit Matters

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

INDEPENDENT AUDITOR'S REPORT

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
Measurement of expected credit losses for loans and advances to customers and other debt instruments measured at amortized cost We identified the measurement of expected credit losses for loans and advances to customers and other debt instruments measured at amortized cost as a key audit matter because the measurement of the Group's expected credit losses ("ECL") adopted complex models, used numerous parameters and data inputs, and involved significant management judgements, estimates and assumptions. In addition, the amount of loans and advances to customers and other debt instruments measured at amortized cost and the associated loss allowance are significant to the Group. As at December 31, 2023, the Group's gross amount of loans and advances to customers measured at amortized cost amounted to RMB7,411.45 billion, with a loss allowance of RMB233.65 billion. The carrying amount of loans and advances to customers measured at fair value through other comprehensive income amounted to RMB737.45 billion, with a loss allowance of RMB0.82 billion. The gross amount of other debt instruments measured at amortized cost amounted to RMB33.97 billion, with a loss allowance of RMB14.33 billion. Please refer to Note 3.2.7(3) "Impairment of financial instruments" under "Material accounting policy information", Note 4.1 "Measurement of the expected credit loss allowance" under "Critical accounting judgements and key sources of estimation uncertainty", Note 20 "Loans and advances to customers", Note 21.4 "Financial assets measured at amortized cost" and Note 27 "Movements of allowance for impairment loss" for details.	We understood, evaluated and tested the internal controls relating to the measurement of ECL for loans and advances to customers and other debt instruments measured at amortized cost, mainly including: • Design and operating effectiveness of key internal controls in relation to the ECL models, including the selection, approval and application of modelling methodologies; and the internal controls in relation to the on-going monitoring and optimization of the models; • Design and operating effectiveness of internal controls in relation to significant management judgements, assumptions and estimation involved, including estimation of parameters; assessment of internal credit rating in a timely manner; judgements of significant increase in credit risk or becoming credit-impaired; estimation of future cash flows using discounted cash flow model, review and approval of forward-looking information and management overlay adjustments; • Design and operating effectiveness of internal controls in relation to the accuracy and completeness of key data inputs of ECL measurement.

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
Measurement of expected credit losses for loans and advances to customers and other debt instruments measured at amortized cost (continued) The balances of loss allowances for loans and advances to customers and other debt instruments measured at amortized cost reflect the management's best estimation of ECL at the end of the reporting period using ECL model designed in accordance with "International Financial Reporting Standard 9: Financial Instruments". The Group assesses whether the credit risk of loans and advances to customers and other debt instruments measured at amortized cost has increased significantly since their initial recognition or whether they have become credit-impaired, and applies a three-stage impairment model to measure the ECL. For loans and advances to customers and other debt instruments measured at amortized cost classified into stage 1 and 2, and those portfolios classified into stage 3 which are not considered individually significant, the management assesses loss allowance using the risk parameter modelling approach that incorporates key parameters, mainly including probability of default ("PD"), loss given default ("LGD") and exposure at default ("EAD"). For those loans and advances to customers and other debt instruments measured at amortized cost classified into stage 3 which are considered individually significant, the management assesses loss allowance using discounted cash flow model by estimating their future cash flows.	The substantive procedures we performed, mainly included: • We reviewed the modelling methodologies for ECL measurement, and assessed the reasonableness of the model selection, key parameters used, significant judgements, assumptions and estimations involved in relation to the models. We also tested and verified the calculation logic of the models on a sample basis in order to ensure it reflected the management's modelling methodologies. • We tested the accuracy of data inputs for the ECL models on a sample basis, which mainly included: – contractual information in relation to the EAD, such as contract amount, maturity date and interest rate; – supporting documents in relation to evaluate the PD, including borrower's historical financial and non-financial information as well as such information as at the date to evaluate the PD; – supporting documents in relation to estimate the LGD, including background information of borrowers, guarantors and valuation of collaterals. • We also sample tested the numerical calculation of the model to verify its accuracy.

INDEPENDENT AUDITOR'S REPORT

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
Measurement of expected credit losses for loans and advances to customers and other debt instruments measured at amortized cost (continued) The measurement of ECL involves significant management judgements, assumptions and estimations, mainly including: • Segmentation of portfolios sharing similar credit risk characteristics, application of appropriate models and determination of relevant key measurement parameters; • Criteria for determining significant increase in credit risk or becoming credit-impaired; • Application of economic indexes, macroeconomic scenarios and weightings for forward-looking measurement; • Management overlay adjustments for significant uncertain factors not covered in the models; • The forecasted cash flows for loans and advances to customers and other debt instruments measured at amortized cost classified into stage 3 which are considered individually significant.	The substantive procedures we performed, mainly included: (continued) • We selected samples adopting a risk-oriented approach to perform credit review. Based on borrower's financial and non-financial information as well as other available information, we evaluated the appropriateness of management's judgement relating to significant increase in credit risk and credit-impaired loans. • For forward-looking measurements, we reviewed management's selection of economic indexes and their analysis based on multiple macroeconomic scenarios and weightings. We evaluated the reasonableness of parameters and data inputs used in forward-looking adjustment and macroeconomic scenarios by comparing the available prediction from third-party institutions. In addition, we reviewed the sensitivity analysis of economic indexes performed by the management. • For those loans and advances to customers and other debt instruments measured at amortized cost classified into stage 3, which were considered individually significant, we examined, on a sample basis, the loss allowance calculated by the Group based on forecasted cash flows derived from the financial information of borrowers and guarantors, the latest valuation of collaterals and other available information using discounted cash flow model. • We assessed the reasonableness of the consideration, selection and application of significant uncertain factors in relation to the management overlay adjustments, and tested the accuracy of the relevant calculations.

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
Agency Banking Transactions with China Post Group Co., Ltd. The Group operates its business through both directly-operated outlets and agency outlets owned by China Post Group Co., Ltd. In accordance with the Framework Agreement on Entrusted and Agency Banking Services of Agency Outlets ("Framework Agreement") signed between the Group and China Post Group Co., Ltd., agency outlets can provide deposits taking, financial settlement, financial agency and other services under the name of the Group ("Agency Banking Transactions"), and the Group pays agency fees to China Post Group Co., Ltd. for these services. We identified the Agency Banking Transactions with China Post Group Co., Ltd. as a key audit matter because its unique features and the amounts of Agency Banking Transactions with China Post Group Co., Ltd. are significant to the Group. In 2023, deposit agency fee and others amounted to RMB114.92 billion, representing 51.05% of total operating expenses of the Group; fees for agency sales and other commissions, and fees for agency savings settlement amounted to RMB12.87 billion and RMB6.76 billion, respectively, the aggregated amount representing 85.91% of total fee and commission expense. Please refer to Note 40.3.1(1) "Agency banking services from China Post Group" for details.	Our procedures in relation to agency banking transactions with China Post Group Co., Ltd. mainly included: • Understood, evaluated and tested the design and operating effectiveness of the internal controls in relation to the Agency Banking Transactions with China Post Group Co., Ltd.; • Understood, evaluated and tested the information systems and internal controls applied by the Group in capturing data for calculation of agency fees; • Inspected the Framework Agreement, evaluated whether the Agency Banking Transactions and relevant expenditures had been calculated in accordance with specific terms and conditions stipulated by the agreement and appropriately authorized and approved; • On a sample basis, inspected evidence of payments of transactions, recalculated the settlement amounts based on the Framework Agreement, and sent confirmations to China Post Group Co., Ltd. to confirm both the transaction amounts and the balances; and • Evaluated if the Agency Banking Transactions with China Post Group Co., Ltd. were properly disclosed in the consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
Logical access control and change management control of the Bank's information systems related to financial reporting process The Group's business and financial reporting processes heavily rely on the design and operating effectiveness of the Bank's general information system controls. Logical access control is an important component of information system control environment. To make sure that system users have appropriate access rights to the Bank's information systems and also regular monitoring is in place for those access rights, are key controls in mitigating the potential risk for fraud or error as a result of an unauthorized change to an information system or underlying data. The Bank continues to invest in information systems to meet client expectation and business operation needs through transformation and upgrading its information system architecture. In addition to in-house development, the Bank also develops its information systems through cooperation with external suppliers and outsourcing. To ensure the information systems are changed, upgraded and operated in an appropriate manner, the Bank needs to properly design its key controls over information system change and also make sure the operating effectiveness of these controls. Logical access control and change management control constitute the foundation of system configuration, source data, and the automated programmed functionality, which help to support the continuous and consistent operation of system automation controls through the audit period, to support accuracy and completeness of financial reporting process. Therefore, we identified logical access control and change management control of the Bank's information systems related to financial reporting process as a key audit matter.	Our procedures in relation to the logical access control and change management control of the Bank's information systems related to financial reporting process included: • Understood, evaluated, and tested the design and operating effectiveness of internal controls related to logical access to information systems, including system authentication controls, approval of system user account access requests and timely termination of user accounts for those staffs who have resigned or transferred to other departments, privileged user access, periodic review of access rights, and security configurations of information systems. In addition, we tested authorization controls over data modification. • Understood, evaluated and tested the design and operating effectiveness of internal controls related to the change management of the information systems, including management's system change testing process and approval of system change requests, privileged user access control in system change and segregation of duties controls for key information system functions such as development, testing and go-live. For data migration during the process of information system change, we tested the data migration scheme and its data consistency check after approval process as well as the migration. For information system management tools supporting information system change, we tested the logical access control, including user authorization and security configuration.

Other Information

The directors of the Bank are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, 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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Ley Pui Chun, Rossana.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong, China
March 28, 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2023
(All amounts in RMB million unless otherwise stated)

	Notes	2023	2022
Interest income	5	**498,327**	474,240
Interest expense	5	**(216,524)**	(200,647)
Net interest income	5	**281,803**	273,593
Fee and commission income	6	**51,104**	49,745
Fee and commission expense	6	**(22,852)**	(21,311)
Net fee and commission income	6	**28,252**	28,434
Net trading gains	7	**4,460**	3,673
Net gains on investment securities	8	**24,719**	21,559
Net gains on derecognition of financial assets measured at amortized cost		**2,242**	920
Net other operating gains	9	**1,418**	7,209
Share of results of associates		**18**	3
Operating income		**342,912**	335,391
Operating expenses	10	**(225,142)**	(208,680)
Credit impairment losses	12	**(26,167)**	(35,328)
Impairment losses on other assets		**(4)**	(19)
Profit before income tax		**91,599**	91,364
Income tax expenses	13	**(5,175)**	(6,009)
Net profit		**86,424**	85,355
Net profit attributable to:			
Equity holders of the Bank		**86,270**	85,224
Non-controlling interests		**154**	131

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2023
(All amounts in RMB million unless otherwise stated)

	Notes	2023	2022
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Remeasurement of retirement benefit obligations	37.3	**(12)**	3
Changes in fair value of equity instrument investments measured at fair value through other comprehensive income	37.3	**(1,135)**	(2,359)
Share of other comprehensive income of associates, net of related income tax	37.3	**2**	–
Subtotal		**(1,145)**	(2,356)
Item that may be reclassified subsequently to profit or loss			
Net gains/(losses) on investments in financial assets measured at fair value through other comprehensive income	37.3	**1,433**	(4,294)
Subtotal		**1,433**	(4,294)
Total comprehensive income for the year		**86,712**	78,705
Total comprehensive income attributable to:			
Equity holders of the Bank		**86,558**	78,574
Non-controlling interests		**154**	131
Basic and diluted earnings per share (in RMB Yuan)	14	**0.83**	0.85

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2023

(All amounts in RMB million unless otherwise stated)

	Notes	As at December 31, 2023	As at December 31, 2022
Assets			
Cash and deposits with central bank	15	**1,337,501**	1,263,951
Deposits with banks and other financial institutions	16	**189,216**	161,422
Placements with banks and other financial institutions	17	**297,742**	303,836
Derivative financial assets	18	**2,154**	1,905
Financial assets held under resale agreements	19	**409,526**	229,870
Loans and advances to customers	20	**7,915,245**	6,977,710
Financial investments			
Financial assets measured at fair value through profit or loss	21.1	**888,516**	863,783
Financial assets measured at fair value through other comprehensive income-debt instruments	21.2	**503,536**	416,172
Financial assets measured at fair value through other comprehensive income-equity instruments	21.3	**7,326**	9,346
Financial assets measured at amortized cost	21.4	**3,988,210**	3,669,598
Interests in associates	23	**673**	653
Property and equipment	24	**55,220**	53,272
Deferred tax assets	25	**62,508**	63,955
Other assets	26	**69,258**	51,809
Total assets		**15,726,631**	14,067,282
Liabilities			
Borrowings from central bank	28	**33,835**	24,815
Deposits from banks and other financial institutions	29	**95,303**	78,770
Placements from banks and other financial institutions	30	**60,212**	42,699
Derivative financial liabilities	18	**3,595**	2,465
Financial assets sold under repurchase agreements	31	**273,364**	183,646
Customer deposits	32	**13,955,963**	12,714,485
Income tax payable		**79**	2,868
Debt securities issued	33	**261,138**	101,910
Deferred tax liabilities	25	**4**	11
Other liabilities	34	**86,522**	89,799
Total liabilities		**14,770,015**	13,241,468

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2023
(All amounts in RMB million unless otherwise stated)

	Notes	As at December 31, 2023	As at December 31, 2022
Equity			
Share capital	35.1	**99,161**	92,384
Other equity instruments			
Perpetual bonds	35.2	**169,986**	139,986
Capital reserve	36	**162,682**	124,479
Other reserves	37	**273,740**	242,180
Retained earnings		**249,304**	225,196
Equity attributable to equity holders of the Bank		**954,873**	824,225
Non-controlling interests		**1,743**	1,589
Total equity		**956,616**	825,814
Total equity and liabilities		**15,726,631**	14,067,282

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

Approved and authorized for issue by the Board of Directors on March 28, 2024.

Liu Jianjun	**Yao Hong**
(On behalf of Board of Directors)	(On behalf of Board of Directors)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2023
(All amounts in RMB million unless otherwise stated)

		Attributable to equity holders of the Bank									
			Other equity instruments		Other reserves						
	Notes	Share capital	Perpetual bonds	Capital reserve	Surplus reserve	General reserve	Other comprehensive income	Retained earnings	Subtotal	Non-controlling interests	Total equity
As at January 1, 2023		92,384	139,986	124,479	58,478	178,784	4,918	225,196	824,225	1,589	825,814
Net profit for the year		–	–	–	–	–	–	86,270	86,270	154	86,424
Other comprehensive income for the year	37.3	–	–	–	–	–	288	–	288	–	288
Total comprehensive income for the year		–	–	–	–	–	288	86,270	86,558	154	86,712
Issuance of ordinary shares	35.1	6,777	–	38,203	–	–	–	–	44,980	–	44,980
Issuance of perpetual bonds	35.2	–	30,000	–	–	–	–	–	30,000	–	30,000
Appropriation to surplus reserve	37.1	–	–	–	8,532	–	–	(8,532)	–	–	–
Appropriation to general reserve	37.2	–	–	–	–	22,912	–	(22,912)	–	–	–
Dividends declared and paid to ordinary shareholders	38	–	–	–	–	–	–	(25,574)	(25,574)	–	(25,574)
Distribution to perpetual bonds holders	38	–	–	–	–	–	–	(5,316)	(5,316)	–	(5,316)
Realized gain of equity instrument investments measured at fair value through other comprehensive income	21.3	–	–	–	–	–	(172)	172	–	–	–
As at December 31, 2023		99,161	169,986	162,682	67,010	201,696	5,034	249,304	954,873	1,743	956,616

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2023

(All amounts in RMB million unless otherwise stated)

		Attributable to equity holders of the Bank										
			Other equity instruments			Other reserves						
	Notes	Share capital	Preference shares	Perpetual bonds	Capital reserve	Surplus reserve	General reserve	Other comprehensive income	Retained earnings	Subtotal	Non-controlling interests	Total equity
As at January 1, 2022		92,384	47,869	109,986	125,486	50,105	157,367	12,054	198,840	794,091	1,458	795,549
Net profit for the year		–	–	–	–	–	–	–	85,224	85,224	131	85,355
Other comprehensive income for the year	37.3	–	–	–	–	–	–	(6,650)	–	(6,650)	–	(6,650)
Total comprehensive income for the year		–	–	–	–	–	–	(6,650)	85,224	78,574	131	78,705
Redemption of preference shares		–	(47,869)	–	(1,004)	–	–	–	–	(48,873)	–	(48,873)
Issuance of perpetual bonds	35.2	–	–	30,000	(3)	–	–	–	–	29,997	–	29,997
Appropriation to surplus reserve	37.1	–	–	–	–	8,373	–	–	(8,373)	–	–	–
Appropriation to general reserve	37.2	–	–	–	–	–	21,417	–	(21,417)	–	–	–
Dividends declared and paid to ordinary shareholders	38	–	–	–	–	–	–	–	(22,856)	(22,856)	–	(22,856)
Dividends declared and paid to preference shareholders	38	–	–	–	–	–	–	–	(2,430)	(2,430)	–	(2,430)
Distribution to perpetual bonds holders	38	–	–	–	–	–	–	–	(4,278)	(4,278)	–	(4,278)
Realized gain of equity instrument investments measured at fair value through other comprehensive income	21.3	–	–	–	–	–	–	(486)	486	–	–	–
As at December 31, 2022		92,384	–	139,986	124,479	58,478	178,784	4,918	225,196	824,225	1,589	825,814

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2023
(All amounts in RMB million unless otherwise stated)

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	**91,599**	91,364
Adjustments for:		
Amortization of intangible assets and other assets	**2,156**	1,860
Depreciation of property and equipment, and right-of-use assets	**9,973**	9,553
Impairment loss on assets	**26,171**	35,347
– Credit impairment losses	**26,167**	35,328
– Impairment losses on other assets	**4**	19
Interest income arising from financial investments	**(139,081)**	(128,424)
Interest expense arising from debt securities issued	**7,137**	3,486
Net gains on investment securities	**(26,961)**	(22,479)
Unrealized exchange gains	**(252)**	(4,724)
Share of results of associates	**(18)**	(3)
Net losses/(gains) from disposal of property and equipment and other assets	**10**	(1)
Subtotal	**(29,266)**	(14,021)
NET (INCREASE)/DECREASE IN OPERATING ASSETS		
Deposits with central bank	**(52,050)**	(71,879)
Deposits with banks and other financial institutions	**(27,945)**	(70,612)
Placements with banks and other financial institutions	**(18,056)**	(42,563)
Financial assets measured at fair value through profit or loss	**(19,003)**	58,123
Financial assets held under resale agreements	**29,181**	(26,632)
Loans and advances to customers	**(959,472)**	(776,806)
Other operating assets	**(17,536)**	5,131
Subtotal	**(1,064,881)**	(925,238)
NET INCREASE/(DECREASE) IN OPERATING LIABILITIES		
Borrowings from central bank	**8,781**	7,466
Deposits from banks and other financial institutions	**16,944**	(76,121)
Placements from banks and other financial institutions	**16,981**	(1,128)
Financial assets sold under repurchase agreements	**89,767**	148,949
Customer deposits	**1,224,019**	1,364,904
Other operating liabilities	**13,451**	(17,233)
Subtotal	**1,369,943**	1,426,837
NET CASH FLOWS FROM OPERATING ACTIVITIES BEFORE TAX	**275,796**	487,578
Income tax paid	**(12,459)**	(12,664)
NET CASH GENERATED FROM OPERATING ACTIVITIES	**263,337**	474,914
CASH FLOWS FROM OPERATING ACTIVITIES INCLUDE:		
Interest received	**370,662**	357,116
Interest paid	**(194,685)**	(207,290)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2023
(All amounts in RMB million unless otherwise stated)

	Note	2023	2022
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash received from disposal/redemption of financial investments		**1,615,463**	1,461,261
Cash received from income arising from financial investments		**149,496**	128,688
Cash received from disposal of property and equipment, intangible assets and other long-term assets		**55**	177
Cash paid for purchase of financial investments		**(1,994,479)**	(2,089,231)
Cash paid for purchase of property and equipment, intangible assets and other long-term assets		**(12,963)**	(12,402)
NET CASH USED IN INVESTING ACTIVITIES		**(242,428)**	(511,507)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash received from issuance of ordinary shares		**45,000**	–
Cash received from issuance of perpetual bonds		**30,000**	30,000
Cash received from issuance of debt securities		**494,341**	40,000
Cash paid for dividends and interests		**(38,039)**	(32,563)
Cash paid for issuance of ordinary shares		**(20)**	–
Cash paid for issuance of perpetual bonds		**–**	(3)
Cash paid for issuance of debt securities		**(1)**	(3)
Cash paid for repayment of debt securities		**(335,100)**	(20,000)
Cash paid for redemption of preference shares		**–**	(51,273)
Cash paid to repay principal and interest of lease liabilities		**(3,934)**	(3,895)
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES		**192,247**	(37,737)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**91**	546
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**213,247**	(73,784)
Balance of cash and cash equivalents at the beginning of the year		**239,980**	313,764
BALANCE OF CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	39	**453,227**	239,980

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023
(All amounts in RMB million unless otherwise stated)

1 General information

Postal Savings Bank of China Co., Ltd. (the "Bank") is a joint-stock commercial bank controlled by China Post Group Co., Ltd. ("China Post Group"). The Bank, originally known as Postal Savings Bank of China Company Limited (the "Company"), was established on March 6, 2007 through restructuring of the postal savings system.

In 2011, with the approval from the Ministry of Finance (the "MOF") of the People's Republic of China (the "PRC") and the former China Banking and Insurance Regulatory Commission (the former "CBIRC"), the Bank was restructured into a joint-stock bank.

On September 28, 2016 and December 10, 2019, the Bank was listed on The Stock Exchange of Hong Kong Limited and The Shanghai Stock Exchange respectively. Information regarding the Bank's share issuance is set out in Note 35.

As at December 31, 2023, the Bank had 99,161 million common shares, at a face value of Renminbi ("RMB") 1.00 per share.

The Bank, as approved by the former CBIRC, holds a financial institution license of the PRC (No. B0018H111000001) and approved by and obtained its business license with unified social credit code 9111000071093465XC from the Beijing Administration for Market Regulation. The address of the Bank's registered office is No. 3 Jinrong Street, Xicheng District, Beijing, the PRC.

The Bank and its subsidiaries (the "Group") conduct their operating activities in the PRC, and the principal activities include: personal and corporate financial services, treasury operations and other business activities as approved by the National Financial Regulatory Administration (the "NFRA").

As at December 31, 2023, the Bank had a total of 36 tier-one branches and 324 tier-two branches across the PRC.

The information of the Bank's subsidiaries is set out in Note 22.

The consolidated financial statements are presented in RMB, which is also the functional currency of the Bank and its subsidiaries.

The consolidated financial statements were authorized for issue by the Board of Directors of the Bank on March 28, 2024.

(All amounts in RMB million unless otherwise stated)

2 Application of new and amendments to International Financial Reporting Standards ("IFRSs")

2.1 New and amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following new and amendments to IFRSs issued by the IASB, for the first time, which are mandatorily effective for the Group's annual period beginning on or after January 1, 2023 for the preparation of the Group's consolidated financial statements:

IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	Insurance Contracts
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12	International Tax Reform-Pillar Two model Rules

Except as described below, the application of the new and amendments to IFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Impacts and changes in accounting policies and application of Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The Group has applied the amendments for the first time in the current year. The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of IAS 12 Income Taxes so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

In accordance with the transition provision:

(i) the Group has applied the new accounting policy retrospectively to leasing transactions that occurred on or after January 1, 2022;

(ii) the Group also, as at January 1, 2022, recognized a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized) and a deferred tax liability for all deductible and taxable temporary difference associated with right-of-use assets and lease liabilities.

The application of the amendments has had no material impact on the Group's financial position and performance, except that the Group recognized the related deferred tax assets and deferred tax liabilities on a gross basis but it has no impact on the retained earnings at the earliest period presented. The Group has disclosed the amount of the related deferred tax assets and deferred tax liabilities recognized on a gross basis at the earliest period in Note 25.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023
(All amounts in RMB million unless otherwise stated)

2 Application of new and amendments to International Financial Reporting Standards ("IFRSs") (continued)

2.2 Amendments to IFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to IFRS Standards that have been issued but are not yet effective:

Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback[2]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[2]
Amendments to IAS 1	Non-current Liabilities with Covenants[2]
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements[2]
Amendments to IAS 21	Lack of Exchangeability[3]

1 Effective for annual periods beginning on or after a date to be determined.

2 Effective for annual periods beginning on or after January 1, 2024.

3 Effective for annual periods beginning on or after January 1, 2025.

The directors of the Bank anticipate that the application of all the amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3 Basis of preparation of consolidated financial statements and material accounting policy information

3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 Share-based Payment, leasing transactions that are accounted for in accordance with IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 Inventories or value in use in IAS 36 Impairment of Assets.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety. Please refer to Note 45.7(2) for description of fair value hierarchy.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023
(All amounts in RMB million unless otherwise stated)

3 Basis of preparation of consolidated financial statements and material accounting policy information (continued)

3.2 Material accounting policy information

3.2.1 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Bank and entities (including structured entities, Note 41) controlled by the Bank and its subsidiaries. Control is achieved when the Bank:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Bank and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Bank and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries and all structured entities to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

3 Basis of preparation of consolidated financial statements and material accounting policy information (continued)

3.2 Material accounting policy information (continued)

3.2.1 Basis of consolidation (continued)

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only, and the relevant activities are directed by means of contractual arrangements. A structured entity often has some or all of the following features or attributes:

- restricted activities;
- a narrow and well-defined objective, such as to provide investment opportunities for investors by passing on risks and rewards associated with the assets of the structured entity to investors;
- insufficient equity to permit the structured entity to finance its activities without subordinated financial support; and
- financing in the form of multiple contractually linked instruments to investors that create concentrations of credit or other risks.

Management applies its judgement to determine whether the Group is acting as agent or principal in relation to the structured entities ("SEs") in which the Group acts as an asset manager. In assessing whether the Group is acting as agent or principal, the Group considers factors such as scope of the asset manager's decision making authority, rights held by other parties, remuneration to which it is entitled, and exposure to variability of returns by other arrangements (such as direct investments).

3.2.2 Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate of the Group. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023
(All amounts in RMB million unless otherwise stated)

3 Basis of preparation of consolidated financial statements and material accounting policy information (continued)

3.2 Material accounting policy information (continued)

3.2.3 Income recognition

(1) Interest income

Interest income is calculated and recognized in accordance with relevant policies specified in Note 3.2.7(2).

(2) Fee and commission income

Fee and commission income is recognized when the Group fulfils its performance obligations either over time or at a point in time when a customer obtains the control right of relevant services.

If the revenue is recognized over time, the Group recognizes revenue in accordance with the progress towards complete satisfaction of a performance obligation, mainly including consultants fee, custodian business fee income, etc. If a performance obligation is not satisfied over time, it is satisfied at a point in time. The Group recognizes revenue at a point in time at which a customer obtains control of the promised services, mainly including insurance agency service fee, settlement and clearing fee, bond underwriting income, etc.

For contracts that contain variable consideration, the Group estimates the amount of consideration to which it will be entitled using the most likely amount, which better predicts the amount of consideration to which the Group will be entitled.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

When another party is involved in providing services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified services itself (i.e. the Group is a principal) or to arrange for those services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified service before that service is transferred to a customer. The Group is an agent if its performance obligation is to arrange for the provision of the specified service by another party. In this case, the Group does not control the specified service provided by another party before that service is transferred to the customer. When the Group acts as an agent, it recognizes revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified services to be provided by the other party.

3 Basis of preparation of consolidated financial statements and material accounting policy information (continued)

3.2 Material accounting policy information (continued)

3.2.4 Foreign currencies transactions

Foreign currency transactions are initially recorded in the functional currency using the exchange rates prevailing on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated into the functional currency at the applicable exchange rates prevailing at the end of the reporting period. Exchange differences arising on translating monetary items at period end rates are recognized in profit or loss.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in foreign currency are translated at the rates prevailing on the date when the fair value is determined. When a fair value gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is also recognised in profit or loss. When a fair value gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is also recognised in other comprehensive income.

3.2.5 Taxation

Income tax expense comprises current and deferred tax.

Current and deferred tax are recognized in profit or loss, except when they relates to items that are recognized in other comprehensive income or directly in equity, in which case the current and deferred tax is also recognized in other comprehensive income or directly in equity, respectively.

(1) Current tax

Current income tax includes the expected tax payable on the taxable income for the period at applicable tax rates, and any adjustments to tax payable in respect of prior periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023
(All amounts in RMB million unless otherwise stated)

3 Basis of preparation of consolidated financial statements and material accounting policy information (continued)

3.2 Material accounting policy information (continued)

3.2.5 Taxation (continued)

(2) Deferred tax

Deferred tax is recognized on temporary differences arising between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Deferred tax liabilities are generally recognized for all taxable temporary differences. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 requirements to the lease liabilities, and the related assets separately. The Group recognizes a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized) and a deferred tax liability for all deductible and taxable temporary differences associated with the right-of-use assets and the lease liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority.

3 Basis of preparation of consolidated financial statements and material accounting policy information (continued)

3.2 Material accounting policy information (continued)

3.2.6 Employee benefits

Employee benefits are all forms of consideration given and other relevant expenditures incurred by the Group in exchange for services rendered by employees or for termination of the employment contracts. These benefits include short-term employee benefits, retirement benefits and early retirement benefits.

(1) Short-term employee benefits

Short-term employee benefits include wages, bonuses, social security contributions such as medical insurance, work injury insurance, maternity insurance and housing fund, as well as labour union fees and employee education expenses.

In the reporting period in which an employee has rendered services, the Group recognizes the short-term employee benefits payable for those services as a liability with a corresponding increase in the expenses.

(2) Retirement benefits

The Group's retirement benefits include defined contribution plans and defined benefit plans. Under defined contribution plans, the Group makes fixed contributions into a separate fund and will have no legal or constructive obligation to make further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee services in the current and prior periods. All other retirement plans are classified as defined benefit plans.

The Group's retirement benefits are primarily the payments for basic pensions, unemployment insurance, annuity scheme and supplementary retirement benefits, among which, basic pensions, unemployment insurance and annuity scheme are defined contribution plans and supplementary retirement benefits is defined benefit plan. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions. Forfeited contributions in respect of unvested benefits of employees leaving the Group's employment cannot be used to reduce ongoing contributions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023
(All amounts in RMB million unless otherwise stated)

3 Basis of preparation of consolidated financial statements and material accounting policy information (continued)

3.2 Material accounting policy information (continued)

3.2.6 Employee benefits (continued)

(2) Retirement benefits (continued)

Basic pension and unemployment insurance

Pursuant to the relevant laws and regulations of the PRC, the Group participated in the social insurance system established and managed by government organizations. The Group makes contributions to basic pension insurance plans and unemployment insurance based on the applicable benchmarks and rates stipulated by the government. Basic pension insurance and unemployment insurance contributions are charged to profit or loss as the related services are rendered by the employees.

Annuity Scheme

In addition to the statutory pension schemes, the Group's employees also participate in the annuity scheme set up by the Group under Annuity Scheme of Postal Savings Bank of China Co., Ltd. (the "Annuity Scheme") in accordance with the corporate annuity regulations stipulated by the government. The annuity contributions are paid by the Group with reference its employees' gross salaries, and are charged to profit or loss as the related services are rendered by the employees. The Group has no further obligation if the Annuity Scheme does not have sufficient assets for the payment of any retirement benefits to employees funded by the Annuity Scheme.

Supplementary retirement benefits

The Group gives supplementary retirement benefits to retired staffs who are qualified on or before December 31, 2010. The supplementary retirement benefits include supplementary pensions and supplementary medical benefits. The retirement benefits plan attributed to defined benefit plan, and is usually determined by one or several factors such as age, length of service and compensation.

The liabilities recognized in relation to the above defined benefit pension plan in the consolidated statement of financial position are the present value of defined benefit liabilities at the end of reporting period. The present value of defined benefit liability is based on the expected future cash outflow which is discounted with interest yield of government bonds with similar duration. The estimate of future cash outflows is affected by various assumptions, including inflation rate of pension and medical benefits as well as other factors. The actuarial gains or losses arising from supplemental retirement benefit are included in other comprehensive income when incurred.

3 Basis of preparation of consolidated financial statements and material accounting policy information (continued)

3.2 Material accounting policy information (continued)

3.2.6 Employee benefits (continued)

(3) Early retirement benefits

Early retirement benefits have been paid to those employees who accept voluntary retirement before the normal retirement date, as approved by management. The related benefit payments are made from the date of early retirement to the normal retirement date.

The accounting treatment of the Group's early retirement benefits is in accordance with termination benefits in IAS 19. The liabilities are recognized for the early retirement benefit payments from the date of early retirement to the normal retirement date when the criteria for recognition as termination benefit is met with a corresponding charge in profit or loss. Differences arising from changes in assumptions and estimates of the present value of the liabilities are recognized in the profit or loss when incurred.

3.2.7 Financial Instruments

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

(1) Classification of financial instruments

Financial assets are classified into the following three types on the basis of the Group's business model for managing the financial asset and the contractual cash flow characteristics of the financial assets:

- Amortized cost;
- Fair value through other comprehensive income ("FVTOCI") and;
- Fair value through profit or loss ("FVTPL").

The business model reflects how the Group manages the financial assets in order to generate cash flows. The business model determines whether the cash flow of financial assets managed by the Group is derived from contractual cash flows, sales of financial assets or both. Factors considered by the Group in determining the business model of a group of financial assets include how the cash flows for these financial assets were collected in the past, how the asset's performance was assessed and reported to key management personnel, how the risks were assessed and managed, and the way the business managers were compensated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023
(All amounts in RMB million unless otherwise stated)

3 Basis of preparation of consolidated financial statements and material accounting policy information (continued)

3.2 Material accounting policy information (continued)

3.2.7 Financial Instruments (continued)

(1) Classification of financial instruments (continued)

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows represent solely payments of principal and interest on the principal amount outstanding ("SPPI"). In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial assets are classified as financial assets measured at FVTPL.

Derivatives embedded in hybrid contracts that contain financial asset hosts are not separated. The entire hybrid contract is classified and subsequently measured in its entirety as either amortized cost or fair value as appropriate.

Financial assets measured at amortized cost

Financial assets are classified as financial assets measured at amortized cost if both of the following conditions are met:

- the assets are managed within a business model whose objective is to collect contractual cash flows;
- the contractual terms of the financial assets specify that cash flows arising on specified dates are solely payments of principal and interest on the outstanding principal.

3 Basis of preparation of consolidated financial statements and material accounting policy information (continued)

3.2 Material accounting policy information (continued)

3.2.7 Financial Instruments (continued)

(1) Classification of financial instruments (continued)

Financial assets measured at FVTOCI

Financial assets measured at FVTOCI include debt instruments and equity instruments.

Financial assets are classified as debt instruments measured at FVTOCI when they are not designated at FVTPL and both of the following conditions are met:

- the assets are managed within a business model whose objective is achieved by collecting contractual cash flows and selling financial assets;

- the contractual terms of the financial assets specify that cash flows arising on specified dates are solely payments of principal and interest on the outstanding principal.

At the date of initial recognition of a financial asset, the Group may designate an equity investment, which is not held for trading, as financial assets measured at FVTOCI, and recognize dividend income in accordance with the relevant policies specified in Note 3.2.7(2). Once the designation is made, it cannot be revoked.

Financial assets measured at FVTPL

Financial assets measured at FVTPL include financial assets designated as at FVTPL and other financial assets mandatorily measured at FVTPL. The Group classifies the financial assets other than those measured at amortized cost and measured at FVTOCI as financial assets measured at FVTPL.

At initial recognition, the Group may designate financial assets as financial assets measured at FVTPL if the designation can eliminate or significantly reduce accounting mismatch. Once the designation is made, it cannot be revoked.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023
(All amounts in RMB million unless otherwise stated)

3 Basis of preparation of consolidated financial statements and material accounting policy information (continued)

3.2 Material accounting policy information (continued)

3.2.7 Financial Instruments (continued)

(1) Classification of financial instruments (continued)

Financial liabilities measured at FVTPL

Financial liabilities measured at FVTPL include financial liabilities held for trading and other financial liabilities designated as such at initial recognition.

A financial liability is classified as held for trading if it:

- is incurred principally for the purpose of repurchasing it in the near term;
- on initial recognition is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking; or
- is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Financial liabilities are designated at FVTPL upon initial recognition when one of the following conditions is met:

- the designation can eliminate or significantly reduce accounting mismatch; or
- the formal written file of the Group's risk management or investment strategy have clearly stated that the financial liability portfolio, or the portfolio of financial assets and financial liabilities, are managed, evaluated and reported to key management personnel on the basis of fair value. Once the designation is made, it cannot be revoked.

3 Basis of preparation of consolidated financial statements and material accounting policy information (continued)

3.2 Material accounting policy information (continued)

3.2.7 Financial Instruments (continued)

(1) Classification of financial instruments (continued)

Financial liabilities measured at amortized cost

The Group classifies all financial liabilities as subsequently measured at amortized cost, except for:

- financial liabilities measured at FVTPL;
- financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies;
- financial guarantee contracts and commitments to provide a loan at a below-market interest rate.

Financial liabilities measured at amortized cost comprise borrowings from central bank, deposits from banks and other financial institutions, placements from banks and other financial institutions, financial assets sold under repurchase agreements, customer deposits, debt securities issued and other financial liabilities.

(2) Measurement of financial instruments

Initial recognition

Financial assets purchased or sold in regular ways are recognized on the trade-date, the date on which the Group commits to purchase or sell the assets. 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 recognized immediately 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023
(All amounts in RMB million unless otherwise stated)

3 Basis of preparation of consolidated financial statements and material accounting policy information (continued)

3.2 Material accounting policy information (continued)

3.2.7 Financial Instruments (continued)

(2) Measurement of financial instruments (continued)

Subsequent measurement

Subsequent measurement of financial instruments depends on the categories:

Financial assets and liabilities measured at amortized cost

The amortized cost of the financial assets or financial liabilities is determined at initial recognition after being adjusted as follows:

- deducting the principal repaid;
- adding or deducting the cumulative amortization of any difference between the amount at initial recognition and the amount at the maturity date using the effective interest rate method;
- deducting any loss allowance (solely for financial assets).

The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant periods. The effective interest rate is the interest rate used to discount the estimated future cash flows of financial assets or financial liabilities over the estimated duration to the carrying amount (i.e. the amortized cost before any impairment allowance) of the financial assets or to the amortized cost of the financial liabilities. The expected credit losses are not considered in calculation, while the transaction costs, premiums or discounts, and fees paid or received that are integral to the effective interest rate are covered.

Interest income is calculated by applying the effective interest rate to the carrying amount of a financial asset, with the following exceptions:

- a purchased or originated credit-impaired ("POCI") financial asset, whose interest income is calculated since initial recognition by applying the credit-adjusted effective interest rate to its amortized cost;
- a financial asset that is not a POCI financial asset but has subsequently become credit-impaired, whose interest income is calculated by applying the effective interest rate to its amortized cost. If, in a subsequent period, the credit quality of the financial asset is improved so that it is no longer credit-impaired and the improvement in credit quality can be related objectively to a certain event occurring after the application of the above-mentioned rule, then the interest income can again be calculated by applying the effective interest rate to its gross amount.

3 Basis of preparation of consolidated financial statements and material accounting policy information (continued)

3.2 Material accounting policy information (continued)

3.2.7 Financial Instruments (continued)

(2) Measurement of financial instruments (continued)

Subsequent measurement (continued)

Financial assets measured at FVTOCI

Debt instruments

Interest income calculated using the effective interest rate 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.

Interest income derived from these financial assets is included in and disclosed as "interest income" using the effective interest rate method.

When the financial assets are derecognized, the cumulative gains or losses previously recognized in other comprehensive income are reclassified from other comprehensive income to profit or loss for the current period.

Equity instruments

Where an equity investment not held for trading is designated as a financial asset measured at FVTOCI, the changes in fair value of the financial asset are recognized in other comprehensive income. When the financial asset is derecognized, the cumulative gains or losses previously recognized in other comprehensive income are reclassified from other comprehensive income to retained earnings. The dividend income on the investment is recognized in profit or loss only when the Group's right to receive payment of the dividends is established.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023
(All amounts in RMB million unless otherwise stated)

3 Basis of preparation of consolidated financial statements and material accounting policy information (continued)

3.2 Material accounting policy information (continued)

3.2.7 Financial Instruments (continued)

(2) Measurement of financial instruments (continued)

Subsequent measurement (continued)

Financial assets measured at FVTPL

Financial assets measured at FVTPL are measured at fair value with all gains or losses recognized in the profit or loss for the current period.

Financial liabilities measured at FVTPL

Financial liabilities measured at FVTPL are measured at fair value with all gains or losses recognized in the profit or loss for the current period, unless in the case of financial liabilities designated at FVTPL, where gains or losses are treated as follows:

- changes in the fair value of such financial liabilities resulting from the changes in the Group's own credit risk are recognized in other comprehensive income;

- other changes in fair value of such financial liabilities are recognized in profit or loss for the current period. If the accounting of changes in the credit risk of the financial liabilities will create or enlarge accounting mismatches in profit or loss, the Group shall recognize all gains or losses on such financial liabilities (including amounts arising from changes in its own credit risk) in the profit or loss for the current period.

When the liabilities designated at FVTPL are derecognized, the cumulative gains or losses previously recognized in other comprehensive income are reclassified from other comprehensive income to retained earnings.

Equity instruments

An equity instrument refers to a contract that evidences a residual interest in the assets of the Group after deducting all liabilities. Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

Ordinary shares, preference shares and perpetual bonds issued by the Group, which include no contractual obligation for the Group to deliver cash or other financial assets or the Group has the sole discretion to defer payment of distribution and redemption of principal amount indefinitely are classified as equity instruments.

3 Basis of preparation of consolidated financial statements and material accounting policy information (continued)

3.2 Material accounting policy information (continued)

3.2.7 Financial Instruments (continued)

(3) Impairment of financial instruments

For debt instruments carried at amortized cost and FVTOCI and exposure arising from credit commitments and financial guarantee contract, the Group assesses the expected credit losses of financial assets with the forward-looking information.

ECL are the weighted average of credit losses with the respective risks of default occurring as the weights. Credit loss is the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, i.e., all cash shortfalls, discounted at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets).

The Group measures ECL of a financial instrument in a way that reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money;
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023
(All amounts in RMB million unless otherwise stated)

3 Basis of preparation of consolidated financial statements and material accounting policy information (continued)

3.2 Material accounting policy information (continued)

3.2.7 Financial Instruments (continued)

(3) Impairment of financial instruments (continued)

At the reporting date, the Group assesses whether there is a significant increase in the credit risk of its financial instruments since their initial recognition, and calculates the impairment allowance and recognizes the ECL and changes as follows:

- The Group measures the loss allowance for a financial instrument at an amount equal to the lifetime ECL if the credit risk on that financial instrument has increased significantly since initial recognition. Irrespective of whether the Group assesses the credit losses of its financial instruments on an individual basis or collectively in a group, any increase or reversal of the allowance for credit losses shall be recognized in the profit or loss for the current period as impairment losses or gains;

- If the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month (or the expected lifetime when it is shorter than 12 months) ECL. Irrespective of whether the Group assesses the credit losses of its financial instruments on an individual basis or collectively in a group, any increase or reversal of the allowance for credit losses shall be recognized in the profit or loss for the current period as impairment losses or gains.

For financial assets that are measured at amortized cost, the loss allowance is recognized in profit or loss by adjusting their carrying amount. For debt instruments that are measured at FVTOCI, the loss allowance is recognized in other comprehensive income and accumulated in the FVTOCI reserve without reducing the carrying amount of these debt instruments.

If the Group has measured the loss allowance for a financial instrument other than POCI financial assets at an amount equal to lifetime expected credit losses in the previous reporting period, however it is determined that at the current reporting date the credit risk on the financial instruments has no longer increased significantly since initial recognition, the Group measures the loss allowance at an amount equal to 12-month (or the expected lifetime when it is shorter than 12 months) ECL at the current reporting date and the amount of ECL reversed is recognized in profit or loss.

At the reporting date, the Group only recognizes the cumulative changes in lifetime expected credit losses since initial recognition as a loss allowance for POCI financial assets. At each reporting date, the Group recognizes the amount of the changes in lifetime expected credit losses in profit or loss as an impairment gain or loss.

3 Basis of preparation of consolidated financial statements and material accounting policy information (continued)

3.2 Material accounting policy information (continued)

3.2.7 Financial Instruments (continued)

(4) Modification of financial instruments

In some cases, the Group may renegotiate or otherwise modify the contractual cash flows of financial instruments. When this happens, the Group assesses whether or not the new terms are substantially different to the original terms.

If the terms are substantially different, the Group derecognizes the original financial asset and recognizes a "new" asset at fair value and recalculates a new effective interest rate for the asset. Differences in the carrying amount are also recognized in profit or loss as a gain or loss on derecognition.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Group recalculates the gross amount based on the revised cash flows of the financial asset and recognizes a modification gain or loss in profit or loss. The new gross amount is recalculated by discounting the modified cash flows at the original effective interest rate (or credit-adjusted effective interest rate for POCI financial assets).

(5) Derecognition of financial instruments

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired; or
- the financial asset has been transferred, and the Group transfers substantially all the risks and rewards of the ownership of the financial asset to the transferee; or
- the financial asset has been transferred, the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, but it does not retain control of the transferred asset.

Where the financial asset has been transferred, if the Group neither transfers nor retains substantially all the risks and rewards of the ownership and the Group retains the control over the transferred financial asset, the financial assets and relevant liabilities shall be recognized to the extent of the Group's continuing involvement in the assets.

The Group writes off a financial asset when there is evidence indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery. The write-off constitutes a derecognition event.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023
(All amounts in RMB million unless otherwise stated)

3 Basis of preparation of consolidated financial statements and material accounting policy information (continued)

3.2 Material accounting policy information (continued)

3.2.7 Financial Instruments (continued)

(5) Derecognition of financial instruments (continued)

Financial liabilities

A financial liability (or part of it) is derecognized when the obligation under the liability is discharged, cancelled or expired.

(6) Offsetting a financial asset and a financial liability

A financial asset and a financial liability are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognized amounts; and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

(7) Resale and repurchase agreements

Amounts for purchase of financial assets under resale agreements are accounted for under "Financial assets held under resale agreements". Amounts from sale of financial assets under repurchase agreements are accounted for under "Financial assets sold under repurchase agreements".

The financial asset held under resale agreements are presented at their carrying amount, net of allowance for impairment loss. The cash received from financial assets sold under repurchase agreements are accounted for a liability and presented at their carrying amount. Relevant interest income and expense are recognized at accrual basis.

3.2.8 Property and equipment

Property and equipment are recognized by the Group when the economic benefits are expected to be received and their costs can be measured reliably. The purchased or newly-built property and equipment are initial recognized at their cost at the time of addition. Property and equipment injected by China Post Group during the establishment and joint-stock restructuring of the Group are recognized at the value determined by the state-owned assets management department.

Property and equipment including buildings held for use in the supply of services, or for administrative purpose (other than construction in progress) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any. When the costs attributable to the land use rights cannot be measured reliably and separated from that of the building at inception, the costs are included in the cost of buildings and recorded in property and equipment.

3 Basis of preparation of consolidated financial statements and material accounting policy information (continued)

3.2 Material accounting policy information (continued)

3.2.8 Property and equipment (continued)

Depreciation is recognized as a component of operating expenses so as to recognize the consumption of the economic value of property and equipment (other than construction in progress), less their estimated residual value, over their estimated useful lives, using the straight-line method. The estimated useful lives, residual value and depreciation rates are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The estimated useful lives, estimated residual value rates and annual depreciation rates of each category of property and equipment are as follows:

Categories	Estimated useful lives	Estimated residual value rates	Annual depreciation rates
Buildings	20 years	5%	4.75%
Electronic equipment	3 years	5%	31.67%
Motor vehicles	4 years	5%	23.75%
Office equipment and other	5 years	5%	19.00%

Properties in the course of construction for supply of services or administrative purposes are carried at cost, as construction in progress, less any impairment loss. The costs comprise construction cost, installation cost, borrowing costs that are eligible for capitalisation and other costs necessary for preparing the property and equipment for their intended use. Construction in progress is reclassified to the appropriate category of property and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property and equipment, commences when the assets are ready for their intended use.

The assets' estimated residual value and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from its continuing use. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in net other operating gains. Property and equipment's carrying amount is written down immediately to its recoverable amount if the carrying amount is greater than its estimated recoverable amount.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023
(All amounts in RMB million unless otherwise stated)

3 Basis of preparation of consolidated financial statements and material accounting policy information (continued)

3.2 Material accounting policy information (continued)

3.2.9 Land use rights

Land use rights are classified in other assets and amortized over the respective lease periods, which range from 10 to 40 years. The land use right injected by China Post Group during the establishment and joint-stock restructuring of the Group are initially measured at the value determined by the state-owned assets management department.

3.2.10 Intangible assets

Intangible assets include software and other intangible assets, which are initially measured at cost.

Intangible assets acquired separately and with finite useful lives are carried at cost less accumulated amortization and any accumulated impairment loss. Amortization for intangible assets with finite useful lives is recognized on a straight-line basis over their estimated useful lives.

Intangible assets with indefinite useful lives are not amortized, but are subject to annual impairment assessment.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal.

Gains or losses arising from derecognition of an intangible asset measured as the difference between the net disposal proceeds and the carrying amount of the intangible asset are recognized in profit or loss when the asset is derecognized.

3 Basis of preparation of consolidated financial statements and material accounting policy information (continued)

3.2 Material accounting policy information (continued)

3.2.11 Impairment of non-financial assets

Property and equipment, investment properties, construction in progress, right-of-use assets and intangible assets with finite useful lives, among others, are tested for impairment if there is any indication that the assets may be impaired as at the end of the reporting period. If the result of the impairment test indicates that the recoverable amount of an asset is less than its carrying amount, a provision for impairment and impairment loss are recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset. Provision for asset impairment is determined and recognized on the individual asset basis. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of a group of assets to which the asset belongs is determined. A group of assets is the smallest group of assets that is able to generate cash inflows that are largely independent of the cash flows from other assets or groups of assets.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount had no impairment loss been recognized. Any reversal of an impairment loss is recognized immediately in profit or loss.

3.2.12 Cash and cash equivalents

Cash and cash equivalents are short-term and highly liquid assets, which are readily convertible into known amounts of cash and subject to an insignificant risk of changes in value. Cash and cash equivalents include cash and assets with original maturity of three months or less, deposits with central bank, deposits with banks and other financial institutions, placements with banks and other financial institutions, financial assets held under resale agreements and some of short-term debt securities.

3.2.13 Precious metals

Precious metals that are related to the Group's trading activities are initially recognized at fair value, with changes in fair value arising from re-measurement recognized directly in profit or loss in the period in which they arise.

The Group records the precious metals received as an asset. A liability to return the amount of precious metals deposited is also recognized. The precious metals deposited from its customers in the Group are measured at fair value both on initial recognition and in subsequent measurement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023
(All amounts in RMB million unless otherwise stated)

3 Basis of preparation of consolidated financial statements and material accounting policy information (continued)

3.2 Material accounting policy information (continued)

3.2.14 Dividend distribution

Dividend distribution of ordinary share to the Bank's shareholders is recognized as a liability in the Bank's financial statements when the dividends are approved by the Bank's shareholders. Dividend distribution of preference share is recognized as a liability when the dividends are approved by the Bank's Board of Directors.

3.2.15 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

3.2.16 Fiduciary activities

The Group's fiduciary business refers to services for customers in accordance with custody agreements signed by the Group and securities investment funds, insurance companies, trust companies and other institutions. The Group fulfils its fiduciary duty and receives relevant fees and commissions in accordance with these agreements, and does not take up any risks and rewards related to the assets under custody, which are recorded as off-balance sheet items.

The Group conducts entrusted lending arrangements for its customers. Under the terms of entrusted loan arrangements, the Group grants loans to borrowers, as an intermediary, according to the instructions (including but not limited to the counterparties, purposes, amounts, interest rates and repayment schedules of the entrust loan) of its customers who are the lenders providing funds for the entrusted loans. The Group is responsible for the arrangement and collection of the entrusted loans and receives a commission for the services rendered. As the Group does not assume the economic risks and rewards of the entrusted loans and the funding for the corresponding entrusted funds, they are not recognized as assets and liabilities of the Group.

3 Basis of preparation of consolidated financial statements and material accounting policy information (continued)

3.2 Material accounting policy information (continued)

3.2.17 Financial guarantee contracts and loan commitments

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are initially measured at fair value and subsequently measured at the higher of:

- The amount of expected credit loss under Note 3.2.7(3); and
- The premium received on initial recognition less income recognized in accordance with the principles of IFRS 15.

Loan commitments are commitments provided by the Group to the customers to grant loans under the established contract terms during certain period.

The impairment allowance of loan commitments provided by the Group is measured using ECL models. The Group has not provided any commitment to provide loans at a below market interest rate, or that can be settled net in cash or by delivering or issuing another financial instrument.

The expected credit losses of loan commitment and financial guarantee contracts are recognized as a provision and presented in other liabilities.

3.2.18 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events but is not recognized because it is not probable that an outflow of economic resources will be required to settle the obligation or the amount of obligation cannot be measured with sufficient reliability.

A contingent liability is not recognized but disclosed. The Group's contingent liabilities are disclosed in Note 42 "Contingent liabilities and commitments".

A provision is recognized when it meets the criteria as set forth in Note 3.2.15 "Provisions".

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023
(All amounts in RMB million unless otherwise stated)

3 Basis of preparation of consolidated financial statements and material accounting policy information (continued)

3.2 Material accounting policy information (continued)

3.2.19 Lease

(1) Identifying a lease

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right of control the use of an identified asset for a period of time, the Group assesses the following:

- Whether there is an identified asset in a contract. An identified asset is typically identified by being explicitly or implicitly specified in a contract. A capacity or other portion of an asset that is not physically distinct is not an identified asset, unless it represents substantially all of the capacity of the asset. The Group does not have the right to use an identified asset if the lessor has the substantive right to substitute the asset throughout the period of use;

- the right to obtain substantially all of the economic benefits from use of the identified asset;

- the right to direct the use of an identified asset.

For a contract that is, or contains, a lease, the Group does not elect to separate non-lease components from lease components, instead, it accounts for each lease component and any associated non-lease components as a single lease component.

3 Basis of preparation of consolidated financial statements and material accounting policy information (continued)

3.2 Material accounting policy information (continued)

3.2.19 Lease (continued)

(2) The Group as a lessee

At the commencement date, the Group recognizes a right-of-use asset and a lease liability. The cost of the right-of-use asset comprises the amount of the initial measurement of the lease liability; any lease payments made at or before the commencement date; any initial direct costs incurred by the Group; an estimate of costs to be incurred by the Group in dismantling and removing the underlying asset; less any lease incentives received.

The Group uses the straight-line method to accrue depreciation for the right-of-use assets in the period from the beginning of the lease term to the end of the service life or the lease term, whichever is shorter. The estimated service life of the right-of-use asset is determined based on the same method as the estimated service life of the real estate and equipment. The carrying amount of the right-of-use asset is adjusted for any remeasurement of the lease liability. In addition, the impairment loss (if any) of the right-of-use assets is recognized on a regular basis.

At the commencement date, the Group recognizes and measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments need to be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the incremental borrowing rate of lessee. Generally, the Group uses the incremental borrowing rate as the discount rate.

The lease payments comprise the following:

- fixed payments (including in-substance fixed payments) less any lease incentive receivables;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- the exercise price of a purchase or an extension option if the Group is reasonably certain to exercise that option;
- the payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

The Group remeasures the lease liability by discounting the revised lease payments, if there is a change in future lease payments resulting from a change in an index or a rate, or if there is a change in the assessments about whether to exercise an option about purchase, extension or termination.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023
(All amounts in RMB million unless otherwise stated)

3 Basis of preparation of consolidated financial statements and material accounting policy information (continued)

3.2 Material accounting policy information (continued)

3.2.19 Lease (continued)

(2) The Group as a lessee (continued)

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for leases of low-value assets. The Group recognizes the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

When the lease changes and the following conditions are met at the same time, the Group treats it as a separate lease for accounting treatment:

- The lease change expands the scope of the lease by adding the right to use one or more leased assets;
- The increased consideration is equivalent to the stand-alone price of the expanded part of the lease scope after adjustment according to the contract.

When the lease change is not treated as a separate lease, the Group remeasures the lease liability by discounting the revised lease payments using a revised discount rate. If the lease modifications decrease the scope or term of the lease, the Group correspondingly decreases the carrying amount of the right-of-use asset and recognizes the relevant gains or losses from the partial or full termination of the lease as the current profit or loss. If other lease changes cause the lease liability to be remeasured, the Group adjusts the carrying amount of the right-of-use asset accordingly.

3 Basis of preparation of consolidated financial statements and material accounting policy information (continued)

3.2 Material accounting policy information (continued)

3.2.20 Segment analysis

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. Relevant committees led by the President of the Bank (the "President") allocate resources to and assesses the performance of the operating segments based on periodically reviewing this analysis. The Group's reportable segments are determined based on its operating segments while taking full consideration of various factors such as products and services, geographical location and regulatory environment related to the daily operation business of the management. Operating segments meeting the same qualifications are aggregated into a single reportable segment.

The same accounting policies as adopted in preparation of the Group's financial statements are used for segment reporting.

4 Critical accounting judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and disclosed amounts of assets and liabilities, income and expenses. Actual results in the future may differ from those disclosed as a result of the use of estimates and assumptions about future conditions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023
(All amounts in RMB million unless otherwise stated)

4 Critical accounting judgements and key sources of estimation uncertainty (continued)

4.1 Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets at amortized cost and FVTOCI requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses).

A number of significant judgements involved in applying the accounting requirements for measuring ECL, include:

- Segmentation of portfolios sharing similar credit risk characteristics, application of appropriate models and determination of relevant key measurement parameters;
- Criteria for determining significant increase in credit risk or becoming credit-impaired;
- Application of economic indexes, macroeconomic scenarios and weightings for forward-looking measurement;
- Management overlay adjustments for significant uncertain factors not covered in the models;
- The forecasted cash flows for loans and advances to customers and other debt instruments measured at amortized cost classified into stage 3 which are considered individually significant.

Detailed information about the judgements and estimates made by the Group is set out in Note 45.3 Credit risk.

4 Critical accounting judgements and key sources of estimation uncertainty (continued)

4.2 Fair value of financial instruments

The Group uses valuation techniques to estimate the fair value of financial instruments that are not quoted in an active market. Valuation techniques include the use of recent prices of transaction between knowledgeable, willing parties, observable prices of similar financial instruments, discounted cash flows analysis with risk adjusted, as well as pricing models that are commonly used in the market. To the extent practical, models for the valuation of derivatives and other financial instruments use observable market data, such as interest yield curves and foreign exchange rates. However areas such as credit risk (both own and counterparty's), volatilities and correlations require management to make estimates. Fair value calculated using valuation techniques are verified based on the industry practice and currently observable prices of same or similar financial instruments in the market.

The Group, through regular review and approval procedures, reviews the assumptions and market expectations adopted by the valuation techniques, including the examination of assumptions and pricing factors of models, changes in assumptions of models, properties of market parameters, whether the market is active or not, adjustment factors of fair value which are not covered by models, and the consistency of valuation techniques between periods. Valuation techniques are regularly reviewed through validity tests and updated to reflect the market various at the end of the reporting period where appropriate.

4.3 Income taxes

In the ordinary course of the Group's business, there are certain transactions and activities for which there are uncertainties concerning their ultimate tax treatment. In accordance with the current tax laws and regulations as well as the policies applicable to the Group from competent government authorities in the previous years, the Group makes tax estimates on the implementation of new tax laws and regulations as well as events involving uncertainties in tax treatment. In calculating its income tax liabilities, the Group makes significant judgements. Where the final outcome of these tax matters is different from the amounts initially recorded, such differences will affect the current income tax and deferred income tax provisions in the period during which such a determination is made.

4.4 Control over structured entities

Where the Group acts as asset manager or investor of structured entities, the Group makes judgement on whether it controls the structured entities. The principle of control includes three factors: (i) power over investees; (ii) exposure or right to the variable returns of investees, and (iii) ability to affect those returns through its power over the investees. If evidence shows that the factors of the control change, the Group reassesses whether it has control on the investees. When performing this assessment, the Group considers several factors including, among other things, the scope of its decision-making authority over the structured entities, the rights held by other parties, the remuneration to which it is entitled in accordance with the related agreements for the assets management services, the Group's exposure to variability of returns from other interests (such as direct investment) that it holds in the structured entities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023
(All amounts in RMB million unless otherwise stated)

5 Net interest income

	2023	2022
Interest income		
Deposits with central bank	**20,003**	19,182
Deposits with banks and other financial institutions	**4,377**	3,298
Placements with banks and other financial institutions	**10,182**	9,629
Financial assets held under resale agreements	**5,171**	4,467
Loans and advances to customers	**319,513**	309,240
Including: Personal loans and advances	**203,786**	204,551
Corporate loans and advances	**115,727**	104,689
Financial investments		
Financial assets measured at FVTOCI -debt instruments	**13,209**	10,953
Financial assets measured at amortized cost	**125,872**	117,471
Subtotal	**498,327**	474,240
Interest expense		
Borrowings from central bank	**(559)**	(368)
Deposits from banks and other financial institutions	**(996)**	(1,299)
Placements from banks and other financial institutions	**(1,906)**	(1,422)
Financial assets sold under repurchase agreements	**(3,260)**	(1,411)
Customer deposits	**(202,666)**	(192,661)
Debt securities issued	**(7,137)**	(3,486)
Subtotal	**(216,524)**	(200,647)
Net interest income	**281,803**	273,593
Included in interest income		
Interest income from listed investments	**124,064**	113,688
Interest income from unlisted investments	**15,017**	14,736

(All amounts in RMB million unless otherwise stated)

6 Net fee and commission income

		2023	2022
Agency service business	(1)	**20,857**	16,799
Bank cards business		**11,925**	11,882
Settlement and clearing	(2)	**10,230**	9,535
Wealth management		**2,821**	7,606
Investment banking	(3)	**2,388**	1,671
Custody business		**1,131**	1,214
Others		**1,752**	1,038
Fee and commission income		**51,104**	49,745
Fee and commission expense	(4)	**(22,852)**	(21,311)
Net fee and commission income		**28,252**	28,434

(1) Fee and commission income from agency service business mainly includes fee and commission income from bancassurance, distribution of fund products, government bonds underwriting, and collection and payment services.

(2) Fee and commission income from settlement and clearing refers to income derived from settlement and clearing services the Group provided to customers, including fee and commission derived from electronic payment services, corporate settlement services, and personal settlement services.

(3) Fee and commission income from investment banking refers to income derived from underwriting and distributing bonds and securities, asset securitization, syndicated loan, and advisory services.

(4) Fee and commission expense is expense incurred for agency and settlement services, including those paid to China Post Group for agency services (Note 40.3.1(1)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023
(All amounts in RMB million unless otherwise stated)

7 Net trading gains

	2023	2022
Debt securities	**4,360**	3,439
Derivatives and others	**100**	234
Total	**4,460**	3,673

8 Net gains on investment securities

	2023	2022
Net gain from financial assets measured at FVTPL	**22,764**	19,849
Net gain from financial assets measured at FVTOCI	**1,955**	1,710
Total	**24,719**	21,559

9 Net other operating gains

	2023	2022
Government subsidies	**915**	794
Leasing income	**107**	125
Net (losses)/gains on foreign exchanges	**(114)**	5,757
Other	**510**	533
Total	**1,418**	7,209

(All amounts in RMB million unless otherwise stated)

10 Operating expenses

		2023	2022
Deposit agency fee and others (Note 40.3.1(1))		**114,924**	102,248
Staff costs (including emoluments of directors, supervisors and senior management)	(1)	**64,017**	62,878
Depreciation and amortization		**12,128**	11,300
Taxes and surcharges	(2)	**2,703**	2,620
Auditor's remuneration		**35**	30
Other expenses	(3)	**31,335**	29,604
Total		**225,142**	208,680

(1) Staff costs (including emoluments of directors, supervisors and senior management)

	2023	2022
Short-term employee benefits		
Wages and salaries, bonuses, allowance and subsidies	**42,960**	43,778
Housing funds	**4,466**	4,200
Social security contributions	**3,555**	3,336
Including: Medical insurance	**3,406**	3,194
Maternity insurance	**64**	63
Work injury insurance	**85**	79
Staff welfare	**3,007**	2,698
Labour union funds and employee education funds	**1,551**	1,089
Others	**28**	39
Subtotal	**55,567**	55,140
Defined contribution plans		
Basic pensions	**5,283**	5,049
Annuity scheme	**3,015**	2,542
Unemployment insurance	**143**	89
Subtotal	**8,441**	7,680
Supplementary retirement benefits and early retirement benefits	**9**	58
Total	**64,017**	62,878

(2) Taxes and surcharges mainly include urban construction tax, educational surcharges, property tax, land use tax, vehicle and vessel use tax and stamp duty, etc.

(3) For the year ended December 31, 2023, the rental expenses of short-term leases and low value asset leases included in other expenses were RMB680 million (for the year ended December 31, 2022: RMB711 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023
(All amounts in RMB million unless otherwise stated)

11 Emoluments of directors and supervisors

11.1 Details of the directors and supervisors' emoluments are as follows:

	2023				
Name	Fees RMB thousand	Remuneration RMB thousand	Contribution to pension scheme RMB thousand	Benefits in kind RMB thousand	Total RMB thousand
Executive Directors					
Liu Jianjun (劉建軍) (i)	–	–	–	–	–
Yao Hong (姚紅)	–	510	168	93	771
Non-executive Directors					
Han Wenbo (韓文博) (ii)	–	–	–	–	–
Chen Donghao (陳東浩) (ii)	–	–	–	–	–
Wei Qiang (魏強) (ii)	–	–	–	–	–
Huang Jie (黃杰) (ii) (iii)	–	–	–	–	–
Liu Yue (劉悅) (ii)	–	–	–	–	–
Ding Xiangming (丁向明) (ii)	–	–	–	–	–
Independent Non-executive Directors					
Wen Tiejun (溫鐵軍)	348	–	–	–	348
Chung Shui Ming Timpson (鍾瑞明)	348	–	–	–	348
Hu Xiang (胡湘)	348	–	–	–	348
Pan Yingli (潘英麗)	348	–	–	–	348
Tang Zhihong (唐志宏)	282	–	–	–	282
Supervisors					
Chen Yuejun (陳躍軍)	–	521	179	92	792
Bai Jianjun (白建軍)	300	–	–	–	300
Chen Shimin (陳世敏)	300	–	–	–	300
Li Yue (李躍) (iv)	–	–	–	–	–
Gu Nannan (谷楠楠) (iv)	–	–	–	–	–
Directors and Supervisors resigned					
Zhang Xuewen (張學文) (v)	–	177	51	32	260
Fu Tingmei (傅廷美) (vi)	87	–	–	–	87
Zhao Yongxiang (趙永祥) (vii)	–	–	–	–	–
Wu Yu (吳昱) (viii)	125	–	–	–	125
Bu Dongsheng (卜東升) (iv) (ix)	–	–	–	–	–
Total (x)	2,486	1,208	398	217	4,309

11 Emoluments of directors and supervisors (continued)

11.1 Details of the directors and supervisors' emoluments are as follows: (continued)

(i) The Executive Director and the President of the Bank, Mr. Liu Jianjun received emolument from China Post Group, the controlling shareholder of the Bank, and did not receive emolument from the Bank.

(ii) Non-executive Directors, Mr. Han Wenbo, Mr. Chen Donghao, Mr. Wei Qiang, Mr. Huang Jie, Mr. Liu Yue and Mr. Ding Xiangming did not receive emolument from the Bank.

(iii) On May 29, 2023, the Board of Directors of the Bank nominated Mr. Huang Jie as the candidate of Non-executive Directors of the Bank. Mr. Huang Jie was elected as a Non-executive Director at the 2022 General Meeting of the Bank on June 30, 2023. The term of office of Mr. Huang is three years, commencing from January 19, 2024.

(iv) The employee supervisors were not remunerated for their role as supervisors, and their remuneration from the Bank as employees were not disclosed here.

(v) Mr. Zhang Xuewen ceased to be the Executive director of the Bank on April 19, 2023.

(vi) According to the Bank's announcement on March 16, 2023, Mr. Fu Tingmei ceased to be an Independent Non-executive Director of the Bank upon the expiry of his six-year term of office.

(vii) Mr. Zhao Yongxiang ceased to be the Supervisor of the Bank on March 8, 2024 and Mr. Zhao did not receive emolument from the Bank.

(viii) Mr. Wu Yu ceased to be the Supervisor of the Bank on May 29, 2023.

(ix) Mr. Bu Dongsheng ceased to be the Supervisor of the Bank on May 29, 2023.

(x) The total compensation packages for certain directors and supervisors for the year ended December 31, 2023 have not been finalized at the date of the approval of these consolidated financial statements. The compensation not yet accrued is not expected to have a significant impact on the Group's financial statements for the year ended December 31, 2023. The final compensation will be disclosed when determined.

The Executive Directors' emoluments shown above were for their services in connection with the management of the affairs of the Bank and the Group. The Independent Non-executive Directors' and the Supervisors' emoluments shown above were for their services as directors and supervisors of the Bank.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023
(All amounts in RMB million unless otherwise stated)

11 Emoluments of directors and supervisors (continued)

11.1 Details of the directors and supervisors' emoluments are as follows: (continued)

	2022				
Name	Fees RMB thousand	Remuneration RMB thousand	Contribution to pension scheme RMB thousand	Benefits in kind RMB thousand	Total RMB thousand
Executive Directors					
Liu Jianjun (劉建軍) (i)	–	–	–	–	–
Zhang Xuewen (張學文)	–	537	197	84	818
Yao Hong (姚紅)	–	510	197	85	792
Non-executive Directors					
Han Wenbo (韓文博) (ii)	–	–	–	–	–
Chen Donghao (陳東浩) (ii)	–	–	–	–	–
Wei Qiang (魏強) (ii)	–	–	–	–	–
Liu Yue (劉悅) (ii)	–	–	–	–	–
Ding Xiangming (丁向明) (ii)	–	–	–	–	–
Independent Non-executive Directors					
Wen Tiejun (溫鐵軍) (iii)	348	–	–	–	348
Chung Shui Ming Timpson (鍾瑞明) (iii)	348	–	–	–	348
Hu Xiang (胡湘)	348	–	–	–	348
Pan Yingli (潘英麗) (iii)	348	–	–	–	348
Tang Zhihong (唐志宏) (iv)	–	–	–	–	–
Supervisors					
Chen Yuejun (陳躍軍)	–	521	197	85	803
Zhao Yongxiang (趙永祥) (v)	–	–	–	–	–
Wu Yu (吳昱) (vi)	300	–	–	–	300
Bai Jianjun (白建軍)	300	–	–	–	300
Chen Shimin (陳世敏)	300	–	–	–	300
Li Yue (李躍) (vii) (viii)	–	–	–	–	–
Bu Dongsheng (卜東升) (vii)	–	–	–	–	–
Gu Nannan (谷楠楠) (vii)	–	–	–	–	–
Directors and Supervisors resigned					
Zhang Jinliang (張金良) (ix)	–	–	–	–	–
Fu Tingmei (傅廷美) (x)	348	–	–	–	348
Li Yujie (李玉杰) (vii) (xi)	–	–	–	–	–
Total (xii)	2,640	1,568	591	254	5,053

11 Emoluments of directors and supervisors (continued)

11.1 Details of the directors and supervisors' emoluments are as follows: (continued)

(i) The Executive Director and the President of the Bank, Mr. Liu Jianjun received emolument from China Post Group, the controlling shareholder of the Bank, and did not receive emolument from the Bank.

(ii) Non-executive Directors, Mr. Han Wenbo, Mr. Chen Donghao, Mr. Wei Qiang, Mr. Liu Yue, and Mr. Ding Xiangming, did not receive emolument from the Bank.

(iii) On October 26, 2022, the Board of Directors of the Bank nominated Mr. Wen Tiejun, Mr. Chung Shui Ming Timpson and Ms. Pan Yingli for re-election as Independent Non-executive Directors of the Bank. On November 11, 2022, Mr. Wen Tiejun, Mr. Chung Shui Ming Timpson and Ms. Pan Yingli were re-elected as Independent Non-executive Directors of the Bank at the 2022 Second Extraordinary General Meeting of the Bank. The term of office of them is three years, commencing from November 11, 2022.

(iv) On October 26, 2022, the Board of Directors of the Bank approved the proposal on the nomination of Mr. Tang Zhihong as the candidate for Independent Non-executive Director of the Bank. According to the Bank's announcement on March 16, 2023, the Bank had received the reply from the former CBIRC (Yin Bao Jian Fu [2023] No. 127), pursuant to which the former CBIRC had approved the qualification of Mr. Tang Zhihong as an Independent Non-executive Director of the Bank. Mr. Tang Zhihong had been appointed as an Independent Non-executive Director of the Bank since March 10, 2023. Mr. Tang Zhihong serves as an Independent Non-executive Director of the Bank for a term of three years and did not receive emolument from the Bank.

(v) Mr. Zhao Yongxiang did not receive emolument from the Bank.

(vi) On May 30, 2022, Mr. Wu Yu submitted his resignation due to the fact that he has served his six years' term of the office as an external Supervisor of the Bank. To ensure that the Board of Supervisors of the Bank meets the requirement that the number of external supervisors shall not be less than one third of all members of the Board of Supervisors, Mr. Wu Yu will continue to perform his duties as a supervisor in accordance with relevant laws, regulations and the articles of association of the Bank before the newly elected external supervisor takes office.

(vii) The employee supervisors were not remunerated for their role as supervisors, and their remuneration from the Bank as employees were not disclosed here.

(viii) On July 18, 2022, the Tenth Session of the First Employee Representative Assembly of the Bank elected Mr. Li Yue to be reappointed as the Employee Supervisor.

(ix) Mr. Zhang Jinliang ceased to be the Chairman and Non-executive Director of the Bank, the chairman and member of Strategic Planning Committee of the Board due to change of job, with effect from April 25, 2022. During the term of office, he received emolument from China Post Group, the controlling shareholder of the Bank, and did not receive emolument from the Bank.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023
(All amounts in RMB million unless otherwise stated)

11 Emoluments of directors and supervisors (continued)

11.1 Details of the directors and supervisors' emoluments are as follows: (continued)

(x) According to the Bank's announcement on March 16, 2023, Mr. Fu Tingmei ceased to be an Independent Non-executive Director of the Bank upon the expiry of his six-year term of office.

(xi) Mr. Li Yujie ceased to be the Supervisor of the Bank on January 4, 2022. During the term of office, he did not receive emolument from the Bank.

(xii) The total compensation packages for certain directors and supervisors for the year ended December 31, 2022 had not been finalized at the date of the approval of these consolidated financial statements. The compensation not yet accrued is not expected to have a significant impact on the Group's financial statements for the year ended December 31, 2022. The final compensation will be disclosed when determined.

The Executive Directors' emoluments shown above were for their services in connection with the management of the affairs of the Bank and the Group. The Independent Non-executive Directors' and the Supervisors' emoluments shown above were for their services as directors and supervisors of the Bank.

11.2 Five highest paid individuals

For the years ended December 31, 2023 and 2022, the five highest paid individuals did not include any member of the directors or supervisors. The emoluments of the five highest paid individuals in the Group are as follows:

	2023 RMB thousand	2022 RMB thousand
Remunerations paid	**12,068**	14,741
Contribution to pension schemes	**592**	495
Benefits in kind	**401**	436
Total	**13,061**	15,672

The number of these individuals, whose emoluments fell within the following bands, is as follows:

	2023 Number of employees	2022 Number of employees
RMB2,000,001-RMB2,500,000	**3**	1
RMB2,500,001-RMB3,000,000	**–**	2
RMB3,000,001-RMB3,500,000	**2**	1
RMB4,500,001-RMB5,000,000	**–**	1

(All amounts in RMB million unless otherwise stated)

11 Emoluments of directors and supervisors (continued)

11.3 Benefits and interests of directors, supervisors and their connected entities

(i) The Group enters into credit transactions with certain directors, supervisors or certain corporates and connected entities controlled by the directors or supervisors in general commercial terms in the ordinary course of business. For the years ended December 31, 2023 and 2022, the balance of loans and advances from the Group to the directors, supervisors or certain controlled corporates and connected entities of the directors or supervisors was not significant. The Group did not provide any guarantee or security to the directors, supervisors or certain controlled corporates and connected entities of the directors or supervisors in respect of their loans, quasi-loans or credit transactions.

(ii) For the years ended December 31, 2023 and 2022, no emolument was paid by the Group to any of the directors, supervisors, senior management or the five highest paid individuals as an inducement to join or upon joining the Group or as a compensation for loss of office. Except for the annuity scheme and pension scheme, other retirement benefits for directors or supervisors were not significant, and there were no consideration provided to third parties for making available directors' or supervisors' services; and none of the directors or supervisors forfeited fees or had material interests, whether directly or indirectly, in any material transactions, arrangements or contracts in relation to the Group's business for the years ended December 31, 2023 and 2022.

12 Credit impairment losses/(reversals)

	2023	2022
Deposits with banks and other financial institutions	**458**	647
Placements with banks and other financial institutions	**(482)**	167
Financial assets held under resale agreements	**(361)**	187
Loans and advances to customers	**26,883**	37,588
Financial investments		
Financial assets measured at FVTOCI	**300**	(142)
Financial assets measured at amortized cost	**188**	(2,603)
Credit commitments	**(1,870)**	(1,538)
Other financial assets	**1,051**	1,022
Total	**26,167**	35,328

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023
(All amounts in RMB million unless otherwise stated)

13 Income tax expenses

	2023	2022
Current income tax	**3,777**	11,265
Deferred income tax (Note 25(1))	**1,398**	(5,256)
Total	**5,175**	6,009

Corporate income tax is mainly calculated at 25% of estimated taxable profit. PSBC Consumer Finance Co., Ltd. applies a preferential tax rate of 15% for high-tech enterprises. Pre-tax deductible items of corporate income tax are governed by the relevant regulations of the PRC.

Reconciliation of income tax expenses and profit before income tax are as follows:

	2023	2022
Profit before income tax	**91,599**	91,364
Income tax expenses calculated at the statutory tax rate of 25%	**22,900**	22,841
Tax effect of income with non-taxable, tax reduction and deduction of interest for tax purpose	**(19,129)**	(18,193)
Tax effect of expenses not deductible for tax purpose	**1,209**	1,361
Effect of changes in tax rates of certain subsidiary	**285**	–
Effect of different tax rates of certain subsidiary	**(90)**	–
Income tax expenses	**5,175**	6,009

The Group's interest income from central and local government bonds and income from the distribution of securities investment funds are exempted from corporate income tax in accordance with the tax law; and the interest income from bonds issued by Ministry of Railways and micro loans to farmers enjoy reduction in corporate income tax; according to the *Notice of the Ministry of Finance and the State Administration of Taxation on corporate income tax policy of special bond interest income of Postal Savings Bank of China (CS [2015] No. 150)*, the interest income from special bonds issued by China Development Bank and Agricultural Development Bank of China can enjoy reduction in corporate income tax charge.

14 Basic and diluted earnings per share

Basic and diluted earnings per share are calculated by dividing the net profit for the period attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares in issue during the corresponding years.

	2023	2022
Net profit attributable to equity holders of the Bank	**86,270**	85,224
Less: Net profit for the year attributable to preference shareholders of the Bank	**–**	2,430
Net profit for the year attributable to perpetual bonds holders of the Bank	**5,316**	4,278
Net profit attributable to ordinary shareholders of the Bank	**80,954**	78,516
Weighted average number of ordinary shares in issue (in millions)	**97,527**	92,384
Basic and diluted earnings per share (in RMB Yuan)	**0.83**	0.85

The Bank redempted the non-cumulative preference shares on September 27, 2022 and did not issue any non-cumulative preference shares for the year ended December 31, 2023. Accordingly, there were no potential dilutive ordinary shares and the diluted earnings per share were the same as the basic earnings per share for the year ended December 31, 2023. (The Bank issued non-cumulative preference shares in 2017. The conversion feature of preference shares is considered to be contingently issuable ordinary shares. The triggering events of conversion did not exist for the year ended 2022. Accordingly, there were no potential dilutive ordinary shares and the diluted earnings per share were the same as the basic earnings per share for the year ended December 31, 2022.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023
(All amounts in RMB million unless otherwise stated)

15 Cash and deposits with central bank

		As at December 31, 2023	As at December 31, 2022
Cash		**47,676**	50,149
Statutory reserve with central bank	(1)	**1,243,832**	1,189,962
Surplus reserve with central bank	(2)	**41,458**	17,673
Fiscal deposits with central bank		**4,535**	6,167
Total		**1,337,501**	1,263,951

(1) Statutory reserve with central bank is mainly the general reserve deposited with the People's Bank of China (hereinafter referred to as the "central bank" or the "PBC") by the Group in accordance with the relevant regulations, and cannot be used for daily operating activities. As at December 31, 2023, the ratio of the Bank for RMB deposits statutory reserve was 9.00% (December 31, 2022: 9.50%), whereas the ratio for foreign currency deposits was 4.00% (December 31, 2022: 6.00%).The statutory reserve funds placed by subsidiaries of the Bank are determined by the PBC.

(2) Surplus reserve with central bank mainly represents deposits placed with central bank for settlement and clearing of interbank transactions.

16 Deposits with banks and other financial institutions

	As at December 31, 2023	As at December 31, 2022
Deposits with domestic banks	**188,064**	157,623
Deposits with other domestic financial institutions	**209**	394
Deposits with overseas banks	**2,208**	4,212
Gross amount	**190,481**	162,229
Allowance for impairment loss	**(1,265)**	(807)
Carrying amount	**189,216**	161,422

The collateral received in connection with deposits with banks and other financial institutions is disclosed in "Note 42.2 Contingent liabilities and commitments – Collateral". As at December 31, 2023 and 2022, the Group did not have any netting agreements or similar arrangements with counterparties.

(All amounts in RMB million unless otherwise stated)

17 Placements with banks and other financial institutions

	As at December 31, 2023	As at December 31, 2022
Placements with domestic banks	**6,991**	2,367
Placements with other domestic financial institutions	**291,920**	303,120
Gross amount	**298,911**	305,487
Allowance for impairment loss	**(1,169)**	(1,651)
Carrying amount	**297,742**	303,836

In accordance with the Interim Administrative Measures for Gold Lease Business (Yinbanfa [2022] No.88)(《黃金租借業務管理暫行辦法》(銀辦發[2022]88 號)) issued by the PBC, the Group reclassified the carrying amount of gold lease business with financial institutions from other assets to placements with banks and other financial institutions from 2023, and adjusted the comparative figures of RMB526 million for the same period accordingly.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023
(All amounts in RMB million unless otherwise stated)

18 Derivative financial assets and liabilities

The Group enters into derivative contracts of foreign exchange rate, interest rate and precious metal, which are primarily related to trading, asset and liability management, and customer driven transactions.

The contractual/notional amount and fair value of the derivative financial instruments held by the Group as at the end of the reporting period are set out in the following tables. The contractual/notional amounts of derivative financial instruments provide a basis for comparison with fair value of instruments recognized on the consolidated statement of financial position but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Group's exposure to credit or market risks. The fair value of derivative instruments become favorable (assets) or unfavorable (liabilities) as a result of fluctuations in market interest rates, foreign exchange rates, or market prices of precious metals relative to their terms. The aggregate fair value of derivative financial assets and liabilities can fluctuate significantly over different periods.

	As at December 31, 2023			As at December 31, 2022		
	Contractual/ Notional amounts	Assets	Liabilities	Contractual/ Notional amounts	Assets	Liabilities
Analyzed by types of contracts						
Exchange rate contracts	**133,000**	**699**	**(1,721)**	79,144	986	(1,569)
Interest rate contracts	**372,740**	**1,448**	**(1,489)**	300,700	876	(890)
Precious metal contracts	**4,406**	**7**	**(385)**	3,350	43	(6)
Total	**510,146**	**2,154**	**(3,595)**	383,194	1,905	(2,465)

	As at December 31, 2023	As at December 31, 2022
Analyzed by credit risk-weighted amount for counterparty:		
Credit risk-weighted amount		
Exchange rate contracts	**862**	791
Precious metal contracts	**9**	16
Subtotal	**871**	807
Credit value adjustments	**365**	352
Central counterparties risk-weighted amount	**117**	257
Total	**1,353**	1,416

(All amounts in RMB million unless otherwise stated)

18 Derivative financial assets and liabilities (continued)

Credit risk-weighted amount for derivative transaction counterparties represents the counterparty credit risk associated with derivative transactions and is calculated in accordance with the "*Capital Rules for Commercial Banks (Provisional)*" issued by the former CBIRC which was effective from January 1, 2013 and "*Measurement Rule of Counterparty Default Risk Weighted Assets on Derivatives*" issued by the former CBIRC which was effective from January 1, 2019, and is dependent on, among other factors, creditworthiness of counterparties and maturity characteristics of each type of contract.

19 Financial assets held under resale agreements

	As at December 31, 2023	As at December 31, 2022
Analyzed by type of collateral		
Debt securities	**352,793**	128,615
Bills	**57,469**	102,352
Gross amount	**410,262**	230,967
Allowance for impairment loss	**(736)**	(1,097)
Carrying amount	**409,526**	229,870

The collateral received in connection with the purchase of financial assets under resale agreement is disclosed in "Note 42.2 Contingent liabilities and commitments – Collateral". As at December 31, 2023 and 2022, the Group did not have any netting agreements or similar arrangements with counterparties.

20 Loans and advances to customers

20.1 Loans and advances to customers by types

		As at December 31, 2023	As at December 31, 2022
Loans and advances to customers			
– Measured at amortized cost	(1)	**7,177,797**	6,375,343
– Measured at FVTOCI	(2)	**737,448**	602,367
Total		**7,915,245**	6,977,710

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023
(All amounts in RMB million unless otherwise stated)

20 Loans and advances to customers (continued)

20.1 Loans and advances to customers by types (continued)

(1) Loans and advances to customers measured at amortized cost

	As at December 31, 2023	As at December 31, 2022
Personal loans and advances		
Consumer loans	**2,858,741**	2,728,645
– Residential mortgage loans	**2,337,991**	2,261,763
– Other consumer loans	**520,750**	466,882
Personal small and micro loans	**1,392,227**	1,135,194
Credit cards overdrafts and others	**219,280**	182,266
Subtotal	**4,470,248**	4,046,105
Corporate loans and advances		
– Loans	**2,940,719**	2,448,646
– Discounted bills	**478**	113,315
Subtotal	**2,941,197**	2,561,961
Gross amount of loans and advances to customers measured at amortized cost	**7,411,445**	6,608,066
Less: Allowance for impairment loss of loans and advances to customers measured at amortized cost		
– Stage 1	**158,240**	169,911
– Stage 2	**12,691**	9,087
– Stage 3	**62,717**	53,725
Carrying amount of loans and advances to customers measured at amortized cost	**7,177,797**	6,375,343

(All amounts in RMB million unless otherwise stated)

20 Loans and advances to customers (continued)

20.1 Loans and advances to customers by types (continued)

(2) Loans and advances to customers measured at FVTOCI

	As at December 31, 2023	As at December 31, 2022
Corporate loans and advances		
– Loans	**273,752**	220,716
– Discounted bills	**463,696**	381,651
Loans and advances to customers measured at FVTOCI	**737,448**	602,367

20.2 Detailed information regarding loans and advances to customers by geographical region, industries, types of collateral and overdue situation is set out in Note 45.3.4.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023
(All amounts in RMB million unless otherwise stated)

20 Loans and advances to customers (continued)

20.3 Loans and advances to customers by allowance for impairment loss

	As at December 31, 2023			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Gross amount of loans and advances to customers measured at amortized cost	**7,296,799**	**47,117**	**67,529**	**7,411,445**
Allowance for impairment loss of loans and advances to customers measured at amortized cost	**(158,240)**	**(12,691)**	**(62,717)**	**(233,648)**
Carrying amount of loans and advances to customers measured at amortized cost	**7,138,559**	**34,426**	**4,812**	**7,177,797**
Loans and advances to customers measured at FVTOCI	**737,415**	**33**	**–**	**737,448**
Allowance for impairment loss of loans and advances to customers measured at FVTOCI	**(818)**	**(1)**	**–**	**(819)**

	As at December 31, 2022			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Gross amount of loans and advances to customers measured at amortized cost	6,511,299	36,102	60,665	6,608,066
Allowance for impairment loss of loans and advances to customers measured at amortized cost	(169,911)	(9,087)	(53,725)	(232,723)
Carrying amount of loans and advances to customers measured at amortized cost	6,341,388	27,015	6,940	6,375,343
Loans and advances to customers measured at FVTOCI	602,037	162	168	602,367
Allowance for impairment loss of loans and advances to customers measured at FVTOCI	(1,253)	(1)	(168)	(1,422)

(All amounts in RMB million unless otherwise stated)

20 Loans and advances to customers (continued)

20.4 The following tables illustrate the changes in the gross amount of loans and advances to customers:

(1) Personal loans and advances to customers measured at amortized cost

	Year ended December 31, 2023			
Personal loans and advances to customers measured at amortized cost	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Gross amount as at January 1, 2023	**3,982,011**	**18,506**	**45,588**	**4,046,105**
Transfers:				
Transfer to stage 1	**7,033**	**(3,729)**	**(3,304)**	**–**
Transfer to stage 2	**(20,823)**	**21,238**	**(415)**	**–**
Transfer to stage 3	**(34,607)**	**(5,432)**	**40,039**	**–**
Financial assets derecognized or settled during the year	**(1,580,159)**	**(9,296)**	**(16,000)**	**(1,605,455)**
New financial assets originated or purchased	**2,045,583**	**–**	**–**	**2,045,583**
Write-offs	**–**	**–**	**(15,985)**	**(15,985)**
Gross amount as at December 31, 2023	**4,399,038**	**21,287**	**49,923**	**4,470,248**

	Year ended December 31, 2022			
Personal loans and advances to customers measured at amortized cost	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Gross amount as at January 1, 2022	3,706,961	13,970	35,222	3,756,153
Transfers:				
Transfer to stage 1	2,956	(1,682)	(1,274)	–
Transfer to stage 2	(18,663)	18,709	(46)	–
Transfer to stage 3	(32,878)	(4,072)	36,950	–
Financial assets derecognized or settled during the year	(1,420,072)	(8,419)	(10,630)	(1,439,121)
New financial assets originated or purchased	1,743,707	–	–	1,743,707
Write-offs	–	–	(14,634)	(14,634)
Gross amount as at December 31, 2022	3,982,011	18,506	45,588	4,046,105

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023
(All amounts in RMB million unless otherwise stated)

20 Loans and advances to customers (continued)

20.4 The following tables illustrate the changes in the gross amount of loans and advances to customers: (continued)

(2) Corporate loans and advances to customers measured at amortized cost

	Year ended December 31, 2023			
Corporate loans and advances to customers measured at amortized cost	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Gross amount as at January 1, 2023	**2,529,288**	**17,596**	**15,077**	**2,561,961**
Transfers:				
Transfer to stage 1	**2,546**	**(2,541)**	**(5)**	**–**
Transfer to stage 2	**(16,729)**	**19,008**	**(2,279)**	**–**
Transfer to stage 3	**(8,822)**	**(3,076)**	**11,898**	**–**
Financial assets derecognized or settled during the year	**(761,354)**	**(5,157)**	**(3,835)**	**(770,346)**
New financial assets originated or purchased	**1,152,832**	**–**	**168**	**1,153,000**
Write-offs	**–**	**–**	**(3,418)**	**(3,418)**
Gross amount as at December 31, 2023	**2,897,761**	**25,830**	**17,606**	**2,941,197**

	Year ended December 31, 2022			
Corporate loans and advances to customers measured at amortized cost	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Gross amount as at January 1, 2022	2,068,445	17,653	17,441	2,103,539
Transfers:				
Transfer to stage 1	2,482	(2,482)	–	–
Transfer to stage 2	(7,773)	9,930	(2,157)	–
Transfer to stage 3	(7,011)	(1,549)	8,560	–
Financial assets derecognized or settled during the year	(847,719)	(5,956)	(6,624)	(860,299)
New financial assets originated or purchased	1,320,864	–	–	1,320,864
Write-offs	–	–	(2,143)	(2,143)
Gross amount as at December 31, 2022	2,529,288	17,596	15,077	2,561,961

(All amounts in RMB million unless otherwise stated)

20 Loans and advances to customers (continued)

20.4 The following tables illustrate the changes in the gross amount of loans and advances to customers: (continued)

(3) Loans and advances to customers measured at FVTOCI

	Year ended December 31, 2023			
Loans and advances to customers measured at FVTOCI	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Carrying amount as at January 1, 2023	**602,037**	**162**	**168**	**602,367**
Transfers:				
Transfer to stage 1	**–**	**–**	**–**	**–**
Transfer to stage 2	**(33)**	**33**	**–**	**–**
Transfer to stage 3	**–**	**–**	**–**	**–**
Financial assets derecognized or settled during the year	**(602,037)**	**(162)**	**(168)**	**(602,367)**
New financial assets originated or purchased	**737,448**	**–**	**–**	**737,448**
Write-offs	**–**	**–**	**–**	**–**
Carrying amount as at December 31, 2023	**737,415**	**33**	**–**	**737,448**

	Year ended December 31, 2022			
Loans and advances to customers measured at FVTOCI	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Carrying amount as at January 1, 2022	593,110	1,287	10	594,407
Transfers:				
Transfer to stage 1	–	–	–	–
Transfer to stage 2	(162)	162	–	–
Transfer to stage 3	(168)	–	168	–
Financial assets derecognized or settled during the year	(593,110)	(1,287)	(8)	(594,405)
New financial assets originated or purchased	602,367	–	–	602,367
Write-offs	–	–	(2)	(2)
Carrying amount as at December 31, 2022	602,037	162	168	602,367

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023
(All amounts in RMB million unless otherwise stated)

20 Loans and advances to customers (continued)

20.5 The following tables illustrate the changes in the loss allowance of loans and advances to customers

(1) Personal loans and advances to customers measured at amortized cost

Personal loans and advances to customers measured at amortized cost	Year ended December 31, 2023 Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loss allowance as at January 1, 2023	**82,428**	**6,449**	**39,726**	**128,603**
Transfers:				
Transfer to stage 1	**2,343**	**(1,135)**	**(1,208)**	**–**
Transfer to stage 2	**(2,789)**	**2,987**	**(198)**	**–**
Transfer to stage 3	**(6,080)**	**(2,120)**	**8,200**	**–**
Changes of ECL arising from transfer of stages	**(1,621)**	**4,310**	**25,933**	**28,622**
Financial assets derecognized or settled during the year	**(37,626)**	**(2,961)**	**(11,283)**	**(51,870)**
New financial assets originated or purchased	**49,283**	**–**	**–**	**49,283**
Remeasurement	**(351)**	**52**	**1,848**	**1,549**
Write-offs	**–**	**–**	**(15,985)**	**(15,985)**
Loss allowance as at December 31, 2023	**85,587**	**7,582**	**47,033**	**140,202**

Personal loans and advances to customers measured at amortized cost	Year ended December 31, 2022 Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loss allowance as at January 1, 2022	72,900	4,153	30,502	107,555
Transfers:				
Transfer to stage 1	770	(440)	(330)	–
Transfer to stage 2	(2,394)	2,414	(20)	–
Transfer to stage 3	(5,624)	(1,368)	6,992	–
Changes of ECL arising from transfer of stages	(405)	3,889	22,601	26,085
Financial assets derecognized or settled during the year	(40,965)	(2,241)	(6,660)	(49,866)
New financial assets originated or purchased	47,360	–	–	47,360
Remeasurement	10,786	42	1,275	12,103
Write-offs	–	–	(14,634)	(14,634)
Loss allowance as at December 31, 2022	82,428	6,449	39,726	128,603

(All amounts in RMB million unless otherwise stated)

20 Loans and advances to customers (continued)

20.5 The following tables illustrate the changes in the loss allowance of loans and advances to customers (continued)

(2) Corporate loans and advances to customers measured at amortized cost

	Year ended December 31, 2023			
Corporate loans and advances to customers measured at amortized cost	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loss allowance as at January 1, 2023	**87,483**	**2,638**	**13,999**	**104,120**
Transfers:				
Transfer to stage 1	**417**	**(413)**	**(4)**	**–**
Transfer to stage 2	**(1,324)**	**3,579**	**(2,255)**	**–**
Transfer to stage 3	**(836)**	**(332)**	**1,168**	**–**
Changes of ECL arising from transfer of stages	**(315)**	**759**	**7,086**	**7,530**
Financial assets derecognized or settled during the year	**(21,759)**	**(364)**	**(1,534)**	**(23,657)**
New financial assets originated or purchased	**22,593**	**–**	**168**	**22,761**
Remeasurement	**(13,606)**	**(758)**	**474**	**(13,890)**
Write-offs	**–**	**–**	**(3,418)**	**(3,418)**
Loss allowance as at December 31, 2023	**72,653**	**5,109**	**15,684**	**93,446**

	Year ended December 31, 2022			
Corporate loans and advances to customers measured at amortized cost	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loss allowance as at January 1, 2022	88,723	3,325	17,297	109,345
Transfers:				
Transfer to stage 1	449	(449)	–	–
Transfer to stage 2	(400)	2,406	(2,006)	–
Transfer to stage 3	(359)	(251)	610	–
Changes of ECL arising from transfer of stages	(283)	(1,089)	6,111	4,739
Financial assets derecognized or settled during the year	(47,446)	(1,054)	(5,801)	(54,301)
New financial assets originated or purchased	47,792	–	–	47,792
Remeasurement	(993)	(250)	(69)	(1,312)
Write-offs	–	–	(2,143)	(2,143)
Loss allowance as at December 31, 2022	87,483	2,638	13,999	104,120

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023
(All amounts in RMB million unless otherwise stated)

20 Loans and advances to customers (continued)

20.5 The following tables illustrate the changes in the loss allowance of loans and advances to customers (continued)

(3) Loans and advances to customers measured at FVTOCI

Loans and advances to customers measured at FVTOCI	Year ended December 31, 2023 Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loss allowance as at January 1, 2023	**1,253**	**1**	**168**	**1,422**
Transfers:				
Transfer to stage 1	**–**	**–**	**–**	**–**
Transfer to stage 2	**(1)**	**1**	**–**	**–**
Transfer to stage 3	**–**	**–**	**–**	**–**
Changes of ECL arising from transfer of stages	**–**	**–**	**–**	**–**
Financial assets derecognized or settled during the year	**(1,253)**	**(1)**	**(168)**	**(1,422)**
New financial assets originated or purchased	**819**	**–**	**–**	**819**
Remeasurement	**–**	**–**	**–**	**–**
Write-offs	**–**	**–**	**–**	**–**
Loss allowance as at December 31, 2023	**818**	**1**	**–**	**819**

Loans and advances to customers measured at FVTOCI	Year ended December 31, 2022 Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loss allowance as at January 1, 2022	3,477	156	10	3,643
Transfers:				
Transfer to stage 1	–	–	–	–
Transfer to stage 2	(1)	1	–	–
Transfer to stage 3	(1)	–	1	–
Changes of ECL arising from transfer of stages	–	–	167	167
Financial assets derecognized or settled during the year	(3,477)	(156)	(8)	(3,641)
New financial assets originated or purchased	1,255	–	–	1,255
Remeasurement	–	–	–	–
Write-offs	–	–	(2)	(2)
Loss allowance as at December 31, 2022	1,253	1	168	1,422

(All amounts in RMB million unless otherwise stated)

21 Financial investments

21.1 Financial assets measured at fair value through profit or loss

	As at December 31, 2023	As at December 31, 2022
Debt securities		
– Listed outside Hong Kong	**72,961**	78,782
– Unlisted	**343**	10
Subtotal	**73,304**	78,792
Interbank certificates of deposits		
– Listed outside Hong Kong	**136,949**	111,980
– Unlisted	**2,147**	–
Subtotal	**139,096**	111,980
Asset-backed securities		
– Listed outside Hong Kong	**817**	52
Fund investments		
– Unlisted	**621,550**	616,591
Trust investment plans and asset management plans		
– Unlisted	**51,164**	54,191
Wealth management products issued by financial institutions		
– Unlisted	**682**	199
Equity instruments		
– Listed outside Hong Kong	**931**	954
– Unlisted	**972**	1,024
Subtotal	**1,903**	1,978
Total	**888,516**	863,783

The above investments listed outside Hong Kong Special Administrative Region ("SAR") are mainly traded in the Domestic Interbank Bond Market.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023
(All amounts in RMB million unless otherwise stated)

21 Financial investments (continued)

21.1 Financial assets measured at fair value through profit or loss (continued)

Analyzed by types of issuers	As at December 31, 2023	As at December 31, 2022
Debt securities		
– Government	**875**	3,660
– Financial institutions	**47,180**	53,772
– Corporates	**25,249**	21,360
Subtotal	**73,304**	78,792
Interbank certificates of deposits		
– Financial institutions	**139,096**	111,980
Asset-backed securities		
– Financial institutions	**817**	52
Fund investments		
– Financial institutions	**621,550**	616,591
Trust investment plans and asset management plans		
– Financial institutions	**51,164**	54,191
Wealth management products issued by financial institutions		
– Financial institutions	**682**	199
Equity instruments		
– Financial institutions	**13**	13
– Corporates	**1,890**	1,965
Subtotal	**1,903**	1,978
Total	**888,516**	863,783

(All amounts in RMB million unless otherwise stated)

21 Financial investments (continued)

21.2 Financial assets measured at fair value through other comprehensive income-debt instruments

	As at December 31, 2023	As at December 31, 2022
Debt securities		
– Listed in Hong Kong	**1,898**	3,715
– Listed outside Hong Kong	**501,638**	412,408
Subtotal	**503,536**	416,123
Interbank certificates of deposits		
– Listed outside Hong Kong	**–**	49
Total	**503,536**	416,172

The above debt instruments listed outside Hong Kong SAR are mainly traded in the Domestic Interbank Bond Market.

Analyzed by types of issuers	As at December 31, 2023	As at December 31, 2022
Debt securities		
– Government	**190,648**	121,902
– Financial institutions	**221,615**	212,772
– Corporates	**91,273**	81,449
Subtotal	**503,536**	416,123
Interbank certificates of deposits		
– Financial institutions	**–**	49
Total	**503,536**	416,172

For the years ended December 31, 2023 and 2022, there was no change of loss allowance arising from transfer of stages for the Group's financial assets measured at FVTOCI-debt instruments. The main reasons for the movement in the loss allowance are originates or purchases, derecognition or settlement.

As at December 31, 2023, the allowance for impairment loss of the Group's financial assets measured at FVTOCI-debt instruments was RMB1,306 million (As at December 31, 2022: RMB1,006 million), which mainly represented the loss allowance for the financial assets measured at FVTOCI-debt instruments at stage 1.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023
(All amounts in RMB million unless otherwise stated)

21 Financial investments (continued)

21.3 Financial assets measured at fair value through other comprehensive income-equity instruments

	As at December 31, 2023	As at December 31, 2022
Equity instruments		
– Listed outside Hong Kong	**3,291**	5,421
– Unlisted	**4,035**	3,925
Total	**7,326**	9,346

Analyzed by types of issuers:	As at December 31, 2023	As at December 31, 2022
Equity instruments		
– Financial institutions	**4,035**	3,925
– Corporates	**3,291**	5,421
Total	**7,326**	9,346

The Group designates part of non-trading equity investments as financial assets measured at FVTOCI-equity instruments. During the year ended December 31, 2023, the Group recognized RMB75 million dividend income for such equity investments (2022: RMB14 million).

In the current year, the Group disposed part of the equity instruments of RMB506 million (2022: RMB939 million). Accumulative gain on disposal, net of tax, of RMB172 million has been transferred to retained earnings (2022: RMB486 million).

(All amounts in RMB million unless otherwise stated)

21 Financial investments (continued)

21.4 Financial assets measured at amortized cost

		As at December 31, 2023	As at December 31, 2022
Debt securities			
– Listed in Hong Kong		**42,795**	42,774
– Listed outside Hong Kong		**3,127,762**	2,794,473
– Unlisted	(1)	**337,646**	360,983
Subtotal		**3,508,203**	3,198,230
Interbank certificates of deposits			
– Listed outside Hong Kong		**290,715**	282,205
– Unlisted		**57,002**	10,562
Subtotal		**347,717**	292,767
Asset-backed securities			
– Listed outside Hong Kong		**114,271**	146,772
– Unlisted		**1,035**	2,569
Subtotal		**115,306**	149,341
Debt financing plans			
– Unlisted		**8,945**	12,289
Other debt instruments			
– Unlisted	(2)	**33,965**	45,137
Gross amount		**4,014,136**	3,697,764
Allowance for impairment loss		**(25,926)**	(28,166)
Carrying amount		**3,988,210**	3,669,598

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023
(All amounts in RMB million unless otherwise stated)

21 Financial investments (continued)

21.4 Financial assets measured at amortized cost (continued)

The above investments listed outside Hong Kong SAR are mainly traded in the Domestic Interbank Bond Market.

(1) Unlisted debt securities included long term special financial bonds issued by China Development Bank and Agricultural Development Bank of China in 2015. As at December 31, 2023, the carrying amount of these special financial bonds was RMB307,405 million, with original maturity of 10 to 20 years (December 31, 2022: the carrying amount was RMB341,495 million, with original maturity of 10 to 20 years).

(2) Other debt instruments mainly include trust investment plans and asset management plans, etc.

Analyzed by types of issuers:	As at December 31, 2023	As at December 31, 2022
Debt securities		
– Government	**1,471,521**	1,413,809
– Financial institutions	**1,879,813**	1,673,179
– Corporates	**156,869**	111,242
Subtotal	**3,508,203**	3,198,230
Interbank certificates of deposits		
– Financial institutions	**347,717**	292,767
Asset-backed securities		
– Financial institutions	**115,306**	149,341
Debt financing plans		
– Corporates	**8,945**	12,289
Other debt instruments		
– Financial institutions	**33,965**	45,137
Gross amount	**4,014,136**	3,697,764
Allowance for impairment loss	**(25,926)**	(28,166)
Carrying amount	**3,988,210**	3,669,598

(All amounts in RMB million unless otherwise stated)

21 Financial investments (continued)

21.4 Financial assets measured at amortized cost (continued)

The following tables illustrate the changes in the gross amount of financial assets measured at amortized cost:

Financial assets measured at amortized cost	Year ended December 31, 2023			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Gross amount as at January 1, 2023	**3,669,511**	**8,095**	**20,158**	**3,697,764**
Transfers:				
Transfer to stage 1	–	–	–	–
Transfer to stage 2	**(521)**	**540**	**(19)**	–
Transfer to stage 3	–	–	–	–
Financial assets derecognized or settled during the year	**(803,876)**	**(2,634)**	**(681)**	**(807,191)**
New financial assets originated or purchased	**1,125,460**	–	–	**1,125,460**
Write-offs	–	–	**(1,897)**	**(1,897)**
Gross amount as at December 31, 2023	**3,990,574**	**6,001**	**17,561**	**4,014,136**

Financial assets measured at amortized cost	Year ended December 31, 2022			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Gross amount as at January 1, 2022	3,281,086	9,041	21,917	3,312,044
Transfers:				
Transfer to stage 1	–	–	–	–
Transfer to stage 2	–	–	–	–
Transfer to stage 3	–	(250)	250	–
Financial assets derecognized or settled during the year	(738,075)	(696)	(2,009)	(740,780)
New financial assets originated or purchased	1,126,500	–	–	1,126,500
Gross amount as at December 31, 2022	3,669,511	8,095	20,158	3,697,764

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023
(All amounts in RMB million unless otherwise stated)

21 Financial investments (continued)

21.4 Financial assets measured at amortized cost (continued)

The following tables explain the changes in the loss allowance of financial assets measured at amortized cost:

	Year ended December 31, 2023			
Financial assets measured at amortized cost	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Loss allowance as at January 1, 2023	**4,633**	**3,424**	**20,109**	**28,166**
Transfers:				
Transfer to stage 1	**–**	**–**	**–**	**–**
Transfer to stage 2	**(48)**	**67**	**(19)**	**–**
Transfer to stage 3	**–**	**–**	**–**	**–**
Changes of ECL arising from transfer of stages	**–**	**1**	**–**	**1**
Financial assets derecognized or settled during the year	**(1,703)**	**(948)**	**(679)**	**(3,330)**
New financial assets originated or purchased	**3,084**	**–**	**–**	**3,084**
Remeasurement	**54**	**(205)**	**43**	**(108)**
Write-offs	**–**	**–**	**(1,897)**	**(1,897)**
Exchange rate changes	**10**	**–**	**–**	**10**
Loss allowance as at December 31, 2023	**6,030**	**2,339**	**17,557**	**25,926**

	Year ended December 31, 2022			
Financial assets measured at amortized cost	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Loss allowance as at January 1, 2022	5,885	4,257	21,899	32,041
Transfers:				
Transfer to stage 1	–	–	–	–
Transfer to stage 2	–	–	–	–
Transfer to stage 3	–	(54)	54	–
Changes of ECL arising from transfer of stages	–	–	160	160
Financial assets derecognized or settled during the year	(2,247)	(342)	(2,007)	(4,596)
New financial assets originated or purchased	1,871	–	–	1,871
Remeasurement	(896)	(437)	3	(1,330)
Exchange rate changes	20	–	–	20
Loss allowance as at December 31, 2022	4,633	3,424	20,109	28,166

(All amounts in RMB million unless otherwise stated)

22 Investment in subsidiaries

The entities in consolidation scope are mainly subsidiaries established by the Bank.

The Bank	As at December 31, 2023	As at December 31, 2022
Investment cost	**15,115**	15,115

Name of entities		Place of Incorporation/ registration and operations	Authorized/ paid-in capital RMB	Nature of business	Percentage of equity interest	Proportion of voting rights	Year of establishment
PSBC Consumer Finance Co., Ltd.*	(1)	Guangzhou, Guangdong Province, PRC	3 billion	Consumer finance	70.50%	70.50%	2015
PSBC Wealth Management Co., Ltd.*	(2)	Beijing, PRC	8 billion	Wealth management	100.00%	100.00%	2019
YOU+ BANK Co., Ltd.*	(3)	Shanghai, PRC	5 billion	Direct banking	100.00%	100.00%	2022

* These subsidiaries incorporated in PRC are all limited liability companies.

(1) On November 19, 2015, the Bank, together with other investors, jointly sponsored the establishment of PSBC Consumer Finance Co., Ltd. ("PSBC Consumer Finance"). PSBC Consumer Finance mainly engages in following RMB businesses: granting personal consumer loans; accepting deposits from domestic shareholders and their domestic subsidiaries; borrowing from domestic financial institutions; authorized issuance of financial bonds; placements with/from domestic banks and other financial institutions; consumer financing advisory and agency services; agency sales of consumer loans related insurance products, investments in fixed income securities; asset securitization business and other businesses as approved by the NFRA. As at December 31, 2023, the Bank owned 70.50% in the equity interest and voting rights of PSBC Consumer Finance (December 31, 2022: 70.50%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023
(All amounts in RMB million unless otherwise stated)

22 Investment in subsidiaries (continued)

(2) On December 3, 2019, the Bank obtained formal approval issued by the former CBIRC (《關於中郵理財有限責任公司開業的批覆》) for the commencement of business operation of PSBC Wealth Management Co., Ltd. ("PSBC Wealth Management"). On December 18, 2019, PSBC Wealth Management was officially incorporated. PSBC Wealth Management mainly engages in the following businesses: public issuing wealth management products to unspecified general investors, carrying out investment and management of properties entrusted by investors; non-public issuing wealth management products to eligible investors, carrying out investment and management of assets entrusted by investors; financial advising and consulting services in relation to wealth management; and other businesses as approved by the NFRA. As at December 31, 2023, the Bank owned 100.00% in the equity interest and voting rights of PSBC Wealth Management (December 31, 2022: 100.00%).

(3) On December 16, 2021, the Bank obtained formal approval issued by the former CBIRC (《關於中郵郵惠萬家銀行有限責任公司開業的批覆》) for the commencement of business operation of YOU+ BANK Co., Ltd. ("YOU+BANK"). On January 7, 2022, YOU+ BANK was officially incorporated. YOU+ BANK mainly engages in the following businesses: taking public deposits, mainly from individuals, small and micro enterprises; granting short-term, medium-term and long-term loans to individuals, small and micro enterprises; processing domestic and foreign settlement through electronic channels; processing electronic bill acceptance and discounting; issuance of financial bonds; buying and selling government bonds and financial bonds; conducting interbank placements; purchasing and selling foreign exchange, or acting as an agent thereof; operating bank card business; acting as an agent for receipts and payments and agency insurance business; other businesses as approved by the NFRA. As at December 31, 2023, the Bank owned 100.00% in the equity interest and voting rights of YOU+ BANK (December 31, 2022: 100.00%).

(4) None of the subsidiaries had issued any debt securities as at December 31, 2023 and 2022, respectively.

23 Interests in associates

	As at December 31, 2023	As at December 31, 2022
Investment in an associate	**673**	653

On March 22, 2022, Guomin Pension Insurance Co., Ltd. (hereinafter referred to as "Guomin Pension") was incorporated with registered capital of RMB11.15 billion and the Bank's subsidiary, PSBC Wealth Management owned equity interest of Guomin Pension. The Group holds 5.83% of the equity interest and the voting rights, and could appoint directors and has right to participate in the financial and operational decisions of Guomin Pension. The directors of the Bank conclude that the Group only has significant influence over Guomin Pension and therefore it is classified as an associate of the Group.

(All amounts in RMB million unless otherwise stated)

24 Property and equipment

	Buildings	Electronic equipment	Motor vehicles	Office equipment and others	Construction in progress	Total
Cost						
As at January 1, 2023	60,973	12,100	1,306	4,578	13,088	92,045
Increases	617	497	153	94	8,371	9,732
Transfer from investment properties	5	–	–	–	–	5
Transfer from construction in progress	5,860	2,856	–	165	(8,881)	–
Decreases	(87)	(820)	(111)	(267)	(1,497)	(2,782)
As at December 31, 2023	67,368	14,633	1,348	4,570	11,081	99,000
Accumulated depreciation						
As at January 1, 2023	(24,824)	(9,713)	(973)	(3,263)	–	(38,773)
Charge for the year	(3,169)	(2,492)	(136)	(402)	–	(6,199)
Transfer from investment properties	(3)	–	–	–	–	(3)
Disposals	59	776	106	254	–	1,195
As at December 31, 2023	(27,937)	(11,429)	(1,003)	(3,411)	–	(43,780)
Carrying amount						
As at January 1, 2023	36,149	2,387	333	1,315	13,088	53,272
As at December 31, 2023	39,431	3,204	345	1,159	11,081	55,220

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023
(All amounts in RMB million unless otherwise stated)

24 Property and equipment (continued)

	Buildings	Electronic equipment	Motor vehicles	Office equipment and others	Construction in progress	Total
Cost						
As at January 1, 2022	58,132	10,266	1,308	4,390	15,192	89,288
Increases	168	558	75	264	7,265	8,330
Transfer from investment properties	44	–	–	–	–	44
Transfer from construction in progress	2,968	2,337	–	216	(5,521)	–
Decreases	(339)	(1,061)	(77)	(292)	(3,848)	(5,617)
As at December 31, 2022	60,973	12,100	1,306	4,578	13,088	92,045
Accumulated depreciation						
As at January 1, 2022	(22,031)	(8,558)	(922)	(3,108)	–	(34,619)
Charge for the year	(2,981)	(2,162)	(125)	(433)	–	(5,701)
Transfer from investment properties	(25)	–	–	–	–	(25)
Disposals	213	1,007	74	278	–	1,572
As at December 31, 2022	(24,824)	(9,713)	(973)	(3,263)	–	(38,773)
Carrying amount						
As at January 1, 2022	36,101	1,708	386	1,282	15,192	54,669
As at December 31, 2022	36,149	2,387	333	1,315	13,088	53,272

As at December 31, 2023, the Group was still in the process of obtaining ownership certificates of certain properties, with cost amounted to RMB2,814 million (December 31, 2022: RMB3,283 million), while carrying amount was RMB2,173 million (December 31, 2022: RMB2,706 million).

The management of the Group believed the above mentioned properties did not have any material adverse effect on the Group's business operations, operating performance and financial position.

All buildings of the Group were located outside Hong Kong SAR.

FOR THE YEAR ENDED DECEMBER 31, 2023
(All amounts in RMB million unless otherwise stated)

25 Deferred taxes

For the purpose of presentation in the consolidated statements of financial position, certain deferred tax assets and liabilities have been offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same taxation authority. The following is the analysis of the deferred tax balances.

	As at December 31, 2023	As at December 31, 2022
Deferred tax assets	**62,508**	63,955
Deferred tax liabilities	**(4)**	(11)
Total	**62,504**	63,944

(1) The following are the movements and major deferred tax assets and liabilities recognized:

	Allowance for Impairment loss	Staff cost accrued but not paid	Fair value changes of financial instruments	Provisions	Right-of-use assets	Lease liabilities and others	Total
As at January 1, 2023	**62,214**	**3,007**	**(3,689)**	**1,758**	**(2,658)**	**3,312**	**63,944**
Charge/(Credit) to profit or loss	**521**	**284**	**(1,693)**	**(717)**	**197**	**10**	**(1,398)**
Charge/(Credit) to other comprehensive income	**76**	**–**	**(118)**	**–**	**–**	**–**	**(42)**
As at December 31, 2023	**62,811**	**3,291**	**(5,500)**	**1,041**	**(2,461)**	**3,322**	**62,504**
As at January 1, 2022	56,485	2,499	(5,013)	1,771	(2,666)	3,232	56,308
Charge/(Credit) to profit or loss	5,138	508	(465)	(13)	8	80	5,256
Charge to other comprehensive income	591	–	1,789	–	–	–	2,380
As at December 31, 2022	62,214	3,007	(3,689)	1,758	(2,658)	3,312	63,944

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023
(All amounts in RMB million unless otherwise stated)

25 Deferred taxes (continued)

(2) Deferred tax assets and liabilities and related temporary differences, before offsetting qualifying amounts, are attributable to the following items:

	As at December 31, 2023		As at December 31, 2022	
	Deductible/ (Taxable) temporary difference	Deferred tax assets/ (liabilities)	Deductible/ (Taxable) temporary difference	Deferred tax assets/ (liabilities)
Deferred tax assets				
Allowance for impairment loss	**253,607**	**62,811**	248,856	62,214
Staff cost accrued but not paid	**13,173**	**3,291**	12,029	3,007
Provisions	**4,163**	**1,041**	7,031	1,758
Fair value changes of financial instruments	**1,485**	**371**	635	159
Lease liabilities and others	**13,794**	**3,435**	13,683	3,421
Total	**286,222**	**70,949**	282,234	70,559
Deferred tax liabilities				
Fair value changes of financial instruments	**(23,482)**	**(5,871)**	(15,391)	(3,848)
Right-of-use assets and others	**(10,544)**	**(2,574)**	(11,068)	(2,767)
Total	**(34,026)**	**(8,445)**	(26,459)	(6,615)
Net value	**252,196**	**62,504**	255,775	63,944

(All amounts in RMB million unless otherwise stated)

26 Other assets

		As at December 31, 2023	As at December 31, 2022
Deferred expenses		**15,196**	5,056
Right-of-use assets	(1)	**11,788**	12,475
Amounts pending for settlement and clearing		**7,766**	5,141
Intangible assets	(2)	**6,027**	5,408
Interest receivable		**4,990**	4,908
Continuing involvement assets (Note 43.3)		**4,450**	4,450
Other accounts receivable		**3,567**	4,243
Receivable of fee and commission		**3,197**	3,460
Precious metals		**1,716**	3,040
Prepaid expenses		**1,229**	1,320
Low-value consumables		**527**	480
Foreclosed assets		**111**	175
Investment properties		**5**	8
Others		**10,226**	3,322
Gross amount		**70,795**	53,486
Allowance for impairment loss		**(1,537)**	(1,677)
Net value		**69,258**	51,809

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023
(All amounts in RMB million unless otherwise stated)

26 Other assets (continued)

(1) Right-of-use assets

	Properties	Land use rights	Total
Cost			
As at January 1, 2023	18,637	2,614	21,251
Additions	3,629	1	3,630
Disposals	(3,298)	(2)	(3,300)
As at December 31, 2023	18,968	2,613	21,581
Accumulated depreciation/amortization			
As at January 1, 2023	(8,005)	(771)	(8,776)
Provided for the year	(3,714)	(60)	(3,774)
Disposals	2,757	–	2,757
As at December 31, 2023	(8,962)	(831)	(9,793)
Carrying amount			
As at January 1, 2023	10,632	1,843	12,475
As at December 31, 2023	10,006	1,782	11,788

(All amounts in RMB million unless otherwise stated)

26 Other assets (continued)

(1) Right-of-use assets (continued)

	Properties	Land use rights	Total
Cost			
As at January 1, 2022	17,832	2,614	20,446
Additions	4,316	1	4,317
Disposals	(3,511)	(1)	(3,512)
As at December 31, 2022	18,637	2,614	21,251
Accumulated depreciation/amortization			
As at January 1, 2022	(7,168)	(709)	(7,877)
Provided for the year	(3,789)	(63)	(3,852)
Disposals	2,952	1	2,953
As at December 31, 2022	(8,005)	(771)	(8,776)
Carrying amount			
As at January 1, 2022	10,664	1,905	12,569
As at December 31, 2022	10,632	1,843	12,475

(2) Intangible assets of the Group mainly include computer software which is amortized within 10 years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023
(All amounts in RMB million unless otherwise stated)

27 Movements of allowance for impairment loss

	Year ended December 31, 2023						
	Notes	Beginning balance	Current year accrual/ (reversal)	Current year recoveries	Write-off and transfer-out/ disposal	Exchange rate changes and others	Year end balance
Deposits with banks and other financial institutions	16	**807**	**458**	**–**	**–**	**–**	**1,265**
Placements with banks and other financial institutions	17	**1,651**	**(482)**	**–**	**–**	**–**	**1,169**
Financial assets held under resale agreements	19	**1,097**	**(361)**	**–**	**–**	**–**	**736**
Loans and advances to customers	20	**234,145**	**26,883**	**4,690**	**(31,304)**	**53**	**234,467**
Financial assets measured at fair value through other comprehensive income-debt instruments	21.2	**1,006**	**300**	**–**	**–**	**–**	**1,306**
Financial assets measured at amortized cost	21.4	**28,166**	**188**	**109**	**(2,547)**	**10**	**25,926**
Foreclosed assets	26	**42**	**5**	**–**	**(19)**	**–**	**28**
Other assets	26	**1,635**	**1,050**	**117**	**(1,293)**	**–**	**1,509**
Total		**268,549**	**28,041**	**4,916**	**(35,163)**	**63**	**266,406**

	Year ended December 31, 2022						
	Notes	Beginning balance	Current year accrual/ (reversal)	Current year recoveries	Write-off and transfer-out/ disposal	Exchange rate changes and others	Year end balance
Deposits with banks and other financial institutions	16	160	647	–	–	–	807
Placements with banks and other financial institutions	17	1,484	167	–	–	–	1,651
Financial assets held under resale agreements	19	910	187	–	–	–	1,097
Loans and advances to customers	20	220,543	37,588	3,937	(28,064)	141	234,145
Financial assets measured at fair value through other comprehensive income-debt instruments	21.2	1,148	(142)	–	–	–	1,006
Financial assets measured at amortized cost	21.4	32,041	(2,603)	311	(1,603)	20	28,166
Foreclosed assets	26	42	18	–	(18)	–	42
Other assets	26	1,717	1,023	94	(1,199)	–	1,635
Total		258,045	36,885	4,342	(30,884)	161	268,549

(All amounts in RMB million unless otherwise stated)

28 Borrowings from central bank

	As at December 31, 2023	As at December 31, 2022
Borrowings from central bank	**33,835**	24,815

As at December 31, 2023 and 2022, borrowings from central bank were special central bank lendings and carbon reduction supporting tools, issued by the PBC.

29 Deposits from banks and other financial institutions

	As at December 31, 2023	As at December 31, 2022
Deposits from domestic banks	**47,087**	28,882
Deposits from other domestic financial institutions	**48,216**	49,888
Total	**95,303**	78,770

30 Placements from banks and other financial institutions

	As at December 31, 2023	As at December 31, 2022
Placements from domestic banks	**59,164**	37,425
Placements from overseas banks	**1,048**	5,274
Total	**60,212**	42,699

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023
(All amounts in RMB million unless otherwise stated)

31 Financial assets sold under repurchase agreements

	As at December 31, 2023	As at December 31, 2022
Analyzed by type of collateral:		
Debt securities	**244,849**	154,328
Bills	**28,515**	29,318
Total	**273,364**	183,646

The collateral pledged under repurchase agreement is disclosed in "Note 42.2 Contingent liabilities and commitments – Collateral".

32 Customer deposits

	As at December 31, 2023	As at December 31, 2022
Demand deposits		
Personal	**3,146,947**	3,185,218
Corporate	**881,226**	924,174
Subtotal	**4,028,173**	4,109,392
Time deposits		
Personal	**9,347,909**	8,096,979
Corporate	**577,211**	505,392
Subtotal	**9,925,120**	8,602,371
Other deposits	**2,670**	2,722
Total	**13,955,963**	12,714,485

As at December 31, 2023, customer deposits received by the Group included pledged deposits of RMB43,330 million (December 31, 2022: RMB42,570 million).

(All amounts in RMB million unless otherwise stated)

33 Debt securities issued

		As at December 31, 2023	As at December 31, 2022
Debt securities issued			
Including: 10-year tier-2 capital bonds at a fixed interest rate (issued in August, 2021)	(1)	**50,612**	50,612
15-year tier-2 capital bonds at a fixed interest rate (issued in August, 2021)	(2)	**10,133**	10,134
10-year tier-2 capital bonds at a fixed interest rate (issued in March, 2022)	(3)	**36,009**	36,011
15-year tier-2 capital bonds at a fixed interest rate (issued in March, 2022)	(4)	**5,152**	5,153
15-year tier-2 capital bonds at a fixed interest rate (issued in May, 2023)	(5)	**20,427**	–
Financial securities issued	(6)	**10,214**	–
Interbank certificates of deposits issued	(7)	**128,591**	–
Total		**261,138**	101,910

(1) In August 2021, upon the approval from the former CBIRC and the PBC, the Group issued RMB50 billion of 10-year tier-2 capital bonds at a fixed coupon rate of 3.44%, with interests paid annually. The Group has an option to redeem part or all of the bonds at face value in August 2026 if specified redemption conditions as stipulated in the offering documents are met, subject to approval of the NFRA. If the Group does not exercise this redemption right, the annual coupon rate would remain at 3.44% from August 2026 onward.

(2) In August 2021, upon the approval from the former CBIRC and the PBC, the Group issued RMB10 billion of 15-year tier-2 capital bonds at a fixed coupon rate of 3.75%, with interests paid annually. The Group has an option to redeem part or all of the bonds at face value in August 2031 if specified redemption conditions as stipulated in the offering documents are met, subject to approval of the NFRA. If the Group does not exercise this redemption right, the annual coupon rate would remain at 3.75% from August 2031 onward.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023
(All amounts in RMB million unless otherwise stated)

33 Debt securities issued (continued)

(3) In March 2022, upon the approval from the former CBIRC and the PBC, the Group issued RMB35 billion of 10-year tier-2 capital bonds at a fixed coupon rate of 3.54%, with interests paid annually. The Group has an option to redeem part or all of the bonds at face value in March 2027 if specified redemption conditions as stipulated in the offering documents are met, subject to approval of the NFRA. If the Group does not exercise this redemption right, the annual coupon rate would remain at 3.54% from March 2027 onward.

(4) In March 2022, upon the approval from the former CBIRC and the PBC, the Group issued RMB5 billion of 15-year tier-2 capital bonds at a fixed coupon rate of 3.74%, with interests paid annually. The Group has an option to redeem part or all of the bonds at face value in March 2032 if specified redemption conditions as stipulated in the offering documents are met, subject to approval of the NFRA. If the Group does not exercise this redemption right, the annual coupon rate would remain at 3.74% from March 2032 onward.

(5) In May 2023, upon the approval from the former CBIRC and the PBC, the Group issued RMB20 billion of 15-year tier 2 capital bonds at a fixed coupon rate of 3.39%, with interests paid annually. The Group has an option to redeem part or all of the bonds at face value in May 2033 if specified redemption conditions as stipulated in the offering documents are met, subject to approval of the NFRA. If the Group does not exercise this redemption right, the annual coupon rate would remain at 3.39% from May 2033 onward.

The above-mentioned tier-2 capital bonds contain a write-down feature, which allows the Group to write down the entire principal of the bonds when a regulatory triggering event occurs as stipulated in the offering documents and not to pay any outstanding interests payable that have been accumulated. These tier-2 capital bonds meet the relevant criteria of the former CBIRC and are qualified as tier-2 capital instruments.

(6) In March 2023, upon the approval from the former CBIRC and the PBC, the Group issued RMB5 billion of 3-year green financial bonds at a fixed coupon rate of 2.79%, with interests paid annually, and RMB5 billion of 3-year special bonds for small and micro enterprises loans at a fixed coupon rate of 2.80%, with interests paid annually.

(7) For the year ended December 31, 2023, the Group issued interbank certificates of deposit with the total face value amount of RMB464.34 billion at a fixed coupon rate of 1.93%-2.63% with an original maturity of 1 month to 1 year. As at December 31, 2023, the total face value of outstanding interbank certificates of deposit amounted to RMB129.24 billion.

(All amounts in RMB million unless otherwise stated)

34 Other liabilities

		As at December 31, 2023	As at December 31, 2022
Employee benefits payable	(1)	**23,431**	22,860
Payables for agency services		**13,819**	13,666
Provisions	(2)	**8,930**	13,664
Lease liabilities	(3)	**9,268**	9,852
Continuing involved liabilities (Note 43.3)		**4,450**	4,450
Amount pending for settlement and clearing		**4,140**	3,558
VAT and other taxes payable		**4,088**	4,372
Payables to China Post Group and other related parties (Note 40.3.1(4))		**2,077**	2,284
Dormant accounts		**2,027**	1,905
Contract liabilities		**1,790**	1,976
Payable for construction cost		**964**	943
Exchange transaction payables		**756**	881
Others		**10,782**	9,388
Total		**86,522**	89,799

(1) Employee benefits payable

		2023			
		Balance at the beginning of the year	Increase in current year	Decrease in current year	Balance at at the end of the year
Wages and salaries, bonus, allowance and subsidies		19,928	43,737	(43,011)	20,654
Staff welfare		74	3,012	(2,998)	88
Social security contributions		222	3,601	(3,583)	240
Including: Medical insurance		219	3,449	(3,431)	237
Maternity insurance		2	66	(66)	2
Work injury insurance		1	86	(86)	1
Housing funds		25	4,526	(4,526)	25
Labour union funds and employee education funds		1,281	1,551	(1,505)	1,327
Defined contribution plans		669	8,516	(8,738)	447
Including: Basic pensions		116	5,356	(5,381)	91
Unemployment insurance		5	145	(147)	3
Annuity scheme		548	3,015	(3,210)	353
Supplementary retirement benefits and early retirement benefits	(i)	661	21	(32)	650
Others		–	28	(28)	–
Total		22,860	64,992	(64,421)	23,431

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023
(All amounts in RMB million unless otherwise stated)

34 Other liabilities (continued)

(1) Employee benefits payable (continued)

		2022			
		Balance at the beginning of the year	Increase in current year	Decrease in current year	Balance at at the end of the year
Wages and salaries, bonus, allowance and subsidies		16,142	43,946	(40,160)	19,928
Staff welfare		–	2,698	(2,624)	74
Social security contributions		162	3,336	(3,276)	222
Including: Medical insurance		159	3,194	(3,134)	219
Maternity insurance		2	63	(63)	2
Work injury insurance		1	79	(79)	1
Housing funds		18	4,200	(4,193)	25
Labour union funds and employee education funds		1,353	1,089	(1,161)	1,281
Defined contribution plans		758	7,680	(7,769)	669
Including: Basic pensions		118	5,049	(5,051)	116
Unemployment insurance		5	89	(89)	5
Annuity scheme		635	2,542	(2,629)	548
Supplementary retirement benefits and early retirement benefits	(i)	638	55	(32)	661
Others		–	39	(39)	–
Total		19,071	63,043	(59,254)	22,860

(i) Supplementary retirement benefits and early retirement benefits

The retirement benefit obligations of the Group refer to supplementary benefits for retirees and early-retirees recognized in the consolidated statement of financial position using the projected unit credit method as follows:

	2023	2022
Balance at the beginning of year	**661**	638
Interest expenses	**19**	20
Gain or loss from actuarial calculation	**2**	35
– (Credit)/Charge to profit or loss	**(10)**	38
– Charge/(Credit) to other comprehensive income	**12**	(3)
Benefits paid	**(32)**	(32)
Balance at the end of year	**650**	661

(All amounts in RMB million unless otherwise stated)

34 Other liabilities (continued)

(1) Employee benefits payable (continued)

(i) Supplementary retirement benefits and early retirement benefits (continued)

The principal assumptions used for the purpose of the actuarial valuations were as follows:

	As at December 31, 2023	As at December 31, 2022
Discount rate used for retirement benefit plan	**2.75%**	3.00%
Discount rate used for early retirement benefit plan	**2.25%**	2.50%
Annual growth rates of average medical expenses	**8.00%**	8.00%
Annual growth rates of retiree expenses	**3% and 0%**	3% and 0%
Annual growth rates of early-retiree expenses	**6%, 3% and 0%**	6%, 3% and 0%
Normal retirement age		
– Male	**60**	60
– Female	**55, 50**	55, 50

As at December 31, 2023 and 2022, the future mortality rate assumption was based on the China Life Insurance Mortality Table (2010-2013) issued on December 28, 2016, which was the statistical information publicly available in China.

(2) Provisions

		January 1, 2023	Current year (reversal)/ accrual	Current year payment	Current year exchange rate changes	December 31, 2023
ECL provisions on guarantee and commitments	(i)	**6,633**	**(1,870)**	**–**	**4**	**4,767**
Litigation and others	(ii)	**7,031**	**10**	**(2,878)**	**–**	**4,163**
Total		**13,664**	**(1,860)**	**(2,878)**	**4**	**8,930**

		January 1, 2022	Current year reversal	Current year payment	December 31, 2022
ECL provisions on guarantee and commitments	(i)	8,171	(1,538)	–	6,633
Litigation and others	(ii)	7,083	–	(52)	7,031
Total		15,254	(1,538)	(52)	13,664

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023
(All amounts in RMB million unless otherwise stated)

34 Other liabilities (continued)

(2) Provisions (continued)

(i) ECL provisions on guarantee and commitments

	As at December 31, 2023			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Provision as at December 31, 2023	**4,728**	**39**	**–**	**4,767**

	As at December 31, 2022			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Provision as at December 31, 2022	6,604	28	1	6,633

(ii) As at December 31, 2023 and 2022, the Group established accruals for unsettled litigations according to the best estimation for a variety of risk events and outflow of economic benefits.

(3) Lease liabilities

	As at December 31, 2023	As at December 31, 2022
Within 1 month	**243**	317
1 to 3 months	**482**	456
3 to 12 months	**2,331**	2,328
1 to 2 years	**2,453**	2,904
2 to 5 years	**3,026**	3,671
Over 5 years	**1,561**	1,409
Contractual undiscounted cash flows of lease liabilities	**10,096**	11,085
Carrying amount of lease liabilities	**9,268**	9,852

35 Share capital and other equity instruments

35.1 Share capital

	As at December 31, 2023		As at December 31, 2022	
	Number of shares (million shares)	Face value	Number of shares (million shares)	Face value
Domestically listed (A shares)	**79,305**	**79,305**	72,528	72,528
Listed overseas (H shares)	**19,856**	**19,856**	19,856	19,856
Total	**99,161**	**99,161**	92,384	92,384

A shares refer to ordinary shares that are subscribed and traded in RMB, and H shares are shares that are approved to be listed in Hong Kong and denominated in RMB, but subscribed and traded in Hong Kong dollars. All H shares and A shares issued by the Bank are ordinary shares with a face value of RMB1.00 per share and enjoy equal rights.

On December 23, 2011, in accordance with the Approval by the MOF on the *State-owned Equity Management Plan of Postal Savings Bank Co., Ltd. (Cai Jin (2011) No. 181)*, China Post Group was the exclusive promoter of the Bank. 45 billion promoter's shares were established and paid-in capital of the Bank amounted to RMB45 billion. In December 2013 and December 2014, China Post Group increased the capital of the Bank by RMB2 billion and RMB10 billion respectively.

On December 8, 2015, in accordance with the Approval of the former CBIRC on Capital Increase and the Introduction of Strategic Investors by the Postal Savings Bank of China, the former CBIRC agreed the Bank's non-public offering of no more than 11,604 million shares to 10 institutional investors, including UBS Limited, China Life Insurance Company Ltd., China Telecommunications Corporation, Canada Pension Fund Investment Corporation, Zhejiang Ant Small and Micro Financial Services Group Co., Ltd., JPMorgan Bank China Investment Second Investment, Futun Management, International Finance Corporation, DBS Bank Co., Ltd. and Shenzhen Tencent Domain Calculator Network (hereinafter referred to as "Strategic Investors"). After the capital increase, the Bank's total shares increased to 68,604 million.

On September 28, 2016, the Bank was listed on The Stock Exchange of Hong Kong Limited. In the same year, the over-allotment option was exercised and the total shares of the Bank increased to 81,031 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023
(All amounts in RMB million unless otherwise stated)

35 Share capital and other equity instruments (continued)

35.1 Share capital (continued)

Approved by the former CBIRC through *the Initial Public Offering of A Shares by the Postal Savings Bank of China Co., Ltd and amendment of the Articles of Association (Yinbaojianfu [2019] No.565)*《中國銀保監會關於郵儲銀行首次公開發行 A 股股票並上市和修改公司章程的批覆》(銀保監覆[2019]565 號) and approved by the China Securities Regulatory Commission through *the Approval of Postal Savings Bank of China Co., Ltd.'s Initial Public Offering (CSRC License [2019] No. 1991)*《關於核准中國郵政儲蓄銀行股份有限公司首次公開發行股票的批覆》(證監許可[2019]1991 號文). The Bank completed the initial public offering of 5,172 million A shares (excluding over-allotment) in December 2019. The face value of A shares was RMB1.00 per share, and the issue price was RMB5.50 per share. The net proceeds raised were RMB28,001 million, of which the share capital was RMB5,172 million and the capital reserve was RMB22,829 million. After initial public offering of A shares, the total shares of the Bank increased to 86,203 million.

The joint lead underwriters exercised the over-allotment option in January 2020. The over-allotment issued 776 million A shares at a face value of RMB1.00 and the issue price was RMB5.50 per share. The net proceeds raised were RMB4,205 million, of which the share capital was RMB776 million and the capital reserve was RMB3,429 million. After execution of the over-allotment, the total shares of the Bank increased to 86,979 million.

The Bank completed the private offering of 5,405 million of A shares in March 2021 to its controlling shareholders. The face value of A shares was RMB1.00, and the issue price was RMB5.55 per share. The net proceeds raised were RMB29,985 million, of which the share capital was RMB5,405 million and capital reserve was of RMB24,580 million. After the private offering of A shares, the total shares of the Bank increased to 92,384 million.

The Bank completed the private offerings of 6,777 million of A shares in March 2023 to China Mobile Communications Group Co., Ltd. The face value of A shares was RMB1.00, and the issue price was RMB6.64 per share. The net proceeds raised were RMB44,980 million, of which the share capital was RMB6,777 million and capital reserve was of RMB38,203 million. After the private offering of A shares, the total shares of the Bank increased to 99,161 million.

As at December 31, 2023 the total number of ordinary shares of the Bank was 99,161 million of which 12,182 million shares were restricted for sales and 86,979 million shares were unrestricted shares (As at December 31, 2022, the total number of ordinary shares of the Bank was 92,384 million, of which 61,253 million shares were restricted for sales and 31,131 million shares were unrestricted shares).

35 Share capital and other equity instruments (continued)

35.2 Other equity instruments

(1) Perpetual bonds outstanding as at the end of the year

Outstanding financial instruments	Issue date	Classification	Initial interest rate	Issue price (RMB Yuan per unit)	Units (million)	Currency	Amount (RMB million)	Maturity date	Redemption/ impairment
Undated additional tier 1 capital bonds	March 16, 2020	Equity instrument	3.69%	100	800	RMB	80,000	No maturity date	No
Undated additional tier 1 capital bonds	March 19, 2021	Equity instrument	4.42%	100	300	RMB	30,000	No maturity date	No
Undated additional tier 1 capital bonds	January 14, 2022	Equity instrument	3.46%	100	300	RMB	30,000	No maturity date	No
Undated additional tier 1 capital bonds	October 13, 2023	Equity instrument	3.42%	100	300	RMB	30,000	No maturity date	No
Total proceeds raised							170,000		

The carrying amount of perpetual bonds issued by the Bank, net of related issuance fees, was RMB169,986 million as at December 31, 2023 (December 31, 2022: RMB139,986 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023
(All amounts in RMB million unless otherwise stated)

35 Share capital and other equity instruments (continued)

35.2 Other equity instruments (continued)

(1) Perpetual bonds outstanding as at the end of the year (continued)

The key terms are set out below:

(a) Conditional redemption rights

From the fifth anniversary since the issuance of the undated additional tier 1 capital bonds (the "Bonds"), the Bank may redeem full or part of the Bonds on each distribution payment date (including the fifth distribution payment date since the issuance). After the issuance, if the event that the Bonds no longer qualify as additional tier 1 capital as a result of an unforeseeable change or amendment to relevant provisions of supervisory regulations, the Bank may redeem the full but not part of the Bonds.

The exercise of the Bank's redemption right shall be subject to the consent of the NFRA and the satisfaction of the following preconditions: (1) the Bank shall use capital instruments of the same or better quality to replace the instruments to be redeemed, and such replacement shall only be carried out at conditions which are sustainable for the income capacity; (2) or the capital position of the Bank after the redemption right is exercised will remain well above the regulatory capital requirements of the NFRA.

(b) Subordination

The claims in respect of the Bonds will be subordinated to the claims of depositors, general creditors, and subordinated indebtedness that ranks senior to the Bonds; will rank in priority to all classes of shares held by the Bank's shareholders and rank pari passu with the claims in respect of any other additional tier 1 capital instruments of the Bank that rank pari passu with the Bonds. If subsequent amendments to the PRC Enterprise Bankruptcy Law or relevant regulations are applicable to the subordination, such relevant laws and regulations shall prevail.

35 Share capital and other equity instruments (continued)

35.2 Other equity instruments (continued)

(1) Perpetual bonds outstanding as at the end of the year (continued)

The key terms are set out below: (continued)

(c) Write-down/write-off clauses

Upon the occurrence of a non-viability trigger event, the Bank has the right to write down/write off in full or in part, without the need for consent from the holders of the Bonds, the principal amount of the Bonds. The amount of the write-down/write-off shall be determined by the ratio of the outstanding principal amount of the Bonds to the aggregate principal amount of all additional tier 1 capital instruments with the identical trigger event. A non-viability trigger event refers to the earlier of the following events: (1) the NFRA having decided that the Bank would become non-viable without a write-down/write-off; (2) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Bank would become non-viable. The write-down/write-off will not be restored.

The trigger event occurrence date refers to the date on which the NFRA or the relevant authority has decided a trigger event occurs, and has informed the Bank together with a public announcement of such trigger event.

Within two business days after the occurrence of the trigger event, the Bank shall make a public announcement and give notice to the holders of the Bonds on the amount, the calculation method thereof, together with the implementation date and procedures, of such write-down/write-off.

(d) Distribution rate

The distribution rate of the Bonds will be adjusted at defined intervals, with a distribution rate adjustment period every 5 years since the payment settlement date. In any distribution rate adjusted period, the distribution payments on the Bonds will be made at a prescribed fixed distribution rate. The distribution rate at the time of issuance will be determined by bookkeeping and centralized allocation. The distribution rate is determined by a benchmark rate plus a fixed spread.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023
(All amounts in RMB million unless otherwise stated)

35 Share capital and other equity instruments (continued)

35.2 Other equity instruments (continued)

(1) Perpetual bonds outstanding as at the end of the year (continued)

The key terms are set out below: (continued)

(e) Distribution payment

The Bank shall have the right to cancel, in full or in part, distributions on the Bonds and any such cancellation shall not constitute an event of default. When exercising such right, the Bank will take into full consideration the interest of the holders of the Bonds. The Bank may, at its sole discretion, use the proceeds from the cancelled distributions to meet other obligations as they fall due. Cancellation of any distributions on the Bonds regardless in full or in part, will not impose any restrictions on the Bank, except in relation to dividend distributions on ordinary shares. Any cancellation of distributions on the Bonds regardless in full or in part, will require the deliberation by and approval from the general shareholders meeting. The Bank shall give notice to the investors on such cancellation in a timely manner.

In the event a distribution cancellation of the Bonds, regardless in full or in part, the Bank shall not make any distribution to the ordinary shareholders from the next date following the resolution being approved in the general shareholders meeting, until its decision to resume the distribution payments in full to the holders of the 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.

Distributions on the Bonds shall only be paid out of distributable items, and will not be affected by the rating of the Bank, nor reset based on any change to such rating. The distributions on the Bonds are non-cumulative, namely, upon cancellation, any amount of distribution unpaid to the holders of the Bonds in the applicable period will not accumulate or compound to the subsequent distribution period thereafter. The Bonds do not have any step-up mechanism or any other incentive to redeem.

35 Share capital and other equity instruments (continued)

35.2 Other equity instruments (continued)

(2) Changes in outstanding perpetual bonds

	January 1, 2023		Increase in current year		December 31, 2023	
Outstanding financial Instruments	Units of the Bonds (million)	Carrying amount (RMB million)	Units of the Bonds (million)	Carrying amount (RMB million)	Units of the Bonds (million)	Carrying amount (RMB million)
Undated additional tier 1 capital bonds	1,400	140,000	300	30,000	**1,700**	**170,000**

(3) Equity attributable to the holders of equity instruments

Items	As at December 31, 2023	As at December 31, 2022
1. Total equity attributable to equity holders of the Bank	**954,873**	824,225
(1) Equity attributable to ordinary shareholders of the Bank	**784,887**	684,239
(2) Equity attributable to other equity holders of the Bank	**169,986**	139,986
Including: Net profit	**5,316**	6,708
Dividends/interests distributed	**(5,316)**	(6,708)
2. Total equity attributable to non-controlling interests	**1,743**	1,589
(1) Equity attributable to non-controlling interests of ordinary shares	**1,743**	1,589
(2) Equity attributable to non-controlling interests of other equity instruments	**–**	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023
(All amounts in RMB million unless otherwise stated)

36 Capital reserve

	As at December 31, 2023	As at December 31, 2022
Net asset revaluation appreciation from the Bank's joint stock restructuring	**3,448**	3,448
Share premium arising from strategic investors	**33,536**	33,536
Share premium arising from the Bank's initial public offering of H shares	**37,675**	37,675
Change of equity interest in a subsidiary	**(11)**	(11)
Share premium arising from the Bank's initial public offering of A shares	**26,258**	26,258
Share premium arising from the Bank's private offering of A shares (Note 35.1)	**62,783**	24,580
Other capital reserve	**(1,007)**	(1,007)
Total	**162,682**	124,479

37 Other reserves

37.1 Surplus reserve

	2023	2022
At the beginning of year	**58,478**	50,105
Appropriations in current year	**8,532**	8,373
At the end of year	**67,010**	58,478

In accordance with *The Company Law of the People's Republic of China* (中華人民共和國公司法), and the Bank's Articles of Association, the Bank shall appropriate 10% of its net profit under Accounting Standards for Business Enterprises and relevant requirements for the current year to the statutory surplus reserve, and can cease appropriation when the statutory surplus reserve accumulates to more than 50% of the registered capital of the Bank.

(All amounts in RMB million unless otherwise stated)

37 Other reserves (continued)

37.2 General reserve

	2023	2022
At the beginning of year	**178,784**	157,367
Appropriations in current year	**22,912**	21,417
At the end of year	**201,696**	178,784

In accordance with *the Administrative Measures for Provisioning of Financial Enterprises* (金融企業準備金計提管理辦法) (Cai Jin [2012] No.20) issued by the MOF, the Bank shall appropriate general reserve from its net profit for the purpose to recover any unidentified potential losses. The balance of general reserve shall be no less than 1.5% of risk assets at the end of each year.

Pursuant to the relevant regulatory requirements in the mainland of China, the Bank's subsidiaries also appropriate a certain amount of net profit as general reserve.

37.3 Other comprehensive income

(1) Other comprehensive income attributable to equity holders of the Bank in the consolidated statement of financial position

	Remeasurement of retirement benefit obligations	Net gains/(losses) on investments in financial assets measured at FVTOCI	Share of other comprehensive income of associates, net of related income tax	Total
January 1, 2022	(289)	12,343	–	12,054
Movement during the year	3	(7,139)	–	(7,136)
December 31, 2022 and January 1, 2023	(286)	5,204	–	4,918
Movement during the year	**(12)**	**126**	**2**	**116**
December 31, 2023	**(298)**	**5,330**	**2**	**5,034**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023
(All amounts in RMB million unless otherwise stated)

37 Other reserves (continued)

37.3 Other comprehensive income (continued)

(2) Other comprehensive income in the consolidated statement of profit or loss and other comprehensive income

	Year ended December 31	
	2023	**2022**
Items that will not be reclassified to profit or loss:		
Remeasurement of retirement benefit obligations	**(12)**	3
Changes in fair value of equity instruments designated as at FVTOCI	**(1,513)**	(3,146)
Less: Income tax effect	**(378)**	(787)
Share of other comprehensive income of associates, net of related income tax	**2**	–
Items that may be reclassified subsequently to profit or loss:		
Changes in fair value of debt instruments measured at FVTOCI	**1,828**	(3,111)
Less: Amount transferred to profit or loss from other comprehensive income	**(385)**	250
Income tax effect	**553**	(840)
Credit losses of debt instruments measured at FVTOCI	**1,243**	(1,740)
Less: Amount transferred to profit or loss from other comprehensive income	**1,546**	624
Income tax effect	**(76)**	(591)
Net amount	**288**	(6,650)

38 Dividends and interests distribution

Upon the approval obtained in the 2022 Annual General Meeting, the Bank distributed RMB25,574 million (tax inclusive) of cash dividends for the year ended December 31, 2022 to all the ordinary shareholders whose names appeared on the register with RMB2.579 per ten shares (tax inclusive). The Bank distributed the A shares cash dividends on July 13, 2023 and the H shares cash dividends on August 10, 2023 respectively.

Upon the approval obtained in the 2021 Annual General Meeting, the Bank distributed RMB22,856 million (tax inclusive) of cash dividends for the year ended December 31, 2021 to all the ordinary shareholders whose names appeared on the register with RMB2.474 per ten shares (tax inclusive). The Bank distributed the A shares cash dividends on July 12, 2022 and the H shares cash dividends on August 10, 2022 respectively.

In January 2023, the Bank paid RMB1,038 million interests to holders of perpetual bonds issued in the year 2022, the interest rate of which equalled to 3.46%. In March 2023, the Bank paid RMB4,278 million interests to holders of perpetual bonds issued in the year 2020 and 2021, the interest rates of which equalled to 3.69% and 4.42%. The interests were calculated by the initial interest rates before the first reset date which were determined in accordance with the terms and conditions of the perpetual bonds.

In March 2022, the Bank paid RMB4,278 million interests to holders of perpetual bonds issued in the year 2020 and 2021. The interest rates equalled to 3.69% and 4.42%, respectively, which were calculated by the initial interest rates before the first reset date which were determined in accordance with the terms and conditions of the perpetual bonds.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023
(All amounts in RMB million unless otherwise stated)

39 Cash and cash equivalents

For the purpose of presentation of the consolidated cash flow statements, cash and cash equivalents include the following balances with an original maturity within 3 months:

	As at December 31, 2023	As at December 31, 2022
Cash	**47,676**	50,149
Surplus reserve with central bank	**41,456**	17,672
Deposits with banks and other financial institutions	**8,551**	9,756
Placements with banks and other financial institutions	**530**	25,223
Financial assets held under resale agreements	**340,023**	131,726
Short-term debt securities	**14,991**	5,454
Total	**453,227**	239,980

40 Relationship and transactions with related parties

40.1 Information of the parent company

	Place of registration	Nature of business
China Post Group	Beijing, PRC	Domestic and international mail delivery, distribution of publications such as newspapers and journals, stamp issuance, postal remittance, operation of postal savings business in accordance with laws and regulations, confidential correspondence, postal financial business, emerging business such as postal logistics and e-mail, e-commerce, agency business and other businesses as stipulated by the government.

China Post Group is managed and supervised by the MOF on behalf of the State Council.

As at December 31, 2023 and 2022, the registered capital of China Post Group were RMB137,600 million.

As at December 31, 2023, China Post Group directly held 62.78% of both the equity shares and voting rights in the Bank (As at December 31, 2022: 67.39%).

40 Relationship and transactions with related parties (continued)

40.2 Information of major related parties

Name of enterprise	Relationship with the Bank
Shanghai International Port (Group) Co., Ltd.	Major shareholder of the Bank
China State Shipbuilding Corporation Limited	Major shareholder of the Bank
China Mobile Communications Group Co., Ltd.	Major shareholder of the Bank
China Postal Express & Logistics Co., Ltd.	Company under the common control of China Post Group
China Post Life Insurance Co., Ltd.	Company under the common control of China Post Group
China Post Securities Co., Ltd.	Company under the common control of China Post Group
Shanghai Ule Network Technology Co., Ltd.	Company under the common control of China Post Group
China Post Technology Co., Ltd.	Company under the common control of China Post Group
Ningxia China Post Logistics Co., Ltd.	Company under the common control of China Post Group
Jiangsu Post and Telecommunication Printing Co., Ltd.	Company under the common control of China Post Group
China Post & Capital Fund Management Co., Ltd.	An associate of China Post Group
Mulei Tongyuan Hongshen New Energy Development Co., Ltd.	Related party arising from the major shareholder of the Bank
Xianghuangqi Shengshi Xinyuan Wind Power Co., Ltd.	Related party arising from the major shareholder of the Bank
Yichang Zhongnan Precision Steel Tube Co.	Related party arising from the major shareholder of the Bank
China UnionPay Co., Ltd.	Related party arising from connected persons of the Bank
Overseas Chinese Town Group Co., Ltd.	Related party arising from connected persons of the Bank

The Group's connected person include the Bank's directors, supervisors, senior executives and their direct relatives, as well as the Bank's controlling shareholders' directors, supervisors, senior executives and their direct relatives and other connected persons. The Group's other related parties include other related parties of China Post Group, other related parties of major shareholders of the Bank and other related parties arising from connected persons.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023
(All amounts in RMB million unless otherwise stated)

40 Relationship and transactions with related parties (continued)

40.3 Related party transactions

For transactions between the Group and related parties in accordance with general commercial terms during normal business operations, the pricing principle is the same as that of independent third party transactions. For transactions other than normal banking business between the Group and related parties, the pricing principle shall be determined by both parties through negotiation in accordance with general commercial terms.

40.3.1 Transactions with China Post Group, its subsidiaries, joint ventures and associates

(1) Agency banking services from China Post Group

In addition to conducting commercial banking services at its owned business locations, the Bank also engages China Post Group and its provincial branches as agents to provide certain commercial banking services at China Post Group's business locations where financial service licenses have been obtained. These commercial banking services mainly include: deposits taking; bank card (debit card) services, credit cards repayment processing services; electronic banking business, agency issuance, underwriting and redemption of government bonds; certification of personal deposits; agency sales of fund products and personal wealth management products, and other agency services.

In accordance with *the Interim Administrative Measures for Institutional Agency of Postal Savings Bank of China Co., Ltd* (中國郵政儲蓄銀行代理營業機構管理暫行辦法) issued by the former CBIRC, all agency operations were provided by China Post Group under bases of fees determined in accordance with *the Framework Agreement on Entrusted and Agency Banking Services of Agency Outlets* (代理營業機構委託代理銀行業務框架協定, the "Framework Agreement") entered into between the Bank and China Post Group and its provincial branches.

For RMB deposit-taking services, the basis is computed based on the principle of "Fixed Rate, Scaled Fees Based on Deposit Types (固定費率、分檔計費)", i.e. different deposit agency fee rates are applicable to savings deposits with different maturities. The formula of calculating the scaled fees is as follows:

Monthly deposit agency fee costs at the relevant branch =Σ(aggregate amount of deposit for each type of deposit at the branch for the month multiplied by the number of days of deposit × the respective deposit agency fee rate of the relevant type of deposit/365) - aggregate cash (including that in transit) multiplied by the number of days at the relevant branch for the month× 1.5%/365.

(All amounts in RMB million unless otherwise stated)

40 Relationship and transactions with related parties (continued)

40.3 Related party transactions (continued)

40.3.1 Transactions with China Post Group, its subsidiaries, joint ventures and associates (continued)

(1) Agency banking services from China Post Group (continued)

The Bank pays deposit agency fee for agency RMB savings deposits received, net of cash reserves held by agency outlets and deposits in transit. The agency fee rates range from 0.00% to 2.33% since November 1, 2022.

To effectively manage the interest expenses and maintain a stable growth in deposit scale, the Bank has established relevant mechanisms to boost the deposit-taking, including the arrangements of cost sharing for floating interest rates of deposits as well as incentives for deposit-taking. The Bank and China Post Group have agreed that the amount of deposit incentive shall not be higher than the payment by China Post Group under the cost sharing mechanism for floating interest rates of deposits in any circumstances.

The agency foreign currency deposit-taking business is insignificant, as such the Bank and China Post Group apply market rates such as the composite interest rate of the China Interbank Foreign Currency Market to determine the agency fee.

For intermediary business services performed by agency outlets such as settlement and sales services, the agency fees are determined based on the income from agency services net of all direct taxes and expenses.

		2023	2022
Deposit agency fee and others	(i)	**114,924**	102,248
Fees for agency sales and other commissions	(ii)	**12,873**	11,300
Fees for agency savings settlement		**6,760**	6,885
Total		**134,557**	120,433

(i) For the year ended December 31, 2023, deposit agency fee (including RMB and foreign currency deposit-taking business) cost amounted to RMB115.64 billion (2022: RMB104.78 billion). The offsetting settlement amount of the Bank's relevant mechanisms to boost deposit-taking was RMB-0.72 billion (2022: RMB -2.53 billion). According to the netting arrangement between the Bank and China Post Group, deposit agency fee and other are settled and disclosed on a net basis.

(ii) Fees for agency sales and other commissions include agency income generated from sales of insurance products of China Post Life Insurance Co., Ltd. by agency outlets. The Bank firstly recognizes relevant fee and commission income (Note 6) in the consolidated statement of profit or loss and other comprehensive income, and the same amount of the fee and commission will be payable by the Bank to China Post Group following the principle of "fee payable to the entity providing the service (誰辦理誰受益)". The remaining agency income generated from sales for other insurance companies are settled with the Bank or directly with China Post Group according to the contract.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023
(All amounts in RMB million unless otherwise stated)

40 Relationship and transactions with related parties (continued)

40.3 Related party transactions (continued)

40.3.1 Transactions with China Post Group, its subsidiaries, joint ventures and associates (continued)

(2) Operating lease with China Post Group and its related parties

(a) Lease buildings, ancillary equipment and other properties

As lessor	2023	2022
Buildings and other	**68**	74

As lessee	2023	2022
Buildings and other	**892**	957

(b) Right-of-use assets and lease liabilities recognized by accepting leases provided by China Post Group and its subsidiaries

	As at December 31, 2023	As at December 31, 2022
Right-of-use assets	**819**	1,045
Lease liabilities	**760**	1,011

(All amounts in RMB million unless otherwise stated)

40 Relationship and transactions with related parties (continued)

40.3 Related party transactions (continued)

40.3.1 Transactions with China Post Group, its subsidiaries, joint ventures and associates (continued)

(3) Other comprehensive services and transactions with China Post Group and its related parties

(a) Revenue from rendering other comprehensive services to China Post Group and its related parties

		2023	2022
Agency sales of insurance products	(i)	**2,711**	1,774
Comprehensive services rendered	(ii)	**110**	109
General office materials sold		**76**	59
Agency sales of precious metals		**10**	22
Total		**2,907**	1,964

(i) Agency sales of insurance products are income generated from agency service for China Post Life Insurance Co., Ltd. by directly-operated outlets of the Bank.

(ii) Comprehensive services rendered to China Post Group and its related parties include custody business, cash escort, equipment maintenance and other services.

(b) Expenditure from receiving other comprehensive services from China Post Group and its related parties

		2023	2022
Comprehensive services received	(i)	**1,168**	1,061
Marketing services received		**1,031**	817
Goods purchased		**547**	546
Philatelic items purchased and mailing services received		**132**	143
Payment of precious metals		**166**	145
Total		**3,044**	2,712

(i) Comprehensive services received from China Post Group and its related parties include cash escort, equipment maintenance, advertisement, real estate management, training and other services.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023
(All amounts in RMB million unless otherwise stated)

40 Relationship and transactions with related parties (continued)

40.3 Related party transactions (continued)

40.3.1 Transactions with China Post Group, its subsidiaries, joint ventures and associates (continued)

(4) Other transactions with China Post Group and its related parties

Balances		As at December 31, 2023	As at December 31, 2022
Assets			
Loans and advances to customers	(i)	**801**	2
Financial assets measured at FVTPL		**–**	8,132
Financial assets measured at FVTOCI-debt instruments	(ii)	**93**	1,318
Financial assets measured at amortized cost	(ii)	**201**	189
Other assets		**162**	310

Balances		As at December 31, 2023	As at December 31, 2022
Liabilities			
Deposits from banks and other financial institutions	(i)	**1,986**	2,455
Customer deposits	(iii)	**10,514**	6,381
Other liabilities (Note 34)		**2,077**	2,284

Transactions	2023	2022
Interest income	**44**	75
Interest expense	**195**	207
Fee and commission income	**79**	83
Fee and commission expense	**11**	8
Operating expenses	**–**	10

40 Relationship and transactions with related parties (continued)

40.3 Related party transactions (continued)

40.3.1 Transactions with China Post Group, its subsidiaries, joint ventures and associates (continued)

(4) Other transactions with China Post Group and its related parties (continued)

(i) As at December 31, 2023, loans and advances to customers were mainly with China Post Group, deposits from banks and other financial institutions were mainly with companies under the common control of China Post Group (December 31, 2022, loans and advances to customers and deposits from banks and other financial institutions were mainly with companies under the common control of China Post Group).

(ii) As at December 31, 2023, financial assets measured at amortized cost and debt instruments measured at FVTOCI were mainly with China Post Securities Co., Ltd. (December 31, 2022, financial assets measured at amortized cost were mainly with China Post Securities Co., Ltd., debt instruments measured at FVTOCI were mainly with China Post Group and China Post Securities Co., Ltd.).

(iii) As at December 31, 2023, RMB4,514 million of customer deposits were mainly with China Post Group (As at December 31, 2022: RMB3,531 million) while RMB6,000 million of customer deposits were mainly with associate and companies under the common control of China Post Group (As at December 31, 2022: RMB2,850 million). The interest rates of such customer deposits range from 0.20% to 2.025% as at December 31, 2023 (As at December 31, 2022: 0.25% to 2.75%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023
(All amounts in RMB million unless otherwise stated)

40 Relationship and transactions with related parties (continued)

40.3 Related party transactions (continued)

40.3.2 Transactions with major shareholders of the Bank and their related parties

Balances	As at December 31, 2023	As at December 31, 2022
Assets		
Loans and advances to customers	**1,262**	1,108
Other assets	**2**	–
Liabilities		
Customer deposits	**3,086**	85
Other liabilities	**48**	1

Transactions	2023	2022
Interest income	**46**	29
Interest expense	**63**	–
Fee and commission income	**8**	–
Fee and commission expense	**35**	–
Operating expenses	**548**	1

As at December 31, 2023, loans and advances to customers were mainly with Mulei Tongyuan Hongshen New Energy Development Co., Ltd., Xianghuangqi Shengshi Xinyuan Wind Power Co., Ltd and Yichang Zhongnan Precision Steel Tube Co.. As at December 31, 2022, loans and advances to customers were mainly with Mulei Tongyuan Hongshen New Energy Development Co., Ltd. and Xianghuangqi Shengshi Xinyuan Wind Power Co., Ltd.

(All amounts in RMB million unless otherwise stated)

40 Relationship and transactions with related parties (continued)

40.3 Related party transactions (continued)

40.3.3 Transactions with related parties arising from the connected persons of the Bank

Balances		As at December 31, 2023	As at December 31, 2022
Assets			
Loans and advances to customers	(1)	**4,555**	–
Financial assets measured at fair value through other comprehensive income-equity instruments	(2)	**530**	451
Financial assets measured at amortized cost	(1)	**499**	–
Other assets		**27**	31
Liabilities			
Customer deposits	(3)	**4,975**	4,620
Other liabilities		**8**	10

Transactions		2023	2022
Interest income		**161**	–
Interest expense		**130**	126
Fee and commission income	(4)	**4,701**	4,628
Fee and commission expense	(4)	**1,279**	1,185
Net gains on investment securities		**–**	14
Operating expenses		**143**	57

(1) As at December 31, 2023, loans and advances to customers and financial assets measured at amortized cost are mainly the balance of transactions with Overseas Chinese Town Group Co. Ltd. As at December 31, 2022, there was no loans and advances to customers and financial assets measured at amortized cost.

(2) As at December 31, 2023 and 2022, financial assets measured at fair value through other comprehensive income-equity instruments were mainly with China UnionPay Co., Ltd.

(3) As at December 31, 2023 and 2022, customer deposits were mainly with China UnionPay Co., Ltd.

(4) The net fee and commission income was mainly arising from the settlement and clearing with China UnionPay Co., Ltd. both during the year ended December 31, 2023 and 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023
(All amounts in RMB million unless otherwise stated)

40 Relationship and transactions with related parties (continued)

40.3 Related party transactions (continued)

40.3.4 Transactions with connected persons of the Bank

Balances	As at December 31, 2023	As at December 31, 2022
Assets		
Loans and advances to customers	**89**	94
Liabilities		
Customer deposits	**207**	174

Transactions	2023	2022
Interest income	**3**	3
Interest expense	**2**	2

40.3.5 The Group and other government related entities

Other than related party transactions disclosed above and also in other relevant notes, a significant part of the Group's banking transactions are entered into with government authorities, agencies, subsidiaries and other entities under control of state. These transactions are entered into under normal commercial terms and conditions and mainly include provision of credit and guarantee, deposits, foreign exchange transactions, derivative product transactions, agency services, underwriting and distribution of bonds issued by government authorities, purchase, sales and redemption of securities issued by government authorities.

The Group considers that these transactions are activities conducted in the ordinary course of business, and that the dealings of the Group have not been significantly or unduly affected by the fact that the Group and those entities are government related. The Group has also established pricing policies for products and services and such pricing policies do not depend on whether or not the customers are government authorities, agencies, subsidiaries and other entities under control of state.

(All amounts in RMB million unless otherwise stated)

40 Relationship and transactions with related parties (continued)

40.4 Key management personnel compensation

Key management personnel are those persons having authorities and responsibilities for planning, directing and controlling the activities of the Group, directly or indirectly, including directors, supervisors and senior executives.

	2023	2022
Key management personnel compensation	**8**	10

Part of the remuneration for key management personnel in 2023 will be subject to strategic performance assessment after the reporting date and has not yet been paid; and the remuneration for key management personnel in 2022 is the remuneration after assessment.

41 Structured entities

41.1 Unconsolidated structured entities managed by the Group

Unconsolidated structured entities managed by the Group consist primarily of collective investment vehicles ("WMP vehicles") formed to issue and distribute wealth management products ("non-principal-guaranteed WMPs") which are not subject to any guarantee by the Group in respect of the principal invested or yield to be paid. The WMP vehicles invest in a range of fixed-yield assets, including money market instruments, debt securities and loan assets. As the manager of the WMPs, the Group invests, on behalf of its customers, the funds raised in the assets as described in the investment scheme related to each WMP and distributes the yield to investors based on product operation. The variable return earned by the Group under the non-principal-guaranteed WMPs is not significant, and therefore, these WMPs are not consolidated by the Group.

As at December 31, 2023 and 2022, the non-principal-guaranteed WMPs issued and managed by the Group amounted to RMB776,499 million and RMB830,062 million, respectively. The net fee and commission income from such activities was disclosed in Note 6.

As at December 31, 2023, the Group hold RMB682 million of non-principal-guaranteed WMPs issued and managed by the Group (December 31, 2022: RMB199 million).

As at December 31, 2023, the Group did not enter into any repurchase agreements with the non-principal-guaranteed wealth management products sponsored by the Group (December 31, 2022: amounts held under resale agreements transacted between the Group and the non-principal-guaranteed wealth management products sponsored by the Group were RMB17,482 million). The above transactions were conducted in accordance with normal business terms and conditions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023
(All amounts in RMB million unless otherwise stated)

41 Structured entities (continued)

41.2 Unconsolidated structured entities invested by the Group

The Group invests in unconsolidated structured entities issued and managed by other institutions, and records interest income, net trading gains and net gains on investment securities therefrom. These structured entities mainly comprise fund investments, trust investment plans, asset management plans, asset-backed securities and other debt instruments, etc. The nature and purpose of the structured entities are to generate fees from managing assets on behalf of investors. These structured entities are financed through the issuance of investment products to investors.

As at December 31, 2023 and 2022, the Group's maximum exposure to these unconsolidated structured entities was summarized in the table below:

	As at December 31, 2023		
	Financial assets measured at FVTPL	Financial assets measured at amortized cost	Total
Fund investments	**621,550**	**–**	**621,550**
Trust investment plans and asset management plans	**51,164**	**–**	**51,164**
Asset-backed securities	**817**	**113,943**	**114,760**
Other debt instruments	**–**	**19,634**	**19,634**
Total	**673,531**	**133,577**	**807,108**

	As at December 31, 2022		
	Financial assets measured at FVTPL	Financial assets measured at amortized cost	Total
Fund investments	616,591	–	616,591
Trust investment plans and asset management plans	54,191	–	54,191
Asset-backed securities	52	147,816	147,868
Other debt instruments	–	28,339	28,339
Total	670,834	176,155	846,989

(All amounts in RMB million unless otherwise stated)

41 Structured entities (continued)

41.2 Unconsolidated structured entities invested by the Group (continued)

No open market information was readily available for the overall scale of those unconsolidated structured entities mentioned above.

For the year ended December 31, 2023 and 2022, the income from these unconsolidated structured entities earned by the Group was as follows:

	2023	2022
Interest income	**5,813**	6,818
Net gains on investment securities	**21,000**	19,404
Net trading gains	**2**	1
Net losses on derecognition of financial assets measured at amortized cost	**(30)**	–
Total	**26,785**	26,223

41.3 Consolidated structured entities held by the Group

The consolidated structured entities issued and managed by the Group consist of special purpose trusts founded by third party trust companies for conducting asset securitization business by the Group. For the year ended December 31, 2023 and 2022, the Group did not provide any financial support to these special purpose trusts.

42 Contingent liabilities and commitments

42.1 Capital commitments

	As at December 31, 2023	As at December 31, 2022
Contracts signed but not executed	**7,299**	4,031

The Group's capital commitments are contracts signed but not executed, which mainly include purchase of property and equipment, and decoration projects.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023
(All amounts in RMB million unless otherwise stated)

42 Contingent liabilities and commitments (continued)

42.2 Collateral

Assets pledged as collaterals

Certain assets held by the Group were pledged as collaterals under repurchase agreements. Such transactions were conducted in accordance with normal business terms and conditions.

	As at December 31, 2023	As at December 31, 2022
Debt securities	**251,942**	159,816
Bills	**28,583**	29,418
Total	**280,525**	189,234

In addition, due to other business needs, some of the debt securities held by the Group were pledged as collaterals. As at December 31, 2023, the carrying amount of debt securities pledged as collaterals amounted to RMB155,784 million (December 31, 2022: RMB103,396 million).

Collaterals received

Collaterals under loans and advances to customers mainly include land use rights and buildings. The Group has not resold or re-pledged these collaterals which the owners of the pledged properties have not breached the contracts. As at December 31, 2023, the Group's exposure to credit-impaired loans and advances to customers covered by corresponding collateral was RMB33,401 million (December 31, 2022: RMB31,269 million).

Collaterals under certain deposits with banks mainly include bonds issued by Chinese government or policy banks. The Group has not resold or re-pledged these collaterals which the owners of the pledged properties have not breached the contracts.

Financial assets held under resale agreements are mainly collateralized by debt securities and bills. As part of certain resale agreements, the Group obtains debt securities or bills from counterparts which could be resold or re-pledged as collaterals during the business operation of financial assets held under resale agreements from banks. As at December 31, 2023 and 2022, the Group did not obtain debt securities as collaterals from counterparts under the business. The principal amount of the bills accepted by the Group that can be resold or re-pledged was RMB36,867 million (December 31, 2022: RMB42,024 million).

(All amounts in RMB million unless otherwise stated)

42 Contingent liabilities and commitments (continued)

42.3 Redemption commitment for government bonds

The Group is entrusted by the MOF to underwrite certain treasury bonds. The investors of the treasury bonds have the right to redeem the bonds at any time prior to maturity and the Group is committed to honor such redemption requests. The MOF will not provide funding for the early redemption of these bonds on a back-to-back basis, but will settle the principal and interest upon maturity or regular settlement. The redemption price is the face value of the treasury bonds underwritten and sold plus unpaid interest in accordance with the terms of the early redemption arrangement.

As at December 31, 2023, the nominal value of treasury bonds the Group was obligated to redeem was RMB136,102 million (December 31, 2022: RMB119,616 million). The original maturities of these bonds range from 1 to 5 years. Management of the Group expects the amount of redemption before the maturity dates of these bonds will not be material.

42.4 Lawsuits and claims

The Group was involved in a number of lawsuits and claims during its normal course of business. As at December 31, 2023, provisions of RMB4,163 million were made by the Group (December 31, 2022: RMB7,031 million) based on court judgments or advice of legal counsel, and included in Note 34(2) Provisions. Management of the Group believes that the final result of these lawsuits will not have a material impact on the financial position or operations of the Group.

42.5 Credit risk-weighted amounts for credit commitments

	As at December 31, 2023	As at December 31, 2022
Credit commitments	**239,399**	207,332

The credit risk-weighted figures are amounts calculated in accordance with the former CBIRC's guidance, and also based on positions of the counterparties and the specifics of remaining maturities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023
(All amounts in RMB million unless otherwise stated)

42 Contingent liabilities and commitments (continued)

42.6 Credit commitments

	As at December 31, 2023	As at December 31, 2022
Loan commitments		
– With an original maturity of less than 1 year	**3,830**	1,998
– With an original maturity of 1 year or above	**50,837**	89,595
Subtotal	**54,667**	91,593
Bank acceptances	**161,994**	95,218
Guarantees and letters of guarantee	**90,880**	56,229
Letters of credit	**95,177**	65,535
Unused credit card commitments	**460,229**	390,287
Total	**862,947**	698,862

Credit commitments of the Group mainly include unused limits for credit cards issued to customers and general credit facilities. These general credit facilities may be drawn in the form of loans or through the issuance of letters of credit, guarantees and letters of guarantee or bank acceptances.

As at December 31, 2023 and 2022, the credit risk exposure of the credit commitments was mainly in Stage 1.

(All amounts in RMB million unless otherwise stated)

43 Transfers of financial assets

The Group enters into transactions during the normal course of business by which it transfers recognized financial assets to third parties or to special purpose trusts. In some cases these transfers may give rise to full or partial derecognition of the financial assets concerned. In other cases where the transferred assets do not qualify for derecognition as the Group has retained substantially all the risks and rewards of these assets, the Group continues to recognize the transferred assets.

43.1 Outright repurchase agreements

The Group has entered into the following repurchase agreements, and the recourse rights of the counterparties are not limited to the transferred assets. The Group does not derecognize financial assets transferred as collateral in connection with repurchase agreements.

	As at December 31, 2023		As at December 31, 2022	
	Financial assets measured at amortized cost	Financial assets measured at FVTOCI	Financial assets measured at amortized cost	Financial assets measured at FVTOCI
Carrying amount of the collateral	**10**	**–**	–	–
Financial assets sold under repurchase agreements	**(10)**	**–**	–	–

43.2 Securities lending transactions

Counterparties are allowed to sell or repledge securities lent under securities lending agreements in the absence of any default by the Group, but at the same time, they have an obligation to return such securities upon the maturity of the securities lending agreements. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognised them. As at December 31, 2023, the carrying amount of debt securities lent to counterparties was RMB40,685 million (December 31, 2022: RMB44,180 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023
(All amounts in RMB million unless otherwise stated)

43 Transfers of financial assets (continued)

43.3 Credit assets securitization transactions

The Group enters into securitization transactions during the normal course of business by which it transfers credit assets to special purpose trusts which in turn issues asset-backed securities to investors. The Group may acquire some asset-backed securities and fund shares at the senior and subordinated tranche level. Accordingly, the Group may retain parts of the risks and rewards of the transferred credit assets. The Group would determine whether or not to derecognize the associated credit assets by evaluating the extent to which it transfers the risks and rewards of the assets.

With respect to the credit assets that are securitized and qualified for derecognition, the Group derecognizes the transferred credit assets in their entirety. For the year ended December 31, 2023, the face value at the date of transfer of the original credit assets was RMB12,304 million (2022: RMB6,866 million). As the Bank substantially transferred all the risks and rewards of these credit assets, the full amount of such securitized credit assets were derecognized.

In the cases that the Group has neither transferred nor retained substantially all the risks and rewards of the transferred credit assets, and for which the Group retains control, the Group recognizes an asset in the consolidated statement of financial position to the extent of the Group's continuing involvement in the transferred assets. The extent of the Group's continuing involvement is the extent of the risks and rewards exposed by the Group to the value changes of the transferred assets. For the year ended December 31, 2023, there were no new securitised credit assets in which the Group retained the continuing involvement(2022: the face value at the date of transfer was RMB3,346 million). The carrying amount of the continuing involvement assets and the corresponding continuing involvement liabilities, which were recognized in other assets and other liabilities in the consolidated statement of financial position, were both RMB4,450 million as at December 31, 2023 (December 31, 2022: RMB4,450 million). The Group acts as a credit service provider of the special purpose trusts, manages the credit assets transferred to the special purpose trusts, and collects the corresponding fee as the loan asset manager. For the year ended December 31, 2023 and 2022, the Group did not provide any financial support to these special purpose trusts.

44 Segment analysis

44.1 Operating segment

The Group manages the business from both a business and geographic perspective. From the business perspective, the Group provides services through four main operating segments listed below:

Personal banking

The personal banking segment covers the provision of financial products and services to individual customers. The products and services include savings deposit-taking, personal loans, credit cards and debit cards, payments and settlements, wealth management products and funds, insurance agency services, etc.

Corporate banking

The corporate banking segment covers the provision of financial products and services to corporations, government agencies and financial institutions. The products and services include current account settlement, deposits, overdrafts, loans, trade related products and other credit facilities, foreign currency, and wealth management products, etc.

Treasury

This segment covers businesses including deposits and placements with banks and other financial institutions, interbank borrowings and lendings, repurchase and resale transactions, various debt instrument investments and equity instrument investment, etc. The issuance of bond securities also falls into this segment.

Others

This segment includes items that are not attributed to the above segments or cannot be allocated on a reasonable basis.

The management of the Group monitors operating results of each segment for the purposes of resource allocation and assessment of segment performance. The accounting policies of the operating segments are the same as the Group's accounting policies when preparing segment financial information. Since 2023, the Group has made segment adjustments for bond underwriting and other business based on actual management and restated the comparative period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023
(All amounts in RMB million unless otherwise stated)

44 Segment analysis (continued)

44.1 Operating segment (continued)

	Year ended December 31, 2023				
	Personal banking	Corporate banking	Treasury	Others	Total
Interest income from external customers	209,885	118,126	170,316	–	498,327
Interest expense to external customers	(183,331)	(19,335)	(13,858)	–	(216,524)
Intersegment net interest income/(expense)	201,682	(47,296)	(154,386)	–	–
Net interest income	228,236	51,495	2,072	–	281,803
Net fee and commission income	20,556	5,006	2,690	–	28,252
Net trading gains	–	–	4,460	–	4,460
Net gains on investment securities	–	–	24,719	–	24,719
Net gains on derecognition of financial assets measured at amortized cost	–	–	2,242	–	2,242
Net other operating gains/(losses)	958	133	(264)	591	1,418
Share of results of associates	–	–	–	18	18
Operating expenses	(177,456)	(26,405)	(20,861)	(420)	(225,142)
Credit impairment losses	(36,229)	10,054	8	–	(26,167)
Impairment losses on other assets	(4)	–	–	–	(4)
Profit before income tax	36,061	40,283	15,066	189	91,599
Supplementary information					
Depreciation and amortization	9,589	2,298	241	–	12,128
Capital expenditures	10,338	2,506	119	–	12,963

	As at December 31, 2023				
	Personal banking	Corporate banking	Treasury	Others	Total
Segment assets	4,867,224	3,932,362	6,863,864	673	15,664,123
Deferred tax assets					62,508
Total assets					15,726,631
Segment liabilities	(12,579,408)	(1,480,774)	(709,829)	–	(14,770,011)
Deferred tax liabilities					(4)
Total liabilities					(14,770,015)
Supplementary information					
Credit commitments	460,229	402,718	–	–	862,947

(All amounts in RMB million unless otherwise stated)

44 Segment analysis (continued)

44.1 Operating segment (continued)

	Year ended December 31, 2022				
	Personal banking	Corporate banking	Treasury	Others	Total
Interest income from external customers	210,498	106,394	157,348	–	474,240
Interest expense to external customers	(174,472)	(18,189)	(7,986)	–	(200,647)
Intersegment net interest income/(expense)	178,482	(40,564)	(137,918)	–	–
Net interest income	214,508	47,641	11,444	–	273,593
Net fee and commission income	18,772	3,131	6,531	–	28,434
Net trading gains	–	–	3,673	–	3,673
Net gains on investment securities	–	–	21,559	–	21,559
Net gains on derecognition of financial assets measured at amortized cost	–	–	920	–	920
Net other operating gains	1,592	552	4,445	620	7,209
Share of results of associates	–	–	–	3	3
Operating expenses	(165,513)	(23,391)	(19,421)	(355)	(208,680)
Credit impairment losses	(38,368)	1,355	1,685	–	(35,328)
Impairment losses on other assets	(19)	–	–	–	(19)
Profit before income tax	30,972	29,288	30,836	268	91,364
Supplementary information					
Depreciation and amortization	9,107	1,954	239	–	11,300
Capital expenditures	10,083	2,187	132	–	12,402

	As at December 31, 2022				
	Personal banking	Corporate banking	Treasury	Others	Total
Segment assets	4,424,365	3,369,946	6,208,363	653	14,003,327
Deferred tax assets					63,955
Total assets					14,067,282
Segment liabilities	(11,368,137)	(1,450,284)	(423,036)	–	(13,241,457)
Deferred tax liabilities					(11)
Total liabilities					(13,241,468)
Supplementary information					
Credit commitments	390,287	308,575	–	–	698,862

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023
(All amounts in RMB million unless otherwise stated)

44 Segment analysis (continued)

44.2 Geographical segment

Geographical segments, as defined for management reporting purposes, are as follows:

– Head Office

– "Yangtze River Delta": Shanghai Municipality, Jiangsu Province, Zhejiang Province and Ningbo;

– "Pearl River Delta": Guangdong Province, Shenzhen, Fujian Province and Xiamen;

– "Bohai Rim": Beijing Municipality, Tianjin Municipality, Hebei Province, Shandong Province and Qingdao;

– "Central China" region: Shanxi Province, Henan Province, Hubei Province, Hunan Province, Anhui Province, Jiangxi Province and Hainan Province;

– "Western China" region: Inner Mongolia Autonomous Region, Guangxi Zhuang Autonomous Region, Chongqing Municipality, Sichuan Province, Guizhou Province, Yunnan Province, Xizang Autonomous Region, Shaanxi Province, Gansu Province, Qinghai Province, Ningxia Autonomous Region and Xinjiang Autonomous Region;

– "Northeastern China" region: Liaoning Province, Heilongjiang Province, Jilin Province and Dalian.

(All amounts in RMB million unless otherwise stated)

44 Segment analysis (continued)

44.2 Geographical segment (continued)

	Year ended December 31, 2023							
	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	Northeastern China	Total
Interest income from external customers	185,971	62,799	48,271	46,635	81,084	57,059	16,508	498,327
Interest expense to external customers	(11,031)	(36,358)	(17,398)	(32,322)	(63,556)	(41,770)	(14,089)	(216,524)
Intersegment net interest (expense)/income	(218,568)	26,724	11,650	35,196	75,932	50,094	18,972	–
Net interest income	(43,628)	53,165	42,523	49,509	93,460	65,383	21,391	281,803
Net fee and commission income	(248)	4,459	4,747	5,538	7,008	5,078	1,670	28,252
Net trading gains	4,460	–	–	–	–	–	–	4,460
Net gains on investment securities	23,201	523	163	266	336	221	9	24,719
Net gains on derecognition of financial assets measured at amortized cost	717	197	206	184	409	376	153	2,242
Net other operating (losses)/gains	(334)	220	186	217	203	867	59	1,418
Share of results of associates	–	–	–	18	–	–	–	18
Operating expenses	(17,268)	(31,498)	(23,756)	(30,845)	(60,306)	(45,038)	(16,431)	(225,142)
Credit impairment losses	13,106	(7,116)	(10,083)	(4,146)	(9,286)	(6,921)	(1,721)	(26,167)
Impairment losses on other assets	–	–	–	(1)	–	–	(3)	(4)
Profit before income tax	(19,994)	19,950	13,986	20,740	31,824	19,966	5,127	91,599
Supplementary information								
Depreciation and amortization	3,352	1,522	1,127	1,585	1,924	1,990	628	12,128
Capital expenditures	5,509	1,039	805	1,281	2,367	1,482	480	12,963

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023
(All amounts in RMB million unless otherwise stated)

44 Segment analysis (continued)

44.2 Geographical segment (continued)

	As at December 31, 2023								
	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	Northeastern China	Eliminations	Total
Segment assets	10,795,641	2,682,621	1,729,157	2,681,622	5,009,135	3,349,694	1,205,801	(11,789,548)	15,664,123
Deferred tax assets									62,508
Total assets									15,726,631
Segment liabilities	(10,074,161)	(2,652,248)	(1,705,944)	(2,642,116)	(4,966,790)	(3,321,081)	(1,198,664)	11,790,993	(14,770,011)
Deferred tax liabilities									(4)
Total liabilities									(14,770,015)
Supplementary information									
Credit commitments	460,229	96,828	63,695	103,792	62,528	63,445	12,430	–	862,947

(All amounts in RMB million unless otherwise stated)

44 Segment analysis (continued)

44.2 Geographical segment (continued)

	Year ended December 31, 2022							
	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	Northeastern China	Total
Interest income from external customers	171,990	60,928	45,257	44,624	79,910	55,528	16,003	474,240
Interest expense to external customers	(4,960)	(33,855)	(16,473)	(30,989)	(60,919)	(40,156)	(13,295)	(200,647)
Intersegment net interest (expense)/income	(190,406)	21,414	10,650	30,471	66,454	44,816	16,601	–
Net interest income	(23,376)	48,487	39,434	44,106	85,445	60,188	19,309	273,593
Net fee and commission income	2,988	3,643	4,370	5,572	5,934	4,498	1,429	28,434
Net trading gains	3,673	–	–	–	–	–	–	3,673
Net gains/(losses) on investment securities	20,110	538	164	245	404	134	(36)	21,559
Net gains on derecognition of financial assets measured at amortized cost	312	38	66	123	148	134	99	920
Net other operating gains	5,583	251	162	250	267	644	52	7,209
Share of results of associates	–	–	–	3	–	–	–	3
Operating expenses	(18,964)	(27,902)	(22,178)	(28,185)	(54,600)	(41,689)	(15,162)	(208,680)
Credit impairment losses	1,156	(7,256)	(8,621)	(3,143)	(8,893)	(6,664)	(1,907)	(35,328)
Impairment losses on other assets	–	–	–	–	(3)	(11)	(5)	(19)
Profit before income tax	(8,518)	17,799	13,397	18,971	28,702	17,234	3,779	91,364
Supplementary information								
Depreciation and amortization	2,962	1,453	1,055	1,489	1,802	1,913	626	11,300
Capital expenditures	3,834	1,354	1,207	1,931	2,439	1,339	298	12,402

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023
(All amounts in RMB million unless otherwise stated)

44 Segment analysis (continued)

44.2 Geographical segment (continued)

	As at December 31, 2022								
	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	Northeastern China	Eliminations	Total
Segment assets	10,103,690	2,408,977	1,575,657	2,420,624	4,569,518	3,069,031	1,099,094	(11,243,264)	14,003,327
Deferred tax assets									63,955
Total assets									14,067,282
Segment liabilities	(9,450,421)	(2,388,890)	(1,560,747)	(2,393,121)	(4,544,397)	(3,051,838)	(1,096,072)	11,244,029	(13,241,457)
Deferred tax liabilities									(11)
Total liabilities									(13,241,468)
Supplementary information									
Credit commitments	390,287	74,625	56,510	77,356	41,699	52,088	6,297	–	698,862

45 Financial risk management

45.1 Overview

To ensure an appropriate level of risk-adjusted return and sufficient capital adequacy, the Group adheres to a prudent risk management strategy, and achieves a decent return through appropriate risk-taking with consideration of size, growth and quality of its businesses.

The Group is mainly exposed to credit risk, market risk, liquidity risk and operational risk. Market risk includes interest rate risk and exchange rate risk (including gold).

This section describes the Group's position with respect to the above risk exposures, and the Group's objectives, policies and procedures in managing those risk exposures, as well as the Group's capital management.

45 Financial risk management (continued)

45.2 Framework of financial risk management

The Group's Board of Directors assumes the ultimate responsibilities for comprehensive risk management, which include establishing risk culture, formulating and approving risk management strategies, setting and approving risk appetites and ensuring the establishment of risk limits, reviewing and approving major risk management policies and procedures, monitoring comprehensive risk management implemented by the senior management, reviewing comprehensive risk management reports, examining and approving disclosure of comprehensive risks and various significant risks, appointment of Chief Risk Officer, and other duties related to risk management.

The Group's Board of Supervisors assumes the supervisory responsibilities for comprehensive risk management, and is responsible for supervising the Board of Directors and the senior management in fulfilling their duties of risk management and urging them for any rectifications.

The Group's senior management assumes the responsibilities for implementation of comprehensive risk management and carrying out decisions of the Board of Directors, which includes setting up the operation and management structure in line with comprehensive risk management framework, clarifying division of responsibilities among functional departments, business departments and other departments under comprehensive risk management framework, establishing coordination mechanism with effective balance of power across departments, formulating clear implementation and accountability mechanism to ensure adequate communication and effective implementation of risk management strategies, risk appetites and risk limits, setting up risk limits according to risk appetite determined by the Board of Directors, including but not limited to levels such as industry, region, customer, and product. The Group's senior management is also responsible for formulating risk management policies and procedures, regular assessments, with adjustments when necessary, and assessing conditions of comprehensive risks and various important risk management with reports to the Board of Directors. In addition, it is the Group's senior management's responsibility to establish sound management information system and data quality control mechanism, and oversee violation of risk appetite, risk limits, and risk management policies and procedures, and deal with them under authorization of the Board of Directors, and assume other responsibilities from risk management perspective.

45.3 Credit risk

Credit risk refers to the risk of loss caused by the default or the deterioration of credit rating and repayment ability of the debtor or the counterparty.

The main sources of the Group's credit risk include: credit business, treasury business (including deposits and placements, resale agreement, debt securities issued by corporates and financial institutions, inter-bank investment, etc.), off-balance sheet credit business (including guarantee, commitment, etc.).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023
(All amounts in RMB million unless otherwise stated)

45 Financial risk management (continued)

45.3 Credit risk (continued)

The organizational structure of the Group on credit risk management is as follows: the Board of Directors takes the ultimate responsibilities for credit risk management, the Board of Supervisors takes the supervisory responsibilities for credit risk management, while the senior management undertaking the responsibilities for implementation of credit risk management, and for the implementation of resolutions approved by the Board of Directors on credit risk; the Risk Management Committee is responsible for credit risk management; and the Credit Business Approval Committee is responsible for approving credit lines within the scope of authorization; each business department shall bear the primary responsibility for credit risk mitigation, and implementation of policies, standards and procedures of credit risk management in its own field of business in accordance with the segregation of duties among different functions; departments of credit management, risk management, credit approval, internal control and compliance, legal affairs and others are responsible for the overall planning, supervision and review of credit risk management and mitigation, of which the Credit Management Department is the leading department of credit risk management, and the Internal Audit Department supervises each department's performance of duties in credit risk management independently and objectively.

(1) Loans and advances to customers, loan commitments and financial guarantees

The risk on loan portfolio refers to the risk of uncertain income or loan losses due to failure of a borrower to repay the principal and interest in full upon maturity of a loan. Given the loan portfolio is a major component of the Group's assets, risk on the loan portfolio is considered as a principal credit risk.

(2) Debt securities and other debt instruments

Credit risks on debt securities and other debt instruments arising from changes in credit spreads, default rates, loss ratios and credit quality of underlying assets.

The Group adopts a prudent approach in making debt security investments by focusing on low-risk debt securities, including government bonds and bonds issued by financial institutions. Other debt instruments are mainly trust investment plans and assets management plans.

The Group established a risk evaluation system on the issuers of corporate bonds and other debt instruments, and performs ongoing post-lending monitoring on a timely basis.

(3) Interbank financing business

The Group manages the credit quality by considering the size, financial position and the internal and external credit rating of those banks and financial institutions.

45 Financial risk management (continued)

45.3 Credit risk (continued)

45.3.1 Expected credit loss measurement

The Group has applied ECL models to measure the impairment of debt instruments measured at amortized cost and at FVTOCI, as well as credit commitments.

Based on whether a significant increase in credit risk has occurred since initial recognition of a financial instrument or becoming credit impaired, the Group will classify credit risk exposures into three stages to calculate the ECL.

Stage 1 includes financial instruments that have not had a significant increase in credit risk since initial recognition.

Stage 2 includes financial instruments that have had a significant increase in credit risk since initial recognition, measured by the changes of default risk over their expected life. These changes have been determined by comparing the default risk at the end of the reporting period and at the date of initial recognition.

Stage 3 includes financial instruments that are credit-impaired.

The Group could assess impairment allowance through either the ECL models or discounted cash flow method.

The Group has incorporated forward-looking information for measuring ECL and constructed complicated models involving substantial management judgements and assumptions, mainly including the following:

- Grouping of risks;
- Significant increase in credit risk;
- Definition of default and credit-impaired;
- Descriptions of parameters, assumptions and estimation techniques;
- Forward-looking information;
- Management overlay;
- The estimated future cash flows for loans and advances to customers as well as financial investments which applied discounted cash flow method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023
(All amounts in RMB million unless otherwise stated)

45 Financial risk management (continued)

45.3 Credit risk (continued)

45.3.1 Expected credit loss measurement (continued)

(1) Grouping of risks

For measurement of ECL, the credit risk exposures will be segmented based on similar credit risk characteristics. In determination of the portfolio segmentation of credit assets, the Group considers the type of borrower, type of product, and industry, etc. The segmentation of portfolio is regularly monitored and reviewed to ensure the appropriateness and reliability of credit risk segmentation.

(2) Significant Increase in credit risk (SICR)

At the end of each reporting period, the Group evaluates whether a SICR of related financial instruments has occurred since initial recognition, which mainly includes: impacts of regulation and operating environment, changes in internal and external credit rating, insolvency, business performance, loan contractual terms, etc. Based on individual financial instrument or financial instrument portfolios with similar credit risk characteristics, the Group determines changes of the default risk by comparing the risk at the end of each reporting period with that at the date of initial recognition.

The Group has set up both quantitative and qualitative standards according to the different features of credit risk associated with the financial assets as well as the current status of risk management initiatives. In determining whether a significant increase in credit risk of financial assets has occurred, the Group mainly considers whether the internal credit rating has been downgraded by more than a certain scale and has reached a certain threshold since initial recognition, whether there has been an adverse change of risk classification, and whether principal or interest has been more than 30 days past due, etc.

(3) Definition of default and credit-impaired

The Group considers a financial instrument as in default or being credit-impaired when it meets one or more of the following criteria, including whether principal or interest has been more than 90 days past due, and whether the risk classification of the credit risk exposure has been downgraded below a certain category or the internal credit rating has been downgraded below a certain threshold, etc.

45 Financial risk management (continued)

45.3 Credit risk (continued)

45.3.1 Expected credit loss measurement (continued)

(4) Description of parameters, assumptions, and estimation techniques

ECL is measured on either a 12-month (12M) or lifetime basis depending on whether a SICR has occurred since initial recognition and whether an asset is considered being credit-impaired. ECL derived from the discounted value of the multiplication of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD).

Related definitions are as follows:

The PD represents the likelihood of a borrower breaching the contractual terms or defaulting on its financial obligation over a specific time, either the next 12 months, or the remaining lifetime of the obligation. The Group's PD has adopted the results of internal rating model, or for financial asset that does not use this model, historical analysis is adopted, where the historical default records are calculated by historical data of asset portfolios with similar credit risk characteristics, incorporating forward-looking information, to reflect the PD at a specific point in time under the current macroeconomic environment.

LGD refers to the ratio of the expected loss in the total amount of the loan portfolios, which is the extent of loss on a default. The Group's LGD is calculated by internal rating model. For financial asset that does not use this model, historical analysis is adopted, where the loss of default has been calculated over the next 12 months or over the remaining lifetime from the time of default. The assessment is on an individual basis by customer type, guarantee method, and historical non-performing loan collection experience, etc.

EAD refers to the total amount of on-and off-balance sheet exposures in the event of default.

The Group estimates PD, LGD and EAD of each portfolio in the future to calculate the ECL. The Group multiples the three and adjusts their expected life (such as default), and discount and aggregate the calculation result of each period to determine the ECL. The discount rate used in the ECL calculation is the effective rate or its approximate value.

The Group periodically monitors the related assumptions concerning the calculation of ECL and makes necessary updates and adjustments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023
(All amounts in RMB million unless otherwise stated)

45 Financial risk management (continued)

45.3 Credit risk (continued)

45.3.1 Expected credit loss measurement (continued)

(5) Forward-looking information

The calculation of ECL incorporates forward-looking information. The Group performs historical analysis and has identified the key economic variables impacting credit risk and ECL for each portfolio, mainly including Gross Domestic Product ("GDP"), Consumer Price Index, Consumer Confidence Index, etc.

These economic variables and their associated impacts on PD vary by segmentation of portfolios. Expert judgement has also been applied in this process. Forecasts of these economic variables (the "basic economic scenario") are made by the Group regularly, and the relationship between these economic variables and PD is identified through performing statistical regression analysis with the purpose of understanding the impact that the historical changes of these variables that might have on PD.

The Group has adopted three economic scenarios (Base, Upside and Downside) and applied weightings for them respectively, on the basis of a combination of the macroeconomic information, statistical analysis and expert judgement. For the year ended 31 December 2023, the highest weighting is assigned to Base scenario, while weightings of Upside and Downside were not higher than 30% respectively.

As at December 31, 2023, the Group considers the macroeconomy by referring to the prediction of internal and external authoritative experts to determine the base scenario. Under the base scenario, the growth rate of GDP is predicted to be 4.97%. Forecast 2024 GDP growth value under the upside and downside scenarios had been determined by moving up and down, by a certain degree, from the base scenario forecast.

The Group periodically reviews and monitors the appropriateness of the above assumptions, and makes necessary updates and adjustments.

Relatively substantial management judgements are involved in the weighting scheme of macroeconomic scenarios, macroeconomic forecasts, and significant increase in credit risk in ECL models. The variation of key inputs above will inevitably lead to changes in ECL as a result of model's inherent complexity. The Group has analyzed sensitivity of ECL model by considering the fluctuation of macroeconomic forecasts.

Assuming year-over-year growth in GDP, the core macroeconomic forecasting indicator, would increase or decrease by 10%, the absolute change rate of the balance of loss allowance as at December 31, 2023 would be no more than 5%.

45 Financial risk management (continued)

45.3 Credit risk (continued)

45.3.1 Expected credit loss measurement (continued)

(6) Management Overlay

Taking into account inherent limitations of ECL models and temporary systematic risk factors, the Group has accrued additional loss allowance in response to potential risk and improved its risk compensation capability. The amount of management overlay adjustments was not material as compared to the total balance of loss allowance as at December 31, 2023.

(7) The estimated future cash flows for loans and advances to customers as well as financial investments which applied discounted cash flow method

At each measurement date, the Group projects the future cash inflows of each future period related to the financial assets. The cash flows are discounted and aggregated to determine the present value of the assets' future cash flows.

(8) Write-off policy

The Group writes off financial assets, in full or in part, when it has taken all necessary recovery efforts and is still not capable of reasonably expecting to recover partial or all the financial assets. The Group may write-off financial assets that are still subject to enforcement activities. The outstanding amounts of such assets written off during the year ended December 31, 2023 were RMB21,300 million (2022: RMB16,779 million).

(9) The modification of contractual cash flows

In order to minimize the credit loss, the Group may renegotiate the terms of the contract with borrowers that have deteriorated in financial position, or are unable to meet their original repayment schedule, which include concessions given by the Group that would not otherwise be granted to these borrowers for economic or legal reasons relating to their financial difficulties. Such contract modifications may include terms of loan, repayment schedule or interest rate. Based on the management's judgement of the borrowers' repayment possibility, the Group has formulated specific rescheduled loan policy and practice, and reviewed the policy continuously. Rescheduled loans should be reviewed with an observation period to reach the corresponding stage classification criteria, and the observation period should contain at least 2 consecutive repayment periods and not be less than 1 year. As at December 31, 2023, the amount of the rescheduled loans and advances to customers of the Group was RMB11,335 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023
(All amounts in RMB million unless otherwise stated)

45 Financial risk management (continued)

45.3 Credit risk (continued)

45.3.2 Credit risk limit control and mitigation policy

In accordance with risk policies and limits, the risk management and business departments of the Group enhanced risk management policies and procedures to optimize business processes and monitor the implementation of risk control indicators.

To mitigate risks, the Group requires customers to provide collateral or guarantees when appropriate. The Group has established guidelines for the acceptability of specific types of collateral, and set up a collateral management system to standardize the collateral operation process. At the same time, the value, structure and legal documents of the collateral are regularly reviewed to ensure its validity and conform to market practices.

45.3.3 Credit risk exposures

(1) Maximum credit risk exposures

The table below presents the Group's maximum credit risk exposures before considering any collaterals or other credit enhancements as at December 31, 2023 and 2022 respectively. For on-balance sheet assets, the maximum credit risk exposures are presented at their net carrying amounts on the consolidated statement of financial position.

	As at December 31, 2023	As at December 31, 2022
Deposits with central bank	**1,289,825**	1,213,802
Deposits with banks and other financial institutions	**189,216**	161,422
Placements with banks and other financial institutions	**297,742**	303,836
Derivative financial assets	**2,154**	1,905
Financial assets held under resale agreements	**409,526**	229,870
Loans and advances to customers	**7,915,245**	6,977,710
Financial investments		
Financial assets measured at FVTPL – debt instruments	**886,613**	861,805
Financial assets measured at FVTOCI – debt instruments	**503,536**	416,172
Financial assets measured at amortized cost	**3,988,210**	3,669,598
Other financial assets	**24,486**	23,922
Subtotal	**15,506,553**	13,860,042
Credit commitments	**862,947**	698,862
Total	**16,369,500**	14,558,904

(All amounts in RMB million unless otherwise stated)

45 Financial risk management (continued)

45.3 Credit risk (continued)

45.3.4 Loans and advances to customers

(1) Loans and advances to customers by geographical region:

	As at December 31, 2023		As at December 31, 2022	
	Amount	Proportion	Amount	Proportion
Head Office	**363,568**	**4%**	351,522	5%
Central China	**1,997,777**	**25%**	1,772,273	25%
Yangtze River Delta	**1,693,237**	**21%**	1,464,429	20%
Western China	**1,384,281**	**17%**	1,217,601	17%
Bohai Rim	**1,237,696**	**15%**	1,079,811	15%
Pearl River Delta	**1,052,519**	**13%**	946,038	13%
Northeastern China	**419,815**	**5%**	378,759	5%
Total	**8,148,893**	**100%**	7,210,433	100%

(2) Loans and advances to customers by types:

	As at December 31, 2023		As at December 31, 2022	
	Amount	Proportion	Amount	Proportion
Personal loans and advances	**4,470,248**	**55%**	4,046,105	56%
Corporate loans and advances				
Including:				
Corporate loans	**3,214,471**	**39%**	2,669,362	37%
Discounted bills	**464,174**	**6%**	494,966	7%
Total	**8,148,893**	**100%**	7,210,433	100%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023
(All amounts in RMB million unless otherwise stated)

45 Financial risk management (continued)

45.3 Credit risk (continued)

45.3.4 Loans and advances to customers (continued)

(3) Loans and advances to customers by industries:

	As at December 31, 2023		As at December 31, 2022	
	Amount	Proportion	Amount	Proportion
Personal loans and advances				
Consumer loans				
– Residential mortgage loans	**2,337,991**	**29%**	2,261,763	31%
– Other consumer loans	**520,750**	**6%**	466,882	6%
Personal small and micro loans	**1,392,227**	**17%**	1,135,194	16%
Credit overdrafts and others	**219,280**	**3%**	182,266	3%
Subtotal	**4,470,248**	**55%**	4,046,105	56%
Corporate loans and advances				
Transportation, storage and postal services	**859,031**	**11%**	780,283	11%
Manufacturing	**509,819**	**6%**	409,673	6%
Financial services	**286,117**	**4%**	254,629	4%
Production and supply of electricity, heating, gas and water	**274,330**	**3%**	254,075	4%
Real estate	**253,086**	**3%**	211,525	3%
Wholesale and retail	**237,693**	**3%**	179,418	2%
Leasing and business services	**209,006**	**3%**	148,482	2%
Construction	**198,542**	**2%**	154,868	2%
Management of water conservancy, environmental and public facilities	**185,950**	**2%**	128,776	1%
Mining	**84,412**	**1%**	70,036	1%
Other industries	**116,485**	**1%**	77,597	1%
Subtotal	**3,214,471**	**39%**	2,669,362	37%
Discounted bills	**464,174**	**6%**	494,966	7%
Total	**8,148,893**	**100%**	7,210,433	100%

As at December 31, 2023, the balance of loans and advances to customers in relation to transportation, storage and postal services included loans to China State Railway Group Co., Ltd. of RMB155,479 million (December 31, 2022: RMB165,659 million).

(All amounts in RMB million unless otherwise stated)

45 Financial risk management (continued)

45.3 Credit risk (continued)

45.3.4 Loans and advances to customers (continued)

(4) Loans and advances to customers by types of collateral:

	As at December 31, 2023		As at December 31, 2022	
	Amount	Proportion	Amount	Proportion
Unsecured loans	**2,330,678**	**28%**	1,924,623	26%
Guaranteed loans	**626,029**	**8%**	507,223	7%
Loans secured by mortgages	**3,923,631**	**48%**	3,576,468	50%
Loans secured by pledges	**804,381**	**10%**	707,153	10%
Discounted bills	**464,174**	**6%**	494,966	7%
Total	**8,148,893**	**100%**	7,210,433	100%

(5) Overdue loans and advances to customers

Overdue loans and advances to customers by security types and overdue status are as follows:

	As at December 31, 2023				
	Overdue for 1 to 90 days (including 90 days)	Overdue for 91 days to 1 year (including 1 year)	Overdue for 1 to 3 years (including 3 years)	Overdue for over 3 years	Total
Unsecured loans	**8,637**	**10,607**	**5,683**	**400**	**25,327**
Guaranteed loans	**1,728**	**2,323**	**1,325**	**694**	**6,070**
Loans secured by mortgages	**15,516**	**15,400**	**9,690**	**1,854**	**42,460**
Loans secured by pledges	**24**	**31**	**122**	**104**	**281**
Total	**25,905**	**28,361**	**16,820**	**3,052**	**74,138**

	As at December 31, 2022				
	Overdue for 1 to 90 days (including 90 days)	Overdue for 91 days to 1 year (including 1 year)	Overdue for 1 to 3 years (including 3 years)	Overdue for over 3 years	Total
Unsecured loans	8,945	10,601	3,492	1,144	24,182
Guaranteed loans	1,993	1,526	2,661	814	6,994
Loans secured by mortgages	14,330	12,175	6,308	2,869	35,682
Loans secured by pledges	28	29	119	1,204	1,380
Total	25,296	24,331	12,580	6,031	68,238

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023
(All amounts in RMB million unless otherwise stated)

45 Financial risk management (continued)

45.3 Credit risk (continued)

45.3.5 Debt instruments

(1) Credit quality of debt instruments

The table below represents the carrying amounts of financial assets at amortized cost and financial assets measured at FVTOCI – debt instruments:

	As at December 31, 2023			
	Stage 1(i)	Stage 2	Stage 3	Total
Financial assets measured at FVTOCI – debt instruments	**503,536**	**–**	**–**	**503,536**
Financial assets measured at amortized cost	**3,984,544**	**3,662**	**4**	**3,988,210**
Total	**4,488,080**	**3,662**	**4**	**4,491,746**

	As at December 31, 2022			
	Stage 1(i)	Stage 2	Stage 3	Total
Financial assets measured at FVTOCI – debt instruments	416,172	–	–	416,172
Financial assets measured at amortized cost	3,664,878	4,671	49	3,669,598
Total	4,081,050	4,671	49	4,085,770

(All amounts in RMB million unless otherwise stated)

45 Financial risk management (continued)

45.3 Credit risk (continued)

45.3.5 Debt instruments (continued)

(1) Credit quality of debt instruments (continued)

(i) Debt instruments of stage 1

	As at December 31, 2023		
The types of debt instruments	**Financial assets at FVTOCI**	**Financial assets at amortized cost**	**Total**
Debt securities-by types of issuers:			
Government	**190,648**	**1,471,521**	**1,662,169**
Financial institutions	**221,615**	**1,878,428**	**2,100,043**
Corporates	**91,273**	**152,808**	**244,081**
Interbank certificates of deposits	**–**	**347,320**	**347,320**
Asset-backed securities	**–**	**114,279**	**114,279**
Other debt instruments	**–**	**17,273**	**17,273**
Debt financing plans	**–**	**8,945**	**8,945**
Gross amount	**503,536**	**3,990,574**	**4,494,110**
Less: Allowance for impairment loss	**–**	**6,030**	**6,030**
Carrying amount of debt instruments at stage 1	**503,536**	**3,984,544**	**4,488,080**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023
(All amounts in RMB million unless otherwise stated)

45 Financial risk management (continued)

45.3 Credit risk (continued)

45.3.5 Debt instruments (continued)

(1) Credit quality of debt instruments (continued)

(i) Debt instruments of stage 1 (continued)

	As at December 31, 2022		
The types of debt instruments	Financial assets at FVTOCI	Financial assets at amortized cost	Total
Debt securities-by types of issuers:			
Government	121,902	1,413,809	1,535,711
Financial institutions	212,772	1,671,779	1,884,551
Corporates	81,449	106,093	187,542
Interbank certificates of deposits	49	292,767	292,816
Asset-backed securities	–	148,314	148,314
Other debt instruments	–	24,460	24,460
Debt financing plans	–	12,289	12,289
Gross amount	416,172	3,669,511	4,085,683
Less: Allowance for impairment loss	–	4,633	4,633
Carrying amount of debt instruments at stage 1	416,172	3,664,878	4,081,050

(All amounts in RMB million unless otherwise stated)

45 Financial risk management (continued)

45.3 Credit risk (continued)

45.3.5 Debt instruments (continued)

(2) Debt instruments analyzed by credit rating

The Group adopts a credit rating approach to manage the credit risk of the debts instruments held. The ratings are based on the ratings from major rating agencies where the issuers of the debt instruments are located. The amounts of debts instruments analyzed by rating as at the end of the reporting period are as follows:

	As at December 31, 2023					
	Unrated	AAA	AA	A	Below A	Total
Government bonds	723,907	936,039	2,997	101	–	1,663,044
Bonds issued by financial institutions	1,904,554	215,143	1,510	13,552	13,849	2,148,608
Corporate bonds	104,462	149,494	867	14,565	4,003	273,391
Interbank certificates of deposits	485,122	1,691	–	–	–	486,813
Asset-backed securities	16,442	99,275	406	–	–	116,123
Debt financing plans	8,945	–	–	–	–	8,945
Fund investments	621,550	–	–	–	–	621,550
Trust investment plans and asset management plans	51,164	–	–	–	–	51,164
Wealth management products issued by financial institutions	682	–	–	–	–	682
Other debt instruments	33,965	–	–	–	–	33,965
Total	3,950,793	1,401,642	5,780	28,218	17,852	5,404,285

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023
(All amounts in RMB million unless otherwise stated)

45 Financial risk management (continued)

45.3 Credit risk (continued)

45.3.5 Debt instruments (continued)

(2) Debt instruments analyzed by credit rating (continued)

	As at December 31, 2022					
	Unrated	AAA	AA	A	Below A	Total
Government bonds	740,511	798,653	–	207	–	1,539,371
Bonds issued by financial institutions	1,784,439	134,212	1,606	4,504	14,962	1,939,723
Corporate bonds	70,127	121,865	–	16,278	5,781	214,051
Interbank certificates of deposits	404,796	–	–	–	–	404,796
Asset-backed securities	2,813	146,580	–	–	–	149,393
Debt financing plans	12,289	–	–	–	–	12,289
Fund investments	616,591	–	–	–	–	616,591
Trust investment plans and asset management plans	54,191	–	–	–	–	54,191
Wealth management products issued by financial institutions	199	–	–	–	–	199
Other debt instruments	45,137	–	–	–	–	45,137
Total	3,731,093	1,201,310	1,606	20,989	20,743	4,975,741

Unrated debt instruments held by the Group are bonds issued by the Chinese government, policy banks, China Development Bank, interbank certificates of deposits, fund investments and other debt instruments such as trust investment plans and asset management plans issued by financial institutions, the principal and income of which are mainly guaranteed by financial institutions or third party companies, or secured by bills and other financial assets as collateral.

45 Financial risk management (continued)

45.3 Credit risk (continued)

45.3.6 Concentration of credit risk

The credit risk exposure of financial assets mainly concentrates in the mainland of China.

45.4 Market risk

Market risk refers to the risk of loss to the Group's on- and off-balance sheet business operations arising from unfavorable changes on market prices (including interest rates, exchange rates, stock prices and commodity prices). The Group is primarily exposed to interest rate risk and exchange rate risk (including gold).

The Group adopts a centralized approach during the market risk management process, including identification, measurement, monitoring and mitigation of the market risk. The Group has established basic policies and procedures for the management of market risk, separation of banking and trading books, and valuation of financial assets. The Group applies such policies and procedures to identify, measure, monitor and mitigate market risks on both banking book and trading book respectively.

The Group is also exposed to market risk on its derivative investments on behalf of customers that are hedged through back-to-back transactions with other financial institutions.

Measurement techniques and limit setting for market risks

Trading book

Market risk on the trading book mainly arises from losses in valuation of financial instruments in the trading book due to adverse changes of market interest rates and exchange rates.

The Group uses limit management, sensitivity analysis, exposure analysis, stress test and other methods to manage the market risk of trading book and control the risk exposure within an acceptable range.

Banking book

The interest rate risk of the Group includes the risk of the adverse changes in the interest rate and term structure that may affect the economic value and overall operating income of the Group. It mainly includes the mismatch risk and the prime interest rate risk of assets and liabilities.

The Group measures the gap between assets and liabilities caused by repricing dates and maturity dates mismatch through monitoring the interest rate sensitivity gap using repricing gap analysis, and makes adjustments to refine the structure and bridge the interest rate risk gap by assessing potential changes of interest rates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023
(All amounts in RMB million unless otherwise stated)

45 Financial risk management (continued)

45.4 Market risk (continued)

Measurement techniques and limit setting for market risks (continued)

Sensitivity analysis on net interest income

The sensitivity analysis on net interest income is based on changes in interest rates with the assumption that all interest rates move by the same margin and the structure of financial assets and financial liabilities held at the period end remains unchanged, and does not take changes in customer behaviour, prime interest rates or any prepayment options on debt securities into consideration. On the assumption that the RMB yield and foreign currency yield move in parallel, the Group calculates changes of net interest income in the coming year.

The table below shows the potential impact on the Group's net interest income by an upward or a downward parallel shift of interest rates by 100 basis points. The actual circumstances may differ from the assumptions so that the impact on the net interest income as shown in the following analysis may be different from the actual outcome.

	(Decrease)/Increase in net interest income	
	As at December 31, 2023	**As at December 31, 2022**
Upward parallel shift of 100 bps for yield curves	**(15,670)**	(13,143)
Downward parallel shift of 100 bps for yield curves	**15,670**	13,143

Interest rate risk

The Group's interest rate exposures are as follows. The financial assets and financial liabilities at the end of the reporting period were stated at their carrying amounts based on the earlier of their repricing date or contractual maturity date.

(All amounts in RMB million unless otherwise stated)

45 Financial risk management (continued)

45.4 Market risk (continued)

Interest rate risk (continued)

	As at December 31, 2023						
	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	Total
Cash and deposits with central bank	1,281,917	-	-	-	-	55,584	1,337,501
Deposits with banks and other financial institutions	16,590	38,517	132,582	-	-	1,527	189,216
Placements with banks and other financial institutions	16,396	28,123	170,329	82,475	-	419	297,742
Derivative financial assets	-	-	-	-	-	2,154	2,154
Financial assets held under resale agreements	333,955	22,260	52,655	-	-	656	409,526
Loans and advances to customers	3,672,744	847,854	2,823,961	508,535	41,432	20,719	7,915,245
Financial assets measured at FVTPL	22,791	32,554	107,923	12,000	35,879	677,369	888,516
Financial assets measured at FVTOCI-debt instruments	17,465	39,558	72,619	354,515	12,159	7,220	503,536
Financial assets measured at FVTOCI-equity instruments	-	-	-	-	-	7,326	7,326
Financial assets measured at amortized cost	164,110	351,583	444,536	1,351,388	1,618,543	58,050	3,988,210
Other financial assets	-	-	-	-	-	24,486	24,486
Total financial assets	5,525,968	1,360,449	3,804,605	2,308,913	1,708,013	855,510	15,563,458
Borrowings from central bank	1,760	10,140	21,433	-	-	502	33,835
Deposits from banks and other financial institutions	88,472	1,859	4,765	120	-	87	95,303
Placements from banks and other financial institutions	23,099	9,593	26,920	50	-	550	60,212
Derivative financial liabilities	-	-	-	-	-	3,595	3,595
Financial assets sold under repurchase agreements	245,464	11,386	16,218	-	-	296	273,364
Customer deposits	5,382,164	2,402,520	4,662,705	1,339,275	-	169,299	13,955,963
Debt securities issued	1,089	89,254	38,248	10,000	119,991	2,556	261,138
Other financial liabilities	223	443	2,140	5,029	1,433	38,480	47,748
Total financial liabilities	5,742,271	2,525,195	4,772,429	1,354,474	121,424	215,365	14,731,158
Interest rate risk gap	(216,303)	(1,164,746)	(967,824)	954,439	1,586,589	640,145	832,300

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023
(All amounts in RMB million unless otherwise stated)

45 Financial risk management (continued)

45.4 Market risk (continued)

Interest rate risk (continued)

	As at December 31, 2022						
	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	Total
Cash and deposits with central bank	1,205,140	–	–	–	–	58,811	1,263,951
Deposits with banks and other financial institutions	12,683	26,107	121,533	–	–	1,099	161,422
Placements with banks and other financial institutions	34,699	31,118	162,363	75,275	–	381	303,836
Derivative financial assets	–	–	–	–	–	1,905	1,905
Financial assets held under resale agreements	122,921	37,820	68,650	–	–	479	229,870
Loans and advances to customers	3,521,115	754,780	2,213,020	387,710	81,028	20,057	6,977,710
Financial assets measured at FVTPL	10,148	33,364	92,877	13,451	38,841	675,102	863,783
Financial assets measured at FVTOCI-debt instruments	5,905	21,764	45,376	318,290	18,381	6,456	416,172
Financial assets measured at FVTOCI -equity instruments	–	–	–	–	–	9,346	9,346
Financial assets measured at amortized cost	186,736	397,740	463,779	1,045,067	1,522,004	54,272	3,669,598
Other financial assets	–	–	–	–	–	23,922	23,922
Total financial assets	5,099,347	1,302,693	3,167,598	1,839,793	1,660,254	851,830	13,921,515
Borrowings from central bank	5,699	49	19,028	–	–	39	24,815
Deposits from banks and other financial institutions	69,455	5	8,710	101	–	499	78,770
Placements from banks and other financial institutions	10,898	6,089	25,368	–	–	344	42,699
Derivative financial liabilities	–	–	–	–	–	2,465	2,465
Financial assets sold under repurchase agreements	164,305	10,322	8,864	–	–	155	183,646
Customer deposits	5,182,388	2,081,575	3,934,770	1,360,779	–	154,973	12,714,485
Debt securities issued	–	–	–	–	99,990	1,920	101,910
Other financial liabilities	282	405	2,069	5,844	1,252	37,073	46,925
Total financial liabilities	5,433,027	2,098,445	3,998,809	1,366,724	101,242	197,468	13,195,715
Interest rate risk gap	(333,680)	(795,752)	(831,211)	473,069	1,559,012	654,362	725,800

(All amounts in RMB million unless otherwise stated)

45 Financial risk management (continued)

45.4 Market risk (continued)

Foreign exchange rate risk

The tables below present the Group's exposures that were subject to changes in exchange rates as at December 31, 2023 and 2022 respectively. The Group's RMB exposures were included in the table for comparison. The financial assets and liabilities and off-balance sheet credit commitments were stated at their carrying amounts in RMB equivalent.

The major currency of the Group for daily operation is RMB. Other currencies used by the Group include United States Dollars (USD), Euro (EUR), Hong Kong Dollars (HKD) and U.K. Pound Sterling (GBP), etc.

	As at December 31, 2023			
	RMB	USD (RMB equivalent)	Other currencies (RMB equivalent)	Total
Cash and deposits with central bank	1,334,536	2,717	248	1,337,501
Deposits with banks and other financial institutions	184,648	3,790	778	189,216
Placements with banks and other financial institutions	297,742	–	–	297,742
Derivative financial assets	1,456	683	15	2,154
Financial assets held under resale agreements	409,526	–	–	409,526
Loans and advances to customers	7,903,113	9,938	2,194	7,915,245
Financial assets measured at FVTPL	886,036	2,480	–	888,516
Financial assets measured at FVTOCI-debt instruments	501,610	1,926	–	503,536
Financial assets measured at FVTOCI-equity instruments	7,326	–	–	7,326
Financial assets measured at amortized cost	3,932,025	55,434	751	3,988,210
Other financial assets	22,823	1,663	–	24,486
Total financial assets	15,480,841	78,631	3,986	15,563,458
Borrowings from central bank	33,835	–	–	33,835
Deposits from banks and other financial institutions	95,303	–	–	95,303
Placements from banks and other financial institutions	40,669	19,543	–	60,212
Derivative financial liabilities	1,874	1,707	14	3,595
Financial assets sold under repurchase agreements	273,364	–	–	273,364
Customer deposits	13,929,788	22,016	4,159	13,955,963
Debt securities issued	261,138	–	–	261,138
Other financial liabilities	45,368	2,377	3	47,748
Total financial liabilities	14,681,339	45,643	4,176	14,731,158
Net on-balance sheet position	799,502	32,988	(190)	832,300
Net notional amount of derivative financial instruments	16,615	(14,694)	(2,681)	(760)
Credit commitments	841,301	15,562	6,084	862,947

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023
(All amounts in RMB million unless otherwise stated)

45 Financial risk management (continued)

45.4 Market risk (continued)

Foreign exchange rate risk (continued)

	As at December 31, 2022			
	RMB	USD (RMB equivalent)	Other currencies (RMB equivalent)	Total
Cash and deposits with central bank	1,261,936	1,964	51	1,263,951
Deposits with banks and other financial institutions	155,749	4,598	1,075	161,422
Placements with banks and other financial institutions	302,516	1,320	–	303,836
Derivative financial assets	876	973	56	1,905
Financial assets held under resale agreements	229,870	–	–	229,870
Loans and advances to customers	6,961,053	14,138	2,519	6,977,710
Financial assets measured at FVTPL	863,783	–	–	863,783
Financial assets measured at FVTOCI-debt instruments	412,408	3,764	–	416,172
Financial assets measured at FVTOCI-equity instruments	9,346	–	–	9,346
Financial assets measured at amortized cost	3,618,216	51,239	143	3,669,598
Other financial assets	23,080	839	3	23,922
Total financial assets	13,838,833	78,835	3,847	13,921,515
Borrowings from central bank	24,815	–	–	24,815
Deposits from banks and other financial institutions	78,769	1	–	78,770
Placements from banks and other financial institutions	35,417	7,282	–	42,699
Derivative financial liabilities	890	1,558	17	2,465
Financial assets sold under repurchase agreements	183,646	–	–	183,646
Customer deposits	12,681,321	32,661	503	12,714,485
Debt securities issued	101,910	–	–	101,910
Other financial liabilities	45,983	937	5	46,925
Total financial liabilities	13,152,751	42,439	525	13,195,715
Net on-balance sheet position	686,082	36,396	3,322	725,800
Net notional amount of derivative financial instruments	17,537	(12,411)	(5,779)	(653)
Credit commitments	686,747	7,650	4,465	698,862

(All amounts in RMB million unless otherwise stated)

45 Financial risk management (continued)

45.4 Market risk (continued)

Foreign exchange rate risk (continued)

Exchange rate sensitivity analysis

The table below indicates the potential effect of appreciation or depreciation of USD spot and forward exchange rate against RMB by 5% on net profit of the Group.

Exchange rate changes	As at December 31, 2023	As at December 31, 2022
5% of appreciation of USD against RMB	**102**	613
5% of depreciation of USD against RMB	**(102)**	(613)

The impact on the net profit arises from the effects of fluctuation in RMB exchange rate on the net positions of foreign monetary assets and liabilities. The effect on the net profit is based on the assumption that the Group's net foreign currency at the end of the reporting period remains unchanged. The Group mitigates its foreign currency risk through active management of its foreign exchange exposures, based on the management expectation of future foreign currency fluctuation. Therefore the above sensitivity analysis may differ from the actual situation.

45.5 Liquidity risk

Liquidity risk refers to the risk of failure to obtain sufficient funds by commercial bank at a reasonable cost in a timely manner to repay maturing debts, fulfill other payment obligations and meet other financial needs during normal business operation. Events or factors that cause the Group's liquidity risk include: deposit customers withdrawing deposits, loan customers withdrawing credit facilities, debtors failing to repay principal and interest, excessive mismatch of maturity of assets and liabilities, difficulty in disposal assets, deterioration in financing capability, etc. The objective of liquidity risk management of the Group is to meet the liquidity needs and fulfill its payment obligation to external parties during the normal operation or at a highly stressed condition which is achieved through the establishment of a scientific and comprehensive liquidity risk management mechanism, through which liquidity risk can be timely identified, measured and effectively mitigated. The Group adheres to prudent liquidity risk management strategy and effectively balances the rhythm and structure of capital source and utilization.

The Group conducts liquidity risk stress tests on a quarterly basis to identify potential liquidity risks and continually improve stress testing methods based on regulatory and internal management requirements. The stress test results show that under the various pressure scenario assumptions, the Group can pass the minimum life expectancy test.

The Group is mainly funded by personal deposits, which is considered a stable source of funding. On the other hand, the Group primarily invests in assets with high liquidity such as deposits with banks, and government bonds. During the reporting period, the Group's liquidity regulatory indicators were functioning normally, with sufficient liquidity as a whole and safe and controllable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023
(All amounts in RMB million unless otherwise stated)

45 Financial risk management (continued)

45.5 Liquidity risk (continued)

Analysis of the remaining contractual maturity of financial assets and financial liabilities

	As at December 31, 2023								
	Overdue	Repayable on demand	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Undated	Total
Cash and deposits with central bank	–	89,131	–	745	1,507	–	–	1,246,118	1,337,501
Deposits with banks and other financial institutions	–	8,042	8,709	39,065	133,400	–	–	–	189,216
Placements with banks and other financial institutions	–	–	16,502	28,407	170,358	82,475	–	–	297,742
Derivative financial assets	–	–	190	130	543	1,291	–	–	2,154
Financial assets held under resale agreements	–	–	334,338	22,395	52,793	–	–	–	409,526
Loans and advances to customers	13,233	–	485,751	606,285	2,182,179	1,854,890	2,772,907	–	7,915,245
Financial assets measured at FVTPL	10	131,767	21,602	37,319	199,329	361,471	135,115	1,903	888,516
Financial assets measured at FVTOCI-debt instruments	–	–	18,622	41,806	74,113	356,675	12,320	–	503,536
Financial assets measured at FVTOCI-equity instruments	–	–	–	–	–	–	–	7,326	7,326
Financial assets measured at amortized cost	–	–	100,014	132,374	438,017	1,558,632	1,759,173	–	3,988,210
Other financial assets	1,792	14,006	363	2,631	243	487	4,651	313	24,486
Total financial assets	15,035	242,946	986,091	911,157	3,252,482	4,215,921	4,684,166	1,255,660	15,563,458
Borrowings from central bank	–	–	1,789	10,291	21,755	–	–	–	33,835
Deposits from banks and other financial institutions	–	88,496	11	1,866	4,796	134	–	–	95,303
Placements from banks and other financial institutions	–	–	23,252	9,775	27,134	51	–	–	60,212
Derivative financial liabilities	–	–	960	705	610	1,320	–	–	3,595
Financial assets sold under repurchase agreements	–	–	245,624	11,420	16,320	–	–	–	273,364
Customer deposits	–	4,077,821	1,334,047	2,448,410	4,717,812	1,377,873	–	–	13,955,963
Debt securities issued	–	–	1,089	90,632	39,426	10,000	119,991	–	261,138
Other financial liabilities	–	12,219	14,507	6,488	2,751	5,845	5,938	–	47,748
Total financial liabilities	–	4,178,536	1,621,279	2,579,587	4,830,604	1,395,223	125,929	–	14,731,158
Net liquidity	15,035	(3,935,590)	(635,188)	(1,668,430)	(1,578,122)	2,820,698	4,558,237	1,255,660	832,300

(All amounts in RMB million unless otherwise stated)

45 Financial risk management (continued)

45.5 Liquidity risk (continued)

Analysis of the remaining contractual maturity of financial assets and financial liabilities (continued)

	As at December 31, 2022								
	Overdue	Repayable on demand	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Undated	Total
Cash and deposits with central bank	–	67,821	–	592	–	–	–	1,195,538	1,263,951
Deposits with banks and other financial institutions	–	9,578	3,138	26,385	122,321	–	–	–	161,422
Placements with banks and other financial institutions	–	–	34,731	31,376	162,454	75,275	–	–	303,836
Derivative financial assets	–	–	235	328	593	749	–	–	1,905
Financial assets held under resale agreements	–	–	123,030	38,000	68,840	–	–	–	229,870
Loans and advances to customers	13,634	–	384,087	539,989	1,972,629	1,509,579	2,557,792	–	6,977,710
Financial assets measured at FVTPL	10	184,201	10,290	66,613	230,897	202,103	167,691	1,978	863,783
Financial assets measured at FVTOCI-debt instruments	–	–	6,913	23,319	47,432	320,127	18,381	–	416,172
Financial assets measured at FVTOCI-equity instruments	–	–	–	–	–	–	–	9,346	9,346
Financial assets measured at amortized cost	36	–	100,396	101,914	508,944	1,243,711	1,714,597	–	3,669,598
Other financial assets	1,906	13,232	338	2,812	194	475	4,651	314	23,922
Total financial assets	15,586	274,832	663,158	831,328	3,114,304	3,352,019	4,463,112	1,207,176	13,921,515
Borrowings from central bank	–	–	5,702	51	19,062	–	–	–	24,815
Deposits from banks and other financial institutions	–	69,547	283	6	8,823	111	–	–	78,770
Placements from banks and other financial institutions	–	–	11,005	6,158	25,536	–	–	–	42,699
Derivative financial liabilities	–	–	377	401	912	775	–	–	2,465
Financial assets sold under repurchase agreements	–	–	164,407	10,358	8,881	–	–	–	183,646
Customer deposits	–	4,200,104	1,008,742	2,125,488	3,983,662	1,396,489	–	–	12,714,485
Debt securities issued	–	–	–	1,168	752	–	99,990	–	101,910
Other financial liabilities	–	10,862	14,353	7,100	2,230	6,642	5,738	–	46,925
Total financial liabilities	–	4,280,513	1,204,869	2,150,730	4,049,858	1,404,017	105,728	–	13,195,715
Net liquidity	15,586	(4,005,681)	(541,711)	(1,319,402)	(935,554)	1,948,002	4,357,384	1,207,176	725,800

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023
(All amounts in RMB million unless otherwise stated)

45 Financial risk management (continued)

45.5 Liquidity risk (continued)

Analysis of the undiscounted contractual cash flows of non-derivative financial assets and financial liabilities by remaining maturities

The Group manages its inherent liquidity risk in the short term based on the expected undiscounted cash flows.

	As at December 31, 2023								
	Overdue	Repayable on demand	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Undated	Total
Non-derivative financial assets									
Cash and deposits with central bank	-	89,131	-	745	1,507	-	-	1,246,118	1,337,501
Deposits with banks and other financial institutions	-	8,042	8,714	39,454	135,561	-	-	-	191,771
Placements with banks and other financial institutions	-	-	16,520	30,300	174,760	83,547	-	-	305,127
Financial assets held under resale agreements	-	-	334,417	22,486	53,358	-	-	-	410,261
Loans and advances to customers	15,025	-	505,776	648,196	2,364,168	2,492,640	4,143,061	-	10,168,866
Financial assets measured at FVTPL	10	131,767	21,644	37,472	202,012	366,870	139,662	1,903	901,340
Financial assets measured at FVTOCI-debt instruments	-	-	18,845	42,884	80,650	379,643	13,104	-	535,126
Financial assets measured at FVTOCI-equity instruments	-	-	-	-	-	-	-	7,326	7,326
Financial assets measured at amortized cost	-	-	101,787	138,962	503,281	1,918,265	2,002,107	-	4,664,402
Other financial assets	-	14,006	363	2,631	243	487	4,651	313	22,694
Total non-derivative financial assets	15,035	242,946	1,008,066	963,130	3,515,540	5,241,452	6,302,585	1,255,660	18,544,414
Non-derivative financial liabilities									
Borrowings from central bank	-	-	1,791	10,320	22,037	-	-	-	34,148
Deposits from banks and other financial institutions	-	88,496	11	1,873	4,880	139	-	-	95,399
Placements from banks and other financial institutions	-	-	23,275	9,905	27,606	53	-	-	60,839
Financial assets sold under repurchase agreements	-	-	245,658	11,455	16,573	-	-	-	273,686
Customer deposits	-	4,077,821	1,335,343	2,456,327	4,776,398	1,441,085	-	-	14,086,974
Debt securities issued	-	-	1,090	91,326	41,303	27,355	141,579	-	302,653
Other financial liabilities	-	12,219	14,527	6,527	2,942	6,295	6,066	-	48,576
Total non-derivative financial liabilities	-	4,178,536	1,621,695	2,587,733	4,891,739	1,474,927	147,645	-	14,902,275
Net liquidity	15,035	(3,935,590)	(613,629)	(1,624,603)	(1,376,199)	3,766,525	6,154,940	1,255,660	3,642,139

(All amounts in RMB million unless otherwise stated)

45 Financial risk management (continued)

45.5 Liquidity risk (continued)

Analysis of the undiscounted contractual cash flows of non-derivative financial assets and financial liabilities by remaining maturities (continued)

	As at December 31, 2022								
	Overdue	Repayable on demand	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Undated	Total
Non-derivative financial assets									
Cash and deposits with central bank	–	67,821	–	592	–	–	–	1,195,538	1,263,951
Deposits with banks and other financial institutions	–	9,578	3,142	26,696	123,939	–	–	–	163,355
Placements with banks and other financial institutions	–	–	34,758	33,174	166,471	76,855	–	–	311,258
Financial assets held under resale agreements	–	–	123,072	38,199	69,900	–	–	–	231,171
Loans and advances to customers	15,540	–	408,001	588,739	2,155,307	2,134,029	3,747,764	–	9,049,380
Financial assets measured at FVTPL	10	184,201	10,299	66,774	233,171	208,374	174,155	1,978	878,962
Financial assets measured at FVTOCI-debt instruments	–	–	7,175	23,942	52,646	346,284	20,302	–	450,349
Financial assets measured at FVTOCI-equity instruments	–	–	–	–	–	–	–	9,346	9,346
Financial assets measured at amortized cost	36	–	102,508	108,288	572,361	1,592,057	1,999,448	–	4,374,698
Other financial assets	–	13,232	338	2,812	194	475	4,651	314	22,016
Total non-derivative financial assets	15,586	274,832	689,293	889,216	3,373,989	4,358,074	5,946,320	1,207,176	16,754,486
Non-derivative financial liabilities									
Borrowings from central bank	–	–	5,709	70	19,349	–	–	–	25,128
Deposits from banks and other financial institutions	–	69,547	284	6	9,307	119	–	–	79,263
Placements from banks and other financial institutions	–	–	11,011	6,233	26,004	–	–	–	43,248
Financial assets sold under repurchase agreements	–	–	164,440	10,391	8,940	–	–	–	183,771
Customer deposits	–	4,200,104	1,009,622	2,132,547	4,033,889	1,470,643	–	–	12,846,805
Debt securities issued	–	–	–	1,426	2,095	14,084	118,320	–	135,925
Other financial liabilities	–	10,862	14,388	7,151	2,489	7,373	5,895	–	48,158
Total non-derivative financial liabilities	–	4,280,513	1,205,454	2,157,824	4,102,073	1,492,219	124,215	–	13,362,298
Net liquidity	15,586	(4,005,681)	(516,161)	(1,268,608)	(728,084)	2,865,855	5,822,105	1,207,176	3,392,188

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023
(All amounts in RMB million unless otherwise stated)

45 Financial risk management (continued)

45.5 Liquidity risk (continued)

Analysis of the undiscounted contractual cash flows of derivative financial instruments by remaining maturities

Derivative financial instruments settled on a net basis

The fair value of the Group's derivative financial instruments that will be settled on a net basis are primarily related to changes in interest rates. The tables below present the undiscounted contractual cash flows of the Group's net derivative positions based on their remaining contractual maturities:

	As at December 31, 2023					
	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Interest rate derivative financial instruments	**(4)**	**7**	**(71)**	**(12)**	**–**	**(80)**

	As at December 31, 2022					
	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Interest rate derivative financial instruments	(3)	8	9	(30)	–	(16)

Derivative financial instruments settled on a gross basis

The fair value of the Group's derivative financial instruments that will be settled on a gross basis are primarily related to changes in foreign exchange rates and interest rates. The tables below present the undiscounted contractual cash flows of the Group's gross derivative positions based on their remaining contractual maturities:

	As at December 31, 2023					
	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Derivative financial instruments settled on a gross basis						
– Cash inflow	**61,477**	**25,633**	**50,295**	**–**	**137,406**	**274,811**
– Cash outflow	**(61,511)**	**(26,251)**	**(50,250)**	**–**	**(138,011)**	**(276,023)**
Total	**(34)**	**(618)**	**45**	**–**	**(605)**	**(1,212)**

(All amounts in RMB million unless otherwise stated)

45 Financial risk management (continued)

45.5 Liquidity risk (continued)

Analysis of the undiscounted contractual cash flows of derivative financial instruments by remaining maturities (continued)

Derivative financial instruments settled on a gross basis (continued)

	As at December 31, 2022					
	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Derivative financial instruments settled on a gross basis						
– Cash inflow	23,653	15,888	42,951	2	–	82,494
– Cash outflow	(23,816)	(15,979)	(43,350)	(2)	–	(83,147)
Total	(163)	(91)	(399)	–	–	(653)

Credit commitments

The off-balance sheet items of the Group are listed in the following table by remaining contractual maturity, and the financial guarantees are listed in the notional amount according to the earliest contract expiration date:

	As at December 31, 2023			
	Within 1 year	1 to 5 years	Over 5 years	Total
Loan commitments	**30,028**	**23,328**	**1,311**	**54,667**
Bank acceptances	**161,994**	**–**	**–**	**161,994**
Guarantees and letters of guarantee	**46,881**	**39,043**	**4,956**	**90,880**
Letters of credit	**95,177**	**–**	**–**	**95,177**
Unused credit card commitments	**460,229**	**–**	**–**	**460,229**
Total	**794,309**	**62,371**	**6,267**	**862,947**

	As at December 31, 2022			
	Within 1 year	1 to 5 years	Over 5 years	Total
Loan commitments	32,187	51,181	8,225	91,593
Bank acceptances	95,218	–	–	95,218
Guarantees and letters of guarantee	28,382	23,370	4,477	56,229
Letters of credit	65,535	–	–	65,535
Unused credit card commitments	390,287	–	–	390,287
Total	611,609	74,551	12,702	698,862

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023
(All amounts in RMB million unless otherwise stated)

45 Financial risk management (continued)

45.6 Operational risk

Operational risk refers to risks caused by inadequate or problematic internal procedures, employee misconduct and IT system failures, and external events. The types of operational risks that the Group may face include seven categories: internal fraud, external fraud, employment systems and workplace safety, customers, products and business activities, damage to physical assets, information technology system failures, execution, delivery and process management.

Guided by the operational risk appetite approved by the Board of Directors, the Group's senior management is mainly responsible for establishing and implementing the operational risk management policies and limits. The policies aim to continuously improve the internal control mechanism, reinforce the supervision and inspection framework, improve the information technology capability, enrich the basis of operation management, intensify monitoring reports, regulate staff behaviour, foster risk management culture and initiative awareness to regulations and ensure the security of business operation.

45.7 Fair value of financial instruments

Most of the balance sheet items of the Group are financial assets and financial liabilities. The fair value measurement of non-financial assets and non-financial liabilities will not have a significant impact on the Group's overall financial performance.

During the year ended December 31, 2023 and 2022, there were no assets or liabilities which were discontinued being measured at fair value by the Group.

(1) Valuation techniques, parameters and processes

The fair value of financial assets and financial liabilities is determined according to the following methods:

- The fair value of financial assets and financial liabilities with standard terms and conditions and traded in an active market is determined by reference to the market price.

- For non-option derivative financial instruments, the fair value is determined by discounted cash flow analysis using the applicable yield curve within the term of the instrument.

- The fair value of other financial assets and financial liabilities is determined according to the generally accepted pricing model or the current market price observable for similar instruments based on the discounted cash flow analysis. If there is no observable market transaction price for similar instruments, the net assets are used for valuation, and the price is analyzed by the management.

The Group has established an independent valuation process for financial assets and financial liabilities to satisfy segregation of duties and relevant departments are respectively responsible for valuation, model validation and accounting treatment.

45 Financial risk management (continued)

45.7 Fair value of financial instruments (continued)

(2) Fair value hierarchy

Financial instruments at fair value are classified into the following three levels of measurement hierarchy:

Level 1: Fair value is determined based on quoted market prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair value based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3: Fair value based on inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

Where quoted prices are not available from open markets, the fair value of financial instruments is determined by valuation techniques.

(3) Financial assets and financial liabilities not measured at fair value on the statement of financial position

Financial assets and liabilities not measured at fair value mainly represent deposits with central bank, deposits with banks and other financial institutions, placements with banks and other financial institutions, financial assets held under resale agreements, loans and advances to customers measured at amortized cost, financial assets measured at amortized cost, borrowings from central bank, deposits from banks and other financial institutions, placements from banks and other financial institutions, financial assets sold under repurchase agreements, customer deposits and debt securities issued.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023
(All amounts in RMB million unless otherwise stated)

45 Financial risk management (continued)

45.7 Fair value of financial instruments (continued)

(3) Financial assets and financial liabilities not measured at fair value on the statement of financial position (continued)

The tables below summarize the carrying amounts and the fair value of the financial assets measured at amortized cost and debt securities issued which are not set out in the statement of financial position.

	As at December 31, 2023				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets					
Financial assets measured at amortized cost	**3,988,210**	**4,091,378**	**–**	**3,727,352**	**364,026**
Financial liabilities					
Debt securities issued	**261,138**	**263,681**	**–**	**263,681**	**–**

	As at December 31, 2022				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets					
Financial assets measured at amortized cost	3,669,598	3,820,801	–	3,410,676	410,125
Financial liabilities					
Debt securities issued	101,910	101,537	–	101,537	–

Except for the financial assets and liabilities above, the fair value of other financial assets and financial liabilities not measured at fair value in the statement of financial position are determined using discounted future cash flows. There is no significant difference between their carrying amounts and fair value.

FOR THE YEAR ENDED DECEMBER 31, 2023
(All amounts in RMB million unless otherwise stated)

45 Financial risk management (continued)

45.7 Fair value of financial instruments (continued)

(4) Financial assets and financial liabilities measured at fair value on the statement of financial position

The tables below summarize the fair value of the financial assets and financial liabilities measured at their fair value on the statement of financial position.

	As at December 31, 2023			
	Level 1	Level 2	Level 3	Total
Financial assets				
Loans and advances to customers				
– Measured at FVTOCI	–	737,448	–	737,448
Financial assets measured at FVTPL				
– Debt securities	–	73,304	–	73,304
– Interbank certificates of deposits	–	139,096	–	139,096
– Asset-backed securities	–	817	–	817
– Fund investments	–	522,160	99,390	621,550
– Trust investment plans and asset management plans	–	–	51,164	51,164
– Wealth management products issued by financial institutions	–	682	–	682
– Equity instruments	931	–	972	1,903
Subtotal	931	736,059	151,526	888,516
Derivative financial assets				
– Exchange rate derivatives	–	699	–	699
– Interest rate derivatives	–	1,448	–	1,448
– Precious metal derivatives	–	7	–	7
Subtotal	–	2,154	–	2,154
Financial assets measured at FVTOCI – debt instruments				
– Debt securities	–	503,536	–	503,536
Financial assets measured at FVTOCI – equity instruments				
– Equity instruments	3,291	1,437	2,598	7,326
Total financial assets	4,222	1,980,634	154,124	2,138,980
Financial liabilities				
Derivative financial liabilities				
– Exchange rate derivatives	–	(1,721)	–	(1,721)
– Interest rate derivatives	–	(1,489)	–	(1,489)
– Precious metal derivatives	–	(385)	–	(385)
Total financial liabilities	–	(3,595)	–	(3,595)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023
(All amounts in RMB million unless otherwise stated)

45 Financial risk management (continued)

45.7 Fair value of financial instruments (continued)

(4) Financial assets and financial liabilities measured at fair value on the statement of financial position (continued)

	As at December 31, 2022			
	Level 1	Level 2	Level 3	Total
Financial assets				
Loans and advances to customers				
– Measured at FVTOCI	–	602,367	–	602,367
Financial assets measured at FVTPL				
– Debt securities	–	78,792	–	78,792
– Interbank certificates of deposits	–	111,980	–	111,980
– Asset-backed securities	–	52	–	52
– Fund investments	–	523,775	92,816	616,591
– Trust investment plans and asset management plans	–	–	54,191	54,191
– Wealth management products issued by financial institutions	–	199	–	199
– Equity instruments	954	–	1,024	1,978
Subtotal	954	714,798	148,031	863,783
Derivative financial assets				
– Exchange rate derivatives	–	986	–	986
– Interest rate derivatives	–	876	–	876
– Precious metal derivatives	–	43	–	43
Subtotal	–	1,905	–	1,905
Financial assets measured at FVTOCI – debt instruments				
– Debt securities	–	416,123	–	416,123
– Interbank certificates of deposits	–	49	–	49
Subtotal	–	416,172	–	416,172
Financial assets measured at FVTOCI – equity instruments				
– Equity instruments	5,421	1,412	2,513	9,346
Total financial assets	6,375	1,736,654	150,544	1,893,573
Financial liabilities				
Derivative financial liabilities				
– Exchange rate derivatives	–	(1,569)	–	(1,569)
– Interest rate derivatives	–	(890)	–	(890)
– Precious metal derivatives	–	(6)	–	(6)
Total financial liabilities	–	(2,465)	–	(2,465)

45 Financial risk management (continued)

45.7 Fair value of financial instruments (continued)

(4) Financial assets and financial liabilities measured at fair value on the statement of financial position (continued)

For financial instruments traded in active markets, the determination of fair value is based on quoted market prices. Where quoted prices are not available from open markets, the fair value of financial instruments is determined by valuation techniques.

Parameters used in valuation techniques mainly include debt securities prices, interest rates, exchange rates, equity prices, volatility level, correlation, pre-payment rate and counterparties' credit spread.

(a) Basis of determining the market price for recurring fair value measurements categorized within Level 1

Quoted prices are used for financial instruments with quoted prices in an active market.

(b) Valuation techniques, key parameters used for recurring fair value measurement categorized within Level 2

Financial investments

Financial investments using valuation techniques mainly consist of debt securities, interbank certificates of deposits, investment fund and equity instruments, etc. The fair value of RMB bonds and interbank certificates of deposits is determined based on the valuation results provided by China Central Depository & Clearing Co., Ltd. The fair value of foreign currency bonds and interbank certificates of deposits is determined based on the valuation results of Bloomberg. The fair value of these bonds and interbank certificates of deposits is determined based on a valuation technique for which all significant inputs are observable market data. The fair value of the investment fund classified as Level 2 derived from the observable quoted price in market. The fair value of the equity instruments classified as Level 2 is measured by discounted cash flow method.

Derivatives

Derivatives using valuation techniques with market observable inputs are mainly foreign exchange forwards and swaps, interest rate swaps, cross currency interest rate swaps, and precious metals swaps, etc. The most frequently applied valuation techniques include discounted cash flow method and Black-Scholes model. The models incorporate various inputs including foreign exchange spot and forward rates, foreign exchange rate volatility, precious metal spot and forward price, interest rate yield curves, etc.

Loans and advances to customers

The loans and advances to customers involving valuation techniques are mainly forfaiting and discounted bills. The fair value of these forfaiting and discounted bills is measured by discounted cash flow method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023
(All amounts in RMB million unless otherwise stated)

45 Financial risk management (continued)

45.7 Fair value of financial instruments (continued)

(4) Financial assets and financial liabilities measured at fair value on the statement of financial position (continued)

(c) Quantitative information about the significant unobservable inputs used in Level 3 fair value measurements is summarized below:

			Unobservable inputs	
December 31, 2023	**Fair Value**	**Valuation technique**	**Inputs**	**Relationship of unobservable inputs to fair value**
Financial assets				
Financial assets measured at FVTPL				
– Fund investments	99,390	(i)	Net assets	Positive correlation
– Trust investment plans and asset management plans	51,164	(i)	Net assets	Positive correlation
– Equity instruments	972	(i)	Net assets	Positive correlation
Subtotal	151,526			
Financial assets measured at FVTOCI – equity instruments	2,598	(i)	Net assets	Positive correlation
Total	154,124			

(All amounts in RMB million unless otherwise stated)

45 Financial risk management (continued)

45.7 Fair value of financial instruments (continued)

(4) Financial assets and financial liabilities measured at fair value on the statement of financial position (continued)

(c) Quantitative information about the significant unobservable inputs used in Level 3 fair value measurements is summarized below: (continued)

December 31, 2022	Fair Value	Valuation technique	Unobservable inputs: Inputs	Unobservable inputs: Relationship of unobservable inputs to fair value
Financial assets				
Financial assets measured at FVTPL				
– Fund investments	92,816	(i)	Net assets	Positive correlation
– Trust investment plans and asset management plans	54,191	(i)	Net assets	Positive correlation
– Equity instruments	1,024	(i)	Net assets	Positive correlation
Subtotal	148,031			
Financial assets measured at FVTOCI – equity instruments	2,513	(i)	Net assets	Positive correlation
Total	150,544			

(i) The fair value of fund investments, trust investment plans and asset management plans, equity instruments measured at FVTPL, and equity instruments measured at FVTOCI are all determined using net asset method, where the significant unobservable inputs are the net assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023
(All amounts in RMB million unless otherwise stated)

45 Financial risk management (continued)

45.7 Fair value of financial instruments (continued)

(4) Financial assets and financial liabilities measured at fair value on the statement of financial position (continued)

(c) Quantitative information about the significant unobservable inputs used in Level 3 fair value measurements is summarized below: (continued)

Changes in Level 3 are analyzed below:

	2023		
	Financial assets measured at FVTPL	Financial assets measured at FVTOCI–debt instruments	Financial assets measured at FVTOCI–equity instruments
Balance at the beginning of the year	**148,031**	**–**	**2,513**
Increased	**3,377**	**–**	**–**
Settled	**(3,911)**	**–**	**–**
Total gains or losses recognized in			
– Profit or loss	**4,029**	**–**	**–**
– Other comprehensive income	**–**	**–**	**85**
Balance at the end of the year	**151,526**	**–**	**2,598**
Total unrealized gains in profit or loss	**4,401**	**–**	**–**

	2022		
	Financial assets measured at FVTPL	Financial assets measured at FVTOCI–debt instruments	Financial assets measured at FVTOCI–equity instruments
Balance at the beginning of the year	109,569	3,497	2,397
Increased	39,451	–	–
Settled	(6,441)	(3,497)	–
Total gains or losses recognized in			
– Profit or loss	5,452	–	–
– Other comprehensive income	–	–	116
Balance at the end of the year	148,031	–	2,513
Total unrealized gains in profit or loss	5,715	–	–

45 Financial risk management (continued)

45.7 Fair value of financial instruments (continued)

(4) Financial assets and financial liabilities measured at fair value on the statement of financial position (continued)

(d) Transfers between Levels

During the year ended December 31, 2023 and 2022, there were no changes of fair value hierarchies.

45.8 Capital management

The Group's capital management aims at meeting regulatory requirements, continuously improving the ability to mitigate risks and increasing returns on capital. Accordingly, the Group has set its capital adequacy objectives and employed various means and methods to meet its management objectives, including performance assessment against plans and budgets, and limit management; to ensure its capital management meets external regulatory, credit rating, risk compensation and shareholders' value requirements; help drive risk management across the Group; ensure a disciplinary expansion of its assets; and continually improve its business structure and operating models.

The Group has maintained a relatively fast pace of development in terms of business scale in recent years with an increase in the demand of capital accordingly. In order to ensure that the Group meets regulatory capital adequacy requirements and maximises returns to shareholders without compromising its risk management, the Group makes strong efforts to promote the establishment of capital constraints system, enhances the management of both total amount and structure of risk assets, and promotes the transformation of its business model towards a capital efficient one through the comprehensive use of several measurement tools such as capital planning, limit management, economic capital management and estimation of internal capital adequacy, in order to ensure that the capital adequacy ratios meet the risk coverage and regulatory requirements continuously.

In accordance with the Capital Rules for Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》) and the related provisions promulgated by the former CBIRC, and Additional Regulations Supervision on Systemically Important Banks (for Trial Implementation)(《系統重要性銀行附加監管規定(試行)》) issued by the PBC and the former CBIRC, as at December 31, 2023, the Group's core tier 1 capital adequacy ratio should be 8.00%, tier 1 capital adequacy ratio should be 9.00%, and capital adequacy ratio should be 11.00% (as at December 31, 2022: 8.00%, 9.00% and 11.00%, respectively). During the year ended December 31, 2022, the Group continuously intensified the monitoring, analyzing and reporting of capital adequacy ratios, constantly optimized the risk asset structure, increases internal capital accumulation, and promoted the supplement of external capital, in order to ensure that the Group's capital adequacy ratio meets regulatory requirements and internal management needs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023
(All amounts in RMB million unless otherwise stated)

45 Financial risk management (continued)

45.8 Capital management (continued)

The Group's regulatory capital as calculated according to the Capital Rules for Commercial Banks (Provisional) (商業銀行資本管理辦法(試行)) promulgated by the former CBIRC at December 31, 2023 and 2022 is as follows:

		As at December 31, 2023	As at December 31, 2022
Core tier 1 capital adequacy ratio	(1)	**9.53%**	9.36%
Tier 1 capital adequacy ratio	(1)	**11.61%**	11.29%
Capital adequacy ratio	(1)	**14.23%**	13.82%
Core tier 1 capital		**786,133**	685,295
Deductions of core tier 1 capital	(2)	**(6,027)**	(5,408)
Core tier 1 capital – net		**780,106**	679,887
Additional tier 1 capital		**170,152**	140,126
Tier 1 capital – net		**950,258**	820,013
Tier 2 capital			
Directly issued qualifying tier 2 instruments including related premium		**119,991**	99,990
Excess provision for loan loss		**94,824**	83,702
Non-controlling interests recognized in tier 2 capital		**331**	282
Net capital	(3)	**1,165,404**	1,003,987
Risk-weighted assets	(4)	**8,187,064**	7,266,134

(1) Core tier 1 capital adequacy ratio is equal to net core tier 1 capital divided by risk-weighted assets; tier 1 capital adequacy ratio is equal to net tier 1 capital divided by risk-weighted assets; and capital adequacy ratio is equal to net capital divided by risk-weighted assets.

(2) Deductions from core tier 1 capital include other intangible assets (not including land use rights).

(3) Net capital is equal to total capital net of deductions from total capital.

(4) Risk-weighted assets include credit risk-weighted assets measured using the risk-weighted method, market risk-weighted assets measured using the standardized method, and operational risk-weighted assets measured using the basic indicator approach.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023
(All amounts in RMB million unless otherwise stated)

46 Reconciliation of liabilities arising from financing activities

The table below summarizes the changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Debt securities issued (Note 33)	Dividends payable	Lease liabilities (Note 34)	Total
As at January 1, 2023	**101,910**	**–**	**9,852**	**111,762**
Financing cash flows	**152,091**	**(30,890)**	**(3,934)**	**117,267**
Non-cash changes				
Interest expenses	**7,137**	**–**	**289**	**7,426**
New leases entered	**–**	**–**	**3,629**	**3,629**
Leases termination	**–**	**–**	**(568)**	**(568)**
Dividends declared	**–**	**30,890**	**–**	**30,890**
As at December 31, 2023	**261,138**	**–**	**9,268**	**270,406**

	Debt securities issued (Note 33)	Dividends payable	Lease liabilities (Note 34)	Other liabilities	Total
As at January 1, 2022	81,426	–	9,683	–	91,109
Financing cash flows	16,998	(29,564)	(3,895)	(51,273)	(67,734)
Non-cash changes					
Interest expenses	3,486	–	326	–	3,812
Net gains on foreign exchanges	–	–	–	2,401	2,401
New leases entered	–	–	4,316	–	4,316
Leases termination	–	–	(578)	–	(578)
Dividends declared	–	29,564	–	–	29,564
Redemption of preference shares declared	–	–	–	48,872	48,872
As at December 31, 2022	101,910	–	9,852	–	111,762

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023
(All amounts in RMB million unless otherwise stated)

47 Events after the end of the reporting period

(1) Issuance of bonds

On March 14, 2024, the Bank publicly issued an undated additional tier 1 capital bond of RMB30 billion in the Domestic Interbank Bond Market. After deducting the issuance costs, the proceeds will be used to supplement additional other tier 1 capital of the Bank in accordance with the applicable laws and the approval of relevant authorities.

(2) Dividend distribution

On March 28, 2024, the Board of Directors proposed the following profit distribution scheme for the year ended December 31, 2023. In accordance with the Company Law of the People's Republic of China (中華人民共和國公司法), Administrative Measures for Provisioning of Financial Enterprises (金融企業準備金計提管理辦法) and the Articles of Association and other relevant provisions: declaration of cash dividend of RMB2.610 per ten shares (tax included), totalling RMB25,881 million (tax included) to ordinary shareholders based on RMB99,161 million ordinary shares. The proposed profit distribution scheme is subject to the approval in the forthcoming Annual General Meeting for the year of 2023. Cash dividends will be distributed to all shareholders registered at the relevant date upon approval.

48 Reclassification of comparative figures

Certain comparative figures have been reclassified to conform to the current period presentation.

49 The statement of financial position of the Bank

	As at December 31, 2023	As at December 31, 2022
Assets		
Cash and deposits with central bank	**1,336,884**	1,263,786
Deposits with banks and other financial institutions	**190,210**	158,292
Placements with banks and other financial institutions	**304,653**	310,449
Derivative financial assets	**2,154**	1,905
Financial assets held under resale agreements	**405,983**	229,819
Loans and advances to customers	**7,855,535**	6,931,162
Financial investments		
Financial assets at fair value through profit or loss	**887,560**	863,483
Financial assets at fair value through other comprehensive income-debt instruments	**497,662**	409,435
Financial assets at fair value through other comprehensive income-equity instruments	**7,326**	9,346
Financial assets at amortized cost	**3,981,244**	3,667,138
Investment in subsidiaries	**15,115**	15,115
Property and equipment	**55,103**	53,147
Deferred tax assets	**61,656**	62,722
Other assets	**68,152**	50,750
Total assets	**15,669,237**	14,026,549

(All amounts in RMB million unless otherwise stated)

49 The statement of financial position of the Bank (continued)

	As at December 31, 2023	As at December 31, 2022
Liabilities		
Borrowings from central bank	**33,835**	24,815
Deposits from banks and other financial institutions	**97,986**	80,714
Placements from banks and other financial institutions	**20,593**	11,389
Derivative financial liabilities	**3,595**	2,465
Financial assets sold under repurchase agreements	**273,364**	183,646
Customer deposits	**13,946,123**	12,712,659
Income tax payable	**–**	2,289
Debt securities issued	**261,138**	101,910
Other liabilities	**84,261**	88,020
Total liabilities	**14,720,895**	13,207,907
Equity		
Share capital	**99,161**	92,384
Other equity instruments		
Perpetual bonds	**169,986**	139,986
Capital reserve	**162,693**	124,490
Other reserves	**270,911**	239,602
Retained earnings	**245,591**	222,180
Total equity	**948,342**	818,642
Total equity and liabilities	**15,669,237**	14,026,549

Approved and authorized for issue by the Board of Directors on March 28, 2024.

Liu Jianjun	**Yao Hong**
(On behalf of Board of Directors)	(On behalf of Board of Directors)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023
(All amounts in RMB million unless otherwise stated)

50 The statement of changes in equity of the Bank

		Other equity instruments		Other reserves				
	Share capital	Perpetual bonds	Capital reserve	Surplus reserve	General reserve	Other comprehensive income	Retained earnings	Total
As at January 1, 2023	92,384	139,986	124,490	58,478	176,246	4,878	222,180	818,642
Profit for the year	-	-	-	-	-	-	85,325	85,325
Other comprehensive income	-	-	-	-	-	285	-	285
Total comprehensive income for the year	-	-	-	-	-	285	85,325	85,610
Issuance of ordinary shares	6,777	-	38,203	-	-	-	-	44,980
Issuance of perpetual bonds	-	30,000	-	-	-	-	-	30,000
Appropriation to surplus reserve	-	-	-	8,532	-	-	(8,532)	-
Appropriation to general reserve	-	-	-	-	22,664	-	(22,664)	-
Dividends declared and paid to ordinary shareholders	-	-	-	-	-	-	(25,574)	(25,574)
Dividends to perpetual bonds holders	-	-	-	-	-	-	(5,316)	(5,316)
Realized gain of equity instrument investments measured at fair value through other comprehensive income	-	-	-	-	-	(172)	172	-
As at December 31, 2023	99,161	169,986	162,693	67,010	198,910	4,991	245,591	948,342

FOR THE YEAR ENDED DECEMBER 31, 2023
(All amounts in RMB million unless otherwise stated)

50 The statement of changes in equity of the Bank (continued)

		Other equity instruments			Other reserves				
	Share capital	Preference shares	Perpetual bonds	Capital reserve	Surplus reserve	General reserve	Other comprehensive income	Retained earnings	Total
As at January 1, 2022	92,384	47,869	109,986	125,497	50,105	156,771	12,004	195,377	789,993
Profit for the year	–	–	–	–	–	–	–	83,729	83,729
Other comprehensive income	–	–	–	–	–	–	(6,640)	–	(6,640)
Total comprehensive income for the year	–	–	–	–	–	–	(6,640)	83,729	77,089
Redemption of preference shares	–	(47,869)	–	(1,004)	–	–	–	–	(48,873)
Issuance of perpetual bonds	–	–	30,000	(3)	–	–	–	–	29,997
Appropriation to surplus reserve	–	–	–	–	8,373	–	–	(8,373)	–
Appropriation to general reserve	–	–	–	–	–	19,475	–	(19,475)	–
Dividends declared and paid to ordinary shareholders	–	–	–	–	–	–	–	(22,856)	(22,856)
Dividends declared and paid to preference shareholders	–	–	–	–	–	–	–	(2,430)	(2,430)
Dividends to perpetual bonds holders	–	–	–	–	–	–	–	(4,278)	(4,278)
Realized gain of equity instrument investments measured at fair value through other comprehensive income	–	–	–	–	–	–	(486)	486	–
As at December 31, 2022	92,384	–	139,986	124,490	58,478	176,246	4,878	222,180	818,642

Appendix I: Supplementary Financial Information

Leverage ratio

In RMB million, except for percentages

Item	As at December 31, 2023	As at September 30, 2023	As at June 30, 2023	As at March 31, 2023
Tier 1 capital – net	**950,258**	909,095	884,843	885,811
On- and off-balance sheet assets after adjustments	**16,444,628**	16,195,471	15,894,704	15,343,174
Leverage ratio (%)	**5.78**	5.61	5.57	5.77

Relevant accounting items corresponding to regulatory leverage ratio items and differences between regulatory items and accounting items

In RMB million

No.	Item	As at December 31, 2023
1	Consolidated total assets	**15,726,631**
2	Consolidation adjustments	**–**
3	Customer assets adjustments	**–**
4	Derivatives adjustments	**2,401**
5	Securities financing transactions adjustments	**40,922**
6	Off-balance sheet items adjustments	**680,701**
7	Other adjustments	**(6,027)**
8	On- and off-balance sheet assets after adjustments	**16,444,628**

Appendix I: Supplementary Financial Information

Leverage ratio, Tier 1 capital – net, On- and off-balance sheet assets after adjustments and relevant details

In RMB million, except for percentages

No.	Item	As at December 31, 2023
1	On-balance sheet assets (excluding derivatives and securities financing transactions)	**15,314,951**
2	Less: Deduction from tier 1 capital	**6,027**
3	On-balance sheet assets after adjustments (excluding derivatives and securities financing transactions)	**15,308,924**
4	Replacement costs of various derivatives (excluding eligible margin)	**2,047**
5	Potential risk exposures of various derivatives	**2,508**
6	Total collateral deducted from the balance sheet	**–**
7	Less: Assets receivable arising from the provision of eligible margin	**–**
8	Less: Derivative assets arising from central counterpart transactions when providing clearing services to customers	**–**
9	Nominal principal arising from sales of credit derivatives	**–**
10	Less: Deductible assets arising from sales of credit derivatives	**–**
11	Derivative assets	**4,555**
12	Accounting assets arising from securities financing transactions	**409,526**
13	Less: Deductible assets arising from securities financing transactions	**–**
14	Counter-party credit risk exposures arising from securities financing transactions	**40,922**
15	Assets arising from agency services in connection with securities financing transactions	**–**
16	Securities financing transactions assets	**450,448**
17	Off-balance sheet assets	**2,895,925**
18	Less: Decrease in off-balance sheet items due to credit conversion	**2,215,224**
19	Off-balance sheet items after adjustments	**680,701**
20	Tier 1 capital – net	**950,258**
21	On- and off-balance sheet assets after adjustments	**16,444,628**
22	Leverage ratio (%)	**5.78**

International Claims

The Bank regards all claims on third parties outside the Chinese mainland and claims denominated in foreign currencies on third parties in the Chinese mainland as international claims.

International claims include loans and advances to customers, deposits with the central bank, deposits and placements with banks and other financial institutions, investments in debt securities and others.

A country or geographical region is reported where it constitutes 10% or more of the aggregate amount of international claims, after taking into account any risk transfers. Risk transfers are 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.

In RMB million

	As at December 31, 2023			
	Public sector	**Banks and other financial institutions**	**Non-bank private sectors**	**Total**
Asia Pacific	**5,747**	**84,984**	**36,493**	**127,224**
– of which attributed to Hong Kong, China	**2,997**	**17,705**	**10,693**	**31,395**
Europe	**–**	**14,948**	**7,418**	**22,366**
North and South America	**2,829**	**4,963**	**651**	**8,443**
Other areas	**231**	**–**	**–**	**231**
Total	**8,807**	**104,895**	**44,562**	**158,264**

In RMB million

	As at December 31, 2022			
	Public sector	**Banks and other financial institutions**	**Non-bank private sectors**	**Total**
Asia Pacific	2,009	36,113	42,209	80,331
– of which attributed to Hong Kong, China	–	4,125	12,616	16,741
Europe	–	2,219	6,116	8,335
North and South America	2,760	2,344	1,227	6,331
Other areas	204	–	–	204
Total	4,973	40,676	49,552	95,201

Appendix I: Supplementary Financial Information

Gross Amount of Overdue Loans to Customers

In RMB million, except for percentages

	As at December 31, 2023	As at December 31, 2022
Total loans to customers which have been overdue with respect to either principal or interest for periods		
Within 3 months (inclusive)	**25,826**	25,237
Between 3 months and 6 months (inclusive)	**13,046**	11,744
Between 6 months and 12 months (inclusive)	**15,293**	12,566
Over 12 months	**19,864**	18,605
Total	**74,029**	68,152
As a percentage of total loans to customers[1] (%)		
Within 3 months (inclusive)	**0.32**	0.35
Between 3 months and 6 months (inclusive)	**0.16**	0.16
Between 6 months and 12 months (inclusive)	**0.19**	0.18
Over 12 months	**0.24**	0.26
Total	**0.91**	0.95

Note (1): When calculating the percentage, total loans to customers does not include accrued interest.

Appendix II: Composition of Capital

Composition of Capital

In RMB million, except for percentages

Item		As at December 31, 2023
Core tier 1 capital:		
1	Paid-in capital	**99,161**
2	Retained earnings	**518,010**
2a	Surplus reserve	**67,010**
2b	General reserve	**201,696**
2c	Undistributed profits	**249,304**
3	Accumulated other comprehensive income and disclosed reserve	**167,716**
3a	Capital reserve	**162,682**
3b	Others	**5,034**
4	Valid portion to core tier 1 capital during the transition period (only applicable to non-joint stock companies. Fill in 0 for joint stock banks)	–
5	Valid portion of minority interests	**1,246**
6	Core tier 1 capital before regulatory adjustments	**786,133**
Core tier 1 capital: Regulatory adjustments		
7	Prudential valuation adjustments	–
8	Goodwill (net of deferred tax liabilities)	–
9	Other intangible assets other than land use rights (net of deferred tax liabilities)	**6,027**
10	Net deferred tax assets that rely on future profitability and arise from operating losses	–
11	Reserves that relate to the cash flow hedging of items that are not measured at fair value	–
12	Shortfall of provision for loan impairment	–
13	Gain on sale related to asset securitization	–
14	Unrealized gains and losses resulted from changes in the fair value of liabilities due to changes in own credit risk	–
15	Defined-benefit pension fund net assets (net of deferred tax liabilities)	–
16	Direct or indirect holding in own ordinary shares	–
17	Reciprocal cross-holdings in core tier 1 capital between banks or between banks and other financial institutions	–
18	Deductible amount of insignificant minority investments in core tier 1 capital instruments issued by financial institutions that are not subject to consolidation	–
19	Deductible amount of significant minority investments in core tier 1 capital instruments issued by financial institutions that are not subject to consolidation	–
20	Mortgage servicing rights	–
21	Deductible amount in net deferred tax assets that rely on the bank's future profitability	–
22	Deductible amount exceeding the 15% threshold for significant minority capital investments in core tier 1 capital instruments issued by financial institutions that are not subject to consolidation and undeducted portion of net deferred tax assets that rely on the bank's future profitability	–

Appendix II: Composition of Capital

Item		As at December 31, 2023
23	Including: Deductible amount of significant minority investments in capital instruments issued by financial institutions	–
24	Including: Deductible amount of mortgage servicing rights	–
25	Including: Deductible amount in net deferred tax assets that rely on the bank's future profitability	–
26a	Investments in core tier 1 capital instruments issued by financial institutions that are under control but not subject to consolidation	–
26b	Shortfall in core tier 1 capital instruments issued by financial institutions that are under control but not subject to consolidation	–
26c	Other items that should be deducted from core tier 1 capital	–
27	Undeducted shortfall that should be deducted from additional tier 1 capital and tier 2 capital	–
28	Total regulatory adjustments to core tier 1 capital	**6,027**
29	Core tier 1 capital	**780,106**
Additional tier 1 capital:		
30	Additional tier 1 capital instruments and related premium	**169,986**
31	Including: Portion classified as equity	**169,986**
32	Including: Portion classified as liabilities	–
33	Invalid instruments to additional tier 1 capital after the transition period	–
34	Valid portion of minority interests	**166**
35	Including: Invalid portion to additional tier 1 capital after the transition period	–
36	Additional tier 1 capital before regulatory adjustments	**170,152**
Additional tier 1 capital: Regulatory adjustments		
37	Direct or indirect investments in own additional tier 1 instruments	–
38	Reciprocal cross-holdings in additional tier 1 capital between banks or between banks and other financial institutions	–
39	Deductible amount of insignificant minority investments in additional tier 1 capital instruments issued by financial institutions that are not subject to consolidation	–
40	Significant minority investments in additional tier 1 capital instruments issued by financial institutions that are not subject to consolidation	–
41a	Investments in additional tier 1 capital instruments issued by financial institutions that are under control but not subject to consolidation	–
41b	Shortfall in additional tier 1 capital instruments issued by financial institutions that are under control but not subject to consolidation	–
41c	Other items that should be deducted from additional tier 1 capital	–
42	Undeducted shortfall that should be deducted from tier 2 capital	–
43	Total regulatory adjustments to additional tier 1 capital	–
44	Additional tier 1 capital	**170,152**
45	Tier 1 capital (core tier 1 capital + additional tier 1 capital)	**950,258**

Item		As at December 31, 2023
Tier 2 capital:		
46	Tier 2 capital instruments and related premium	**119,991**
47	Invalid instruments to tier 2 capital after the transition period	**–**
48	Valid portion of minority interests	**331**
49	Including: Invalid portion to tier 2 capital after the transition period	**–**
50	Valid portion of surplus provision for loan impairment	**94,824**
51	Tier 2 capital before regulatory adjustments	**215,146**
Tier 2 capital: Regulatory adjustments		
52	Direct or indirect investments in own tier 2 instruments	**–**
53	Reciprocal cross-holdings in tier 2 capital between banks or between banks and other financial institutions	**–**
54	Deductible portion of insignificant minority investments in tier 2 capital instruments issued by financial institutions that are not subject to consolidation	**–**
55	Significant minority investments in tier 2 capital instruments issued by financial institutions that are not subject to consolidation	**–**
56a	Investments in tier 2 capital instruments issued by financial institutions that are under control but not subject to consolidation	**–**
56b	Shortfall in tier 2 capital instruments issued by financial institutions that are under control but not subject to consolidation	**–**
56c	Other items that should be deducted from tier 2 capital	**–**
57	Total regulatory adjustments to tier 2 capital	**–**
58	Tier 2 capital	**215,146**
59	Total capital (tier 1 capital + tier 2 capital)	**1,165,404**
60	Total risk-weighted assets	**8,187,064**
Requirements for capital adequacy ratio and reserve capital (%)		
61	Core tier 1 capital adequacy ratio	**9.53**
62	Tier 1 capital adequacy ratio	**11.61**
63	Capital adequacy ratio	**14.23**
64	Institution specific capital requirements	**3.00**
65	Including: Capital conservation buffer requirement	**2.50**
66	Including: Countercyclical buffer requirement	**–**
67	Including: SIB buffer requirement	**0.50**
68	Percentage of core tier 1 capital meeting buffers to risk-weighted assets	**4.53**
Domestic minimum requirements for regulatory capital (%)		
69	Core tier 1 capital adequacy ratio	**5.00**
70	Tier 1 capital adequacy ratio	**6.00**
71	Capital adequacy ratio	**8.00**

Appendix II: Composition of Capital

Item		As at December 31, 2023
Amounts below the thresholds for deduction		
72	Undeducted amount of insignificant minority investments in capital instruments issued by financial institutions that are not subject to consolidation	**58,964**
73	Undeducted amount of significant minority investments in capital instruments issued by financial institutions that are not subject to consolidation	**–**
74	Mortgage servicing rights (net of deferred tax liabilities)	**–**
75	Other net deferred tax assets that rely on the bank's future profitability (net of deferred tax liabilities)	**62,508**
Valid caps of surplus provision for loan impairment to tier 2 capital		
76	Provision for loan impairment under the weighted approach	**233,653**
77	Valid cap of surplus provision for loan impairment in tier 2 capital under the weighted approach	**94,824**
78	Surplus provision for loan impairment under the internal ratings-based approach	**–**
79	Valid cap of surplus provision for loan impairment in tier 2 capital under the internal ratings-based approach	**–**
Capital instruments subject to phase-out arrangements		
80	Valid cap to core tier 1 capital for the current period due to phase-out arrangements	**–**
81	Excluded from core tier 1 capital due to phase-out arrangements	**–**
82	Valid cap to additional tier 1 capital for the current period due to phase-out arrangements	**–**
83	Excluded from additional tier 1 capital due to phase-out arrangements	**–**
84	Valid cap to tier 2 capital for the current period due to phase-out arrangements	**–**
85	Excluded from tier 2 capital for the current period due to phase-out arrangements	**–**

Detailed description of related items

In RMB million

Item	Balance sheet under regulatory scope of consolidation	Code
Goodwill	–	a
Intangible assets	7,809	b
Including: Land use rights	1,782	c
Deferred income tax liabilities	–	
Including: Deferred tax liabilities related to goodwill	–	d
Including: Deferred tax liabilities related to other intangible assets other than land use rights	–	e
Paid-in capital	99,161	
Including: Amount included in core tier 1 capital	99,161	f
Other equity instruments	169,986	g
Including: Preference shares	–	
Including: Perpetual bonds	169,986	
Capital reserve	162,682	h
Others	5,034	i
Surplus reserve	67,010	j
General reserve	201,696	k
Undistributed profits	249,304	l

Correspondence between all the items disclosed in the second step and items in the disclosure template of capital composition

In RMB million

Item		As at December 31, 2023	Code
Core tier 1 capital:			
1	Paid-in capital	**99,161**	f
2	Retained earnings	**518,010**	j+k+l
2a	Surplus reserve	**67,010**	j
2b	General reserve	**201,696**	k
2c	Undistributed profits	**249,304**	l
3	Accumulated other comprehensive income and disclosed reserve	**167,716**	h+i
3a	Capital reserve	**162,682**	h
3b	Others	**5,034**	i
4	Valid portion to core tier 1 capital during the transition period (only applicable to non-joint stock companies. Fill in 0 for joint stock banks)	**–**	
5	Valid portion of minority interests	**1,246**	
6	Core tier 1 capital before regulatory adjustments	**786,133**	
Core tier 1 capital: Regulatory adjustments			
7	Prudential valuation adjustments	**–**	
8	Goodwill (net of deferred tax liabilities)	**–**	a-d
9	Other intangible assets other than land use rights (net of deferred tax liabilities)	**6,027**	b-c-e
10	Net deferred tax assets that rely on future profitability and arise from operating losses	**–**	
11	Reserves that relate to the cash flow hedging of items that are not measured at fair value	**–**	
12	Shortfall of provision for loan impairment	**–**	
13	Gain on sale related to asset securitization	**–**	
14	Unrealized gains and losses resulted from changes in the fair value of liabilities due to changes in own credit risk	**–**	
15	Defined-benefit pension fund net assets (net of deferred tax liabilities)	**–**	
16	Direct or indirect holding in own ordinary shares	**–**	
17	Reciprocal cross-holdings in core tier 1 capital between banks or between banks and other financial institutions	**–**	
18	Deductible amount of insignificant minority investments in core tier 1 capital instruments issued by financial institutions that are not subject to consolidation	**–**	
19	Deductible amount of significant minority investments in core tier 1 capital instruments issued by financial institutions that are not subject to consolidation	**–**	
20	Mortgage servicing rights	**–**	
Additional tier 1 capital:			
21	Additional tier 1 capital instruments and related premium	**169,986**	
22	Including: Portion classified as equity	**169,986**	g

Appendix II: Composition of Capital

Main Features of Regulatory Capital Instruments

No.	Item	Ordinary shares (A shares)	Ordinary shares (H shares)	Undated capital bonds	Undated capital bonds	Undated capital bonds	Undated capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds
1	Issuer	Postal Savings Bank of China Co., Ltd.	Postal Savings Bank of China Co., Ltd.	Postal Savings Bank of China Co., Ltd.	Postal Savings Bank of China Co., Ltd.	Postal Savings Bank of China Co., Ltd.	Postal Savings Bank of China Co., Ltd.	Postal Savings Bank of China Co., Ltd.	Postal Savings Bank of China Co., Ltd.	Postal Savings Bank of China Co., Ltd.	Postal Savings Bank of China Co., Ltd.	Postal Savings Bank of China Co., Ltd.
2	Identification code	601658.SH	1658.HK	2028006.IB	2128011.IB	2228001.IB	242380019.IB	2128028.IB	2128029.IB	2228017.IB	2228018.IB	232300009.IB
3	Applicable laws	PRC laws	PRC laws/laws of Hong Kong, PRC	PRC laws	PRC laws	PRC laws	PRC laws	PRC laws	PRC laws	PRC laws	PRC laws	PRC laws
4	Including: Applicable to rules for the transitional period of the Capital Rules for Commercial Banks (Provisional)	Core tier 1 capital	Core tier 1 capital	Additional tier 1 capital	Additional tier 1 capital	Additional tier 1 capital	Additional tier 1 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital
5	Including: Applicable to the rules after expiration of the transitional period of the Capital Rules for Commercial Banks (Provisional)	Core tier 1 capital	Core tier 1 capital	Additional tier 1 capital	Additional tier 1 capital	Additional tier 1 capital	Additional tier 1 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital
6	Including: Applicable to bank/group level	Bank and group level	Bank and group level	Bank and group level	Bank and group level	Bank and group level	Bank and group level	Bank and group level	Bank and group level	Bank and group level	Bank and group level	Bank and group level
7	Instrument type	Core tier 1 capital instruments	Core tier 1 capital instruments	Additional tier 1 capital instruments	Additional tier 1 capital instruments	Additional tier 1 capital instruments	Additional tier 1 capital instruments	Tier 2 capital instruments	Tier 2 capital instruments	Tier 2 capital instruments	Tier 2 capital instruments	Tier 2 capital instruments
8	Amount that can be included in regulatory capital (in millions; on the latest reporting date)	RMB186,237	RMB75,606	RMB79,989	RMB29,997	RMB30,000	RMB30,000	RMB49,996	RMB9,999	RMB34,997	RMB5,000	RMB19,999
9	Par value of instrument (in millions)	RMB79,305	RMB19,856	RMB80,000	RMB30,000	RMB30,000	RMB30,000	RMB50,000	RMB10,000	RMB35,000	RMB5,000	RMB20,000
10	Accounting treatment	Share capital, capital reserve	Share capital, capital reserve	Other equity instruments	Other equity instruments	Other equity instruments	Other equity instruments	Bonds payable	Bonds payable	Bonds payable	Bonds payable	Bonds payable
11	Initial issuance date	November 28, 2019	September 20, 2016	March 16, 2020	March 19, 2021	January 14, 2022	October 13, 2023	August 19, 2021	August 19, 2021	March 4, 2022	March 4, 2022	May 11, 2023
12	Dated or perpetual	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual	Dated	Dated	Dated	Dated	Dated
13	Including: Original maturity date	No maturity date	No maturity date	No maturity date	No maturity date	No maturity date	No maturity date	August 23, 2031	August 23, 2036	March 8, 2032	March 8, 2037	May 15, 2038
14	Issuer's redemption (subject to regulatory approval)	No	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
15	Including: Redemption date (or contingent redemption date) and amount	Not applicable	Not applicable	The first redemption date is March 18, 2025, full or part	The first redemption date is March 23, 2026, full or part	The first redemption date is January 18, 2027, full or part	The first redemption date is October 17, 2028, full or part	August 23, 2026 redemption in part or full	August 23, 2031 redemption in part or full	March 8, 2027 redemption in part or full	March 8, 2032 redemption in part or full	May 15, 2033 redemption in part or full
16	Including: Subsequent redemption date (if any)	Not applicable	Not applicable	March 18 each year after the first redemption date	March 23 each year after the first redemption date	January 18 each year after the first redemption date	October 17 each year after the first redemption date	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable

No.	Item	Ordinary shares (A shares)	Ordinary shares (H shares)	Undated capital bonds	Undated capital bonds	Undated capital bonds	Undated capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds
17	Including: Fixed or floating interest payment or dividend	Floating	Floating	Floating: The coupon rate is fixed in a single coupon rate adjustment cycle (5 years) and is reset every 5 years	Floating: The coupon rate is fixed in a single coupon rate adjustment cycle (5 years) and is reset every 5 years	Floating: The coupon rate is fixed in a single coupon rate adjustment cycle (5 years) and is reset every 5 years	Floating: The coupon rate is fixed in a single coupon rate adjustment cycle (5 years) and is reset every 5 years	Fixed	Fixed	Fixed	Fixed	Fixed
18	Including: Coupon rate and relevant indicators	Not applicable	Not applicable	The coupon rate in the first 5 years is 3.69% and is reset every 5 years based on the arithmetic average of the yield to maturity of the 5-year product of the yield to maturity curve of China Bonds published on ChinaBond.com (or other websites approved by China Central Depository & Clearing Co., Ltd.) (rounded to 0.01%) plus 125 basis points to reset the coupon rate 5 trading days (excluding the day) before the adjustment date of the benchmark interest rate	The coupon rate in the first 5 years is 4.42% and is reset every 5 years based on the arithmetic average of the yield to maturity of the 5-year product of the yield to maturity curve of China Bonds published on ChinaBond.com (or other websites approved by China Central Depository & Clearing Co., Ltd.) (rounded to 0.01%) plus 133 basis points to reset the coupon rate 5 trading days (excluding the day) before the adjustment date of the benchmark interest rate	The coupon rate in the first 5 years is 3.46% and is reset every 5 years based on the arithmetic average of the yield to maturity of the 5-year product of the yield to maturity curve of China Bonds published on ChinaBond.com (or other websites approved by China Central Depository & Clearing Co., Ltd.) (rounded to 0.01%) plus 83 basis points to reset the coupon rate 5 trading days (excluding the day) before the adjustment date of the benchmark interest rate	The coupon rate in the first 5 years is 3.42% and is reset every 5 years based on the arithmetic average of the yield to maturity of the 5-year product of the yield to maturity curve of China Bonds published on ChinaBond.com (or other websites approved by China Central Depository & Clearing Co., Ltd.) (rounded to 0.01%) plus 88 basis points to reset the coupon rate 5 trading days (excluding the day) before the adjustment date of the benchmark interest rate	3.44%	3.75%	3.54%	3.74%	3.39%
19	Including: Existence of dividend brake mechanism	Not applicable	Not applicable	Yes	Yes	Yes	Yes	No	No	No	No	No
20	Including: Discretion to cancel dividend or interest payment	Full discretion	Full discretion	Full discretion	Full discretion	Full discretion	Full discretion	No	No	No	No	No
21	Including: Existence of redemption incentive mechanism	No	No	No	No	No	No	No	No	No	No	No
22	Including: Cumulative or non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
23	Conversion into shares	No	No	No	No	No	No	No	No	No	No	No
24	Including: Please specify the trigger condition for share conversion, if allowed	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable

Appendix II: Composition of Capital

No.	Item	Ordinary shares (A shares)	Ordinary shares (H shares)	Undated capital bonds	Undated capital bonds	Undated capital bonds	Undated capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds
25	Including: Please specify share conversion in whole or in part, if allowed	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
26	Including: Please specify the method to determine the conversion price, if share conversion is allowed	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
27	Including: Please specify share conversion is mandatory or not, if allowed	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
28	Including: Please specify the instrument type after conversion, if allowed	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
29	Including: Please specify the issuer of the instrument after conversion, if allowed	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
30	Write-down or not	No	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
31	Including: Please specify the trigger point of write-down, if allowed	Not applicable	Not applicable	Trigger events refer to either of the following circumstances (whichever is earlier): 1. the NFRA having concluded that a write-off is necessary without which the issuer would become non-viable; 2. the relevant authorities having concluded that a public sector injection of capital or equivalent support is necessary without which the issuer would become non-viable	Trigger events refer to either of the following circumstances (whichever is earlier): 1. the NFRA having concluded that a write-off is necessary without which the issuer would become non-viable; 2. the relevant authorities having concluded that a public sector injection of capital or equivalent support is necessary without which the issuer would become non-viable	Trigger events refer to either of the following circumstances (whichever is earlier): 1. the NFRA having concluded that a write-off is necessary without which the issuer would become non-viable; 2. the relevant authorities having concluded that a public sector injection of capital or equivalent support is necessary without which the issuer would become non-viable	Trigger events refer to either of the following circumstances (whichever is earlier): 1. the NFRA having concluded that a write-off is necessary without which the issuer would become non-viable; 2. the relevant authorities having concluded that a public sector injection of capital or equivalent support is necessary without which the issuer would become non-viable	Non-viability trigger events refer to either of the following circumstances (whichever is earlier): (1) the NFRA having concluded that a write-off is necessary without which the issuer would become non-viable; (2) the relevant authorities having concluded that a public sector injection of capital or equivalent support is necessary without which the issuer would become non-viable	Non-viability trigger events refer to either of the following circumstances (whichever is earlier): (1) the NFRA having concluded that a write-off is necessary without which the issuer would become non-viable; (2) the relevant authorities having concluded that a public sector injection of capital or equivalent support is necessary without which the issuer would become non-viable	Non-viability trigger events refer to either of the following circumstances (whichever is earlier): (1) the NFRA having concluded that a write-off is necessary without which the issuer would become non-viable; (2) the relevant authorities having concluded that a public sector injection of capital or equivalent support is necessary without which the issuer would become non-viable	Non-viability trigger events refer to either of the following circumstances (whichever is earlier): (1) the NFRA having concluded that a write-off is necessary without which the issuer would become non-viable; (2) the relevant authorities having concluded that a public sector injection of capital or equivalent support is necessary without which the issuer would become non-viable	Non-viability trigger events refer to either of the following circumstances (whichever is earlier): (1) the NFRA having concluded that a write-off is necessary without which the issuer would become non-viable; (2) the relevant authorities having concluded that a public sector injection of capital or equivalent support is necessary without which the issuer would become non-viable
32	Including: Please specify write-down in part or in full, if allowed	Not applicable	Not applicable	Part or full	Part or full	Part or full	Part or full	Part or full	Part or full	Part or full	Part or full	Part or full
33	Including: Please specify the write-down is perpetual or temporary, if allowed	Not applicable	Not applicable	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual
34	Including: Please specify the book entry value recovery mechanism, if temporary write-down is allowed	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable

No.	Item	Ordinary shares (A shares)	Ordinary shares (H shares)	Undated capital bonds	Undated capital bonds	Undated capital bonds	Undated capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds
35	Hierarchy of claims in liquidation (please specify instrument types enjoying higher priorities)	After depositor, general creditor, and holders of subordinated debts (including tier 2 capital bonds) and additional tier 1 capital instruments	After depositor, general creditor, and holders of subordinated debts (including tier 2 capital bonds) and additional tier 1 capital instruments	After depositors, general creditors, and holders of subordinated debts that are senior to the current bonds and before all classes of shares held by shareholders of the issuer; the current bonds are in the same priority as additional tier 1 capital instruments of the issuer with the same repayment order	After depositors, general creditors, and holders of subordinated debts that are senior to the current bonds and before all classes of shares held by shareholders of the issuer; the current bonds are in the same priority as additional tier 1 capital instruments of the issuer with the same repayment order	After depositors, general creditors, and holders of subordinated debts that are senior to the current bonds and before all classes of shares held by shareholders of the issuer; the current bonds are in the same priority as additional tier 1 capital instruments of the issuer with the same repayment order	After depositors, general creditors, and holders of subordinated debts that are senior to the current bonds and before all classes of shares held by shareholders of the issuer; the current bonds are in the same priority as additional tier 1 capital instruments of the issuer with the same repayment order	The repayment sequence of the bond principal and the interest payment sequence are after depositors and general creditors, and before equity capital, additional tier 1 capital instruments and hybrid capital bonds; the current bonds are in the same liquidation order as other subordinated debts which are issued by the issuer with the same repayment order as the current bonds and are paid in the same order as additional tier 2 capital instruments that may be issued in the future with the same repayment order as the current bonds	The repayment sequence of the bond principal and the interest payment sequence are after depositors and general creditors, and before equity capital, additional tier 1 capital instruments and hybrid capital bonds; the current bonds are in the same liquidation order as other subordinated debts which are issued by the issuer with the same repayment order as the current bonds and are paid in the same order as additional tier 2 capital instruments that may be issued in the future with the same repayment order as the current bonds	The repayment sequence of the bond principal and the interest payment sequence are after depositors and general creditors, and before equity capital, additional tier 1 capital instruments and hybrid capital bonds; the current bonds are in the same liquidation order as other subordinated debts which are issued by the issuer with the same repayment order as the current bonds and are paid in the same order as additional tier 2 capital instruments that may be issued in the future with the same repayment order as the current bonds	The repayment sequence of the bond principal and the interest payment sequence are after depositors and general creditors, and before equity capital, additional tier 1 capital instruments and hybrid capital bonds; the current bonds are in the same liquidation order as other subordinated debts which are issued by the issuer with the same repayment order as the current bonds and are paid in the same order as additional tier 2 capital instruments that may be issued in the future with the same repayment order as the current bonds	The repayment sequence of the bond principal and the interest payment sequence are after depositors and general creditors, and before equity capital, additional tier 1 capital instruments and hybrid capital bonds; the current bonds are in the same liquidation order as other subordinated debts which are issued by the issuer with the same repayment order as the current bonds and are paid in the same order as additional tier 2 capital instruments that may be issued in the future with the same repayment order as the current bonds
36	Does the instrument contain temporary illegible attribute?	No	No	No	No	No	No	No	No	No	No	No
37	Including: If yes, please specify such attribute	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable

List of Organizations

Tier-1 Branches

Beijing Branch
Address: No. 1 Jia 6, Second Yard, Beijiadi Road, Fengtai District, Beijing
Postal Code: 100068
Telephone: 010-86353872
Fax: 010-86353845

Tianjin Branch
Address: No. 121 Dagu North Road, Heping District, Tianjin
Postal Code: 300040
Telephone: 022-88588888
Fax: 022-88588858

Hebei Branch
Address: Building 1, Jiahe Square, No. 567 Zhongshan East Road, Chang'an District, Shijiazhuang
Postal Code: 050000
Telephone: 0311-86683329
Fax: 0311-86160079

Shanxi Branch
Address: 1st to 25th Floor, Building No. 1, No. 139 Pingyang Road, Taiyuan, Shanxi
Postal Code: 030001
Telephone: 0351-2112807
Fax: 0351-2112840

Inner Mongolia Branch
Address: Complex No. 2, the eighth District of Juhaicheng, the junction of Ordos Main Street and Dingxiang Road, Saihan District, Hohhot City, Inner Mongolia Autonomous Region
Postal Code: 010010
Telephone: 0471-6924787
Fax: 0471-6263020

Liaoning Branch
Address: No. 72 Beizhan Road, Shenhe District, Shenyang, Liaoning
Postal Code: 110013
Telephone: 024-31927017
Fax: 024-31927000

Jilin Branch
Address: No. 3266 South Ring Road, Nanguan District, Changchun, Jilin
Postal Code: 130000
Telephone: 0431-81285030
Fax: 0431-88985924

Heilongjiang Branch
Address: No. 55 West 14th Street, Daoli District, Harbin, Heilongjiang
Postal Code: 150010
Telephone: 0451-87656792
Fax: 0451-86209997

Shanghai Branch
Address: No. 1080 Dongdaming Road, Hongkou District, Shanghai
Postal Code: 200082
Telephone: 021-63292666
Fax: 021-63293206

Jiangsu Branch
Address: 3-36/F, Building 6, No. 399 Jiangdong Middle Road, Jianye District, Nanjing, Jiangsu
Postal Code: 210019
Telephone: 025-83797811
Fax: 025-83796099

Zhejiang Branch
Address: Building 6, Mingzhu International Business Center, No. 206 Wuxing Road, Shangcheng District, Hangzhou, Zhejiang
Postal Code: 310009
Telephone: 0571-87335016
Fax: 0571-85164911

Anhui Branch
Address: PSBC Hefei Base Building G, No. 7389 Huizhou Avenue, Hefei, Anhui
Postal Code: 230092
Telephone: 0551-62256516
Fax: 0551-62256677

Fujian Branch
Address: No. 101 Gutian Road, Gulou District, Fuzhou, Fujian
Postal Code: 350005
Telephone: 0591-85163105
Fax: 0591-83373480

Jiangxi Branch
Address: PSBC Building, No. 969 Shimao Road, Honggutan New District, Nanchang, Jiangxi
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Fax: 0791-86730610

Shandong Branch
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Postal Code: 250102
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Fax: 0531-58558780

Henan Branch
Address: No. 59 Huayuan Road, Jinshui District, Zhengzhou, Henan
Postal Code: 450008
Telephone: 0371-69199191
Fax: 0371-69199191

Hubei Branch
Address: No. 183 Yunxia Road, Jianghan District, Wuhan, Hubei
Postal Code: 430022
Telephone: 027-65778565
Fax: 027-85722512

Hunan Branch
Address: No. 489 Furong Middle Road Section 1, Kaifu District, Changsha, Hunan
Postal Code: 410001
Telephone: 0731-85988267
Fax: 0731-85988345

Guangdong Branch
Address: Fengyuan Building, No. 1-3 Tiyu West Road, Tianhe District, Guangzhou, Guangdong
Postal Code: 510620
Telephone: 020-38186880
Fax: 020-38186666

Guangxi Zhuang Autonomous Region Branch
Address: No. 6 Gehai Road, Liangqing District, Nanning, Guangxi Zhuang Autonomous Region
Postal Code: 530201
Telephone: 0771-5836014
Fax: 0771-5836013

Hainan Branch
Address: No. 1 West Fourth Road, Dayingshan, Meilan District, Haikou, Hainan
Postal Code: 570203
Telephone: 0898-66556005
Fax: 0898-66788066

Chongqing Branch
Address: No. 5 Juxian Street, Jiangbei District, Chongqing
Postal Code: 400024
Telephone: 023-63859333
Fax: 023-63859222

Sichuan Branch
Address: No. 588 Tianfu Fourth Street, Gaoxin District, Chengdu, Sichuan
Postal Code: 610094
Telephone: 028-88619030
Fax: 028-88619020

Guizhou Branch
Address: North Tower 4, Financial City, Changling North Road, Guanshanhu District, Guiyang
Postal Code: 550081
Telephone: 0851-85208005
Fax: 0851-85258832

Yunnan Branch
Address: No. 388 Xuefu Road, Wuhua District, Kunming, Yunnan
Postal Code: 650033
Telephone: 0871-63318155
Fax: 0871-63326698

Xizang Autonomous Region Branch
Address: No. 5 Linkuo East Road Lane 1, Lhasa, Xizang Autonomous Region
Postal Code: 850014
Telephone: 0891-6310332
Fax: 0891-6310332

Shaanxi Branch
Address: Postal Information Building, No. 5 Tangyan Road, Gaoxin District, Xi'an, Shaanxi
Postal Code: 710075
Telephone: 029-88602848
Fax: 029-88602861

List of Organizations

Gansu Branch
Address: No. 369 Qingyang Road, Chengguan District, Lanzhou, Gansu
Postal Code: 730030
Telephone: 0931-8429172
Fax: 0931-8429891

Qinghai Branch
Address: Guotou Square Building B, No. 32 Wenjing Street, Chengxi District, Xining, Qinghai
Postal Code: 810001
Telephone: 0971-8299172
Fax: 0971-8299178

Ningxia Hui Autonomous Region Branch
Address: No. 9 Jiefang West Street, Xingqing District, Yinchuan, Ningxia Hui Autonomous Region
Postal Code: 750001
Telephone: 0951-6920359
Fax: 0951-6920505

Xinjiang Uygur Autonomous Region Branch
Address: No. 239 Jiefang North Road, Urumqi, Xinjiang Uygur Autonomous Region
Postal Code: 830002
Telephone: 0991-2357992
Fax: 0991-2357988

Dalian Branch
Address: No. 191 Chengren Street, Shahekou District, Dalian, Liaoning
Postal Code: 116021
Telephone: 0411-84376601
Fax: 0411-84376688

Ningbo Branch
Address: Building No. 1, Yangfan Square, Gaoxin District, Ningbo, Zhejiang
Postal Code: 315010
Telephone: 0574-87950777
Fax: 0574-87950986

Xiamen Branch
Address: No. 238 2/F, 6/F, 7/F, Unit 802-09 and 19/F, Commercial Building of Panji Center, No. 1 Lianyue Road, Siming District, Xiamen, Fujian
Postal Code: 361012
Telephone: 0592-2205134
Fax: 0592-2206124

Qingdao Branch
Address: No. 222 Yan'an 3rd Road, Shinan District, Qingdao, Shandong
Postal Code: 266071
Telephone: 0532-83886609
Fax: 0532-83877070

Shenzhen Branch
Address: 41-44/F, Information Hub Building, Yitian Road, Futian District, Shenzhen, Guangdong
Postal Code: 518048
Telephone: 0755-22228000
Fax: 0755-22228002

Majority-owned Subsidiaries

PSBC Consumer Finance Co., Ltd.
Address: 2/F, 8-12/F, 18/F, Tian Lun Holdings Building, No. 281 Linhe East Road, Tianhe District, Guangzhou, Guangdong
Postal Code: 510610
Telephone: 020-22361163
Fax: 020-22361004

PSBC Wealth Management Co., Ltd.
Address: No. 201 2/F, No. 301 3/F, No. 401 4/F, No. 501 5/F and No. 601 6/F, Building 6, Financial Street, Xicheng District, Beijing
Postal Code: 100033
Telephone: 010-89621800
Fax: 010-89621830

YOU+ BANK
Address: 25-26/F, No. 1080 Dongdaming Road, Hongkou District, Shanghai
Postal Code: 200082
Telephone: 021-35905606
Fax: 021-35965996

中国邮政储蓄银行
POSTAL SAVINGS BANK OF CHINA

2 0 2 3 Annual Report