兴业银行
INDUSTRIAL BANK CO.,LTD.

398 Jiangbin Middle Avenue,Taijiang District,Fuzhou,Fujian
Tel: (86)591-87839338
Fax: (86)591-87842633
P.C: 350014
www.cib.com.cn

INDUSTRIAL BANK CO.,LTD.

2023 ANNUAL REPORT

兴业银行
INDUSTRIAL BANK CO.,LTD.

Stock code 601166

2023
ANNUAL REPORT

35th

1988-2023

Important Notice

The Company's Board of Directors, Board of Supervisors, directors, supervisors and senior management members hereby warrant that the information contained in this annual report is free from false representation, misleading statement or material omission, and assume joint and several liabilities.

The 22th meeting of the tenth session of the Board of the Company was held on March 28, 2024. Twelve directors shall attend the meeting, and twelve directors actually attended it. The meeting considered and approved the 2023 annual report and the summary thereof.

The financial data and indicators contained in this annual report were prepared in compliance with the China Accounting Standards for Business Enterprises. Unless otherwise specified, they represented the consolidated data. The monetary sums were expressed in RMB in this annual report.

KPMG Huazhen LLP has audited the Company's 2023 financial statements in accordance with the Auditing Standards for CPAs of China and has issued an auditor's report with unqualified opinion.

The Company's Chairman Lyu Jiajin, President Chen Xinjian and person in charge of the accounting body Lin Shu hereby warrant that the financial statements in the 2023 annual report are true, accurate and complete.

The plan of dividends distribution for ordinary shares for the reporting period considered by the Board of Directors: cash dividend of RMB10.40 (inclusive of tax) should be distributed for every 10 ordinary shares.

The plan of dividends distribution for preferred shares is as follows: the total nominal value of the preferred shares of "Xing Ye You 1" is RMB13 billion and proposed dividends to be paid for 2023 are RMB722 million with an annual dividend yield of 5.55%; the total nominal value of the preferred shares of "Xing Ye You 2" is RMB13 billion and proposed dividends to be paid for 2023 are RMB602 million with an annual dividend yield of 4.63%; the total nominal value of the preferred shares of "Xing Ye You 3" is RMB30 billion and proposed dividends to be paid for 2023 are RMB1.47 billion with an annual dividend yield of 4.90%.

Investors are advised to read the full content of this annual report carefully. Perspective and forward-looking statements regarding future financial conditions, operating performance, business development and business plan contained in this report do not constitute any substantive commitment of the Company to investors. Investors should pay attention to investment risks.

The Board of Directors specially reminds investors that the risk factors the Company is subject to have been listed in detail in this report. Please refer to "Operation Discussion and Analysis" for risk factor the Company is subject to and the risk management analysis.

Chairman's Statement

2023 marks the 35th anniversary of the Industrial Bank, as well as the third year for the new team to take on the baton in the development relay. During this period, the Industrial Bank's total assets have successively surpassed three major milestones with each of RMB1 trillion, reaching a significant threshold of RMB10 trillion; both loans and deposits have realized a growth of RMB1 trillion, climbing to a high of RMB5 trillion; the non-performing loan ratio has decreased from 1.25% to 1.07%, while the provision coverage ratio has risen from 219% to 245%; corporate finance customers have approached an increase of close to 500,000, with a growth rate of over 50%, and retail customers have increased by more than 20 million, ushering in an era of 100 million customers. The bank has consistently held its position among the top 20 in the global banking industry, and its MSCI ESG rating has been upgraded from 'A' to 'AA'.

During the theme education period, we recalled the message from President Xi Jinping to the people of Industrial Bank in 2001, which deeply resonated with us. The earnest exhortation to implement the fundamental strategy of "strict governance, expertise management and technology enhancement" has sounded like a powerful bell toll, echoing through the progressive path of Industrial Bank since the new millennium. This exhortation has also become the main theme guiding us as we go all out in last three years.

—We insist on strict governance, consistently regard upholding the Party leadership and strengthening the Party building as our "root" and "soul", actively transform "the country's most fundamental interests" into "the bank's priorities", and strive to fight an "active battle" by "making the first move", thereby renewing both our external image and internal ecology and vividly realizing the transformation into a mainstream bank.

—We insist on expertise management, accurately grasp the shift from the old triangular cycle of "real estate - infrastructure - finance" to the new triangular cycle of "technology - industry - finance", proactively layout our strategy across the "five new tracks" of inclusive finance, science and technology innovation finance, energy finance, automobile finance and industrial zone finance, and continue to polish the "three business cards" of green bank, wealth bank and investment bank. In tandem, we establish research institutes for carbon finance, financial technology and Southeast Asian studies, implement plans to develop tens of thousands of talents in both green finance and technology, and closely align our development and operation strategies, ensuring that our path of transformation is swift and steady.

—We insist on technology enhancement, having experienced a conceptual evolution from the determination of "selling iron and smashing pots to finance technology" to the critical understanding that "digital transformation is a battle for survival", implemented technological system reforms, increased investment in technological resources and intensified the cultivation of our technology team. Our annual investment in technology exceeds RMB8 billion, and our technology team has nearly reached 8,000 people. We have also developed a methodological approach to advance digital transformation "at the enterprise level and by standardization". The convergence of technology empowerment and innovation-driven development has accumulated momentum for Digital Industrial Bank.

The tides of the era are surging, and the crests and troughs can flip in the blink of an eye; we cannot afford a moment of relaxation and must strive to grasp certainties amid many uncertainties.

In face of the new era and new journey, we have seriously studied the spirit of the Central Financial Work Conference, deeply understood the essence of the path of financial development with Chinese characteristics, and combining the earnest instructions from the beginning of the century with the transformation progress of the past three years, have further strengthened our sense of direction and mission to advance high-quality development, striving to respond to the call of our times to develop China into a financial powerhouse by constructing a strong financial institution.

—We should prioritize development foremost. Tightly focusing on the primary task of high-quality development, we should integrate the "five new tracks" and "three business cards" organically with the "five major areas" of finance and the construction of the "three major projects", treat the development of retail business as an urgent priority, consider controlling the cost of liabilities as of paramount importance, accelerate the rebalancing of economy with finance, wholesale with retail, and assets with liabilities, serve the country's most fundamental interests and respond to the aspirations of the people with a more distinctive business model, and combat market volatility and navigate economic cycles with a more harmonized business structure.

—We should strive for efficiency in the face of risk. In an era of economic changes, risk costs have become the largest expense for banks; thus, prioritizing quality equates to prioritizing efficiency. We should regard our transformation strategy as a series of decisive actions, knowing both what to do and what not to do, view enterprise management as a long marathon, consistently maintain the general principle of seeking progress while maintaining stability, continually enhance our comprehensive risk management capabilities, ensure the vigilance of personnel, the control of funds, the consolidation of institutional firewalls, and the enhancement of institutional execution efficiency, and adhere to the bottom line of risk management, thus ensuring the bank's steady and sustained development.

—We should lead the future with technology. From consumer internet to industrial internet, from big data to large models, from text-to-text to text-to-image and text-to-video, everything in the digital world develops. While continuing to advance our work on "enterprise level and standardization", we should also strengthen fundamental research and commercial application in financial technology, use more AI to program, manage data and affix tags, freeing up more resources to improve our own digital operation and facilitate our customers' digital transformation, accelerate the building of scenario-based ecosystems, push into the corporate services field, and explore markets with long tail customer segment. All these efforts are aimed at evolving the Digital Industrial Bank from a solid foundation toward a fruitful phase of blooming outcomes.

—We should carry out reforms thoroughly. The experience in organizational behavior of commercial banks suggests a small adjustment every three years and a major change every five years. We should further optimize mechanisms based on our previous systemic reforms, and more forcefully advance the integration between the parent company and subsidiaries, between public and private sectors and between front, middle and back offices, as well as the standardization of branch management, systematization of marketing and digitalization of operations. By doing this, we aim to bridge the final gap in executing our strategy and unlock the full benefits of our reforms to the greatest extent possible.

—We should use culture to unite our team. First-class enterprises rely on culture, and century-old stores rely on culture. We should vigorously promote a financial culture with Chinese characteristics, actively cultivate a homeland culture, an innovative culture, an anti-corruption culture and an engineer culture, all with the features of the Industrial Bank, stick to cultivating people, benefiting people and advancing the industry with culture, continually enhance the purity, professionalism, and competitiveness of our team, and transform our internal value orientation into sustainable value returns for society.

The year 2024 marks the 36th anniversary of the founding of Industrial Bank, and it signifies the transition from establishing ourselves at thirty to becoming confident and unswerving at forty. At thirty, we provided a clear "Industrial Bank Code"; at forty, we aim to earnestly explore many "industry questions". With a future bright as silk and a mission formidable as mountains, we must remember our responsibilities, forge ahead and write Industrial Bank's answers with real achievements and effectiveness!

Chairman: Lyu Jiajin

President's Statement

In 2023, we resolutely implemented the decisions and plans of the CPC Central Committee and the State Council, as well as various regulatory requirements. Drawing strength from our history, we maintained strategic focus and continually polished our "three business cards". We coordinated efforts to consolidate our fundamental operations and layout new tracks, accelerated our digital transformation, strove to increase revenue and reduce expenditures, established a firm mindset for light capital and light asset management, and persistently pursued high-quality development. By year's end, the Group's total assets surpassed RMB10 trillion for the first time, with both loans and deposits crossing the RMB5 trillion mark. We achieved an annual operating income of RMB210.831 billion, reduced the non-performing loan ratio to 1.07%, increased the provision coverage ratio to 245.21%, and maintained the capital adequacy ratio and core tier-one capital adequacy ratio at 14.13% and 9.76%, respectively. This accomplishment signifies a balance of scale growth, stable returns, and capital management, with the business achieving the anticipated results.

We balanced efficiency with scale, making new progress in the restructuring of our balance sheet. We placed greater emphasis on precise research guidance, continuously optimized our asset structure, and achieved a 9.59% increase in various loan categories over the previous year-end, reaching RMB5.46 trillion. Within this, loans for science and technology innovation finance, inclusive finance, energy finance, automobile finance and industrial zone finance grew by 31.88%, 23.95%, 16.16%, 26.14% and 27.40% respectively, all exceeding the overall loan growth rate and aligning more closely with the transformation direction of the real economy. We focused more on the stability of our liability scale, solidifying the building of our scenario ecosystems, advancing our network development program and comprehensively strengthening the expansion of settlement deposits, with total deposits increasing by 8.45% from the previous year-end to RMB5.14 trillion. Determined to fight for favorable interest margins, we insisted on reducing debt costs as a key tactic for stabilizing margins, intensifying the replacement of high-cost negotiated and structured deposits with low-cost time deposits. We issued RMB50 billion in green financial bonds and RMB25 billion in SME financial bonds at relatively low interest rates. The annual interest rate paid on domestic RMB deposits decreased by 11 basis points year-over-year, continually converging toward the market median. Committed to the principle of finance serving the people, we leveraged our strengths, enriched financial products, and met diverse customer needs, striving to maximize both self and customer value. By the end of the year, we served in excess of 1.4 million corporate finance customers, 100 million retail customers and 3,300 interbank customers.

We consolidated our unique characteristics and advantages, achieving new breakthroughs in differentiated operations. We continued to strengthen talent cultivation in green finance and research in carbon finance, vigorously served the development of low-carbon industries, and actively supported the transformation of high-carbon industries. The balance of green financing increased by 16.14% over the end of the previous year to RMB1.89 trillion, with financing in the carbon reduction field now accounting for 56.26% of the total. Our MSCI ESG rating was upgraded to AA, marking us as the only bank in the Chinese banking industry to have received the highest rating for five consecutive years, consolidating our advantages in green bank business amid the significant trend toward green and low-carbon transformation. We went all out in creating wealth management products, expanding channels and accompanying our customers and achieved substantial growth in the sale of insurance, funds and precious metals. Our wealth management scale reached RMB2.26 trillion, jumping to second place in the market, and our retail AUM (including third-party custody value) reached RMB4.79 trillion. In the face of market fluctuations, our wealth bank business maintained steady progress. We continued to reinforce the functional role of investment bank, with the underwriting volume of debt financing instruments for non-financial enterprises surpassing RMB730 billion, returning to the first place in the market. We maintained leading market positions in key indicators in the fields of mergers and acquisitions, syndicated loans, quasi-REITs, the capital market, and asset securitization. Our investment bank business strove for advanced standing in the fierce market competition.

We integrated technology with finance, bringing our digital transformation into a new phase. Upholding the strategy of "technology enhancement", we promoted the implementation of "enterprise level and standardization", achieving a set of hallmark results such as enterprise-level data dictionaries, and was named an "Outstanding Unit" in the financial industry for trustworthiness and innovation work for two consecutive years. We continually improved our "1+5+N" Digital Industrial Bank system. The mobile banking app was upgraded to version 6.0. Core indicators for Industrial Inclusion, Industrial Steward, Industrial Living, Qianda Money Manager, and Bank-to-Bank Platform maintained strong growth. The number of open banking APIs increased to 1,941. We kept optimizing our organizational structure, establishing a digital operation department, actively exploring new models of digital operation, and striving to bridge the "last mile" of digitalization to productivity. We constantly worked to strengthen our technology team, organizing technology knowledge tests that covered all employees to foster a positive environment for learning, understanding and utilizing technology. By the end of the year, the number of technology talents had grown to 7,828.

We coordinated development with security, and our risk compliance and internal control management saw new achievements. We further advanced risk prevention measures, optimized the Group's consolidated statement management system, ensured accurate asset classification, continuously improved the "chain leader working mechanism"（链长制）, and comprehensively enhanced the fineness of business management. We accelerated the digital transformation of risk management, optimized the intelligent risk control system, established a robust model management mechanism, and advanced the construction of the credit factory. We iteratively upgraded the "technology flow" review mode, effectively enhanced our capabilities for proactive risk identification and prevention. The amount of credit approved under the "technology flow" mode exceeded RMB1 trillion. We comprehensively intensified efforts to resolve risks and manage special assets, set up flexible and agile teams for prudent disposal of non-performing assets in areas such as real estate, local government financing platforms, and credit cards. Adhering to the principle of "strict governance and compliant operation", we continuously cultivated the closed-loop process of "identifying problems - promoting rectification - internal accountability", effectively tightening controls and robustly safeguarding high-quality development.

We reinforced party building and culture, and our reform of systems and mechanisms has released new energy. We thoroughly implemented the spirit of the 20th CPC National Congress and the Central Financial Work Conference, earnestly carried out thematic education to study and implement Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, systematically reviewed the instructions and directives given by General Secretary Xi Jinping during his tenure in Fujian to Industrial Bank, constructed our History Museum around these main themes, guided our employees to trace the roots and fortify our spirit, facilitated high-quality development through high-quality party building, focused on strengthening talent development, steadily advanced the reform of middle and back offices, and vigorously promoted a low-profile, pragmatic, upright, innovative, united, harmonious and proactive corporate culture, creating a favorable environment for reform, development and stability.

The essence of our mission lies in responsibility, and striving forges the future. 2024 marks the 75th anniversary of the founding of New China and is a crucial year to achieve the goals and tasks of the 14th Five-Year Plan. Guided by Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, we will focus on "five major areas" to effectively serve the real economy, persist in fighting the battle against risks, and accelerate the benefits from digital transformation and reform of systems and mechanisms. Anchoring on the goal of "outperforming the market", we will enhance our five core competences of "strategy implementation, customer service, investment transaction, comprehensive risk management and management promotion", striving to ensure the stable operation of the "three curves" of revenue, profit and asset quality. In the process of creating greater value for our customers, shareholders, employees, and society, we will realize our high-quality development and build a widely recognized value bank.

Vice Chairman and President: Chen Xinjian

Director, vice president: Sun Xiongpeng

Supervisor: Zhang Guoming

Vice president: Zhang Min

Vice president: Zhang Ting

Vice president: Zeng Xiaoyang

2023 Honors and Awards

- In 2023, the Company ranked 17th among the "Top 1000 Global Banks" in The Banker by tier-one capital and 26th by total assets. The Company was awarded the "Bank of the Year in China for 2023" by The Banker.
- In 2023, the Company ranked 60th among the "Top 2000 Global Enterprises" in the Forbes.
- In 2023, the Company ranked 223rd among the Global 500 in the Fortune. The Company was the only joint-stock commercial bank selected in the "2023 China ESG Influence List" in the Fortune.
- In 2023, the Company was awarded the MSCI ESG rating of AA.
- The Company was awarded the "Best Customer Relationship Management Private Bank Award in China in 2023" by the Professional Wealth Management (PWM) under the Financial Times Group.
- The Company was awarded the "Best Fund Management Project" and the "Best Digital Infrastructure Project in China" by The Asian Banker in 2023.
- The Company was awarded the "2023 Excellent Digital Marketer" by Shanghai Data Exchange.
- In the selection of "2023 Financial Services Innovation Award" sponsored by Gartner, the world's leading information technology research and consulting company, the project of "Satellite Remote Sensing Application Empowering Financial Services" of the Company won the second place in the Asia-Pacific region.
- The Company won 23 honors granted by three major policy banks, including the "Outstanding Underwriter in the Inter-bank Market", the "Market Expansion Award" and the "Special Contribution Award" issued the China Development Bank, the "Outstanding Contribution Award for 'Agriculture, Rural Areas and Farmers'", the "Outstanding Underwriter" and the "Best National Commercial Bank Award" issued by the Agricultural Development Bank of China, and the "Core Underwriter", the "Outstanding Market Maker" and the "RMB Internationalization Promotion Award" issued by the Export-Import Bank of China.
- According to the Evaluation Results of High-quality Development of the Centralized Clearing Business and the Issuance Registration Custody Settlement Business in 2023 issued by Shanghai Clearing House, the Company won two comprehensive awards, namely "Excellent Clearing Member" and "Excellent Settlement Member", and seven awards, including "Excellent Award for Self-operated Clearing of Interest Rate Swaps", "Excellent Custodian Institution", "Excellent Issuer (Financial Bonds of Commercial Banks)", "Excellent Underwriter (Clearing and Issuance of Policy Financial Bonds)" and "Excellent Green Bond Issuer (Financial Bonds)".
- In the evaluation results of the inter-bank local currency market in 2022 and the evaluation results of the business development quality of the members of China Central Depository & Clearing Co., Ltd. issued by the National Interbank Funding Center and China Central Depository & Clearing Co., Ltd. respectively, the Company won 22 institutional awards including "Core Dealer", "Money Market Dealer" and "Bond Market Dealer" in the "Market Impact Award of the Year".
- In the "2022 Financial Science and Technology Development Award" by the People's Bank of China, the project of "Enterprise-level Digital Intelligent Anti-fraud Platform" of the Company won the second prize, and the project of "Satellite Remote Sensing Application System" and "Enterprise-level" 'Xian Ji' Artificial Intelligence Basic Service Platform" of the Company won the third prize.
- The Company won the "Best Enterprise Mobile Banking Award in 2023" selected by China Financial Certification Authority (CFCA) in the "2023 Digital Finance Gold List Award".
- At the sustainable development conference of listed companies in China sponsored by the China Association for Public Companies, the Company was successfully selected in the "ESG Best Practice Cases of Listed Companies".
- The Company won the "Annual Bank Wealth Management Brand Award", the "Financial Technology Construction Award" and the "Most Innovative Award" selected at the 13th Wealth Management Summit of Shanghai Stock Exchange and "Gold Wealth Management".
- The Company was awarded the title of "2023 Low-carbon Model" by the China Newsweek of the China News Service.
- The Company was awarded the "Excellent Case of Digital Economy in 2023" and the "Excellent Case of Peak Carbon Dioxide Emissions and Carbon Neutrality Green Development in 2023" issued by the People's Daily.
- According to the "List of GYROSCOPE Evaluation System in 2023" by the Professional Committee of Industry Development Research of the China Banking Association, the Company ranked second among the listed joint-stock commercial banks.
- In the first "Fujian Charity Award" sponsored by Fujian Provincial People's Government and undertaken by Fujian Provincial Civil Affairs Department, Industrial Bank won the "Charity Donation Enterprise (Institution) Award".
- The Company was awarded the title of the excellent institution of "Green Bank" in Fujian Province in 2022. The project of "Technology Flow Credit Management and Control Mode 3.0" of the Company was awarded the first-class financial innovation project in Fujian Province in 2022.

Contents

Definition

In this report, unless the context otherwise specified, the following terms have the meanings set forth below:

Industrial Bank/the Company	Industrial Bank Co., Ltd.
Group/the Group	Industrial Bank Co., Ltd. and its subsidiaries
Central Bank/PBOC	The People's Bank of China
CSRC	China Securities Regulatory Commission
NFRA	National Financial Regulatory Administration
Former CBIRC	Former China Banking and Insurance Regulatory Commission
KPMG Huazhen	KPMG Huazhen LLP
Industrial Financial Leasing	Industrial Bank Financial Leasing Co., Ltd.
Industrial Trust	China Industrial International Trust Limited
Industrial Fund	CIB Fund Management Co., Ltd.
Industrial Consumer Finance	Industrial Consumer Finance Co., Ltd.
CIB Wealth Management	CIB Wealth Management Co., Ltd.
Industrial Futures	Industrial Futures Co., Ltd.
CIB Research	CIB Economic Research and Consulting Co., Ltd.
CIB FINTECH	CIB FINTECH (Shanghai) Co., Ltd.
Industrial Asset Management	China Industrial Asset Management Co., Ltd.
Industrial Inclusive Technology	Industrial Inclusive Technology (Fujian) Co., Ltd.
Ciit Asset Management	China Industrial International Trust Asset Management Company Limited
Yuan	RMB Yuan
"1234" strategy system	1: Light assets, light capital and high efficiency are the main lines of development 2: Take the strategy of "commercial bank + investment bank" as the starting point, and adhere to the development philosophy of "customers as the foundation, commercial banking as the carrier, and investment banking as the functional arm" 3: Continuously improve the capacity building of settlement banks, investment banks and transaction banks 4: Strengthen the strategic roles of key branches, key industries, key customers and key products
Commercial bank + investment bank 2.0	The deepening and expansion of the strategy of "commercial bank + investment bank" includes the improvement of product system, coordination mechanism, risk model and evaluation mechanism
Three business cards	green bank, wealth bank and investment bank
Five new tracks	science and technology innovation finance, inclusive finance, energy finance, automobile finance, industrial zone finance
Five online platforms	"Industrial Inclusion"（兴业普惠）, " Industrial Steward"（兴业管家）, "Industrial Living"（兴业生活）, "Qianda Money Manager"（钱大掌柜）, "Bank-to-Bank Platform"（银银平台）
Five enterprise framework projects	marketing, wealth, investment banking, operation, risk control
Five standarization	process, data, pattern, development, operation
FPA of large investment banking	During the reporting period, the Company focused on providing customers with solutions for diversified financial demands, effectively integrated the advantages across the Group and established the FPA of large investment banking, including bond underwriting, bond investment, M&A loans, syndicated loans, capital market and equity investment and other investment banking products

Corporate Profile and Key Financial Indicators

I. Corporate profile

Legal Chinese name: 兴业银行股份有限公司

(Abbreviation: 兴业银行)

Legal English name: INDUSTRIAL BANK CO., LTD.

II. Legal representative: Lyu Jiajin

III. Contact persons and details

Secretary of the Board of Directors: Hua Bing

Representative of securities affairs: Lin Wei

Address: Industrial Bank Building, 398 Jiangbin Middle Avenue, Taijiang District, Fuzhou, Fujian Province

Tel: (86)591-87824863

Fax: (86)591-87842633

Email: irm@cib.com.cn

IV. Basic information

Registered address: Industrial Bank Building, 398 Jiangbin Middle Avenue, Taijiang District, Fuzhou, Fujian Province

History changes in registered address of the Company:

Date of change	Before change	After change
August 15, 1997	17 Hualin Road, Fuzhou, PRC	154 Hudong Road, Fuzhou, PRC
March 15, 2022	154 Hudong Road, Fuzhou, PRC	Industrial Bank Building, 398 Jiangbin Middle Avenue, Taijiang District, Fuzhou, Fujian Province

Office address: Industrial Bank Building, 398 Jiangbin Middle Avenue, Taijiang District, Fuzhou, Fujian Province

Postal Code: 350014

Website: www.cib.com.cn

V. Information disclosure and location of filing

Media and websites for disclosure of annual reports: China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily

Website designated by CSRC for publishing annual reports: www.sse.com.cn

Location of annual reports filing: the Company's office of the Board of Directors

VI. Brief introduction of company securities

Classes of securities	The stock exchange	Abbreviation	Code
A shares	Shanghai Stock Exchange	Industrial Bank	601166
Preferred shares	Shanghai Stock Exchange	Industrial P1	360005
		Industrial P2	360012
		Industrial P3	360032
Convertible corporate bonds	Shanghai Stock Exchange	Industrial convertible bonds	113052

VII. Other related information

Certified public accountants firm engaged by the Company: KPMG Huazhen LLP

Office address: 8/F, KPMG Tower, Oriental Plaza, 1 Dongchang'an Street, Dongcheng District, Beijing, PRC

Names of the signing accountants: Chen Sijie, Wu Zhongming

Sponsors performing continuous supervision duties: CSC Financial Co., Ltd.; China Industrial Securities Co., Ltd.

Office address: 11/F, Taikang Group Building, Tower 1 Yard 16, Jinghui Street, Chaoyang District, Beijing; 268 Hudong Road, Fuzhou, Fujian Province

Names of the signing sponsors: Yan Mingqing, Pan Qingming; Wang Haisang, Zhang Yi

Continuous supervision period: from January 14, 2022 to December 31, 2023

This report is prepared in both Chinese and English. Should there be any discrepancy in interpretation, the Chinese version shall prevail.

VIII. Key accounting data and financial indicators of the Company

(I) Key accounting data and financial indicators

Unit: RMB million

Item	2023	2022	Increase/decrease in 2023 compared with 2022 (%)	2021
Operating income	**210,831**	222,374	(5.19)	221,236
Profit before tax	**84,329**	106,221	(20.61)	95,310
Net profit attributable to the shareholders of the parent company	**77,116**	91,377	(15.61)	82,680
Net profit attributable to the shareholders of the parent company, after deduction of non-recurring gains and losses	**76,523**	90,996	(15.91)	82,206
Basic EPS (Yuan)	**3.51**	4.20	(16.43)	3.77
Diluted EPS (Yuan)	**3.24**	3.87	(16.28)	3.77
Basic EPS, after deduction of non-recurring gains and losses (Yuan)	**3.48**	4.18	(16.75)	3.75
ROA (%)	**0.80**	1.03	Down 0.23 percentage point	1.02
Weighted average ROE (%)	**10.64**	13.85	Down 3.21 percentage points	13.94
Weighted average ROE, after deduction of non-recurring gains and losses (%)	**10.55**	13.79	Down 3.24 percentage points	13.86
Cost-to-income ratio (%)	**29.97**	29.37	Up 0.60 percentage point	25.68
Net cash flow from operating activities	**433,617**	(344,587)	Negative in the same period of last year	(389,771)
Net cash flow per share from operating activities (Yuan)	**20.87**	(16.59)	Negative in the same period of last year	(18.76)

Item	December 31, 2023	December 31, 2022	Increase/decrease at the end 2023 compared with the end of 2022 (%)	December 31, 2021
Total assets	**10,158,326**	9,266,671	9.62	8,603,024
Equity attributable to the shareholders of the parent company	**796,224**	746,187	6.71	684,111
Owners' equity attributable to the ordinary shareholders of the parent company	**710,422**	660,385	7.58	598,309
Net assets per share attributable to the ordinary shareholders of the parent company (Yuan)	**34.20**	31.79	7.58	28.80
NPL ratio (%)	**1.07**	1.09	Down 0.02 percentage point	1.10
Provision coverage ratio (%)	**245.21**	236.44	Up 8.77 percentage points	268.73
Provision-to-loan ratio (%)	**2.63**	2.59	Up 0.04 percentage point	2.96

Notes: 1. Basic EPS and weighted average ROE were calculated based on "Preparation Rules for Information Disclosure by Companies Offering Securities to the Public No.9 – Calculation and Disclosure of Return on Net Assets and Earnings per Share (2010 Revision)".

2. As at the end of the reporting period, the Company issued an aggregate of RMB56 billion preferred shares (Industrial P1, Industrial P2 and Industrial P3) with non-cumulative dividends. The dividends of the preferred shares for 2023 did not paid and will be distributed after approval by the general shareholders' meeting.

(II) 2023 quarterly financial data

Unit: RMB million

Item	The first quarter (January-March)	The second quarter (April-June)	The third quarter (July-September)	The fourth quarter (October-December)
Operating income	55,410	55,637	50,249	49,535
Net profit attributable to the shareholders of the listed company	25,115	17,565	22,285	12,151
Net profit attributable to the shareholders of the listed company, after deduction of non-recurring gains				
and losses	25,041	17,408	22,080	11,994
Net cash flow from operating activities	566,518	(324,313)	(2,954)	194,366

(III) Items and amounts of non-recurring gains and losses

Unit: RMB million

Item	2023
Gains and losses on the disposal of non-current assets	29
Government grants recognized in profit or loss	652
Net other non-operating income and expense	180
Impact on income tax	(238)
Total	623
Non-recurring gains and losses attributable to the shareholders of the parent company	593
Non-recurring gains and losses attributable to minority shareholders	30

(IV) Supplementary financial data

Unit: RMB million

Item	December 31, 2023	December 31, 2022	December 31, 2021
Total liabilities	9,350,607	8,509,373	7,908,726
Placements from banks and other financial institutions	347,739	275,808	172,773
Total deposits	5,137,073	4,736,982	4,311,041
Including: Demand deposits	1,847,206	1,779,273	1,769,246
Time deposits	2,808,521	2,608,223	2,212,838
Other deposits	481,346	349,486	328,957
Total loans	5,460,935	4,982,887	4,428,183
Including: Corporate loans	3,164,814	2,631,413	2,223,895
Personal loans	1,976,372	1,973,907	1,879,932
Discounted bills	319,749	377,567	324,356
Loan loss provisions	143,426	128,834	130,909
Including: Loan loss provisions at fair value through other comprehensive income	862	2,751	1,032

(V) Capital adequacy ratio

Unit: RMB million

Key indicator	December 31, 2023		December 31, 2022		December 31, 2021	
	Group	Bank	Group	Bank	Group	Bank
Net capital	1,033,057	960,834	973,833	908,004	878,172	820,158
Including: Core Tier 1 capital	714,764	667,283	662,916	621,255	599,661	565,344
Other Tier 1 capital	86,089	85,802	86,052	85,802	85,999	85,802
Tier 2 capital	233,463	228,941	226,053	222,074	193,617	190,070
Deductions	1,259	21,192	1,188	21,127	1,105	21,058
Total risk weighted assets	7,312,326	6,956,839	6,746,229	6,427,244	6,102,620	5,818,668
Capital adequacy ratio (%)	14.13	13.81	14.44	14.13	14.39	14.10
Tier 1 capital adequacy ratio (%)	10.93	10.52	11.08	10.67	11.22	10.83
Core Tier 1 capital adequacy ratio (%)	9.76	9.29	9.81	9.34	9.81	9.35

Note: data in this table are calculated in accordance with the Capital Rules for Commercial Banks (Provisional) and based on data reported to regulatory authorities.

(VI) Supplementary financial indicators

Unit: %

Key indicator	Standard value	December 31, 2023	December 31, 2022	December 31, 2021
Deposit-to-loan ratio (converted to RMB)	-	**97.79**	96.21	95.60
Liquidity ratio (Total in RMB and foreign currencies)	⩾ 25	**54.82**	64.45	56.26
Including: RMB	⩾ 25	**54.06**	63.23	55.55
Foreign currency	⩾ 25	**72.83**	92.67	92.28
Proportion of loans to the largest single borrower	⩽ 10	**1.84**	1.95	1.52
Proportion of loans to the top ten borrowers	⩽ 50	**12.25**	10.65	9.53
Migration ratio of normal loans	-	**1.66**	1.61	1.49
Migration ratio of special mention loans	-	**40.33**	27.46	24.64
Migration ratio of substandard loans	-	**76.39**	73.76	57.98
Migration ratio of doubtful loans	-	**84.69**	77.96	56.29

Notes: 1. Data in this table are those before consolidation, and data of subsidiaries are not included in this table.

2. Data in this table are calculated based on data reported to regulatory authorities. Among which, the migration ratio of loans was calculated according to the Notice on Revising the Definition and Calculation Formula of Basic Indicators for Off-site Supervision of the Banking Industry issued by the former CBIRC in 2022 with corresponding adjustment to the data for previous period. As at the end of the reporting period, migration ratios of normal loans, special mention loans, substandard loans and doubtful loans calculated on the basis of original standard were 2.45%, 33.64%, 66.97% and 73.17%, respectively.

(VII) Changes in shareholders' equity during the reporting period

Unit: RMB million

Item	December 31, 2022	Increase during the period	Decrease during the period	December 31, 2023
Share capital	20,774	-	-	**20,774**
Other equity instruments	88,960	-	-	**88,960**
Capital reserve	74,909	1	151	**74,759**
Other comprehensive income	(724)	1,963	-	**1,239**
General reserve	108,957	11,161	-	**120,118**
Surplus reserve	10,684	-	-	**10,684**
Undistributed earnings	442,627	77,116	40,053	**479,690**
Equity attributable to the shareholders of the parent company	746,187	90,241	40,204	**796,224**

(VIII) Items measured at fair value

Unit: RMB million

Item	December 31, 2022	Changes in fair value for the period recognized in gains and losses	Accumulated changes in fair value recognized in equity	Provision for impairment made/ (reversed) in the period	December 31, 2023
Placements with banks and other financial institutions	-	34	-	-	**241**
Placements from banks and other financial institutions	-	(3,461)	-	-	**51,972**
Precious metals	5	311	-	-	**5,599**
Derivative financial assets	35,253	114	-	-	**43,679**
Derivative financial liabilities	34,967				**43,279**
Loans and advances to customers	388,360	5	(7)	1,889	**330,223**
Trading financial assets	999,855	6,130	-	-	**957,708**
Other debt investments	548,007	419	(2,087)	(787)	**572,585**
Other equity instrument investments	3,453	-	(262)	-	**3,836**
Trading financial liabilities	49,578	(87)	-	-	**12,946**

Management Discussion and Analysis

I. Main businesses of the Company and conditions of the industry

(I) Main businesses

Founded in August 1988, the Company is one of the first group of joint-stock commercial banks approved by the State Council and the People's Bank of China. On February 5, 2007, the Company was listed on the Shanghai Stock Exchange. Currently, the Company has developed into a comprehensive financial service group with banking business as the core, covering business areas such as trust, financial leasing, funds, bank wealth management, consumption finance, futures, asset management, research and consultation, and digital finance. The Company Continuously improved the diversified service network covering domestic and overseas, online and offline and has become a domestic systemically important bank.

The Company is mainly engaged in commercial bank services, its main business scope includes: deposits taking; provision of short-, medium- and long-term loans; domestic and international settlement; bills acceptance and discounting; issue of financial bonds; agency issue, cashing and underwriting of government bonds; trading of government bonds and financial bonds; agency issue of negotiable securities except stock; trading and agency trading of negotiable securities except stock; asset custody; interbank borrowing and lending; trading or agency trading of foreign exchange; settlement and sales of foreign exchange; bank card business; L/C services and guarantee; agency collections and payments and agency insurance; safe-box services, financial consulting, credit investigation, consulting, witness business and other activities approved by the regulatory authorities, concurrent-business insurance agency; import and export of gold and its products; public securities investment fund sales; securities investment fund custody.

(II) Conditions of the industry and development trend during the reporting period

The year 2023 is the first year to fully implement the spirit of the 20th National Congress of the Communist Party of China, and it is also the year of economic recovery and development. China has withstood external pressure and overcome internal difficulties, and the economy has rebounded and made solid progress in high-quality development.

The situation at home and abroad was intricate and complicated. From the international situation, the profound changes unseen in a century were evolving rapidly in the world, the international pattern accelerated the adjustment, the geopolitical game intensified, the energy and food crisis deepened, the geopolitical conflicts occurred frequently, the signs of "fragmentation" of the world economy increased, and the anti-globalization was becoming increasingly severe. Meanwhile, the global economy continued to be sluggish, the inflation in European and American economies remained high, the interest rates were raised many times, the international capital market continued to be turbulent, and the uncertainty of the operating environment of the global banking intensified. Judging from the domestic situation, China's economy developed in waves and progressing in twists and turns, and the annual economic growth rate showed a trend of low in the early stage, high in the middle stage and stable in the later stage. The scientific and technological innovation led the construction of modern industrial system to make solid progress, and it was changing from the old triangular cycle of "real estate-infrastructure construction-finance" to the new triangular cycle of "science and technology-industry-finance". The implementation of the "dual carbon" strategy has been accelerated, the population structure has gradually entered an aging stage, the stepped regional economic layout has been accelerated, and the industrial agglomeration effect has become more prominent. At the same time, the domestic cyclical and structural contradictions were interacted, the confidence of micro subjects has not been completely restored under the "scarring effect", and the economic recovery faced difficulties and problems such as insufficient effective demand, industrial surplus in some industries, weak social expectations and many potential risks.

All policies coordinated efforts. In order to effectively cope with various risks and challenges, China has accelerated the cross-cyclical and counter-cyclical adjustment of macro-policies, made concerted efforts in terms of total volume, structure and price, comprehensively applied various policy tools, maintained a reasonable and sufficient market liquidity, guided commercial banks to reduce fees and surrender profits, reduced the financing cost of enterprises, and increase support for key fields and weak links such as inclusive small and micro enterprises, private enterprises, green development and scientific and technological innovation. The situation of strong supervision and strict supervision continued further, and a new pattern of financial supervision was accelerated. China guided banks to return to the initial intention of serving the real economy, pay more attention to capital constraints, optimize the asset structure and reshape business models. The Central Economic Work Conference blew the clarion call for building a strong financial country, determined the principles and strategies for high-quality financial development, and pointed out the direction for deepening financial supply-side reform and serving the real economy.

Industry trends changed. Influenced by many factors such as interest rate marketization, financial disintermediation, intensified competition in the same industry, and the policy of reducing comprehensive financing cost, the net interest margin of commercial banks has continued to decline and entered the "1 Era". The growth of non-interest income is weak, the operating income and profitability continue to slow down, and the lighter transformation and development of the banking industry is imminent. The risks of the real estate, local debts and small and medium-sized banks are interrelated, so the prevention and control of bank risks are facing challenges. The digital transformation brings new risks such as risks of models, data, network and technology to banks while improving the internal operational efficiency of banks and the customer service experience, and puts forward more and higher requirements for the management of bank risk compliance.

Under the new situation, China's banking industry has seized opportunities and dealt with challenges, the total assets and main businesses grew steadily, the overall risk resistance ability was strong, and the role as a "ballast stone" for maintaining financial stability was further strengthened. As of the end of 2023, the total assets of banking financial institutions were RMB417.3 trillion, representing an increase of 9.9% as compared with the end of last year, the non-performing loan ratio was 1.62% and the provision coverage ratio was 205.1%. The quality and efficiency of serving the real economy continued to improve. As of the end of 2023, the balance of RMB loans issued to the real economy was RMB235.48 trillion, representing a year-on-year increase of 10.4%. The growth rates of inclusive finance loans, technology-based small and medium-sized enterprise loans, medium and long-term manufacturing loans and green loans were all significantly higher than the average growth rate of various loans. The banking industry implemented national policies, reduced the comprehensive financing costs of enterprises, and lowered the lower limits of mortgage interest rates and the interest rates for existing first-time home loans. While serving the real economy, in order to effectively cope with internal and external challenges, the banking industry paid attention to the market kinetic energy and value creation, and attached importance to the improvement of internal management efficiency and risk control level. The Company quickly laid out the "five major articles" of science and technology finance, green finance, inclusive finance, pension finance and digital finance, deeply dug into industry trends, built corresponding systems and mechanisms, and improved the operating model, so as to ensure its own competitiveness. The Company continued to accelerate the digital transformation, deeply promoted the exploration of digital technology in front of frontier fields, and continuously improved the depth of digital asset value mining, and the digital currency had a wider range of usage scenarios. The Company further broadened the fields of digital transformation, from focusing on the digitalization of customers, products, channels and experiences to the comprehensive digital transformation including operation, finance and risk management. The Company implemented the regulatory policy requirements such as new capital regulations, new risk classification regulations and expected credit loss laws, adjusted and optimized the risk management policies and capital management strategies, paid close attention to the risks in key areas such as the real estate market, government financing platforms and credit cards, increased the disposal of non-performing assets, and improved the level of risk control.

II. Analysis of core competitiveness

The Company has always remembered its original mission and purpose. It firmly keeps in mind the expectations General Secretary Xi Jinping had for the Industrial Bank when he worked in Fujian. With a fundamental strategy of "strict governance, expertise management and technology enhancement", and development goals aimed at "outstanding service capabilities, distinct business and management features, and prominent market and brand image", the Company is working towards the vision of "First-class Bank, Everlasting CIB". Following the overall requirements of promoting high-quality development and creating a value-oriented bank, the Company continues to inherit and develop its good genes of being innovative and competitive. These efforts are directed towards becoming a mainstream banking group with clear strategic goals, distinct business features, exceptional professional abilities, leading technological innovation, and strong comprehensive strength, and continuously enhancing our core competitiveness.

(I) Clear strategic goals and effective measures

The Company insists on its "1234" strategy system, following the transformation direction of "light assets, light capital and high efficiency", focusing on "commercial bank + investment bank", continuously strengthening the intelligent core of "settlement, investment and transaction" bank types and striving to increase the value contribution of "key branches, key industries, key customers and key products". Meanwhile, the Company plans strategically with prevailing trends and acts accordingly, constantly enriching its strategic connotation. In 2021, the Company proposed to firmly establish and polish the "three business cards" of green bank, wealth bank and investment bank, accelerating the digital transformation. In 2022, the strategy of "consolidating the overall performance and laying out new tracks" was put forward, speeding up development in "five new tracks" of inclusive finance, science and technology innovation finance, energy finance, automobile finance and industrial zone finance, and swiftly constructing "Digital Industrial Bank". The "three business cards", "five new tracks", and "Digital Industrial Bank" align closely with the "five major areas" of technology finance, green finance, inclusive finance, pension finance and digital finance presented at the Central Financial Work Conference, reflecting the Company's forward-looking strategic capabilities. In terms of implementation, the Company continuously strengthens the implementation of its strategy. Through reforms in organizational structure and mechanisms, the Company invigorates organizational vitality, enhances professional capabilities, and improves response speed to better and more quickly meet customer needs. It persistently drives the reconstruction of the balance sheet and the transformation and upgrading of its business model, showing robust vitality and broad development prospects. Currently, the Company's strategic initiatives are steadily showing results, possessing a first-mover advantage in the specific areas under the "five major areas", and laying a solid foundation for the next phase of development.

(II) Unified and pragmatic management

The Company's management team highly identifies with the corporate culture and core values of the Company, possesses rich experience in financial management, and has outstanding abilities in situation analysis, strategic implementation, policy formulation and risk management. They maintain a high level of unity and a pragmatic and efficient style, working together towards the realization of the Company's strategic goals. Under the leadership of the management team, the enthusiasm, initiative, and creativity of all employees within the Group have been fully stimulated, significantly enhancing cohesion and solidarity. The team exhibits a strong willingness to assume responsibility and act effectively, ensuring that various strategies, decisions and measures are effectively implemented and yield tangible results, thereby laying a solid foundation for the Company's high-quality development.

(III) Distinct business features and comprehensive functions

The Company is committed to a business development path that is market-oriented, differentiated and integrated. It has created new products and services in various niche business areas to carve out its own blue oceans, thereby forming distinct business features. The Company steadfastly positions green finance as a core business of the Group and proactively elevates it to the ESG concept, taking the lead in promoting sustainable development to the strategic and governance levels of the enterprise, pioneering a model of undertaking social responsibility that "containing righteousness in profits（寓义于利）". It constructs and integrates a value chain that spans "investment bank - asset management - wealth management", advancing the deep synergy of a three-in-one approach. The Company continuously explores innovations in financial instruments such as bonds and asset securitization, leading the development in FICC, investment bank, asset management, and asset custody services. All subsidiaries are deeply integrated into the Group's strategic system, focusing on core businesses, specializing in their professional fields, complementing each other's functions and developing distinctively, thereby forming a modern, comprehensive financial service system that spans both domestic and international markets, merges online and offline services, and covers trust, financial leasing, funds, bank wealth management, consumer finance, futures, asset management, research consulting and digital finance.

(IV) Standardized, professional and efficient operational system

The Company continuously strengthens and perfects its corporate governance mechanism of "leadership of the Party Committee, strategic decision-making by the Board of Directors, implementation by the senior management, and supervision by the Board of Supervisors in accordance with the law", adheres to strict governance and compliant operations, constantly enhancing professional and meticulous risk management capabilities, and effectively empowers business development while firmly holding the bottom line on risks, forming a core competency to traverse new economic cycles. The Company conducts in-depth standardization of branch management, systematization of marketing systems and normalization of operations, as well as activities to improve the management centered around grassroots employees, basic system and basic management. These initiatives aim to "reduce the burden on grassroots operations and empower the grassroots level", continuously consolidating the Company's basic management and development foundation. Proactively embracing the digital era, the Company accelerates its digital transformation, reshaping organizational structures, business processes and business models, increases investment in technology resources, implements a plan for tens of thousands of tech-savvy talents, deepens the integration of technology, data and business, advances the "five enterprise framework projects" of marketing, wealth, investment banking, operation and risk control, and promotes the standardization of five aspects - processes, data, models, development and operations. As a result, the level of technology empowerment has been enhanced, moving "Digital Industrial Bank" into a new phase.

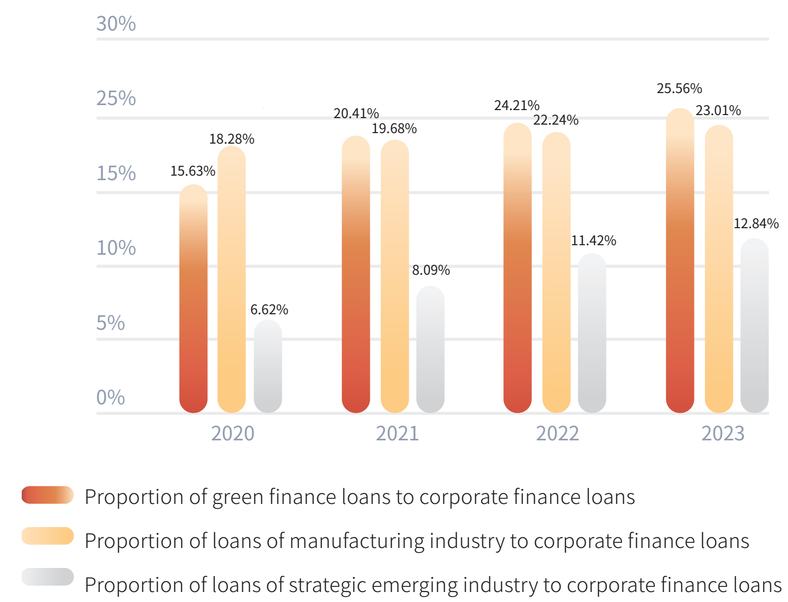
(V) Profound cultural heritage for steady and sustained development

The Company steadfastly upholds the mission of sincere service and growth together, pursues core values of rationality, innovation, human-orientation and shared benefits, promotes excellent traditional Chinese culture, and nurtures a financial culture with Chinese characteristics. Throughout its long-term development, the Company has formed a deep cultural heritage with its own characteristics. It inherits a professional culture of diligent responsibility, a combative culture of daring to strive and win, a pragmatic culture of cooperation and accountability and a collaborative and advancing culture of a shared home. The Company holds firm to a banking culture dedicated to robust development, legality, compliance, and customer-centricity, unifying these elements into a common set of values and behavioral guidelines for the entire Group. Relying on this profound cultural heritage, the Company operates steadily and enterprisingly, with all levels of the organization coordinating efforts, integrating the front, middle and back offices to collectively seize opportunities and address challenges. By balancing development with security, the Company ensures steady and sustained development, securing a foundation for everlasting prosperity.

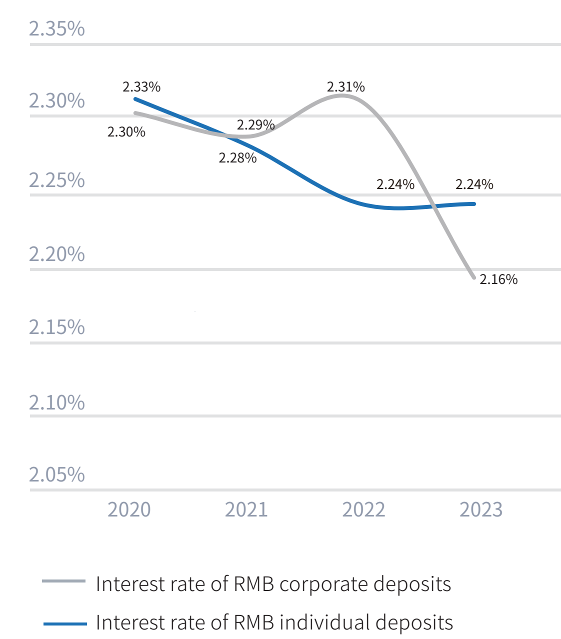
In the past three years, the Company actively responded to the changes in the internal and external environment, continuously deepened the strategic connotation and strengthened the implementation of strategies, promoted the transformation of business structure on the basis of stabilizing the main operations, and realized the coordinated development of scale, efficiency and quality. Firstly, the scale growth made steady progress. While increasing efforts to serve the real economy, the Company benefited more development dividends to the people, particularly the "three RMB 2 trillion" and "three RMB 1 trillion". The total assets, the total liabilities and the balance of finance product aggregate (FPA) increased by more than RMB2 trillion as compared with the end of 2020, reaching RMB10 trillion, RMB9 trillion and RMB8.6 trillion respectively. The loan scale, the deposit scale and the Group's retail AUM scale (including the market value of three-party depository) increased by more than RMB1 trillion as compared with the end of 2020, reaching RMB5.46 trillion, RMB5.14 trillion and RMB4.79 trillion respectively. At the same time, the number of corporate finance customers and the number of retail customers increased by 51% and 27% respectively as compared with the end of 2020. Secondly, the asset structure showed a steady improvement. The Company actively adjusted the customer structure, the business structure and the asset structure, and increased the support for the key fields and weak links of the real economy. The proportion of various loans to the total assets was 53.76%, representing an increase of 3.52 percentage points as compared with 2020. In the basic market, the proportions of the green financial loans, the manufacturing loans, the medium and long-term manufacturing loans and the strategic emerging industries loans to the corporate finance loans increased by 9.93 percentage points, 4.73 percentage points, 6.74 percentage points and 6.22 percentage points to 25.56%, 23.01%, 12.04% and 12.84% respectively, while the proportion of the real estate loans to the corporate finance loans dropped to 13.82%, and the asset scale of local government financing platforms dropped by more than 50%. In the new tracks, the loans of the "five new tracks" of science and technology finance, inclusive finance, energy finance, auto finance and park finance have increased by 92.3%, 67.68%, 54.81%, 56.16% and 63.65% in recent two years (as compared with the end of 2021), significantly higher than the growth rate of overall loans. The proportion of the non-mortgage loans to the retail loans increased by 6.98 percentage points to 45.56% as compared with the end of 2020. Thirdly, the debt structure was steadily excellent. The Company continued to promote the "Network Weaving Project" by taking treasury management, supply chain finance, scene ecological platform, agency and receipt business as the starting point, increased the scale of settlement funds and the proportion of retail deposits, orderly reduced high-cost deposits, and lowered the published interest rate of deposits. The interest payment rate of RMB deposits decreased by 13 BP as compared with 2020. Fourthly, the operating efficiency was stable with improvements. The Company made every effort to "increase revenue and reduce expenditure" and stabilized revenue performance. The Company effectively stabilized the interest margin by optimizing the asset-liability structure, and kept the net interest income stable by making up the price by quantity. The Company played the strengths in the financial market and increased the investment income. The proportion of other non-interest income to the revenue increased by 6.56 percentage points as compared with 2020 to 17.35%. Although the net income of handling fees and commissions fluctuated due to the one-time income confirmation of old wealth management products, the Company actively expanded the light capital businesses such as wealth management, wealth agency sales, and investment banking consulting. Fifthly, the asset quality was steadily consolidated. The Company effectively resolved the risks of real estate enterprises and the risks of local government financing platforms, and vigorously reversed the risk exposure trend of the credit card business. The non-performing loan ratio decreased from 1.25% at the end of 2020 to 1.07%, and the provision coverage ratio increased from 218.83% at the end of 2020 to 245.21%. The asset quality and the risk offset ability improved steadily. Sixthly, the advantages and strengths were steadily enhanced. The green financial business, the asset management business and the investment banking business continued to maintain the first echelon in the market. The financing balance of green finance increased from RMB1.16 trillion at the end of 2020 to RMB1.89 trillion, representing an increase of 63.78% and a compound annual growth rate of 17.87%, among which, the proportion of assets in carbon reduction increased by 14.29 percentage points to 56.26%. The scale of wealth management increased from RMB1.48 trillion to RMB2.26 trillion, representing an increase of 53.43% and a compound annual growth rate of 15.34%, and the market ranking increased by three places. The scale of FPA of large investment banking increased from RMB3.2 trillion at the end of 2020 to RMB4.3 trillion, representing an increase of 33.54% and a compound annual growth rate of 10.12%. Seventh, digital empowerment is remarkable. The proportion of the investment in science and technology to the revenue increased by 1.59 percentage points to 3.98% as compared with 2020, and the proportion of scientific and technological talents increased by 9.09 percentage points to 13.91% as compared with the end of 2020. Since the Company upgraded the mobile banking and the "five online platforms" in 2022, the number of monthly active users (MAU) of mobile banking has increased by 44.11% to 22.5262 million; the financing balance of the CIB Inclusive Online Platform increased by 646.44% to RMB69.195 billion in the past two years; the number of the customers of the "Industrial Steward" increased by 43.56% to 1.1923 million in recent two years, and the average monthly MAU of the "Industrial Living" and the "Qianda Money Manager" increased by 43.54% and 220.09% respectively in recent two years. The scale of the institutional investment in the Bank-to-Bank Platform increased by 619.71% in the past two years. A number of digital basic work, such as "five enterprise framework projects", "five standardizations" and enterprise-level data dictionary, have been further implemented, and the "four beams and eight pillars" of the Company's digital transformation have basically taken shape.

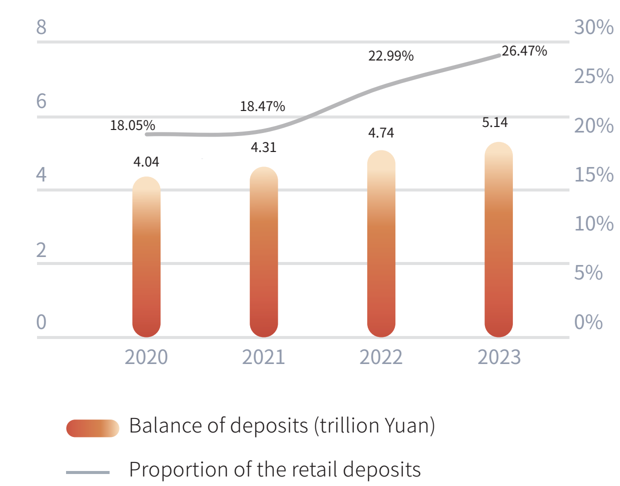
Key business data in the last there years

1. Continuous optimization of assets structure: the proportion of loans and proportion of key areas increased



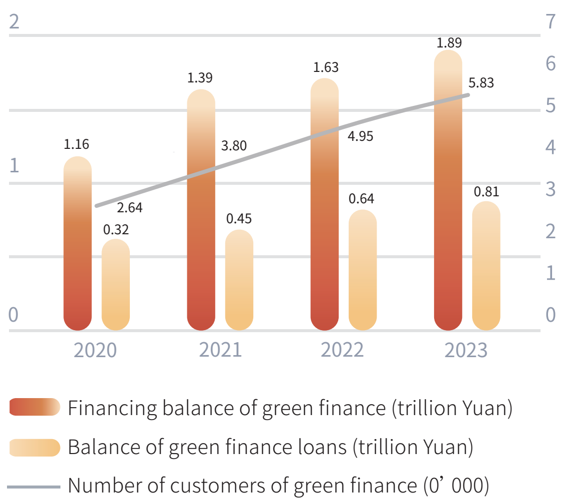
2. Continuous improvements of liability structure: the proportion of retail loans increased and interest rate of RMB deposits declines

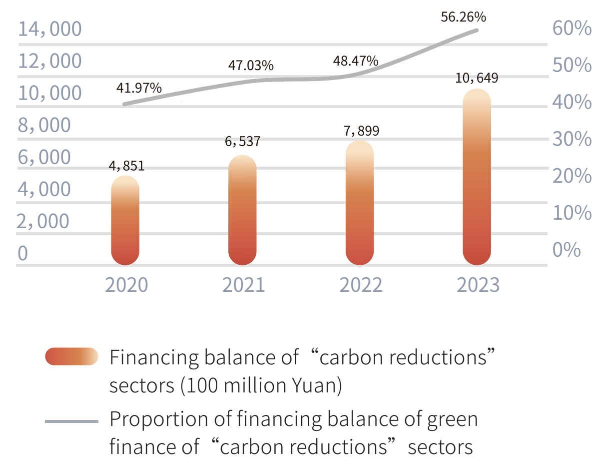




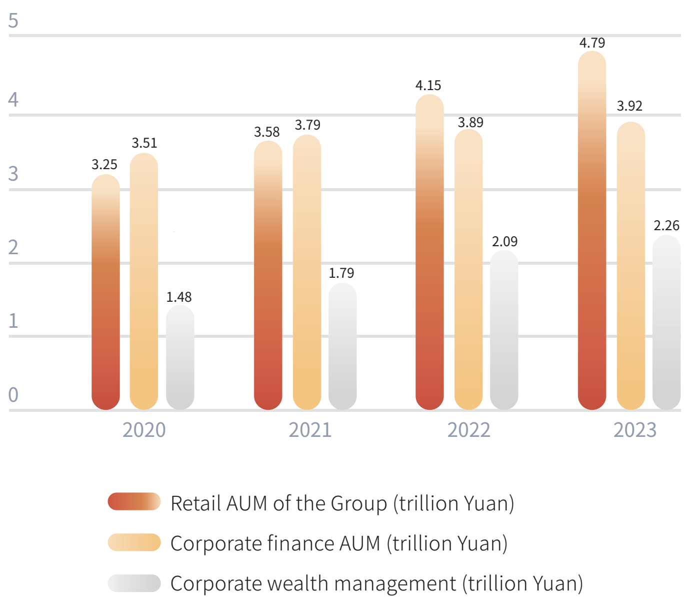
3. Three business cards

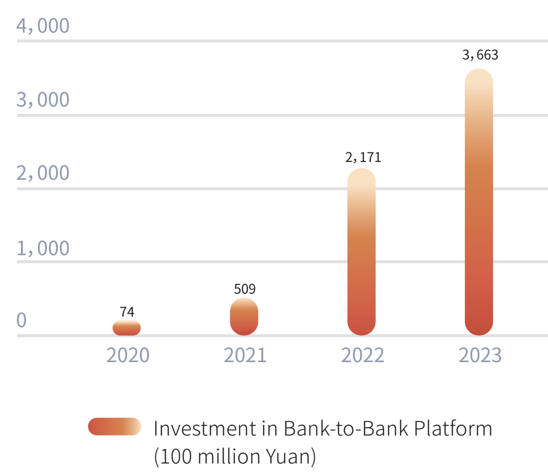
(1) Maintain the competitive edge of green bank



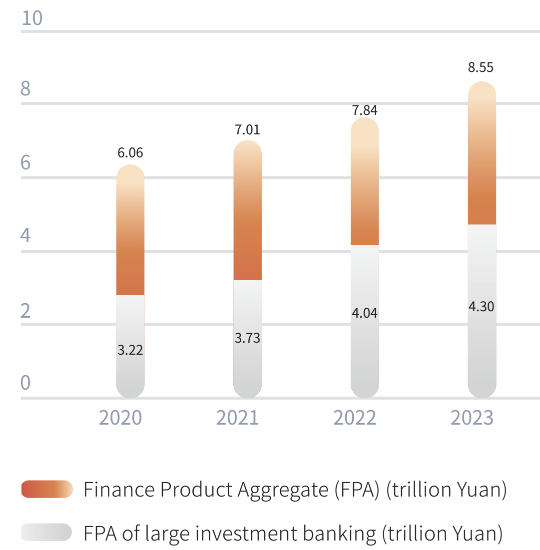


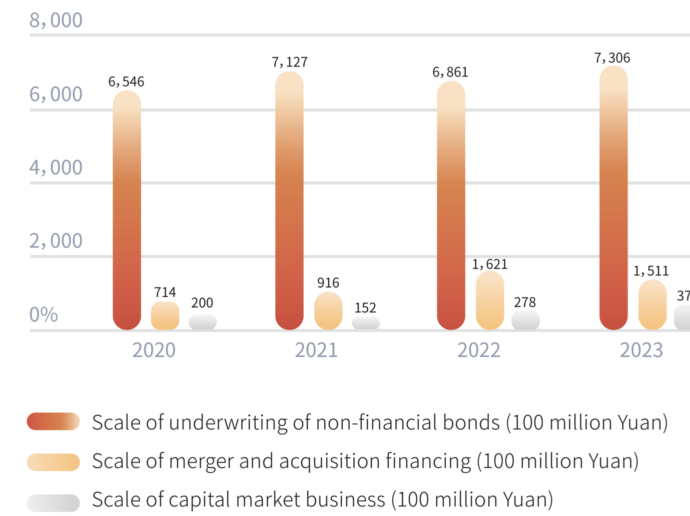
(2) Preserve the characteristics of wealth management bank: retail, corporate finance and inter-bank wealth kept the same pace





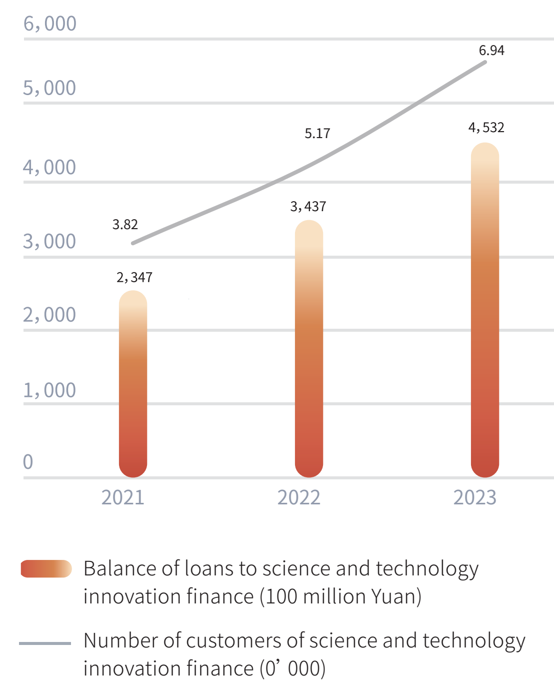
(3) Maintain its leading role of investment banks: the underwriting of non-financial bonds, merger and acquisition financing and capital market business grew steadily.



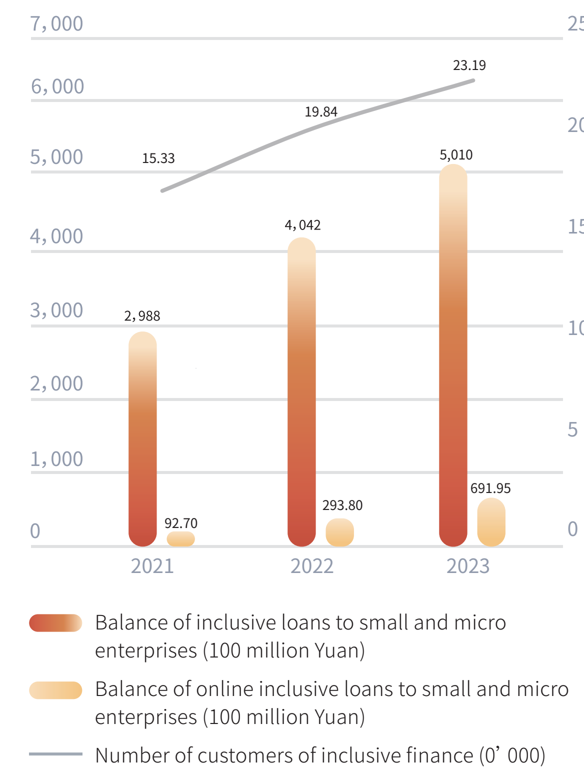


4. Five new tracks

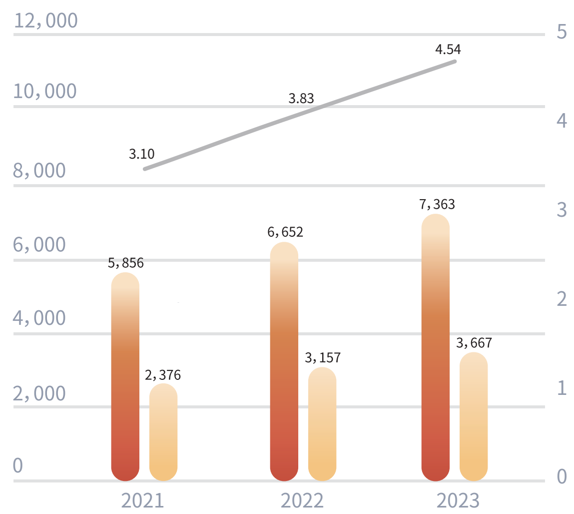
(1) Science and technology innovation finance



(2) Inclusive finance



(3) Energy finance

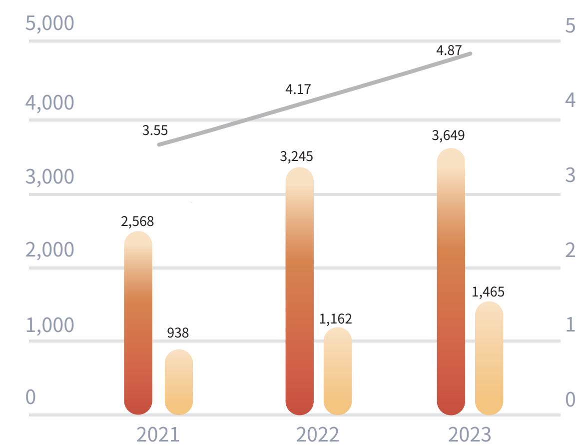


Financing balance of energy finance (100 million Yuan)

Loan balance of energy finance (100 million Yuan)

Number of customers of energy finance (0' 000)

(4) Automobile finance

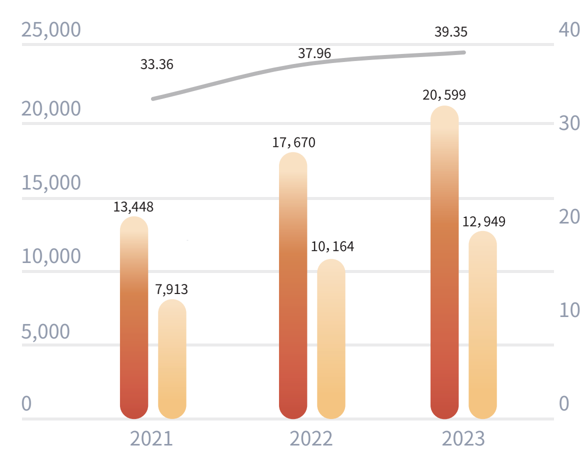


Financing balance of corporate automobile finance(100 million Yuan)

Loan balance of corporate automobile finance(100 million Yuan)

Number of customers of corporate automobile finance (0' 000)

(5) Industrial zone finance

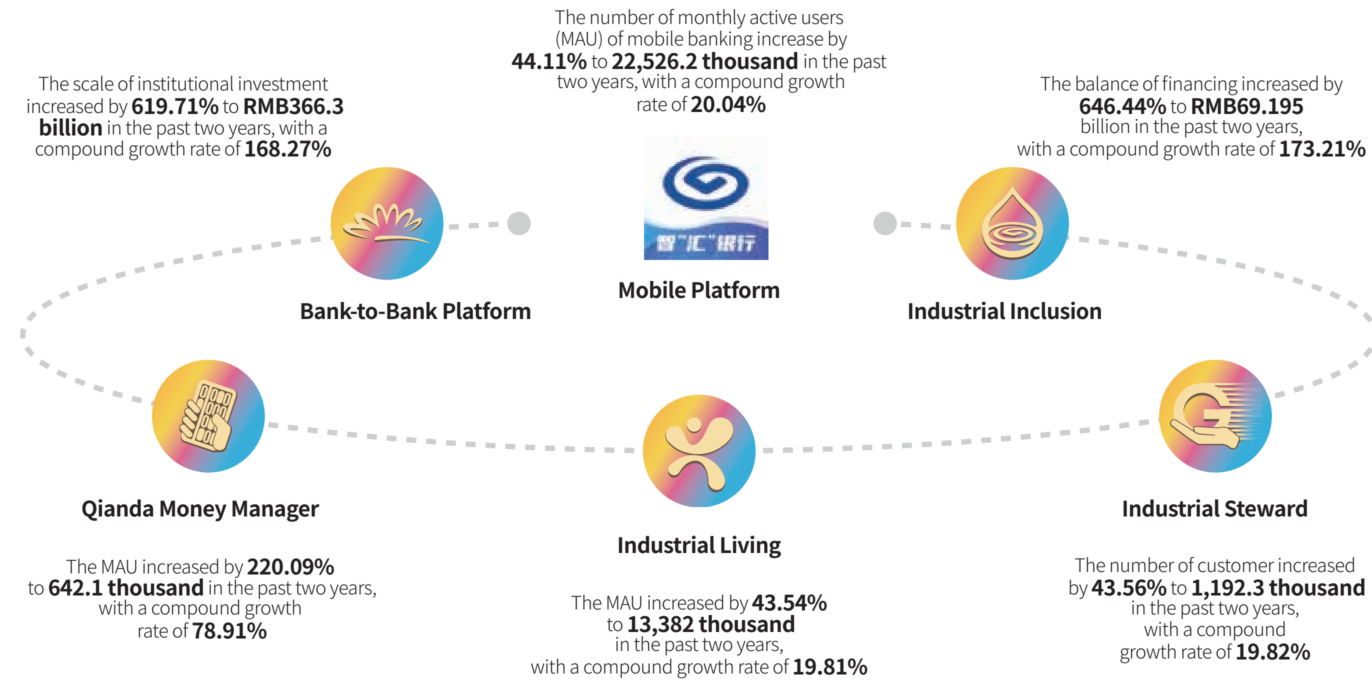


Financing balance of industrial zone finance (100 million Yuan)

Loan balance of industrial zone finance (100 million Yuan)

Number of customers of industrial zone finance (0' 000)

5. Digital transformation



III. Strategy implementation

During the reporting period, the Company deeply grasped the new requirements of the CPC Central Committee and the State Council for financial work, based on the transformation direction of the real economy, and gave full play to its own resource endowment to help the economic growth model to accelerate the transformation to the new triangle cycle of "Technology-Industry-Finance". Firstly, anchor the direction of economic transformation. The asset-liability structure of a commercial bank needs to dynamically match the needs of economic and social development. The kinetic energy of economic development is often the layout direction of high-quality customers and assets of commercial banks, and it is also the key area to improve the product system and professional ability of banks. The Company foresightedly planned and put forward "three business cards", "digital development" and "five new tracks", which are highly consistent with the "five major articles" put forward by the Central Economic Work Conference, providing a starting point and direction for the Company to develop with high quality and build a value bank. Secondly, organically combine "three business cards", "digital development" and "five new tracks". The Company gave full play to the professional abilities of "three business cards" of green bank, wealth bank and investment bank, constantly innovated and optimized the product system by relying on the support of digital transformation, increased the services to customers in the "five new tracks" of science and technology finance, inclusive finance, energy finance, automobile finance and park finance, and organically combined with the "five major articles" and promoted as a whole, serving high-quality customers with products, and promoting the optimization and adjustment of the bank customer structure, the asset structure and the liability structure with high-quality customers, so as to realize the Company's own high-quality development while creating benefits for customers and society. Thirdly, strengthen "research, risk, technology and collaboration" to empower business development. In view of the characteristics of the customers of the "five new tracks", the Company selected the industry segmentation tracks and target customers through research and analysis, identified risks, formulated strategies and enhanced customer service capabilities; the Company innovatively improved the pertinence and foresight of risk policies through the risk control modes of "technology flow", "chain leader working mechanism"（链长制） and "one city, one policy", so as to promote business development; the Company empowered the digital transformation of the Bank with technology, upgraded the online platform, optimized the internal processes, improved the risk control model, and improved the service efficiency and service experience, so as to make data run more and customer run less; the Company further promoted the implementation of the version 2.0 of the strategy of "commercial bank + investment bank" by creating four synergy mechanisms of "investment-underwriting, investment-loan, investment-private, and investment-research", and opened up the whole investment and financing chain of "enterprise financing demand-investment bank-asset management-wealth management-resident investment demand" to efficiently connect customer financing demand with investment demand. Fourthly, strengthen the construction of talent team. Focusing on the implementation of the strategy, the Company promoted employees' understanding of the strategy, enhanced the implementation capability and professional ability of the strategy and supported the strategy to be implemented better through measures such as exchange and appointment of cadres, competition selection and targeted training.

(I) The operating results conformed to the expectation

1. The business scale achieved a breakthrough

At the end of the reporting period, the total assets exceeded RMB10 trillion for the first time, representing an increase of 9.62% as compared with the end of last year to RMB10.16 trillion. Both the deposits and the loans exceeded RMB5 trillion. The loan balance increased by 9.59% to RMB5.46 trillion as compared with the end of last year, and the deposit balance increased by 8.45% to RMB5.14 trillion as compared with the end of last year. The increment of deposits and the increment of loans were in the forefront of joint-stock commercial banks.

2. Business performance remained resilient

During the reporting period, the Company made every effort to "increase revenue and reduce expenditure". The revenue remained stable as a whole, achieving an operating income of RMB210.831 billion, representing a year-on-year decrease of 5.19% mainly due to the increase in the base of one-time income confirmation of old wealth management products in 2022. If this factor is deducted, according to the comparable caliber, the Company's operating income is basically the same on a year-on-year basis. The net interest income achieved a positive growth, reaching RMB146.503 billion, representing a year-on-year increase of 0.85%. Other non-interest income grew steadily, reaching RMB36.573 billion, representing a year-on-year increase of 14.08%. The handling fee income showed a structural highlight. The income from the wealth agency business, the income from the investment bank consulting and the income from the new wealth management products increased by 12.59%, 7.94% and 1.86% respectively. The administrative expenses were reduced. The business management expenses decreased by 3.45% on a year-on-year basis.

3. The asset quality continued to be consolidated.

At the end of the reporting period, the main risk indicators improved steadily, and the non-performing loan ratio was 1.07%, representing a decrease of 0.02 percentage points as compared with the end of last year; the overdue loan ratio was1.36%, representing a decrease of 0.31 percentage points as compared with the end of last year. The asset quality was further improved. The ratios of the loans overdue for more than 90 days and the loans overdue for more than 60 days to the non-performing loans were 68.30% and 77.33%, respectively, which were at the best level in the past three years. The Company carried out stricter cross-default determination of personal loans, and downgraded the risk classification of some personal loans that have not been overdue to the category of concern, so as to promote the forward-looking disposal of retail risks by operating institutions. The ability of offset ability was improved. The provision coverage ratio was 245.21%, and the loan-to-appropriation ratio was 2.63%, representing an increase of 8.77 percentage points and an increase of 0.04 percentage points respectively as compare with the end of last year. The collection performance was excellent. During the reporting period, the Company realized RMB14.222 billion in deposit and collection of accounts and sales cases, representing a year-on-year increase of 27% and a record high in recent years.

4. The external evaluation continued to improve.

The Company ranked among the top 20 of the "Top 1000 Global Banks" published by The Banker, was selected in the Fortune Global 500, and won the "China Banks of the Year 2023" award by The Banker. In the latest published ESG rating of MSCI, the Company was upgraded from A level to AA level, and the Company was the only bank in China that received the highest rating for five consecutive years.

(II) The assets and liabilities were steadily optimized

1. The pace of asset transformation was accelerated

Based on the operating strategy of "consolidating the basic market and laying out the new tracks", the Company increased the support for the real economy, and continued to strengthen the development of "research, risk, technology and collaboration" empowerment business, improved the professional level of services, responded to customer needs efficiently, and realized the quality improvement, stable prices and excellent structure of credit assets. The quantity and price of corporate loans were excellent. The corporate loans (excluding bills) increased by RMB533.401 billion as compared with the end of last year, and the average interest rate of newly released loans was 4.30%, which was the best level of joint-stock commercial banks in both increment and price. The asset layout was more in line with the transformation direction of the real economy. In the basic market, loans in the new real estate fields such as housing leasing, urban renewal and industrial parks increased by 84.65% as compared with the end of last year, the green loans of the PBOC increased by 26.99% as compared with the end of last year, and the manufacturing loans increased by 24.43% as compared with the end of last year. In the new tracks, the loans in the fields of science and technology, inclusive, energy, automobiles and parks also achieved double-digit growth as compared with the end of last year, which were 31.88%, 23.95%, 16.16%, 26.14% and 27.40% respectively. Retail loans developed steadily. The Company continued to promote the construction of ecological scenarios and the public-private linkage. The personal operation loans and the personal consumption loans increased by 16.22% and 20.57% respectively as compared with the end of last year, and the amount of released mortgage loans increased by 30% on a year-on-year basis. The performance of investment business was stable. The Company flexibly formulated business strategies in combination with the trend of market interest rates, increased investments in government bonds, local bonds and corporate bonds, strongly support the financing for issuance of bonds, reserved high-quality liquid assets, seized market trading opportunities and effectively increased investment income.

2. Continuous optimization of assets structure

The Company insisted on taking control of the cost of debts as a key lever to stabilize the interest margin. Low-cost liabilities grew steadily. The Company promoted the "Network Weaving Project", and took the treasury management, supply chain finance and scene ecological platform as the starting points. The average daily balance of low-cost deposits of corporate finance increased by 12.92% on a year-on-year basis, and the settlement deposits of retail agency and receipt business increased by 12.6% as compared with the end of last year. The Company fully grasped the favorable opportunity of relatively loose market liquidity to issue RMB50 billion of green financial bonds and RMB25 billion of micro-financial bonds at lower interest rates. High-cost liabilities reduced in an orderly manner. The Company increased efforts to replace high-cost agreement deposits and social security deposits with low-cost deposits, and lowered the published interest rate of deposits in an orderly manner. The cost of liabilities continued to decline. The interest payment rates of RMB deposits, interbank deposits and bond issuance decreased by 11 BP, 1 BP and 10 BP on a year-on-year basis, and the gap between the interest payment rates of local and foreign currency deposits and the median of banks narrowed from 15 BP in 2022 to 4 BP. The decline of interest margin was effectively narrowed. The Company effectively supported the release of credit assets and hedged the impact of the narrowing of interest margin through the growth of liabilities and the optimization of costs. The Company's net interest margin decreased by 17 BP on a year-on-year basis, and the decline was 2 BP narrower than that of the previous year.

3. The development of customers increased both in quantity and quality

The Company enhanced the customer service ability by improving the level of specialization, response speed and digital operation, and the quantity and quality of customers have been continuously improved. The quantity of corporate financial customers exceeded 1.40 million, representing an increase of 13.27% as compared with the end of last year to 1.4014 million, among which, the quantity of effective and above customers increased by 10.80% to 566.6 thousand. The quantity of retail financial customers exceeded 100 million, representing an increase of 10.38% as compared with the end of last year to 101 million. Among them, the quantity of VIP customers increased by 9.09% as compared with the end of last year to 4.4216 million, and the quantity of private bank customers increased by 9.76% as compared with the end of last year to 69.2 thousand. The quantity of bank cooperation customers exceeded 3,300. The coverage rate of main types of bank customers exceeded 97%, and the quantity of value customers rose to 1,973. The Company focused on the "three-rate increase" in customer coverage rate, product utilization rate and revenue growth rate and the "four main handling" of main settlement, main custody, main transaction and main investment bank to deepen customer stickiness.

(III) Risk management and control were effectively consolidated

1. Real estate risks were effectively resolved

The Company adhered to the "three-classification" risk resolution strategy and the working mechanism of the agile group for real estate risk prevention and control, concentrated the professional strength of the whole Group to go deep into the branches to formulate a risk revolution plan for each project, and promoted the development and sales of projects by introducing the agent construction parties and the project management parties and issuing special loan supporting financing for "guaranteeing the delivery of buildings" to revitalize the value of projects. The overall resolution measures were effective. The new non-performing loans of the public real estate business decreased by 54% on a year-on-year basis. The risk of existing assets was stable. The balance of the Company's domestic self-operated loans, bonds, non-standard businesses and other businesses invested in the real estate sector was RMB1,766.061 billion, with a non-performing asset ratio of 1.53%, representing an increase of 0.06 percentage points as compared with the end of last year, and the asset quality was basically stable. The value of the collateral of personal housing mortgage loan business was sufficient. The balance was RMB1,075.915 billion, and the mortgage rate (LTV value) of housing mortgage loan was 43.63%. The risk of corporate real estate financing business was controllable. The balance was RMB690.146 billion, of which RMB626.013 billion had corresponding real estate projects and collateral, the balance of projects in first-tier cities such as Beijing, Shanghai, Guangzhou and Shenzhen, provincial capital cities and cities with GDP of over RMB one trillion and developed economy and stable real estate market accounted for over 80%, and the rest projects were also concentrated in the main urban areas of economically developed cities such as Pearl River Delta and Yangtze River Delta, with good development prospects and sufficient collateral. The remaining real estate enterprise bonds were RMB7.836 billion, and the housing mortgage securitization products were RMB56.297 billion, and the overall risk was controllable. The scale of off-balance-sheet business involving no credit risk was very small. The Company's domestic non-guaranteed wealth management, agency sales, bond underwriting and other businesses that do not bear credit risks have invested a total of RMB108.775 billion in the real estate sector. The underlying financiers of wealth management products were mainly the Company's credit customers, all of which were listed in the white list of real estate enterprises engaged in the Company's self-operated business, and the underlying financiers of wealth management products were mainly state-owned real estate enterprises with higher qualifications. The loans having real estate as collateral had a high margin of safety. In view of the fluctuation of house prices in some areas, the Company carried out several rounds of comprehensive revaluation screening and stress testing of the value of collateral. Generally, the risks caused by the current decline in real estate to the Company's creditor's rights protection are basically controllable. As of the end of the reporting period, the average mortgage rate of loans with real estate as collateral was 43.41%. Among them, the real estate mortgage rate (LTV value) of corporate finance business was 41.76%, and the real estate mortgage rate (LTV value) of retail business was 43.97%.

2. The risk of the financing platform gradually converged

The Company implemented the relevant policy requirements on local government debt risk management and control, seized the opportunity of centralized debt policies, actively strove for special refinancing bonds to replace resources, promoted the prevention and resolution of stock business risks, and effectively curbed the risk exposure trend in key areas. Risk exposure has converged. The new non-performing debts of local government financing platforms decreased by 55% as compared with the last year. The stock risk tended to be stable. The debt balance of local government financing platforms was RMB161.591 billion (including real and contingent credits, bond investment, self-operated and wealth management fund investments), representing a decrease of RMB59.287 billion as compared with the end of last year. The balance of non-performing assets was RMB4.072 billion, representing an increase of RMB1.349 billion as compared with the end of last year, and the ratio of non-performing assets was 2.52%, representing an increase of 1.29 percentage points as compared with the end of last year. The regional distribution was reasonable. The debts of the Company's local government financing platforms were mainly distributed in the eastern and central provinces with good economic development and strong financial strength, such as Jiangsu, Hubei, Zhejiang, Hunan, Sichuan, Fujian, and Shandong. The non-performing assets were concentrated in the western provinces with a large debt burden, and the overall risk was controllable. Financing corresponded to projects. Most of businesses of the Company's local government financing platforms corresponded to projects, and most of the projects have been completed or the construction progress was normal, which has formed the actual workload and has the conditions of local governments' payment responsibility under the projects, which provides a reliable guarantee for the Company to strive for debt resolution resources from local governments and promote the pressure drop of business balance and risk resolution.

3. The risks of credit cards dropped at a high level

Following the general goal of "controlling the non-performing, building a system, and making rapid transformation", the Company has made continuous efforts in customer access, stock risk management and control, collection of non-performing assets, digital risk control capacity building, and strengthening the linkage between the head office and branches, and strove to reverse the risk exposure trend of credit cards. Risk indicators fell at a high level. The balance of credit card loans was RMB401.633 billion, and the non-performing loan ratio was 3.93%, representing a decrease of 0.08 percentage points as compared with the end of last year. The overdue rate was 6.75%, representing a decrease of 0.59 percentage points as compared with the end of last year. The quality of new customers obtaining cards has improved. The Company continued to improve the customer structure by relying on the Group to improve the ability of obtaining customers through two-card linkage and public-private linkage, and relying on the scene to increase the acquisition of young highly educated customers and high-quality industry retail customers. The risk management of existing customers has achieved initial results. The Company has improved the interim-loan management system, dynamically monitored the changes of customer risks by relying on the big data and labeling tools, and timely identified and cleared high-risk customers. The collection efficiency of non-performing assets was continuously improved. The Company has established a "trinity" collection system of outsourcing agency collection, judicial collection and independent collection by branches, so as to improve the collection efficiency and reduce non-performing assets. The digital risk control capability was constantly enhanced. The Company accelerated the iterative upgrade of risk quantification model, improved the accuracy and adaptability of risk control model, and improved the digital risk control tools, so as to provide more effective support for the risk management and control in all links. The coordination and linkage between the head office and branches were closer. The Company gave full play to the professional ability of the head office and the territorial advantages of branches, and firmly built a risk prevention and control barrier through the advance of risk barriers and the early intervention by branches in the early collection stage.

4. The new tracks had strong risk management and control.

The Company continued to strengthen research and technology empowerment risk management to promote the high-quality development of businesses. Formulate differentiated credit grant policies based on "one city, one policy". The Company supported operating institutions to accelerate the transformation and development around emerging industries and industries with regional characteristics. The Company built a trinity research empowerment mechanism of "research + business + risk" to promote the guidance and integration of risk management to business development and improve the pertinence and foresight of risk policies. Promote the digital transformation of risk control. The Company accelerated the iteration of upgrading the evaluation system of "technical flow", improved the professional management ability of the new tracks, established professional business teams and risk teams around the new track business, and established a "chain leader working mechanism" (链长制) with grassroots professionals as leaders, promoting the coordinated expansion of the whole chain businesses of new tracks and ensuring the integration of risks and businesses.

(IV) The "three business cards" shone brightly

1. Green bank has a bright background

The Company actively explored the green sustainable development model, gave full play to the Group's comprehensive operating advantages, integrated green into the development of all walks of life, and built the bank's green balance sheet step by step while supporting the green transformation and upgrading of traditional industries and the development of green emerging industries, so as to achieve the balance of customer benefits, bank benefits and social benefits.

The quality and efficiency of customer services have been continuously improved. The Company conformed to the development trend of green and low-carbon economic structure and supported customers' green transformation and development as a whole. As of the end of the reporting period, the quantity of the green financial customers of the Company increased by 17.83% as compared with the end of last year to 58.3 thousand, among which the quantity of dark green customers (whose main business scope conforms to the Green Industry Guidance Catalogue) increased by 16.85% as compared with the end of last year to 53.9 thousand, driving the deposit scale to exceed RMB200 billion, with 3.4 products per household, which was higher than the average level of corporate finance customers, and the comprehensive benefits of green financial customers were constantly improving. The Company explored digital operation, developed and launched a "dual carbon management platform", and created "carbon accounts" for more than 1,700 corporate customers. Based on the corporate carbon accounts, the Company launched the carbon emission reduction linked business and the carbon asset pledge business, and opened 160 thousand personal carbon accounts.

The green balance sheet was steadily built. The Company promoted the Group's green development, built a bank green balance sheet step by step, and focused on the key fields of "carbon reduction, pollution reduction, green expansion and growth". At the end of the reporting period, the Company provided customers with a balance of green financing of RMB1.89 trillion, representing an increase of 16.14% as compared with the end of last year, and 11 branches with a balance of green financing exceeding RMB50 billion. The balance of green financing in the field of "carbon reduction" increased by 34.81% as compared with the end of last year to RMB1.06 trillion. The balance of green financing in the field of "pollution reduction" increased by 9.68% as compared with the end of last year to RMB419.504 billion. The balance of the green loans of the PBOC was RMB809.019 billion, and the scale continued to be in the forefront of joint-stock commercial banks, representing an increase of 26.99% as compared with the end of last year and an increase of RMB171.947 billion, accounting for 36% of the new loans in the current period. The interest collection rate of existing loans was basically the same as that of corporate loans, and the non-performing loan ratio was 0.41%. The Company has obtained a total of RMB37.4 billion of low-cost funds of carbon emission reduction support tools from the PBOC, and fully enjoyed the policy dividend. According to statistics, the green projects supported by the green loans of the PBOC can save 9.52 million tons of standard coal, reduce 22.92 million tons of carbon dioxide and save 10.55 million tons of water annually, improving the quality and efficiency in serving social development. In addition to the on-balance sheet business, the Company's green wealth management, green bonds, green leasing, green trust, green funds and other businesses have also developed rapidly, effectively enhancing the scale of the Company's on-balance sheet and off-balance sheet asset management and driving the income of light capital business. The Company's sustainable development model of "comprehensive profit creation" driven by "green bridging" is gradually being verified.

Professional service capacity has been continuously enhanced. The Company actively participated in the construction of the national carbon market, continuously improved carbon financial services, and established and improved the product system for reducing carbon and pollution. The Company strengthened the professional intelligence service of the Institute of Carbon Finance of the Industrial Bank, and actively participated in the formulation of green finance policy standards and the research of a number of green finance frontier topics. The Company incorporated ESG into its development strategy and operating strategy, established an ESG and a climate risk management system, effectively promoted the whole risk management process of investment and financing business embedded with ESG and climate risk factors, and regularly reported to the senior management and the board of directors. The Company turned its leading edge into differentiated service capability, helped customers build ESG management systems, strengthened information disclosure, improved the ESG performance, and promoted customers and the Bank to achieve sustainable development together. The Company promoted the "Ten Thousand Talents Plan" of green finance in an orderly manner, and consolidated and improved the professional ability of green finance. As of the end of the reporting period, the Company had 7,151 green financial talents, representing an increase of 197.22% as compared with the end of last year.

Case 1

Realize "comprehensive benefits" by "green bridging" and "technology empowerment"

In 2022, a forest industry group hoped to revitalize a large number of non-standard forest carbon sinks it owns. At the same time, the group needed to complete the migration of the medical and social insurances of 500 thousand employees and residents under its jurisdiction according to regulatory requirements, which involved the changes of eight types of financial special accounts, such as pension, work injury and unemployment. The accounts had a large amount of transaction data, the time was tight, and the tasks were heavy, which required the service support of external institutions.

In recent years, Industrial Bank, based on its strategies and natural endowment, has promoted the reform of its system and mechanisms, continuously polished its business card of "green bank", provided various innovative carbon financial services to customers, accelerated the digital transformation, promoted the 10,000 scientific and technological talents plan, continuously empowered the branches to expand customers and businesses, and effectively enhanced the professional ability and response speed in serving customers. After capturing the customer' need, Industrial Bank Harbin Branch quickly established a special business class, and the Head Office and the branch cooperated to formulate a financial service plan and a business implementation strategy according to the customer's need. After successfully implementing the first standardized carbon neutral and forestry carbon sink transaction for the group in China, Industrial Bank won the trust of the group, and won the bid to become the only cooperative bank for the medical and social insurance business of the group by virtue of the brand image of green bank, the advantages of digital financial services, the professional innovation ability and the efficient response speed. After winning the bid, Industrial Bank actively coordinated all units, and with the support of the Provincial Department of Finance, the Provincial Medical Insurance Bureau, the Provincial Department of Human Resources and Social Security and the Forest Housing Provident Fund Management Center, assisted the customer to obtain the approvals from relevant authorities within 6 days. Industrial Bank gave full play to the digital ability to complete the development of 13 business interfaces of the "business-finance-bank" system of medical insurance within one month, and innovated the payment business model to successfully solve the payment problem of the funds of medical and social insurances during the reform period.

From winning the bid to completing the system, Industrial Bank successfully completed the connection and transformation of the medical and social insurance payment system for 500 thousand forest employees and residents in less than 100 days, and met the normal demand for the funds of medical and social insurances during the reform period, solved the urgent need of the group, enhanced the sense of acquisition and happiness of the insured persons, effectively helped the reform and innovation of the local forest medical and social insurances, promoted the orderly connection of multi-level medical security, and established and improved the social security safety supervision system. With this project, the professional ability and response efficiency of Industrial Bank have been unanimously recognized by the enterprise, the insured persons, the local government and competent authorities, well demonstrating the mainstream bank image of Industrial Bank actively integrating itself into the people's livelihood financial services and practicing social responsibilities. In the process of creating value for customers, governments and the society, Industrial Bank has also deposited low-cost settlement funds, improved its debt structure and realized its own sustainable development. As of the end of 2023, the custody scale of the above group's forest medical and social insurance funds in Industrial Bank exceeded RMB3.5 billion, and the average daily deposit of enterprise funds was RMB1.893 billion, with an annual settlement of RMB26.437 billion.

Taking this as an opportunity, Industrial Bank continued to give full play to the advantages of financial license and green bank, and carried out multi-level business expansion and cooperation. Firstly, go deep into the above group and its subordinate enterprises. Industrial Bank carried out all-round cooperation with such group and its subordinate enterprises in terms of assets, carbon finance, fund depository, payment and settlement. Industrial Bank continued to give full play to the advantages of green bank to revitalize the forestry assets for such group. Secondly, drive the retail business in batches. By introducing the information of 500 thousand insured customers, Industrial Bank locked in high-quality retail customers in the form of white list access, and tailored an online financing service plan for consumer loans, so as to drive retail customers and the scale of consumer loans to increase rapidly in batches. Thirdly, leverage high-quality medical institutions. By strengthening the payment management of medical insurance funds, Industrial Bank cooperated with "designated medical insurance institutions" to carry out direct payment of medical insurance funds, and leveraged the business of a number of high-quality medical institutions while improving the retention period of medical insurance funds.

Case 2

Give full play to the advantages of green bank to serve the grouping and national development of an enterprise from a point to an area perspective

In 2023, a leading enterprise in the photovoltaic power plant industry accelerated the expansion of industrial and commercial distributed photovoltaic power plant projects, but it involved more than 160 project companies all over the country, showing the characteristics of a large number, geographical dispersion and low monomer value. In the process of loans, it needed to take a lot of time to connect with local branches and sub-branches, resulting in problems such as high communication costs for handling the enterprise's business, many operational links, long distance and poor timeliness.

In order to solve the difficulty in the national layout of the enterprise, Industrial Bank continued to strengthen the cooperation between the Head Office and branches and the cooperation between eastern branches and western branches to serve the nationalization of the enterprise. After capturing the customer's need, Industrial Bank Wenzhou Branch created a green financing service model of "handling the national photovoltaic business in one place" for the customer, which can provide financing services for industrial and commercial distributed photovoltaic power station projects of the enterprise in all places only at the location of the enterprise headquarters, with a total loan of RMB302 million released to the photovoltaic power generation projects of eight industrial and commercial subjects with an average term of 10 years.

The business model of "handling the national photovoltaic business in one place" effectively improved the handling efficiency of customers' financing business, saved time and effort for customers, and also helped Industrial Bank to build a green bank. This project received the special funds for carbon emission reduction support tools, and Industrial Bank innovatively linked the loan interest rate to the photovoltaic power generation of the project, encouraging the enterprise to actively control and reduce carbon and reduce financing costs, which was recognized by the corporate customer. This business has also created an opportunity for Industrial Bank to provide comprehensive financial services, including: cooperating with enterprises to innovate and launch the online photovoltaic loan product with a maximum loan amount of RMB200 thousand to provide financing support for farmers' photovoltaic power stations; underwriting bonds for enterprises exceeding RMB1.4 billion; upstream and downstream customer acquisition and achieving a settlement volume exceeding RMB20 billion. This project has created remarkable economic, social and environmental benefits.

2. Numerous highlights of wealth banks

The Company continued to strengthen the synergy between wealth, asset management and investment banking sectors, and endowed the traditional advantages of investment banking and banks with the wealth sector, built a whole product pedigree of the Group's asset management internally, selected high-quality products in the whole market externally, built an investment ecosystem, and provided asset allocation solutions for retail, corporate finance and bank customers. The market reputation was upgraded from "buy wealth management products, go to Industrial Bank" to "want to manage wealth, consult Industrial Bank".

Customer service capabilities have been continuously enhanced. The Company actively changed from "seller" logic to "buyer" thinking. Continue to build a retail wealth team. The Company strengthened the construction of team capacity from three dimensions of "building standards", "strengthening specialties" and "improving production capacity". The Company has 8,809 persons with complete retail wealth product sales qualifications. Expand the multi-level corporate finance wealth team. The Company actively built and improved the multi-level linkage corporate finance wealth marketing team system of head office-branch-sub-branch, allocated exclusive corporate finance wealth product managers for branches, and promoted more than 10,000 corporate finance business personnel to pass the wealth qualification certification. Accelerate the digital transformation. The Company upgraded the Bank-to-Bank Platform, constantly enriched and improved the trading ecology, increased the trading volume and activity of the platform hall, and better served the wealth demands of bank customers. The Company strengthened the mutual integration of the mobile banking, the "Qianda Money Manager" and the "Industrial Living", and improved the convenience of serving customers through "manual + AI". The Company opened up the system link between the "Industrial Steward" and various wealth products, and realized the online and all-category business support of corporate finance wealth. Strengthen the "people-home-enterprise" service. The Company focused on entrepreneurs with high net worth and the target customer groups of enterprises and families behind them, and strengthened the integrated public and private operations. The quantity of private bank customers driven by corporate banks increased by 2,268 as compared with the same period of last year, representing an increase of 31.93%. The quantity of new corporate finance customers linked by private banks increased by 1,142 as compared with the same period of last year, representing an increase of 52.65%. At the end of the reporting period, the quantity of customers holding retail wealth positions was 8,355,000, representing an increase of 8.17% as compared with the end of last year. The quantity of customers holding corporate finance wealth positions was 109,400, representing an increase of 70% as compared with the end of last year.

The Company continuously enriched the product shelf system. On the one hand, the Company strengthened asset management products of the Group, gave full play to the advantages of investment banks in asset acquisition and construction and leveraged the professional advantages of the Group's asset management subsidiaries such as CIB Wealth Management, Industrial Fund, Industrial Trust, Industrial Futures, and Ciit Asset Management, thereby providing customers with professional, safe and efficient services for asset allocation. During the reporting period, investment banks provided high-quality assets of RMB208.3 billion to the wealth sector, representing a year-on-year increase of 11.61%. The management size of CIB Wealth Management amounted to RMB2.26 trillion, representing an increase of 8.18% as compared with the end of the previous year, and its comprehensive wealth management capabilities ranked the first in the comprehensive wealth management capacity issued by PY Standard for 24 consecutive quarters. The Company cooperated with Industrial Trust to implemented 116 family service trust innovation businesses, with the amount of RMB180 million. On the other hand, the Company refined high-quality products in the market, leveraged the advantages of the circle of banks, and introduced products from professional institutions such as funds, insurances, and securities companies to meet the comprehensive and diversified asset allocation needs of customers. At present, the Company has built an extensive product shelf covering retail, corporate finance, and inter-bank customers. In terms of retail, the Company have achieved consignment sales cooperation with 289 institutions, with more than 10,000 products on sale, realizing full coverage of cash, fixed income, mixed, equity, commodities and derivatives products and focused on the construction of the Industrial Preferred "low-volatility" wealth management system and the "Stellar Fixed Income" public fund brand system with the number of personal pension products exceeding 150. In terms of corporate finance, there were 16 cooperative institutions and 358 products, representing an increase of 70% as compared with the end of the previous year. The Company focused on the mainstream fixed-income products such as cash and cash-like products, low-volatility pure bonds, "bonds + preference shares". In terms of banking industry, the Company has introduced more than 10,000 fund products through the "Bank-to-Bank Platform", representing an increase of 67.80% as compared with the end of the previous year, covering multiple categories of products such as financial management, brokerage asset management, insurance asset management, fund accounts, and trust plans.

The channel sales capabilities have been enhanced continuously. Relying on digital transformation, the Company comprehensively improved the operational capabilities of the wealth management team, public-private integrated collaboration capabilities and online platform service experience. On the retail side, the scale of agency sales of off-bank wealth management products increased by 191% year-on-year to RMB124.7 billion. The consigned funds, insurance products and physical precious metals increased by 54%, 31% and 67% year-on-year to RMB57.476 billion, RMB16.008 billion and RMB541 million, respectively. Through agency sales, the custody scale amounted to RMB580 billion, achieving significant comprehensive benefits. At the end of the reporting period, the AUM of the Group's retail was RMB4.79 trillion (including the market value of the third-party custody), representing an increase of 15.42% as compared with the end of the previous year, of which, the AUM of the wealth was RMB3.43 trillion, representing an increase of 12.06% as compared with the end of the previous year. On the side of corporate finance, the AUM of the corporate finance was RMB3.92 trillion, representing an increase of 2.2% as compared with the end of last year, among which, the AUM of the wealth was RMB377.2 billion, representing an increase of 36.67%. On the side of the banking industry, investment in Bank-to-Bank Platform was RMB366.3 billion, representing an increase of 68.74% as compared with the end of last year. Meanwhile, the Company connected with state-owned banks, joint stock commercial banks and 470 regional banks and rural financial institution, outputted CIB wealth management products, and realized the sales of CIB wealth management products outside the bank amounting to RMB869.5 billion, representing an increase of 70.32% as compared with the end of last year and accounting for 38.39% of the total sales amount.

Case 3

Smooth the value cycle chain of "investment bank-asset management-wealth management"

A new energy high-tech leading enterprise has a large scale of production and sales and a high investment in technology research and development. Facing the challenges of global operation and technology iteration, the enterprise urgently needs to upgrade its industry.

Industrial Bank continues to build "three business cards" of green bank, wealth bank and investment bank, forming the advantages of differentiation, specialization and professionalization. After capturing the customer's need, Industrial Bank Shanghai Branch gave full play to the synergy of "commercial bank + investment bank + private bank", quickly matched the financing plan according to the demands of science and technology enterprises, brought into play the synergy of multiple lines and subsidiaries of the Group, and raised funds through fortune banks to realize the matching between the asset side and the fund side.

After the project was completed, it effectively met the financing need and wealth allocation need of the enterprise, and provided the amount of nearly RMB800 million for the new energy leading enterprise to promote its business development and help the industry's advanced production capacity to implement. Industrial Bank completed the asset allocation of high-quality products for 144 private bank customers, including promoting 27 private bank customers, and promoted the concept of green and low-carbon development to customers through product sales, highlighting the linkage advantages of "three business cards" of green bank ,wealth bank and investment bank. At the same time, Industrial Bank deepened customer services. At present, the financing products aggregate (FPA) of the above new energy enterprise and its affiliated companies in Industrial Bank exceeds RMB10 billion, and there are more than 6,000 employees for payroll agency, with remarkable comprehensive benefits.

3. The investment bank demonstrated better advantages

The Company further promoted the implementation of the "commercial bank + investment bank" 2.0 strategy, continuously enriched the product system, continued to strengthen the "four synergy mechanisms" of investment-underwriting, investment-loans, investment-private, and investment-research, accelerated the construction of the investment banking ecosystem, and provided customers with broader comprehensive financial services of "commercial bank + investment bank".

The capabilities of customer services have been continuously enhanced. The Company provided the comprehensive ancillary support in terms of risk mechanism, assessment mechanism, team building, digital transformation, etc. to enhance the implementation efficiency of "commercial bank + investment bank" and improve capabilities of customer services. During the reporting period, the Company constantly enriched the measures of serving large central enterprises, state-owned enterprises, listed companies, scientific and technological enterprises and other customer groups with comprehensive financial services of "commercial bank + investment bank". The Company served 654 major group customers with respect to the investment banking business, representing a year-on-year increase of 7.92%; collaborated with relevant departments within the Group to expand the customer bases of science and technology innovation and served 580 customers of science and technology innovation. As of the end of the reporting period, the balance of the FPA of large investment banking of the Company amounted to RMB4.3 trillion, representing an increase of 6.51% as compared with the end of last year. Among which, the balance of the FPA of large investment banking of 13 branches exceeded RMB100 billion.

The Company's major products maintained a leading position in the market. The Company continued to maintain its advantages in bond underwriting, investment transactions, asset matching and other fields. The underwriting scale of non-financial corporate debt financing instruments amounted to RMB730.573 billion, ranking the first in the market (based on the data from NAFMII); the underwriting scale of overseas bonds amounted to USD5.451 billion, ranking the first among Chinese joint-stock commercial banks (based on the ranking data from DMI); the underwriting scale of green non-financial corporate debt instruments amounted to RMB21.806 billion, ranking the second among joint-stock commercial banks (based on the data from NAFMII); the underwriting scale of REITs amounted to RMB4.040 billion, ranking the second in the market (Wind data). The Company implemented a number of first-time bonds businesses in the market. The Company continued to make efforts on mergers and acquisitions, syndicates, capital markets and other fields to maintain a good development trend. During the reporting period, the merger and acquisition financing reached RMB151.139 billion, demonstrating obvious market advantages. The syndicated financing reached RMB151.842 billion, increasing by 53.61%. The capital market business reached RMB37.466 billion, representing an increase of 34.91% with more than 80% invested in high-quality private entity enterprises. The Company implemented the first publicly-traded REITs executive strategic placement in the market, etc.

The four major synergies are more efficient. The Company strengthened the integration of investment-underwriting, investment-loans, investment-private, and investment-research, opened up all links of asset construction, underwriting, matching and circulation and gave full play to the role of large investment banking. In terms of investment and underwriting, the Company gave full play to the advantages of "research, investment, underwriting and trust" and integrated underwriting advantages and investment advantages to transform efficient internal synergy into the competitiveness of "commercial bank + investment bank" and polished the name of "bond bank". As of the end of the reporting period, the scale of joint investments within the Group amounted to RMB207.985 billion. In terms of investment-loans, focusing on the science and technology innovation customer base, relevant departments within the Group have collaborated to improve the full-life cycle product service map and build a science and technology innovation financial ecological circle. As of the end of the reporting period, the number of "specialized, sophisticated, distinctive and innovative" customers exceeded 20,000. In terms of investment-private, the Company explored the wealth management needs of enterprises, inter-bank and retail customers through the integration of customer resources and opened up the link of "large investment banking, large asset management and large wealth management" to provide high-quality assets for the wealth sector. In terms of investment-research, the Company has steadily promoted the "investment-research synergy" cooperation mechanism with CIB Research, established two-way interaction between research and business in bond underwriting, M&A financing and other fields, and strengthened the integrated analysis of finance and industry. As of the end of the reporting period, 18 roadshows were jointly conducted and 64 in-depth research reports were completed.

The scale of asset circulation has grown steadily. The Company established the external circulation mechanism of market funds through the circle of partners of the investment banks. During the reporting period, the asset circulation amounted to RMB240.314 billion. Among them, credit asset securitization amounted to RMB120.522 billion, representing a year-on-year increase of 144.83%. Agent promotion business reached RMB78.988 and substantial cooperation was achieved with 77 institutions, with deposits amounting to more than RMB65 billion and the custody of products amounting to more than RMB53 billion. The Company continued to create an open and integrated agency promotion business model and syndicated business to satisfy the diversified financing needs of customers in a multi-channel manner.

Case 4

Innovative financing: inter-bank REITs, revitalize the real estate and activate the new growth driving force of the park

A biomedical valley company in Jiangsu is the subject of the construction and operation of the key park in the national new district. The park within the jurisdiction is recognized by the Ministry of Science and Technology as the incubator of national science and technology enterprises, which belongs to the key target served by financial institutions. However, due to the traditional asset-oriented operation mode of the industrial park, customers are faced with multiple demands of reducing debts, reducing costs and expanding investments.

As one of the strengths and three business cards of Industrial Bank, investment bank has always been renowned in the market for its professionalism, efficiency and innovation. In recent years, Industrial Bank has given full play to the strategic advantages of "commercial bank + investment bank", actively deployed new tracks such as science and technology finance and park finance, continuously promoted product innovation, and utilized multi-level REITs products to serve the full life cycle financial needs of customers in the industrial park in terms of "fundraising, investment, management, and withdrawal". After capturing the customer's demand, Industrial Bank Nanjing Branch cooperated with the Investment Banking Department of the Head Office to conduct a one-month "centralized on-site service" to tailor-made inter-bank REITs products for the customer, with an issuance scale of RMB720 million, and successfully implemented the first industrial park-type REITs in the interbank market, and it was also the first science and technology innovation note REITs in the market.

This project successfully revitalized the high-quality real estate for the customer, broadened the financing channels of the enterprise, reduced the financing cost and asset-liability ratio of the enterprise, and opened up the financing closed loop. When the time is ripe, the enterprise can seamlessly connect with the asset listing or public offering and expansion. This project will also help the industrial agglomeration in the park, help the park build a high-level public service platform, attract outstanding biomedical enterprises to settle in the park, further enhance the regional industrial agglomeration effect, and accelerate the layout of the entire biomedical industry chain. In serving the customer, the branch also achieved good comprehensive benefits. While locking in high-quality assets, the branch derived demand deposits exceeding RMB1 billion, and added two custody accounts and three supervision accounts, providing an opportunity for the subsequent conduct of project loans, financial leasing and other businesses, and providing a reference for the replication and promotion of similar projects nationwide.

(V) The Company accelerated the layout of the "five new tracks"

1. Science and technology innovation finance accelerated the improvement of service system

During the reporting period, the Company strived to build an all-round, multi-level, and wide-covering science and technology finance whole-life cycle service system, and "commercial bank, investment bank, private bank and financial institutions" jointly served the development of science and technology enterprises. As of the end of the reporting period, the Company had cooperated with 69.4 thousand science and technology financial customers, representing an increase of 34.33% from the end of the previous year. The cooperation coverage rates of national technological innovation demonstration enterprises, individual champion enterprises in the manufacturing industry, national-level "specialized, sophisticated, distinctive and innovative" "little giants", and provincial-level "specialized, sophisticated, distinctive and innovative" small and medium-sized enterprises were 66.31%, 60.02%, 41.90%, and 20.55% respectively. Among which, the coverage rates of in-depth cooperation customers were 52.18%, 48.00%, 28.79%, and 11.23% respectively. A total of 4,492 small and medium-sized science and technology innovation companies have been facilitated to grow into large enterprises, and 11,331 companies in the science and technology field have been listed or are planning to be listed. The balance of science and technology finance loans was RMB453.212 billion, representing an increase of 31.88% or RMB109.554 billion from the end of the previous year and accounting for 22.92% of the new loans in the current period; the non-performing loan ratio was 0.81%, which was lower than the average level of enterprise finance loans. The wealth balance of science and technology customers amounted to RMB835.896 billion, representing an increase of 16.12% from the end of the previous year.

The Company established a "six-specialty" management system for science and innovation finance. The Company formulated a special development plan, built a specialized organizational structure, formed a professional operation and management team, established a special risk management system and technical means, clarified a special incentive and assessment mechanism, and implemented a special credit "new three checks" standard. In terms of organizational structure, a "1+16+N" head office and front, middle and back-office collaboration system has been formed, which means a team system led by the head office, 16 key branches, science and technology financial centers, N technology-specific branches and specialized teams. As of the end of the reporting period, the Company has established 8 technology sub-branches and 4 technology-specific sub-branches. In terms of risk management system, according to the characteristics of scientific and technological innovation enterprises, the Company quantitatively evaluated and graded technical strength of the enterprise, and implemented the management measures that were differentiated from the capital flow model in terms of customer access, credit process, authorization management, credit policy, duration management, non-performing tolerance, and responsibility determination and made great efforts on the promotion and application of the "technology flow" credit evaluation model. As of the end of the reporting period, it has been iteratively updated to version 5.0, and 279 data indicators in 9 categories, including scientific research teams and technical advantages, have been entered into the model for analysis, and the operation efficiency has been improved through model approval. During the reporting period, the Company approved projects of more than RMB1 trillion through the "technology flow" for 9,615 households. As of the end of the reporting period, the release balance of "technology flow" amounted to RMB263.640 billion, representing an increase of RMB63.148 billion or 31.50% from the end of the previous year.

The Company continued to improve the customer system and product system of science and technology innovation finance. The Company increased financing support in the two key areas including key core technology research and technology-based small and medium-sized enterprises. For scientific and technological enterprises at different stages, the Company provided diversified whole-life cycle financial services such as "stock loans and debt guarantees" and "commercial bank, investment bank, private bank, financial institutions and research" and focused on the promotion of "commercial Bank + investment bank + private bank" innovative services such as "high-tech talent entrepreneurship loans", "investment-loan linkage loans", "intellectual property pledge financing", "M&A loans", "science and technology innovation notes", "employee stock ownership financing", "strategic placing" and "equity incentives" and non-financial services such as industry matching, system empowerment, research empowerment. The Company launched "Xing Su Loan" （兴速贷） (only for high-quality scientific and technological enterprises) and realized online approval and loan disbursement for high-quality science and technology enterprises with a capital of less than RMB10 million, greatly improving the convenience of financial services.

The Company focused on ecological synergy and built a circle of investment friends. The Company expanded and deepened the head-to-head cooperation of leading investment institutions, improved the full-process service of "raising, investment, management and exit" of investment institutions, deepened the strategic cooperation of industrial investment institutions, help scientific and technological enterprises open up equity financing channels, so as to create a benchmark for investment-loan linkage cooperation. The Company promoted the cooperation with various stock exchanges to empower the business development of scientific and technological innovation enterprises in the capital market. The Company strengthened the cooperation with scientific research institutes and carried out industry-university-research integration cooperation with Tsinghua University, Fudan University, University of Science and Technology of China, Xi'an Jiaotong University and other universities and research institutes. The Company established head-to-head cooperation with the Chinese Academy of Sciences. Relying on the multi-license operating resources of the Group, the Company jointly established the "Achievement Incubation Seed Fund" with the Chinese Academy of Sciences to support the transformation of technological achievements.

Case 5

Realize a win-win situation for the bank and the enterprise and help to lay out a new track for science and technology innovation finance through the mode of "stock option + loan"

An intelligent technology limited is a high-tech enterprise that focuses on the field of LED display and provides professional ODM solutions. It has a number of patented technologies in the professional field and has high growth. However, as a technology enterprise, the customer lacks collateral, which leads to the obstruction of new financing.

Focusing on the key areas of scientific and science and technology innovation and the shortcomings and weaknesses of financial services, Industrial Bank takes advantage of multiple licenses, continuously polishes the business card of investment bank, and provides comprehensive life-cycle services for the "specialized, sophisticated, distinctive and innovative" enterprises with "commercial bank + investment bank + private bank", "online service + offline service" and "finance + non-finance", and innovates the "technology flow" credit evaluation model. After understanding the customer's demand, Industrial Bank Chongqing Branch fully evaluated the market prospect and growth ability of the enterprise, and customized the financing service scheme of "stock option + loan" for the enterprise, namely, Industrial Bank released a loan of RMB10 million to the financier by credit, and at the same time, Industrial Bank had the right to subscribe for the equity interests of the enterprise through a designated third party at a specific price during the period of the loan, and registered the stock option in Chongqing Share Transfer Center to improve the legal effect of the stock option.

This model provides loans by credit, effectively solving the capital demand of science and technology innovation enterprises in the growth period, solving the problem that science and technology innovation enterprises generally lack collateral, broadening the financing channels of enterprises and reducing the financing costs of enterprises. At the same time, compared with the equity financing, this model avoids the premature dilution of equity interests by enterprises, and also avoids all kinds of risks and pressures brought by gambling terms. Enrich the risk compensation mechanism of financial institutions. Establishing the "stock option" gives the bank the opportunity to share the growth dividend of the enterprise and promote the accompanying growth of the bank and the enterprise. This business is also the first "stock option + loan" business registered on the pilot platform in the central and western regions. Close cooperation between the bank and the enterprise. This business has achieved the first cooperation between Industrial Bank Chongqing Branch and the customer, effectively promoted the daily settlement and credit card business, and provided opportunities for subsequent project loans, financial leasing and other businesses.

Case 6

Serve "specialized, sophisticated, distinctive and innovative" small and medium-sized enterprises to accelerate their development to run "Industrial Acceleration" through the collaboration between commercial bank and investment bank

A technology co., Ltd. is a state-level specialized, sophisticated, distinctive and innovative "little giant" enterprise, which has a number of core patented technologies since its establishment in 2016. However, due to the short establishment time of the company, the difficulty of large-scale industrialization of business and the lack of fixed assets for mortgage to increase credit, the company has been unable to obtain bank credit support for a long time.

After learning the capital demand of the above enterprise, Industrial Bank Beijing Branch took the initiative to provide on-site service, and became the first cooperative bank of the enterprise by providing comprehensive financial services such as settlement, agency and intellectual property pledge financing. Taking this opportunity, Industrial Bank Beijing Branch provides targeted supporting financial services according to the differentiated demands of enterprises at different stages of development. After six years of accompanying growth, as of the end of the reporting period, Industrial Bank had given the headquarters and subsidiaries of the above enterprise a total credit exposure of RMB224 million, becoming the main cooperative bank of the enterprise and its subsidiaries. At the same time, in order to further help the development of the enterprise, Industrial Bank actively played the advantage of "commercial bank + investment bank", and gave the enterprise an accumulated equity investment of RMB40 million by relying on the Group's multi-license resources, forming a closer cooperative relationship with the enterprise. Through the linkage of investment friends circle, Industrial Bank helped the enterprise to obtain equity investments from several well-known investment institutions, laying a solid foundation for the enterprise's growth and listing. With the support of Industrial Bank, the enterprise has developed into the first cryogenic equipment manufacturing service provider in China with an output value of RMB10 billion.

2. Inclusive finance accelerated digital empowerment

During the reporting period, the Company enriched the supply of inclusive products, accelerated digital transformation, continuously improved the professionalism of financial services for inclusive small and micro enterprises, and fully supported the high-quality development of the real economy. As at the end of the reporting period, the balance of inclusive loans for small and micro enterprises amounted to RMB500.965 billion, representing an increase of 23.95% or RMB96.804 billion from the end of the previous year and accounting for 20.25% of new loans for the current period. The non-performing loan ratio was 0.95%. During the reporting period, the average interest rate of new inclusive loans for small and micro enterprises was 3.87%. The number of customers of inclusive loans for small and micro enterprises was 231.9 thousand, representing an increase of 16.90%. The Company continued to optimize its outlet layout and enhanced financial availability and convenience. As at the end of the reporting period, the Company has 2,085 outlets, representing an increase of 27 outlets. There are 1,084 traditional sub-branches and 836 community sub-branches, representing an increase of 21 sub-branches and 6 sub-branches, respectively.

The Company promoted the working method of "one chain, one policy and one approval". The Company established the agile working group around the industry and set up the agile working mechanism to deeply explore typical supply chain scenarios. Focusing on "scenario digitization", the Company promoted the acquisition and application of scenario ecological data, continued to create and optimize various scenario projects, implemented the promotion and replication, gradually established and improved supporting systems to standardize business development, thereby promoting the high-quality development of online financing of inclusive scenarios. Through connecting with the external scenario ecology, creating industry scenario models, customizing credit scenario financing projects and matching differentiated model strategies and system processes, the Company created scenario-based online products, such as "Xing Su Loan (exclusive for black golden private banking customers)", "Xing Su Loan (exclusive for guaranteed credit enhancement)" and "Xingsu Loan (exclusive for bills)", etc. As of the end of the reporting period, the balance of corporate finance credit scenario amounted to RMB28.763 billion, representing an increase of RMB8.437 billion or 41.51% from the end of the previous year.

The Company gave play to the advantages of products to increase credit extension in key areas. The Company fully investigated financing needs of customers, promptly optimized the elements of products such as the term of products, loan percentages and grace period of repayment, and actively promoted hit products such as "Industrial Factory Loan"（工业厂房贷）, "Xing Ye Inclusive Loan"（兴业普惠贷） and "Lian Lian Loan"（连连贷）. As of the end of the reporting period, the balance of the above products amounted to RMB115.621 billion, representing an increase of RMB12.149 billion or 11.74% from the end of the previous year, effectively supporting the development of small and micro enterprises in the manufacturing industry. Focusing on "product onlineization", through big data application and process optimization, the Company realized the onlineization of offline products, improved business efficiency, released the production capacity of front-line business personnel, created, upgraded and optimized "Xing Su Loan" (exclusive for asset mortgage) "Xing Su Loan" (exclusive for asset purchase) and "Xing Su Loan" (exclusive for online inclusive finance) and other online financing products, so as to enhance the sense of access to financial services for small and micro enterprises. As of the end of the reporting period, the loan balance of the above-mentioned online products amounted to RMB40.432 billion, representing an increase of RMB31.377 billion or 346.52% from the end of the previous year.

The Company accelerated the digital operation of inclusive finance. The Company continued to build and operate the "CIB Inclusive" open service platform with it as the main entrance to attract inclusive customers, and established an online and offline integrated operation model. As of the end of the reporting period, there were178,163 registered users and 36,449 certified users of the "CIB Inclusive" platform, representing an increase of 109,848 users or 160.80% and 7,631 users or 26.48% from the end of the previous year, respectively. The Company connected with 876 external scenario platforms. Financing requirements of RMB269.216 billion were satisfied in total, representing an increase of RMB168.635 billion or 167.66% from the end of the previous year. The financing balance was RMB69.195 billion, representing an increase of RMB39.814 billion or 135.51% from the end of the previous year.

The Company served the national strategy and created a financial service model for rural revitalization with Xing Ye characteristics. Focusing on the four dimensions of professional wholesale markets, financial commissioner, digital villages, and serving local characteristic industries, the Company built a financial service model for rural revitalization with Xing Ye characteristics. As of the end of the reporting period, the Company had connected with 320 agricultural wholesale markets, and the full-scenario financing balance of the agricultural wholesale business exceeded RMB15 billion. The "CIB Inclusive · Intelligent Agricultural Wholesale System" has been launched in 63 agricultural wholesale markets. Through the financial commissioner team of Industrial Bank and in combination with key business goals such as rural revitalization, the Company built a new cooperation mechanism with the government, enterprises and other organizations, comprehensively improved the availability, convenience, and professionalism of financial services for rural revitalization, and deepened business risk coordination, prevention and control. On such basis, the Company created special service models such as "financial commissioner + technology commissioner" and "financial commissioner + industrial revitalization", thereby further expanding the breadth of services for customer groups in rural area. As of the end of the reporting period, the balance of agriculture-related loans was 664.760 billion, representing an increase of 21.59% from the beginning of the reporting period; the balance of inclusive agriculture-related loans was 56.084 billion, representing an increase of 42.63% from the beginning of the reporting period.

Case 7

Accurately solve the development difficulties through the "Xing Su Loan（兴速贷）(exclusive to dealers)" product

A group has a wide range of businesses and dealers all over the country. All the dealers of the group have financing demands in inventory replenishment, capital turnover, stocking in peak season and expanding business scale. However, due to the lack of effective guarantee measures, dealers generally face difficulties in financing, expensive financing and slow financing.

In order to better serve small and micro enterprises, Industrial Bank actively explores how to turn data into credit and solve the financing difficulties of small and micro enterprises. After understanding the customer's demand, Industrial Bank Beijing Branch cooperated closely with the group, and incorporated the dealers' cooperation data into the credit approval process through system direct connection, and established an agile working group covering the business, risk, data, system and model related personnel of the head office, branches and subsidiaries, and quickly tailored and launched the innovative financial service product "Xing Su Loan (exclusive to dealers)" for dealers.

This product makes "data run more and customer run less". The loan funds were directionally used for purchasing and ordering goods from core enterprises by the dealers, which not only solved the problem of dealers in terms of funds and accelerated the recovery of funds of core enterprises, but also realized a win-win situation for the group, dealers, the supply chain platform and the bank. Borrowing enterprises can apply for this product online. The system of Industrial Bank can automatically and quickly verify the credit line, and release mortgage-free loans online, with a maximum amount of RMB5 million and a maximum term of 12 months. The loans can be borrowed and repaid at any time, and can be reused, providing a powerful starting point for serving inclusive small and micro enterprises. This product was launched in September 2023. As of the end of December 2023, it had served more than 60 dealers of the group all over the country, with a credit line of nearly RMB150 million and a loan balance of over RMB100 million, which led Industrial Bank to settle over RMB430 million this year. At present, all branches of Industrial Bank serve the dealers of the group together. In addition to loans, Industrial Bank also actively provides diversified services for the group's dealers, such as acquiring business and settlement, payroll payment and wealth management, to speed up the recovery of the group's payment for goods, and to create a good example of the cooperation between Industrial Bank and the downstream distributors of core enterprises.

Case 8

Help rural revitalization; Industrial Bank's satellite remote sensing application won the Financial Technology Development Award by the People's Bank of China and the Gartner Financial Service Innovation Award

The report on the work of the 20th National Congress of the Communist Party of China pointed out: "promote rural revitalization in an all-round way, adhere to the priority development of agriculture and rural areas, and improve the rural financial service system." For a long time, agricultural and rural financial services generally have a series of constraints, such as less coverage of outlets, insufficient bank service personnel, long time-consuming due diligence, high cost, difficult risk assessment and difficult asset mapping.

In order to better serve rural agriculture, Industrial Bank has strengthened the research and application of cutting-edge technologies to solve the difficulties and blocking problems existing in traditional financial services. In view of the characteristics of planting and forestry assets, Industrial Bank innovatively applied satellite remote sensing technology to empower planting and forestry carbon sinks and other businesses, improve its ability to serve agricultural economic entities, effectively solve the problems of agriculture-related credit and green credit, such as difficulties in credit extension, loan approval and post-loan management, and make banks "dare to lend" and customers "willing to borrow", exploring and building a "digital industry" model of serving rural revitalization by finance.

Anxi County of Quanzhou City is a good example. It is one of the main producing areas of Tieguanyin, with more than 40,000 tea enterprises and 200,000 tea farmers, with a total tea planting area of 630,000 mu. In the past, the farthest tea garden was nearly 200 kilometers away from the outlet of the branch of Industrial Bank, and the round-trip journey took more than 4 hours. Now, with the help of satellite remote sensing application system, business personnel can quickly identify tea garden plots, and accurately provide financial services and loan support for tea farmers according to information such as planting area, planting suitability, planting stability, historical risks and output estimation. At the same time, the remote sensing technology has greatly improved the efficiency of financial services and realized online real-time monitoring during and after lending. As of the end of 2023, Industrial Bank Quanzhou Branch had used the satellite remote sensing system to serve 11 tea enterprises in Quanzhou, mapped more than 7,290 mu of tea gardens and released loans of RMB58.58 million.

At present, the "new data" introduced by satellite remote sensing has been applied in the construction of agriculture, forestry, new energy projects and other scenarios, effectively promoting the whole process of credit monitoring to reduce costs and increase efficiency. For example, Industrial Bank Fuzhou Branch combined the satellite remote sensing system with manual assessment to enhance the credit of the forestry carbon sequestration pledge of a forest farm, and released the loans of RMB5 million to the enterprises related to the industrial chain, successfully realizing the realization of forestry resources of enterprises.

In 2023, in the selection of "2023 Financial Services Innovation Award" sponsored by Gartner, the world's leading information technology research and consulting company, the project of "Satellite Remote Sensing Application Empowering Financial Services" of Industrial Bank stood out from more than 400 projects submitted by financial institutions such as banks, insurance companies and brokerages around the world and won the second place in the Asia-Pacific region. The achievements of the project also won the third prize of the "2022 Financial Technology Development Award" by the People's Bank of China.

3. Energy finance accelerated green and low-carbon transformation

During the reporting period, with respect to the development of the energy financial business, the Company has considered new energy, traditional energy, petrochemical and other segments. While promoting the transformation and development of traditional energy, the Company also supported the development of new energy such as hydropower, photovoltaic and wind power. As of the end of the reporting period, the Company had 45 thousand energy finance customers, representing an increase of 7,128 customers or 18.62% from the end of the previous year. The balance of corporate financing was RMB736.277 billion, representing an increase of 10.69% from the end of the previous year. Among which, the loan balance was RMB366.710 billion, representing an increase of 16.16% from the end of the previous year, and the non-performing loan ratio was 0.30%. The balance of loans that were in line with the green loans standards of the People's Bank of China and supported green transformation were RMB173.258 billion, representing an increase of 27.11% from the end of the previous year. The non-performing loan ratio was 0.02%. Average daily balance of deposits amounted to RMB314.616 billion, representing an increase of RMB30.731 billion from the end of the previous year.

The Company deeply explored the segments in energy and chemical industry. The Company steadily developed traditional energy financial businesses such as coal and thermal power, and actively leveraged research advantages to seize development opportunities arising from the new energy and new chemical materials industry. As of the end of the reporting period, the financing balance in the fields of new energy equipment manufacturing and new energy power generation amounted to RMB169.1 billion, representing an increase of 28% from the end of the previous year, and its proportion in the scale of energy financial assets increased from 20% to 23%. The asset scale of private refining and chemical enterprises has increased rapidly, and the asset structure of the crude oil processing and refining industry has been optimized. The financing balance of the six leading refining and chemical enterprises amounted to RMB37.7 billion, representing an increase of 14% from the end of the previous year. Their proportion of the asset scale in the petrochemical industry was increased from 42% to 45%.

The Company made good efforts on four major products and services. The Company focused on four major categories of product and services: investment banking, commercial banking, public-private integration, and digital finance and established strategic cooperation with key industry customers through innovative equity financing services; extended our services to industry chain customers through supply chain finance; facilitated the development of retail financial business through public-private integrated operation; promoted online product and services and improved efficiency of customer services. As of the end of the reporting period, the number of upstream and downstream customers in supply chain expansion increased by 16.12% as compared with the end of the previous year; the number of corporate finance customers for payroll agency increased by 23.02% as compared with the end of the previous year.

The Company built five major ecologies. The Company strove to build five major ecologies including new energy equipment manufacturing industrial chain ecology, centralized power station ecology, industrial and commercial distributed power station ecology, household photovoltaic ecology and "zero carbon + park" to achieve economic and social benefits and established the "Industrial Bank Zero Carbon Industry Alliance" with 26 new energy companies during the period of "Hangzhou Summit of Green Finance in the New Energy Industry" with the promotion of "zero carbon in the park" as the first action theme of the alliance.

Case 9

Boost the leading enterprises of new energy to realize industrial integration and global layout by the linkage between commercial bank and investment bank

An energy group is a leading enterprise in the new energy industry. In recent years, with the overseas expansion and the promotion of domestic layout, the company has difficulties in the management of global funds and the financing of decentralized projects. On one hand, the Company's business covers many countries and regions around the world, and it has more than 100 overseas accounts. Due to the differences in account systems and settlement systems between different countries, how to manage overseas accounts and transactions safely and effectively and achieve efficient coordination of global funds has become an urgent problem for the company. On the other hand, the Company's domestic distributed projects are scattered all over the country. Due to the industry characteristics of small monomer, large total amount and short construction period, the company faces the pain point of slow efficiency of financing release of traditional projects.

In recent years, Industrial Bank has focused on the development of new energy sub-sectors, and given full play to the advantages of the linkage between commercial bank and investment bank to provide comprehensive financial solutions for customers. At the same time, Industrial Bank has given full play to the advantages of the comprehensive and national bank to launch the business model of "handling the national business in one place", effectively solving the difficulties faced by customers in the domestic layout process. After catching the pain point of the company, Industrial Bank Shanghai Branch actively communicated with customer for solutions and made rapid progress. In terms of solving the problem of management of global funds, Industrial Bank developed a SWIFT global unified payment client system for the company, solving the problem of restricting the company to expand its global network, greatly improving the convenience of the Company's global payment and settlement, and realizing the "visual" management of more than 100 accounts of the company around the world and the single-point payment function of multiple overseas accounts of the company. At the same time, by providing a multi-currency, multi-language, cross-border and cross-time zone digital system, Industrial Bank helped the company to realize the visual, controllable and available management of global accounts, realizing connection with global banks by access to Industrial Bank by a click. While solving the problem of management of global funds for the enterprise, it also brought over US$900 million of cross-border settlement for Industrial Bank. In terms of solving the problem of decentralized projects, Shanghai Branch quickly formed standardized loan access and risk control requirements in combination with offline examination and approval rules. By using the distributed photovoltaic online financing platform, a single project quota can be approved for RMB30 million, and the platform takes only one working day from initiation of a customer business to receipt of a loan approval notice, greatly improving the examination and approval efficiency of distributed photovoltaic projects. 3 projects were implemented one week after the launch of the distributed photovoltaic online financing platform, totaling nearly RMB15 million. At present, the customer approved and implemented 7 projects through the online system, with a total amount exceeding RMB50 million, and reserved 20 projects with the amount exceeding RMB300 million. At present, on the basis of good cooperation between the two parties, Industrial Bank is actively using digital means to replicate scenarios and cases, create an open financial ecosystem, promote the development of digital green finance, and further deepen the comprehensive strategic cooperation with the customer.

4. The automobile finance accelerated ecological management

The Company focused on the main customer needs in the four major scenarios of the automobile ecosystem: "manufacturing cars", "purchasing cars", "using cars" and "exchanging cars". Through continuously improving its professional operating capabilities and enhancing digital empowerment, the Company promoted the layout of related financial business. As of the end of the reporting period, the Company had 48.7 thousand automobile finance customers at the corporate finance side, representing an increase of 7,067 or 16.96% from the end of the previous year. The Company's balance of finance product aggregate (FPA) was RMB364.944 billion, representing an increase of 12.48% from the end of the previous year. Among which, the loan balance was RMB146.547 billion, representing an increase of 26.14% from the end of the previous year. The non-performing loan ratio was 0.26%, which was lower than the overall average level of corporate finance loans. The asset quality remained good. The average daily balance of deposits was RMB214.639 billion, representing an increase of 15.23% from the end of the previous year. The balance of retail automobile consumption loans and credit card installments amounted to RMB7.542 billion, representing an increase of 59.25% from the end of the previous year.

The Company advanced the evolution of automobile finance towards the operation and development of "industry-wide ecosystem finance". In terms of the scenario construction of "vehicle manufacturing", the Company continuously enhanced its comprehensive operational service capabilities, strengthened overall cooperation with key customers base of whole vehicle and components and promoted rapid growth in asset and liability businesses. The Company held a leading position in the banks of the same type in terms of business scale and cooperative customer base in the fields of new energy vehicle manufacturing and power battery industry manufacturing. In terms of the scenario construction of "vehicle purchase", the Company leveraged process optimization and digital upgrades to provide customized products and exclusive services for terminal sales of numerous new energy vehicle companies, leading to rapid growth in both the number of customer base of dealers and business scale, and successfully ranked among the first echelon in the dealer business field. In terms of the scenario construction of "vehicle usage" and "vehicle replacement", the Company penetrated into new fields such as mobility and the used car market through innovation mode and established deep cooperative relationships with leading enterprises within the industry. Currently, the corporate customer base of automobile financial services covered various sectors including component manufacturing and sales, vehicle production and sales, automobile dealers, car rental companies, used car dealers, end-user vehicle purchasing companies, as well as power battery and vehicle recycling enterprises.

The Company accelerated the development of new energy vehicle business. The finance business related to new energy vehicle has served an important bridgehead for the Company's automobile finance to achieve transformation and development and provided strong support for the Company's green finance development. As of the end of the reporting period, the balance of new energy vehicle-related assets was RMB170.207 billion and accounted for 46.64% of automobile finance, representing an increase of 6.61 percentage points from the end of the previous year. The loan balance was RMB83.210 billion and accounted for 56.78%, representing an increase of 11.78 percentage points from the end of the previous year. The average daily deposits were RMB102.478 billion and accounted for 47.74%, representing an increase of 15.17 percentage points from the end of the previous year. The proportion of the main operating indicators of new energy vehicles was higher than 31.6%, which was the penetration rate of the new energy vehicle industry in China.

Case 10

Help the intelligent networked new energy automobile industry chain to develop with high quality

In 2023, the industrial chain of an intelligent vehicle enterprise ushered in rapid growth. Faced with the rapid increase in market demand, enterprises in the industrial chain have experienced such situations as surging orders, insufficient production capacity and difficult delivery. Both the OEM and the dealers urgently needed banks to expand credit lines and quickly replenish cash flow to meet the surging demand for orders.

Industrial Bank regards automobile finance as one of the "five new tracks" of its key layout, focused on providing full customer journey services for automobile manufacturing, automobile purchase and automobile use, and accelerated the development of digital empowerment business, so as to promote the development of automobile finance business towards "full chain, full process, and full online". After capturing the customer's demand, Industrial Bank Chongqing Branch quickly established a special working team through the "chain leader working mechanism"（链长制）, formulated a differentiated credit extension policy of "one case, one policy" through the coordinated linkage between the head office and branch, and realized the whole online operation of customer marketing, credit approval, account opening and underwriting and release of loans through a series of measures such as online signing on the industry financing platform, online underwriting, intelligent release of loans, "Xing e Tie Miao Tie" + non-inductive discount, online inbound and outbound, and direct connection of the systems of OEM supervision companies, greatly improving the efficiency of approval and implementation of loans.

From understanding the demands of customers to completing the whole process of customer marketing, credit granting, account opening, underwriting and loan release, Industrial Bank Chongqing Branch completed the credit granting for hundreds of new energy vehicle third-party network customers in less than two months, with customers in more than 30 cities across the country, helping two intelligent new energy OEMs and nearly 100 dealer enterprises to achieve sales delivery, winning the praise of enterprises and improving the market image. In the course of conducting this business, the professional ability and response efficiency of Industrial Bank have been unanimously recognized by automobile enterprises and dealers, showing a good image of Industrial Bank focusing on the key links in the industrial chain and accurately increasing financial support. In the process of creating value for automobile enterprises and dealers, it also optimized the asset-liability structure of Industrial Bank and further consolidated the customer base. As of the end of 2023, the assets of this series of automobiles and three-party business exceeded RMB4 billion, doubling as compared with the end of last year, the quantity of customers was 91, representing an increase of 76 as compared with the end of last year, and the settlement deposits were RMB2.6 billion, an representing an increase of RMB2.1 billion as compared with the end of last year.

This cooperation also helped the branch achieve a breakthrough. Firstly, the three-party automobile finance business of the branch has achieved leap-forward development. Secondly, deepen the cooperation with core enterprises and upstream and downstream enterprises. The branch carried out all-round cooperation in supply chain finance, placement of assets, payment and settlement, linkage between investments and loans, and wealth management. Thirdly, public-private integrated management. By driving private consumption with public consumption and promoting public consumption with private consumption, the branch realized business cooperation relevant enterprises in payment of wages on behalf of enterprises, consumer loans and supporting financing with equity incentives. Fourthly, drive the retail business in batches. Automobile consumption loans, credit card car installment and other businesses drove the retail customer base and credit scale to increase rapidly, and the marketing tentacle was extended from B-side to C-side.

Case 11

Respond to customers' demands quickly with "chain leader working mechanism"（链长制）and build an automobile ecosystem around core automobile enterprises

In recent years, with the booming development of the domestic new energy automobile market, the business orders of a leading enterprise in the new energy automobile market have increased substantially, and its downstream supply chain financing demand and C-side financing demand have increased sharply, so its fund settlement management is under great pressure.

In recent years, around the new tracks, Industrial Bank has established an agile working group that is cross-departmental, cross-branch and integrates experts inside and outside the Bank through the "chain leader working mechanism"（链长制）, made key breakthroughs by coordinating the internal and external resources of the Bank, and quickly respond to customers' demands by "driving the chain with point and expanding the scope with the chain". After understanding the enterprise's demand, Shenzhen Branch made every effort to promote the development of the downstream three-party business of the enterprise towards "full chain, full process, and full online", and continuously iterated and upgraded the "Xing Che Finance"（兴车融） system, shortening the business time limit from the original 40-50 days to 7 days, greatly improving the business efficiency, gaining high recognition from customers, and finally making Industrial Bank jump to the first echelon in the evaluation system of the Company's three-party cooperative banks. At present, Shenzhen Branch has carried out all-round cooperation with the enterprise and upstream and downstream enterprises in supply chain finance, placement of assets, payment and settlement, linkage between investments and loans, and wealth management. With the help of the enterprise-level structure of the Head Office, Shenzhen Branch piloted the "Large-scale Core Enterprise Application Ecological Project" to comprehensively deepen the comprehensive financial cooperation between core enterprises and their upstream and downstream enterprises. By customizing online exclusive products for downstream customers, Shenzhen Branch met the financing demands of dealers in time. Shenzhen Branch gave play to the public-private linkage mechanism to obtain the qualification of the enterprise's salary agency payment, driving the rapid increase in card opening and salary agency payment for the group's fresh graduates.

5. The industrial zone finance accelerated the development of service industry

During the reporting period, the Company adhered to the development concept of "taking the industrial zone as the carrier and industry as the foothold", insisted on taking the industrial zone finance as the main battlefield to serve the real economy, vigorously promoted the integrated development of industry, city, and people's livelihood, and made financial contribution to the clustering, green development and digitalization development of the industrial zone. As of the end of the reporting period, the Company had 393,460 customers of the industrial zone finance, representing an increase of 3.64% from the end of the previous year; the financing scale of the industrial zone finance was RMB2,059.913 billion, representing an increase of RMB292.906 billion or 16.58% from the end of the previous year, among which, the loan scale of the industrial zone finance was RMB1,294.925 billion, representing an increase of 27.40% from the end of the previous year. Through public-private linkage, the Company has expanded 49.9 thousand companies for payroll agency in the industrial park, accounting for 35.62% of companies for payroll agency. There were a total of 3.2872 million customers for payroll agency in the industrial park, accounting for 44.8% of the retail customers for payroll agency.

In terms of finance support in the industrial park, the Company actively assisted local governments in industrial empowerment and industrial integration to create a growth pole for the development of the real economy. The Company facilitated regional investment promotion business through industrial funds, entrepreneurship and innovation debt financing and other products, and solved the needs of small and medium-sized enterprises in the industrial park to purchase factories through factory mortgages, online quick mortgage loans and other products. Meanwhile, the Company provided comprehensive retail services to employees settled in the industrial park.

In terms of ecological support in the industrial park, the Company independently developed the "Park Ecological Service Platform" to provide full-process and online solutions for the daily office operations of various entities in the industrial zone. As of the end of the reporting period, the "Park Ecological Service Platform" had been launched in 328 parks in China. The Company has established 192 comprehensive branches in the industrial parks at all levels in China, serving nearly 400 thousand industrial parks and customers settled in the industrial parks.

The Company gave full play to the advantages of investment banking and green finance. The Company created the full-life cycle support plan for "raising, investment, management and exit", gave full play to the advantages of investment banking products, guided high-quality projects to issue public-traded REITs and boosted to revitalize assets. At the same time, under the guidance of the national strategy of "double carbon", the Company provided professional services for energy saving, carbon reduction, green transformation and other needs in the industrial park. As of the end of the reporting period, the balance of green finance in the park scenario was RMB689.3 billion, accounting for 36% of the green financing of the Company.

Case 12

Give full play to the advantages of green finance to help the green transformation of the park

An economic and technological development zone was established in 1992. In 1994, it became a provincial-level development zone upon approval by the provincial government. In 2010, it was listed by the State Council as the first national-level economic and technological development zone located in a county in the province. With the continuous deepening of the concept of green development, the operation of the park urgently needs to be transformed and upgraded in order to promote the "clearing the cage to make way for new birds" in the industrial park.

In recent years, Industrial Bank has continued to polish the business card of "green bank" to help the park's green transformation and development. In response to the transformation and upgrading demands of the park, Industrial Bank Hangzhou Branch gave full play to the comprehensive operating advantages of the Group's green finance to provide financial support for the construction, development and green transformation and upgrading of the park. The two parties cooperated in depth around the infrastructure construction and transformation and upgrading of the park, the industrial transformation and upgrading of the park, the development of the park projects in the park and the green and low-carbon transformation of the park to promote the industrial upgrading and green development of the park.

As of the end of the reporting period, Industrial Bank had provided 49 project financing credits for the construction of the green and low-carbon industrial park in the local economic development zone, the collaborative demonstration projects of pollution reduction and carbon reduction, and the supporting infrastructure of the industrial park such as distributed photovoltaic business, with an amount of RMB8.587 billion, driving and serving 302 enterprises in the park, and providing financing support of more than RMB10 billion. In addition, Industrial Bank provided financial services to more than 1,700 retail customers in the park by wage agency payment, realizing the sustainable development of the Bank in the process of helping the industrial development and green and low-carbon transformation of the park.

Case 13

Lay out the "Smart Park" to help "Digital Finance"

An investment and construction group in a bonded area is the park operator of a local national bonded area. The operation of the park is mainly based on offline manual management. It is difficult for the park operator to grasp and analyze the operation of the park and the demands of the enterprises in the park in real time from the overall height and perspective, and there are some pain points such as scattered park management modules, inefficient information collection, inconvenient communication for repair orders, and dependence on offline payment.

In recent years, Industrial Bank has actively explored and utilized technology to empower the integrated, comprehensive, characteristic and digital construction of parks, and helped enterprises to better cope with challenges and move forward in the wave of digital transformation with "financial + non-financial" services. After understanding the demand of the park, Industrial Bank Changchun Branch cooperated with an investment and construction group in a bonded area to build an ecological service platform for the park, and successfully launched the platform, providing all-round financial services and intelligent system management solutions for the bonded park.

The system covers more than 400 enterprises in the bonded park. The development of industrial clusters and enterprises in the park can be seen at a glance through the "smart screen", and the energy consumption logistics data of the park can be monitored in real time by digital means, so as to truly "know fairly well" the operation of the park. The system provides the park manager with one-stop bill management for rent, property fees, electricity fees and other fee scenarios, and supports automatic generation, timely push and rapid collection of bills, realizing the comprehensive coverage and intelligent closed loop of financial scenarios. The system supports the digital management of the property in the park, and the enterprises in the park can apply for repairs with one click through an applet and track the progress in real time, simplifying the daily work of the park manager and helping the operation of the park to reduce costs and increase efficiency. The system provides conference room reservation and information announcement functions to facilitate business contact and information sharing in the bonded area. With the gradual iteration of the functions of the system, it will provide digital online services for the work and life of more than 2,000 employees in the park in the future. Industrial Bank Changchun Branch achieved the first cooperation with the bonded area through the ecological service platform of the park. Up to now, Industrial Bank has cooperated with more than 30 customers in the bonded area and handled various financing businesses with an amount of nearly RMB200 million. In the future, Changchun Branch will continue to provide high-quality services for the financial businesses of the enterprises in the park, enabling the ecology of the park to be equipped with financial wings to help the flourishing development of the park.

(VI) "Digital Industrial" was continuously accelerated.

1. Built a solid foundation for digital transformation

The Company continued to optimize the science and technology system and mechanism, increased investment in science and technology resources, implemented the plan of 10,000 scientific and technological talents, promoted the certification of new digital talents, and created a cultural atmosphere of learning, understanding and applying science and technology. During the reporting period, the Group invested RMB8.398 billion in science and technology, representing a year-on-year increase of 1.78% and accounting for 3.98% of the operating income of the Company. As of the end of the reporting period, there were 7,828 scientific and technological talents, representing an increase of 16.85% from the end of the previous year, and scientific and technological talents accounted for 13.91%, representing an increase of 2.04 percentage points from the end of the previous year. The Company continued to strengthen the overall management of science and technology and the management of science and technology security, consolidated the foundation of science and technology, enhanced capacity building, improved the layout of advanced computing, launched the construction of distributed core projects, and continued to promote the cloudification transformation of systems, with the cloud rate of application systems reaching 81.07%.

2. Adhered to the "enterprise-level and standardization" methodology

The Company promoted digital transformation with an "enterprise-level and standardization" methodology. The Company established and completed the "five enterprise framework projects" of marketing, wealth, investment banking, operation and risk control, promote the "five standardizations" of process, data, model, development and operation standardization, carried out the "four sorting-out" of products, processes, systems and mechanisms to promote the integrated construction and management of brands, products, mechanisms and systems. The Company planed a new enterprise-level architecture blueprint, designed 119 business components, 152 application components and 14 interactive components, and gradually transformed project construction from department-level demand management and silo development model to enterprise-level demand integrated management and component development model. The enterprise-level data dictionary was released for the first time, and 28 thousand enterprise-level data dictionary standards were established. The enterprise-level intelligent anti-fraud platform won the "Second Prize for Financial Technology Development" granted by the People's Bank of China. During the reporting period, the Company published a total of 45 enterprise standards, including 29 standards in the information technology field. The Company disclosed 13 enterprise standards in accordance with the requirements of leader activity of enterprise standards in the financial industry. Three standards including the "Specification for Enterprise-level User Experience Standardized Design" were recognized by the People's Bank of China as the first enterprise standards in the financial industry.

3. Renovated and upgraded online platform

The Company established a new digital operation department, which explored new digital operation models, strengthened the overall planning of the digital operation system, and focused on the construction of enterprise-level operation systems to achieve unified allocation of resources, unified arrangement of strategies, unified management of customers, and unified evaluation of results, so as to continuously promote operational standardization. The Company improved mobile banking, renovated and upgraded "five online platforms" and has initially built a "Digital Industrial" system covering "1 (mobile banking) + 5 (CIB Inclusive, Industrial Steward, Industrial Living, Qianda Money Manager and Bank-to-Bank Platform) + N (various scenario-based ecologies)". The mobile banking was upgraded to version 6.0 and the number of the monthly active users (MAU) increased by 7.52% to 22.5262 million. The number of certified enterprises of CIB Inclusive increased by 26.48% from the end of the previous year to 36.4 thousand. The total amount of financing requirements satisfied recorded a year-on-year increase of 167.66%. The financing balance was RMB69.195 billion, representing an increase of RMB39.814 billion from the end of the previous year. The Company accelerated to provide its comprehensive services for medium, small and micro enterprises, individual industrial and commercial households, small and micro business owners, etc. The average monthly active users (MAU) of Industrial Steward increased by 22.16% from the end of the previous year, the number of customers increased by 20.08% from the end of the previous year and the number of transactions increased by 16.34%. The average monthly active users (MAU) of "Qianda Money Manager" increased by 26.40% from the end of the previous year, the number of registered customers increased by 23.86% from the end of the previous year, and the number of card-binding customers increased by 12.85% from the end of the previous year. 6.9 thousand customers from other banks have been changed to debit card customers of the Company, representing a year-on-year increase of 5.6 thousand households in the growth. The number of registered customers of Industrial Living increased by 10.7291 million from the end of the previous year, representing a year-on-year increase of 10.60% in the growth. The investment scale of institutions in the Bank-to-Bank Platform was RMB366.3 billion, representing an increase of 68.74% from the end of the previous year. The Company accelerated the construction of "AI + artificial" outbound calls, the operation of corporate WeChat, APP online wealth management and other diversified digital operation, with intelligent outbound calls accounting for 97.6%. Focusing on key customer groups such as long-tail, wealth, retail loans, inclusive loans, and credit cards, the Company established data models, deployed digital marketing strategies, and built a multi-level collaborative operation mechanism. The Company built 61 scenarios based on special rights and interests and products, and the average improvement rate of customer level was 9%. The activation rate of mobile banking, Industrial Steward and Qianda Money Manager increased by 33.2% as compared with the previous year.

4. Promoted the construction of the scenario ecology

Through technological empowerment, the Company actively promoted the construction of the scenario ecology, continued to integrate into various ecological scenarios, and deepened the integrated development of "Digital industrial" and the real economy. Centering on housing construction, medical care, education, transportation and other fields, the Company accelerated the construction of B-end scenario-based ecological platform. During the reporting period, there were more than 1,000 new construction projects, and the average daily settlement deposits covered was RMB319.041 billion, representing an increase of 14.61% from the end of the previous year. There were 1,941 open API interfaces, representing an increase of 28.54% as compared with the end of the previous year and covering 8,734 institutions. The Company empowered real industries with comprehensive digital capabilities and the core operating indicators of scenario-based ecologies such as Xing Ye Tong agency, Cai Zi Cloud, park ecological services and intelligent agricultural wholesale have achieved good growth. Among them, there were a total of 427 contracted industrial parks in the "Park Ecological Service Platform". The Company upgraded the system of digital RMB products, opened a total of 5.0561 million Industrial wallets, expanded 168.6 thousand digital RMB merchants have been expanded, and 123 2.5-tier small and medium-sized banks have signed contracts. The Company improved intelligent marketing capabilities and promoted digital marketing of "Xing Ye Code"（兴业码）, "Xing Xiang Hui"（兴享惠） and "Xing Fu E Card"（兴福 E 卡）. The Company deepened the large model application of artificial intelligence and formed the first batch of large model scenario empowerment, which have been applied in six major fields including generation of the summary of intelligent research reports, intelligent Q&A of corporate financial products and assisted generation of R&D codes.

Case 14

Realize "comprehensive benefits" with "intelligent finance empowering automobile consumption"

In 2023, the sales volume of a domestic automobile brand continued to increase, and the scale of personal automobile loans of its automobile consumer finance company continued to grow. The company hopes to cooperate with a bank in the ecological scene of automobile consumption, provide lower-cost personal automobile loan services through digital means, effectively carry out the operation of customers and enhance customer experience.

In recent years, Industrial Bank has continued to build a digital "building the ability to connect everything and build the best ecological empowerment bank". Through the digital products of "finance + technology", Industrial Bank empowers branches to build ecological scenes on the new automobile track and deeply integrate with automobile enterprises. After understanding the customer's demand, Industrial Bank Shanghai Branch established a cross-line and cross-departmental scenario finance team, and the head office and the branch cooperated to embed financial products into all business links through a customized digital system according to the customer demands of automotive consumer finance in automotive viewing and selection, automotive purchase and repayment, automotive use and maintenance, and automotive sale and replacement, so as to improve the customer experience at C-side and optimize the payment and settlement function to reduce the settlement costs for the automotive consumption finance companies at B-side.

Industrial Bank Shanghai Branch built an automobile consumption financial ecosystem from 0 to 1 within one year, providing financial services for the customers at B-side to C-side by relying on scenarios. In terms of the customers at C-side, Industrial Bank has released a total of 35 thousand personal automotive loans, with a loan amount of RMB1.4 billion and, and obtained 28 thousand customers in terms of zero loans. In terms of the customers at B-side, Industrial Bank deepened the cooperation with automotive consumer finance companies and became the main settlement bank, the main cooperative bank of joint loans and the main cooperative bank of ecological scenarios, with a loan balance of RMB3 billion and a deposit of RMB200 million. At the same time, Industrial Bank developed a chain car maintenance enterprise by building a system of the rights and interests of auto owners, and provided the universal loans of RMB 70 million to its 220 franchise stores.

Through the joint construction of an auto finance ecological scenario by both parties, Industrial Bank creates value for all participants and realizes customer sharing and joint operation. Firstly, Industrial Bank provided low-cost personal loan products for the customers at C-side, enhanced customer experience and promoted automobile sales of domestic brands. Secondly, Industrial Bank used data to screen customers and effectively controlled risks within five ten thousandths. Thirdly, Industrial Bank customized the auto loan lending system to improve the payment timeliness and reduce the payment cost. Fourthly, Industrial Bank empowered the operation of existing customers through the construction of the auto owners' rights and interests. Fifthly, Industrial Bank expanded the participants in the ecological scenario and took the auto maintenance platform as a customer at B-side to obtain customers and operate.

Case 15

Digital transformation empowers the construction of a retail credit factory

At present, residents' requirements for the efficiency and convenience of financial services are constantly improving. The competition of retail credit business has also been upgraded to a new era of rapid efficiency, intelligent service and extreme experience, and the requirements for retail credit work and management have become more sophisticated and efficient. The reform and innovation of bank retail credit is imperative and imminent.

In recent years, Industrial Bank has accelerated the pace of digital transformation and innovatively launched the low-code development platform "Xing Mo Fang"(兴魔方) to promote the deep integration of technology and business, help the agile innovation of businesses and reduce burdens at the grassroots level. At present, the platform has more than 500 empowerment systems in the Group, covering all branches and subsidiaries, and has become a powerful tool for empowering the Group's digital transformation. In response to customers' demands, Industrial Bank Chengdu Branch independently developed the auxiliary module of "e-process" based on the platform of "Xing Mo Fang" (兴魔方) , built a zero-loan centralized operation system with high standards, multi-collaboration and strong intelligence that integrates marketing, application, review, approval and lending, realizing the full coverage of offline retail credit products, solving the four main blocking points of offline centralized entry, submission for review, notarization and lending in the past, making "data run more and customer run less", and forming a differentiated competitive advantage in the industry.

The customer experience has been greatly improved, the number of retail loan processing nodes has been reduced from 11 to 1, and the lending time has been shortened from 13 working days to 4 working days, effectively meeting the customers' requirements for efficiency and convenience, and saving time, worry and effort of customers. The efficiency of bank lending has been continuously improved. Chengdu Branch released the retail loans of a total of RMB18.5 billion throughout the year, representing a year-on-year increase of 47%. At the same time, the per capita efficiency of customer managers continued to increase, and the per capita lending scale increased by 87.9% on a year-on-year basis. The growth of business scale no longer depended solely on the growth of manpower. The "credit factory" platform was selected as an excellent case of "Annual Model of Finance Empowering High-Quality Development" in digital finance, which was the only selected case of national joint-stock commercial banks.

(VII) Continued to strengthen Talent Pool

1. Fully unleashed the vitality of talents

Initiated the Talent Exchange Program. The Company intensified cadre exchanges between the head office and branches, parent company and subsidiary companies, the eastern region and western region and the southern region and the northern region, enhancing the transmission of strategic and operational strategies and the improvement of professional capabilities. During the reporting period, there were 35 exchanges between senior cadres of the head office and branches, 8 exchanges between parent company and subsidiary companies, 13 exchanges between the eastern region and the western region, and 11 exchanges between the southern region and the northern region. Since 2021, the Company has promoted a total of 238 exchanges. Promoted competitive talent utilization mechanisms. The Company broke down age and identity barriers, and implementing "open recruitment for leadership", "chain leader working mechanism"(链长制) and "military order" in key core positions. The Company carried out business competition activities such as "Xing Fei Yue" (兴飞跃) competition and guided by strategic execution and business expansion to fully explored the potential of cadres and enhance practical business capabilities. Strengthened the cultivation of reserve talents. In order to better match the construction of "digital Industrial" and the research on five major new tracks, the Company optimized the recruitment structure comprehensively, took campus recruitment as the main channel for talent introduction, and increased the recruitment efforts for graduates with science and engineering backgrounds. The Company continuously enhanced the brand influence of the Industrial Bank among graduate students by conducting the "Chick Goose Plan" internship program, organizing the "Digital Industrial" technology challenge competition, and jointly establishing the customized class for digital financial talents with universities. The Company improved the "comprehensive training, dedicated mentoring, continuous guidance" rotation training mechanism for graduates, standardized their entry training, promoted the comprehensive and healthy development of graduates, and built a talent growth echelon compatible with strategic transformation.

2. Built a young cadre echelon

Broadened the channels for cadre talent exchange and promotion. The Company established a reserve pool for senior young cadres, as well as "Honghu" and "Kunpeng" talent pools for mid-level reserve cadres. It meticulously organized selection, exchange and appointment of cadres and constructed a sizable and high-quality mid-level reserve cadre force. During the reporting period, 163 newly selected individuals were admitted to the pool, with more than 400 individuals from various talent pools admitted since 2021, among which, more than one-third individuals have exchanged and appointed. Promoted the youthfulness of the cadre team. The Company focused on investigating and identifying cadres during the process of key projects, selecting more post-85s and post-90s individuals as the backbone of the mid-level cadre team, while post-75s and post-80s individuals became the mainstay of the senior cadre team.

3. Established a professional talent team

Systematically promoted the construction of a team. The Company established a "seven-type" talent team characterized by digitalization, compound type, specialization, high-end skills, comprehensiveness, internationalization, and craftsmanship. The Company issued management methods for professional sequences, focused on the implementation of strategies, deepened the construction of the "5+N" training system, coordinated various practical training activities, accelerated the enhancement of the comprehensive capabilities and job competency of professional talent teams, and promoted various talents to converge rapidly in key business areas. Focused on the direction of transformation and development. The Company enhanced the professional capability of the team to support strategic execution, vigorously implemented the "10,000 Scientific and Technological Talents' Plan" and the "10,000 Green Finance Talents' Plan" and strengthened the construction of a wealth management team.

IV. Discussion and analysis on future development

(I) Industry pattern and trend

The year 2024 will be a critical year to fully implement the spirit of the 20th CPC National Congress, and also the first year to fully implement the spirit of the Central Financial Work Conference. The Central Financial Work Conference set the direction for high-quality development of the financial sector and put forward the goal of accelerating the construction of a financial powerhouse. The banking industry will actively implement the relevant requirements of the Central Financial Work Conference, understand internal and external situations, seize development opportunities, and effectively respond to challenges.

From an international perspective, the complexity, severity, and uncertainty of the external environment have increased, the differentiation of the global political and economic landscape has been accelerated, geopolitics remained complex and volatile, and the restructuring of the global industrial chain has been accelerated. Interest rate hikes in developed economies are coming to an end, but their growth prospects are divergent and they generally face challenges such as "high inflation, high interest rates, high debt, and low growth". From a domestic perspective, the favorable conditions of the economic development in China outweigh the unfavorable factors. The basic trend of recovery and long-term improvement of the economy has not changed. Meanwhile, the economy demonstrates three major characteristics: fast changes, optimized structure and alternating momentum. The economic growth is shifted, risks are released at an accelerated pace and cyclical and structural contradictions coexist.

In terms of opportunities, the "five major areas" proposed by the Central Financial Work Conference including technology finance, green finance, inclusive finance, pension finance, and digital finance will inject new momentums into the development of the banking industry in the fields such as serving technological innovation, green development, inclusive small and micro enterprises and pension finance. The construction of new urbanization constantly advances and the construction of modern industrial systems accelerates. The banking industry has bright prospects and great potential in terms of serving urbanization construction and new quality productive forces. In addition, the systematic arrangements for achieving common prosperity, increasing income of residents, improving the income distribution system, developing education undertaking and elderly care service, as well as policies such as the development and growth of the private economy and the integrated development across the Taiwan Strait at the 20th CPC National Congress will also bring more opportunities to many fields such as wealth business in the banking industry and regional development. In terms of challenges, the banking industry has fully entered the new normal of "low interest margins, low profits, and low growth". Under the guidance of policies regarding enhancing the efforts of financial services serving the real economy and reducing comprehensive financing costs, the net interest margins of the banking industry narrows and continues to be under pressure, and profitability is facing challenges. The shift between new and old growth drivers will impose profound impacts. Exposure and clearing of risks in certain industries and regions will still take a long time. The asset quality of commercial banks faces greater pressure of control and management.

(II) 2024 Development Strategy of the Company

In 2024, the Company will adhere to the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era and fully implement the spirit of the 20th CPC National Congress, the Central Financial Work Conference and the Central Economic Work Conference. The Company will maintain stable strategies and adhere to the principle of seeking progress while maintaining stability, promoting stability through progress, and establishing the new before abolishing the old. The Company will enhance the five major capabilities of "strategy implementation, customer service, investment transactions, comprehensive risk control, and management promotion" and focus on the "five major areas" to vigorously serve the real economy. The Company will continue to consolidate the fundamentals, lay out new tracks, persevere in promoting digital transformation, prevent and dissolve risks, make every effort to increase revenue and reduce expenditures. The Company will be proactive in transforming methods, adjusting structures, improving quality, and enhancing efficiency, consolidate a foundation for development and accelerate transformation and upgrade, thereby creating a valuable bank with Industrial characteristics.

Firstly, the Company will improve the ability of implementing strategies. The Company will adhere to the development path of "light assets, light capital and high efficiency", strengthen the concept of capital intensive management, and improve the efficiency of risky asset allocation and the level of risk measurement. The Company will focus on the improvement of retail business and promote the coordinated and balanced development of retail, corporate finance, interbank and financial market business segments. Centering on the "five major areas", integrating "five new tracks" and focusing on "Region + Industry", the Company will create a balance sheet that better matches the regional economic structure and industrial economic structure, and more effectively serve the high-quality development of the economy and society.

Secondly, the Company will enhance the capacity of customer services. The Company will incorporate the people-centered development concept into a customer-centered business philosophy, intensively cultivate and continuously improve the customer management system. The Company will grasp the profound changes in access methods and needs of customers in the digital era, and constantly improve the operation effectiveness of online platforms. The Company will deeply participate in the production and life scenarios of enterprises and residents, build a diverse scenario-based ecosystem, accelerate the development of "Digital Industrial", continue to optimize customer experience, and expedite the transformation of the business development model from product-oriented to customer- oriented.

Thirdly, the Company will improve investment and transaction capabilities. The Company will give full play to the strengths of the financial market business, actively integrate into the construction of multi-level financial markets, strengthen research empowerment, optimize the allocation of major asset allocation and investment portfolios, effectively seize market opportunities and help improve pricing efficiency and transaction activity in the market, better leveraging the decisive role of the market in the allocation of financial resources.

Fourthly, the Company will improve comprehensive risk control capabilities. The Company will establish the concept of "managing risks before conducting business" and adhere to the principle of "surrendering part of profits but not risks". The Company will strengthen policy research and judgment, proactively control access, implement a comprehensive risk management system and make good efforts on credit risk management and control in key areas. The Company will continue to make good efforts on key projects with special funds, improve the ability to perform duties of the "three lines of defense", and enhance risk control level of online business, so as to ensure the steady progress in transformation and development.

Fifthly, the Company will improve management and promotion capabilities. The Company will adhere to treating talents as the first resource, attract, foster and recruit talents in an all-round way, improve the work system of the selection, education, management, and appointment of cadres, continue to improve the "5+N" training system, and activate the momentum of the talent team. The Company will comprehensively improve technology production capacity, establish a technology input-output evaluation system, optimize talent structure layout, continue to promote data governance, enrich data assets, empower digital operation, risk management and business decision-making, and consolidate a technological security defense line. The Company will insist on the orientation of value creation, optimize the allocation of financial resources, and support the implementation of strategies. The Company will carry out "three basics" management improvement activities centered on grassroots employees, basic systems, and basic management to consolidate the foundation for sustainable development.

(III) 2024 Business Plan of the Company and Outlook

The formulation of the 2024 business plan will closely focus on the development strategy of the Company. The Company will actively promote the restructuring and improvement of the balance sheet, continue to strengthen the concept of capital intensive management, implement various measures of "increasing revenue and reducing expenditure" measures, and set pragmatic, realistic, positive and feasible goals. Firstly, the Company will maintain steady growth in total assets, further optimize the credit structure, coordinately promote the "five major areas" and "five major new tracks", increase loans in key areas, vigorously promote the diversified development of retail credit, and enhance the sustainability of business development. Secondly, the Company will maintain a steady matching of liabilities, coordinate the balanced development of volume and price, expand scenario construction and customer service, strengthen cost control, and promote the continuous optimization of liability structure. Thirdly, the Company will consolidate the customer base, enhance customer stickiness through diversified financial services, and increase income from intermediary businesses such as wealth management and wealth business. Fourthly, the Company will optimize the resource allocation structure, firmly establish the idea of "keeping the belt tightened", strengthen intensive management of resources, strengthen input-output requirements, and improve the use efficiency of resources. Fifthly, the Company will adhere to steady and prudent operation, improve risk prevention capabilities, focus on controlling the new, reducing the existing and decreasing losses and promote risk resolution in key areas and achieve results, and the non-performing loan ratio remains stable.

1. Outlook for net interest income

Looking forward to 2024, the strategic direction of the Company is highly consistent with the "five major areas". The Company insisted on the establishment of the "three business cards" of green bank, wealth bank and investment bank for a long time, proactively deployed the "five new tracks" of science and technology innovation finance, inclusive finance, energy finance, automobile finance and industrial zone finance, and accelerated the construction of "Digital Industrial". Meanwhile, the Company has established a product system, risk control model, research capabilities, collaboration mechanism, technology platform, and talent team that adapted to the "five major areas" to better and faster meet the diverse needs of customers during the period that, and has outstanding professional capabilities, obvious first-mover advantages and efficient service response. Based on the existing work, the Company will coordinately promote the "five new tracks" and "five major areas", and strive to carve out a differentiated development path and form unique advantages in the competition among various financial institutions. The Company will facilitate the optimization of customer structure, asset structure, and liability structure with business transformation, stabilize asset profitability with professional capabilities and efficient services, promote the optimization of liability costs with the construction of ecological scenarios, the settlement and operation of key industry chains, etc., strive to improve the quality of development and endeavor to maintain interest rate spreads at a satisfactory level.

In terms of technology finance, the Company will further broaden its perspective based on science and technology innovation finance. The Company will fully leverage the advantages of group licenses and industry networks, optimize the "insurance for shares, loans and bonds" product system, and provide customers with comprehensive lifecycle service solutions. The Company will continue to strengthen public-private linkage, improve service levels for business owners, employees, and corporate users, and strive for more opportunities arising from private banking, payroll agency, and consumption credit business. The Company will vigorously develop the industrial zone finance, accelerate the construction of technology branches within the park, fully utilize the advantages of technology enterprises and talents in the park, and promote the rapid development of technology finance. The Company will continuously iterate and update the "technology flow" credit model, make the accurate portrait for science and technology innovation enterprises, and expedite the monetization of intangible assets such as technology patents. In terms of green finance, the Company will consolidate its leading position and enhance innovation capabilities. The Company will strengthen the policy grasp, market analysis, and product innovation capabilities of the CIB Research, Carbon Finance Research Institute, and Green Finance Department/Strategic Customer Department, enhance the innovative application of green bonds, green funds, green wealth management, and green trusts, and provide strong guidance and support for branch services to customers. The Company will strive to make more achievements in the green and low-carbon transformation of traditional industries and the development of green and low-carbon industries. The Company will achieve more breakthroughs in key areas such as energy finance, automobile finance, and the industrial zone finance, make greater contributions to building beautiful rural areas and promoting the realization of ecological products, and make greater progress in carbon reduction, carbon trading, carbon neutrality, opening carbon accounts, coping with carbon border adjustment mechanism, and helping companies establish ESG management systems. In terms of inclusive finance, the Company will focus on enhancing data application capabilities, product innovation capabilities, customer operation capabilities and intelligent risk control capabilities and promote the integrated development of green finance and science and technology finance. The Company will continuously improve the "online + offline" and "scenario + platform" comprehensive service system, strengthen internal data integration and external data cooperation, enhance model management, and make good efforts on continuity management and adhere to the basic operational logic. Through "big data", the Company will effectively prevent risks, reduce costs, and increase profits. The Company actively used the "three business cards" to assist in small and micro-enterprises in green transformation, wealth preservation and appreciation, and better development through the capital market. The Company will help the general public achieve wealth preservation and appreciation through stable and low-risk products, effectively achieving finance for people and laying a solid customer foundation. In terms of pension finance, the Company will improve the comprehensive service system of pension finance around three major business areas: pension fund finance, pension service finance, and pension industry finance. The Company will vigorously expand the qualification of financial social security cards, accelerate the application for corporate annuity business qualifications, actively develop annuity-like businesses, create pension accounts with unified perspective for customers and help customers understand, manage, and utilize pension funds. Based on the different demands for pre-retirement and retirement stages, the Company will provide comprehensive service solutions of financial services and non-financial services and establish various scenarios with Industrial characteristics. The Company will explore business opportunities arising from segments such as pension infrastructure, pension real estate, and the production and manufacturing of pension products and services. In terms of digital finance, "four beams and eight pillars" of the Company's digital transformation have basically taken shape, which will accelerate the release of more productive forces. On one hand, the Company will deepen the integration of technology, data, and business to better serve digital industrialization and industrial digitalization, accelerate the systematic construction, platform construction, and ecological construction of the industrial finance field, promote the deep integration of digital economy and real economy, and focus on ecological scenario construction in areas such as parks, intelligent agriculture wholesale markets, new energy, and automobiles. On the other hand, the Company will enhance digital operation capabilities, improve customer experience, stimulate the activity of the five online platforms, and increase the scale of online business operations.

2. Outlook for net non-interest income

Looking forward to 2024, based on the financial service needs of customers, the Company will accelerate the construction and improvement of the financial ecosystem, enhance operation capabilities of digital services, developed the core advantages of wealth banking and investment banking, and enhance the diversification and stability of non-interest income.

In terms of wealth banking, the Company will take it as the main driving force for increasing revenue, continue to promote the construction of a hierarchical and classified marketing system for customers, strengthen investment research, expand product innovation, continuously optimize and enrich the supply of wealth products, and effectively improve capabilities of customer asset allocation. The Company will promote the upgrading and integration of Qianda Money Manager to form a customer-centered and data-driven online wealth management platform. In terms of the custody business, the Company will accelerate the transformation of its product structure, focusing on public-traded funds, insurance, wealth management and other products, and follow up on trust business innovation and explore business opportunities arising from private equity and other aspects. In terms of investment banking, the Company will focus on the "investment-underwriting, investment-loans, investment-private, and investment-research" and create a more efficient collaborative operation mechanism. On the basis of consolidating the advantages of bond underwriting business, the Company will promote product innovation, enhance the service capabilities and competitiveness in the fields such as REITs business, syndicated financing, M&A financing, capital markets, equity investment, etc., and seize business opportunities from new tracks. The Company will strengthen the matching capabilities of investment banks, and achieve mutually beneficial and win-win cooperation with banks, insurance companies, and securities dealers through project diversion, product complementation, and asset sales and circulation. In terms of capital business, the Company will focus on strengthening research and empowerment, continue to leverage the traditional advantages of capital business, grasp the market rhythm in a forward-looking way, optimize the bond investment portfolio, and continuously improve the trading level and layout capabilities of investment business. The Company will continue to maintain the dominant market position of interest rate bonds, interest rate derivatives and exchange rate derivatives, improve FICC's core competitiveness and meet increasing demand of customers for wealth management and exchange rate hedging needs of import and export customers. In terms of the bank card business, the Company will vigorously develop fund-source businesses such as payroll agency, social security payment, and bill collection. The Company will construct the Weaving Network Project 2.0 to connect the three major APPs of mobile banking of retail customers, Industrial Living, Qianda Money Manager to achieve interconnection. The Company will continue to optimize the customer group structure of the credit card, expand the young customer group, further explore consumption scenarios of the "Industrial Living", and promote the recovery of consumption transactions.

3. Outlook for asset quality

Looking forward to 2024, the Company will actively serve the national strategy, strengthen research and empowerment, promote the integration of risk and business, continuously optimize customer and business structure, and consolidate the foundation of asset quality management and control with high-quality development. At the same time, the Company will continue to promote the resolution and disposal of risks in key areas, establish mechanisms such as a mechanism for leaders of the head office to supervise and guide and the risk prevention and control agile team, integrate the professional capabilities of the Group to improve decision-making and execution efficiency, make good use of policy tools and resolve risks in key areas in an orderly and effective manner.

In terms of the real estate, the Company will firmly implement decisions and arrangements of the central government on actively and steadily resolving real estate risks. Firstly, the Company will adhere to the transformation and development, actively participate in the "three major projects", rental housing, industrial zone finance and other businesses to promote the transformation and development of the real estate business. Secondly, the Company will insist on "four focuses". The Company will focus on industry leaders with a stable capital chain and reasonable liability structure when selecting customers, focus on Beijing-Tianjin-Hebei, Yangtze River Delta, Pearl River Delta core cities and new first-tier cities when selecting regions, focus on ordinary commodity housing with strong marketability when selecting projects and focus on short duration projects when selecting products, so as to continuously optimize the real estate business structure. Thirdly, the Company will continue to give full play to the advantages of the mechanism and further leverage the professional capabilities of the real estate risk prevention and control agile team through reasonable authorization and optimization of personnel combination. The Company will seize the policy window period, apply policy tools such as the coordination mechanism of urban real estate financing and "guaranteed delivery of buildings", and take multiple measures to promote the resumption of work and production of projects, revitalize the value of properties, and resolve risks of the real estate business.

In terms of local government financing platform, the Company will continue to adhere to the principle of compliance and marketization, and organically combine business transformation and development with the resolution of existing risks. On one hand, the Company will take transformation and development as the guide, actively increase credit supply for green economy, housing lease, rural revitalization, new urbanization and local high-quality industries, serve the high-quality development of regional economy and establish good bank-government relationship to help resolve risks. On the other hand, the Company will continue to maintain a high-pressure situation in risk management and control of local government financing platform business, continue to improve the collaborative working mechanism of a mechanism for leaders of the head office to supervise and guide and the risk prevention and control agile team, make full use of policy tools, support the resolution of local debt risks, and safeguard their legitimate rights and interests.

In terms of the credit card, focusing on the general tone of "controlling non-performing, building systems, and accelerating transformation", the Company will improve the full-process risk management system of the credit card and accelerate the transformation and development of the credit card business. On one hand, the Company will establish and improve the head office-branches linkage risk management and control system, and focus on key links such as risk access, lending management and control, and front-end collection and back-end collection, and continue to reduce new non-performing credit cards. On the other hand, the Company will accelerate business transformation, achieve real customer acquisition, expand scenario-based consumption transactions, optimize transaction structure and interest-earning asset structure, and achieve a balance between scale and quality

V. Major operations during the reporting period

(I) Overview

1. Overall operations

(1) As at the end of the reporting period, the total assets of the Company reached RMB10,158.326 billion, representing an increase of 9.62% compared with the end of last year; the balance of local and foreign currency deposit was RMB5,137.073 billion, representing an increase of 8.45% compared with the end of last year; the balance of local and foreign currency loan reached RMB5,460.935 billion, representing an increase of 9.59% compared with the end of last year; total assets of overseas branches of the Company amounted to RMB214.241 billion, accounting for 2.11% of total assets.

(2) During the reporting period, the operating income of the Company recorded RMB210.831 billion, representing a year-on-year decrease of 5.19%, of which net fee and commission income reached RMB27.755 billion, representing a year-on-year decrease of 38.38%. Net profit attributable to the shareholders of the parent company reached RMB77.116 billion, representing a year-on-year decrease of 15.61%. Weighted average ROE was 10.64%, representing a year-on-year decrease of 3.21 percentage points; total return on assets reached 0.80%, representing a year-on-year decrease of 0.23 percentage point; cost-to-income ratio was 29.97%, representing a year-on-year increase of 0.60 percentage point.

(3) As at the end of the reporting period, the balance of the Company's NPLs stood at MB58.491 billion, representing an increase of RMB4.003 billion compared with the end of last year and the NPL ratio was 1.07%, representing a decrease of 0.02 percentage point compared with the end of last year. During the reporting period, the provisions amounted to RMB61.178 billion, the provision-to-loan ratio was 2.63% at the end of the reporting period, representing an increase of 0.04 percentage point compared with the end of last year, and the provision coverage ratio was 245.21%, representing an increase of 8.77 percentage points compared with the end of last year.

2. Composition of operating income and operating profit

During the reporting period, operating income of the Company was RMB210.831 billion, and its operating profit was RMB84.140 billion.

(1) The Company divided its regional branches into ten segments by importance and comparability, namely, head office (including the headquarters and its affiliated operating units), Fujian, Beijing, Shanghai, Guangdong, Zhejiang, Jiangsu, Northeast China and other regions, Western China and Central China. The operating income and operating profit of each regional branch are set out as follows:

Unit: RMB million

Segment	Operating income	Change over previous year (%)	Operating profit	Change over previous year (%)
Head office	81,137	(13.42)	38,164	(7.64)
Fujian	30,359	2.01	9,910	(21.93)
Beijing	6,165	(4.46)	1,311	(14.54)
Shanghai	7,839	7.75	3,097	(16.84)
Guangdong	10,350	(1.79)	3,227	14.88
Zhejiang	10,580	4.15	5,447	(8.91)
Jiangsu	12,390	4.84	6,447	(14.23)
Northeast China and other regions	19,023	(1.76)	10,312	(12.60)
Western China	14,062	1.10	(134)	(101.85)
Central China	18,926	(2.35)	6,359	(44.99)
Total	210,831	(5.19)	84,140	(20.74)

(2) The amount, proportion and year-on-year changes of the items of operating income

Unit: RMB million

Item	Amount	Percentage in total operating income (%)	Increase/decrease year-on-year (%)
Interest income from loans	236,281	56.42	4.80
Interest income from placements	13,592	3.25	26.31
Interest income from deposits in Central Bank	5,795	1.38	2.46
Interest income from deposits in banks and other financial institutions	3,023	0.72	111.99
Interest income from resale agreements	3,781	0.90	(4.78)
Gain and loss, and interest income from investments	112,149	26.78	5.32
Fee and commission income	33,119	7.91	(33.04)
Interest income from financing lease	4,976	1.19	(1.15)
Other income	6,055	1.45	201.24
Total	418,771	100	2.07

3. Financial position and operating results

(1) Changes of key financial indicators and descriptions

Unit: RMB million

Item	December 31, 2023	December 31, 2022	Increase/decrease over previous year (%)	Brief description
Total assets	10,158,326	9,266,671	9.62	Steady growth in various asset business and overall optimization of asset structure
Total liabilities	9,350,607	8,509,373	9.89	Steady growth in various liability business and overall optimization of liability structure
Shareholders' equity attributable to the shareholders of the parent company	796,224	746,187	6.71	Transfer of net profits for the current period

Unit: RMB million

Item	2023	2022	Increase/decrease over the same period of previous year (%)	Brief description
Operating income	210,831	222,374	(5.19)	Year-on-year decrease of 16.57% in net non-interest income due to the impact of decrease in income from wealth management fees
Net profit attributable to the shareholders of the parent company	77,116	91,377	(15.61)	Decrease in operating income; increase in investment in strategic key areas such as digital construction, business transformation, brand and customer infrastructure construction, and increase in the cost-to-income ratio; making reasonable impairment provision to consolidate asset quality
Weighted average ROE (%)	10.64	13.85	Down 3.21 percentage points	The growth rate of net profit lower than the growth rate of weighted average net assets and decline in weighted average ROE

(2) Main items with changes over 30% in the accounting statement

Unit: RMB million

Main accounting item	December 31, 2023	December 31, 2022	Increase/decrease over the end of previous year (%)	Brief description
Deposits with banks and other financial institutions	**185,906**	94,114	97.53	Increase in deposits with banks and other financial institutions
Financial assets purchased under resale agreements	**200,065**	56,537	253.87	Increase in bonds purchased under resale agreements
Borrowing from Central Bank	**307,064**	94,621	224.52	Increase in borrowing from Central Bank
Trading financial liabilities	**12,946**	49,578	(73.89)	According to the People's Bank of China's Interim Measures for the Administration of the Gold Leasing Business (Yin Ban Fa [2022] No.88), the Company has adjusted the presentation of the rental side of gold leasing business to the placements from banks and other financial institutions
Other comprehensive income	**1,239**	(724)	Negative as at the end of last year	Increase in balance of fair value changes of other debt investment included in other comprehensive income

Unit: RMB million

Main accounting item	2023	2022	Increase/decrease over the same period of previous year (%)	Brief description
Fee and commission income	**33,119**	49,462	(33.04)	Decrease in wealth management fee income due to the decline in the scale of existing wealth management products and fluctuation in capital market
Investment gains	**30,699**	30,222	1.58	Being fairly interrelated, the overall gains from those three accounting items after consolidation amounted to RMB35.259 billion, representing a year-on-year increase of 14.17%, which was mainly due to the increase in gains related to bond financial assets
Gains from changes in fair value	**4,139**	(631)	Negative in the same period of last year	
Foreign exchange gains	**421**	1,292	(67.41)	
Income tax expenses	**6,675**	13,807	(51.65)	Year-on-year decrease in profits before tax

(II) Analysis of the balance sheet

1. Asset

As at the end of the reporting period, the total assets of the Company amounted to RMB10,158.326 billion, up 9.62% compared with the end of previous year, of which loans (excluding accrued interest) increased by RMB478.048 billion or 9.59% compared with the end of previous year; and various net investments increased by RMB176.960 billion or 5.60% compared with the end of previous year.

Unit: RMB million

Item	December 31, 2023		December 31, 2022	
	Balance	Percentage (%)	Balance	Percentage (%)
Net loans and advances to customers	**5,333,483**	**52.50**	4,869,879	52.55
Investment note [(1)]	**3,339,347**	**32.87**	3,162,387	34.13
Financial assets purchased under resale agreements	**200,065**	**1.97**	56,537	0.61
Finance lease receivables	**114,677**	**1.13**	107,224	1.16
Deposits with banks	**185,906**	**1.83**	94,114	1.02
Placements with banks and other financial institutions	**363,172**	**3.58**	352,043	3.80
Cash and balances with Central Bank	**418,569**	**4.12**	442,403	4.77
Others note [(2)]	**203,107**	**2.00**	182,084	1.96
Total	**10,158,326**	**100**	9,266,671	100

Notes: (1) Included the trading financial assets, debt investments, other debt investments, other equity instrument investments and long-term equity investments.

(2) Included precious metals, derivative financial assets, right-of-use assets, fixed assets, construction in progress, intangible assets, goodwill, deferred income tax assets and other assets.

The details of loans are set out as follows:

(1) Classification of loans

Unit: RMB million

Type	December 31, 2023	December 31, 2022
Corporate loans	**3,164,814**	2,631,413
Personal loans	**1,976,372**	1,973,907
Discounted bills	**319,749**	377,567
Total	**5,460,935**	4,982,887

As at the end of the reporting period, corporate loans accounted for 57.95%, up 5.14 percentage points as compared with the end of previous year; personal loans accounted for 36.19%, down 3.42 percentage points compared with the end of the previous year; and discounted bills accounted for 5.86%, down 1.72 percentage points compared with the end of previous year. During the reporting period, the Company proactively responded to the market change and reasonably ascertained the credit layout for main businesses and continued to keep stable and balanced development of key businesses.

(2) Loan distribution by industry

As at the end of the reporting period, the top five industries that received the largest proportion of bank loans were: "personal loans", "manufacturing", "leasing and commercial service", "real estate" and "discounted bills". The details of distribution are set out as follows:

Unit: RMB million

Industry	December 31, 2023			December 31, 2022		
	Loan balance	Percentage (%)	NPL ratio (%)	Loan balance	Percentage (%)	NPL ratio (%)
Agriculture, forestry, husbandry and fishery	**25,182**	**0.46**	**1.82**	17,234	0.35	0.02
Mining	**76,574**	**1.40**	**0.05**	74,380	1.49	0.24
Manufacturing	**728,257**	**13.34**	**0.57**	585,275	11.74	0.50
Production and supply of power, heat, gas and water	**185,630**	**3.40**	**0.09**	166,203	3.34	0.16
Construction	**167,254**	**3.06**	**1.32**	163,364	3.28	1.25
Transportation, logistics and postal service	**175,265**	**3.21**	**0.24**	165,154	3.31	0.49
Information transmission, software and IT service	**51,047**	**0.93**	**0.89**	41,185	0.83	1.00
Wholesale and retail	**283,379**	**5.18**	**3.66**	263,437	5.29	4.29
Accommodation and catering	**7,415**	**0.14**	**0.31**	5,691	0.11	0.02
Finance	**43,269**	**0.79**	**0.11**	34,943	0.70	0.16
Real estate	**437,450**	**8.01**	**0.84**	356,027	7.14	1.30
Leasing and commercial services	**633,435**	**11.60**	**0.95**	458,017	9.19	0.41
Scientific research and technical service	**35,336**	**0.65**	**0.31**	27,332	0.55	0.91
Water conservation, environment and public facility administration	**278,973**	**5.11**	**0.69**	246,453	4.95	0.15
Residential services, repair and other related services	**4,119**	**0.08**	**2.19**	3,407	0.07	0.17
Education	**9,086**	**0.17**	**0.02**	5,272	0.11	0.00
Sanitation and social services	**15,355**	**0.28**	**0.25**	11,027	0.22	0.17
Culture, sporting and entertainment	**7,785**	**0.14**	**3.20**	6,710	0.13	3.86
Public administration, social security and social organizations	**3**	**0.00**	**0.00**	302	0.01	0.00
International organization	**0.00**	**0.00**	**0.00**	0.00	0.00	0.00
Personal loans	**1,976,372**	**36.19**	**1.42**	1,973,907	39.61	1.47
Discounted bills	**319,749**	**5.86**	**0.00**	377,567	7.58	0.00
Total	**5,460,935**	**100**	**1.07**	4,982,887	100	1.09

During the reporting period, the Company proactively responded to the complicated internal and external economic situation, led by the new development concept, consolidated the fundamentals, laid out new tracks and strove to promote the integration of risk management and business development, implemented a differentiated credit policy of "ensuring, controlling and reducing" and increased efforts on refined and differentiated management. According to the regional characteristics of each branch, adhering to the principle of survival of the fittest, on the basis of in-depth understanding of the industry, mature project reserves, and risk control measures and in combination with industry rankings, subject qualifications, development prospects of the industry and other comprehensive factors, the Company applied management tools such as the list system to formulate regional characteristic risk policies for those branches that possessed the "market advantages, resource advantages, technological advantages, location advantages and management advantages", promoting the development of characteristic businesses of branches. Focusing on the national "double carbon" goal, the Company further gave play to the leading advantages of its green finance, enriched and improved the green financial product and service system, continued to strictly control overcapacity industries, followed the principle of "controlling increment, optimizing stock, and adjusting structure", paid attention to the differentiation of enterprises in the industry, and adhered to the "double excellence" strategy of advantageous areas and high-quality leaders. Based on the strategic drive of "internal circulation" and "dual circulation" and according to national policy guidance, the Company preferentially supported the upgrading people's livelihood consumption fields and new consumption fields such as automobiles, medicine, modern logistics, education, culture and sports, and household appliances. The Company respond to the transformation requirement of "promoting high-quality development", continuously enhanced the consistency of the Company's operations with national policy guidance and the development of the real economy, and focused on supporting high-quality customers in the fields such as new infrastructure, strategic emerging industries, advanced manufacturing, domestic substitution, "specialized, sophisticated, distinctive and innovative" and "four economies" of Fujian province, captured business opportunities in new economic sectors. The Company strengthened management and control of key areas and optimized business structure. In terms of the real estate business, the Company adhered to the positioning of "housing is for living in, not for speculation", proactively accelerated business transformation and development, actively and steadily developed housing leasing business, create an ecosystem based on housing scenarios and gave full play to the long-tail effect of operational value. The Company conducted local government financing business with strict adherence to the bottom line of legal compliance, prohibited the increase the hidden debt of local governments and actively participated in investment and financial consulting for local government income bonds projects. The Company increased credit support for rural revitalization, inclusive small and micro enterprises, and science and technology innovation finance and provided financial solutions. The Company expanded customers through risk empowerment for technology innovation enterprises with characteristics of "light on assets and heavy on intelligence" characteristics, continued to promote the technology flow evaluation system and application model and promoted business development with "new ideas, new development". During the reporting period, the complexity and uncertainty of the external economic environment brought greater challenges to asset quality management and control of the Company. The Company closely adhered to decision-making and deployment and regulatory guidance of the Party Central Committee, actively responded to market changes, and established a working mechanism for leaders of the head office to supervise and guide and the flexible agile team for the risk prevention and control in key areas to keep close to the front line of the market and effectively promoted the risk resolution of key areas, key regions, and key projects. The Company continued to strengthen technological empowerment, promoted the digital construction of the risk control system, optimized the full-process management and control of credit business, improved the identification and foresight of risk warning indicators, and increased the collection and disposal of non-performing assets, so as to maintain asset quality stable.

For details of the credit and environmental requirements of some industries in the above table, please refer to "Environmental and Social Responsibilities".

(3) Loan distribution by geographical region

Unit: RMB million

Region	December 31, 2023		December 31, 2022	
	Loan balance	Percentage (%)	Loan balance	Percentage (%)
Head office	**600,504**	**11.00**	602,207	12.09
Fujian	**572,595**	**10.50**	545,812	10.95
Guangdong	**655,841**	**12.01**	577,166	11.58
Jiangsu	**531,193**	**9.73**	478,612	9.61
Zhejiang	**501,544**	**9.18**	448,161	8.99
Shanghai	**274,363**	**5.02**	240,738	4.83
Beijing	**242,149**	**4.43**	215,527	4.33
Northeast China	**159,021**	**2.91**	155,556	3.12
Western China	**702,928**	**12.87**	595,508	11.95
Central China	**737,256**	**13.50**	675,603	13.56
Other regions	**483,541**	**8.85**	447,997	8.99
Total	**5,460,935**	**100**	4,982,887	100

The Company conscientiously implemented the national regional development decisions and arrangements, actively supported major regional strategies such as the coordinated development of Beijing, Tianjin and Hebei, the development of the Yangtze River Economic Belt, the construction of the Guangdong-Hong Kong-Macao Greater Bay Area, the integrated development of the Yangtze River Delta, ecological protection and high-quality development of the Yellow River Basin and the credit funding needs of regions in Fujian Province, further improved the policies and systems for supporting the development of the western region, the revitalization of the northeast, the rise of the central region, and the leading development of the eastern region and promoted the establishment and improvement of systems and mechanisms for regional coordinated development. Meanwhile, the Company increased efforts on refined and differentiated management. According to the regional characteristics of each branch and adhering to the principle of survival of the fittest, the Company formulated regional characteristic risk policies for those branches that possessed the "market advantages, resource advantages, technological advantages, location advantages and management advantages", promoting the development of characteristic businesses of branches.

(4) Forms of loan guarantee

Unit: RMB million

Security type	December 31, 2023		December 31, 2022	
	Loan balance	Percentage (%)	Loan balance	Percentage (%)
Unsecured loans	**1,469,326**	**26.90**	1,392,814	27.94
Guaranteed loans	**1,341,021**	**24.56**	1,068,126	21.44
Secured by mortgage	**1,930,799**	**35.35**	1,795,822	36.04
Secured by collateral	**400,040**	**7.33**	348,558	7.00
Discounted bills	**319,749**	**5.86**	377,567	7.58
Total	**5,460,935**	**100**	4,982,887	100

The Company further increased its support for inclusive finance, improved the accurate judgment on the repayment ability of financing entities through strengthening data empowerment, and reduced reliance on mortgage and collateral guarantees. As at the end of the reporting period, the proportion of the Company's unsecured loans decreased by 1.04 percentage points compared with the end of previous year; the proportion of guaranteed loans increased by 3.12 percentage points compared with the end of previous year; the proportion of loans secured by mortgage and collateral decreased by 0.36 percentage point compared with the end of previous year, while the proportion of loans secured by discounted bills decreased by 1.72 percentage points compared with the end of previous year.

(5) Loans granted to the top ten borrowers

Unit: RMB million

Customer	December 31, 2023	Percentage in total loans (%)
Customer A	**17,670**	0.32
Customer B	**15,707**	0.29
Customer C	**12,300**	0.23
Customer D	**12,089**	0.22
Customer E	**11,987**	0.22
Customer F	**11,615**	0.21
Customer G	**10,558**	0.19
Customer H	**9,768**	0.18
Customer I	**8,090**	0.15
Customer J	**7,944**	0.15
Total	**117,728**	2.16

The loan balance of the Company's largest single borrower as at the end of the period was RMB17.670 billion, accounting for 1.84% of the Company's net capital before consolidation, which conformed to the requirement by the regulatory departments that the proportion of loan balance of a single borrower could not exceed 10% of a bank's net capital.

(6) Structure of personal loans

Unit: RMB million

Item	December 31, 2023			December 31, 2022		
	Loan balance	Percentage (%)	NPL ratio (%)	Loan balance	Percentage (%)	NPL ratio (%)
Personal residential and business mortgage loans	**1,075,915**	**54.44**	**0.56**	1,097,324	55.58	0.56
Personal business loans	**325,428**	**16.47**	**0.79**	280,000	14.19	0.56
Credit cards	**401,633**	**20.32**	**3.93**	452,772	22.94	4.01
Others	**173,396**	**8.77**	**2.08**	143,811	7.29	2.18
Total	**1,976,372**	**100**	**1.42**	1,973,907	100	1.47

The Company reduced its concentration on personal property mortgage loans and credit cards and increased inclusive personal business loans. Personal housing and commercial housing loans decreased by 1.14 percentage points compared with the end of previous year. Personal business loans increased by 2.28 percentage points compared with the end of previous year. Credit card balances decreased by 2.62 percentage points compared with the end of previous year. As at the end of the reporting period, the NPL ratio of personal loans recorded 1.42%, representing a decrease of 0.05 percentage point compared with the end of previous year.

The Company continued to leverage its advantages in light capital occupation in the personal loan business, stabilized the pace of granting, optimized the asset structure, continued to strengthen technological empowerment, promoted the strategy re-examination and optimization of the risk control model, improved the monitoring, early warning, and disposal capabilities of the lending and post-lending, and enhanced the digitalization level of the entire business process. While consolidating the foundation of retail asset scale and guarding the bottom line of risk, the Company actively empowered personal loan business to achieve new growth.

The details of investment are set out as follows:

(1) Analysis of total external investment

As at the end of the reporting period, the Company's net investment increased by RMB176.960 billion or 5.60% from the end of previous year to RMB3,339.347 billion.

Classification based on accounting item

Unit: RMB million

Item	December 31, 2023		December 31, 2022	
	Balance	Percentage (%)	Balance	Percentage (%)
Trading financial assets	**957,708**	**28.68**	999,855	31.62
Debt investments	**1,801,346**	**53.94**	1,607,026	50.82
Other debt investments	**572,585**	**17.15**	548,007	17.33
Other equity instrument investments	**3,836**	**0.11**	3,453	0.11
Long-term equity investments	**3,872**	**0.12**	4,046	0.12
Total	**3,339,347**	**100**	3,162,387	100

Classification based on issuer

Unit: RMB million

Type	December 31, 2023		December 31, 2022	
	Balance	Percentage (%)	Balance	Percentage (%)
Government bonds	**1,274,212**	**37.96**	1,131,520	35.50
Central bank bills and financial bonds	**251,315**	**7.49**	196,521	6.17
Corporate bonds and asset-backed securities	**460,611**	**13.72**	457,420	14.35
Other investments	**1,366,989**	**40.72**	1,397,927	43.86
Long-term equity investments	**3,872**	**0.11**	4,046	0.12
Total	**3,356,999**	**100**	3,187,434	100
Accrued interest	**22,936**		20,399	
Impairment provision	**(40,588)**		(45,446)	
Net value	**3,339,347**		3,162,387	

(2) Long-term equity investments

As at the end of the reporting period, the book value of the Company's long-term equity investments was RMB3,872 million, and the details are set out as follows:

① The Company held 294.40 million shares of Bank of Jiujiang Co., Ltd. with a proportion of equity interest of 10.34% and a book value of RMB3,397 million.

② Ciit Asset Management Co.,Ltd. held the book value of other long-term equity investment of RMB468 million as at the end of the reporting period.

③ CIB Fund Management Co., Ltd. held the book value of other long-term equity investment of RMB7 million as at the end of the reporting period.

Deposits with banks and other financial institutions are set out as follows:

As at the end of the reporting period, the Company had a balance (excluding accrued interests) of RMB185.819 billion in deposits with banks and other financial institutions, increased by RMB91.681 billion or 97.39% from the end of the previous year.

Unit: RMB million

Type	December 31, 2023		December 31, 2022	
	Balance	Percentage (%)	Balance	Percentage (%)
Deposits with domestic banks	**154,361**	**83.07**	68,262	72.51
Deposits with other domestic financial institutions	**11,898**	**6.40**	8,501	9.03
Deposits with foreign banks	**19,504**	**10.50**	17,178	18.25
Deposits with other foreign financial institutions	**56**	**0.03**	197	0.21
Total	**185,819**	**100**	94,138	100
Accrued interest	**156**		110	
Impairment provision	**(69)**		(134)	
Net value	**185,906**		94,114	

The placements with banks and other financial institutions are set out as follows:

As at the end of the reporting period, the Company had a balance of RMB361.921 billion in placements with banks and other financial institutions (excluding accrued interest), increased by RMB10.221 billion or 2.91% from the end of previous year.

Unit: RMB million

Item	December 31, 2023		December 31, 2022	
	Balance	Percentage (%)	Balance	Percentage (%)
Placements with domestic banks	**8,809**	**2.43**	11,202	3.19
Placements with other domestic financial institutions	**295,125**	**81.55**	259,880	73.89
Placements with foreign banks	**57,987**	**16.02**	80,618	22.92
Total	**361,921**	**100**	351,700	100
Accrued interest	**1,634**		928	
Impairment provision	**(383)**		(585)	
Net value	**363,172**		352,043	

Details of financial assets purchased under resale agreements are set out as follows:

As at the end of the reporting period, the Company recorded a balance of RMB199.953 billion in financial assets purchased under resale agreements (excluding accrued interest), representing a decrease of RMB143.364 billion or 253.34% compared with the end of previous year.

Unit: RMB million

Type	December 31, 2023		December 31, 2022	
	Balance	Percentage (%)	Balance	Percentage (%)
Bonds	**199,953**	**100**	56,589	100
Total	**199,953**	**100**	56,589	100
Accrued interest	**195**		59	
Impairment provision	**(83)**		(111)	
Net value	**200,065**		56,537	

2. Liabilities

As at the end of the reporting period, the total liabilities of the Company amounted to RMB9,350.607 billion, representing an increase of RMB841.234 billion or 9.89% compared with the end of previous year.

Unit: RMB million

Item	December 31, 2023		December 31, 2022	
	Balance	Percentage (%)	Balance	Percentage (%)
Deposits from banks and other financial institutions	**1,852,978**	**19.82**	1,628,254	19.13
Placements from banks and other financial institutions	**349,494**	**3.74**	277,268	3.26
Financial assets sold under repurchase agreements	**416,568**	**4.45**	353,626	4.16
Deposits from customers	**5,217,064**	**55.79**	4,788,754	56.28
Bonds payable	**1,029,525**	**11.01**	1,158,007	13.61
Others note	**484,978**	**5.19**	303,464	3.57
Total	**9,350,607**	**100**	8,509,373	100

Note: included borrowing from Central Bank, trading financial liabilities, derivative financial liabilities, employee benefits payable, tax payable, provisions, lease liabilities, deferred income tax liabilities and other liabilities.

The specific composition of customer deposits is set out as follows:

As at the end of the reporting period, the Company's balance of customer deposits (excluding accrued interest) was RMB5,137.073 billion, representing an increase of RMB400.091 billion or 8.45% compared with the end of previous year.

Unit: RMB million

Item	December 31, 2023		December 31, 2022	
	Balance	Percentage (%)	Balance	Percentage (%)
Demand deposits	**1,847,206**	**35.96**	1,779,273	37.56
Including: Corporate	**1,470,318**	**28.62**	1,389,479	29.33
Personal	**376,888**	**7.34**	389,794	8.23
Time deposits	**2,808,521**	**54.67**	2,608,223	55.06
Including: Corporate	**1,829,352**	**35.61**	1,912,484	40.37
Personal	**979,169**	**19.06**	695,739	14.69
Other deposits	**481,346**	**9.37**	349,486	7.38
Subtotal	**5,137,073**	**100**	4,736,982	100
Accrued interest	**79,991**		51,772	
Total	**5,217,064**		4,788,754	

Placements from banks and other financial institutions are set out as follows:

As at the end of the reporting period, the Company had a balance of RMB1,844.995 billion in placements from banks and other financial institutions (excluding accrued interest), representing an increase of RMB223.823 billion or 13.81% compared with the end of previous year.

Unit: RMB million

Counterparty	December 31, 2023		December 31, 2022	
	Balance	Percentage (%)	Balance	Percentage (%)
Deposits from banks	**315,936**	**17.12**	368,240	22.71
Deposits from other financial institutions	**1,529,059**	**82.88**	1,252,932	77.29
Subtotal	**1,844,995**	**100**	1,621,172	100
Accrued interest	**7,983**		7,082	
Total	**1,852,978**		1,628,254	

Placements from banks and other financial institutions are set out as follows:

As at the end of the reporting period, the Company had a balance of RMB347.739 billion in placements from banks and other financial institutions (excluding accrued interest), representing an increase of RMB71.931 billion or 26.08% compared with the end of previous year.

Unit: RMB million

Counterparty	December 31, 2023		December 31, 2022	
	Balance	Percentage (%)	Balance	Percentage (%)
Placements from banks	**336,072**	**96.64**	258,342	93.67
Placements from other financial institutions	**11,667**	**3.36**	17,466	6.33
Subtotal	**347,739**	**100**	275,808	100
Accrued interest	**1,755**		1,460	
Total	**349,494**		277,268	

Details of financial assets sold under repurchase agreements are set out as follows:

As at the end of the reporting period, the Company recorded a balance of RMB416.389 billion in financial assets sold under repurchase agreements (excluding accrued interest), representing an increase of RMB62.960 billion or 17.81% compared with the end of previous year.

Unit: RMB million

Type	December 31, 2023		December 31, 2022	
	Balance	Percentage (%)	Balance	Percentage (%)
Bonds	**403,187**	**96.83**	333,662	94.41
Bills	**13,202**	**3.17**	19,767	5.59
Subtotal	**416,389**	**100**	353,429	100
Accrued interest	**179**		197	
Total	**416,568**		353,626	

(III) Analysis of the income statement

During the reporting period, the Company delivered steady and healthy growth in various businesses, with steady growth in interest-bearing assets, costs of liabilities under effective control and year-on-year positive increase in net interest income. Due to the decline in income from wealth management fees, net non-interest income decreased year-on-year. The Company increased investment in strategic key areas such as digital construction, business transformation, brand and customer infrastructure construction and made reasonable provision for impairment to consolidate asset quality. The net profit attributable to shareholders of the parent company reached RMB77.116 billion, down 15.61% year-on-year.

Unit: RMB million

Item	2023	2022
Operating income	**210,831**	222,374
Net interest income	**146,503**	145,273
Net non-interest income	**64,328**	77,101
Business tax and surcharges	**(2,319)**	(2,278)
Operating and administrative expense	**(62,608)**	(64,843)
Impairment loss	**(61,178)**	(48,620)
Other operating costs	**(586)**	(471)
Net non-operating income and expense	**189**	59
Profit before tax	**84,329**	106,221
Income tax	**(6,675)**	(13,807)
Net profit	**77,654**	92,414
Profit and loss of minority shareholders	**538**	1,037
Net profit attributable to the shareholders of the Company	**77,116**	91,377

1. Net interest income

During the reporting period, the net interest income of the Company was RMB146.503 billion, representing a year-on-year increase of RMB1.230 billion or 0.85%.

Unit: RMB million

Item	2023		2022	
	Amount	Percentage (%)	Amount	Percentage (%)
Interest income				
Interest income from corporate and personal loans	232,228	66.53	219,395	66.74
Interest income from discounted bills	4,053	1.16	6,073	1.85
Interest income from investments	81,450	23.33	76,258	23.20
Interest income from the amount due from the Central Bank	5,795	1.66	5,656	1.72
Interest income from placements with banks and other financial institutions	13,592	3.89	10,761	3.27
Interest income from resale agreements	3,781	1.08	3,971	1.21
Interest income from deposits in banks and other financial institutions	3,023	0.87	1,426	0.43
Interest income from financing lease	4,976	1.43	5,034	1.53
Other interest income	181	0.05	172	0.05
Subtotal of interest income	349,079	100	328,746	100
Interest expense				
Interest expense on borrowings from the Central Bank	5,043	2.49	2,495	1.36
Interest expense on deposits	112,909	55.74	103,703	56.52
Interest expense on bonds issuance	30,210	14.91	32,033	17.46
Interest expense on deposits from banks and other financial institutions	40,222	19.86	36,916	20.12
Interest expense on placements from banks and other financial institutions	9,460	4.67	5,366	2.92
Interest expense on repurchase agreements	3,875	1.91	2,459	1.34
Other interest expenses	857	0.42	501	0.27
Subtotal of interest expense	202,576	100	183,473	100
Net interest income	146,503		145,273	

The net interest spread was 1.66%, representing a year-on-year decrease of 17 BP; the net interest margin was 1.93%, representing a year-on-year decrease of 17 BP. The daily average balance, annualized average yield and cost rate of the Company's asset and liability items are as follows:

Unit: RMB million

Item	2023		2022	
	Average balance	Average yield (%)	Average balance	Average yield (%)
Interest-bearing assets				
Corporate and personal loans and advances	5,166,341	4.57	4,692,083	4.81
Based on loan type:				
Corporate loans	2,941,447	4.21	2,424,898	4.25
Personal loans	1,953,015	5.56	1,920,775	6.06
Discounted bills	271,879	1.49	346,410	1.75
Based on loan term:				
General short-term loans	1,681,609	5.54	1,626,215	5.75
Medium and long-term loans	3,212,853	4.33	2,719,458	4.63
Discounted bills	271,879	1.49	346,410	1.75
Investments	2,292,785	3.50	2,053,836	3.66
Deposits in the Central Bank	370,116	1.57	365,238	1.55
Deposits in and placements with banks and other financial institutions (including financial assets purchased under resale agreements)	745,845	2.76	681,890	2.39
Finance lease	113,086	4.40	109,738	4.59
Total	8,688,173	4.00	7,902,786	4.14

Item	2023		2022	
	Average balance	Average cost ratio (%)	Average balance	Average cost ratio (%)
Interest-bearing liabilities				
Deposits from customers	5,039,353	2.24	4,591,659	2.26
Corporate deposits	3,807,013	2.23	3,696,632	2.27
Demand deposits	1,595,272	1.25	1,598,741	1.31
Time deposits	2,211,741	2.94	2,097,891	3.00
Personal deposits	1,232,340	2.26	895,027	2.23
Demand deposits	361,138	0.22	335,237	0.28
Time deposits	871,202	3.11	559,790	3.38
Deposits in and placements from banks and other financial institutions (including financial assets sold under repurchase agreements)	2,278,678	2.37	2,116,563	2.12
Borrowings from the Central Bank	207,433	2.43	90,363	2.76
Bonds payable	1,115,694	2.71	1,147,562	2.79
Total	8,641,158	2.34	7,946,147	2.31
Net interest spread		1.66		1.83
Net interest margin		1.93		2.10

Standard for measuring net interest margin:

Gains deriving from monetary funds and bond fund investment business shall not be classified as interest income, and their corresponding interest-bearing liabilities and interest expense shall be adjusted accordingly.

The Company has adopted the New Financial Instruments Standard since January 1, 2019. The interest income of trading financial assets was not presented within interest income and their corresponding interest-bearing liabilities and interest expense shall be adjusted accordingly.

2. Net non-interest income

During the reporting period, the net non-interest income of the Company was RMB64.328 billion, representing a year-on-year decrease of RMB12.773 billion or 16.57%.

Unit: RMB million

Item	2023	2022
Net fee and commission income	**27,755**	45,041
Gain and loss from investment	**30,699**	30,222
Gain and loss from changes in fair value	**4,139**	(631)
Gain and loss from exchange	**421**	1,292
Gain from disposal of asset	**20**	9
Other income	**652**	483
Income from other businesses	**642**	685
Total	**64,328**	77,101

During the reporting period, the Company realized fee and commission income of RMB27.755 billion, down RMB17.286 billion or 38.38% year-on-year. Items like gain and loss from investment, gain and loss from changes in fair value, and gain and loss from exchange were highly interrelated. After consolidation, the overall profit and loss reached RMB35.259 billion, representing a year-on-year increase of 14.17%.

The specific composition of net fee and commission income is set out as follows:

Unit: RMB million

Item	2023		2022	
	Amount	Percentage (%)	Amount	Percentage (%)
Net fee and commission income:				
Fee income from payment and settlement	**2,914**	**8.80**	2,775	5.61
Fee income from bank cards	**11,808**	**35.65**	13,384	27.06
Fee income from agency business	**5,831**	**17.61**	5,258	10.63
Fee income from guarantee commitment	**1,210**	**3.65**	1,408	2.85
Fee income from trading business	**484**	**1.46**	570	1.15
Fee income from custody business	**3,549**	**10.72**	3,551	7.18
Fee income from consulting service	**5,256**	**15.87**	19,454	39.33
Fee income from trust business	**370**	**1.12**	564	1.14
Fee income from lease business	**292**	**0.88**	421	0.85
Other fee income	**1,405**	**4.24**	2,077	4.20
Subtotal	**33,119**	**100**	49,462	100
Fee and commission expense	**5,364**		4,421	
Net fee and commission income	**27,755**		45,041	

3. Operating and administrative expense

During the reporting period, the operating expense of the Company was RMB62.608 billion, down RMB2.235 billion or 3.45% year-on-year.

Unit: RMB million

Item	2023		2022	
	Amount	Percentage (%)	Amount	Percentage (%)
Accrued payroll	**38,065**	**60.80**	38,196	58.91
Depreciation and amortization	**6,785**	**10.84**	6,480	9.99
Lease expense	**164**	**0.26**	162	0.25
Other general and administrative expenses	**17,594**	**28.10**	20,005	30.85
Total	**62,608**	**100**	64,843	100

4. Impairment loss

During the reporting period, the Company's impairment loss was RMB61.178 billion, up RMB12.558 billion or 25.83% year-on-year.

Unit: RMB million

Item	2023		2022	
	Amount	Percentage (%)	Amount	Percentage (%)
Impairment loss of loans	**67,103**	**109.68**	37,819	77.78
Impairment loss of debt investments	**(5,584)**	**(9.13)**	9,572	19.69
Impairment loss of other debt investments	**787**	**1.29**	701	1.44
Impairment loss of off-balance sheet assets	**(810)**	**(1.32)**	2,936	6.04
Impairment loss on finance lease receivable	**(312)**	**(0.51)**	(204)	(0.42)
Other impairment loss	**(6)**	**(0.01)**	(2,204)	(4.53)
Total	**61,178**	**100**	48,620	100

During the reporting period, the Company made adequate provision for loan losses in accordance with the relevant provisions of the Accounting Standards for Business Enterprises based on the expected credit loss model as well as quantitative parameters of risk such as the customer's default probability and default loss rate, taking into consideration macro forwarding adjustments.

5. Income tax

During the reporting period, the effective income tax rate of the Company was 7.92%. The difference between the income tax expense and the amount calculated based on the 25% statutory tax rate is set out as follows:

Unit: RMB million

Item	2023
Profit before tax	**84,329**
Statutory tax rate (%)	**25**
Income tax calculated at statutory tax rate	**21,082**
Effect on tax due to adjustment on the following items:	
Tax-exempt income	**(13,900)**
Non-deductible items	**370**
Adjustment on the tax of previous years	**(877)**
Income tax expense	**6,675**

(IV) Analysis of the cash flow statement

Unit: RMB million

Item	2023	2022
Cash flow from operating activities	**433,617**	(344,587)
Cash flow from investing activities	**(116,901)**	(2,059)
Cash flow from financing activities	**(190,955)**	(22,248)

During the reporting period, the net cash inflow from operating activities was RMB433.617 billion, as compared with net outflow of RMB344.587 billion for the same period of previous year, mainly due to net decrease in cash inflows from customer deposits and deposits from banks and financial assets held for trading.

Net cash outflow from investing activities was RMB116.901 billion, as compared with net outflow of RMB2.059 billion for the same period of previous year, mainly due to an increase in cash paid for the investment.

Net cash outflow from financing activities was RMB190.955 billion, as compared with net outflow of RMB22.248 billion for the same period of previous year, mainly due to the increase in cash paid for repayment of interbank certificates of deposit.

(V) Analysis of loan quality

1. Five-category loan classification

Unit: RMB million

Item	December 31, 2023		December 31, 2022		Increase/ decrease in balance at the end of the reporting period compared with that at the end of last year (%)
	Balance	Percentage (%)	Balance	Percentage (%)	
Normal	**5,317,995**	**97.38**	4,854,384	97.42	9.55
Special mention	**84,449**	**1.55**	74,015	1.49	14.10
Substandard	**23,151**	**0.42**	20,951	0.41	10.50
Doubtful	**11,441**	**0.21**	20,303	0.41	(43.65)
Loss	**23,899**	**0.44**	13,234	0.27	80.59
Total	**5,460,935**	**100**	4,982,887	100	9.59

As at the end of the reporting period, the balance of the Company's NPLs was RMB58.491 billion, up RMB4.003 billion from the end of the year with NPL ratio of 1.07%, down 0.02 percentage point from the end of last year. The balance of special mention loans was RMB84.449 billion, up RMB10.434 billion from the end of last year. The proportion of the special mention loans in the total loans was 1.55%, up 0.06 percentage point from the end of last year. During the reporting period, credit risks in certain regions and industries continuously became exposed. The Company established and improved an early warning, monitoring, disposal and mitigation system for potential risky projects to promote risk mitigation in key areas such as real estate, financing platforms of local government, and credit cards, enhanced professional capabilities of the collection and disposal of non-performing assets, strengthened risk cost management and control, and continued to maintain asset quality stable.

2. Provision for and write-off of loan impairment

Unit: RMB million

Item	Amount
Opening balance	**128,834**
Provision during the reporting period	**67,103**
Write-off and transfer-out during the reporting period	**(63,383)**
Write-back during the reporting period of write-off in previous years	**11,795**
Changes in exchange rates and others	**(923)**
Closing balance	**143,426**

The Group used new financial instrument standards and has recorded adequate loan loss allowance on the basis of forward-looking adjustment in macro-economic outlook, expected credit loss model, customer default probability, loss given default and other quantitative risk metrics.

3. Changes in overdue loans

Unit: RMB million

Item	December 31, 2023		December 31, 2022	
	Balance	Percentage (%)	Balance	Percentage (%)
1-90 days (inclusive) overdue	34,335	46.23	37,001	44.46
91-360 days (inclusive) overdue	25,169	33.88	32,781	39.38
361 days-3 years (inclusive) overdue	12,914	17.38	11,407	13.70
Over 3 years overdue	1,865	2.51	2,048	2.46
Total	74,283	100	83,237	100

As at the end of the reporting period, the balance of the Company's overdue loans was RMB74.283 billion, down RMB8.954 billion from the end of last year, of which overdue corporate loans decreased by RMB6.261 billion and overdue personal loans increased by RMB3.439 billion respectively, and credit cards overdue decreased by RMB6.132 billion. The main reason for the decrease in overdue loans was that the Company increased its efforts on disposal of non-performing assets and collection and management of loans approaching due dates through strengthening the collection and control of overdue assets, to promote the convergence of indicators of the overdue rate to a reasonable level. Due to the slowdown of external economy and shrinking consumer demand and other unfavorable factors, the income of some individual customers has been greatly affected, resulting in an increase in the balance of overdue personal loans. However, the overall balance of overdue loans declined significantly.

4. Changes in restructured impairment loans

Unit: RMB million

Item	December 31, 2023		December 31, 2022	
	Balance	Percentage of total loans (%)	Balance	Percentage of total loans (%)
Restructured impairment loans	**3,093**	**0.06**	2,766	0.06

In accordance with judgment on substantive risks, the Company strengthened the collection and resolution of restructured loans. As at the end of the reporting period, the Company's balance of restructured impairment loan was RMB3.093 billion, increasing by RMB327 million from the end of last year, and the balance of restructured impairment loan accounted for 0.06% of total loans, which kept flat with that as at the end of last year.

5. Foreclosed assets and impairment provision

Unit: RMB million

Category	December 31, 2023		December 31, 2022	
	Amount	Provision for impairment	Amount	Provision for impairment
Foreclosed assets	**635**	**160**	547	152
Including: Buildings	**634**	**159**	546	151
Others	**1**	**1**	1	1
Less: Impairment provision	**(160)**	**-**	(152)	-
Net value of foreclosed assets	**475**	**-**	395	-

During the reporting period, the balance of foreclosed assets of the Company increased by RMB88 million from the end of last year, and the provision for impairment of the Company slightly increased compared with the end of last year.

(VI) Capital management

1. Capital management overview

The Company has always attached great importance to intensive capital management. Focusing on the "1234" development strategy, the Company adhered to the transformation and development direction of "light capital, light assets and high efficiency" and improved capabilities of capital value creation.

During the reporting period, according to the annual capital adequacy ratio management target set by the board of directors, the Company reasonably arranged the total size of risk-weighted assets, optimized the allocation and control mechanism of risk-weighted assets, and devoted the limited capital resources to green, inclusive small and micro enterprises, new tracks as well as qualified customers, industries and regions under the "four keys" strategy, thus promoting the continuous improvement of capital use efficiency. As at the end of the reporting period, the Group's core Tier 1 capital adequacy ratio was 9.76%, keeping flat with the same period of last year, and the Company continued to practice the development path of supporting business with internal fund.

During the reporting period, the Company strengthened the Group's consolidated capital management by centrally considering the needs of consolidated subsidiaries for regulatory compliance, shareholder returns, business development and risk coverage, tracking and monitoring the capital allocation and use of consolidated subsidiaries, and maintaining a stable capital adequacy level and reasonable capital structure of consolidated subsidiaries. During the reporting period, each capital regulatory indicators of consolidated subsidiaries met the regulatory requirements.

During the reporting period, the Company ranked the third group in the latest list of systemically important banks in China, with an additional core Tier 1 capital requirement of 0.75 percentage point. The Company earnestly fulfilled the requirements of domestic systemically important bank supervision, formulated the management plan of the Group's recovery plan and disposal plan for 2023, constantly improved the capacity of risk prevention and mitigation, and guaranteed the financial security and stability.

During the reporting period, the consultation paper and official version of the Measures on Capital Management of Commercial Banks (hereinafter referred to as the "Measures on Capital Management") were released. The Company actively responded to the implementation of the Measures on Capital Management, continued to promote the optimization of business structure, data governance, the construction of systems, the construction of mechanisms, publicity and, etc., continuously consolidated the foundation of capital management, strengthened the concept of capital intensive management, and transmitted the awareness of "settling accounts and conducting business", so as to maintain overall stability in capital adequacy levels.

In 2024, the Company will take the official implementation of the Measures on Capital Management as an opportunity to continuously strengthen overall capital management. On one hand, the Company will adhere to the light-capital orientation and reinforce capital intensive operation by optimizing capital management policies and strengthening capital assessment. The Company will continue to optimize the business structure and management processes on and off the balance sheet, further spread the concept of capital conservation to all levels to effectively improve capital use efficiency and improve the level of capital return, so as to ensure that the capital adequacy ratio meets annual management goals. On the other hand, the Company will further improve our capital management capabilities and refined risk management, continue to strengthen basic capital management, make reasonable plans for capital sources and supplements to ensure that capital adequacy levels achieve the goals for medium-term capital planning.

2. Capital measurement

The Company has long been highly concerned about the construction of capital management and continuously improved the level of refinement, professionalization and digitalization of risk and capital management. The Company has constructed a relatively sound first pillar framework system and the second pillar framework system of the Basel Accord and actively carried out the construction of the information disclosure system of the third pillar.

During the reporting period, the Company continuously promoted the construction of capital measurement, smoothly facilitated related work and achieved significant results. Firstly, in response to the changes and requirements of the Measures on Capital Management, the Company advanced the target hitting work in a step-by-step and orderly manner, including: benchmarking and transformation of three major risk measurements of the first pillar, risk identification and assessment optimization of internal capital adequacy assessment procedure of the second pillar and the information disclosure system of the third pillar, etc. Secondly, the Company continuously improved the internal rating system, constantly carried out iterative optimization of internal rating models, improved the quality and efficiency of model verification and stress testing, promoted the full integration of model management and digitalization, and deepened the application of internal rating methods in fields such as economic capital measurement and performance appraisal. Thirdly, the Company pushed forward the preparation for application for acceptance of advanced methods for capital measurement, conducted self-assessment on advanced methods for the Measures on Capital Management, strengthened the construction of supporting systems for capital measures, continuously carried out audit on advanced methods for capital management and capital measurement and conducted method training and publicity on the Measures on Capital Management through multiple forms and channels to further consolidate the preparation for application for acceptance of advanced methods.

3. Capital adequacy ratio

Unit: RMB million

Item	December 31, 2023		December 31, 2022	
	Group	Bank	Group	Bank
Total capital	**1,034,316**	**982,026**	975,021	929,131
1. Core Tier 1 capital	**714,764**	**667,283**	662,916	621,255
2. Other Tier 1 capital	**86,089**	**85,802**	86,052	85,802
3. Tier 2 capital	**233,463**	**228,941**	226,053	222,074
Capital deductions	**1,259**	**21,192**	1,188	21,127
1. Core Tier 1 capital deductions	**1,259**	**21,192**	1,188	21,127
2. Other Tier 1 capital deductions	**-**	**-**	-	-
3. Tier 2 capital deductions	**-**	**-**	-	-
Net capital	**1,033,057**	**960,834**	973,833	908,004
Minimum capital requirement	**584,986**	**556,547**	539,698	514,179
Reserve capital and counter-cyclical capital requirement	**182,808**	**173,921**	168,656	160,681
Core Tier 1 capital adequacy ratio (%)	**9.76**	**9.29**	9.81	9.34
Tier 1 capital adequacy ratio (%)	**10.93**	**10.52**	11.08	10.67
Capital adequacy ratio (%)	**14.13**	**13.81**	14.44	14.13

(1) The table above and data of this chapter were prepared in accordance with relevant requirements in the Notice of NFRA on New CAR Reporting, with the capital adequacy ratio.

The calculation range for the consolidated capital adequacy ratio of the Company included the Industrial Bank Co., Ltd. and financial institutions complying with requirements on the calculation range of the consolidated capital adequacy ratio in Section I, Chapter II of the Measures on Capital Management of Commercial Banks (Provisional) promulgated in 2012. To be specific, this applied to the banking group jointly comprised of Industrial Bank Co., Ltd., Industrial Bank Financial Leasing Co., Ltd., China Industrial International Trust Limited, CIB Fund Management Co., Ltd., Industrial Consumer Finance Co., Ltd. and CIB Wealth Management Co., Ltd.

(2) The Company adopted the weighting approach for credit risk measurement. As at the end of the reporting period, under the off-site regulation reporting system of NFRA, the Company recorded the total credit risk exposure was RMB11,173.661 billion, and the credit risk weighted assets reached RMB6,713.953 billion, up 9.71% year-on-year, among which the balance of securitized assets was RMB154.449 billion, the risk exposure was RMB154.386 billion and the risk weighted assets reached RMB44.407 billion.

The Company adopted the standard approach for market risk measurement. As at the end of the reporting period, the total amount of the market risk capital requirement was RMB15.850 billion. The market risk-weighted asset was 12.5 times of the market risk capital requirement. The amount of market risk-weighted assets was RMB198.119 billion.

The Company adopted the basic indicator approach for operating risk measurement. As at the end of the reporting period, the total amount of operating risk capital requirement was RMB32.020 billion. The operating risk-weighted asset was 12.5 times of the operating risk-weighted capital requirement. The amount of operating risk-weighted assets was RMB400.254 billion.

4. Leverage ratio

As at the end of the reporting period, in accordance with the Measures for the Administration of the Leverage Ratio of Commercial Banks, the information about the Company's leverage ratio is as follows:

Unit: RMB million

Item	December 31, 2023	September 30, 2023	June 30, 2023	March 31, 2023
Net Tier 1 capital	**799,595**	787,649	766,435	774,690
Balance of on- and off-balance sheet assets after adjustment	**11,707,252**	11,625,636	11,493,363	11,438,882
Leverage ratio (%)	**6.83**	6.78	6.67	6.77

The Company has disclosed detailed information such as the capital composition table, the explanation table of related subjects and the main features of capital instruments in the reporting period in the 2022 Capital Adequacy Ratio Report of Industrial Bank Co., Ltd.. In accordance with the Measures for the Administration of the Leverage Ratio of Commercial Banks, the Company further disclosed the details of the leverage ratio during the reporting period. Please refer to the Investor Relations column of the Company's website (www.cib.com.cn) for details.

(VII) Liability quality management

The Company has established and improved the management system of liability quality, and the board of directors and senior management have effectively managed and monitored the liability quality. The board of directors bears the ultimate responsibility for the liability quality management, and the senior management bears the specific management of liability quality. For liability quality management, the Company adheres to the principles of comprehensiveness, initiative, compliance and coordination, and the liability quality management strategy is compatible with its own business strategy, risk preference and overall business characteristics. The core elements of liability quality management include six aspects: the stability of liability source, the diversity of liability structure, the rationality of matching liability with assets, the initiative of liability acquisition, the appropriateness of liability cost, and the authenticity of liability items, which meet the requirements of the Measures for Liability Quality Management of Commercial Banks. The identification, measurement, monitoring and control system of liability quality is perfect. During the reporting period, all indicators of the Company's liability quality management are normal, meeting the requirements of the current rules and regulations.

1. Liquidity coverage ratio

In accordance with the Measures for Information Disclosure regarding Liquidity Coverage of Commercial Banks, information about the Company's liquidity coverage ratio was as follows:

Unit: RMB million

Item	December 31, 2023
Qualified high-quality current assets	**1,111,162**
Net cash outflow during the next 30 days	**710,150**
Liquidity coverage ratio (%)	**156.47**

2. Net stable funding ratio

In accordance with the Measures for Information Disclosure regarding Net Stable Funding Ratio of Commercial Banks, information about the Company's net stable funding ratio was as follows:

Unit: RMB million

Item	December 31, 2023	September 30, 2023	June 30, 2023
Net stable funding ratio (%)	**106.21**	103.37	106.40
Available stable funding	**5,695,874**	5,428,655	5,505,418
Required stable funding	**5,362,957**	5,251,514	5,174,484

(VIII) Other financial information disclosed according to regulatory requirements

1. Information of structure entities under control of the Company

For information of consolidated structure entities and structure entities which were not consolidated but managed by or entitled to equity by the Company, refer to the Notes VII.45 to the FINANCIAL STATEMENTS.

2. Information of financial bonds held

(1) Categories and par value of financial bonds held as at the end of the reporting period

Unit: RMB million

Category	Par value
Bonds of policy banks	**34,571**
Bonds of commercial banks	**89,326**
Bonds of non-banking financial institutions	**82,204**
Total	**206,101**

(2) Top ten financial bonds held at the end of the reporting period

Unit: RMB million

Name of bond	Par value	Annual yield rate (%)	Maturity date
Bond 1	5,000	3.04	17/01/2024
Bond 2	4,512	3.58	21/11/2032
Bond 3	3,000	3.20	08/11/2025
Bond 4	3,000	3.10	16/08/2026
Bond 5	2,000	3.19	19/12/2033
Bond 6	2,000	3.25	05/01/2024
Bond 7	2,000	2.95	27/03/2024
Bond 8	1,800	2.80	13/03/2026
Bond 9	1,500	3.20	05/01/2024
Bond 10	1,500	3.00	28/03/2024

3. Derivative financial instruments held at the end of the reporting period

Unit: RMB million

Item	Nominal value	Fair value	
		Asset	Liability
Exchange rate derivatives	2,764,005	23,854	(24,586)
Interest rate derivatives	5,534,689	16,092	(17,746)
Precious metals derivatives	125,459	3,704	(927)
Credit derivatives and others	4,922	29	(20)
Total	8,429,075	43,679	(43,279)

4. Situation of interest receivable

According to the requirements of Notice of Revising and Issuing the Format of 2018 Consolidated Financial Statements issued by the Ministry of Finance, the interest of financial instruments accrued by the Company based on the effective interest rate method is reflected in the corresponding financial instrument statement Item, and the interest that has expired but has not yet been collected is listed in "other assets".

Withdrawal of bad debt provision for interest receivable: during the reporting period, based on the expected credit loss model, the Company checked the interest receivable and made provision for loss of corresponding financial instruments.

Write-off procedures and policies: the write-off of bad debts of the Company shall be carried out in strict accordance with the conditions stipulated in the Administrative Measures for Write-off of Bad Debts of Financial Enterprises (2017 Edition) issued by the Ministry of Finance, and submitted to the authorized approver for approval according to the Company's internal authorization regulations. For items that meet the conditions of bad debt write-off, the Company will handle them according to the procedures of reporting by branches and approval by the head office: the relevant departments of the branch will organize the reporting and examination of bad debt write-off, which will be reported to the head office after being approved by the branch leader; after being reviewed by relevant departments of the head office, depending on the amount of bad debts, the bad debts will be written off after being submitted to the president, the strategy committee of the board of directors or the board of directors for approval. In the write-off of bad debts, the Company abides by the principle of "meeting the recognition conditions, providing valid evidence, keeping the account write-off on file, and urging the power". After the bad debts are written off, the Company will strictly implement the management responsibility after the write-off, and take various means to continue to pursue the projects with recourse.

Unit: RMB million

Item	December 31, 2022	Increase in the period	Recovered in the period	December 31, 2023
Interest receivable	38,017	344,103	339,593	**42,527**

Note: include accrued interest of cash and balances with Central Bank, deposits with banks and other financial institutions, placement with banks and other financial institutions, financial assets purchased under resale agreements, loans and advances to customers, debt investments and interest receivable of other debt investments, and interest receivable of other assets.

5. Provision for impairment of other receivables

Unit: RMB million

Item	December 31, 2023	December 31, 2022	Provision for impairment	Provision method
Other receivables	**19,051**	21,985	1,849	At the end of the period, other receivables were tested individually and collectively to make provision for impairment by taking into account of aging analysis

6. Situation of off-sheet items that may have material impact on the financial position and operating results

Unit: RMB million

Item	December 31, 2023	December 31, 2022
Letters of credit	**290,125**	247,776
Letters of guarantee	**85,500**	93,375
Bank acceptance	**776,166**	834,853
Unused credit cards commitments	**531,064**	518,344
Irrevocable loan commitments	**24,485**	22,610

VII. Business Overview

(I) Overview of business units

Unit	Business Address	Number of outlets	Number of employees	Size of assets (RMB million)
Head Office	398 Jiangbin Middle Avenue, Taijiang District, Fuzhou, Fujian Province	1	4,950	3,415,458
Capital Operation Center	167 Yincheng Road, Pudong New District, Shanghai	1	148	1,592,295
Credit Card Center	500 Lai'an Road, Pudong New District, Shanghai	1	1,086	373,405
Private Banking Department	167 Yincheng Road, Pudong New District, Shanghai	1	96	623
Beijing Branch	20 Chaoyangmen North Avenue, Chaoyang District, Beijing	79	2,733	644,002
Tianjin Branch	11 Baoding Road, Heping District, Tianjin	72	1,244	110,380
Shijiazhuang Branch	1 Weiming South Avenue, Qiaoxi District, Shijiazhuang	60	1,611	108,128
Taiyuan Branch	1 Changfeng West Street, Wanbolin District, Taiyuan	75	1,662	159,145
Hohhot Branch	4 Daxue East Street, Saihan District, Huhhot	40	1,002	79,636
Shenyang Branch	77 Wenhua Road, Heping District, Shenyang	44	1,125	64,820
Dalian Branch	85A Yide Avenue, Zhongshan District, Dalian	21	528	65,266
Changchun Branch	283 Jiefang Road, Nanguan District, Changchun	31	1,108	56,103
Harbin Branch	88 Huanghe Road, Nan'gang District, Harbin	29	877	68,437
Shanghai Branch	168 Jiangning Road, Jing'an District, Shanghai	90	2,813	756,407
Nanjing Branch	2 Changjiang Road, Xuanwu District, Nanjing	140	3,695	467,792
Suzhou Branch	125 Wangdun Road, Suzhou Industrial Park, Suzhou	19	781	98,555
Hangzhou Branch	40 Qingchun Road, Shangcheng District, Hangzhou	109	2,837	413,506
Ningbo Branch	88 Daqing South Road, Jiangbei District, Ningbo	30	732	87,427
Hefei Branch	99 Fuyang Road, Luyang District, Hefei	51	1,422	127,473
Fuzhou Branch	398 Jiangbin Middle Avenue, Taijiang District, Fuzhou	71	1,557	254,567
Xiamen Branch	78 Hubin North Road, Siming District, Xiamen	31	1,351	167,424
Putian Branch	811, Licheng South Avenue, Fenghuangshan Street, Chengxiang District, Putian	12	343	25,741
Sanming Branch	Building 362, Qianlong New Village, Meilie District, Sanming	13	397	23,547
Quanzhou Branch	Industrial Bank Building, Fengze Street, Fengze District, Quanzhou	36	1,191	97,386
Zhangzhou Branch	491 Zhanghua Middle Road, Xiangcheng District, Zhangzhou	22	640	59,091
Nanping Branch	399 Binjiang Middle Road, Yanping District, Nanping	17	361	24,706
Longyan Branch	298 Longyan Avenue, Xinluo District, Longyan	15	426	35,117
Ningde Branch	6 Tianhu East Road, Jiaocheng District, Ningde	13	339	50,678
Nanchang Branch	369 Lushan South Avenue, Honggutan District, Nanchang	49	888	67,423
Ji'nan Branch	7000 Jingshi Road, High-tech District, Ji'nan	122	2,923	246,966
Qingdao Branch	886 Tongan Road, Laoshan District, Qingdao	30	679	84,680
Zhengzhou Branch	288 Jinshui Road, Jinshui District, Zhengzhou	44	1,709	173,834
Wuhan Branch	108 Zhongbei Road, Wuchang District, Wuhan	76	1,635	151,952
Changsha Branch	192 Shaoshan North Road, Furong District, Changsha	44	1,522	118,295
Guangzhou Branch	101 Tianhe Road, Tianhe District, Guangzhou	134	3,327	390,589
Shenzhen Branch	4013 Shennan Boulevard, Futian District, Shenzhen	59	1,796	346,555
Nanning Branch	15 Songxiang Road, Liangqing District, Nanning	28	947	84,095
Haikou Branch	7 Jinlong Road, Longhua District, Haikou	13	360	19,837
Chongqing Branch	1 Honghuang Road, Jiangbei District, Chongqing	60	1,238	105,281
Chengdu Branch	936 Shijicheng Road, Gaoxin District, Chengdu	119	1,961	195,766
Guiyang Branch	2 Tongbao Road, Guanshanhu District, Guiyang	17	535	58,801
Kunming Branch	363 Jinbi Road, Xishan District, Kunming	28	871	70,675
Xi'an Branch	1 Tangyan Road, Yanta District, Xi'an	77	1,406	127,729
Lanzhou Branch	75 Qingyang Road, Chengguan District, Lanzhou	13	390	26,229
Xining Branch	54 Wusi West Road, Chengxi District, Xining	5	184	11,252
Urumqi Branch	898 Weitai South Road, Toutunhe District, Urumqi	39	732	66,993
Yinchuan Branch	239 Shanghai West Road, Jinfeng District, Yinchuan	5	159	9,625
Lhasa Branch	6 Yangdao Road, Taiyang Island, Chengguan District, Lhasa	2	123	15,381
Hong Kong Branch	1 Harbour View Street, Central, Hong Kong	1	299	203,261
Netting and summation adjustment within the system				(2,107,896)
Total		2,089	60,739	9,894,438

Note: data in the table above do not include subsidiaries. Only Tier 1 branches (sorted by the administrative regions) which were in operation as at the end of the reporting period are listed in the table above, while data of Tier 2 branches and other sub-branches are included in the data of Tier 1 branches according to the management structure. Lhasa branch included Tibetan aid personnel.

(II) Business analysis

1. Corporate finance business

During the reporting period, in terms of the corporate finance business, the Company focused on the main line of high-quality development, actively consolidated the fundamentals, laid out new tracks, and extensively explored segments. While contributing financial strength to the construction of a modern industrial system, the Company continuously consolidated its customer base, optimized asset layout and improved liability structure.

(1) Basic corporate finance

In terms of customers, the scale of customers continued to expand, and the quality of customers steadily improved, demonstrating a trend of increase in both quantity and quality. The customer base continued to expand. As at the end of the reporting period, the number of the customers of corporate finance business was 1.4014 million, representing an increase of 13.27% as compared with the end of last year and the increment increased by 9,333 year-on-year. The Company ranked the third among joint-stock commercial banks of the same type in terms of the increment. The quality of customers steadily improved. The number of valid and above customers was 566.6 thousand, maintaining its proportion at 40%. The quality of the newly opened customer base was better than that of the same period of last year. During the reporting period, a total of 267.6 thousand new accounts were opened, representing an increase of 43.4 thousand compared with the same period of last year. Among which, the proportion of new customers whose average daily deposit was not zero was 89.82%, representing a year-on-year increase of 11 percentage points. The number of new value and above customers was 22.1 thousand, representing an increase of 1,212 in the increment compared with the same period of last year. The activity of customers continued to increase. As at the end of the reporting period, the number of current savings accounts of corporate finance was 1.1171 million, accounting for nearly 80% of total customers of corporate finance, nearly 5 percentage points higher than that of the end of the previous year. The customer structure continued to be optimized. As of the end of the reporting period, the number of large customers, small and medium customers and micro customers accounted for 5%, 36% and 59% respectively, and the "positive triangle" customer system has basically been formed.

In terms of assets, the scale of corporate loans increased steadily and loan structure continued to be optimized, achieving excellence in quantity and price. As at the end of the reporting period, the balance of corporate loans in local and foreign currencies (at the bank level, excluding bills) was RMB3,168.021 billion, representing an increase of RMB531.974 billion or 20.18% from the end of the previous year. In terms of the balance and increment of corporate loans, the Company ranked first among joint-stock commercial banks of the same type. The Company continued to expand the construction of assets and optimized business structure. The Company focused on five major tracks and deepened financial services. The science and technology innovation finance loans, inclusive finance loans, energy finance loans, automobile finance (at the corporate finance) loans and industrial zone finance loans increased by 31.88%, 23.95%, 16.16%, 26.14%, and 27.40% compared with the end of the previous year, respectively. At the same time, the Company responded to the transformation and upgrading of the manufacturing industry and the development of green industries, and increase loans. The growth rates of medium- and long-term loans in the manufacturing industry and green loans (corporate loans) of the PBOC were 36.97% and 26.99% respectively, both of which were higher than the average growth rate of corporate loans. In terms of pricing, the Company strengthened income management and improved pricing levels. During the reporting period, the average interest rate of new corporate loans was 4.30%, ranking first among joint-stock commercial banks of the same type.

In terms of liabilities, the Company continuously promoted the main line of low-cost development, and achieved effective results in structural optimization and cost control. As at the end of the reporting period, the balance of corporate deposits in local and foreign currencies (at the bank level) was RMB3,778.630 billion, representing an increase of RMB129.770 billion from the end of the previous year. The Company ranked the third among joint-stock commercial banks of the same type in terms of the balance and the increment of corporate deposits. In terms of the structure, the average daily balance of low-cost deposits was RMB2,102.108 billion, representing an increase of RMB240.575 billion or 12.92% from the end of the previous year, which was higher than the growth rate of corporate finance deposits. The average daily settlement deposits in local and foreign currency amounted to RMB1,921.367 billion, representing an increase of RMB27.590 billion from the end of the previous year. Costs have been effectively reduced. As of the end of the reporting period, the average interest payment rate of RMB corporate deposits was 2.16%, representing a decrease of 15 BP from the end of the previous year.

(2) Green finance business

During the reporting period, the Company actively implemented the new development concept with respect to the green finance business, leveraged the Group's comprehensive operating advantages, continuously optimized business layout, strengthened product innovation, accelerated digital transformation, forged professional capabilities, and polished the business card of the green bank, achieving the balanced development of customer benefits, bank benefits and the social benefits and facilitating the attainment of the "double carbon" goal. As of the end of the reporting period, the number of green finance customers of the Company was 58.3 thousand, representing an increase of 17.83% from the end of the previous year. The financing balance of green finance business in the on-balance and off-balance sheet amounted to RMB1,892.872 billion, increasing by RMB16.14% billion from the end of the previous year. In particular, the balance of green loans of the PBOC was RMB809.019 billion, representing an increase of 26.99% compared with the end of the previous year.

Optimized the business layout. The Company fully supported the major fields of "carbon reduction, pollution reduction, green expansion and growth". In the field of carbon reduction, the Company actively served the green and low-carbon transformation of the industry and supported the development of the energy industry (clean energy and energy storage), transportation industry (green public travel), automobile industry (new energy vehicles), traditional industry (energy conservation and emission reduction), and other fields. As of the end of the reporting period, the financing scale of green finance in the field of "carbon reduction" amounted to RMB1,064.920 billion, representing an increase of 34.81% from the end of the previous year, of which, the balance of green loans for the clean energy industry was RMB174.238 billion, representing an increase of 31.43% from the end of the previous year. In the field of pollution reduction, the Company actively supported water resources and solid waste, and served the protection of Yangtze River and ecological protection of the Yellow River Basin. The financing scale of green finance in the field of "pollution reduction" amounted to RMB419.504 billion, representing an increase of 9.68% from the end of the previous year.

Strengthened product innovation and digital transformation. During the reporting period, the Company launched a number of first-ever green finance innovation products, including the first batch of CCER project development linked loans in China after the restart of the CCER market, the first batch of cross-performance cycle carbon emission rights pledge financing business in the national carbon market, etc. The Company promoted and replicated innovative businesses such as sustainability-linked loans and national carbon quota pledge financing. A total of 291 sustainability-linked loans transactions were implemented, with a financing amount of RMB8.725 billion. As of the end of the reporting period, a total of 41 national carbon quota pledge financing transactions were implemented, with a financing amount of exceeding RMB730 million. The Company accelerated digital transformation and launched the first comprehensive service platform for dual-carbon management in the domestic banking industry—the dual-carbon management platform, covering three major functional segments: corporate carbon account, personal carbon account, and management of group operation carbon and creating "carbon accounts" for more than 1,700 corporate customers. Based on the corporate carbon accounts, the Company implemented carbon emission reduction-linked business and carbon asset pledge business. 160 thousand personal carbon accounts have been opened.

Developed professional and basic abilities. The Company actively promoted the plan of 10,000 green financial talents, optimized the green finance course and system, implemented hierarchical and classified training, and improved talent transformation certification and other work. As of the end of the reporting period, the Company has 7,151 green financial talents, representing an increase of 197.22% from the end of the previous year. The Company actively served as a "think tank" for the green finance, and issued policy interpretations on cutting-edge areas such as carbon sinks, restart of the voluntary emission reduction market, and carbon border adjustment mechanism. The Company completed topics such as "Case Study on Green Finance Innovation" and "Exploration of Digital Construction of Green Finance". The Company participated in the formulation of a number of standards for financial industry, and released two corporate standards with respect to the green finance field, namely "Green Finance Attribute Identification Standards of Industrial Bank" and "Corporate Carbon Account Management Standards of Industrial Bank".

Promoted the green development of the Group. The Company leverage comprehensive operating advantages of the Group to construct a comprehensive and diversified green financial service system to meet the diverse financial needs of entities and retail customers. As of the end of the reporting period, the balance of green personal business loans, green mortgages and green consumption financing amounted to RMB24.848 billion, representing an increase of 186% from the end of the previous year. The total balance of green leasing, green trust and green funds amounted to RMB99 billion, representing an increase of 16.89% from the end of the previous year. During the reporting period, the Company issued ESG wealth management and green wealth management products of RMB233.2 billion. The Company provided financing of RMB152.938 billion to customers through green investment banking business, representing a year-on-year increase of 18.12%. The new green bond investment scale amounted to RMB24.992 billion with the existing scale of RMB 44.415 billion.

(3) Investment banking business

During the reporting period, the Company's investment banking business centered on the "commercial bank + investment bank" 2.0 strategy, focused on production innovation and synergy and coordination, further rationalize the relationship among customers, products and risks, and served customers' business need in complex and diversifies scenarios, thus the capacity of assets construction and asset circulation has been continuously improved. As at the end of the reporting period, the balance of FPA of large investment banking of the Company amounted to RMB4.3 trillion, representing an increase of 6.51% as compared with the end of last year.

The bond underwriting maintained a leading position in the market. Underwriting scale of non-financial corporate debt financing instruments amounted to RMB730.573 billion, ranking the first in the market (according to the data from the NAFMII) and with a market share of 8.45%; the underwriting scale of overseas bonds amounted to USD5.451 billion, ranking the first among Chinese-funded stock banks (according to the ranking data from DMI); the underwriting scale of green non-financial corporate debt financing instruments amounted to RMB21.806 billion, ranking the second among joint-stock commercial banks (according to the data from NAFMII); and the underwriting scale of quasi-REITs amounted to RMB4.04 billion, ranking the second in the market (according to the data from Wind). The Company launched the first carbon assets transformation, Chinese-invested enterprise green JPY offshore bonds, "green + sci-tech innovation" quasi-REITs, sustainable development dim sum bonds, cross-straits digital RMB bonds and the first batch of mixed sci-tech innovation bills in the market.

M&A, syndicated and capital market business continued to gain momentum. The company promoted product innovation of investment banking based on the customers' needs. The Company granted RMB151.139 billion for M&A financing, seized the opportunity of key M&A projects in the market, and has apparent market advantages; issued RMB151.842 billion for syndicated financing, representing an increase of 53.61%; issued RMB37.466 billion for capital market business, representing an increase of 34.91%, with more than 80% issued for high-quality private entity enterprise. The Company launched the first public offering REITs executive strategy placement, driving a good earning of the commercial bank.

The commercial-investment linkage has been improved increasingly. The Company opened up the closed loop of investment bank assets and wealth capital, explored the wealth management needs of private banking, corporate and interbank customers, unblocked value circular chain of "large investment banking, large asset management and large wealth management", and provided high-quality assets of RMB208.314 billion, representing a year-on-year increase of 11.61%. Meanwhile, under the guidance of ESG operation philosophy, the Company constructed green assets of RMB152.938 billion, representing a year-on-year increase of 18.12%. There were 654 key group customers of the investment banking business, representing a year-on-year increase of 7.92%. The Company cooperated with relevant departments within the Group to expand the customer group of science and technology innovation and served 580 customers of science and technology innovation. The Company also improved the service level of listed company and served 110 customers in terms of capital market business, representing a year-on-year increase of 32.53%.

Asset circulation scale increased steadily. The Company established the external circulation mechanism of market funds through the circle of partners of the investment banks. During the reporting period, the asset circulation amounted to RMB240.314 billion, among which, credit asset securitization amounted to RMB120.522 billion, representing a year-on-year increase of 1.45 times. The agency promotion business amounted to RMB78.988 billion, and the Company realized substantive cooperation with 77 institutions, driving the deposits exceeding RMB65 billion and trust product exceeding RMB53 billion. The Company continued to create an open and integrated agency promotion business model and syndicated distribution business to satisfy the diversified financing needs of customers in an integrated and multi-channel manner.

(4) Institutional business

During the reporting period, the institutional business of the Company focused on the establishment of a comprehensive business service system for institutional customers and strengthened the head office-to-head office docking of major businesses to effectively improve the comprehensive financial services for institutional customers. The Company maintained strategic clarity by defining institutional client recognition criteria and management regulations, with a heightened focus on government agencies, public institutions, and social organizations. The Company upheld product empowerment to advance ecosystem development within specific contexts, catering to comprehensive financial demands in sectors such as education and healthcare. The Company strengthened collaboration between financial institutions and governmental bodies to enhance the integrated marketing of fiscal funds and advisory services for local government debt, thereby continually advancing the depth of institutional business operations. As at the end of the reporting period, the number of institutional customers was 48,674, representing an increase of 3,071 from the end of the previous year; the average daily deposit amounted to RMB906.612 billion, representing an increase of RMB26.367 billion from the end of the previous year.

The Company proactively established institutional business ecosystem scenarios through deep involvement in institutional client settlement scenarios and coverage of upstream and downstream business chains, thus constructing industry ecosystems to acquire settlement deposits. During the reporting period, the Company acquired 200 new institutional business qualifications, representing a year-on-year increase of 12.40% and including 65 new fiscal agency qualifications and 135 qualifications in public resource and education, science, culture, and health sectors. Simultaneously, through ecosystem development and platform synergy, the corporate banking deposits exceeded an annual average of RMB20 billion and the Company acquired over 2,500 new retail customers.

The Company explored the potential payment and settlement and improved the effectiveness of chain marketing of financial funds. During the reporting period, the Company undertook the chain marketing of financial funds of RMB434.769 billion, representing an increase of 11.31% year-on-year. The Company undertook marketing for 12,813 downstream collection units, resulting in an increase of RMB19.994 billion in the average daily deposit of downstream corporate customers as compared with the end of the previous year.

The Company made innovation on products and services and the special bond financial advisory services has been improved steadily. During the reporting period, the issuance amount of special bond financial advisory services was RMB583.046 billion, representing a year-on-year increase of 7.5% and accounting for 14.78% of service scale in the market, representing an increase of 1.4 percentage points as compared with the end of last year. Funds to deposit back amounted to RMB291.148 billion, representing a year-on-year increase of 4.1%.

(5) Transaction banking business (International business)

During the reporting period, in terms of transaction banking business, the Company accelerated the digital transformation to empower the business development, enhanced the construction of payment and settlement system, proactively expanded the radius of supply chain financing service, enlarged and deepened the scene ecology, optimized the customer experience of electronic channels, and support the opening up to the outside world at a high level with high-quality development of international business, thus the scale of various business continued to be expanded, and the customer base has been continuously strengthened and the quality and efficiency has been improved in all aspects.

The Company extended the service radius by virtue of digital transformation and built a scenario-based service ecosystem. The Company accelerated the cooperation and linkage with industry and financing platform of core enterprise and promoted the digital transformation of the industry, and connected the "last mile" for the application of letters of guarantee through digitalization, and further improved its capacity to provide inclusive financial service. During the reporting period, the domestic guarantee letter business recorded RMB57.380 billion, representing a year-on-year increase of 38.48%, and more than 10,000 letters of guarantees were issued online, representing a year-on-year increase of 30.28%. The Company focused on the needs of bills management of enterprises, continued to improve the intelligent level of bills, and launched multi-level bill pool in an innovative manner. The pooling volume of the bill pool business was RMB288.490 billion and the business volume of bill pool financing was RMB254.226 billion, which was decreased slightly year-on-year due to the introduction of bill splitting functionality, however, through development of physical customer bases of automobiles, new energy, and pharmaceuticals, the Company acquired 913 new contracted customers and the settlement deposits increased by RMB7.088 billion to RMB33.496 billion, representing an increase of 26.84%. As at the end of the reporting period, the qualified balance of supply chain financing was RMB431.203 billion, linked 1,020 core enterprises and expanded 14,145 upstream and downstream customers, representing an increase of 2,485 or 21.31% over the end of the previous year.

The Company promoted the integrated upgrade of "Industrial Steward", and the scenario ecology formed a new layout of interconnected development. The Company continuously refined the integrated, comprehensive, and open "finance + non-finance" online service platform, "Industrial Manager", to streamline processes and enhance customer experiences. The Company fully leveraged the characteristics of low-cost, short-cycle, instant-launch SaaS direct connection to cultivate a new model of "customer-platform-bank" flow diversion and customer expansion. As at the end of the reporting period, the number of customers of "Industrial Steward" was 1.1923 million, representing an increase of 199.4 thousand over the end of the previous year; the number of monthly active users (MAU) of "Industrial Steward" was 714.6 thousand, representing an increase of 22.16% over the end of the previous year. The Company seized opportunities arising from industry transformations in key sectors and crucial areas, and focused on the "delegated management and services" scene demands of livelihoods and various levels of governmental institutions. The Company established headquarters-level scene service platforms such as financial asset management platforms, education payment platforms, and comprehensive medical payment service platforms under "Industrial Manager", and gradually established a new pattern of business linkage development among G-side (government), B-side (enterprise) and C-side (retail). As at the end of the reporting period, a total of 5,716 corporate financing scenario-based ecology projects were implemented, covering 19.2 thousand corporate financing customers and 812.2 thousand retail customers. Among them, 1,000 projects were implemented during the reporting period, which introduced 2,090 corporate financing customers with new accounts.

The Company improved the cross-border product system and promoted the high-quality development of international business. The Company built an online service system covering various cross-border businesses such as settlement, financing, deposits, exchange rate hedging, and global fund management, with optimized upgrades to cross-border fund pool functionality. The Company continuously increased financial support for new forms of foreign trade, launched a headquarters-level cross-border e-commerce financial service platform, and introduced a credit insurance version of "cross-border financing for small and micro enterprises" to address the financing challenges of small and micro enterprises through bank-insurance cooperation. The Company seized the strategic opportunities arising from RMB internationalization and promoted to make new breakthroughs in cross-border RMB business. The cross-border RMB receipt and payment amount reached RMB2,162.147 billion, representing a year-on-year increase of 55.97%. As at the end of the reporting period, the cross-border settlement amount of RMB and foreign currency was USD379.987 billion, representing a year-on-year increase of 22.03%; the average daily deposits of domestic corporate finance in foreign currency amounted to USD9.3 billion and the average daily loans of domestic corporate finance in foreign currency amounted to USD17.653 billion, representing a year-on-year increase of 17.23%.

2. Retail finance business

During the reporting period, the Company strengthened the customer management system in retail finance business, deepened collaboration within the Group, accelerated digital transformation empowerment, actively promoted ecosystem scenario construction, and maintained a smooth circulation loop of "wealth management-asset management-investment banking", achieving good results in expanding the base customer group and converting value customers, with steady growth in operating loans and consumer loan balances.

(1) Basic retail finance

Consolidated the retail customer base. As at the end of the reporting period, the number of retail customers was 101.2763 million, representing an increase of 9.5243 million or 10.38% over the end of the previous year; the number of active customers of the mobile banking was 56.0767 million, representing an increase of 6.8728 million or 13.97% over the end of the previous year, and the number of monthly active users of the mobile banking was 22.5262 million. The replacement rate of Internet financial counter transaction was 96.53%.

Personal deposits continued to grow. The Company focused on the asset allocation needs of retail customers and coordinated the balanced development of personal deposit volume and price. Leveraging key business of payment settlement such as salary distribution and collection, the Company increased the personal low-cost settlement deposits. As at the end of the reporting period, the balance of personal deposits at the Bank level was RMB1,359.898 billion, representing an increase of RMB270.87 billion or 24.87% from the end of the previous year, of which the balance of settlement deposits driven by agency payment and acquiring was RMB177.577 billion, representing an increase of RMB19.871 billion or 12.60% from the end of the previous year.

Ecological scene construction accelerated. The Company closely followed national strategic priorities and fully invests in five new tracks. Through public-private integrated cooperation and extensive connections with industrial partners, the Company vigorously built and linked "financial + ecological" scenario, forming a rich and high-frequency mainstream scenario ecological circle to effectively meet customer needs for financial and non-financial services. As at the end of the reporting period, the Company opened a total of 5,056.1 thousand digital personal wallets, representing an increase of 4,242.8 thousand from the end of the previous year, of which a total of 3,979.9 thousand were real-name wallets of three types and above, representing an increase of 3,354.0 thousand from the end of the previous year. During the reporting period, the Company established and launched agency ecological service system, provided services for 35 thousand enterprises, carried out digital cross-border remuneration service in an innovative manner and solved the issues of acquiring and settlement of foreign exchange issue for foreign employees.

Accelerated the layout of pensions. Focusing on three major business areas of pension finance, elderly services finance and elderly industry finance, the Company made efforts to expand pension finance business, enlarged the service connotation of elderly finance and proactively explored and effectively promoted the development of elderly industry finance. As at the end of the reporting period, the Company has opened a total of 4.2491 million personal pension accounts, representing an increase of 1.9575 million or 85.42% from the end of the previous year, among which, 2.3249 million were new customers, accounting for 54.72% of personal pension customers. Personal pension products have achieved full coverage of four types, namely savings, funds, wealth management and insurance, and the products exceeded 150, ranking the top in the industry.

(2) Retail loans business

During the reporting period, the Company continued to promote the transformation and development of retail credit business, accelerated the process of digital transformation, strengthened the intensive management of the operation process, optimized the customers' experience of loan application, withdrawing and utilization, deepened the cooperative channel, thus the scale of retail loans grew steadily, the assets quality remained stable and the asset structure continued to be optimized. As at the end of the reporting period, the balance of the corporate retail loans (at the Bank level, excluding credit cards) amounted to RMB1,488.328 billion, representing an increase of RMB42.115 billion or 2.91% over the end of the previous year. In particular, affected by the overall change of real estate market, the balance of the mortgage loans for personal home purchases amounted to RMB1,075.915 billion, representing a decrease of 1.95% from the end of the previous year, however the grant scale for the reporting period increased by 30% year-on-year. The balance of personal business loans amounted to RMB325.428 billion, representing an increase of 16.22% from the end of the previous year; the balance of personal consumption loans amounted to RMB85.984 billion, representing an increase of 26.66%. The corporate non-mortgage loans (at the Bank level, excluding credit cards) accounted for 27.71% of retail loans, representing an increase of 3.59 percentage points from the end of the previous year.

Deepen channel cultivation, streamline processes, and stabilize the mortgage customer base. The Company simplified customer loan application materials, promoted online loan application and disbursement processes, and enhanced customer experience. The Company deepened cooperation with leading real estate developers and property agencies, pre-connect corporate lines, stabilized mortgage issuance. During the reporting period, the issued mortgage loan amounted to RMB185.045 billion, representing a year-on-year increase of 30%. The Company strengthened financial knowledge dissemination and enhanced customers' awareness of risk prevention, while reinforcing application management and loan review processes, strengthening credit fund flow monitoring, and preventing and controlling the risk of illegal loan diversion. The Company kept pace with regulatory interest rate adjustment policies and completed repricing of existing housing loans in an effective manner. The Company also strengthened the comprehensive management of existing customers, established a mortgage section in the mobile banking app, and pushed forward comprehensive services for existing mortgage customers as a routine practice, thus the prepayment rate declined steadily, representing a year-on-year decrease of 0.13 percentage point.

Restructured the consumption product system with scientific and technological empowerment. The Company streamlined the links of self-operated consumption loans application, withdrawal and utilization, built digital marketing systems, iterated pricing and quota model, developed new functions of increasing limit and renewal of credit, promoted the optimization of key customer group strategies for self-operated customer loans. As of the end of the reporting period, the balance of self-operated online consumption loans of "Xingshan Loan" was RMB23.288 billion, representing an increase of RMB9.888 billion and a year-on-year increase of 73.78%; the balance of offline consumption loans of "Xingye Loan" was RMB20.943 billion, representing an increase of RMB12.465 billion and a year-on-year increase of 147.05%. Meanwhile, the Company actively explored new breakthroughs in personal auto consumer loans, completed the upgrading of underlying system and optimization of product strategy, and established cooperation templates with host program manufacturers, auto companies, and other channels.

(3) Wealth management business

During the reporting period, for the retail wealth business, the Company continued to meet customers' needs for wealth planning and investment appreciation by enriching products, optimizing channels and improving experience, and the operation logic of "customers-business-efficiency" continued to be deepened and the quality and efficiency of wealth management continued to be improved. As of the end of the reporting period, the balance of the retail financial assets of the Company was RMB3,869.393 billion (at the Bank level, including the market value of third-party custody), representing an increase of 7.26% from the end of the previous year, among which the balance of retail wealth finance assets (including the market value of third-party custody) accounting for 64.86%. The Company recorded revenue from retail wealth intermediary business of RMB5.499 billion, representing a year-on-year increase of 2.13%, among which the revenue from agency and other intermediary business amounted to RMB3.287 billion, representing a year-on-year increase of 11.79%, and revenue from insurance intermediary business amounted from RMB1.499 billion, representing a year-on-year increase of 92%.

Improved the operation of customer groups. Through a combination of "human expertise and AI", provide personalized comprehensive services for "various customer segments and levels", continuously optimize the customer management system, and enhance the capability to serve "long-tail customers, VIP customers, and private banking customers". As of the end of the reporting period, the Company has 8.355 million customers holding retail wealth products, representing an increase of 8.17% from the end of the previous year. The number of VIP customers of the Company was 4.4216 million, representing an increase of 9.09% from the end of the previous year and an increase of 14.2 thousand year-on-year. Among them, the number of retail long-tail customers transferred to VIP customers was 869 thousand and the number of retail golden, platinum and black golden customers transferred to private banking was 14.3 thousand; downgrading and churn rate of VIP customers was 19.54%, representing a decrease of 0.52 percentage point from the end of the previous year.

Optimized the product structure. The Company established cooperation in sale agency with 289 institutions, built a product selection mechanism, focused on creating the Industrial Bank Preferred "Low Volatility" wealth management system and the "Stellar Fixed Income" public fund brand system. The redemption yield benchmark of the wealth management low-volatility fixed-income series products reached 100%, and the average yield of public offering fund products significantly outperformed the benchmark, ranking the top among joint-stock commercial banks in the market; the personal pension products achieved full coverage of saving, funds, wealth management and the number of products exceeded 150, ranking the top in the industry. During the reporting period, the Company created wealth appreciation exceeding RMB50 billion for customers through provision of wealth services. Meanwhile, the Company improved the sales capacity through product business strategy adjustment, and expanded agency products and services, thus the sales volume of agency sales of funds, insurance and physical precious metal increased by 54%, 31% and 67% year-on-year, which eventually promoted the positive growth of the revenue from the retail wealth intermediate business.

Accelerated the digital transformation. The Company continuously strengthened the digital foundation of wealth management business from four aspects: products, customers, data, and tools. The Company achieved online approval processes for wealth product access, conducted remote intelligent centralized operations for high-value and potential VIP customers, strengthened data-driven empowerment, established a digital tool foundation centered on asset allocation, comprising "Wealth Statement", "Wealth Health Check" and "Wealth Planning", and propelled Money Butler to become the primary online operating platform for wealth management business. During the reporting period, the number of registered users of Qianda Money Manager was 18.5125 million, the number of monthly active users (MAU) was 642.1 thousand, representing a year-on-year increase of 26% from the end of the previous year.

Strengthened the brand and team building. During the reporting period, the Company established the Investment and Education Alliance of Industrial Bank with 48 institutions, and launched the first "11.18 Wealth Management Festival" in the entire market, with nearly 880 thousand person-times of participants online and more than 7.7 thousand themed investment and education salons offline, covering nearly 80 thousand person-times of customers, further strengthening the wealth management brand image of "want to manage wealth, consult Industrial Bank". The Company strengthened wealth management team construction from the dimensions of "establishing standards", "enhancing expertise" and "increasing productivity", and promoted more professional, precise, and intelligent customer service through digital empowerment.

(4) Private banking business

During the reporting period, the Company's private banking business focused on entrepreneur high-net-worth persons and their enterprises and families target groups, enhanced the integrated operation of corporate and private business, attached importance to the innovation of products and business, accelerated the reform of systems and mechanisms, improved the level of refined customer management, and promoted the high-quality development of the private banking business. As at the end of the reporting period, the average daily private banking customers were 69,158, representing an increase of 6,150 or 9.76% from the end of the previous year. The monthly average daily comprehensive financial assets of private banking customers amounted to RMB855.012 billion, representing an increase of RMB51.664 billion or 6.43% from the end of the previous year. The downgrading and churn rate of private banking customers was 22.79%, representing a decrease of 1.35 percentage points year-on-year.

Improved public-private collaborative customer acquisition. The Company carried out private-public collaboration to acquire customer, resulting in an increase of 9,370 private banking customers, representing an increase of 2,268 compared with the same period of the previous year and a year-on-year increase of 31.93%. The number of new enterprise finance customers opening accounts with the enterprise finance linkage private banks was 3,311, representing an increase of 1,142 compared with the same period of the previous year and a year-on-year increase of 52.65%. The Company constructed public-private integration business opportunity model and enriched the panoramic customer groups analysis dimensions, resulting in the corresponding growth of the business with digital empowerment.

Making innovative breakthroughs in trust services. In order to assist entrepreneurs in solving pain points such as equity inheritance, unified corporate control, and risk isolation for family businesses, and better served the real economy, the Company expanded the scope of wealth management service trusts from funds and policies to non-fund assets such as equity and debt of family enterprises. The Company provided comprehensive financial services with a full life cycle for customers' families, with the scale of innovative business implementation accounting for 62.8% of the new business in family offices, which became a new customer acquisition growth point and establishing the Industrial Private Bank's service brand of "People - Family – Enterprise".

Implemented the reform of system and mechanism. The Company implemented the reform of system and mechanism of private banking business, further strengthened comprehensive marketing, explored direct operation, promoted branches to make greater progress in the private banking business, and determined to established 23 direct centers in the first batch, of which 21 have been put into operation. Meanwhile, through issuing the guideline for construction of direct sales center and optimizing the system construction, the Group built a more efficient and professional management system and safeguard the increase of business contribution in key areas.

Empowering customer expansion through value-added services. The Company organized series of activities such as the distinctive "Exploring Beauty in China with Industrial Bank", national renowned doctors consultation events, elite university training programs, elite corporate internship plans, etc., attracting nearly 14 thousand private banking customers. Through the cooperation with renowned doctors, schools, and enterprises, the Company established an integrated value-added service system of "People - Family – Enterprise" to attract customers with scarce resources and enhance brand influence.

(5) Credit cards business

During the reporting period, the Company continued to enrich the scenario ecologies of credit cards, accelerated digital transformation, reshaped risk control system and improved the level of protection of rights and interests of consumers. As of the end of the reporting period, the Company had issued a total of 71.3955 million credit cards, representing an increase of 7.68% from the end of the previous year. During the reporting period, there were 5.094 million new cards, representing a year-on-year decrease of 22.87%. During the reporting period, the cumulative transaction amount was RMB2,324.451 billion, representing a year-on-year decrease of 16.23%.

Enriched scenario ecologies and improved the experiences of credit cards. Centered around customer experience, the Company enhanced the online and offline card usage environment with a focus on "Finance + Lifestyle". On one hand, the Company deepened marketing cooperation with leading Internet platforms, enhanced online customer transaction stickiness and penetration through card spending and instant discount activities, with the proportion of online transactions at the end of the reporting period increasing by 5.97 percentage points compared to the end of the previous year. On the other hand, the Company vigorously promoted the construction of characteristic scenarios and business districts, conducted theme marketing activities based on regional characteristics, covering 133 outlets in 44 branches. The Company kept up with the new tourism consumption trend of young people, launched "Citywalk" city check-in activities in 24 local routes across 14 branches in Guangzhou, Xi'an, Quanzhou and other cities.

Accelerated digital construction and empowered the business transformation. The Company promoted the construction of data models and label systems, continuously refined customer portraits, enhanced the precision of "thousands of faces" refined management capabilities. The "Industrial Living" app continuously introduced small-sum high-frequency scenarios, which promoted the interoperability with "five online platforms" and realized the sharing and mutual diversion of high-quality financial services within the Group. As of the end of the reporting period, the registered users of "Industrial Living" amounted to 48.3428 million, representing an increase of 10.7291 million from the end of the previous year and a year-on-year increase of 10.60% in the growth.

Reshaped risk system and strictly controlled non-performing assets. The Company accelerated the iteration and upgrade of risk quantification models, built a comprehensive risk control system throughout the process with the linkage of the head office and branches. The Company optimized access policies in the pre-lending stage, shifted the risk checkpoint forward, accelerated the transformation of customer acquisition models, and increased efforts to acquire young and educated customer groups and corporate customers. The Company strengthened risk monitoring in the lending process, continuously adjusted and optimized control strategies, enhanced the risk identification capabilities of existing customers, and optimized asset structures. The Company focused on building a comprehensive "three-in-one" collection system at the branch and head office levels, and improved the efficiency of non-performing asset collection and recovery in the post-lending stage.

Improved the level of protection of the rights and interests of consumers and served the people' s livelihood. The Company strengthened the protection of the rights and interests of consumers, smoothed the channel of consumers' rights and interests protection service, and deepened the complaint tracing and rectification. The Company learned from the "experience of Pujiang" and established a long-term mechanism that the leader and cadres participated in the complaint handling, creating the environment for all employees to implement consumers' rights and interests protection. During the reporting period, the complaints of regulatory channel decreased by 16.80% year-on-year.

3. Interbank and financial market business

During the reporting period, in terms of the interbank and financial market business, the Company launched financial market business based on interbank cooperation to provide in-depth services to interbank customers, the real economy and financial markets, gave full play of the advantage of the interbank proprietary business, agency business and matching business and continued to expand the transformation and development. The Company continued to deepen the cooperation with interbank, further consolidated the advantages of depository and settlement, capital transaction, assets management, asset custody business and other businesses, balanced the business structure, strengthened the synergy and coordination to achieve the continuous improvement in comprehensive value and efficiency.

(1) Interbank customer service

Continued to deepen the cooperation with interbank customers. The Company provided comprehensive and in-depth services to various fields of the financial industry, established comprehensive business cooperation with 23 financial factor market institutions, and carried out in-depth cooperation in financing services, investment transactions and system construction based on the provision of efficient and stable clearance and settlement service. In terms of cooperation with financial institutions in the same industry, the Company focused on the target of improving the coverage rate of customers, utilization rate of products and revenue growth rate, established a hierarchical and classified service system to provide comprehensive financial solutions for different types of financial institutions, and strove to be the main clearing bank, main custodian bank, main investment bank and main trading banks. During the reporting period, the settlement volume of securities funds of the Company was RMB21.6 trillion, the settlement volume of various futures exchanges was RMB4.7 trillion, the settlement volume of Shanghai Clearing House was RMB1.2 trillion, the scale of asset custody was RMB16.04 trillion, the amount of non-policy financial bonds underwritten was RMB27.05 billion and bond bidding and market-making transactions exceeded RMB500 billion; the cooperation coverage rate of interbank legal person customers in major domestic industries maintained above 95%. The Company established a global banking cross-border service network with 1,174 banks in 92 countries and regions around the world. 153 Chinese-foreign banks became indirect participants of the Cross-Border Interbank Payment System (CIPS) through the Company, and the Hong Kong branch obtained the qualification of direct participant of CIPS.

Accelerated the promotion of ecological integration. The Company actively implement the "commercial bank + investment bank" strategy, and cooperated with leading non-bank institutions to carry out the construction of an "investment bank + investment" ecosystem. On one hand, the integrated operation of "investment, underwriting, sales, and custody" and accurate match of bond issuance and underwriting with direct financing needs jointly served "customers of interbank customers". During the reporting period, the primary market bid amounts, and secondary market trading spread revenue of bond assets such as financial bonds, ABS, interbank certificates of deposit, etc., have all seen significant growth. On the other hand, leveraging the Bank-to-Bank Platform to integrate internal and external advantageous products, channel resources, and technological capabilities, the Company intensively served the diverse needs of market entities in terms of products, sales, transactions, and services, further empowering the "large interbank, large wealth management" ecosystem.

Continued to optimize the structure of assets and liabilities. The Company was committed to the development of "clearing and settlement + depository and custody" business, with the proportion of such low-cost liabilities in interbank liabilities increasing by 4 percentage points as compared with the previous year, matched the settlement and financing needs of interbank customers and the financial market and maintained a stable scale of interbank liabilities and proper cost control. Taking into various factors such as the scale, revenue, capital occupation, yield account in a comprehensive manner, the asset allocation of major categories in the industry continued to be optimized, and the proportion of standardized products remained at a high level. The Company diversified qualified counterparties, and leveraged on investments to effectively promote the coordinated development of depository, custody, and investment banking businesses, further enhancing trading capabilities.

Bill business achieved stable development. The Company vigorously developed green bills and commercial acceptance bills, and promoted the growth of bill discount. At the same time, the Company strengthened the research and judgment on the interest rate market, made efforts to develop bill transactions, further facilitated corporate financing and effectively served the real economy.

(2) Bank-to-Bank cooperation business

Over the years, the Company has continued to deep the cooperation with small and medium-sized banks, established a wide-reaching and deep cooperative "circle of friends", and launched the Bank-to-Bank Platform cooperation brand. Through comprehensive cooperation in funds, products, and technology, the Company developed a unique bank-to-bank cooperation service model and sustainable business model, expanded comprehensive financial services to more third- and fourth-tier cities and rural areas, becoming an important differentiating feature of the Company's operations. In recent years, the Bank-to-Bank Platform has upgraded to be a unified brand of the industry and financial market, with serving "three business cards" of green banks, wealth bank and investment bank as strategic guidance, it provided investment and financing, capital transactions, wealth management, FICC, cross-border business, payment and settlement, open operation, financial information, technology output and other comprehensive services, extended and empowered corporate and retail customers of interbank customers by joint building ecological scenario, so as to form a unique "interbank+" ecosystem.

Relied on the digital operation of the Bank-to-Bank Platform to aggregate various internal and external interbank financial products and service capacities of the Group. The Company continuously enriched and improved the trading ecosystem of the Bank-to-Bank Platform, operated and enhanced the transaction volume and activity of the investment hall, financing hall, and trading hall. By deepening cooperation with small and medium-sized financial institutions, the Company enriched modern financial services and financial product supply in underdeveloped areas, effectively served rural revitalization and common prosperity, and improved the coverage of inclusive finance. As of the end of the reporting period, trading volume of various financial products in the Bank-to-Bank Platform exceeded RMB2 trillion, and more than 10,000 fund products were introduced in. The scale of institutional investment of the Bank-to-Bank Platform was RMB366.3 billion, representing an increase of 68.74% from the end of the previous year. The Company cooperated with more than 470 small and medium banks in respect of sales agency, and realized full coverage of sales agency cooperation with state-owned major banks and joint-stock commercial banks. The scale of sales of wealth management products through external channel amounted to RMB869.5 billion, representing an increase of 70.32% from the end of the previous year.

Supported the multi-level payment and settlement needs of interbank customers and maintained a leading edge in the market. The Company integrated its infrastructure capacities, license resource advantages, fintech resources and business operation experience to provide a package of comprehensive payment and settlement services for small and medium financial institutions. As of the end of the reporting period, there were more than 800 cooperative institutions in the payment and settlement business in the Bank-to-Bank Platform such as "Hui Shou Fu"(汇收付) and transaction amount was RMB14 trillion in total during the reporting period, representing a year-on-year increase of 54%. It provided digital RMB services for more than 120 2.5-tier cooperative banks and established six scenarios including consumption payment, agent collection and payment, financial services, e-government affairs, cross-border payment and collaborating marketing, thus the number of cooperative institutions increased rapidly.

Supported open empowerment with technological output and collaborated with small and medium-sized financial institutions for mutual growth. With the development goal of "digitally driven, wisdom for the people, green and low-carbon, fair and inclusive", the Company promoted the transformation and upgrading of technology output business models, focused on wealth sales, digital RMB, anti-fraud, investment research platforms, green finance, etc., to create a new model of "financial technology + data assets + training consultation + scenario ecology" capability output, shared the results of the Company's digital transformation, and explored a new ecosystem of interbank cooperation characterized by systematic integration, business complementarity, resource sharing, and open win-win. As of the end of the reporting period, there were 234 institutions in respect of the output of science and technology.

(3) Asset management business

During the reporting period, the Company continued to improve the professional capacities of subsidiaries that engaged in assets management such as wealth management, funds, trusts and futures, promoted the transformation and development of assets management business and met the increasing demand of customers for assets allocation.

CIB Wealth Management strengthened product supply and sales adaptation, increased the issuance of low-volatility and stable products, took the advantage of group synergies, seized the asset dividends of "Five new tracks", benchmarked against advanced peers both domestically and internationally, and accelerated the layout of strategic innovative products. **On the research side,** under the investment targets across the entire market and all categories and relying on the "region + industry" strategy, the Company deepened forward-looking fundamental research, strengthened the construction of investment research technology systems, and built a platform-oriented, industrialized and professional modern investment research system adapted to the large-scale investment of wealth management funds through the digitization of research tools and standardization of data. The comprehensive wealth management capability has ranked first in the PYStandard comprehensive wealth management capability list for 24 consecutive quarters. **On the product side,** based on the "Eight Cores, Three Special Features" product system, the Company established a quantitative multi-type product line, issued low-volatility warrant-included wealth management products such as "fixed income + preferred stock", and continuously improved mainstream strategic product lines, and the proportion of new products compliant with asset management regulations increased by 0.47 percentage point to 99.05% compared to the end of the previous year. As at the end of the reporting period, the management scale of CIB Wealth Management amounted to RMB2.26 trillion, representing an increase of 8.18% from the end of the previous year.

Industrial Trust fully returned to its origin, actively played the role of trust assets' independence and risk isolation, and the endowment advantages of bank-affiliated trusts, strengthened bank-trust synergy and group linkage, and built a comprehensive trust company with diversified development of "trust services + wealth management + asset management + public welfare charity". As of the end of the reporting period, the asset under management and the subsisting size of trust business of Industrial Trust amounted to RMB185.206 billion and RMB182.862 billion, respectively. Among which, the subsisting size of active management trust business reached RMB90.303 billion, accounting for 49.38%.

Industrial Fund focused on the core business, continued to optimize the layout of products with fixed income, continuously optimized the layout of fixed-income products, enriched the style tracks of equity products, and focused on layout of index funds, market-wide funds, FOF funds, and other products. During the reporting period, Industrial Fund completed the creation and establishment of QDII special account products, and customized and released the first comprehensive bond index in Fujian Province. As at the end of the reporting period, public funds under the management of CIB Fund amounted to RMB261.856 billion, of which, the size of non-monetary funds under management was RMB192.887 billion, representing an increase of 13.53% as compared with the end of the previous year.

Industrial Futures gave full play to the professional license for futures and derivatives, continuously carried out business innovation, leveraged on the advantages of products design, investment and transaction, assets allocation, etc. to provide customers with a wide range of derivatives strategic assets management products such as quantitative CTA, fixed income and MOM portfolio and enrich the Group's wealth management product**.** As at the end of the reporting period, the management scale of Industrial Futures amounted to RMB11.53 billion, ranking the seventh in the industry (according to the China Futures Association).

(4) Capital business

During the reporting period, in terms of capital business, the Company continued to consolidate its advantages. While implementing the concept of high-quality development and serving the real economy, the Company focused on becoming an "integrated service provider for financial markets" and "integrated operator of financial markets" and established the FICC business system of "entire market, entire customer group, entire chain and entire ecologic".

Comprehensively improved the operating capabilities of the entire market, entire customer group, entire chain and entire ecologic in respect of underwriting, distribution, investment, trading, market making, derivatives and risk management in the financial market. The underwriting of interest rate bonds recorded RMB876.9 billion in total, representing a year-on-year increase of 4.5%, and the scale of bonds issued by China Development Bank, the Export-Import Bank of China and the Agricultural Development Bank of China and underwrote by the Company ranked top. During the reporting period, the amount of bond bidding and market-making transaction business with 441 counterparties amounted to RMB505.6 billion. It maintained a leading position in the market in terms of ranking in respect of market-making transactions in the fields of bonds, interest rates, exchange rates, precious metals, etc., continued to make greater efforts on market-making transactions and sales, promoted transaction empowerment and created a transaction ecosystem.

Proactively satisfied the needs of physical customers and provided comprehensive service solutions in the financial market. The Company continued to improve products and service system to satisfy the finance market demand of various customer groups in terms of interest rate, exchange rates, precious metals, etc., achieved full coverage of all types of interbank customers, concluded bond lending concluded bond lending business of RMB1,258.6 billion with 205 counterparties, operated exchange rate business for 1,647 corporate customers and carried out exchange rate business of RMB888 billion. The Company promoted the empowerment of the products with transaction strategy, improved the return of products, reduced the cost of liabilities and successively launched products linked to gold and interest rate with variable income.

Strengthened the internal and external linkage of business lines to fully improve comprehensive benefits through underwriting driven by investment, depository driven by investment and trust driven by investment. Investing in local government bonds brought deposits of total RMB548 billion; investing in RMB credit bonds and ABS led to underwriting and raising funds achieving RMB483.4 billion and the custody achieving RMB140.6 billion. The Company constantly increased investment in green bonds, rural revitalization bonds, entrepreneurship and innovation bonds and other bonds with national strategic orientation, and satisfied the corporate financing needs through the unique advantage of bonds investment and transaction to support real economy and reduce financing costs.

(5) Asset custody business

During the reporting period, the structure of the Company' asset custody business continued to optimize and its comprehensive service capabilities and innovation capabilities continued to improve, which actively helped consolidate the advantages of the Company in the industry and the financial market. As of the end of the reporting period, the Company's asset custody business ranked first in the industry, with 43,185 products under online custody, ranking second in the industry (according to the Custody Business Committee of the China Banking Association). The scale of the asset custody business was RMB16.04 trillion, representing an increase of 5.06% over the end of the previous year. The income of custody intermediary business amounted to RMB3.549 billion, which was basically the same as the previous year.

Continued to optimize the business structure. The scale of standardized products accounted for nearly 50%, and the income accounted for 73%. The ranking of key business industries has been steadily improved. The custody scale of publicly offered fund was RMB2.28 trillion, maintaining the third in the industry and the first in joint-stock banks. The custody scale of bank wealth management maintained the second place in the industry, the custody revenue from trust products raised to the first place in the industry (according to the Custody Business Committee of the China Banking Association) and the number of new filings of private investment funds remained the first among 28 banks with custodial qualification (according to the Asset Management Association of China).

Proactively participated in the industrial innovation. The Company maintained market foresight, promoted the development of custodial business with operational services, implemented the industry's first "QFII-like settlement mode" ETF, became the only custodian institution in the industry supporting such an innovative model. The Company successfully managed the first actively managed green bond-themed fund product issued by a foreign-owned public offering, integrated group retail distribution and investment resources, jointly explored leading ESG management practices in the industry with fund managers, and prioritized investment in the first batch of green bond lists that meet the bilateral standards of the China-EU Joint Catalog, which increased the attractiveness of funds to overseas capital, and helped the development of China's green bond market.

Collaboratively enhanced the wealth banking. By linking the three major lines of interbank, retail, and corporate banking, the Company treated custodial services as public goods, jointly promoted the construction of "investment, custody, and sales integration", facilitated the virtuous cycle between wealth sales and custodial services, continuously enriched wealth product shelves, and deepened the construction of the "large interbank, large wealth management" pattern.

Improved the customer experience in all aspects. The Company further deepened the system construction and digital transformation, smoothed the transaction with the mainstream of the market, namely the tripartite agency, and improved the automation of transactions. The Company continued to optimize customer experience, upgraded the service system of custody customers, adhered to the service principle of "One case for one customer", and provided customers with electronic connection service in the entire process.

4. Fintech

In the last three years, the Company upheld the guideline of the planning, adhered to "developing the ability to connect everything and building the best ecological empowerment bank", established a new system, cultivated new talents, identified new methods, activated new elements, built new foundation and stimulated new momentum, so as to promoted the construction of a "Digital Industrial" system on a new journey. The Company continued to increase investment in technology and completed a lot of basic, pilot and strategic work. During the reporting period, the Company invested RMB8.398 billion in information technology, representing a year-on-year increase of 1.78%, and its proportion in operating income was 3.98%. As of the end of the reporting period, the Company had 7,828 scientific and technical personnel, representing an increase of 16.85% from the end of the previous year and accounting for 13.91% of the total number of employees.

Established a new system and deepened the reform of the fintech system. The Company set up the Digital Transformation Committee to promote the digital transformation in a coordinated way, adjusted and optimized the setting of the functional organizations of the financial technology sector, implemented the requirement of "separation of management and operation", formed an organization structure and operation system of "one committee, three departments, one institute and one division"（一委三部一院一司）, and strengthened the overall management and unified dispatch of science and technology. Through the construction of a "Digital Industrial" system, the Company advanced the implementation of the measures for digital transformation. The Company improved the digital transformation assessment system and enhanced the overall management and organizational promotion of science and technology.

Cultivated new talents and optimized the structure of the digital talent team. The Company implemented the 10,000-person plan for scientific and technological talents, enhanced the training of scientific and technological talents, improved the job map for scientific and technological talents, made innovation in the training and certification system of scientific and technological talents such as BA (business analyst), BA (business analyst) and low level code, carried out the digital three-in-one training of "study-examination-appraisal" for all employees, and accelerated the training of high-quality versatile talents with overall perspective. The Company thoughtfully promoted the collaborative working mechanism of "BA (business analyst) + SA (system analyst) + DA (data analyst) + UE (experience engineer)" to effectively promote the integration and innovation of business, technology, data and customer service.

Identified new methods and promoted the construction of the enterprise structure. In accordance with the new method system of "enterprise-level and standardization", the Company completed the planning of new enterprise-level architecture, promoted the remodeling of business architecture and scientific and technological architecture, advanced the work of "five standarization" - process, data, pattern, development and operation, completed the main construction of "five enterprise framework projects", and revitalized the "five online platforms", initially achieving the goal of enterprise architecture construction, significantly improving the key indicators such as online platform MAU and financing balance, and fully releasing the efficiency of digital operation and management.

Activated new elements and empowered data insights and digital operation. The Company accelerated the construction of an enterprise-level standardized data dictionary, and initially established 28 thousand enterprise-level data dictionary standards, helping improve the quality of the data in key areas. The Company strengthened the whole process data governance, achieved results in key areas, and reduced the risky assets in the amount of RMB hundreds of billions through the underlying data governance of the New Basel Capital Accord. The Company continued to build the enterprise-level data mid-platform capability system, built a model management platform, and comprehensively carry out the construction of data assets and the model development and sharing reuse. The Company has completed the inclusion management, release and sharing of 11 thousand data assets such as indicator labels. The Company empowered customer acquisition, marketing, risk control, compliance and other fields, and strengthened the data support for key projects.

Built the new foundation and laid a solid foundation for business innovation and development. The Company complied with the strategy of "channel more computing resources from the eastern areas to the less developed western regions" to promote the construction of a new green data center. The Company accelerated the "cloud-based" transformation of infrastructure. The inclusion management rate of hardware resources reached 85%, supporting the flexible allocation and flexible scaling of resources and effectively supporting the ecological scenarios of businesses. The Company launched the construction of high-level capabilities such as super-large distributed application support. The Company realized the resource pool management and unified application scheduling of the container cloud platform. The Company built a new generation of digital twin intelligent operation and maintenance platform for data center, and realized the automatic operation and maintenance of IT equipment in the whole life cycle.

Stimulated new momentum and created new productive forces of fintech. The Company implemented the integration and upgrading of development platforms, and fully supported the construction of super-large distributed applications such as distributed cores. The Company promoted the low-code platform of "Xing Mo Fang" (兴魔方), with a total of more than 500 applications. The Company promoted the standardization and agility of R&D process, and established a software delivery management system combining "stability and sensitivity". The Company promoted the standardization of user experience and issued the enterprise-level user experience standardized design specifications. The Company established an innovative laboratory integrating "Industry-University-Research-Use" to carry out cutting-edge technology research, application innovation and financial scenario application. The Company responded to the requirements of the national "artificial intelligence+" action, consolidated the AI basic service base, opened 146 AI capabilities in five categories, and comprehensively supported and improved the transformation of digital operation efficiency, in which the AI dialogue service was extended from single intelligent customer service to 22 scenarios of the head office and branches. The knowledge mapping service formed many implementation applications in the fields of audit internal control, intelligent risk control and marketing of corporate finance. The Company released a 10-billion-level big model-ChatCIB, focusing on the vertical fields such as wealth, investment and reporting, and launched six types of digital assistants to form the first batch of AI big model scenarios empowerment. Among them, the accuracy of knowledge question and answer of corporate finance product assistant was 90%, the research report abstract assistant could increase the efficiency by 54 persons every year, the code generation assistant assisted the R&D personnel of the Group to improve the R&D efficiency, and the customer service agent assistant could automatically expand similar questions and assist in generating the summary of incoming cases, so as to improve the marketing level and intelligent operation efficiency of remote banks. The Company built an electronic contract signing system based on blockchain, and piloted the combined application of digital RMB and blockchain. The metaverse innovation application system has initially built 6 digital space scenarios, and expanded the service channels of digital collections. Huawei and openGauss Community jointly released the first financial version of openGauss database with the Company (the only sponsoring bank in China).

(III) Overview of major subsidiaries

Unit: RMB million

Name of subsidiary	Registered capital	Total assets	Net assets	Operating income	Operating profit	Net profit
Industrial Bank Financial Leasing Co., Ltd.	9,000	137,089	24,043	3,501	3,204	2,550
China Industrial International Trust Limited	10,000	62,654	21,881	4,637	(807)	(610)
CIB Fund Management Co., Ltd.	1,200	5,062	4,685	1,168	526	401
Industrial Consumer Finance Co., Ltd.	5,320	86,931	11,285	11,230	2,691	2,072
CIB Wealth Management Co., Ltd.	5,000	15,035	14,621	3,848	3,373	2,582

1. Industrial Bank Financial Leasing Co., Ltd.

Industrial Bank Financial Leasing Co., Ltd. was established in August 2010 with registered capital of RMB9 billion and is a wholly-owned subsidiary of the Company. Its business scope includes financial leasing, transfer and acquisition of financial leasing assets, fixed-income security investment, receipt of lease deposits of lessees, establishment of project companies in domestic bonded areas for conducting finance lease business, etc. As at the end of the reporting period, Industrial Financial Leasing has total assets of RMB137.089 billion. Owners' equity amounted to RMB24.043 billion and the balance of leasing assets amounted to RMB130.03 billion. During the reporting period, the net profit was RMB2.55 billion.

During the reporting period, Industrial Financial Leasing implemented the overall strategy of the Group and enhanced the linkage of banking and leasing: it took advantage of the leasing license, provided comprehensive service for customers and improved the revenue of the Group. During the reporting period, Industrial Financial Leasing carried out 256 linkage projects with 30 branches with an amount of RMB39.2 billion; the balance of linkage business amounted to RMB58.5 billion, accounting for 44%. Focused on the high-quality development and continued to deepen transformation: it launched the asset acquisition and construction of "Region + Industry" and invested RMB71.036 billion with the ROA of 1.95% during the reporting period; strengthened risk prevention and control, with the non-performing ratio of 1.06%, and achieved a decline in non-performing assets and loans for five consecutive years. The Company focuses on the synergistic efficiency enhancement through "carbon reduction" and "pollution reduction", with green investment accounting for 44%, and implemented the first "sustainable development linked" business in the industry. The Company achieved the beginning of the shipping business, and the products covered four mainstream ship types, namely dry bulk carriers, oil tankers, container ships and gas carriers.

2. China Industrial International Trust Limited

China Industrial International Trust Limited was established in March 2003 with a registered capital of RMB10 billion and is a holding subsidiary of the Company. The Company holds 73% of the equity interest. Its business scope includes fund trust, chattel trust, real estate trust, negotiable securities trust, other property or property right trust and other businesses stipulated by laws and regulations or approved by the regulatory authorities. As at the end of the reporting period, Industrial Trust's total assets amounted to RMB62.654 billion, and owners' equity was RMB21.881 billion. During the reporting period, the operating income was RMB4.637 billion and the net profit was RMB-610 million.

During the reporting period, Industrial Trust actively responded to all kinds of challenges in the period of the transformation of old and new kinetic energy and the reshaping of business model, actively embraced changes, firmly returned to its original source, rearranged the three main business systems under the background of the new three classifications, consolidated the digital capabilities, and gave full play to the advantages of the original source of trust to provide better trust services for people's pursuit of a better life and the high-quality development of the real economy. Practice the service-oriented principle and meet people's needs for a better life. Based on the position of "trustee" and the resource endowment of the bank trust company, the Company cooperated with the head office to launch the family service trust of "Xing Fu Jia"（兴福家）brand, and used the indispensable asset isolation function of trust to provide high-quality services to the majority of middle-class families. Since its launch, the family service trust of Industrial Trust has been in the forefront of the market in terms of both the number and scale of the implemented trusts, showing a good development trend. Give full play to the professional advantages to help the real economy improve quality and efficiency. The Company actively promoted the linkage between bank and trust, innovated the ways and methods of finance serving the real economy, and explored the beneficial model of "charitable foundation + charitable trust" to help achieve the goals of common prosperity and "carbon peaking and carbon neutrality". The Company actively carried out innovative businesses such as investment-loan linkage, asset securitization and capital market serving listed companies, and issued 35 credit asset securitization products and asset-backed bill products in the inter-bank bond market, with a total amount of RMB31.238 billion. Lead the digital transformation of the trust industry by relying on technology empowerment. Based on the strong digital ecology of the head office group, the Company gave full play to its endowment advantages, unswervingly implemented the digital transformation strategy, accelerated the optimization and upgrading of business model, remodeling and reengineering of business process, and reform and innovation of organizational structure, empowered the transformation and development of businesses with digitalization, and accelerated the establishment of digital advantages in the industry transformation. As of the end of the reporting period, the asset under management and the subsisting size of trust business of Industrial Trust amounted to RMB185.206 billion and RMB182.862 billion, respectively. Among which, the subsisting size of active management trust business reached RMB90.303 billion, accounting for 49.38%.

3. CIB Fund Management Co., Ltd.

CIB Fund Management Co., Ltd. was established in April 2013, with a registered capital of RMB1.2 billion. It is a holding subsidiary of the Company and the Company holds 90% of its shareholding. Its business scope includes fundraising, fund sales, asset management for specific clients, asset management and other business as permitted by the CSRC. As at the end of the reporting period, the total assets of CIB Fund reached RMB5.062 billion, and owner's equity was RMB4.685 billion. During the reporting period, the operating income was RMB1.168 billion and the net profit was RMB401 million.

During the reporting period, CIB Fund continued to deepen the reform, focused on the core business, continuously improved professional competence, deeply embed its own development into the operation and management system of the Group to help the high-quality development of the Group. It served the development of the parent bank, provided services for more than 140 customers such as insurance company under the Group, brokerages, banks and its subsidiaries engaged in wealth management together with branches to help the high-quality development of the Group, and provided public offering fund services to nearly 300 thousand personal customers in total. CIB Fund strengthened the expansion of channels and customers, built a comprehensive customer profile, clarify the channel and customer outreach strategy, and made new breakthroughs in channel business. The number of individual customers increased by more than 3 million from the end of the previous year and the number of Internet finance customers increased by nearly 90% from the end of the previous year, and the customer structure continued to be optimized. CIB Fund deepened the building of professional competence, improved assessment incentive and restraint mechanism and the mechanism of selecting the superior and eliminating the inferior, optimized the education and training system, and improved the professional competence of talent team. It established the team-oriented, platform-based and integrated investment and research system, focused on the optimization of the management mechanism for equity investment, and further strengthened the core competitiveness of investment and research. CIB Fund continued to improve the product system, optimized the layout of the fixed income products, and enriched the style tracks of equity products. During the reporting period, CIB Fund created QDII special account products and customized the release of the first bond comprehensive index of Fujian Province. CIB Fund constantly enhanced risk management capabilities, implemented the integrated risk control requirements of the Group, established a real-time monitoring system in operation, and explored the application of intelligent system in risk control field.

4. Industrial Consumer Finance Co., Ltd.

Industrial Consumer Finance Co., Ltd. was established in December 2014 with a registered capital of RMB5.320 billion. It is a controlling subsidiary of the Company and the Company holds 66% of its shareholding. Its business scope includes provision of personal finance loans, deposit-taking from shareholders' domestic subsidiaries as well as domestic shareholders, lending from domestic financial institutions, approved issuance of financial debts, domestic interbank lending, advisory and agency services related to consumer finance, fixed income securities investment and other business approved by the banking regulatory authorities. As at the end of the reporting period, the total assets of Industrial Consumer Finance amounted to RMB86.931 billion and owner's equity was RMB11.285 billion. During the reporting period, the operating income was RMB11.230 billion and the net profit was RMB2.072 billion.

During the reporting period, as an important force of serving the long-retail inclusive customers groups of the parent bank, Industrial Consumer Finance continued to strengthen scenario mining and product innovation with focusing on the household consumption, rural revitalization, housing rental and expanded consumer credit business. As of the end of the reporting period, the balance of various loans of Industrial Consumer Finance amounted to RMB86.411 billion, representing a year-on-year increase of 15.34% and the accumulative consumer finance credit loans exceeded RMB330 billion since its establishment. Through cross marketing, customer development, digital currency wallet and other methods, Industrial Consumer Finance deepened the interconnection with the Group, guided more customers to integrate into the Group's comprehensive financial service system, and created and activated a total of more than 1.24 million debit cards for the parent bank. While consolidating the advantages of self-operated marketing system, Industrial Consumer Finance actively pushed forward the development of online business and optimization of customer structure, accelerated the digital transformation, and continuously improved the coverage of products, market competitiveness and customer satisfaction through setting up special team, refining tiered customer management, optimizing business procedures and other measures. Adhering to prudent operation and based on the changes of market environment, Industrial Consumer Finance accelerated the model iteration, improved the due diligence and portrait analysis on the front-end, and strengthened risk identification, early warning and duration management, constructed a whole-process, multi-dimensional and multi-level risk prevention system, thus the non-performing loan ratio remained at a relatively good level in the industry.

5. CIB Wealth Management Co., Ltd.

CIB Wealth Management Co., Ltd. was established in December 2019 with a registered capital of RMB5 billion. It is a wholly-owned subsidiary of the Company. Its business scope includes the issuance of wealth management products, financial advisory and consulting services and other businesses approved by the CBIRC. As at the end of the reporting period, the total assets of CIB Wealth Management amounted to RMB15.035 billion and the owner's equity was RMB14.621 billion. During the reporting period, the operating income achieved RMB3.848 billion and the net profit was RMB2.582 billion.

During the reporting period, CIB Wealth Management continued to enhance its professional capacity building, strengthened the match of supply and sales of channel products, and satisfied the customers' need for wealth management. As at the end of the reporting period, the scale of CIB Wealth Management products amounted to RMB2.26 trillion, representing an increase of RMB170 billion as compared with the end of last year. Served customers' wealth needs. With the focus on the customers, CIB Wealth Management optimized product system, provided customers with more diversified choices, accumulatively served more than 25 million customers since its operation, and created investment income of more than RMB270 billion for customers. During the reporting period, new corporate customers and new retail customers introduced by CIB Wealth Management for the wealth management business of the parent bank exceeded 40 thousand and 880 thousand, respectively. Strengthened the construction of channel layout. It enriched the shelves of wealth products for interbank customers of the parent bank, and achieved the full coverage of the sales agency channel of the state-owned major bank and joint-stock commercial banks. CIB Wealth Management has cooperated with more than 470 small and medium banks in respect of sales agency in total, covering more than 60 city commercial banks and 390 rural credit institutions. The sales of wealth management products through external channels of the state-owned major banks, joint-stock commercial banks and small and medium banks recorded RMB869.5 billion, representing an increase of 70.32% from the end of the previous year and accounting for 38.39%. Promoted the digital transformation. The application system cluster for wealth management business has been launched. For the investment and research trading section, during the reporting period, nine investment varieties or scenarios were added to the investment system, and the coverage rates of investment varieties and scenarios were among the highest in the industry; the intelligent trading platform project was launched, the efficiency of inquiry trading was greatly improved, and the management function of investment and research transactions was continuously improved; CIB Wealth Management clarified the short-term and medium-term planning blueprint of the investment and research technology platform, and the technology empowerment investment and research continued to increase. For the risk management section, the Company digitalized the threshold deviation of the whole process of products, the hard control of limits of key assets and the repair, tracking and monitoring of products with broken net value, defined the construction scheme of a comprehensive risk management system, and supported the improvement of risk prevention and control capabilities with digital tools.

OTHER IMPORTANT SUBSIDIARIES

6. Industrial Futures Co., Ltd.

Industrial Futures Co., Ltd. was reorganized and established in 2014 with a registered capital of RMB500 million and is an indirect holding subsidiary of the Company. Its business scope includes commodity futures brokerage, financial futures brokerage, futures dealing consulting and asset management business, etc. As at the end of the reporting period, Industrial Futures has total assets of RMB9.526 billion and the owner's equity was RMB719 million.

During the reporting period, Industrial Futures continued to give full play to the professional license functions of futures and derivatives to serve group customers, and provided services for 2,700 customers of the parent bank and 606 extend customers of the parent bank. Industrial Futures focused on industrial customers, formulated industrial service manual, carried out the interaction between corporate finance and future of the bank, facilitated ferrous metal, energy and other industrial chains to empower the energy and finance tracks, made efforts on the area of green finance with focus on the industrial chains of industrial silicon and lithium carbonate, served the overall situation of "stabilizing price and guaranteeing supply" for underlying bulk commodities, helped stabilize the chain, extend the chain, complement the chain and strengthen the chain, and provided professional services on futures for 66 listed companies. Enhanced the "wealth bank" business card of the Group. It strengthened the capacity building for research and development of new varieties and trade consultation, took hedging, risk hedging, and OTC options as important approaches to serve customers of the parent bank, and provided customers with quantitative CTA, fixed income, MOM portfolio and other derivates strategic asset management products, which enriched the Group's products. Enhanced the compliance risk control foundation. It established a "big center" for risk control, improved the comprehensive risk compliance management system and enhanced the development of science and technology for risk control. Responded to the call of rural revitalization. It carried out 266 "insurance + futures" projects in 65 cities and counties across the country, and the total amount of insurance was RMB3.456 billion and compensation pay-outs was RMB91.0953 million, with 28,684 household benefited. Leveraging on the natural endowment of future company under the bank, it created the model of "bank + insurance + futures" to serve the agriculture, rural areas and farmers. As at the end of the reporting period, the daily equity of future brokerage was RMB9.044 billion and the scale of asset management business amounted to RMB11.530 billion, ranking the seventh in the industry. It was rated as "A" class future company for four consecutive years.

7. CIB Economic Research and Consulting Co., Ltd.

CIB Economic Research and Consulting Co., Ltd. was established in June 2015 with a registered capital of RMB60 million. It is the first and sole research company with a bank serving as an independent legal person in China and an indirect holding subsidiary of the Company. Its business scope includes investment consulting (excluding brokerage), financial consulting, business consulting, corporate management consulting, financial data processing, etc.

During the reporting period, CIB Research comprehensively enhanced the research empowerment of the Group and its customers, strengthened research forward-looking guidance, continued to deepen the integration of industry and research, constantly enhanced the collaboration of investment and research, and gradually formed a complete closed loop combining research results with application to preferably empower scientific decision-making, business development and risk judgement. Made a comprehensive layout of "strategy research, market research and industry research". During the reporting period, CIB Research initiated the establishment of the Southeast Asia Institute of the Industrial Bank. On the basis of strengthening macro-research, financial research, green finance research, fixed income, foreign exchange and staple commodities, equity market and fund research, CIB Research has made great efforts to strengthen industry research, and basically achieved the full coverage of major industries in the national economy, among which research advantages have been formed in the fields of new energy for power equipment, medicine, chemicals, new materials, automobiles, high-end equipment manufacturing, TMT and real estate. Served the investment and research collaboration of the Group. CIB Research provided research support for the construction of the "1234" strategy system, "three business cards" and "five new tracks" of the Company. CIB Research provided the situation analysis and strategic suggestions for the Group's operation and management, assets and liabilities, risk management, fixed income strategy and wealth business strategy in a normalized manner, participated in the formulation and revision of the industry risk access policy, and provided professional suggestions for major projects, supporting the "commercial bank + investment bank" strategy to achieve a stable growth. During the reporting period, services provided by CIB Research covered 31 departments of the Head Office, 45 branches and 9 subsidiaries, and CIB Research provided 8,563 pieces (times) of reports and services and carried out 1,042 times of roadshow training, with the per capita output reports and services of the researchers being 95 pieces (times). CIB Research became a brainpower for external customers including national ministries, local governments, industry associations, entities and financial institutions.

8. CIB FINTECH (Shanghai) Co., Ltd.

CIB FINTECH (Shanghai) Co., Ltd. was incorporated in November 2015 with a registered capital of RMB350 million. It is an indirect holding subsidiary of the Company and the first financial technology subsidiary of a bank in China. Its business scope includes financial data processing, economic information consulting services, application software development and operation services, system integration services, etc.

During the reporting period, CIB FINTECH continued to deepen the overall strategy layout for group service, small and medium-sized banks and scenario-based ecology, firmly implemented the requirements of "enterprise-level and standardization", focused on strengthening the layout of key technology fields such as cloud native, artificial intelligence, and multi-interaction (Metaverse) and actively developed basic capabilities of fields including cloud computing, privacy computing, open API, robotic process automation (RPA) and blockchain and enhanced operational quality and efficiency and customer interaction experience, providing supporting for the implementation of the strategy and business development of the Group. In terms of group-oriented services. 134 projects have been put into operation, achieving a year-on-year increase of 61% in requirements. CIB FINTECH deeply practiced the methodology of MASA architecture, basically completed the "five online platforms" and "five enterprise framework projects", promoted the large-scale application of the cloud native technology system, built a data lake and privacy computing platform with separation of storage and calculation, continuously improved the timeliness of data, upgraded and built the CRM system of corporate finance, built a one-stop working platform of "acquiring customers, activating customers, improve the quality and efficiency of comprehensive customer services and retaining customers" , and focused on technology to empower the development of "three business cards" and "five new tracks" to help the Group realize the transformation of business model and the improvement of customer experience and operational efficiency. In terms of technology output, CIB FINTECH promoted the creation of a "1+N" financial technology ecosystem, which is based on "Xing Ye Cloud"（兴业云）and covers "N" scenarios of ecological services such as payment and settlement, wealth management and sales, investment and financing, and digital RMB, actively provided digital transformation solutions for the companies in the industry, and continued to promote financial ecological products and business support software products. A total of 325 small and medium-sized financial institutions and 174 custodian banks have been put into operation through technology output. In terms of the scenario ecology, CIB FINTECH actively built the ability of "connecting everything", independently developed and continuously promoted the "Industrial Park Platform", built the "Industrial Tong Dai Fa Platform", promoted the construction of ecological circles such as living payment and enterprise value-added services, supported the ecological construction of medical ecological circle, educational ecological circle and digital supply chain and other scenarios, continuously expanded the application scenarios of NFT digital collections, realized the application and implementation of satellite remote sensing technology in tea planting and forestry carbon sink scenarios, and actively promoted the access of the bank-bank digital RMB to the platform, cooperating with 30 banks, opening more than 2,300 bank APIs, and connecting with more than 8,700 external partners.

9. China Industrial Asset Management Co., Ltd.

China Industrial Asset Management Co., Ltd. was established in February 2017 with a registered capital of RMB1.95 billion. Industrial Asset Management, a holding subsidiary of the Company, was established with the approval of the People's Government of Fujian Province and the former CBRC, and has the qualification to massively acquire and dispose non-performing assets of financial institutions as a provincial asset management company. Its business scope includes: participating in massive acquisition, transferring and disposal of financial institutions' non-performing assets within Fujian Province; acquiring, transferring and disposing nonfinancial institutions' non-performing assets; debt restructuring and corporate restructuring; debt-to-equity swap, managing, investing in and disposing equity assets; bankruptcy management; investment and asset management; asset securitization; fund custody management, among others. As at the end of the reporting period, Industrial Asset Management had total assets of RMB23.778 billion. During the reporting period, it achieved a net operating income of RMB1.012 billion and a net profit of RMB510 million.

Focusing on the integration of special assets business of the Group and market-oriented operation, Industrial Asset Management continued to deepen the main business of special assets, advanced the collection and disposal of special assets business, explored the transformation of special assets operation, proactively served the regional and group risk prevention and mitigation, and made new breakthrough in real estate rescue, debt restructuring and other business. During the reporting period, Industrial Asset Management invested RMB3.053 billion in special assets business, acquired distressed debt assets of RMB7.897 billion in total, ranking second in terms of acquisition scale of distressed debt assets of financial institution in the market in Fujian, and disposed distressed debt assets of RMB6.388 billion in total.

10. China Industrial Inclusive Digital Financial Services Co., Ltd.

China Industrial Inclusive Digital Financial Services Co., Ltd. (formerly known as Fujian Financial Services Cloud Co., Ltd.) was established in April 2020 with a registered capital of RMB100 million, and is a holding subsidiary of the Company. Its business scope includes: software development, data processing and storage support services, information system operation and maintenance services, information technology and process outsourcing services (excluding financial information services) entrusted by financial institutions, information technology consulting services, financing consulting services, etc.

During the reporting period, CIB Inclusive Digital Finance deeply cultivated the construction and operation of scenario ecological platform, served group customers with the output of science and technology and helped the group digital transformation with the scenario empowerment. Created a treasury management scenario system. Through treasury empowerment, financial empowerment and data empowerment, CIB Inclusive Digital Finance achieved the linkage of industry and finance and supported digital transformation of all kinds of enterprises. As at the end of the reporting period, there were 668 customers of the treasury management platform, among which 314 were new customers; there were 14,441 transactions in total, representing an increase of 12,441, and the transaction amount was RMB334.395 billion, representing an increase of RMB332.515 billion. Built inclusive ecology. CIB Inclusive Digital Finance operated the platform of "CIB Inclusive" to provide comprehensive services covering "finance + non-finance" for small and medium-sized enterprises, individual industrial and commercial households and small and micro business owners. As at the reporting period, "CIB Inclusive" acquired customers with scenarios, and connected 876 external scenario platforms of all kinds, such as supply chain, internet and digital government affairs and other platforms; there were 178.2 thousand registered users of the platform, of which 109.8 thousand were new users, and a total of 68 thousand financing requests were satisfied, with an amount of RMB269.216 billion and representing an increase of RMB168.635 billion. Meanwhile, CIB Inclusive Digital Finance established the intelligent agricultural wholesale system, created an industry solution of "digitalization of the agricultural wholesale market + integrated public and private comprehensive finance service", and accelerated the layout of key areas such as inclusive finance and rural revitalization. Served government affairs scenario. CIB Inclusive Digital Finance made innovative in the service model of "data + policy + finance" and inclusive finance jointly created by the government, banks and enterprises, formed a triad comprehensive solution of local comprehensive financial service platform, local financing credit service platform, and local credit platform, and provided scientific and technological and practice support for provincial platform of Fujian, Ningxia and Yunnan.

11. Ciit Asset Management Co., Ltd.

Ciit Asset Management Co., Ltd. was established in April 2013 with a registered capital of RMB3.4 billion and is an indirect holding subsidiary of the Company. Its business scope includes asset management, equity investment, industrial investment, investment management and investment consulting. During the reporting period, Ciit Asset Management was upgraded to a first-tier subsidiary of the Company.

During the reporting period, as an important supporter of the Group's strategy of "commercial bank + investment bank", Ciit Asset Management positioned itself to help improve the Group's business system of "large investment banking", and enhanced the Group's comprehensive financial services capabilities. With the stable development strategy, Ciit Asset Management adhered to the operation strategy of "two main businesses and two auxiliary businesses", initially shaped an investment system based on the equity investment and supplemented by alternative investment. Meanwhile, Ciit Asset Management gave full play to the advantages of the positioning of the Group and strengthened the linkage of business within the Group, with the commercial banking business and investment banking business complementing each other. Ciit Asset Management focused on supporting high-end intelligent equipment manufacturing, new-generation information technology, new energy, modern materials and other industries, helped accelerate the construction of modern industrial system with the orientation of advanced manufacturing industry. Ciit Asset Management advocated and carried forward the "experience of Jinjiang", served private economy in an active manner, and help various private enterprises to expand financing channels, reduce financing costs and carried out industrial integration.

(IV) Risks and risk management during the reporting period

1. Overview

The Company has formulated the development strategy laying equal stress on business operation and risk management, established the advance, in-process and subsequent risk control system centering on risk assets management, and improved the risk management system and operation procedures for various businesses and the risk accountability and punishment mechanism. The credit risks, market risks, liquidity risks, operation risks and country risk, bank account book interest rate risk, reputation risk, strategic risk, information technology risk and anti-money laundering risk exposed to various businesses and customers are included in the scope of comprehensive risk management. In addition, the Company further clarified the specific duties of the Board of Directors, Board of Supervisors, senior management and executives in respect of risk management and formed a specific, clear and effective comprehensive risk management system. In daily risk management, the business department, risk management functional departments and internal audit department form "three lines of defense" of risk management with clear responsibilities and duty segregation to achieve the risk management goals. During the reporting period, in the face of the complex situation of rising risks and challenges, the Company adhered to the new development concept, implemented risk prevention and control, improved the quality and efficiency of management and control of non-performing loans, promoted digital transformation, strengthened risk empowerment and boosted high-quality development of business.

2. Credit risk management

The Company's credit risk management objectives are: establishing and continuously improving the credit risk management system, promoting the specialization level and refinement of credit risk management, optimizing the orientation of credit and customer structure, constantly reinforcing risk management and control of the overall credit business process, realizing the balance between risks and gains, and effectively controlling risks.

The Company strengthened asset quality management and control in key areas and key branches. The head office has established a mechanism for leaders of the bank to supervise and guide the risk prevention and control agile groups in key areas, and branches have set up special risk disposal teams led by the top leaders, which improved the agility and timeliness of decision-making, integrated the professional strength of the whole group, seized the policy opportunities for risk mitigation, and continuously promoted risk mitigation in key areas such as real estate, local government financing platforms and credit cards, and achieved remarkable results. The Company has established a monitoring system for potential risk projects, so as to timely grasp the change trend of asset quality, promote the forward-looking mitigation of potential risk projects and effectively control additional bad growth. The Company carried out the 100-day campaign to overcome hardships for collection and disposal of non-performing projects and implemented a list system for key non-performing projects. The head office and branches formulated disposal plans in a coordinated manner to jointly promote the implementation of mitigation and disposal, continuously increase the efforts on collection and disposal of projects that have been kept records of accounts written off and effectively make up for profits. The Company improved the pertinence of credit policy. With the new development concept as the guidance, the Company consolidated the fundamentals, laid out the new tracks, focused on promoting the integration of risk management and business development, implemented the differentiated credit policy of "protecting, controlling and compressing". Responding to the transformation requirements of "promoting high-quality development", the Company constantly enhanced the consistency of company operations with national policy guidance and the development of the real economy, seized business opportunities in the new economic field, served major regional strategies and coordinated development strategy of the state, actively supported the credit capital demands in the major national strategic planning area and the region within Fujian Province. Focusing on the national "dual carbon" goal, the Company further leveraged the leading advantage of green finance, enriched and improved the green financial products and service system. Based on the "internal circulation" and "double circulation" strategy and according to the national policy orientation and the change trend of industry upgrading and integration, the Company selectively supported the livelihood consumption upgrading fields and new consumption fields such as automobile, medicine, modern logistics, education, culture and sports, home appliances, etc. The Company increased its support for science and technology-based enterprises, optimized technology flow tools and means, focused on the identification of small and medium-sized "real science and innovation" technology enterprises, improved the technology flow evaluation system, promoted the application of technology flow approval model, enhanced the efficiency and quality of credit approval and continued to promote the expansion of technology flow business. Meanwhile, the Company carried out the Technology Flow 4.0 Suzhou Industrial Park Project and used local credit data in Suzhou to develop exclusive models, so as to establish a business development model of active credit and batch credit. The Company continued to deepen the construction of the intelligent risk control system of the Group. Based on internal and external customer risk information and through analyzing, processing and integrating of the data with rules and models, the Company developed functions such as customer risk view, early warning, labeling, supervision and financial report analysis, effectively improving the digitalization, intelligence and automation of risk management. The Company strengthened the management of large-sum risk exposure, implemented the provisions of the Measures for the Management of Large-Sum Risk Exposures of Commercial Banks (2018 Order No. 1 of the CBIRC), continuously established and improved the Group-wide large-sum risk exposure management system, promoted system improvement, system construction and information governance, measured and dynamically monitored the concentration of exposures. The Company's various exposure concentration indicators were controlled within the regulatory requirements during the reporting period.

3. Liquidity risk management

The Company's liquidity risk management objectives are to prevent liquidity risk and ensure payment needs, improve the efficiency of capital utilization and ensure the sustainable and healthy development of various businesses, maximize the profit and value of the bank within the tolerable risk range and achieve the unity of "safety, liquidity and profitability" and ensure that the regulatory indicators of liquidity risk meet the regulatory requirements through asset and liability management means.

During the reporting period, the Company firmly implemented the transformation and development strategy, effectively promoted the reconstruction of the balance sheet, maintained the steady and balanced growth of assets and liabilities, smooth liquidity operation and the liquidity regulatory indicators at an acceptable level. Firstly, with payment and settlement as the main tool, the Company strengthened the construction of the grid project and financial ecosystem, constantly improved the digital operation system, consolidated the customer base and persistently increased settlement deposits with low costs. Secondly, the Company strengthened the research and judgment on the trend of market interest rate, reasonably arranged the scale and structure of active liabilities in combination with the needs of liquidity management, and grasped the favorable market opportunities for issuing financial bonds to supplement long-term stable funds. Thirdly, the Company made good efforts on the forward-looking management of liquidity indicators and strengthened the management of daily monitoring, analysis and calculation, position forecasting and other aspects of indicators to ensure that liquidity risks are safe and controllable and regulatory indicators are robust and up to standard.

4. Market risk management

Market risk refers to interest risks of transaction accounts, stock risks, and exchange rate risks and commodity risks of all accounts. The Company's market risk management was to establish and continuously improve market risk management system which matched with the risk management strategies satisfied standard requirements of the New Capital Accord and regulatory requirements of market risk; complete market risk management structure, policies, processes and methods, and promote the specialization level of market risk management, realize centralized and unified management of market risks; facilitate the sustainable and healthy development of relevant businesses with risks under control; promote the digital transformation of market risk management and strengthen the strategic concept of the empowerment of science and technology to realize the goal of improving the digital and smart risk management of risk.

During the reporting period, the Company's various market risk indicators are maintained within the limit range, and the market risk system operates steadily. The Company actively responds to the changes in the market environment, continues to deepen and improve the digital-driven comprehensive market risk management system under the strategic direction of digital transformation, focused on system construction, risk monitoring and limit management, and steadily promotes various work. During the reporting period, the construction of the intelligent risk control platform for market risk will complete software deployment and online; according to the latest requirements of the Capital Management Measures for Commercial Banks, the Company will continue to optimize the measurement project under the new standard method of market venture capital in the Basel Accord, constantly strengthen the identification, measurement, monitoring and early warning of risk factors, effectively implement the multi-level market risk limit system, optimize and improve stress test management, and further improve market risk emergency plans. The major market risks exposed by the Company are interest rate risk of transaction accounts and exchange rate risk.

(1) Interest rate risk of trading book

The interest rate risk of trading book of the Company mainly arises from RMB bond business and interest rate swap business. Risk management measures are mainly based on limit management, and limit indicators include interest rate sensitivity indicator, credit spread sensitivity indicator, stop loss indicator, etc., which are issued and implemented through annual business authorization letter and regular investment strategy plan. At the same time, the Company carries out stress tests regularly to effectively prevent tail risks.

During the reporting period, according to the changes in market conditions, the Company carried out interest rate trend analysis on regular basis, strengthened interest rate risk prevention, actively optimized base point value management, strengthened interest rate risk, credit spread risk monitoring and early warning, so as to keep the interest rate risk of trading book at a reasonable level. At the same time, the Company verified the system measurement model to ensure the accuracy and effectiveness of measurement.

(2) Exchange rate risk

The exchange rate risk of the trading book of the Company mainly arises from the comprehensive position of RMB market maker business. Risk management measures are mainly focused on exposure management. As an active member of RMB market maker in the market, the Company actively controls the exposure limit, implements zero-based management of market maker comprehensive position, and has small overnight risk exposure.

The exchange rate risk of banking book of the Company mainly arises from the exchange rate risk position of foreign currency capital items. For the exchange rate risk exposure arising from assets and liabilities that is inevitable in normal operations, the Company maintains the stability of non-trading exchange rate risk exposure through periodic capital settlement or foreign exchange profit settlement operations.

During the reporting period, the Company continued to monitor the exchange rate trend and analyze the impact of exchange rate changes. The Company's overall exchange rate risk remained stable, and all core limit indicators meet the limit requirements.

5. Management of interest rate risk in the banking book

Interest rate risk in the banking book (IRRBB) refers to the current or prospective risk to the bank's overall earnings and economic value arising from adverse movements in interest rates, maturity structure and other factors. IRRBB primarily includes gap risk, basis risk and option risk. The goal of IRRBB is to maintain stable growth in net interest income and achieve long-term goal of maintaining stable growth in economic value based on judgment in interest rate movement and on the premise of the Company's tolerable risks.

During the reporting period, the Company paid close attention on major changes in the domestic and international economic situation, macroeconomic policies and financial market, rationally responded to the market pressure and management challenges, and maintained sound and sustainable growth of assets and liabilities. Adhering to the principle of moderate and prudent interest rate risk preference, the Company kept abreast of changes in monetary and fiscal policies, strengthened the research and judgments on market interest rate trend, continuously monitored and analyzed various interest rate risks, especially the gap risk in the context of downward interest rates and basis risk caused by the inconsistent changes in interest rates of deposits and loans, flexibly adjusted the management strategy of interest rate risk and took forward-looking adjustment measures. Firstly, the Company prospectively grasped the expected change in domestic and foreign monetary currency policy cycles and the market, and continued to adjust and optimize interest risk management strategy through in-depth analysis and forecast of market interest rate trends. Secondly, the Company flexibly used management tools such as price guidance, duration management and risk limits to strengthen the regulation of the structure of assets and liabilities, continuously optimized interest rate exposure and duration mismatching structure, and keep the balance and steady of margin interest and spread income of the Company. Thirdly, the Company optimized the functions of the banking book interest rate risk management system, improved the management model and data governance and enhanced risk data analysis and mining capabilities to consolidate the digital management foundation of interest rate risk. As at the end of the reporting period, the interest rate risk level was controlled within the Company's annual interest rate risk control target, and the stress test results also showed that all indicators of the Company remained within the limits and early warning values, and the interest rate risk of bank books was controllable as a whole.

6. Operational risk management

Operational risk refers to the risk of loss caused by incomplete or problematic internal procedures, personnel, information technology systems, and external events. The objectives of the Company's operational risk management are to continuously improve the operational risk management capability, reduce the frequency of operational risk events, control the operational risk losses within an acceptable range, promote the legal compliance of business operations of the institutions at all levels, and provide a healthy operating environment for the Group's business development. The Company has established and improved the operational risk management system, continuously improved the operational risk management capability, reduced the frequency of operational risk events, and provided a healthy operating environment for business development.

During the reporting period, the Company focuses on the key areas of operational risk management and the changing trend of operational risk, optimizes the means of operational risk control, improves the operational risk management system, consolidates the operational risk management capacity, and supports the high-quality development of the Company. Firstly, the Company continues to strengthen business continuity management to ensure the continuous and stable operation of important business processes of the Company's various institutions. Secondly, the Company continues to improve operational risk capital measurement system to support the compliance of the Company's mid- and long-term operational risk capital management. Thirdly, the Company consolidates the foundation of operational risk management. The Company improves the ability to apply operational risk management tools such as key risk indicator (KI) monitoring, process risk control and self-assessment (RCSA), and risk data collection (DC), and improves the accuracy of operational risk management and control. Fourthly, the Company fully assesses the potential operational risks of new products and new businesses to provide security for high-quality business development.

7. Compliance risk management

Compliance risk refers to the risk of legal sanctions, regulatory punishments, major financial losses and reputation losses due to failure to comply with laws, rules and standards. The objectives of the Company's compliance risk management are to effectively identify and manage the compliance risk, promote the construction of a comprehensive compliance management system and ensure the compliance operation according to law by establishing and improving the compliance risk management framework. The Board of Directors of the Company is ultimately responsible for the compliance of operating activities. The Risk Management Committee and the Internal Control Committee of the Head Office are the compliance risk management organizations under the Company's senior management. The Company has established a compliance risk management operation mechanism with three defense lines of business department, compliance management department and audit department to ensure the Company's compliance operation and management according to law.

During the reporting period, the Company carried out the "Year of Enhancement of the Capacity of Rule of Law" activity of Xing Hang Cheng (兴航程), deepened the "strict bank self-discipline" and the digital transformation of compliance work, comprehensively enhance the Group's ability to deepen the reform, promote the development, resolve contradictions and respond risks by using the rule of law thinking and approach. The Company strengthened the cultivation of rule of law culture and concept, and carried out publicity activities for compliance such as "the first leader stresses compliance", grass-roots level under compliance, etc. The Company strengthened the internalization of external regulations, reminded all kinds of business compliance risks through compliance risk tips, compliance proposals and other forms, and firmly built the compliance concept of "all employees actively comply with regulations, and compliance creates value". The Company continued to improve the internal control management system, strengthened the management of employees' behaviors, continuously deepened the integration of compliance management measures with various systems, and strengthened the embedding of compliance requirements for key businesses. The Company strengthened the implementation of the list of major negative behaviors in important positions, carried out special supervision in key areas, increased the punishment for employees' violations of prohibitions, firmly established the concept of "great compliance", and strengthened assistance and guidance to organizations with weak compliance and internal control, so as to promote the Group's "comprehensive compliance".

8. Internet and IT risk management

Information technology risks refer to the operational, legal and reputation risks caused by natural factors, human factors, technical loopholes and management defects during the application of information technology in commercial banks. The objectives of the Company's information technology risk management are to realize the identification, evaluation, monitoring, control, reporting and performance management of information technology risks, and to strengthen the effective control of information technology risks through early warning indicators and collection of risk events, so as to promote the business development and innovation and improve the application level of information technology. The Company has formed an organizational structure of "three defense lines" of information technology risk management, which is composed of the science and technology line department, the legal and compliance department, the audit department and other relevant departments, established and improved the information technology risk management procedures and mechanisms, strengthened the effective control of information technology risks, continuously promoted the business development and innovation, and improved the application level of information technology.

During the reporting period, the Company implemented the strategy of "revitalizing the bank through science and technology", actively responded to the difficulties and challenges brought by the complex and ever-changing external situation, continued to adjust and optimize the Group's financial technology system and mechanism, so as to effectively promote the Group's digital construction and development. Firstly, the Company carried out regular risk assessment for high-risk areas, reveals hidden risks and supervises and rectified them, and effectively promoted the continuous improvement of the quality and efficiency of information technology risk management and control. Secondly, the Company continued to promote the top-level design of network security and data security, set up a leading group for data security work, and focused on offensive and defensive drills, security testing, and data classification and grading. Thirdly, the Company strengthened the prevention, early warning and emergency response capabilities in the field of science and technology operation and maintenance, and further improved the capacity to guarantee safe production and operation.

9. Management of reputational risk

The Company's management of reputational risk was for the purpose of: actively and effectively preventing reputational risk and coping with reputation incidents, and reducing the losses and adverse impacts caused to the Company and the public to the minimum level.

The Company's reputational risk management was in line with the basic principle of "forward looking, matching, full-coverage and effectiveness" and the implementation principle of "hierarchical management, division of labor with individual responsibility, real-time monitoring, prevention first, quick responding, classified treatment, duty in defending own territory, and coordinated response". The Company incorporated reputation risk management into its corporate governance and comprehensive risk management system, continuously improved its reputation risk management system and processes, built a long-term mechanism for reputation risk prevention and control and enhanced the effectiveness of reputation risk management. During the reporting period, the Company conscientiously implemented the requirements of the Measures for the Administration of Reputation Risk of Banking and Insurance Institutions (for Trial Implementation) (Yin Bao Jian Fa [2021] No. 4), improve the reputation risk awareness of all employees, strengthen the execution and binding of the system, improved the reputation risk management and control system covering the whole process before, during and after the event, compacted the leadership, main and management responsibilities for reputation risk management, strengthened "a game of chess of the Group", and built a linkage mechanism of reputation risk prevention and control, which was closely coordinated with risk control, legal and compliance, consumer protection, public opinion handling, letters and visits and security, proactively facilitated the branched and subsidiaries to improve the reputation risk management system and mechanism, completed the online operation of the new version of public opinion information management system, continuously improved the level of digital intelligence of public opinion management, organically combined normalized trainings and drills, and continuously improved the professional ability of the team, and further consolidated the foundation of reputation risk management. The Company deeply conducted reputation risk investigation, identification, assessment, monitoring and response plan formulation, prioritized prevention and control measures, strengthened the prevention and mitigation of reputational risks in respect of key areas, major events and sensitive time-point in a coordinated manner, implemented the principle of "one case, one policy", made precise efforts to continuously improve the quality and efficiency of handling public opinions and firmly held the bottom line of no significant reputation risks. The Company carried out a special audit to review the overall reputation risk management and identify weaken links, continued to strengthen the source governance, comprehensively examined the trigger factors of reputation risk, further promoted the problem rectification and strengthened accountability to form a positive cycle of "negative public opinion-response and disposal-improve management services", so as to implement the customer-centered business philosophy and strive to empower operation and development. The Company continued to fulfill its responsibility of disclosing information of listed company, ensuring the truthfulness, accuracy, completeness, timeliness and fairness, so as to objectively show the business characteristics and performance dynamics of the Company. Meanwhile, the Company focused on deepening the implementation of the "1234" strategy, polished the "three business cards", laid out the "five new tracks", promoted the "Digital Industrial", served the national strategy, supported the stable growth, and served private economy. The Company also made great efforts on "five major areas", pursued inclusive finance, fulfilled social responsibilities, enhanced the protection of customers' rights and interests and other key aspects, continued to strengthen positive publicity, constantly improve the brand and market image, and accumulated reputation capital.

10. Management of country risk

The Company's management of country risk was for the purpose of: establishing and continuously improving the Company's country risk management system based on its internationalization process and business growth, adopting proper measurement, assessment and rating system for such risk with a view to accurately identifying and assessing country risks relating to business activities and promoting sustainable and healthy development of its business.

In order to cope with the complex and changing international environment and prevent geopolitical risks, the Company attached great importance to country risk management and incorporated the management of country risk into the comprehensive risk management system. The limit of country risks has been made according to the country classification and taking into comprehensive consideration the factors such as the cross-border business development strategy and risk preference of the Company. The Company's country risk exposure was mainly concentrated in less developed countries and regions with low country risk. During the reporting period, based on the principle of risk avoidance and limit adaption, reduced the total exposure of country risk of the Group with both protection and curbs, strengthened the management of limit of country risk, and enhanced the system construction. The Company has established a country risk management working group to improve its ability to identify, assess and response to the country risks, and enhanced the country risk emergency management. The Company will continue to pay attention to the financial market turbulence, geopolitical events and other events in the countries or regions where the counterparties are established, dynamically adjust the country risk classification and country risk limit, prudently assess business conditions and actively prevent country risks. During the reporting period, the Company provided adequate reserves for country risk in accordance with regulatory provisions, therefore, the country risk had no significant impact on the business operation of the Company.

11. Management of money laundering risk

Money laundering risk refers to the risk that the Company may face due to the fact that the Company may be exploited by illegal and criminal activities such as "money laundering", "terrorist financing" and "proliferation financing" in the process of business conduct and operation management. The objectives of the Company's money laundering risk management are to continuously identify, carefully evaluate, effectively control and manage in the whole process the money laundering risk by establishing and improving the money laundering risk management system and rationally allocating resources according to the risk-based method.

During the reporting period, the Board of Directors, the Board of Supervisors and the senior management of the Company conscientiously fulfilled the anti-money laundering obligations of legal persons, gave full play to the decision-making role of the leading group for anti-money laundering work, and adopted a number of measures to ensure the effectiveness of the Company's money laundering risk management. Firstly, the Company promoted the organizational structure reform of anti-money laundering, established a first-level departmental anti-money laundering, and prepared and set up a centralized anti-money laundering monitoring team in the headquarter, and improved the quality and efficiency of anti-money laundering monitoring. Secondly, the Company improved the top-level design of the digital transformation of anti-money laundering, and formulated a "five ones" roadmap for the construction of an anti-money laundering digital system covering data, indicators, calculation framework, atlas and management process. Thirdly, the Company improved the money laundering risk prevention system, and included digital RMB into money laundering risk management framework. Fourthly, the Company consolidated the anti-money laundering management data base, carried out anti-money laundering data governance, built a "beacon" early warning mechanism for data quality, and promoted the construction of the second phase of the unified wide table project. Fifthly, the Company promoted the integration of anti-money laundering and business management, enhanced the duty performance awareness of business department as "a line of defense" and moved forward the defense of money laundering in business. Sixth, the Company promoted the integration and empowerment of anti-money laundering and anti-fraud in basic data, batch computing framework, negative assets and other aspects, introduced the account fraud label in the anti-money laundering system, and piloted deployment of the anti-money laundering inspection model in the anti-fraud system, helping to improve the quality and efficiency of anti-money laundering and anti-fraud. Seventh, the Company deepened the digital transformation of anti-money laundering management. The Company initially established an integrated and online operation process of anti-money laundering and anti-fraud from monitoring, due diligence to unified investigation and control, and entered the testing link to improve efficiency and reduce the burden on the grassroots. The Company continuously optimized the functions and monitoring model of the anti-money laundering system, launched the anti-money laundering digital inspection platform, and promoted the digitalization and standardization of anti-money laundering inspection. Eighth, the Company deepened the application of innovative technology in suspicious monitoring, and popularized the application scoring and recall artificial intelligence models, significantly improving the accuracy of suspicious monitoring. Ninth, the Company optimized the prevention and control mechanism of sanctions risks, promoted the upgrading and functional iterative optimization of the search engine of the financial sanctions filtering system, and promoted the construction of the asynchronous screening scheme for the "double-list" database of international businesses.

12. Management of fraud risk

Fraud risk refers to the act of defrauding public and private property for the purpose of illegal possession mainly through remote and non-contact means, including fake card fraud, stolen card fraud, account embezzlement, fake application, merchant collusion, marketing fraud and so on. The objectives of the Company's fraud risk management are to establish an ecological intelligent anti-fraud risk joint prevention and control system with the group-wide linkage, active defense, three-dimensional efficiency and comprehensive coverage, build the leading anti-fraud technology and ability in the industry, provide safe and convenient financial services for the people while preventing and controlling risks, and firmly guard the people's "money bags".

During the report period, the Company thoroughly implemented the decision and deployment of the Central Committee of the CPC and the State Council to crack down on telecom and online fraud, took the Law of the People's Republic of China on Combating Telecom and Online Fraud as the guideline, and took various measures to deepen and implement the anti-fraud work. Firstly, the Company continued to deep the empowerment of science and technology, improved the systematic functions of the anti-fraud platform and promoted the iteration and upgrading of the platform operation. Secondly, the Company improved the precision of risk prevention, strengthened risk prevention in advance and realized management of retail accounts by tier, classification and limit, supported real-time rating for account, provided non-counter limit adapted to risks and enhanced the foundation of account management. The Company strengthened risk identification research and judgement, study criminal method, optimized the model of corporate account and personal account involving gambling and fraud, and deployed fraud-related rules for key risk scenarios such as currency exchange to achieve double reduction of personal and corporate accounts. The Company strengthened the interim-event tracking and interception, established a special class for centralized handling of fraud risks, and intercepted fraudulent funds of RMB77.15 million. Thirdly, the Company strengthened the protection of victims, and launched the first online delayed payment function in Fujian Province, with 13 thousand early warnings, involving an amount of RMB900 million. The Company built a model of Fujian anti-fraud, built a Fujian police-bank platform and a platform for Fuzhou anti-fraud, and protected a total of 39 thousand accounts with an amount of RMB180 million. The Company launched the interactive risk control, supporting multimodal interactive verification of scenarios such as account opening return visit, due diligence, early warning and dissuasion, with a total of 780 thousand outgoing calls, saving 91 thousand hours of labor costs. Fourthly, the Company improved customer services, realized the online risk control cancellation and appeal functions of mobile banking and personal online banking, issued two guidelines on account risk control cancellation and appeal disposal, clarified 11 account control standards and risk control cancellation processes, and unblocked the cross-regional and cross-outlet risk control cancellation channels. The Company formulated 6 anti-fraud language templates to improve the customer communication effect and strengthen the risk prevention and control and customer services. Fifthly, the Company supported the health development of business and supported the products such as consumer finance, inclusive, "Xing Shan Loan"（兴闪贷）and credit cards to prevent the risk of credit fund fraud. Sixthly, the Company improved the quality and efficiency of publicity in all aspects, and strengthened the publicity and communication of anti-fraud within and outside the Company, so as to raise all people's awareness of anti-fraud through publicity and education.

During the reporting period, the number of accounts opened with the Company involved in cases dropped significantly, and the ranking of total number of accounts involved in cases during the reporting period dropped to 11th among the national peers, hitting historical records. The number of personal accounts involved in cases decreased by 48% year-on-year, and the intercepted fraudulent funds amounted to RMB467 million. The enterprise-class digital intelligent anti-fraud platform won the second price of the Fintech Development Award for 2022 issued by the People's Bank of China.

Corporate Governance

I. Corporate governance overview

During the reporting period, the Company continued to strengthen the construction of corporate governance, solidified the governing concept of sustainable development, adhere to the political and people-oriented nature of financial services, always regarded "the top priority of the state" as the "most important task of the Company" and continuously deepened the organic integration of party leadership and corporate governance, therefore all governance entities performed their respective duties to achieve effective checks and balances and organic connection. The Board of Directors anchored the strategic direction with a scientific decision-making mechanism, continued to improve the governance structure, coordinated research on the addition of directors and senior management, and scientifically adjusted the composition of special committees of the Board of Directors. The Board of Supervisors solidly performed its supervisory responsibilities in terms of development strategy, performance of duties, financial management, operating decision-making, risk management, capital management, internal control and compliance, data governance and related party transactions, so as to supervise the deepening of the connotation and promote the improvement of operation and management. The senior management effectively implemented the resolutions of the Board of Directors and the supervision recommendations of the Board of Supervisors, focused on "five new tracks", made great efforts on "five major areas" to accelerate the digital transformation in an all-round way. The businesses of the Company witnessed the sustainable and steady development, and the interests of all shareholders and stakeholders were effectively safeguarded.

(I) Shareholders and general meetings

During the reporting period, according to the requirements of the relevant laws and regulations, the Articles of Association and the rules of procedures for general meetings, the Company convened the 2022 annual general meeting and the 2023 first extraordinary general meeting through a combination of on-site meetings and online voting to consider and approve 11 proposals such as the report of the Board of Directors, the report of the Board of Supervisors, the annual report, the financial budgets and final accounts, the distribution scheme of profit, engagement of an accounting firm, issuance of capital bonds, the plan for medium-term capital management (2023-2025), election of some directors of the tenth session of the Board of Directors, election of some supervisors of the eighth session of the Board of Supervisors, and 5 reports such as the evaluation of major shareholders, the work report of independent directors, performance evaluation of directors and supervisors and information on related party transactions were heard. Meanwhile, the Company improved its communication channels with shareholders by heeding their opinions and suggestions actively, so as to ensure that the shareholders' right to know, the participation right and voting right for the major events in the Company could be exercised in accordance with the laws and regulations. During deliberation, where there are significant matters involving the interests of small and medium investors, the votes of small and medium investors shall be computed separately and disclosed.

(II) Directors and the Board of Directors

As of the end of the reporting period, the Board of Directors of the Company consists of 11 directors (and another two proposed directors that are subject to approval of directorship qualification). It includes eight non-executive directors (including five independent non-executive directors) and three executive directors. There are five committees under the Board of Directors, namely, the Strategy and ESG Committee, the Risk Management and Consumer Protection Committee, the Audit and Related Party Transaction Control Committee, the Nomination Committee, the Remuneration and Evaluation Committee. With the exception of the Strategy and ESG Committee, the other four committees are chaired by the independent directors. During the reporting period, the Company has held 9 meetings of the Board of Directors and 23 meetings of all committees of the Board of Directors, and considered or listened to 231 proposals accumulatively, practically giving play to the Board of Directors' decision-making role in formulating development strategies, setting up business plans, deepening the reform of systems and mechanisms, strengthening capital management, improving the management within the Group, intensifying risk management and internal control and promoting digital transformation. The Company continuously improved the decision-making and conduction mechanism of the Board of Directors, continuously improved the corporate governance mechanism and enhanced the efficiency of the operation of corporate governance.

Based on the principles of objectivity, independence and prudence, independent directors gave full play to their professional advantages and rich experience, and offered advices and suggestions actively from the perspective of protecting the interests of investors and stakeholders, thus playing a positive role in strengthening the scientificity of decisions made by the Board of Directors and promoting the sustainable and sound development of banking business. Independent directors expressed their independent opinions on a number of major issues, such as periodic financial reports, annual profit distribution plan, engagement of an accounting firm, nomination of directors and senior management members, external guarantee and significant related party transactions in an objective and fair attitude, with a particular focus on the use of raised funds, write-off of doubtful debts, consolidation management, internal control and other matters of the Company, so as to promote the normal operation of related matters under the effective supervision and management of the Board of Directors, and the relevant procedures and contents were legal and conformed with the regulations. Serving as the chairman and member of the committees under the Board of Directors respectively, each independent director paid close attention to the normalization of operation and procedural legality of the Board of Directors and the committees under the Board of Directors, assisted the Board of Directors in making scientific decisions, and effectively improved the quality and efficiency of decisions made by the Board of Directors.

(III) Supervisors and the Board of Supervisors

As at the end of the reporting period, the Board of Supervisors has six supervisors, including one shareholder supervisor, two employee supervisors and three external supervisors. Under the Board of Supervisors, two special committees were established, namely the Supervision Committee and the Nomination, Remuneration and Evaluation Committee. The Board of Supervisors, which placed the interests of shareholders and the Company as the top priority, fulfilled its supervision duties and was actively engaged in the special research and studies and the auditing investigation, guided internal audit work and regularly communicated with external auditors. The Company oversaw the Company's development strategies, financial activities, operating decision, risk management, capital management, internal control, corporate governance, related party transaction and the duty-fulfillment of the Board of Directors and the senior management according to the law. During the reporting period, the Company held six meetings of the Board of Supervisors and four meetings of the special committees of the Board of Supervisors to consider or hear 56 proposals to have in-depth understanding of the Company's operation and management status and effectively perform various supervisory duties. In addition, the members of the Board of Supervisors also supervised the decision-making process of the Company's major issues by attending general meetings, meetings of the Board of Directors and committees and senior management meetings.

Following the principles of fairness, objectivity and prudence, the external supervisors performed their supervisory duties in a diligent, faithful, professional and compliant manner, comprehensively supervised issues such as development strategies, business performance, financial report, profit distribution, internal control, risk management, management of consolidation of financial statements, remuneration management and resolutions of the general meeting, supervised the establishment of a scientific development strategy and prudent operation philosophy by the Board of Directors and supervised and inspected the Company's risk management and internal control and urged rectification, and promoted the Company to operate in compliance with the laws and regulations, thereby boosting the sustainable and sound development of the Company. The external supervisors held positions such as the chairman and member of the committees under the Board of Supervisors, expressed opinions and made suggestions in an independent, professional and objective manner. In addition, they promoted the Company to treat all shareholders fairly and safeguarded the legitimate rights and interests of stakeholders.

(IV) Senior management

As at the end of the reporting period, the five senior management members of the Company consist of one president and four vice presidents. With the authorization by laws and regulations, the Articles of Association and the Board of Directors, the president takes responsibilities of organizing operation and management activities, specifically implementing the resolutions approved by the general meetings and the Board of Directors, and formulating the annual business plans and investment plans, financial budgets and final financial statements, basic management rules and specific regulations.

Twelve committees were established under the senior management, namely Strategy Promotion Committee, Digital Transformation Committee, Assets and Liabilities Management Committee, Investment Decision Committee, Risk Management Committee, Internal Control Committee, Special Assets Operation and Management Committee, Business Continuity Management Committee, Commodity Purchase Committee, Internal Accountability Committee, Credit Approval Committee, Investment Review Committee.

(V) Related party transactions

During the reporting period, the Company continued to strengthen the management of related party transactions, strictly complied with the regulatory provisions of the NFRA, the CSRC and the Shanghai Stock Exchange and the Articles of Association of the Company strictly. The Company seriously fulfilled the obligations of approval and disclosure of related party transaction through strengthening the data governance for related parties and related party transactions, upgrading and improving the related party transactions system and other measures to ensure the effective operation of the related party transactions management mechanism. Based on the principles of "substance over form" and "penetration", the Company identified related parties. Equity directors and shareholder supervisors consciously fulfilled their avoidance obligations when the Board of Directors considered proposals related to related party transactions of shareholders. According to the latest regulatory regulations, related party transactions which should be disclosed shall be submitted to the board of directors for consideration after being submitted to a special meeting of independent directors for consideration and approval in strict accordance with the requirements of the "Administrative Measures for Independent Directors of Listed Companies" and other systems. Meanwhile, the related party transactions between the Company and each related party strictly follow the principles of fairness, openness and equivalence, and the terms of the transactions are fair and reasonable and conducted on terms no better than those for similar transactions with non-related parties. The pricing of the transactions is fair, which strongly protects the overall interests of the Company and all shareholders and promotes the standardized and sustainable development of the relevant business of the Company.

(VI) Information disclosure and investor relations

The Company implemented the Securities Law and various regulatory requirements, strictly fulfilled statutory obligations of information disclosure and carried out information disclosure in accordance with the law. During the reporting period, the Company conscientiously prepared and disclosed regular reports. Based on the statutory disclosure requirements and closely centering on development strategies and business strategies, the Company continued to replenish disclosure content. The Company disclosed operating situation and major events in a timely manner and enhanced information transparency, so as to guarantee the investors' right to be informed fairly. Taking the needs of investors as the guide, the Company actively responded to major issues that investors are concerned about, demonstrated the Company's investment value from multiple angles, and continued to improve the quality of information disclosure, strengthened the internal reporting process of information disclosure, and promptly conducted various tasks such as inside information and insider management, filing and registration. The Company efficiently communicated with the capital market and continuously optimized the shareholder structure to safeguard the legitimate rights and interests of investors and effectively deliver the investment value of the Company. The investor relations team actively responded to concerns of the market and answered their questions through investor relations telephone, email, SSE e-Interaction Platform, brokerage strategy meeting, research reception and other manners on a regular basis. The senior management of the Company participated in results introduction, thematic exchanges, domestic and overseas roadshow and visits in person to deepen the recognition of the market. The Company actively communicated with potential strategic investors and continuously promoted major shareholders to increase shareholdings. The Company amended the Administrative Measures for Investor Relations to clarify the connotation of investor relation management, enrich the content and methods of investor relation management, and further improve the quality and efficiency of work.

(VII) Sustainable development and green finance

The Company fully implemented Xi Jinping Thought on Ecological Civilization and the spirit of the 20th CPC National Congress and the spirit of the Central Financial Work Conference and the Central Economic Work Conference, responded to the mission of the times of the dual-carbon strategy, took the state as the top priority, and insisted on practicing political, economic and social responsibilities at the same time. The Company adhered to the principle of "containing righteousness in profits"（寓义于利）, and explored the path of "from green to gold" with Industrial characteristics. The Company has formulated the ESG Policy as the guiding principle and direction of sustainable development to strengthen its leadership and internationalization in the field of sustainable finance. The Board of Directors of the Company has five committees, i.e. the Strategy and ESG Committee, the Risk Management and Consumer Rights and Interests Protection Committee, the Audit and Related Party Transaction Control Committee, the Nomination Committee and the Salary Appraisal Committee, which are responsible for the discussion of the Company's important proposals and issues involving environment, society and governance. During the reporting period, the Company was committed to deepening its understanding of the relationship between the social responsibilities of the bank and its own sustainable development, actively exploring various ways to promote the Bank to fulfill social responsibilities, and building a good relationship between man, nature, the environment, and society to coexist harmoniously. According to the deployment of the Company's institutional mechanism reform, the Company comprehensively promoted the implementation of ESG system construction and management, continuously improved the refined ESG management, strengthened systematic collaboration to promote the improvement in ESG performance, improved ESG service operation and management efficiency, and took the lead in the deepening of ESG financial practices. In 2023, the Company maintained the leading position of ESG rating in the domestic banking industry and upgraded its MSCI ESG rating to AA level, which was the only bank in domestic banking industry that has received the highest rating for five consecutive years. The Company was elected as a member of the ESG Special Committee of the China Association for Public Companies; and became one of the first domestic "P4EAST" of the International Sustainability Standards Board (ISSB).

II. Introduction of general meeting

(I) 2022 Annual General Meeting

1. Date of convening: May 26, 2023

2. Place of convening: Fuzhou

3. Attendance: 543 ordinary shareholders attended the meeting, representing 12,093,604,214 ordinary shares with voting rights (representing 58.2143% of total ordinary shares capital). 9 directors including Lyu Jiajin, Chen Yichao, Xiao Hong, Tao Yiping, Sun Xiongpeng, Ben Shenglin, Xu Lin, Wang Hongmei and Qi Yuan, 6 supervisors including Chen Xinjian, He Xudong, Zhang Guoming, Lai Furong, Paul M.Theil and Zhu Qing, 4 director candidates including Qiao Lijian, Zhu Kun, Chen Gongxian, Zhang Xuewen and 2 supervisor candidates including Yu Zusheng and Sun Zheng, and the secretary to the Board Hua Bing attended the meeting.

4. Major resolutions: 10 resolutions including the resolution regarding the work report of the Board of Directors for 2022, the resolution regarding the work report of the Board of Supervisors for 2022, the resolution regarding 2022 annual report and summary, the resolution regarding the 2022 final financial report and 2023 financial budgets plan, the resolution regarding the profit distribution proposal for 2022, the resolution regarding the engagement of an accounting firm for 2023, the resolution regarding issuance of capital bonds, the resolution regarding the plan for medium-term capital management (2023-2025), the resolution regarding election of some directors of the tenth session of the Board of Directors, the resolution regarding election of some supervisors of the eighth session of the Board of Supervisors were considered and approved at the meeting and 5 reports including the evaluation report of substantial shareholders for 2022, the report of duty performance of the independent directors for 2022, the evaluation report of duty performance of supervisors for 2022, the evaluation report of duty performance of directors and senior management from the Board of Supervisors for 2022 and the report on related party transactions for 2022 were debriefed at the meeting.

5. Voting results: all 10 proposals considered at the meeting were approved by ordinary shareholders present at the meeting by way of voting.

6. Reference of designated websites for disclosure of resolutions: the website of Shanghai Stock Exchange (www.sse.com.cn) and the website of the Company (www.cib.com.cn)

7. Disclosure date of the publication of resolutions: May 27, 2023

(II) First extraordinary general meeting for 2023

1. Date of convening: August 10, 2023

2. Place of convening: Fuzhou

3. Attendance: 192 ordinary shareholders attended the meeting, representing 12,281,497,293 ordinary shares with voting rights (representing 59.1188% of total ordinary shares capital). 9 directors including Lyu Jiajin, Chen Yichao, Xiao Hong, Sun Xiongpeng, Su Xijia, Ben Shenglin, Xu Lin, Wang Hongmei and Qi Yuan, 6 supervisors including Zhang Guoming, Yu Zusheng, Lai Furong, Paul M.Theil, Zhu Qing and Sun Zheng, a director candidate Chen Xinjian, and the secretary to the Board Hua Bing attended the meeting.

4. Major resolution: the resolution regarding election of Mr. Chen Xinjian as a director of the tenth session of the Board of Directors was considered and approved at the meeting.

5. Voting results: one proposal considered at the meeting was approved by ordinary shareholders present at the meeting by way of voting.

6. Reference of designated websites for disclosure of resolutions: the website of Shanghai Stock Exchange (www.sse.com.cn) and the website of the Company (www.cib.com.cn)

7. Disclosure date of the publication of resolutions: August 11, 2023

III. The Board meetings held during the reporting period

During the reporting period, a total of nine meetings, namely the 13th meeting (from February 21 to February 28), the 14th meeting (from March 9 to 16), 15th meeting (March 30), 16th meeting (from April 21 to April 28), 17th meeting (June 30), 18th meeting (July 25), 19th (August 30), 20th (from October 23 to October 30) and 21st meeting (December 15) of the tenth session of the Board of Directors of the Company were convened, at which a total of 67 proposals were considered and approved and 37 reports were debriefed. The major proposals included: the work report of the Board of Directors, the work report of the president, the annual report, the profit distribution plan, nomination of director candidates, appointment of senior management, engagement of an accounting firm, the plan for medium-term capital management, issuance of capital bonds, the implementation plan of the Group's risk preference, the report on anti-money laundering compliance management, the report of related party transactions, the report on write-off of doubtful debts, comprehensive risk management report, the report on consolidation management of the Group, the report on construction of ESG management system, sustainable development report, the work report on consumer protection, etc.

IV. The committees under the Board of Directors

(I) The Strategy and ESG Committee of the Board of Directors

1. As at the end of the reporting period, the Strategy and ESG Committee consists of five members, namely, Lyu Jiajin, Chen Xinjian, Sun Xiongpeng, Xu Lin and Wang Hongmei, and Lyu Jiajin served as the Chairman.

2. Meeting date and content

During the reporting period, a total of four meetings, namely the ninth meeting (March 29), the tenth meeting (June 29), the 11th meeting (August 29) and the 12th meeting (December 14) of the Strategy and ESG Committee of the tenth session of the Board of Directors of the Company, were convened, at which a total of 31 proposals were considered and approved and 4 reports were debriefed. The major proposals included: the work report of the Board of Directors, the work report of the president, the self-assessment report on corporate governance, sustainable development report, the profit distribution plan, issuance of capital bonds, the plan for medium-term capital management for 2023-2027, 2023 recovery plan, purchase of office buildings, the resolution on write-off of doubtful debts, the report on consolidation management of the Group, the report on construction of ESG management system, etc.

During the reporting period, the Strategy and ESG Committee of the Board of Directors actively performed its duties, deliberated and studied relevant major issues, urged the implementation of the resolutions of the general meeting and the Board of Directors, and continuously promoted the steady development of the Company's businesses. The committee has an insight into and grasped the changes in the situation, carefully studied major matters in relation to operation and management, promoted the implementation of the "1234" strategy, continuously polished the "three business cards", focused on the "five new tracks" and "five major areas", and accelerated the promotion of the construction of "Digital Industrial", so as to escort the high-quality development of the Group. The committee continued to promote and improve corporate governance and promoted all governance entities to perform their duties in accordance with the law. The committee promoted the implementation of the concept of capital intensive management, continuously improved and optimized the allocation, control and management mechanism for risk-weighted asset quota, rationally adjusted the asset business structure and facilitated optimal allocation of capital to further enhance endogenous capabilities of capital. The committee kept a reasonable balance between the regulatory requirements and business development needs, and promoted the approval of the issuance of capital bonds of equivalent RMB130 billion. Focusing on the three main lines of data governance, system optimization and management improvement, the committee promoted the capital measurement of the new weight method of Basel III and continuously improved the refinement of capital management. The committee strengthened the medium and long-term strategic planning and management of consolidated subsidiaries to ensure the coordinated development of the parent company and subsidiaries. The committee reinforced the differentiated positioning and license value of subsidiaries, promoted subsidiaries to further focus on their core businesses, thereby effectively nurturing back the Group. The committee improved the ESG refined management mechanism, promoted the improvement of ESG ratings, facilitated the inclusion of ESG into customer value-added services, explored ESG product innovation, enhanced the quality and efficiency of ESG empowerment operation and management, so as to enhance the ability of ESG to serve the strategy and sustainable business development of the Company. The committee promoted the opening of the London representative office in an orderly manner and accelerated the international layout. Responding to the national development strategy and the requirements of the "four-key strategy" of the Company, the committee properly made the plan for the layout of the Company's branches, so as to improve the quality and efficiency of finance to serve the national strategy and the development of the real economy.

(II) The Risk Management and Consumer Protection Committee of the Board of Directors

1. As at the end of the reporting period, the Risk Management and Consumer Protection Committee consists of three members, namely, Chen Yichao, Ben Shenglin and Qi Yuan, and Ben Shenglin serves as the Chairman.

2. Meeting date and content

During the reporting period, a total of four meetings, namely the ninth meeting (March 29), the tenth meeting (June 29), the 11th meeting (August 29) and the 12th meeting (December 14) of the Risk Management and Consumer Protection Committee of the tenth session of the Board of Directors of the Company, were convened, at which a total of 35 proposals were considered and approved and 15 reports were debriefed. The major proposals included: report on liability quality management, the implementation plan of the Group's risk preference, compliance management report on anti-money laundering, resolution on write-off of doubtful debts, the report on management of the assets stored in account cancellation, comprehensive risk management report, expected credit loss method series report, report on business continuity management, liquidity management report, the work report on stress testing, the work report on data governance, the work report on personal information protection, the work report on consumer rights protection, etc.

During the reporting period, the Risk Management and Consumer Rights and Interests Protection Committee of the Board of Directors accurately grasped the external environment and development trend, strengthened the research on macro policies, conscientiously evaluated various risks faced by the Company's operation, comprehensively and deeply understood the Company's risk management and protection of consumer rights and interests, regularly summarized and evaluated various risk control measures, actively implemented the Company's strategic deployment of "digital transformation", firmly established the bottom line thinking of risks and built a strong financial security barrier. The committee implemented the concept of the comprehensive risk management, focused on key risk fields such as credit risk, interest rate risk, liquidity risk, technology risk, etc. and put forward constructive opinions and suggestions, so as to promote the unification of business development and risk management. The committee focused on risk management and control in key areas, and guided the Company to effectively prevent and resolve risks in credit cards, real estate, government financing platforms and other fields. The committee promoted the Company to disposal of special assets, carefully reviewed the write-off budget of doubtful debts of the year, guided the Company to make full use of digital means, carried out all-round risk prevention and compliance and internal control work, and improved the refined level of risk management. Centering on the digital finance, the committee improve the model management system, guide the Company to actively grasp the benefits from artificial intelligence technology and comprehensively consolidated the foundation of the information security and technology risk, so as to continuously enhance the risk control of the Company. The committee firmly implemented the development philosophy of "people-centered" and business philosophy of "customer-centered". Guiding by regulatory policies, the committee deepened the construction of consumer protection systems and mechanisms and expanded the discussion scope of consumer protection work at the meeting, so as to effectively promote the efficient performance of the Board of Directors.

(III) The Audit and Related Party Transaction Control Committee of the Board of Directors

1. As at the end of the reporting period, the Audit and Related Party Transaction Control Committee consists of five members, namely, Qiao Lijian, Xiao Hong, Xu Lin, Wang Hongmei and Zhang Xuewen, and Zhang Xuewen serves as the Chairman.

2. Meeting date and content

During the reporting period, a total of seven meetings, namely the 11th meeting (February 24), the 12th meeting (March 29), the 13th meeting (from April 21 to April 26), the 14th meeting (June 29), the 15th meeting (August 29), the 16th meeting (from October 23 to October 28) and the 17th meeting (December 14) of the Audit and Related Party Transaction Control Committee of the tenth session of the Board of Directors of the Company, were convened, at which a total of 19 proposals were considered and approved, 11 reports were debriefed and 1 document was read. The major proposals included: the annual report, the report on internal audit, financial budgets and final financial reports, engagement of the accounting firm, the report on related party transactions, the internal control evaluation report, the report on placement the actual use of the raised funds, the report on the rectification of the defects of the internal control audit, etc.

During the reporting period, the Audit and Related Party Transaction Control Committee of the Board of Directors comprehensively considered changes in internal and external situations, continued to strengthen supervision and guidance on the preparation of financial reports, internal and external audits, internal control and related party transaction management, reviewed and listened to various proposals and reports, and promoted the Company to improve financial management and internal control, so as to promote the stable and compliant operations of the Company. The committee continued to optimize its member composition. As at the end of the reporting period, among five members, there were three independent directors and two female directors. The Committee consisted of senior experts who are engaged in fields such as green finance and IT finance and certain members have the experience in senior management of relevant organizations. The committee strengthened the communication with external auditors, guided the audit and review of financial reports, and held meetings to listen to the 2022 annual audit progress report, 2022 annual audit summary report, 2023 semi-annual review report and 2023 annual audit plan, etc.. Six specific requirements and opinions were put forward for auditors, including ensuring personnel investment, maintaining independence, highlighting audit key points, improving position and foresight, paying attention to audit rectification, and helping to reduce internal control defects. The committee reviewed financial reports at all stages and annual budget and final accounts reports, comprehensively analyzed and evaluated the operating performance of the Company, paid attention to the internal and external challenges faced by the banking industry, required in-depth analysis of input and output, and continued to convey the investment value of the Company to the market. The committee supervised and guided internal audit and internal control, reviewed reports on internal audit, internal audit project plans and internal control evaluations, and listened to regulatory briefings of the year and reports on the rectification of the Company and deficiencies rectification of internal control audit. The committee highly evaluated the internal audit and suggested to enhance coordination with the internal audit department through research and interviews and strengthened the supervision of operations and management. The committee focused on internal control deficiencies, required the Company to continue to maintain the bottom line of no major internal control deficiencies, and strived to reduce the number of general internal control deficiencies. The committee standardized the management of related party transactions and performed the review of the amount of major related party transaction and general related-party transactions to ensure that transactions between the Company and related parties are compliant and fair, and safeguard the interests of the Company and all shareholders. For details of the performance of the Audit and Related Party Transactions Control Committee, please refer to the 2023 Performance Report of Audit and Related Party Transactions Control Committee of the Board of Directors of Industrial Bank Co., Ltd. disclosed by the Company on the website of Shanghai Stock Exchange.

(IV) The Nomination Committee of the Board of Directors

1. As at the end of the reporting period, the Nomination Committee consists of three members, namely, Ben Shenglin, Wang Hongmei and Qi Yuan, and Qi Yuan serves as the Chairman.

2. Meeting date and content

During the reporting period, a total of six meetings, namely the eighth meeting (from March 9 to March 14), the ninth meeting (29 March), the tenth meeting (from April 21 to April 26), the eleventh meeting (July 25), the twelfth meeting (August 29) and the 13th meeting (from October 23 to October 28) of the Nomination Committee of the tenth session of the Board of Directors of the Company, were convened, at which a total of 8 proposals were considered. The major proposals included: nomination of directors, appointment of president and vice president, adjustment on the composition of the committees of the Board of Directors, etc.

During the reporting period, taking into full consideration of the corporate governance requirements, the actual operation and management of the Company, professional background of members and other factors, the Nomination Committee of the Board of Directors verified the qualification and requirements of directors, vice chairman, president and vice president and submitted to the Board of Directors for deliberation. In combination with the change of members of the Board of Directors of the Company and taking into comprehensive consideration of the functions of each committee and the professionalism, qualifications and representativeness of each director, etc., the committee assisted the Board of Directors in optimizing and adjusting the member composition of committees under the Board of Directors, supplementing members of the committees in a timely manner and continuously enhancing the building of the Board of Directors, so as to effectively safeguard the orderly coordination and compliance operation of each committee.

(V) The Remuneration and Evaluation Committee of the Board of Directors

1. As at the end of the reporting period, the Remuneration and Evaluation Committee consists of three members, namely, Chen Yichao, Xu Lin and Zhang Xuewen, and Xu Lin serves as the Chairman.

2. Meeting date and content

During the reporting period, a total of two meetings, namely the fifth meeting (March 29) and the sixth meeting (29 June) of the tenth session of the Remuneration and Evaluation Committee of the Board of Directors of the Company, were convened, at which a total of 4 proposals were considered and approved. The major proposals including: report on performance assessment of directors, remuneration distribution plan of senior management, and the administrative measures for the recovery and deduction of performance-based remuneration, etc.

During the reporting period, the Remuneration and Evaluation Committee of the Board of Directors, focusing on development strategy and annual business objectives of the Company, evaluated the business performance of senior management in 2022 in accordance with the performance assessment criteria and assessment procedures, studied and put forward the remuneration plan of senior management in 2022 and submitted it to the Board of Directors for deliberation, with suggestions proposed for further improvement of the remuneration system of senior management. In addition, the Committee made conclusion to the duty-fulfillment of each director for the previous year, and completed the duty fulfillment evaluation report of the directors, which considered that all directors had actively attended the meetings of the Board of Directors and meetings of relevant committees and performed their duties in a diligent manner, while independent directors had given full play to their professional advantages and rich experience, and offered advices and suggestions actively, thus playing a positive role in strengthening the scientificity of decisions made by the Board of Directors and promoting the sustainable and sound development of banking business. In accordance with external regulatory requirements, the committee formulated and improved the mechanism for the recovery and deduction of performance-based remuneration and gave full play to the guiding role of performance-based remuneration in the operation and management of the Company to further improve the performance remuneration incentive and restraint mechanism.

V. Meetings held by the Board of Supervisors during the reporting period

During the reporting period, a total of six meetings, namely the 12th meeting (March 29), the 13th meeting (from April 21 to April 28), the 14th meeting (June 29), the 15th meeting (August 29), the 16th meeting (from October 23 to October 30) and the 17th meeting (November 17) of the eighth session of the Board of Supervisors of the Company, were convened, at which a total of 17 proposals were considered and approved, 27 reports were debriefed and 7 documents were read. The major proposals included: work report of the Board of Supervisors, report on performance assessment of supervisors, nomination of candidates for shareholder supervisors and external supervisors, annual financial report, profit distribution plan, report on business performance and financial statements, report on deposit and actual use of raised funds, report on assessment of internal control, risk management report, special audit report on related party transactions, anti-money laundering compliance management report, consolidation management report of the Group, special audit report on equity investment business, report on risk management of retail Internet loans, report on the risk management system and mechanism of "commercial bank + investment bank", data governance report, report on consumer rights protection, etc.

VI. Special committees under the Board of Supervisors

(I) Supervision Committee of the Board of Supervisors

1. As at the end of the reporting period, the Supervision Committee consists of three members, namely, Paul M.Theil, Zhu Qing and Sun Zheng, and Paul M.Theil serves as the Chairman.

2. Meeting date and content

During the reporting period, a total of four meetings, namely the seventh meeting (March 29) of the eighth session of the Supervision Committee of the Board of Supervisors of the Company, were convened, at which a total of 3 proposals were considered and approved and 4 reports were debriefed. The major proposals included: the work report of the committee, annual financial report, report on business performance and financial statements, report on assessment of internal control, risk management report, special audit report on related party transactions, anti-money laundering compliance management report, etc.

During the reporting period, the Supervision Committee assisted the Board of Supervisors in improving the supervision system and continued to build a solid foundation for the corporate governance system. The committee held meetings in accordance with laws and regulations, performed its statutory supervision responsibilities, and supervised the business decisions, financial activities, risk management and internal control of the Company. Focusing on key areas such as liquidity risk management and internal control deficiencies, the committee put forward constructive opinions and suggestions based on the actual operation and management of the company to effectively play the supervisory role. The committee organized and carried out special audits and special surveys and conducted in-depth supervision in key areas to export professional value.

(II) Nomination, Remuneration and Evaluation Committee of the Board of Supervisors

1. As at the end of the reporting period, the Remuneration and Evaluation Committee consists of three members, namely, Yu Zusheng, Zhang Guoming and Zhu Qing, and Zhu Qing serves as the Chairman.

2. Meeting date and content

During the reporting period, a total of three meetings, namely the eighth meeting (March 29), the ninth meeting (from April 21 to April 26) and the tenth meeting (November 17) of the Nomination, Remuneration and Evaluation Committee of the eighth session of the Board of Supervisors of the Company, were convened, at which a total of 5 proposals were considered. The proposals included: the work report of the committee, report on assessment of the supervisors' duty performance, nomination of candidates for shareholder directors and external directors and adjustment on the composition of the committees of the Board of Supervisors, etc.

During the reporting period, the Nomination, Remuneration and Evaluation Committee assisted the Board of Supervisors in improving the corporate governance operation system to enhance corporate governance efficiency. In overall combination with corporate governance requirements, changes in members of the Board of Supervisors, member structure and professional background of each supervisor, the committee conscientiously verified the qualification and requirements of candidates of supervisors, made suggestions to the Board of Supervisors and adjusted the composition of the committee, so as to ensure the operation of the Board of Supervisors and its committees in an orderly and professional manner. The committee carried out duty performance evaluation of directors, supervisors and senior management to promote the effective performance of corporate governance entities.

VII. The description of risks discovered by the Board of Supervisors

During the reporting period, the Board of Supervisors made no objection to the issues under supervision during the reporting period.

VIII. Rectification of problems found in self-inspection during the special campaign to improve the governance of listed companies

The Company seriously checked the self-examination list for special campaign of corporate governance, and confirmed that all problems found in the special self-examination campaign in the past years had been rectified. During the reporting period, the Company did not find any significant difference between the actual situation of its corporate governance and the laws, administrative regulations and the requirements under the regulatory documents issued by the CSRC regarding the governance of listed companies.

IX. Directors, supervisors and senior management

(I) The change of shareholdings and remunerations of existing and outgoing directors, supervisors and senior executives during the reporting period

Name	Title	Gender	Date of birth	Term	Number of shares held at the beginning of the year	Number of shares held at the end of the year	Total remuneration/ allowance from the Company during the reporting period (before tax) (RMB'000)	Whether received remuneration from related party
Lyu Jiajin	Chairman	Male	1968.09	2021.07.26—2024.06.10	-	-	168.31	No
Chen Xinjian	Vice chairman	Male	1967.10	2023.10.11—2024.06.10	150,000	150,000	167.92	No
	President			2023.10.11—2024.06.10				
	Chief supervisor			2022.05.06—2023.07.18				
Chen Yichao	Director	Male	1950.11	2015.07.01—2024.06.10	-	-	-	Yes
Qiao Lijian	Director	Female	1973.02	2023.08.30—2024.06.10	-	-	-	Yes
Xiao Hong	Director	Male	1972.10	2021.07.30—2024.06.10	-	-	-	Yes
Chen Gongxian	Director	Male	1968.12	2024.01.31—2024.06.10	-	-	-	Yes
Sun Xiongpeng	Director	Male	1967.04	2021.07.30—2024.06.10	100,000	100,000	153.44	No
	Vice president			2016.08.25—2024.06.10				
Ben Shenglin	Independent director	Male	1966.01	2021.07.30—2024.06.10	-	-	29.62	No
Xu Lin	Independent director	Male	1962.06	2021.07.30—2024.06.10	-	-	30	Yes
Wang Hongmei	Independent director	Female	1961.06	2022.01.25—2024.06.10	-	-	28	No
Qi Yuan	Independent director	Male	1974.03	2022.03.10—2024.06.10	-	-	29.62	No
Zhang Xuewen	Independent director	Male	1962.11	2023.09.25—2024.06.10	-	-	7.33	No
Zhang Guoming	Temporary convener of the meeting of the Board of Supervisors	Male	1966.02	2018.08.24—2024.06.10	-	-	149.24	No
Yu Zusheng	Supervisor	Male	1971.01	2023.05.26—2024.06.10	-	-	-	Yes
Lai Furong	Supervisor	Male	1968.10	2007.10.19—2024.06.10	100,000	100,000	367.46	No
Paul M. Theil	External Supervisor	Male	1953.05	2021.06.11—2024.06.10	83,800	83,800	24	Yes
Zhu Qing	External Supervisor	Male	1957.05	2021.06.11—2024.06.10	-	-	24	No
Sun Zheng	External Supervisor	Male	1957.12	2023.05.26—2024.06.10	-	-	12.84	No
Zhang Min	Vice president	Male	1972.10	2023.02.14—2024.06.10	140,000	140,000	144.40	No
Zhang Ting	Vice president	Male	1969.05	2023.02.14—2024.06.10	-	-	142.05	No

Name	Title	Gender	Date of birth	Term	Number of shares held at the beginning of the year	Number of shares held at the end of the year	Total remuneration/ allowance from the Company during the reporting period (before tax) (RMB'000)	Whether received remuneration from related party
Zeng Xiaoyang	Vice president	Male	1970.09	2023.10.19—2024.06.10	-	-	38.80	No
Hua Bing	Secretary of the Board of Directors	Male	1966.11	2022.08.05—2024.03.27	102,700	102,700	300.79	No
Tao Yiping	Director	Male	1963.04	2016.06.20—2023.07.18	100,000	100,000	96.13	No
	President			2016.04.28—2023.07.18				
Li Zhuyong	Director	Male	1972.10	2021.07.30—2023.03.16	-	-	-	Yes
Su Xijia	Independent director	Male	1954.09	2017.02.07—2023.09.24	-	-	21.37	No
He Xudong	Supervisor	Male	1977.11	2016.12.19—2023.07.18	-	-	-	Yes
Lin Hua	External supervisor	Male	1975.09	2022.05.27—2023.05.03	16,700	16,700	6.66	Yes

Note: 1. Composition of remuneration of directors, supervisors and senior management serving full-time in the Company for the year 2023 is set out in the below table.

Unit: RMB0'000

Name	Title	Pre-tax remuneration received from the Company in 2023					Remarks	Start/expiry year and month of receiving remuneration during the reporting period
		Pre-tax remuneration payables (1)	Incentive income during the tenure of office (2)	Social insurance, enterprise annuity, supplementary medical insurance and housing provident fund unit payment part (3)	Other monetary income (specified items in each column) (4)	Total (Sum of item 1 to item 4)		
Lyu Jiajin	Chairman	111.84	33.42	23.05	—	168.31	—	2023.01-2023.12
Chen Xinjian	Vice chairman, president	111.84	33.42	22.66	—	167.92	Calculate stage remuneration amount based on the term of office (serving as the supervisor for 9 months and serving as the president for three months)	2023.01-2023.12
Sun Xiongpeng	Director, vice president	100.66	30.08	22.70	—	153.44	—	2023.01-2023.12
Zhang Guoming	Supervisor	100.66	30.08	18.50	—	149.24	—	2023.01-2023.12
Zhang Min	Vice president	92.27	27.57	24.56	—	144.40	Calculate 11-month remuneration amount based on the term of office	2023.02-2023.12
Zhang Ting	Vice president	92.27	27.57	22.21	—	142.05	Calculate 11-month remuneration amount based on the term of office	2023.02-2023.12
Zeng Xiaoyang	Vice president	25.16	7.52	6.12	—	38.80	Calculate 3-month remuneration amount based on the term of office	2023.10-2023.12
Lai Furong	Supervisor	344.09	—	23.37	—	367.46	—	2023.01-2023.12
Hua Bing	Secretary of the Board of Directors	277.42	—	23.37	—	300.79	—	2023.01-2023.12
Tao Yiping	Former director and president	65.24	19.49	11.40	—	96.13	Calculate 7-month remuneration amount based on the term of office	2023.01-2023.07

2. During the reporting period, the total actual remuneration paid for all directors, supervisors and senior management amounted to RMB19.4198 million. The remuneration for some of the directors, supervisors and senior management who served full-time positions in the Company has not been finalized yet. If there are any changes after the approval, the Company will make additional disclosures.

3. The decision-making procedures and criteria for determination of remuneration for directors, supervisors and senior management were as follows: the remuneration for directors, supervisors and senior management were ratified and paid in accordance with Regulations of Industrial Bank on Independent Directors' Allowance, Regulations of Industrial Bank on External Directors' Allowance, and relevant policies of Fujian Province on remuneration reform for persons in charge of provincial financial institutions. The specific criteria were as follows: directors and supervisors who held full-time positions in the Company should receive remuneration for the positions they held; shareholding directors and supervisors who did not hold fulltime positions in the Company should receive remuneration from the companies they served. The allowance for independent directors and external supervisors was composed of basic allowance, committee allowance and work subsidy, which would disburse in accordance with the provisions stated in Regulations of Industrial Bank on Independent Directors' Allowance and Regulations of Industrial Bank on External Supervisors' Allowance respectively. As for senior management, the remuneration plan should be prepared by the Nomination, Remuneration and Evaluation Committee under the Board of Directors and then submitted to the Board of Directors for approval.

4. The 2022 Annual Report of the Company has disclosed the annual remuneration of directors, supervisors and senior management. Upon assessment and the confirmation by the authorized department, the remuneration of the directors, supervisors and senior management who served full-time positions in the Company for 2022 is hereby further disclosed as follows:

Unit: RMB0'000

Name	Title	The remainder of 2022 pre-tax remuneration
Lyu Jiajin	Chairman	0.728
Chen Xinjian	Former chief supervisor	0.703
Sun Xiongpeng	Vice president	0.655
Zhang Guoming	Supervisor	0.655
Tao Yiping	Former director and president	0.728
Chen Jinguang	Former director and vice president	0.382

5. None of directors, supervisors and senior management of the Company received any punishment from the securities regulatory commission in recent three years.

(II) Positions held by directors and supervisors in the shareholder companies as at the end of the reporting period

Name	Shareholder company	Title	Start date for the term	Expiry date for the term
Qiao Lijian	PICC Life Insurance Company Limited	Vice president	November 2023	Up to now
		Financial supervisor	September 2023	
		Chief actuary	December 2021	
Xiao Hong	Yunnan Hongta Bank Co., Ltd. (a related party of China National Tobacco Corporation)	Member of the Party Committee	January 2023	Up to now
		Chief supervisor	March 2023	
Chen Gongxian	Fujian Investment & Development Group Co., Ltd.	Deputy secretary of the Party Committee, vice chairman, general manager	September 2022	Up to now
Yu Zusheng	Fujian Port Group Co., Ltd.	Manager of capital and finance department	May 2022	Up to now

(III) An outline of working experience of directors, supervisors and senior management members, and their appointments or concurrent appointments in organizations other than the Company or shareholder companies

Lyu Jiajin: Doctoral degree, senior economist, enjoying special government allowance of the State Council. He previously served as the deputy director and the director of Henan Postal Savings and Remittance Bureau, the director of Xinxiang Post Bureau of Henan Province, the deputy director of Henan Post Bureau, the deputy director of Liaoning Post Bureau, the deputy director of the Postal Savings and Remittance Bureau of the State Post Bureau, the executive director, the vice president and the president of Postal Savings Bank of China, the deputy general manager of China Post Group Corporation adjunct the executive director and the president of China Postal Savings Bank, the deputy president of Bank of Communications, the executive director and the vice president of China Construction Bank. He currently serves as the Party Secretary and Chairman of Industrial Bank.

Appointments or concurrent appointments in organizations other than the Company or shareholder companies: none

Chen Xinjian: University graduate, master degree. He successively served as director of the Financial Division and director of External Debt Division at the Finance Bureau of Fujian Province, vice president of Shanghai Branch of Industrial Bank, vice president (in charge of overall management) and president of Xiamen Branch of Industrial Bank, president of Nanjing Branch of Industrial Bank, president of Beijing Branch of Industrial Bank, and a member of the Party Committee, director, vice president, secretary of the Board of Directors and chief supervisor of Industrial Bank. He currently serves as a deputy secretary of the Party Committee, vice chairman and president of Industrial Bank.

Appointments or concurrent appointments in organizations other than the Company or shareholder companies: none

Chen Yichao: Master degree, senior economist. He previously served as deputy leader of scientific research institution of Finance Bureau of Fujian Province, deputy county mayor of Changting County (temporary post), director of the information center, director of the Integrated Service Department, executive deputy director of the General

Office (minister level) of Finance Bureau of Fujian Province. Currently, he has retired.

Appointments or concurrent appointments in organizations other than the Company or shareholder companies: none

Qiao Lijian: Master degree, senior economist. She has successively served as deputy director and director of the Product Development Division of the Product Development Department of PICC Health Insurance Company Limited, deputy general manager of the Product Development Department/Actuarial Department and director of the Product Development Division of PICC Health Insurance Company Limited, deputy general manager of the Business Development Department, deputy general manager of the Business Management Department/Actuarial Department, and deputy general manager of the Business Management Department of the People's Insurance Company (Group) of China Limited. She currently serves as the vice president, chief actuary and financial director of PICC Life Insurance Company Limited.

Appointments or concurrent appointments in organizations other than the Company or shareholder companies: executive council member of China Association of Actuaries, member of the Rural Revitalization Special Committee of Insurance Association of China, member of the Financial Accounting Special Committee of Insurance Association of China and council member of the PICC Charity Foundation.

Xiao Hong: Bachelor degree. He previously worked in Shijingshan Sub-branch of Beijing Branch of Industrial and Commercial Bank of China, and has been worked in the State Tobacco Monopoly Administration (China National Tobacco Corporation) from 2000 to February 2023. He served as the director of the Budget Division of the Financial Management and Supervision Department (Audit Department) of the State Tobacco Monopoly Administration (China National Tobacco Corporation). He currently serves as a member of the Party Committee and the chief supervisor of Yunnan Hongta Bank Co., Ltd..

Appointments or concurrent appointments in organizations other than the Company or shareholder companies: member of the Party Committee and the chief supervisor of Yunnan Hongta Bank Co., Ltd..

Chen Gongxian: Bachelor degree. He has successively served as deputy principal staff member of the Party Committee of the Fujian Provincial Department of Machinery, deputy principal staff member of the Party Committee, principal staff member of the Party Committee, principal staff member of the Enterprise Division, and deputy director of the Enterprise Division, executive deputy secretary of the Party Committee and the director of the Investment and Planning Division of the Fujian Provincial Economic and Trade Commission, the director of Investment and Planning Division of Fujian Provincial Commission of Economy and Information Technology, deputy department-level inspector of the State-owned Assets Supervision and Administration Commission of Fujian Provincial People's Government and deputy department-level inspector of Fujian Provincial Department of Audit. He currently serves as the deputy secretary of the Party Committee, vice chairman and general manager of Fujian Investment & Development Group Co., Ltd..

Appointments or concurrent appointments in organizations other than the Company or shareholder companies: director of Xiamen International Bank Co., Ltd..

Sun Xiongpeng: University graduate, master degree, senior economist. He previously served as deputy manager of the International Business Department, and manager of Business Department and Domestic Business Department of Quanzhou Branch of Industrial Bank, president assistant and vice president of Quanzhou Branch of Industrial Bank, president of Zhangzhou Branch of Industrial Bank, president of Quanzhou Branch of Industrial Bank, president of Xiamen Branch of Industrial Bank, and president of Fuzhou Branch of Industrial Bank. He currently serves as a member of the Party Committee, director and vice president of Industrial Bank.

Appointments or concurrent appointments in organizations other than the Company or shareholder companies: none.

Ben Shenglin: PhD, professor, PhD tutor. He previously served as senior vice president of Algemene Bank Nederland, managing director of HSBC, president of JPMorgan Chase Bank (China) Company Limited, a member of the global leadership team of Global Corporate Bank. He currently serves as a professor, dean of the International Business School, dean of the Academy of Internet Finance of Zhejiang University.

Appointments or concurrent appointments in organizations other than the Company or shareholder companies: professor, dean of the International Business School and dean of Academy of Internet Finance of Zhejiang University, joint director of International Monetary Institute of Renmin University of China, the founder and dean of Beijing Frontier Institute of Regulation & Supervision Technology, member of the International Committee of the All-China Federation of Industry and Commerce, member of the Expert Committee of the Party's Extra-Party Intellectuals of the United Front Work Department, member and deputy secretary of the Standing Committee of the People's PCC and deputy director of the Economic Committee of Zhejiang Province, counsellor of Zhejiang Provincial People's Government, cochairman of Zhejiang Association of Internet Finance, advisory member of Financial Experts Advisory Committee for Guangdong and executive editor of China Finance, the independent director of Zhejiang Orient Financial Holdings Group Co., Ltd., the independent director of Caitong Securities and the supervisor of China Construction Bank.

Xu Lin: Master degree. He previously served as the Deputy Director of Development Planning Department of the State Planning Commission, the Director of Finance and Finance Department of the National Development and Reform Commission, the Director of Development Planning Department of the National Development and Reform Commission, the Director of the China Center for Urban Development, the Chairman of China-US Green Investment Management Co., Ltd.. He currently serves as the Chairman of China-U.S. Green Investment Management Co., Ltd. and China-U.S. Green Yangtze River Delta Private Fund Management Co., Ltd..

Appointments or concurrent appointments in organizations other than the Company or shareholder companies: the chairman of China-U.S. Green Investment Management Co., Ltd. and China-U.S. Green Yangtze River Delta (Shanghai) Private Fund Management Co., Ltd., and the director of Nanjing Longying Green Management Services Co., Ltd., Beijing Duomulin Green Technology Development Co., Ltd. and Farsoon Technologies Co., Ltd., the executive partner of Beijing Honghui Green and Intelligent Enterprise Management Center LLP, the independent director of Guomin Pension Insurance Co., Ltd., the external supervisor of Bank of Beijing, the supervisor of Lianrun Credit Service Co., Ltd., Party Secretary and standing vice-chairman of China Mergers & Acquisitions Association, vice-chairman of China Association of Productivity Science, and chairman of Urban Society of China an d chairman of Pangu Institution.

Wang Hongmei: PhD and professor-level senior engineer. She previously served as the deputy director of the Research Center for Economic and Technological Development of the Ministry of Posts and Telecommunications, and the general manager of Development Strategy Department of China Mobile Communications Group Co., Ltd.; the secretary general of the executive organization of China Mobile Charity Foundation, the director of the Reform Office of the Group Corporation, and the director of China Mobile's Office in Xiong'an New Area, the director of Shanghai Pudong Development Bank Co., Ltd. and the director of China Mobile Equity Fund Management Co., Ltd. Currently, she has retired.

Appointments or concurrent appointments in organizations other than the Company or shareholder companies: none.

Qi Yuan: PhD. He previously served as the assistant professor and the tenured associate professor of the Purdue University, vice president of Tao Bao (China) Software Co., Ltd., vice president and chief AI scientist of Ant Group. He currently serves as the Fudan-Haoqing distinguished professor, the president of the Institute of Artificial Intelligence Innovation and Industry of Fudan University, the president of Shanghai Institute for Science and Intelligence and the founder of INF Technology (Shanghai) Co., Ltd..

Appointments or concurrent appointments in organizations other than the Company or shareholder companies: Fudan-Haoqing distinguished professor, and the president of the Institute of Artificial Intelligence Innovation and Industry of Fudan University, the president of Shanghai Institute for Science and Intelligence and the founder of INF Technology (Shanghai) Co., Ltd..

Zhang Xuewen: PhD in economics, senior economist. He previously served as deputy director of the Internal Trade Division II of the Trade Finance Department of the MOF, deputy director of the Grain Division of the Economy and Trade Department of the MOF, deputy director and director of the Grain Division of the Economic Development Department of the MOF, and deputy director general of the Economic Development Department of the MOF, general manager assistant of China Post Group Co., Ltd., executive director and vice president of the Postal Savings Bank of China. Currently, he has retired.

Appointments or concurrent appointments in organizations other than the Company or shareholder companies: deputy chairman of the Banking Accounting Society of China and deputy chairman of the Rural Social Insurance Commission of China Social Insurance Association.

Zhang Guoming: Bachelor degree. He previously served as deputy director (director level) of the Cadre Management Office of the Fujian Provincial Commission for Discipline Inspection, special deputy secretary of the Party Committee of the Fujian Provincial Commission for Discipline Inspection, and deputy director (deputy chief level) of the Inspection Office of the Fujian Provincial Party Committee, a member of the Party Committee, Secretary of Discipline Inspection Committee and Supervisor of Industrial Bank. He currently serves as a member of the Party Committee, head and supervisor of Fujian Provincial Commission for Discipline Inspection and Supervision in Industrial Bank.

Appointments or concurrent appointments in organizations other than the Company or shareholder companies: none.

Yu Zusheng: University graduate, master degree, senior accountant. He has successively served as manager of the Finance Department of Fujian Provincial Communication Group, deputy general manager and chief accountant of Fujian Overseas Chinese Industrial (Group) Corp., secretary of the Party Committee and supervisor of Fujian Provincial Pharmaceutical Group. He currently serves as the manager of the Finance Department of Fujian Port Group.

Appointments or concurrent appointments in organizations other than the Company or shareholder companies: vice chairman and legal representative of Fujian Communications Accounting Society

Lai Furong: Bachelor degree, senior accountant. He previously served as vice president and president of Jin'an Sub-branch, Fuzhou Branch of Industrial Bank, deputy general manager of Finance & Accounting Department of Industrial Bank, vice president of Guangzhou Branch of Industrial Bank, vice general manager of Planning & Finance Department of Industrial Bank, general manager of Audit Department of Industrial Bank and general manager of Finance Department of Industrial Bank. He currently serves as a supervisor and general manager of Risk Management Department of Industrial Bank.

Appointments or concurrent appointments in organizations other than the Company or shareholder companies: none.

Paul M. Theil: PhD. He successively served as first secretary and commercial counsellor of the U.S. Embassy in China. He currently serves as chairman of Shenzhen Zhong An Credit Venture Capital Co., Ltd..

Appointments or concurrent appointments in organizations other than the Company or shareholder companies: chairman of Shenzhen Zhong An Credit Venture Capital Co., Ltd., legal representative of Mohs Industrial Development (Shenzhen) Co., Ltd., director of Shenzhen Longgang BOC Fullerton Community Bank Co., Ltd., independent director of Heng'an International Group Company Limited, independent member of investment committee of Ping An Insurance (Group) Company of China, director of Runhui Fund Management Co., Ltd., independent director of Qinqin Foodstuffs Group Company Limited and president of Small Loans Industry Association of Shenzhen.

Zhu Qing: PhD, professor. He previously served as lecturer, associate professor, professor and PhD tutor at the School of Finance at Renmin University of China, and he also worked for the Budget and Tariffs Departments of European Commission (EC), a senior visiting scholar at State University of New York and University of California, Berkeley in the U.S.A. He currently serves as a professor at the School of Finance at Renmin University of China.

Appointments or concurrent appointments in organizations other than the Company or shareholder companies: professor at the School of Finance at Renmin University of China, independent director of Zhongtai Trust Co., Ltd., China Great Wall Asset Management Co., Ltd., Jangho Group Co., Ltd., Dajia Insurance Group Co., Ltd. and Dongxing Securities Co.,Ltd., external supervisor of China Trust Protection Fund Co., Ltd., vice chairman of China Taxation Society, executive director of Society of Public Finance of China, honor professor of University of Chinese Academy of Social Sciences, adjunct professor of Beijing National Accounting Institute and Xiamen National Accounting Institute.

Sun Zheng: Doctoral degree, professor. He successively served as lecturer, associate professor and professor in accounting of Shanghai University of Finance and Economics and he previously served as former vice president of Shanghai University of Finance and Economics.

Appointments or concurrent appointments in organizations other than the Company or shareholder companies: professor of College of Business of Shanghai University of Finance and Economics, independent director of China Eastern Airlines Co., Ltd., SAIC Motor Corporation Limited and Bank of Shanghai Co., Ltd..

Zhang Min: Bachelor degree, master degree. He successively served as the vice president and general manager of the interbank business department of Yiwu Sub-branch, Hangzhou Branch of Industrial Bank, assistant to president of Hangzhou Branch of Industrial Bank, president of Yiwu Branch of Industrial Bank, vice president of Ningbo Branch of Industrial Bank, president of Ningde Branch of Industrial Bank, president of Chongqing Branch of Industrial Bank and president of Hangzhou Branch of Industrial Bank. He is currently a member of the Party Committee and vice president of Industrial Bank.

Appointments or concurrent appointments in organizations other than the Company or shareholder companies: none.

Zhang Ting: Bachelor degree, master degree and a senior economist. He successively served as person in charge of Yangqiao office of Industrial Bank, vice president and president of Gulou Sub-branch, Fuzhou Branch of Industrial Bank, deputy secretary of the Party Committee and vice president (person in charge) of Longyan Branch of Industrial Bank, secretary of the Party Committee and president of Longyan Branch of Industrial Bank, secretary of the Party Committee and president of Quanzhou Branch of Industrial Bank, secretary of the Party Committee and president of Ji'nan Branch of Industrial Bank, and secretary of the Party Committee and president of Beijing Branch of Industrial Bank. He currently serves as a member of the Party Committee and vice president of Industrial Bank.

Appointments or concurrent appointments in organizations other than the Company or shareholder companies: none.

Zeng Xiaoyang: Master degree in economics, senior economist. He successively served as vice president of Quanzhou Branch of Industrial Bank, president of Longyan Branch of Industrial Bank, president of Wuhan Branch of Industrial Bank, general manager of Corporate Financial Risk Management Department and Chief Approval Officer of Corporate Financial Credit Business of the Head Office of Industrial Bank. He currently serves as a member of the Party Committee, and vice president of Industrial Bank.

Appointments or concurrent appointments in organizations other than the Company or shareholder companies: none.

Hua Bing: Master degree. He successively served as the deputy general manager of the risk management department, general manager of the office of the Board of Supervisors and director of legal affairs center, general manager of the legal and compliance department of Industrial Bank. He currently serves as the secretary of the Board of Directors and general counsel of Industrial Bank.

Appointments or concurrent appointments in organizations other than the Company or shareholder companies: arbitrator of China International Economic and Trade Arbitration Commission, Fuzhou Arbitration Commission and Xiamen Arbitration Commission.

(IV) Changes of directors, supervisors and senior management

Change of directors

1. On February 6, 2023, Mr. Su Xijia submitted a written resignation letter to the Board of Directors for resigning from the positions of the independent director and member of relevant committees of the Board of Directors of the Company as he has served as the independent director of the Company for six consecutive years. He resigned after the independent director Mr. Zhang Xuewen took office on September 25, 2023.

2. On March 16, 2023, Mr. Li Zhuyong submitted a written resignation letter to the Board of Directors for resigning from the positions of the director and member of relevant committees of the Board of Directors of the Company.

3. From March 9 to March 16, 2023, the Company convened the 14th meeting of the tenth session of the Board of Directors (temporary meeting) to nominate Ms. Qiao Lijian, Mr. Zhu Kun and Mr. Chen Gongxian as candidates for equity directors of the tenth session of the Board of Directors. On May 26, the Company convened the 2022 annual general meeting to elect Ms. Qiao Lijian, Mr. Zhu Kun and Mr. Chen Gongxian as directors of the tenth session of the Board of Directors. In particular, Ms. Qiao Lijian took office from August 30, 2023 (approval of her directorship qualification by the NFRA); Mr. Chen Gongxian took office from January 31, 2024 (approval of his directorship qualification by the NFRA); Mr. Zhu Kun is still subject to the approval of his directorship qualification by the NFRA.

4. From April 21 to April 28, 2023, the Company convened the 16th meeting of the tenth session of the Board of Directors (temporary meeting) to nominate Mr. Zhang Xuewen as a candidate for the independent director of the tenth session of the Board of Directors. On May 26, the Company convened the 2022 annual general meeting to elect Mr. Zhang Xuewen as a director of the tenth session of the Board of Directors. Mr. Zhang Xuewen took office from September 25, 2023 (approval of his directorship qualification by the NFRA).

5. On July 18, 2023, Mr. Tao Yiping submitted a written resignation letter to the Board of Directors for resigning from the positions of the director, president, and member of relevant committees of the Board of Directors of the Company due to the age.

6. On July 25, 2023, the Company convened the 18th meeting of the tenth session of the Board of Directors (temporary meeting) to appoint Mr. Chen Xinjian as the president and nominate Mr. Chen Xinjian as a candidate for the director. On August 10, the Company convened the 2023 first extraordinary general meeting to elect Mr. Chen Xinjian as a director of the tenth session of the Board of Directors. On August 30, the Company convened the 19th meeting of the tenth session of the Board of Directors to elect Mr. Chen Xinjian as vice chairman of the tenth session of the Board of Directors. Mr. Chen Xinjian has served as the director, vice chairman and president since October 11, 2023 (approval of his related appointment qualification by the NFRA).

Change of supervisors

1. From April 21 to April 28, 2023, the Company convened the 13th meeting of the eighth session of the Board of Supervisors (temporary meeting) to nominate Mr. Yu Zusheng and Mr. Sun Zheng as a candidate for shareholder supervisor and a candidate for external supervisor. On May 26, the Company convened the 2022 annual general meeting to elect Mr. Yu Zusheng and Mr. Sun Zheng as the shareholder supervisor and external supervisor of the Company, respectively.

2. On May 4, 2023, the Company announced that the external supervisor Mr. Lin Hua unfortunately passed away due to illness.

3. On July 18, 2023, Mr. Chen Xinjian submitted a written resignation letter to the Board of Supervisors for resigning from the supervisor and chief supervisor of the Company due to change of job position.

4. On July 18, 2023, Mr. He Xudong submitted a written resignation letter to the Board of Supervisors for resigning from the supervisor and the member of relevant special committees of the Board of Supervisors of the Company due to work arrangement.

Change of the senior management

1. On May 6, 2022, the Company convened the seventh meeting of the tenth session of the Board of Directors (temporary meeting) to appoint Mr. Zhang Min as the vice president of the Company. Mr. Zhang Min took office from February 14, 2023 (approval of his qualification of vice president by the former CBIRC).

2. On August 9, 2022, the Company convened the ninth meeting of the tenth session of the Board of Directors (temporary meeting) to appoint Mr. Zhang Ting as the vice president of the Company. Mr. Zhang Ting took office from February 14, 2023 (approval of his qualification of vice president by the former CBIRC).

3. On July 25, 2023, the Company convened the 18th meeting of the tenth session of the Board of Directors (temporary meeting) to appoint Mr. Zeng Xiaoyang as the vice president of the Company. Mr. Zeng Xiaoyang took office from October 19, 2023 (approval of his qualification of vice president by the NFRA).

X. The directors' performance of their duties

(I) The attendance of directors in the Board of Directors and the shareholder's meeting

During the reporting period, the Company convened nine meetings of the Board of Directors, five of which were on-site meetings, and four were teleconference. The attendance records of directors in the Board of Directors meetings and the general meetings are as follows:

Name of directors	Whether an independent director	Attendance at meetings of the Board of Directors						Attendance of general meetings
		Expected attendance during the year	Attendance in person	Attendance through teleconference	Attendance by proxy	Absence	Failure to attend in person for two consecutive times	Number of general meetings attended
Lyu Jiajin	No	9	9	4	0	0	No	2
Chen Xinjian	No	2	2	1	0	0	No	2
Chen Yichao	No	9	9	4	0	0	No	1
Qiao Lijian	No	2	2	1	0	0	No	1
Xiao Hong	No	9	9	4	0	0	No	2
Sun Xiongpeng	No	9	8	4	1	0	No	2
Ben Shenglin	Yes	9	8	4	1	0	No	2
Xu Lin	Yes	9	9	4	0	0	No	2
Wang Hongmei	Yes	9	9	4	0	0	No	2
Qi Yuan	Yes	9	9	4	0	0	No	2
Zhang Xuewen	Yes	2	2	1	0	0	No	1
Tao Yiping	No	5	5	3	0	0	No	1
Su Xijia	Yes	7	5	3	2	0	No	-

(II) Situation of objections to the issues of the Company raised by directors

During the reporting period, none of the directors had objections to the issues of the Company.

XI. Employees

(I) General information of employees

Number of the incumbent staff of the parent company	60,739
Number of the incumbent staff of main subsidiaries	5,830
Total number of the incumbent staff	66,569
Number of retirees whose expenses are undertook by the parent company and its main subsidiaries	1,610
Education level	
Type of education	Number
Master and above	13,755
Bachelor	46,425
College	5,737
Secondary technical school and below	652
Total	66,569
Professional occupation	
Type of professional occupation	Number
Management	3,839
Business	46,776
Support	15,954
Total	66,569

Note: the above number of the incumbent staff includes outsourcing labor.

(II) Employee remuneration policies

In respect of the remuneration management, the Company adheres to the requirements of corporate governance, maintaining the competitiveness and sustainable development of the Bank, matching up with the operating results, integrating with the long- and short-term incentives, balancing the internal fairness and external competitiveness, facilitating the implementation of strategic objectives of the Company, supporting the demands of business development at different stages as well as the attracting and retaining of employees, especially for key personnel.

1. Remuneration structure

In accordance with the internal control mechanism of the Company, the growth in the total remuneration of employees should not exceed the growth in the number of employees and the growth in major indicators of business performance in general. Employees holding different positions carry different responsibilities and bear different risk levels, resulting in differences in their remuneration structure. The higher the correlation between the work performance of employees and the overall business performance of the Company, the higher will be the proportion of the floating bonus.

2. Remuneration policies

The remuneration of the Company's senior management is paid in strict accordance with the plan reviewed and determined by the competent authorities and considered and approved by the corporate governance process, and is linked with the results of the Company's business performance assessment. By establishing a comprehensive evaluation system that includes quantitative indicators such as profitability, asset quality, solvency and operational growth, as well as qualitative indicators such as supporting high-quality development (including supporting the economic and social development, construction of major projects, targeted poverty alleviation, rural revitalization) and development of green finance business (including green financial system construction, brand building and business development), short-term incentives and long-term incentives are combined to strengthen senior management' responsibility to fulfill their duties, promote the Company's improvement of operation and management and promote the Company's sustainable and healthy development.

Performance bonus of employees is linked with the comprehensive performance of the Company, the institutions (departments) and individuals. In terms of the setting of performance assessment indicators, focusing on financial benefits, development and transformation, customer building, risk compliance, social responsibility and other dimensions, the assessment results are related to the performance distribution of the management team of the institutions. The performance-based remuneration of individual employees is linked with the performance level of the team, while fully considering the individual's contribution to the team. The remuneration matches the overall performance, which motivates employees to continuously improve performance levels and value creation.

During the reporting period, in order to improve the incentive and restraint mechanism of performance-based remuneration and give full play to the guiding role of performance-based remuneration in the operation and management of the Company, the Company revised the Measures for the Assessment and Disbursement of Deferred Payment of Performance-based Remuneration for Senior Management Cadres of Industrial Bank and formulated the Administrative Measures for the Recovery and Deduction of Performance-based Remuneration. The payment of 40% and above of performance-based remuneration for the senior management cadres and employees who have direct or significant impact on the operating risks of the Company shall be deferred for a period of at least three years, and payment of 50% of performance-based remuneration for the key senior management shall be deferred. If there is a breach of regulations or discipline or extraordinary risk exposure in performing duties, the relevant performance-based remuneration will be claimed and deducted depending on the severity and in accordance with regulatory policies and relevant provisions of the Company, so as to ensure the remuneration level of employees is consistent with their risk-adjusted performance.

3. Detailed information about remuneration of employees the positions that have significant impacts on the risks of the Bank

The allocation of remuneration is based on the fundamental idea of "allocation based on the value of job positions and contributions", among which the value of job positions includes technological and managerial difficulties, risk levels and contributions to the banking system. The remuneration of employees matches with the value of their job positions and their job responsibilities. The Company adheres to the principle of efficiency and fairness for the remuneration distribution, reasonably grasps the gap in job allocation, fully mobilizes the enthusiasm of front-line employees and grassroots employees, and effectively balances the income distribution relationship between the leadership team, middle-level cadres and grassroots employees. For those engaged in the risk management and compliance fields, their remuneration depends on individual capability, performance of duties, and appraisals on the team and individual basis, but has no direct relationship with the performance of other business areas, which can ensure that the remuneration of staff in the risk management and compliance field is independent from the performance of the business lines under their supervision, and such segregation can promote the steady operations and sustainable development of the Company.

(III) Staff training schemes

With the goal of developing modern and high-quality vocational education, the Company established and improved the "5+N" training system and the "1+N" responsibility system, improved the training operation system, complied with the principles of compliance, foresight, systematicness, effectiveness and pertinence, and focused on "Party building guidance, construction of teacher's courses, strategic focus, examination and certification, operation management, platform empowerment, brand training" and other aspects, running a comprehensive "university" that is satisfactory to the Party Committee and employees of the head office.

During the reporting period, in terms of system construction, the Company revised the Measures for the Management of Training of Industrial Bank, and formulated five supporting management measures and detailed rules around class management, quality evaluation, construction of teacher's courses and examination certification, and the training system was standardized and effective. In terms of cultivation of talents, the Company attached great importance to the cultivation of employees' comprehensive ability, and organized the spirit of two series of important conferences-"Quan Xing Xue" (全兴学), and launched 12 special examinations, with the participation rate exceeding 97%, covering 54,572 people. The Company consolidated the construction of cadre echelon, and held 26 refresher training courses for new and senior middle-level cadres and Honghu Kunpeng reserve cadre talents, covering more than 1,700 people. The Company cooperated with the implementation of the talent planning during the "14th Five-Year Plan", and organizes various trainings covering digital talents, comprehensive finance, professionals and new employees. The Company carried out the trainings for new employees in the long-term training mode of "online course learning + offline centralized training + job rotation exercise exchange", and the head office and branches cooperated to realize the full coverage of the training for the new experienced hires and new graduates recruited by the Group. During the reporting period, the Company organized 5,406 training programs, with 96.36% employee training coverage and over 97 points (out of 100 points) in employee training satisfaction evaluation. In terms of examination certification, the Company organized nearly 110 thousand people to participate in various internal examinations, including 30 categories of examination subjects such as special examination for talent transformation, professional and technical serial examination, and post professional grade examination, with each person taking at least 2 subjects on average. The Company encouraged employees to actively participate in external professional examinations and certifications. The employees of the Company hold more than 70 types of professional external certificates, realizing the learning of "one major with many abilities" to the certification of "one major with many certificates". In the construction of teacher's course resources, the Company iterated the construction of teacher's courses, re-examined and planned 3,315 courses, completed the professional primary learning map of 18 positions and the development of more than 300 courses, and established 20 professional lecturer teams with a total of 1,240 people. In terms of opening up schools, the Company carried out in-depth exchanges and cooperation with the government, universities, scientific research institutions, enterprises, and education and training institutions, and strengthened cooperation between banks and schools. During the reporting period, the branches and subsidiaries of the Company cooperated with 13 key universities including Peking University, Tsinghua University and Zhejiang University to hold 25 classes.

During the reporting period, the Company won the first place in the National Commercial Bank-Employee Notification Ability Ranking of the "GYROSCOPE" system; the Company won the 2023 (19th) China Enterprise Training Innovation Achievement Gold Award and the Best Learning Project Award in the "Xing Lian Power" (兴联动力) Practical Competition; and the "Xing Huo · Liao Yuan" (兴火·燎原) Innovation Marathon Competition and series of training projects won the "Brand Learning Project" award of the 2023 Talent Strong Enterprise Project by Training Magazine, and "Xing Feng Xiang" (兴风向) won the best practice project of talent echelon construction of the China enterprise benchmarking learning platform in 2023.

(IV) Anti-bribery and anti-corruption policy of the Company

The Company earnestly implemented the important decisions and arrangements of the CPC Central Committee on construction of a clean and honest government

of the Party and struggle against corruption, always strengthened political supervision, enforced discipline and fought against corruption with strict keynotes, strict measures and strict atmosphere, so as to make sure no one is dare to corrupt, able to corrupt and has desire for corruption, providing a strong guarantee for the high-quality development of the Company. The Company adhered to principles, grasped policies, focused on results, comprehensively adopted the "four forms", firmly and steadily investigated and handled cases of violations of disciplines and laws in strict accordance with rules, regulations and laws, and strengthen the high-pressure on anti-corruption. The Company perfected the list of responsibilities for comprehensively and strictly governing the Party, established a "knowledge, supervision, and promotion" working mechanism and a consultation mechanism on important matters, strengthened the application of consultation results, consolidated and developed a good political ecology, and moved forward to expand the effectiveness of supervision. The Company strengthened the supervision on the "key minority" and further standardized the operation and restriction of key powers. The Company continued to carry out system sorting, formulated a list of integrity risk prevention and control in key areas, and issued the "Double Ten Rules" for the prevention and control of integrity risks in procurement to further promote the special governance of integrity risks in the procurement field. The Company strengthened the application of big data and technological support to continuously improve the quality and efficiency of supervision. The Company boosted the discipline education for young cadres, reserve cadres, newly appointed cadres, and important positions, organized and carried out the integrity culture promotion activities with extensive content and various forms, and continued to promote the construction of "Integrity Industrial" culture to guide employees to consolidate the foundation of "no none has desire for corruption".

XII. Proposal of profit distribution of ordinary shares or transfer of capital reserve

(I) Formulation, implementation or adjustment of the cash dividend policy

The Articles of Association of the Company stipulated that the profit distribution policy should include: first, the procedures for formulation and adjustment of the profit distribution policy, which specifically required that such policy should not be submitted to the general meeting unless consents of more than two thirds of directors were obtained and should not be passed unless more than two thirds of votes were obtained from present shareholders with voting rights; second, the principles of continuity and stability of profit distribution, which required that the profit distribution plan should be drafted every three years; third, profit distribution form (in cash or equity or both of them) and interval (annually or semi-annually if affordable); fourth, the profit for distribution in cash yearly not less than 10% of the realized attributable profit of the year, provided that the requirements on capital adequacy ratio were met; distributing dividend in equity at the same time if necessary; fifth, explanations for the non-distribution of dividends and the usage of the profit retained if cash dividends are not distributed for the year; and sixth, deduction of the cash dividends distributable to any shareholder which appropriates the Company's fund in violation of regulations to repay the funds appropriated.

For the purpose of establishing a sustainable, stable and scientific investment return mechanism for investors and keeping continuity, stability and reasonableness of the profit distribution policy, by taking into consideration of its actual operation and future development need, the Company developed the Mid-term Shareholders' Return Plan (2021-2023), which planned that from 2021 to 2023, should there be distributable profit, cash dividends could be distributed to shareholders of ordinary shares, and the profit used for distribution in cash should not be less than 25% (inclusive) of the realized distributable profit of the year after making up for deficits, appropriating statutory reserves and general provisions and paying dividends to shareholders of preferred shares and interests of undated capital bonds from the realized earnings, provided that the distribution is in line with the profit distribution policy of regulatory department and it could be ensured that the regulatory requirements on capital adequacy ratio of the Company could be met. On the premise of ensuring compliance of capital adequacy ratio with regulatory requirements, when the Company distributes dividends in cash or in shares or by a combination of both, the proportion of cash dividends should not be lower than 40% (inclusive).

The formulation and implementation procedure of the Company's profit distribution plan was compliant and transparent with clear and explicit dividend criteria and proportion, conforming to stipulations in the Articles of Association and requirements in the resolution of the general meeting. The Board of Directors did special research and demonstration on the returns of shareholders, and fully heard opinions of shareholders (especially medium and small shareholders) and independent directors. Relevant decision-making process and mechanism were complete, and independent directors fulfilled their duties with due diligence, thus maintaining the lawful rights and interests of medium and small shareholders.

The Company fulfilled the above profit distribution policy and cash bonus on schedule. The Company implemented the 2022 annual profit distribution plan in June 2023, based on the total share capital of 20,774,276,925 shares, the Company distributed cash dividend of RMB11.88 for every 10 shares (tax inclusive), issued RMB24.68 billion cash dividends in total, whereas balance of the undistributed profit would be used for supplementing capital and carried forward to the next year.

(II) 2023 Profit distribution proposal

In light of relevant provisions in the Company Law of the People's Republic of China, the Articles of Association of the Company as well as the Mid-term Shareholders' Return Plan (2021-2023), by taking into consideration of the requirements on capital adequacy ratio by the regulatory departments and other factors including sustainable business development, the statutory surplus reserve of the Company has reached 50% of the registered capital as at the end of the year, and no additional reserve will be provided for in accordance with the Company Law; the Company planned to transfer RMB10.571 billion to general reserve; the dividend of preferred shares payable was RMB2.793 billion. The Company also distributed dividend of ordinary shares based on a cash dividend of RMB10.40 for every 10 ordinary shares (tax inclusive). The Company is proposed to distribute a cash dividend of RMB21.605 billion in total based on the total ordinary share capital of 20,774,291,878 shares as at December 31, 2023. As the convertible corporate bonds issued by the Company are in the conversion period, if the total ordinary share capital of the Company changes before the record date for implementation of interest distribution, the Company will propose to maintain the same total amount of distribution and adjust the distribution ratio per share accordingly, and will make disclosure in the announcement on implementation of interest distribution.

The main considerations for profit distribution for the year are as follows: 1. The external business environment affects the endogenous capital accumulation of commercial banks. At present, China's economy is still in the process of recovery, and the external business environment of commercial banks remains complex and severe. In order to cope with various risks and challenges, commercial banks should strengthen endogenous capital accumulation and enhance their ability to resist risks. 2. Stricter capital regulatory requirements. The Systemically Important Banks Assessment Measures, the Provisions on the Additional Regulation of Systemically Important Banks (Trial) issued by the PBOC and the former CBIRC and the Administrative Measures for the Capital of Commercial Banks issued by the NFRA in 2023 imposed stricter requirements on the capital adequacy and risk management for commercial banks. 3. The needs of business development. As the Company is still at a stage of strategic transformation and development, it needs to consider the capital needs of business development and strategic transformation, increases its credit granting, improves the quality and efficiency to serve the real economy, supports the Company's various businesses to achieve high-quality development, so as to create greater value for shareholders. In view of the above internal and external factors, the Company has maintained the continuity and stability of its dividend policy on the whole, the cash dividend rate is rising year by year, and consideration was given to the interests of the Company's shareholders as well as sustainable development of the Company.

This profit distribution proposal shall be executed within two months after approval by the 2023 annual general meeting.

(III) Plan or proposal on profit distribution for ordinary share s of the previous three years (including the reporting period)

Unit: RMB million

Dividend year	Amount of declared dividend for every 10 shares (RMB Yuan) (tax inclusive)	Amount of Cash dividends (tax inclusive)	Net profit attributable to the ordinary shareholders of the listed company in the consolidated financial statements for the cash dividend year	Percentage of cash dividends to net profit attributable to the ordinary shareholders of the listed company in the consolidated financial statements (%)	Net profit attributable to the shareholders of the listed company in the consolidated financial statements for the cash dividend year	Cash dividends to net profit attributable to the shareholders of the listed company in the consolidated financial statements (%)
2023	**10.40**	**21,605**	**72,904**	**29.64**	**77,116**	**28.02**
2022	11.88	24,680	87,165	28.31	91,377	27.01
2021	10.35	21,501	78,420	27.42	82,680	26.01

Notes: 1. Amount of cash dividends for 2023 was calculated on the basis of the total ordinary share capital of share capital of 20,774,291,878 shares of the Company as at December 31, 2023. As the convertible corporate bonds issued by the Company are in the conversion period, if the total ordinary share capital of the Company changes before the record date for implementation of interest distribution, the Company will propose to maintain the same total amount of distribution and adjust the distribution ratio per share accordingly, and will make disclosure in the announcement on implementation of interest distribution.

2. For details of the preferred shares dividend plan, please refer to "MATTERS REGARDING PREFERRED SHARES".

XIII. The description of independence of the Company from its largest shareholder

As at the end of the reporting period, the Finance Bureau of Fujian Province and Fujian Financial Investment Co., Ltd., a company established and fully contributed by the Finance Bureau of Fujian Province, which held 3,965,181,007 ordinary shares of the Company in aggregate, representing 19.09% of the total share capital of the Company, is the largest shareholder of the Company with its shareholding in aggregate. The Company is fully independent from its largest shareholder with its shareholding in aggregate in all aspects including assets, personnel, finance, institutions and businesses. The major decisions of the Company are made and executed by the Company at its absolute discretion. The Company's major shareholders have neither appropriated any capital of the Company nor requested that the Company act as a guarantor for a third party.

XIV. The examination and evaluation mechanism, and the establishment and implementation of the incentive system for senior management members during the reporting period

During the reporting period, in accordance with the relevant policies of Fujian Province on the remuneration reform of the heads of the provincial financial enterprises, the Company's Board of Directors assessed and evaluated the senior management of the Company, and linked the remuneration of the senior management with responsibilities, risks and business performance. The Board of Directors of the Company provided incentives and constraints for senior management members, so as to ensure consistency between the direction of their efforts and the interests of the Company.

XV. Construction and implementation of internal control system during the reporting period

During the reporting period, the Company carried out special system reorganization, promoted the establishment of a more rigorous, clearer, more sound and efficient system and mechanism, continued to optimize system management mechanism, improved management process of the system in the whole life cycle, continuously promoted the digital transformation of system management, and improved the accuracy and effectiveness of the implementation of system.

XVI. Management and control of subsidiaries during the reporting period

During the reporting period, according to the Guidelines for Consolidated Management and Supervision of Commercial Banks, provisions on management of state-owned financial capital and other relevant policies and regulations, the Company implemented effective and penetration management for subsidiaries at all levels in accordance with the principles of step-by-step consolidation management and hierarchical management, continued to establish and improve the corporate governance structure of the banking group covering all subsidiaries, conducted comprehensive and continuous control on the corporate governance, capital and finance of each subsidiary, and effectively identified, measured, monitored and controlled the overall risk status of the banking group. During the reporting period, no subsidiaries were purchased, added or integrated.

XVII. Assessment report on internal control

During the reporting period, no material deficiencies were identified in the internal control mechanisms or systems of the Company in terms of completeness and reasonableness. The Board of the Company has issued 2023 assessment report on internal control. Please see the announcement published on the Shanghai Stock Exchange for details.

XVIII. Description of the internal control audit report

The Company has disclosed the 2023 internal control audit report. The Company engaged KPMG Huazhen in auditing the effectiveness of its internal control with regard to the Company's financial reporting, which considered that the Company had maintained effective internal control regarding financial reporting in all material aspects in accordance with the Basic Internal Control Norms for Enterprises as well as the relevant provisions as at December 31, 2023.

Environmental and Social Responsibilities

I. Environmental performances and policies

The Company attached great importance to the development of green finance, firmly implemented the major decisions and deployments of the Party Central Committee on the ecological civilization construction, took green as the foundation of business operation and development of across the Group, constantly improved the green financial governance system, and strengthened the top-level design. The Company created a diversified green financial products and service system, focused on key fields and key regions to increase green finance to support and serve the real economy, and help green and low-carbon and high-quality social and economic development.

(I) Optimize the green financial business system

During the reporting period, the Company strove to build a market-leading "Green Banking Group", defined major indicator plan of green finance business of the Company during the reporting period on a positive basis, required to optimize the green financial product system of the Group, optimized the construction of system and mechanism, strengthened the policy support, improved the professional capacities, promoted green operation, enhanced the publicity of green financial and continued to push forward the digital transformation of green finance. In terms of the guidance of the green business of the Group, the Company issued the Notice of the Issuance of Guidelines on Green Financial Marketing Services (2023), clarified the main orientation of annual green financial marketing service, including essential requirements, basic objectives, key areas, key products, etc.

1. In terms of green loans, the Company's balance of green loans meeting the requirements of the People's Bank of China amounted to RMB809.019 billion, representing an increase of 26.99% as compared with the end of last year; the green projects supported by green loans saved 9.52 million tonnes of standard coal, reduced carbon dioxide emission by 22.92 million tonnes, and saved 10.55 million tonnes of water throughout the year.

2. In terms of green investment banking, during the reporting period, the Company underwrote green non-financial cooperate debt financing tools amounting to RMB21.806 billion, and launched the first carbon assets transformation bonds, the first "green + sci-tech innovation" quasi-REITs, the first Chinese-invested enterprise green JPY offshore bonds, etc.

3. In terms of wealth management, during the reporting period, the amount of ESG and green wealth management products issued by CIB Wealth Management was RMB233.2 billion, among which the amount of green wealth management products was RMB7.95 billion.

4. In terms of assets management, the balance of green lease, green trust and green funds amounted to RMB99.0 billion in total, representing an increase of 16.89% as compared with the end of last year. The Company launched the first financial lease business of "sustainability-linked" in financial lease industry, and established "Industrial Trust · ESG Responsible Investment Collective Fund Trust Scheme" to include the ESG score of investment target into the factors for investment decision.

(II) Improve ESG-related credit policies

During the reporting period, the Company further optimized the appraisal strategy for fossil energy industry, issued the Notice on the Optimization of the Review Strategy for Fossil Energy and Continuous and In-depth Implementation of ESG Philosophy, formulated the review strategy for the fossil energy industry based on the principle of enhancement the overall management and promotion of structural adjustment, clarified that the new credit granted to the fossil energy industry was limited to advantageous regions, green finance and low-carbon transitional finance, and took green development indicators as the bottom line requirements for credit access and risk assessment, so as to strengthen the green leadership of the fossil energy industry. At the same time, the Company optimized the credit granting process, and incorporated the carbon pricing and carbon performance into the credit granting management process, namely, taking the carbon reduction achievements during the credit granting period of an enterprise as an important reference for its next round of exposure quota, quota activation or interest rate pricing, and guiding the credit granting resources to tilt towards the subjects and projects with obvious carbon reduction effects, so as to link the credit granting strategy with carbon reduction benefits.

Meanwhile, the Company explored to include the ESG performance of the credit object into consideration factors for rating, and the internal rating model design comprehensively evaluated the operation and risk status of customers in all aspects and took account into ESG related factors, for example, the indicator of "quality control system" used for rating and qualitative evaluating the management and operation status of the Company has took into account the environmental benefit of business operation, including whether obtain the certification "China Environmental Labelling", etc.; the indicator of "internal control management" evaluated the internal control of the enterprise, including whether the corporate governance structure is perfect and whether a sound finance system is in place, which reflected the consideration of ESG performance of enterprise operation and management.

(III) Support low-carbon transformation of key industries

In accordance with the principle of "realizing steady increase in total volume, accelerating structural adjustment, optimizing regional layout and promoting green transformation", the Company actively strengthened risk management and control of traditional high-energy-consuming industries, continued to promote customer classification management and reduce exposure balance of high-risk customers, and strengthened credit support for segments of traditional industry that meet the requirements of low-carbon transformation and high-quality development. By establishing an "energy consumption + technology" green evaluation system and focusing on carbon reduction and transformation, the Company strengthened credit support for carbon reduction business of enterprises in steel, nonferrous metals, building materials and petrochemicals and other traditional industries, with major support on enterprises with advanced technological processes, leading energy efficiency indicators, stable business development and sound financial performance in high-carbon fields, and priority given to high-quality project financing that meets the requirements of green transformation.

(IV) Green operation of the Company

During the reporting period, the Company organized nearly 3,000 institutions to complete the annual carbon accounting for 2022 and 2023 and have a thorough understanding of its carbon emission, and the annual greenhouse gas emission in 2023 was 259 thousand tonnes, which was basically the same as the previous year. Meanwhile, according to the results of annual carbon accounting for 2022, the Company issued the notice on publishment of the objective of carbon emission reduction and published the objective of carbon reduction in 2023; and issued the notice on carrying out the carbon accounting work for 2023 and implementation of the task of carbon emission reduction to provide implementation approach of energy-saving, emission reduction and carbon reduction for all institutions.

II. Strengthen ESG and climate-related risk management

(I) Climate risk stress tests

The Company has been conducting climate risk stress test on a regular basis since 2021, evaluated its ability to respond to the transformation risk with the "double carbon" and disclosed the climate risk stress test on its own initiative. During the reporting period, the Company continued to push forward the climate risk stress test, and carried out test on eight high-carbon industries, including electric power, steel, building materials, non-ferrous metal smelting, petrochemical, chemical, aviation and papermaking industries. There are three stress conditions for this test: mild stress, moderate stress and severe stress, and this test would last to 2030 from the end of 2022 to quantitatively evaluate the influence of rising carbon emission costs on the repayment capability of customers in high-carbon industries, thus the Company analyzed the impact on credit asset quality and capital adequacy. According to the test results, if the customers in the above-mentioned high-carbon industries do not conduct low-carbon transformation, these customers would subject to decline in repayment capability in different degree under the stress scenario, but the overall risk is controllable. Under the severe stress, the capital adequacy ratio of the Company will decline by approximately 0.34 percentage point by the end of 2030, and all the capital adequacy indicators met the regulatory requirements under all the stress scenarios.

(II) ESG-related risk management

The Company applies ESG-related risk assessment system to the credit process of three business lines: corporate finance, retail finance and finance market in an all-round way. Customers are divided into four categories: A, B, C and D according to the risk assessment criteria with differentiated management strategies adopted, which are integrated into all aspects of credit process such as due diligence, risk assessment, contract signing, release of funds raised and duration management. In 2022, the Company formulated and issued the Notice on the ESG Embedded Credit Process Plan for Corporate Finance Customers of Industrial Bank, which required that targeted due diligence should be conducted according to ESG-related contents to strengthen the collection and verification of basic information and data of customers and the truthfulness, completeness and effectiveness of information should be guaranteed. Meanwhile, the Company formulated special risk prevention and control measures and response plans, including but not limited to: rectifying violations of laws and regulations in limited time, signing special letters of commitment, adjusting the credit plan, increasing the capital ratio, increasing risk mitigation measures, suspending new credit granting, and reducing the stock business. As for the duration management, the Company continued to make great efforts on customers' ESG risk monitoring and tracking management.

In terms of ESG credit products, the Company strengthened the financing environment requirements and focused on promotion of products such as carbon emission reduction loans with carbon emission reduction benefit, carbon emission reduction (carbon footprint) linked loans and sustainability linked loans with diversified indicators. For example, during the reporting period, 33 branches implemented 291 carbon emission reduction and other sustainability linked loans transactions with the financing amount of RMB8.725 billion in total. As at the end of the reporting period, 15 branches implemented a total of 41 national carbon quota pledge financing transactions with financing amount exceeding RMB730 million.

III. Consumer rights and interests protection

During the reporting period, the Company solidly promoted the implementation of the bank governance strategy of "anchoring the Bank with service, the protection of consumers' rights and interests first" in strict accordance with the strategic decision-making and target planning of the protection of consumers' rights and interests of the Board of Directors and the Board of Supervisors, highlighted the leadership of the senior management according to the requirements of regulatory policies, strengthened the coordination of organization of the protection of consumers' rights and interests, consolidated the subject responsibility of business departments for the protection of consumers' rights and interests, deepened the management of the protection of consumers' rights and interests of products and services in the whole process, addressed both the symptoms and root causes of consumer complaints, constantly innovated the ways of financial knowledge education and publicity, and took various measures to optimize and improve the quality and efficiency of performance of the protection of consumers' rights and interests.

(I) Full process management of consumers' rights and interests protection on products and services

The Company continuously improved consumers' rights and interests protection review mechanism, and implemented the management and supervision mechanism for consumers' rights and interests protection in the full process of the advance, in-process and subsequent process of products and service operation management to prevent the actions that infringed on the legitimate rights and interests of customers from the source. During the reporting period, the Company reported the review of consumers' rights and interests protection to the office of the risk management committee, included in the key contents in the Evaluation Report of Comprehensive Risk Management into the Report of the Directors and emphasized the main responsibility and importance of source risk prevention of consumers' rights and interests protection at all levels. The Company established risk management and consumers' rights and interests protection committee under the Board, and the such committee considered and researched relevant reports of consumers' rights and interests protection on a regular basis, including the conduction of the review of consumers' rights and interests protection, guided, supervised and evaluate the consumers' rights and interests protection work and urged to ratify relevant problems, and reported to the Board. During the reporting period, the Company made amendments to the Administrative Measures for Consumer Rights and Interests Protection Work of Industrial Bank and the Administrative Measures for Review of Consumer Rights and Interests Protection of Industrial Bank, clarified the main responsibilities of relevant business department in respect of consumers' rights and interests protection in a more clear manner, improved the key points of the review of consumers' rights and interests protection based on the actual work to ensure that the Company took appropriate procedures and measures in the whole process of business operation and effectively protect the legitimate rights and interests of customers. In addition, the Company focused on the quality and effectiveness of the review of consumers' rights and interests protection of each branch through the internal assessment mechanism on consumers' rights and interests protection. During the reporting period, the Company made amendments to the Administrative Measures for Review of Consumer Rights and Interests Protection of branches of Industrial Bank, enhanced the appraisal and evaluation on the quality and professionality of the review of consumers' rights and interests protection of its branches, and paid attention to the implementation of review with the principle of "coverage maximization". During the reporting period, the Company conducted a total of 14,075 reviews of consumers' rights and interests protection, representing an increase of 57.47% as compared to the previous year, and ensured that it conducted review of consumers' rights and interests protection on products and services provided to customers in design and development, pricing management, agreement formulation, marketing and publicity and other links.

(II) Personal information and privacy protection

The Company attached great importance to the customer privacy interests protection, firmly implemented the Personal Information Protection Law of the People's Republic of China and other laws and regulations as well as regulatory requirements, formulated relevant administrative system such as the Administrative Measures for Personal Information Protection Law of Industrial Bank and the Administrative Measures for Industrial Data Security in accordance with national relevant laws, regulations and regulatory requirements, and published the Key Points of the Privacy Policy of Industrial Bank Co., Ltd. on the official website and updated it annually, implemented the customer privacy interests protection in the full life cycle of personal information processing, and took effective measures to fully protect various interests of customers of the Company. During the reporting period, the Company conducted a total of 5 audits on information security management systems, including the special audit on information and technology risk management of certain subordinated organizations within the Group, special audit on information and technology risk management, special audit on information and technology outsourcing risk management, special audit on online banking technology risk management and audit on the overall business of Hong Kong branch.

(III) Protection of the safety of customers' funds

During the reporting period, the Company continued to enhance its ability to prevent fraud risk, and further improved the level of identification, assessment and prevention of fraud risk; issued the Measures for Management of Fraud Risk, and clarified fraud risk management responsibility and fraud risk management process of all organizations; issued the Guidelines on Fraud Risk Assessment, regulate the fraud risk assessment on new products (new business), marketing activities and inventories; formulated the Rules for the Management of Fraud Risk Disposal Process, covering account investigation, customer complaint investigation, account control and removing account control, etc.; and formulated the Rules for the Management of Fraud Risk Control Model, covering the full life cycle from model requirements to project approval, development, update and withdrawal. During the reporting period, the Company monitored 12.59 billion transactions of online financial services through the risk control platform, of which 11.0795 million high-risk transactions were intercepted, involving RMB185.124 billion.

(IV) Trainings on consumer rights and interests protection

During the reporting period, the Company formulated and implemented the consumer protection and service training plan in 2023, in a bid to improve the effectiveness of training by means of strengthening the interpretation of the policy of Order No. 9 of Protection of Consumers' Rights and Interests and cases, optimizing the training form, and intensifying the guidance and training on complaint handling measures for consumer protection. The Company provided special trainings on protection of consumers' rights and interests for senior management of head office and branches and provided foundation training for new employees; strengthened promotion and publicity of compliance of protection of consumers' rights and interests for front-line employees, organized the relearning of the fifty "red lines" of protection of consumers' rights and interests, and required all employees, especially the front-line employees who provided services for customers to participate in trainings, with the training coverage of 100%. The Company provided extra trainings on business fields exposed to more complaints and key business fields.

In addition, the Consumers' Rights and Interests Protection Office of the head office was committed to the guideline and supervision of the protection of rights and interests of the Company's consumers, collected and analyzed the typical cases of financial marketing and publicity behaviors that violated the legitimate rights and interests of consumers in the industry, and cooperated with the business department of the Company to guide financial marketing and publicity through trainings, issuing notices and documents. For example, the Company carried out various trainings including special trainings on the Administrative Measures for the Protection of Consumer Rights and Interests in Banking and Insurance Institutions, trainings on review of consumer rights and interests protection and trainings on management of complaints in respect of consumer rights and interests protection across the Company. In combination with the eight rights and interests of financial consumers and the requirements of the regulatory system, the Company focused on publicizing the key points and typical cases related to the protection of consumers' rights and interests, such as marketing terminology norms and risk warnings, which are closely related to marketing propaganda, and the training covered the head office's, branches' and subsidiaries' relevant personnel who are responsible for managing the protection of consumers' rights and interests.

During the reporting period, the Company carried out a total of 32 trainings on consumer rights and interests protection through the online "Xingzhi" platform and offline training sessions, fully covering senior management, employees on the position of consumer rights and interests protection, primary-level business personnel and new employees and with more than 107 thousand employees participated in the trainings.

(V) Particulars of consumer complaints

The Company always adheres to the "customer-oriented" business philosophy, and continued to make great efforts to refine management of complaints, consolidated the complaint subject responsibility of business departments, and followed the principle of "treating both the symptoms and root causes, treating symptoms first and addressing the root cause as necessary". In the process of complaint handling, the Company deeply analyzed the reasons for complaints, strove to solve consumer demands, and actively promoted the rectification of complaints. Meanwhile, the Company accelerated the intelligent upgrade of the complaint management system, made great efforts on digital empowerment, and improved the ability of complaints analysis and early warning.

During the reporting period, the Company received 356,498 omni-channel consumer complaints, representing a year-on-year decrease of 122,210 or 25.53%; the average daily number of complaint per outlet was 0.48 with a complaint rate of 0.35%, and customer satisfaction with complaint handling and return visits was 99.78%. Details of consumer complaints were set out as below:

In terms of geographical distribution of customer complaints, the top five provinces/municipalities in terms of the number of complaints were Shanghai (41,447), Guangdong (33,558), Shandong (28,739), Fujian (25,797) and Henan (20,964), accounting for 11.63%, 9.41%, 8.06%, 7.24% and 5.88%, respectively.

In terms of business channels of customer complaints, there were a total of 140,142 complaints from front-office business channels, accounting for 39.31%, among which there were 107,724 complaints from electronic channels, 30,352 complaints from business site, and 2,066 complaints from self-service terminals, third-party channel and other business channels. There were 216,356 complaints from middle and back-office business channels, accounting for 60.69%.

In terms of business fields of customer complaints, there were 303,096 complaints about credit business, accounting for 85.02%, 22,069 complaints about debit business, accounting for 6.19%, 18,519 complaints about loan business, accounting for 5.19%, 4,687 complaints about banking proprietary wealth management and agency business, accounting for 1.32%, 916 complaints about payment and settlement business, accounting for 0.26%, 580 complaints about RMB savings business and RMB management, accounting for 0.16%, and 6,631 complaints about foreign exchanges, ferrous metals, personal financial information and other businesses, accounting for 1.86%.

In terms of reasons for customer complaints, 191,933 complaints arose from the means and methods of debt collection, accounting for 53.84%, 120,990 complaints arose from financial institution management system, business rules and procedures, accounting for 33.94%, 32,567 complaints arose from the means and methods of marketing, accounting for 9.13%, 4,486 complaints arose from service attitude and service quality, accounting for 1.26%, 3,323 complaints arose from service facilities, equipment and business system, accounting for 0.93%, 1,136 complaints arose from security of customers' fund, accounting for 0.32%, 810 complaints arose from pricing and charging, accounting for 0.23%, 652 complaints arose from gains from products, accounting for 0.18%, and 601 complaints arose from contract terms, information disclosure, willful choice and other reasons, accounting for 0.17%.

The Company will continued to pay attention to the consumer complaints, regulated the consumer complaint handling process, protected financial interests of the complainant, faithfully took the consumer complaints as a valuable information source to improve business and services, optimized its products, business, process, systems, services, etc., proactively communicated with consumers and made efforts to improve the customer experience.

(VI) Pay attention to the education and publicity on consumers

In terms of consumer education and publicity, the Company focused on key groups such as "the elderly, the young people and the new people" and key areas such as rural areas and ethnic minority settlements. By continuously introducing innovative, high-quality and multi-level education and publicity contents, the Company intensively carries out normalized and centralized education and publicity work to guide consumers to learn financial knowledge and enhance their ability to prevent financial risks. During the reporting period, the Company launched the "2023 Consumer-Centered Risk Warning and Series of Activities of Protection of Consumers' Rights and Interests" in the Company, which included ten series of topics such as "Xing Protection of Consumers' Rights and Interests • Xing Education" (兴消保 • 兴教育), the award-winning questions and answers on financial knowledge, series of trainings on protection of consumers' rights and interests, the implementation of the protection of financial consumers' rights and interests, the "Bank-wide Screening" and the "Re-learning of the 50 Red Lines". The Company cooperated with Fujian Minjiang University to establish a customized class for digital finance talents of Minjiang-Xing Ye, and the person in charge of the Consumer Rights and Interests Protection Office taught special courses on protection of consumers' rights and Interests for the students in school to build a "firewall" for campus financial fraud prevention. During the intensive education and publicity activities in September 2023, the Company organized an educational activity with the theme of "Pursuing the Red Cultural Footprint and Improving the Public's Financial Literacy", and cooperated with Shanghai Financial Consumer Dispute Mediation Center and other institutions to feel "Party Building + Finance", jointly understand the history of the First National Congress of the Communist Party of China and learn basic financial knowledge. The Company and Fujian University for the Aged jointly established the first "Financial Education and Publicity Base for the Elderly" in Fujian Province, launched a series of public welfare actions on financial education for the elderly, such as "Sticking to the Initial Financial Heart and Escorting Happy Old Age", and steadily promoted the construction of a long-term mechanism for popularizing financial knowledge. During the reporting period, the Company carried out 13,661 online and offline publicity activities to popularize public financial knowledge, reaching about 210.4492 million person-time consumers as a whole, and the overall effect of the activities was recognized and well evaluated by consumers.

IV. Protection of employees' rights and interests and optimization of career platform

(I) Diversification and development

For a long time, the Company has highly focused on the development of employees, regards the human resources as the first resource, firmly acknowledge that a high-quality and high-competent talent team is the most valuable wealth of the Company, made every effort to help employees grow, and strove to provide all employees with a fair, just, diverse and harmonious corporate culture. The Company also provided employees with a simple and well-meaning working environment, so that the employees were able to focusing on growth and development, keep passion and creativity, receive care and warm. The Company adhered to the philosophy of diversity and inclusion in recruitment and employment, and provided equal employment opportunities to qualified candidates, avoided discrimination in terms of gender, age, ethnicity, family status, religion, sexual orientation, social, birth, etc., so as to achieve equal opportunities, respect the willing and preference of each employee and help employees realize their professional and personal aspirations. The Company organized and carried out ecological research on human resources every year. During the reporting period, the employee satisfaction evaluation score of the Company was 95.22. The Company won the title of top 100 of the 2023 China Best Employer awarded by zhaopin.com.

(II) Communication and Engagement

The labor union of the Company actively promoted the establishment of labor union organizations, guided employees to participate in democratic management, and strengthened the protection of employees' rights and interest. During the reporting period, the Company organized and convened four employee representatives' meetings, and considered 6 proposals involving the vital interests of employees, including the Proposal on the Amendments to the Administrative Measures for risk Funds of Employees at Credit Business Positions of Branches of Industrial Bank, the Proposal on the Amendments to the Enterprise Annuity of Industrial Bank Co., Ltd., the Proposal on Formulation of the Administrative Measures for Professional Technical Sequences, etc., to protect the employees' right to know and right to supervise and safeguard the employees' rights and interests.

(III) Health and Care

As one of the first batch of pilot units of the All-China Federation of Trade Unions to improve employees' quality of life, the Company has established six major action systems based on "Wisdom of Xing Ye" and around six factors that affect the quality of life of employees, namely, "Ideology of Xing Ye", "Rights and Interests of Xing Ye", "Caring of Xing Ye", "Ability of Xing Ye", "Culture of Xing Ye" and "Responsibility of Xing Ye", and formed a "1+6" employee service work system that combines online and offline and matches demand and supply. During the reporting period, a total of 18 organizations built employee cultural and sports centers, and the trade union of the head office distributed condolence money totaling RMB649 thousand to 174 employees in difficulty before the Spring Festival in 2023.

(IV) Training and Growth

The Company continued to engage internal lecturers and external visiting professors, and coordinately established 20 professional teams of lecturers with a total of 1,240 persons including senior and middle management cadres and excellent business backbones of the Group through elite challenge tournament, demonstration class certification and other projects. The Company promoted the adaptation and co-construction of lecturers' courses, carried out five certification and training programs for 70 demonstration courses, with a total of 224 internal lecturers certified, and engaged 70 external visiting professors in the first batch.

V. Consolidation and expansion of the achievements of poverty alleviation and rural revitalization

During the reporting period, the Company adhered to the spirit of the Opinions of the Central Committee of the Communist Party of China and the State Council on Doing a Good Job in Comprehensively Promoting the Key Work of Rural Revitalization in 2023, continued to promote the consolidation and expansion of the achievements of poverty alleviation and the effective connection of rural revitalization, properly kept the basic direction of "agriculture, rural areas and farmers", helped build a strong agricultural country, and constantly explored an effective financial service model for rural revitalization with the characteristics of the Industrial Bank. As at the end of the reporting period, the balance of the Company's agriculture-related loans amounted to RMB664.76 billion, representing an increase of 21.59% as compared with the beginning of the reporting period; the balance of inclusive agriculture-related loans amounted to RMB56.084 billion, representing an increase of 42.63% as compared with the beginning of the year. During the reporting period, the balance and increment of the Company's agriculture-related loans ranked the first among the joint stock commercial banks. The inclusive agriculture-related loans of the Company had outstanding performance in terms of increment and growth, which was officially praised by the NFRA.

Since 2002, on the basis of doing a good job in financial assistance to the hook-up assistance points, the Company has continuously assigned outstanding cadres and employees to stay in villages and take temporary posts at the hook-up assistance points. Through the mode of "financial assistance + personnel assistance", the Company has more effectively coordinated the resources and forces of all sectors of society to jointly help the hook-up rural poverty alleviation and rural revitalization. As at the end of the reporting period, there were 74 assisted regions and 52 cadres (temporary post) dispatched to villages, and such work have received awards from the local government. Several cadres staying in villages (taking temporary posts) were commended with "Excellent First Secretary" and "Excellent Cadres Taking Temporary Posts". During the reporting period, the Company strengthened the overall management of the Group's charitable donations and established the Fujian Industrial Bank Charity Foundation, with a total donation amount of RMB52.3861 million.

VI. For more specific ESG information of the Company, please refer to the Company's Annual Sustainability Report 2023 publicly disclosed on the website of the Shanghai Stock Exchange and the ESG special column of the official website of the Company. For details of corporate governance, please refer to "CORPORATE GOVERNANCE" of this report.

Significant Events

I. Commitment of the Company and its shareholders holding more than 5% of shares of the Company during the reporting period or remaining in effect in the reporting period

(I) Certain directors, supervisors and executives of the Company purchased the shares of the Company from the secondary market with their own funds during the period from March 23 to March 25, 2020, respectively, and undertook to lock up the purchased shares for three years from the date of purchase. For details, please refer to the Company's announcement dated March 26, 2020.

(II) The Mid-term Shareholders' Return Plan (2021-2023) was considered and approved at the 2020 annual general meeting, which planned that from 2021 to 2023, should there be distributable profit, cash dividends could be distributed to shareholders of ordinary shares, and the profit used for distribution in cash should not be less than 25% (inclusive) of the realized distributable profit of the year after making up for deficits, appropriating statutory reserves and general provisions and paying dividends to shareholders of preferred shares and interests of undated capital bonds from the realized earnings, provided that the distribution is in line with the profit distribution policy of regulatory department and it could be ensured that the regulatory requirements on capital adequacy ratio of the Company could be met. On the premise of ensuring compliance of capital adequacy ratio with regulatory requirements, when the Company distributes dividends in cash or in shares or by a combination of both, the proportion of cash dividends should not be lower than 40% (inclusive). For details, please refer to the announcement of the Company dated June 12, 2021.

(III) According to relevant rules of the CSRC, the Proposal on Current Period Dilutive Effect of the Public Issuance of A-share Convertible Bond and Replenishment Measures were considered and approved at the twenty-ninth meeting of the ninth session of Board of Directors and the 2020 annual general meeting. The proposal specified replenishment measures in respect of the potential dilutive effect that the public issuance of A-share convertible bond may have on current period returns of investors, which included strengthening capital planning and management, maintaining stable and adequate capital, enhancing capital use efficiency, reasonably allocating resources; continuing to reform business lines and expanding diversified profit channels; and further improving the sustained, stable and scientific shareholder return mechanism. In addition, the directors and senior management of the Company made undertakings in respect of effectively implementing such replenishment measures. For details, please refer to the announcements of the Company dated May 22, 2021 and June 12, 2021.

(IV) The Finance Bureau of Fujian Province, a shareholder of the Company, intended to increased its shareholding in the Company by way of centralized bidding, block trading or transfer by agreement within six months from July 26, 2022, for an aggregate amount of not less than RMB500 million and not more than RMB1,000 million. The Finance Bureau of Fujian Province undertook that it shall completed the plan for increase in shareholding within the above implementation period, and shall not reduce its shareholding in the Company during the implementation of the increase in shareholding and within the statutory period. The plan for increase in shareholding has been completed. For details, please refer to the announcements of the Company dated July 27, 2022 and January 31, 2023.

The Company and its shareholders holding more than 5% of the shares of the Company made no other undertakings during the reporting period or undertakings that lasted into the reporting period.

II. Appropriation of funds during the reporting period

During the reporting period, no controlling shareholder or other related parties used the capital for non-operating purpose.

III. Appointment of the accounting firm

Upon approval of the 2022 annual general meeting, KPMG Huazhen was appointed to audit the 2023 annual report, review the semi-annual report and provide internal control audit services with the total audit fee amounting to RMB9.12 million, which included various advancement as well as related taxes. KPMG Huazhen has provided audit service for the Company for four consecutive years. Chen Sijie, the signing certified public accountant has provided audit service for the Company for four consecutive years, and Wu Zhongming, the signing certified public accountant has provided audit service for the Company for three consecutive years.

IV. Material lawsuits and arbitrations

During the reporting period, there was no lawsuit or arbitration with material effects on the Company that was required to be disclosed.

The Company may be subject to lawsuit or arbitration arising from recovery of loans or disputes with customers in the daily business process. As at the end of the reporting period, there were 249 outstanding lawsuits and arbitrations in which the Company was the defendant or respondent, involving an aggregate amount of RMB2,163 million.

V. Punitive actions against the Company and its directors, supervisors and senior management personnel

During the reporting period, the Company, its directors, supervisors and senior management were not subject to any inspection by authoritative agencies, any compulsory measures by judicial authorities or discipline inspection departments, any referral to judicial authorities, criminal prosecution, inspection or administrative punishment by the CSRC, deprivation of market access, identity as inappropriate candidates and open condemnation of security exchanges, or any other punishment by regulators that may have significant impact upon the Company's operation.

VI. Integrity of the Company

During the reporting period, there were no material lawsuits, failure to implement effective judgments of a court or failure to meet debt repayment schedules in a relatively large amount by the Company.

VII. Material related party transactions

The Company strictly adhered to the regulatory requirements of the NFRA, the CSRC and the Shanghai Stock Exchange, made great efforts on various work including enhancing identification and recognition of the related parties, strengthening the codes of conduct for major shareholders, establishing the regular examination and supervision mechanism for related party transactions and promoting the information construction of related party transactions, to ensure the effective operation of related party transaction management mechanism. During the reporting period, the Company adhered to the normal business principle for related party transactions, and the conditions and interest rates were subject to the relevant provisions of the business management of the Company, which were determined on the conditions not favorable than those of the similar transactions with non-related party, and its pricing was fair and such transactions was entered into based on the need of normal operations, which was in the interests of the Company and its shareholders as a whole.

(I) Overview

According to the Administrative Measures for Related Party Transactions of Banking and Insurance Institutions of the former CBIRC, as at the end of the reporting period, the balance of credit granted by the Company for all related parties (after deducting bank deposits, margin and national debts, the same below) was RMB45.952 billion under the rules issued by the NFRA, accounting for 4.4482% of net capital of the Company (represents the net capital at the Group level as at the reporting period, the same below); the balance of credit granted by the Company for the largest single related party was RMB14.120 billion, accounting for 1.3668% of net capital of the Company; and the above were in line with the regulatory ratio requirements of the NFRA. As at the end of the reporting period, the balance of credit granted by the Company for related legal persons or unincorporated organizations was RMB44.484 billion under the rules issued by the NFRA, and the balance of credit granted by the Company for related natural persons was RMB1.468 billion under the rules issued by the NFRA. During the reporting period, the total amount of asset transfer transactions, service transactions and deposit and other transactions between the Company and related parties under the rules issued by the NFRA was RMB3.092 billion, RMB7.264 billion and RMB34.178 billion, respectively.

According to the definition of related party and scope of related party transactions as defined by the CSRC, Shanghai Stock Exchange and the accounting standards, as at the end of the reporting period, the credit balance of the Company's related party transactions with related natural persons was RMB133 thousand.

Please refer to the "Notes IX. Related Party" under the FINANCIAL STATEMENTS for further details on specific data on related party transactions.

(II) Related party transactions

As at the end of the reporting period, the major related party transactions of the Company that are considered at the shareholders' general meeting or the Board and are still valid include:

1. The twenty-seventh Meeting of the ninth session of Board of Directors of the Company reviewed and passed the Proposal on Granting of Related Transaction Quota to Certain Related Parties, and agreed to give China National Tobacco Corporation and its affiliated companies RMB22.3 billion of related transaction quota, including RMB17 billion of credit related transaction quota and RMB5.3 billion of non-credit related transaction quota with the term of validity of three years. The related transactions within the above limit arose from the needs of the due course of business activities and were conducted on conditions not more favorable than those for transactions of the same type with non-related parties. The pricing of the transactions was fair and in compliance with the relevant laws, regulations, rules and regulatory department. The method and timing of payment were determined with reference to the commercial practice. For details, please refer to the announcement of the Company dated March 31, 2021. As at the end of the reporting period, the credit balance of China National Tobacco Corporation and its affiliated companies in the Company was RMB2,134.8615 million.

2. The 2020 Annual General Meeting of the Company reviewed and passed the Proposal on Granting of Related Transaction Quota to Certain Related Parties, and agreed to give the People's Insurance Company (Group) of China and its affiliated companies RMB79.6 billion of related transaction quota, including RMB54 billion of credit related transaction quota and RMB25.6 billion of non-credit related transaction quota with the term of validity of three years. The related transactions within the above limit arose from the needs of the due course of business activities and were conducted on conditions not more favorable than those for transactions of the same type with non-related parties. The pricing of the transactions was fair and in compliance with the relevant laws, regulations, rules and regulatory department. The method and timing of payment were determined with reference to the commercial practice. For details, please refer to the announcement of the Company dated March 31, 2021 and June 12, 2021. As at the end of the reporting period, the credit balance of People's Insurance Company (Group) of China and its affiliated companies in the Company was RMB294.50 million.

3. The twelfth Meeting of the tenth session of the Board of Directors of the Company considered and passed the Proposal on the Granting of Related Party Transaction Quota to Zhejiang Energy Group Co., Ltd. and its affiliated companies, and agreed to grant a quota of series of related party transactions of RMB10.6 billion to Zhejiang Energy Group, including credit-type related party transaction quota of RMB8.5 billion and non-credit type related party transaction quota of RMB2.1 billion, with the term of validity of two years. The related party transactions within the above limit were generated from the needs of normal business activities and conducted on terms no better than those for similar transactions with non-related parties, with fair pricing and in compliance with relevant laws, rules, regulations and relevant provisions of the regulatory system, and the payment methods and timing of the transactions were determined with reference to commercial practices. For details, please refer to the Company's announcement dated December 17, 2022. As at the end of the reporting period, the credit balance of Zhejiang Energy Group Co., Ltd. and its affiliated companies in the Company was RMB1,032.9595 million under the rules issued by the NFRA. The deposit balance in the Company of Zhejiang Provincial Energy Group Finance Co., Ltd., an affiliated company of Zhejiang Energy Group Co., Ltd., was RMB426.5 thousand, and there were no credit limit or borrowings.

4. The thirteenth Meeting of the tenth session of the Board of Directors of the Company (the interim meeting) considered and passed the Proposal on the Granting of Related Party Transaction Quota to Industrial Trust and its Related Parties, and agreed to grant a quota of related party transactions of RMB190.7 billion to China Industrial International Trust Limited and its affiliate companies, including credit-type related party transaction quota of RMB72.4 billion and non-credit type related party transaction quota of RMB118.3 billion, with the term of validity of three years; agreed to grant a quota of related party transactions of RMB91.5 billion to CIB Fund Management Co., Ltd. and its affiliate companies, including credit-type related party transaction quota of RMB5 billion and non-credit type related party transaction quota of RMB86.5 billion, with the term of validity of three years; agreed to grant a quota of related party transactions of RMB56.6 billion to Industrial Bank Financial Leasing Co., Ltd. and its affiliate companies, including credit-type related party transaction quota of RMB50 billion and non-credit type related party transaction quota of RMB6.6 billion, with the term of validity of three years; agreed to grant a quota of related party transactions of RMB221.7 billion to CIB Wealth Management Co., Ltd. and its affiliate companies, including credit-type related party transaction quota of RMB40 billion and non-credit type related party transaction quota of RMB181.7 billion, with the term of validity of three years; agreed to grant a quota of related party transactions of RMB50.1 billion to Industrial Consumer Finance Co., Ltd. and its affiliate companies, including credit-type related party transaction quota of RMB40 billion and non-credit type related party transaction quota of RMB10.1 billion, with the term of validity of three years; and agreed to grant a quota of related party transactions of RMB38.1 billion to Bank of Jiujiang Co., Ltd. and its affiliate companies, including credit-type related party transaction quota of RMB10 billion and non-credit type related party transaction quota of RMB28.1 billion, with the term of validity of three years. The related party transactions within the above limit were generated from the needs of normal business activities and conducted on terms no better than those for similar transactions with non-related parties, with fair pricing and in compliance with relevant laws, rules, regulations and relevant provisions of the regulatory system, and the payment methods and timing of the transactions were determined with reference to commercial practices. For details, please refer to the announcement in relation to major related party transactions posted on the website of the Company. As at the end of the reporting period, according to the rules issued by the NFRA, the credit balance of China Industrial International Trust Limited and its affiliated companies in the Company was RMB11,314.5881 million, the credit balance of Industrial Bank Financial Leasing Co., Ltd. and its affiliated companies in the Company was RMB4,600.7920 million, the credit balance of Industrial Consumer Finance Co., Ltd. and its affiliated companies in the Company was RMB14,120 million, and the credit balance of Bank of Jiujiang Co., Ltd. and its affiliated companies in the Company was RMB4,483.2222 million. CIB Fund Management Co., Ltd. and China Industrial Asset Management Co., Ltd. only carried out the daylight overdraft business with corporate account in the Company and have no credit balance as at the end of the reporting period.

5. The seventeenth Meeting of the tenth session of the Board of Directors of the Company considered and passed the Proposal on the Granting of Related Party Transaction Quota to Fujian Provincial Port Group Co., Ltd. and its affiliated companies, and agreed to grant a quota of related party transactions of RMB44.1 billion to Fujian Provincial Port Group Co., Ltd., including credit-type related party transaction quota of RMB29.1 billion and non-credit type related party transaction quota of RMB15 billion, with the term of validity of three years. The related party transactions within the above limit were generated from the needs of normal business activities and conducted on terms no better than those for similar transactions with non-related parties, with fair pricing and in compliance with relevant laws, rules, regulations and relevant provisions of the regulatory system, and the payment methods and timing of the transactions were determined with reference to commercial practices. For details, please refer to the announcement in relation to major related party transactions posted on the website of the Company. As at the end of the reporting period, the credit balance of Fujian Provincial Port Group Co., Ltd. and its affiliated companies in the Company was RMB5,219.4866 million under the rules issued by the NFRA. The deposit balance, credit quota and credit balance in the Company of Fujian Provincial Port Group Finance Co., Ltd., an affiliated company of Fujian Provincial Port Group Co., Ltd., was RMB850.6535 million, RMB300 million and 8 million, and there were no borrowings.

6. The twenty-first Meeting of the tenth session of the Board of Directors of the Company considered and passed the Proposal on the Granting of Related Party Transaction Quota to Fujian Financial Investment Co., Ltd. and its Related Parties, and agreed to grant a quota of related party transactions of RMB36.928 billion to Fujian Financial Investment Co., Ltd. and its affiliate companies, including credit-type related party transaction quota of RMB21.0 billion and non-credit type related party transaction quota of RMB15.928 billion, among which the quota of service related party transactions was RMB1.013 billion, the quota of asset transfer related party transactions was RMB5.015 billion, the quota of deposit related party transactions excluding demand deposits was RMB9.8 billion, and the quota of other related party transactions was RMB100 million, with the term of validity of two years. The related party transactions within the above limit were generated from the needs of normal business activities and conducted on terms no better than those for similar transactions with non-related parties, with fair pricing and in compliance with relevant laws, rules, regulations and relevant provisions of the regulatory system, and the payment methods and timing of the transactions were determined with reference to commercial practices. For details, please refer to the announcement of the Company dated December 16, 2023. As at the end of the reporting period, the credit balance of Fujian Financial Investment Co., Ltd. and its affiliated companies in the Company was RMB690 million.

(III) Financial business between the Company and finance companies that has related relationship with the Company included deposit business, credit business and asset transfer business

1. Deposit business

Unit: RMB'000

Related party	Related relationship	Maximum daily deposit limit	Range of deposit interest rate (%)	Opening balance	Amount for the period		Closing balance
					Total amount deposited during the period	Total amount withdrawn during the period	
Zhejiang Provincial Energy Group Finance Co., Ltd.	An enterprise controlled by a substantial shareholder	Nil	1.6	41.72	66,623.67	66,622.74	42.65
Fujian Provincial Port Group Finance Co., Ltd.	An enterprise controlled by a substantial shareholder	Nil	1.5-2.5	30,162.54	921,634.96	866,732.15	85,065.35
Total	-	-	-	30,204.26	988,258.63	933,354.89	85,108.00

2. Credit business – bill rediscounting business (with related party as the acceptor)

Unit: RMB'000

Related party	Related relationship	Pricing range of bill rediscounting (%)	Opening balance	Amount for the period	Closing balance
Zhejiang Provincial Energy Group Finance Co., Ltd.	An enterprise controlled by a substantial shareholder	-	-	-	-
Fujian Provincial Port Group Finance Co., Ltd.	An enterprise controlled by a substantial shareholder	1.40-2.00	-	1,000.00	800.00
Total	-	-	-	1,000.00	800.00

3. Credit limit

Unit: RMB'000

Related party	Related relationship	Credit limit
Zhejiang Provincial Energy Group Finance Co., Ltd.	An enterprise controlled by a substantial shareholder	-
Fujian Provincial Port Group Finance Co., Ltd.	An enterprise controlled by a substantial shareholder	30,000.00

4. Asset transfer business - bill rediscounting business (with non-related party as the acceptor)

Unit: RMB'000

Related party	Related relationship	Business type	Total amount	Actual amount
Zhejiang Provincial Energy Group Finance Co., Ltd.	An enterprise controlled by a substantial shareholder	-	-	-
Fujian Provincial Port Group Finance Co., Ltd.	An enterprise controlled by a substantial shareholder	Bill rediscounting	122.55	122.55

VIII. Material contracts and performance thereof

(I) Material custody, lease and contracting issues

During the reporting period, the Company had no material custody, lease and contracting issues.

(II) Guarantees issues

During the reporting period, except for the normal financial guarantees within the business scope approved, the Company had no other material guarantees requiring disclosure, and did not concluded any guarantee contract in violation of laws, administrative regulations and the procedures for guarantee resolutions prescribed by the CSRC.

(III) Other material contracts

During the reporting period, the Company did not experience any contract dispute that exerts significant impact upon the Company's operation and management.

IX. Description of other major issues

(I) The Finance Bureau of Fujian Province, a shareholder of the Company, implemented the plan for increase in shareholding, and acquired 39,366,968 shares of the Company by way of centralized bidding through the trading system of the Shanghai Stock Exchange from July 26, 2022 to January 25, 2023, for aggregate amount of RMB703,078,800.98. As at January 25, 2023, the Finance Bureau of Fujian Province and Fujian Financial Investment Co., Ltd., a company established and fully contributed by the Finance Bureau of Fujian Province, held 3,954,548,007 shares of the Company in aggregate, representing 19.04% of the total share capital of the Company. For details, please refer to the announcements of the Company dated July 27, 2022 and January 31, 2023.

(II) Establishment of Guian Data Center: the Proposal of Establishment of Data Center in Guian New District was considered and approved at the twelfth meeting of the tenth session of the Board of Directors of the Company on December 16, 2022, and the Company agreed to establish a data center in Guian New District, Guizhou with a project investment budget of approximately RMB6.880 billion. The Company won the use right of relevant industrial land in Guian New District, Guizhou. According to the project plan, the proposed gross floor areas were approximately 240 thousand square meters in total, and the planned buildings comprised of data center room, facility building and other buildings. For details, please refer to the announcement of the Company dated February 28, 2023.

(III) Issuance of green financial bonds: with the approval of the People's Bank of China, the Company publicly issued the 2023 first and second tranche of green financial bonds in the national interbank bond market with the total amount of RMB27 billion and RMB23 billion, respectively, and the raised fund was used for loans for green industrial projects in specialty. For details, please refer to the announcements of the Company dated April 27, 2023 and June 9, 2023.

(IV) Issuance of financial bonds: according to the reply from the People's Bank of China, the Company was approved to issue the 2023 first and second tranche of special financial bonds for loans for micro and small enterprises in the national interbank bond market with issue amount of RMB20 billion and 5 billion, respectively, and the raised fund was used for loans for micro and small enterprises in specialty. For details, please refer to the announcements of the Company dated August 25, 2023 and October 25, 2023.

(V) Establishment of the financial technology industry park: the Proposal of Establishment of the Financial Technology Industry Park of Industrial Bank in Binhai New City, Fuzhou was considered and approved at the nineteenth meeting of the tenth session of the Board of Directors of the Company on August 30, 2023, and the Company agreed to establish the Financial Technology Industry Park of Industrial Bank in Binhai New City, Fuzhou with the investment in project construction of approximately RMB3.258 billion. Based on the planning conditions of the construction projects, the proposed gross floor areas were approximately 210 thousand square meters in total, which was planned to use for research and development center, data center, customer service center, operating center, training center and facility buildings. For details, please refer to the announcement of the Company dated August 31, 2023.

Share Capital Changes and Shareholders of Ordinary Shares

I. Changes in shares during the reporting period

(I) Changes in shares

1. Statement of changes in shares

Unit: share

	December 31, 2022		Change in number		December 31, 2023	
	Number	Percentage (%)	Change in restricted shares	Convertible bonds and shares	Number	Percentage (%)
I. Restricted shares	-	-	-	-	**-**	**-**
II. Unrestricted floating shares	20,774,252,928	100	-	38,950	**20,774,291,878**	**100**
III. Total shares	20,774,252,928	100	-	38,950	**20,774,291,878**	**100**

2. Explanation on the changes in shares

As at the end of the reporting period, a total of RMB2,476,000 of Industrial Convertible Bonds (A Share Convertible Bonds) issued by the Company have been converted into ordinary A shares of the Company, and the total number of shares being converted was 101,127 shares, representing 0.00049% of the total number of issued ordinary shares before the conversion. For details of the conversion, please refer to "PARTICULARS of CONVERTIBLE CORPORATE BONDS".

II. Shareholders

(I) Total number of shareholders

As at the end of the reporting period, the Company had a total of 330,688 ordinary shareholders, and 300,413 ordinary shareholders at the end of the month prior to the release of this annual report.

(II) Shareholdings of the top ten shareholders and the top ten shareholders of unrestricted shares as at the end of the reporting period

Unit: share

Name of shareholders	Changes during the period	Number of shares held at the end of the period	Percentage(%)	Number of restricted shares held	Pledged, marked or frozen shares	Nature of shareholders
Fujian Financial Investment Co., Ltd.	-	3,511,918,625	16.91	-	-	State-owned legal person
China National Tobacco Corporation	-	1,110,226,200	5.34	-	-	State-owned legal person
PICC Property and Casualty Company Limited - Traditional - Common Insurance Product - 008C - CT001 Hu	-	948,000,000	4.56	-	-	State-owned legal person
PICC Life Insurance Company Limited - Dividends - Dividends for Personal Insurance	-	801,639,977	3.86	-	-	State-owned legal person
China Securities Finance Corporation Limited	-	622,235,582	3.00	-	-	State-owned legal person
Hong Kong Securities Clearing Company Limited	-177,968,815	619,554,714	2.98	-	-	Overseas legal person
Fujian Investment and Development Group Co., Ltd.	12,475,128	595,242,545	2.87	-	-	State-owned legal person
Huaxia Life Insurance Co., Ltd.-Self-owned Funds	-	569,179,245	2.74	-	-	Domestic non-state-owned legal person
PICC Life Insurance Company Limited - Universal-Personal Insurance (Universal)	-	474,000,000	2.28	-	-	State-owned legal person
Fujian Provincial Port Group Co., Ltd.	398,846,036	458,813,939	2.21	-	-	State-owned legal person

Notes 1. As at the reporting period, the Finance Bureau of Fujian Province and Fujian Financial Investment Co., Ltd., a company established and fully contributed by the Finance Bureau of Fujian Province, which held 3,965,181,007 ordinary shares of the Company in aggregate, representing 19.09% of the total share capital of the Company, is the largest shareholder of the Company with its shareholding in aggregate. PICC Property and Casualty Company Limited and PICC Life Insurance Company Limited were controlling subsidiaries of The People's Insurance Company (Group) of China Limited.

2. There are no special repurchase accounts for the top ten shareholders; and there are no voting rights entrusted by or to, or waived by the top ten shareholders, or none of the top ten shareholders involved in share lending under the refinancing business.

(III) Changes in the top ten shareholders as compared with the end of the last period

Unit: share

Name of shareholders	Addition/ Withdrawal during the reporting period	Shares lent under the refinancing business and not returned as at the reporting period		Number of shares held in ordinary account and credit account and lent under the refinancing business and not returned as at the reporting period	
		Total number	Percentage (%)	Total number	Percentage (%)
Fujian Provincial Port Group Co., Ltd.	Addition	-	-	458,813,939	2.21
Fujian Tobacco Haisheng Investment Management Co., Ltd.	Withdrawal	-	-	441,504,000	2.13

(IV) Particulars of shareholders holding more than 5% of shares of the Company as at the reporting period

The Company has no controlling shareholder or de facto controller.

1. The Finance Bureau of Fujian Province and Fujian Financial Investment Co., Ltd., a company fully contributed by the Finance Bureau of Fujian Province, which hold 3,965,181,007 shares of the Company in aggregate, accounting for 19.09%, is the largest shareholder of the Company with its shareholding in aggregate. There is no pledge of the Company's shares. The Finance Bureau of Fujian Province appointed directors of the Company. It is the controlling shareholder, de facto controller and ultimate beneficiary of Fujian Financial Investment Co., Ltd.

The Finance Bureau of Fujian Province holds 453,262,382 shares of the Company, representing 2.18% of the total share capital of the Company. The Finance Bureau of Fujian Province is a legal person of government unit and its legal representative is Lin Zhonglin. The unified social credit code is 11350000003591213N and its address is No.5 Zhongshan Road, Fuzhou.

Fujian Financial Investment Co., Ltd. holds 3,511,918,625 shares of the Company, accounting for 16.91%. Established in February 2022, its registered office is in Fuzhou and it has a registered capital of RMB100 billion. Its legal representative is Mr. Wan Chongwei and the unified social credit code is 91350000MA8UMNMH01. The business scope includes general projects: investment activities with self-owned funds; private equity investment fund management; venture capital fund management services (the operating activities are subject to the completion of the registration and filing for record in the Asset Management Association of China); asset management services for investment of self-owned funds; corporate management consulting, financial consulting; technology intermediary services; software development; information technology consulting services (except for projects that are subject to approval in accordance with the laws, the business activities should be conducted independently with the business license in accordance with the laws).

2. The People's Insurance Company (Group) of China Limited and its related parties PICC Life Insurance Company Limited and PICC Property and Casualty Company Limited hold 2,679,029,689 shares of the Company in aggregate, accounting for 12.90%. There is no pledge of the Company's shares. PICC Life Insurance Company Limited appointed directors of the Company. The People's Insurance Company (Group) of China Limited is the controlling shareholder of PICC Life Insurance Company Limited and PICC Property and Casualty Company Limited, and its controlling shareholder is the Ministry of Finance of the People's Republic of China.

The People's Insurance Company (Group) of China Limited holds 174,651,600 shares of the Company, accounting for 0.84%, and its predecessor - the People's Insurance Company of China was established in Beijing with the approval of the Government Administration Council of China in October 1949. In June 2009, according to the restructuring plan approved by the State Council, the PICC (Group) Company carried out the general conversion, in which the Ministry of Finance exclusively initiated the establishment of the People's Insurance Company (Group) of China Limited. The company has been listed on the main board of the Hong Kong Stock Exchange and the main board of the Shanghai Stock Exchange with the stock codes of "01339.HK" and "601319.SH", respectively. Its registered capital is RMB44.224 billion and the registered place is Beijing. Its legal representative is Wang Tingke and the unified social credit code is 911000001000237368. Its scope of business includes investment and holding shares in listed companies, insurance institutions and other financial institutions, supervision and management of various domestic and international businesses of holding investment companies, policy insurance business authorized or entrusted by the state, and other businesses approved by the regulatory institutes and relevant state authorities.

PICC Life Insurance Company Limited holds 1,275,639,977 shares of the Company, accounting for 6.14%. Established in November 2005, its registered office is in Beijing and it has a registered capital of RMB25.761104669 billion. Its legal representative is Xiao Jianyou and the unified social credit code is 911100007109337022. The business scope is operating the following businesses (excluding statutory insurance businesses) within the administrative area of Beijing Municipality and the provinces, autonomous regions and municipalities directly under the central government where branches have been established: life insurance, health insurance, accident insurance and other insurance businesses; reinsurance businesses of the above businesses; acting as agents of PICC Property and Casualty Company Limited and PICC Health Insurance Company Limited in their insurance businesses within the scope approved by regulators and related national departments.

PICC Property and Casualty Company Limited holds 1,228,738,112 shares of the Company, accounting for 5.91%. Established in July 2003, its registered office is in Beijing and it has a registered capital of RMB22.242765303 billion. Its legal representative is Yu Ze and the unified social credit code is 911000007109314834R. Its scope of business includes: property and casualty insurance, liability insurance, credit insurance, accidental injury insurance, short-term health insurance and surety insurance in Renminbi or foreign currencies; the re-insurance of the aforesaid insurances; reinsurance and provision of consulting services related to the businesses mentioned above; service and advisory business related to various property insurance, accidental injury insurance, short-term health insurance and re-insurance; and representing insurers in conducting relevant business; investment and capital utilization business permitted by the national laws and regulations; and other businesses authorized by national laws and regulations or approved by the national regulatory institutes.

3. China National Tobacco Corporation and its related parties Fujian Tobacco Haisheng Investment Management Co., Ltd., China Tobacco Hunan Investment Management Co., Ltd., Fujian Company of China National Tobacco Corporation, Guangdong Company of China National Tobacco Corporation and Fujian Sanhua Color Printing Co., Ltd. held 2,055,937,778 shares of the Company in aggregate, accounting for 9.90%. There is no pledge of the Company's shares. They appointed directors of the Company. Fujian Tobacco Haisheng Investment Management Co., Ltd., China Tobacco Hunan Investment Management Co., Ltd., Fujian Company of China National Tobacco Corporation, Guangdong Company of China National Tobacco Corporation and Fujian Sanhua Color Printing Co., Ltd. are subsidiaries of China National Tobacco Corporation, and the de facto controller and ultimate beneficiary of China National Tobacco Corporation is the State Council.

China National Tobacco Corporation holds 1,110,226,200 shares of the Company, accounting for 5.34%. Founded in December 1983, the company is a wholly state-owned enterprise with its registered office in Beijing. It has a registered capital of RMB57 billion, and its legal representative is Zhang Jianmin. The unified social credit code is 91100000101619881W and its business includes production, operation and import and export trading of tobacco monopoly products and operation and management of state-owned assets.

Fujian Tobacco Haisheng Investment Management Co., Ltd. holds 441,504,000 shares of the Company, accounting for 2.13%. The Company was founded in July 2005, and its registered office is in Xiamen. It has a registered capital of RMB2.64718 billion and its legal representative is He Weiming. The unified social credit code is 91350200155055188W and its businesses include investment management (except otherwise required by the laws and regulations), being entrusted to manage legally established hotels, and other business operations that do not involve prerequisite approval permission.

China Tobacco Hunan Investment Management Co., Ltd. holds 226,800,000 shares of the Company, accounting for 1.09%. The company was founded in October 2011, and its registered office is in Changsha. It has a registered capital of RMB0.2 billion and its legal representative is Xiao Bing. The unified social credit code is 91430000584926455A and its scope of business is to carry out (with its own legal funds) investment and management in printing industry, paper product manufacturing industry, plastic membrane manufacturing industry, other tobacco product manufacturing industry, industry of integrated utilization of waste, construction industry, advertising industry, cultural activities services, conferences and exhibitions and related services, manufacturing of electronic products, manufacturing of electronic cigarette, financial industry, real estate industry, agriculture, agricultural and non-staple food processing industry, pharmaceutical manufacturing industry, unit logistics management service industry; investment consulting service; conference service; supply chain management; production, processing and sales of packaging products; and paper sales.

Fujian Company of China National Tobacco Corporation holds 132,450,303 shares of the Company, accounting for 0.64%. The company was founded in November 1995, and its registered office is in Fuzhou. It has a registered capital of RMB136.537 million and its legal representative is Zhao Jiancheng. The unified social credit code is 91350000611802037L and its business scope includes the licensed projects: wholesales of tobacco monopoly products; wholesales of electronic cigarette; import of electronic cigarette, atomization material and nicotine for electronic cigarette. (Projects that are subject to approval in accordance with the laws, their operation shall only commence after obtaining approval from the relevant authorities. The specific operation projects shall be subject to the permit or license issued by relevant authorities.) and general projects: asset management service for investment of self-owned funds; investment activities with self-owned funds; and corporate management. (Except for projects that are subject to approval in accordance with the laws, the business activities should be conducted independently with the business license in accordance with the laws)

Guangdong Company of China National Tobacco Corporation holds 99,337,700 shares of the Company, accounting for 0.48%. The company was founded in August 1989, and its registered office is in Guangzhou. It has a registered capital of RMB140.339 million and its legal representative is Wang Deyuan. The unified social credit code is 91440000617400995N and its business scope includes the licensed projects: wholesales of tobacco monopoly products; acquisition of tobacco leaves; wholesales of electronic cigarette; import of electronic cigarette, atomization material and nicotine for electronic cigarette. (Projects that are subject to approval in accordance with the laws, their operation shall only commence after obtaining approval from the relevant authorities. The specific operation projects shall be subject to the permit or license issued by relevant authorities.) and general projects: tobacco planting; investment activities with self-owned funds; asset management service for investment of self-owned funds; and corporate management. (Except for projects that are subject to approval in accordance with the laws, the business activities should be conducted independently with the business license in accordance with the laws)

Fujian Sanhua Color Printing Co., Ltd. holds 45,619,575 shares of the Company, accounting for 0.22%. The company was established in December 1992, registered in Longyan with a registered capital of RMB11.699224 million, and its legal representative is Chen Beirong. The unified social credit code is 913508006112057508 and its business scope includes the production of trademarks, advertisement and other printed materials, as well as decorative design.

(V) Particulars of other substantial shareholders that should be disclosed according to the Interim Measures for the Equity Management of Commercial Banks

1. Fujian Provincial Port Group Co., Ltd. and its related party Xiamen Port Holding Group Co., Ltd. hold 601,195,832 shares of the Company in aggregate, accounting for 2.89%. There is no pledge of the Company's shares. They appointed supervisors of the Company. Fujian Provincial Port Group Co., Ltd. is the controlling shareholder of Xiamen Port Holding Group Co., Ltd., Fu Zhou Port Group Co., Ltd., Fujian Shipping Company and Fujian Provincial Communication Transportation Group Co., Ltd. Its controlling shareholder, de facto controller and ultimate beneficiary is the State-owned Assets Supervision and Administration Commission of Fujian Provincial People's Government.

Fujian Provincial Port Group Co., Ltd. holds 458,813,939 shares of the Company, accounting for 2.21%. The company was founded in August 2020, and its registered office is in Fuzhou. It has a registered capital of RMB10 billion and its legal representative is Chen Zhiping. The unified social credit code is 91350000MA34J15T19 and its main business scope includes the construction and operation of port and terminal infrastructure, development and operation of port-surrounding industrial parks; road transportation, water transportation and supporting services related to communication transportation; modern logistics and commercial trading.

Xiamen Port Holding Group Co., Ltd. holds 59,674,608 shares of the Company, accounting for 0.29%. The company was founded in November 1997, and its registered office is in Xiamen. It has a registered capital of RMB3.1 billion and its legal representative is Cai Liqun. The unified social credit code is 9135020026013542XA and its main business scope includes the construction and operation of port; water transportation and other supporting services; modern logistics and commercial trading.

Fu Zhou Port Group Co., Ltd. holds 52,474,816 shares of the Company, accounting for 0.25%. The company was founded in March 2001, and its registered office is in Fuzhou. It has a registered capital of RMB1.2043 billion and its legal representative is Chen Jianzhong. The unified social credit code is 91350105726465472K and its main business scope includes the construction and operation of ports and terminals; water transportation and other supporting services; modern logistics and commercial trading.

Fujian Shipping Company holds 24,482,469 shares of the Company, accounting for 0.12%. The company was founded in February 1986, and its registered office is in Fuzhou. It has a registered capital of RMB520 million and its legal representative is Wu Qiliang. The unified social credit code is 913500001581402490G and its main business scope includes water transportation and other supporting services.

Fujian Provincial Communication Transportation Group Co., Ltd. holds 5,750,000 shares of the Company, accounting for 0.03%. The company was founded in November 2001, and its registered office is in Fuzhou. It has a registered capital of RMB3.21993645275 billion and its legal representative is Li Xinghu. The unified social credit code is 913500007336008839G and its main business scope includes the construction and operation of port and terminal infrastructure, development and operation of port-surrounding industrial parks; road transportation, water transportation and supporting services related to communication transportation; modern logistics and commercial trading.

(VI) Related parties of substantial shareholders

The Company had treated more than 1,100 enterprises including the above-mentioned shareholders holding more than 5% of shares of the Company, other substantial shareholders and their controlling shareholders, de facto controllers, related parties, persons acting in concert and ultimate beneficiaries as the Company's related parties. As at the end of the reporting period, the balance of the outstanding credit related-party transactions amounted to RMB9.372 billion, involving 50 related parties and 241 transactions. The related party transactions between the Company and related parties of its substantial shareholder had been reported to the general meeting, the Board of Directors and the Audit and Related Party Transaction Control Committee for consideration and approval in accordance with related procedures.

Matters Regarding Preferred Shares

I. Issuance and listing of preferred shares

Unit: share

Preferred shares code	Stock abbreviation	Date of issuance	Issuing price (Yuan/share)	Dividend rate (%)	Issuance size	Date of listing	Number of shares listed	Date of delisting
360005	Xing Ye You 1	December 3, 2014	100	Note 1	130,000,000	December 19, 2014	130,000,000	None
360012	Xing Ye You 2	June 17, 2015	100	Note 2	130,000,000	July 17, 2015	130,000,000	None
360032	Xing Ye You 3	April 3, 2019	100	Note 3	300,000,000	April 26, 2019	300,000,000	None

Notes: 1. Upon the approval of the CSRC, the Company issued a tranche of 130 million preferred shares with a par value of RMB100 per share through non-public offering in December 2014. The coupon rate in the first interest cycle was 6.00%; and the coupon rate in the second interest cycle of "Xing Ye You 1" commencing from December 8, 2019 was adjusted to 5.55%.

2. The Company issued the second tranche of 130 million preferred shares with a par value of RMB100 per share through non-public offering in June 2015. The coupon rate in the first interest cycle was 5.40%; and the coupon rate in the second interest cycle of "Xing Ye You 2" commencing from June 24, 2020 was adjusted to 4.63%.

3. The Company issued the third tranche of 300 million preferred shares with a par value of RMB100 per share through non-public offering in April 2019, and the coupon rate in the first interest cycle was 4.90%.

II. Preferred shares shareholders

(I) Number of preferred shares shareholders

Unit: household

Number of preferred shares shareholder accounts as at the end of the reporting period	66
Number of preferred shares shareholder accounts as at the end of the month prior to the disclosure of the annual report	66

(II) Shareholdings of the top ten shareholders as at the end of the reporting period

Unit: share

Name of shareholders	Changes of number of shares during the reporting period	Number of shares held at the end of the reporting period	Percentage (%)	Type of shares	Pledge d or frozen shares	Nature of shareholders
Ping An Life Insurance Company of China-Dividends-Dividends for personal insurance	-	88,734,000	15.85	Domestic preferred shares	-	Others
Ping An Property and Casualty Company Limited-Traditional-Common insurance product	-	65,874,000	11.76	Domestic preferred shares	-	Others
Ping An Life Insurance Company of China-Self-owned funds	-	44,643,400	7.97	Domestic preferred shares	-	Others
Bosera Funds-ICBC-Bosera-ICBC-Flexible Allocation No. 5 Specific Multi-customer Asset Management Plan	-	25,050,000	4.47	Domestic preferred shares	-	Others
Everbright Securities Asset Management-China Everbright Bank-Everbright Securities Asset Management Xinyou No.3 Collective Asset Management Plan	-	23,849,000	4.26	Domestic preferred shares	-	Others
Ping An Life Insurance Company of China-Universal-Individual Insurance (Universal)	-	21,254,000	3.80	Domestic preferred shares	-	Others
Hwabao Trust Co., Ltd.-Hwabao Trust-Baofu Investment No.1 Collective Capital Trust Plan	-	15,457,800	2.76	Domestic preferred shares	-	Others
Jiangsu Company of China National Tobacco Corporation	-	15,000,000	2.68	Domestic preferred shares	-	State-owned legal person
Sichuan Company of China National Tobacco Corporation	-	15,000,000	2.68	Domestic preferred shares	-	State-owned legal person
Zhongwei Capital Holding Co., Ltd.	-	15,000,000	2.68	Domestic preferred shares	-	State-owned legal person
The Finance Bureau of Fujian Province	-	14,000,000	2.50	Domestic preferred shares	-	State authority
China Taiping Insurance Holdings Company Limited-Traditional-Common insurance product-022L-CT001 Hu	-	13,386,000	2.39	Domestic preferred shares	-	Others

Notes: 1. All preferred shares issued by the Company are preferred shares without selling restrictions. The shareholders hold "Xing Ye You 1", "Xing Ye You 2" and "Xing Ye You 3" at the same time, all of which were presented in consolidation.

2. The connected relationship exists among Ping An Life Insurance Company of China-Dividends-Dividends for personal insurance, Ping An Property and Casualty Company Limited-Traditional-Common insurance product, Ping An Life Insurance Company of China-Self-owned funds and Ping An Life Insurance Company of China-Universal-Individual Insurance (Universal). The connected relationship exists among Jiangsu Company of China National Tobacco Corporation, Sichuan Company of China National Tobacco Corporation, and Zhongwei Capital Holding Co., Ltd.. Apart from that, the Company is not aware of any connected relationship or concerted actions among the above shareholders.

3. As at the end of the reporting period, the Finance Bureau of Fujian Province and Fujian Financial Investment Co., Ltd., a company established and fully contributed by the Finance Bureau of Fujian Province, holds 3,965,181,007 ordinary shares of the Company in aggregate. Jiangsu Company of China National Tobacco Corporation, Sichuan Company of China National Tobacco Corporation, and Zhongwei Capital Holding Co., Ltd. are subsidiaries of China National Tobacco Corporation, which is a holder of ordinary shares of the Company. China National Tobacco Corporation and its subsidiaries jointly hold 2,055,937,778 ordinary shares of the Company. Apart from that, the Company is not aware of any connected relationship or concerted actions among the above shareholders and the top ten holders of ordinary shares.

III. Profit distribution of preferred shares

(I) Profit distribution

The dividend distribution of the preferred shares under this issuance shall be made once in each accounting year by cash payment.

The aggregate par value of the preferred shares "Xing Ye You 1" is RMB13 billion, the interest period of preferred shares for 2023 was from January 1, 2023 to December 31, 2023. The proposed dividends for 2023 are RMB722 million with an annual dividend yield of 5.55%.

The aggregate par value of the preferred shares "Xing Ye You 2" is RMB13 billion, the interest period of preferred shares for 2023 was from January 1, 2023 to December 31, 2023. The proposed dividends for 2023 are RMB602 million with an annual dividend yield of 4.63%.

The aggregate par value of the preferred shares "Xing Ye You 3" is RMB30 billion and the interest period of preferred shares for 2023 was from January 1, 2023 to December 31, 2023, and the 2023 proposed dividends are RMB1,470 million with an annual dividend yield of 4.90%.

The above distribution plans will be implemented in two months after the approval of the general meeting.

(II) Distribution amount and ratio of preferred shares of the previous three years

Unit: RMB million

Year	Amount	Ratio (%)
2023	2,793	100
2022	2,793	100
2021	2,793	100

Note: distribution ratio = announced distribution amount / agreed distribution amount for the year * 100%.

IV. During the reporting period, the Company made no repurchase of preferred shares, conversion of preferred shares into ordinary shares or restoration of voting rights of preferred shares.

V. Accounting policies adopted by the Company for the preferred shares and reasons

Pursuant to the Accounting Standard for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments, Accounting Standard for Business Enterprises No.37 – Presentation and Reporting of Financial Instrument and the Distinction between Financial Liabilities and Equity Instruments and Relevant Accounting Treatments promulgated by the Ministry of Finance of the People's Republic of China and the main terms of the issued preference shares of the Company, the Company's preferred shares meet the requirements for being accounted as an equity instrument. Therefore, the Company's issued preferred shares were accounted for as an equity instrument.

VI. Adjustments regarding the mandatory conversion price

The initial mandatory conversion price of the preferred shares under the issuance shall be the average trading price (the initial mandatory conversion price of "Xing Ye You 1" and "Xing Ye You 2" is RMB9.86/share and the initial mandatory conversion price of "Xing Ye You 3" is RMB16.50/share) of the ordinary A shares of the Company in the 20 trading days preceding the date of the resolution of the meeting of the Board at which the issuance proposal of the preferred shares was considered and approved. Following the date of the Board resolution, in the event of the issuance of bonus shares, conversion of share capital, issuance of new shares (excluding additional share capital as a result of conversion into shares of financing instruments attached with terms for conversion into ordinary shares, such as preferred shares and convertible corporate bonds, of which their share capital is increased by the conversion), rights issue, and etc., the Company shall, based on the sequence of the occurrences of the above events, undertake cumulative adjustments to the mandatory conversion prices in accordance with the specified formula.

Upon the approval of the CSRC, the Company issued 1,721,854,000 A shares in a non-public way and handled registration and lock-up procedures with the Shanghai Branch of China Securities Depository and Clearing Corporation Limited for the newly issued A shares on April 7, 2017. Calculated with the formula for adjustment of compulsory conversion price of "Xing Ye You 1" and "Xing Ye You 2" as set out in relevant terms of the Prospectus for Non-public Issuance of Domestic Preferred Shares of Industrial Bank Co., Ltd. for 2014 and the Prospectus for Non-public Issuance of Domestic Preferred Shares (Second Tranche) of Industrial Bank Co., Ltd. for 2015, upon completion of the non-public issuance of A shares by the Company, the compulsory conversion price of "Xing Ye You 1" and "Xing Ye You 2" issued by the Company was adjusted from RMB9.86/share to RMB9.80/share. For details, please refer to the Company's announcement dated April 11, 2017.

Particulars of Convertible Corporate Bonds

I. Issuance of the convertible corporate bonds

On December 31, 2021, the Company completed the issuance of A share convertible corporate bonds (hereinafter referred to as the "Convertible Bonds"). The proceeds raised was RMB50 billion and the net proceeds raised after deducting issuance costs was approximately RMB49.920 billion. The above A Share Convertible Bonds has been listed on the Shanghai Stock Exchange for trading on January 14, 2022, with the stock abbreviation of Industrial Convertible Bonds and stock code of 113052. The conversion period of Industrial Convertible Bonds shall commence from the first trading day immediately following the expiry of the six-month period after the date of completion of the issuance, and end on the maturity date, i.e. from June 30, 2022 to December 26, 2027.

II. Particulars of the holders of the convertible bonds during the reporting period

Name of convertible bondholders	Industrial Convertible Bonds
Number of the holders of the Convertible Bonds at the end of the period	151,703

Particulars of the top ten holders of the Convertible Bonds are set out below:

Name of holders	Amount of bonds held at the end of the period (RMB)	Percentage(%)
The Finance Bureau of Fujian Province	8,643,676,000	17.29
Specific accounts for bonds repurchase and pledge under the registration and settlement system (Industrial and Commercial Bank of China)	4,581,108,000	9.16
Specific accounts for bonds repurchase and pledge under the registration and settlement system (Bank of China)	3,597,460,000	7.20
Specific accounts for bonds repurchase and pledge under the registration and settlement system (China Merchants Bank Co., Ltd.)	2,375,628,000	4.75
Specific accounts for bonds repurchase and pledge under the registration and settlement system (China Minsheng Bank Corp. Ltd.)	2,091,666,000	4.18
Specific accounts for bonds repurchase and pledge under the registration and settlement system (China Construction Bank)	2,040,131,000	4.08
Specific accounts for bonds repurchase and pledge under the registration and settlement system (Agricultural Bank of China)	1,434,536,000	2.87
Specific accounts for bonds repurchase and pledge under the registration and settlement system (CITIC Securities Company Limited)	1,150,869,000	2.30
Specific accounts for bonds repurchase and pledge under the registration and settlement system (Bank of Beijing Co., Ltd.)	904,090,000	1.81
Specific accounts for bonds repurchase and pledge under the registration and settlement system (China Galaxy Securities Co., Ltd.)	877,432,000	1.75

III. Changes in the convertible bonds during the reporting period

Unit: RMB

Name of convertible corporate bonds	Before the change (December 31, 2022)	Increase/decrease			After the change (December 31, 2023)
		Conversion	Conversion	Put-back	
Industrial Convertible Bonds	49,998,464,000	(940,000)	0	0	49,997,524,000

IV. Accumulated conversion of convertible corporate bonds during the reporting period

Name of convertible corporate bonds	Industrial Convertible Bonds
Amount of conversion during the reporting period (RMB Yuan)	940,000
Number of converted shares during the reporting period (share)	38,950
Accumulated converted shares (share)	101,127
Proportion of accumulated converted shares to the total issued shares of the Company before conversion (%)	0.00049
Amount of unconverted Convertible Bonds (RMB Yuan)	49,997,524,000
Proportion of unconverted convertible bonds to the total issued convertible bonds (%)	99.99505

V. Previous adjustments of conversion price

Unit: RMB

Name of convertible corporate bonds				Industrial Convertible Bonds
Latest conversion price at the end of reporting period				23.29
Effective date of adjusted conversion price	**Adjusted conversion price**	**Disclosure date**	**Disclosure media**	**Reasons of adjustments**
June 16, 2022	24.48	June 9, 2022	China Securities Journal, Shanghai Securities News, Security Times, Securities Daily and the websites of the Shanghai Stock Exchange and the Company	Adjust conversion price as a result of the implementation of distribution of profit of ordinary A shares of 2021
June 19, 2023	23.29	June 13, 2023	China Securities Journal, Shanghai Securities News, Security Times, Securities Daily and the websites of the Shanghai Stock Exchange and the Company	Adjust conversion price as a result of the implementation of distribution of profit of ordinary A shares of 2022

VI. The Company's outstanding debts, creditworthiness and availability of cash for repayment of debts in future years

In accordance with the relevant provisions in the Administration Measures on the Issuance of Securities by Listed Companies, the Administrative Measures on the Issuance and Transaction of Corporate Bonds and the Rules Governing the Listing of Stocks on Shanghai Stock Exchange, the Company entrusted a credit rating agency Shanghai Brilliance Credit Rating & Investors Service Co., Ltd. (hereinafter referred to as "Shanghai Brilliance") to track credit rating for the Convertible Bonds issued by the Company. Shanghai Brilliance issued the Report on Tracking Credit Rating of Industrial Bank Co., Ltd. and its Public Offering of Bonds Issued on May 15, 2023, and the rating results were as follows: the corporate credit rating of the Company maintained AAA with a stable outlook, and the credit rating of the Convertible Bonds remained AAA. The Company's operations are stable in all aspects with reasonable asset structure, and the liabilities situation has not changed significantly, and the credit status is good. The Company's cash sources for debt repayment in the coming years mainly include cash inflows from income from the normal business operations of the Company and realization of current assets.

Financial Statements

The Company's financial statements for Year 2023 have been audited by KPMG Huazhen and signed by certified public accountants Chen Sijie and Wu Zhongming, who have issued an auditor's report with unqualified opinion. For full text of the financial statements, please refer to the appendix.

Documents Available for Inspection

I. Financial statements bearing the signatures and seals of the Company's legal representative, president and person in charge of the accounting body.

II. Original auditors' report bearing the seal of the accounting firm and personally signed and sealed by certified public accountants.

III. All the original documents and announcements publicized by the Company during the reporting period.

Board of Directors of Industrial Bank Co., Ltd.

March 28, 2024

Contents

AUDITOR'S REPORT

KPMG Huazhen Shen Zi No.2403668

To the shareholders of Industrial Bank Co., Ltd.:

Opinion

We have audited the accompanying financial statements of Industrial Bank Co., Ltd. (the "Bank"), which comprise the consolidated and Bank's balance sheets as at 31 December 2023, the consolidated and Bank's income statements, the consolidated and Bank's cash flow statements, the consolidated and Bank's statements of changes in shareholders' equity for the year then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and Bank's financial position as at 31 December 2023, and the consolidated and Bank's financial performance and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises (CAS) issued by the Ministry of Finance (MOF) of the People's Republic of China.

Basis for Opinion

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

Key Audit Matters

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

AUDITOR'S REPORT (continued)

The determination of allowance for impairment losses on loans and advances to customers and debt investments

Refer to the accounting policies set out in the notes to the financial statements "IV. Significant accounting policies and accounting estimates" 7.6 and "VII. Notes to the consolidated financial statements" 6 and 7.2.

The Key Audit Matter	How the matter was addressed in our audit
The determination of allowance for impairment losses on loans and advances to customers and debt investments using the expected credit loss model is subject to a number of key parameters and assumptions, including the identification of loss stages, estimates of probability of default, loss given default, exposures at default and discount rate, adjustments for forward-looking information and other adjustment factors. Management judgment is involved in the selection of those parameters and the application of the assumptions. In particular, the determination of expected credit loss model is heavily dependent on the external macro environment and the Bank's internal credit risk management strategy. The expected credit losses for corporate loans and debt investments are derived from estimates including the historical losses, internal and external credit grading and other adjustment factors. The expected credit losses for personal loans and advances are derived from estimates whereby management takes into consideration historical overdue data, the historical loss experience for personal loans and other adjustment factors. Management also exercises judgement in determining the quantum of loss given default based on a range of factors. These include available remedies for recovery, the financial situation of the borrower, the recoverable amount of collateral, the seniority of the claim and the existence and cooperativeness of other creditors. Management refers to valuation reports issued by qualified third-party valuers and considers the influence of various factors including the market price, location and usage when assessing the value of property held as collateral. The enforceability, timing and means of realisation of collateral can also have an impact on the recoverable amount of collateral. We identified the impairment of loans and advances to customers and debt investments as a key audit matter because of the inherent uncertainty and management judgment involved and because of its significance to the financial results and capital of the Bank.	Our audit procedures to assess allowance for impairment losses on loans and advances to customers and debt investments included the following: • understanding and assessing the design, implementation and operating effectiveness of key internal controls of financial reporting over the approval, recording and monitoring of loans and advances to customers or debt investments, the credit grading process and the measurement of allowances for impairment; • involving our IT specialists to assess the design and operating effectiveness of information system controls, including general information technology controls, completeness of automatically extracted key internal historical data, data transmission between systems, mapping of parameters of expected credit loss model, and logic settings for system calculation of allowance for impairment losses for expected credit loss; • with the assistance of our internal specialists in financial risk management, assessing the reliability of the expected credit loss model used by management in determining allowance for impairment losses, and assessing the appropriateness of the key parameters and assumptions in the expected credit loss model, including the identification of loss stages, probability of default, loss given default, exposure at default, discount rate, adjustments for forward-looking information and other management adjustments; • assessing the completeness and accuracy of data used for the key parameters in the expected credit loss model. For key parameters derived from internal data relating to original loan agreements, we compared the total balance of the loan and financial assets list used by management to assess the allowances for impairment with the general ledger, selecting samples and comparing individual loan and financial assets information with the underlying agreements and other related documentation to assess the accuracy of the compilation of the loan and financial assets list. For key parameters derived from external data, we selected samples to inspect the accuracy of such data by comparing them with public resources; • for key parameters involving judgement, critically assessing input parameters by seeking evidence from external sources and comparing to the Bank's internal records including historical loss experience and type of collateral. As part of these procedures, we inquired about reasons for management's revisions to estimates and input parameters compared with prior periods and considered the consistency of judgement. We compared the economic factors used in the models with market information to assess whether they were aligned with market and economic development; • for key internal data generated by the system, we selected samples and checked the system input data against source documents to assess the accuracy of the system input data, and tested the logic for preparing information about overdue loans and advances based on the samples and with the help of our IT specialists;

The determination of allowance for impairment losses on loans and advances to customers and debt investments (continued)

Refer to the accounting policies set out in the notes to the financial statements "IV. Significant accounting policies and accounting estimates" 7.6 and "VII. Notes to the consolidated financial statements" 6 and 7.2.

The Key Audit Matter	How the matter was addressed in our audit
	• evaluating the reasonableness of the management's judgment as to whether the credit risk of loans and advances to customers or debt investments has increased significantly since the initial recognition and whether the credit impairment has occurred by selecting a risk-based sample for credit review. We analysed the loan portfolio by industry sector to select samples for credit review in industries more vulnerable to the current economic situation. We also selected samples based on other risk criteria, including but not limited to borrowers with adverse press coverage and from the Bank's overdue report; Based on the selected samples, we checked information about overdue loans, learned about the borrowers' credit risk profile, made enquiries to the credit managers about the borrowers' business operations, checked the borrowers' financial information, and researched market information related to the borrowers' business. • performing credit review procedures on the samples of corporate loans and advances and debt investments selected in accordance with the aforesaid criteria, to assess the appropriateness of the loss given default (LGD) of the credit-impaired corporate loans and advances and debt investments; assessing the rationality of estimated recoverable cash flow through inquiries, professional judgements, independent queries, etc.; evaluating the management's assessment of the value of any collateral held, comparing the management's valuation of the collaterals to their market prices, evaluating the timing and means of realisation of the collaterals, and considering other sources of repayment asserted by the management; assessing the consistency in the application of key assumptions by the management and comparing them with our data sources. • selecting samples to check the expected credit loss calculation, so as to comment on the Bank's application of the expected credit loss model; and • evaluating whether the disclosure related to allowance for impairment losses on loans and advances to customers and debt investments meets the disclosure requirements of the revised CAS 37 - Presentation of Financial Instruments.

Recognition of interests in and consolidation of structured entities

Refer to the accounting policies set out in the notes to the financial statements "IV. Significant accounting policies and accounting estimates" 4, "VI. Consolidation scope" 2 and "VII. Notes to the consolidated financial statements" 45. Structured entities

The Key Audit Matter	How the matter was addressed in our audit
Structured entities are generally created to achieve a narrow and well-defined objective with restrictions around their ongoing activities. The Bank may acquire or retain an ownership interest in, or act as a sponsor to, a structured entity by issuing a wealth management product, an investment fund, an asset management plan, a trust plan or an asset-backed security. In determining whether a structured entity is required to be consolidated by the Bank, the management is required to consider the power the Bank is able to exercise over the activities of the entity, the variable returns to which the Bank has rights from its involvement with the structured entity, and its ability to influence its own variable returns from the entity. These factors are not purely quantitative and the substance of the transaction needs to be considered collectively. We identified the recognition of interests in and consolidation of structured entities as a key audit matter because some of these structured entities were complex in nature and judgement was required when the Bank performed a qualitative assessment of terms and transaction substance for each structured entity.	Our audit procedures to assess the consolidation of structured entities and recognition of their entitlement rights included the following: •making enquiries of management and inspecting documents relating to the judgement process over whether a structured entity is consolidated or not to assess the design, implementation and operating effectiveness of internal controls; •performing the following procedures for structured entities on a sample basis: -inspecting selected contracts, internal establishment documents and information disclosed to the investors to understand the purpose of the establishment of the structured entities and the involvement the Bank has with the structured entities and to assess management's judgement over whether the Bank has the ability to exercise power over the structured entities; -inspecting the risk and reward structure of the structured entities, including any capital or return guarantee, provision of liquidity support, commission paid and distribution of the returns, to assess management's judgement as to exposure, or rights, to variable returns from the Bank's involvement in such entities; -evaluating management's analyses of the structured entities including qualitative analyses and calculations of the magnitude and variability associated with the Bank's economic interests in the structured entities to assess management's judgement over the Bank's ability to influence its returns from the structured entities; -assessing management's judgement over whether the structured entities should be consolidated or not; and •assessing the disclosures in the consolidated financial statements in relation to structured entities with reference to the requirements of the prevailing accounting standards.

Fair value of financial instruments

Refer to "IV. Significant accounting policies and accounting estimates" 7 and "XI. Financial risk management" 7. Fair value of financial instruments set out in the notes to the financial statements.

The Key Audit Matter	How the matter was addressed in our audit
Financial instruments carried at fair value account for a significant part of the Bank's assets and liabilities. The effect of fair value adjustments of financial instruments may impact either the profit or loss or other comprehensive income. The valuation of the Bank's financial instruments, held at fair value, is based on a combination of market data and valuation models which often require a considerable number of inputs. Many of these inputs are obtained from readily available data, in particular for level 1 and level 2 financial instruments in the fair value hierarchy, the valuation techniques for which use quoted market prices and observable inputs, respectively. Where such observable data is not readily available for valuation techniques, as in the case of level 3 financial instruments, estimates need to be developed which can involve significant management judgement. The Bank has developed its own models to value certain level 2 and level 3 financial instruments, which also involves significant management judgement. We identified assessing the fair value of financial instruments as a key audit matter because of the degree of complexity involved in valuing certain financial instruments and the degree of judgement exercised by management in determining the inputs used in the valuation models.	Our audit procedures to assess the fair value of financial instruments included the following: • assessing the design, implementation and operating effectiveness of key internal controls over the valuation, independent price verification, front office and back office reconciliations and model approval for financial instruments; • assessing the level 1 fair values, on a sample basis, by comparing the fair values applied by the Bank with publicly available market data; • engaging our internal valuation specialists to assist us in performing independent valuations, on a sample basis, of level 2 and level 3 financial instruments and comparing our valuations with the Bank's valuations. Our procedures included developing parallel models, obtaining inputs independently and verifying the inputs; • assessing the appropriate application of fair value adjustments that form an integral part of fair values, inquiring of management about any changes in the fair value adjustments methodology and assessing the appropriateness of the inputs applied; and • assessing whether the financial statement disclosures appropriately reflected the Bank's exposure to financial instrument valuation risk with reference to the requirements of the related financial reporting standards.

Other Information

The Bank's management is responsible for the other information. The other information comprises all the information included in 2023 annual report of the Bank, other than the financial statements and our auditor's report thereon.

Our opinion on the 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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 Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Accounting Standards for Business Enterprises, and for the design, implementation and maintenance of such internal control necessary to enable that the financial statements are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's 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 Bank'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 financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation (including disclosure), structure and content of the financial statements, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Bank to express an opinion on the 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 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 communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the 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.

KPMG Huazhen LLP

Certified Public Accountants
Registered in the People's Republic of China
Chen Sijie (Engagement Partner)

Beijing, China

Wu Zhongming

28 March 2024

The Consolidated and Bank's Balance Sheets

As at 31 December 2023 *(Expressed in millions of Renminbi, unless otherwise stated)*

		The Group		The Bank	
	Note VII	2023	2022	2023	2022
Assets					
Cash and balances with Central Bank	1	**418,569**	442,403	**418,523**	442,392
Deposits with banks and other financial institutions	2	**185,906**	94,114	**179,512**	87,068
Precious metals		**5,669**	113	**5,669**	113
Placements with banks and other financial institutions	3	**363,172**	352,043	**381,663**	372,137
Derivative financial assets	4	**43,679**	35,253	**43,675**	35,252
Financial assets purchased under resale agreements	5	**200,065**	56,537	**199,148**	56,006
Loans and advances to customers	6	**5,333,483**	4,869,879	**5,256,003**	4,804,006
Financial investments:	7				
Trading assets	7.1	**957,708**	999,855	**894,921**	933,931
Debt investments	7.2	**1,801,346**	1,607,026	**1,791,706**	1,595,755
Other debt investments	7.3	**572,585**	548,007	**568,979**	548,000
Other equity investments	7.4	**3,836**	3,453	**3,255**	2,873
Finance lease receivables	8	**114,677**	107,224	**-**	-
Long-term equity investments	9	**3,872**	4,046	**23,946**	24,117
Fixed assets	10	**28,867**	28,571	**22,816**	22,528
Construction in progress	11	**1,970**	2,571	**1,964**	2,558
Right-of-use assets	12	**9,863**	9,566	**8,678**	8,674
Intangible assets		**1,087**	986	**976**	900
Goodwill	13	**532**	532	**-**	-
Deferred tax assets	14	**58,046**	54,873	**52,943**	50,480
Other assets	15	**53,394**	49,619	**40,061**	40,301
Total assets		**10,158,326**	9,266,671	**9,894,438**	9,027,091

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

The Consolidated and Bank's Balance Sheets (continued)

As at 31 December 2023 *(Expressed in millions of Renminbi, unless otherwise stated)*

		The Group		The Bank	
	Note VII	2023	2022	2023	2022
Liabilities and Shareholders' equity					
Liabilities					
Borrowing from Central Bank		**307,064**	94,621	**307,064**	94,621
Deposits from banks and other financial institutions	16	**1,852,978**	1,628,254	**1,862,857**	1,639,966
Placements from banks and other financial institutions	17	**349,494**	277,268	**202,010**	146,133
Trading liabilities	18	**12,946**	49,578	**12,665**	49,218
Derivative financial liabilities	4	**43,279**	34,967	**43,277**	34,956
Financial assets sold under repurchase agreements	19	**416,568**	353,626	**399,635**	335,015
Deposits from customers	20	**5,217,064**	4,788,754	**5,218,520**	4,789,661
Employee benefits payable	21	**33,300**	30,395	**31,032**	27,676
Tax payable	22	**6,423**	13,122	**5,491**	11,778
Provisions	23	**6,344**	7,050	**6,239**	7,048
Debt securities issued	24	**1,029,525**	1,158,007	**1,002,493**	1,135,534
Lease liabilities	25	**9,659**	9,296	**8,662**	8,622
Deferred tax liabilities	14	**179**	348	**-**	-
Other liabilities	26	**65,784**	64,087	**40,722**	37,535
Total liabilities		**9,350,607**	8,509,373	**9,140,667**	8,317,763
Shareholders' equity					
Share capital	27	**20,774**	20,774	**20,774**	20,774
Other equity instruments	28	**88,960**	88,960	**88,960**	88,960
Including: Preference shares		**55,842**	55,842	**55,842**	55,842
Perpetual bonds		**29,960**	29,960	**29,960**	29,960
Equity component of convertible corporate bonds		**3,158**	3,158	**3,158**	3,158
Capital reserve	29	**74,759**	74,909	**75,111**	75,261
Other comprehensive income	41	**1,239**	(724)	**1,204**	(736)
Surplus reserve	30	**10,684**	10,684	**10,684**	10,684
General reserve	31	**120,118**	108,957	**110,523**	99,952
Retained earnings	32	**479,690**	442,627	**446,515**	414,433
Equity attributable to shareholders of the Bank		**796,224**	746,187	**753,771**	709,328
Non-controlling interests		**11,495**	11,111	**-**	-
Total shareholders' equity		**807,719**	757,298	**753,771**	709,328
Total liabilities and shareholders' equity		**10,158,326**	9,266,671	**9,894,438**	9,027,091

The financial statements were approved by the Board of Directors of the Bank on 28 March 2024.

Lyu Jiajin	Chen Xinjian	Lin Shu
Chairman of the Board Legal Representative	President Financial Director	Person in-charge of the Accounting Body

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

The Consolidated and Bank's Income Statements

For the year ended 31 December 2023 *(Expressed in millions of Renminbi, unless otherwise stated)*

		The Group		The Bank	
	Note VII	2023	2022	2023	2022
I. Operating income		**210,831**	222,374	**191,123**	201,277
Net interest income	33	**146,503**	145,273	**131,801**	132,477
Interest income	33	**349,079**	328,746	**329,271**	310,881
Interest expense	33	**(202,576)**	(183,473)	**(197,470)**	(178,404)
Net fee and commission income	34	**27,755**	45,041	**23,208**	38,658
Fee and commission income	34	**33,119**	49,462	**28,242**	44,663
Fee and commission expense	34	**(5,364)**	(4,421)	**(5,034)**	(6,005)
Investment income	35	**30,699**	30,222	**29,771**	29,395
Including: Income from joint ventures and associates		**18**	190	**9**	190
Income from derecognition of financial assets at amortised cost		**4,216**	4,584	**4,213**	4,527
Gains (Losses) from changes in fair values	36	**4,139**	(631)	**5,585**	(823)
Foreign exchange gains		**421**	1,292	**412**	1,249
Income (Losses) from asset disposal		**20**	9	**16**	10
Other income		**652**	483	**105**	110
Other operating income		**642**	685	**225**	201
II. Operating expenses		**(126,691)**	(116,212)	**(115,082)**	(104,255)
Taxes and surcharges	37	**(2,319)**	(2,278)	**(2,060)**	(2,071)
General and administrative expenses	38	**(62,608)**	(64,843)	**(58,711)**	(60,347)
Credit impairment losses	39	**(60,974)**	(48,592)	**(53,871)**	(41,350)
Impairment losses on other assets		**(204)**	(28)	**(12)**	(28)
Other operating expenses		**(586)**	(471)	**(428)**	(459)
III. Operating profit		**84,140**	106,162	**76,041**	97,022
Add: Non-operating income		**328**	227	**253**	176
Less: Non-operating expenses		**(139)**	(168)	**(106)**	(156)
IV. Total profit		**84,329**	106,221	**76,188**	97,042
Less: Income tax expenses	40	**(6,675)**	(13,807)	**(4,643)**	(10,985)
V. Net profit		**77,654**	92,414	**71,545**	86,057

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

The Consolidated and Bank's Income Statements (continued)

For the year ended 31 December 2023 *(Expressed in millions of Renminbi, unless otherwise stated)*

	Note VII	The Group 2023	The Group 2022	The Bank 2023	The Bank 2022
V. Net profit (continued)		**77,654**	92,414	**71,545**	86,057
1. Categorised by continuity of operation					
(1) Net profit from continuing operations		**77,654**	92,414	**71,545**	86,057
(2) Net profit from discontinued operations		**-**	-	**-**	-
2. Categorised by ownership					
(1) Attributable to shareholders of the Bank		**77,116**	91,377	**71,545**	86,057
(2) Non-controlling interests		**538**	1,037	**-**	-
VI. Other comprehensive income, net of tax	41	**1,964**	(3,587)	**1,940**	(3,588)
Other comprehensive income attributable to shareholders of the Bank		**1,963**	(3,583)	**1,940**	(3,588)
1. Items that may be reclassified subsequently to profit or loss					
(1) Changes in fair value of other debt investments		**3,426**	(4,519)	**3,349**	(4,514)
(2) Credit losses on other debt investments		**(1,369)**	1,212	**(1,311)**	1,217
(3) Translation differences of financial statements denominated in foreign currencies		**4**	15	**-**	-
(4) Other comprehensive income recognised under equity method		**-**	-	**-**	-
2. Items that will not be reclassified subsequently to profit or loss:					
(1) Actuarial profits on defined benefit plans		**(67)**	(145)	**(67)**	(145)
(2) Changes in fair value of other equity investments		**(31)**	(146)	**(31)**	(146)
Other comprehensive income attributable to non-controlling interests		**1**	(4)	**-**	-
VII. Total comprehensive income		**79,618**	88,827	**73,485**	82,469
Total comprehensive income attributable to shareholders of the Bank		**79,079**	87,794	**73,485**	82,469
Non-controlling interests		**539**	1,033	**-**	-
VIII. Earnings per share (expressed in RMB)					
Basic earnings per share	42	**3.51**	4.20		
Diluted earnings per share	42	**3.24**	3.87		

The financial statements were approved by the Board of Directors of the Bank on 28 March 2024.

Lyu Jiajin	Chen Xinjian	Lin Shu
Chairman of the Board	President	Person in-charge of the Accounting Body
Legal Representative	Financial Director	

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

The Consolidated and Bank's Cash Flow Statements

For the year ended 31 December 2023 *(Expressed in millions of Renminbi, unless otherwise stated)*

	Note VII	The Group 2023	The Group 2022	The Bank 2023	The Bank 2022
I. Cash flows from operating activities:					
Net decrease in financial assets held for trading		**29,330**	-	**27,615**	-
Net increase in borrowing from central bank		**209,486**	-	**209,486**	-
Net increase in deposits from customers and deposits from banks and other financial institutions		**621,844**	343,310	**623,024**	345,957
Net increase in placements from banks and other financial institutions and financial assets sold under repurchase agreements		**79,460**	191,044	**64,625**	173,768
Cash receipts from interest, fee and commission		**316,330**	316,089	**293,292**	293,839
Other cash receipts relating to operating activities		**20,171**	10,879	**20,084**	8,122
Subtotal of cash inflows from operating activities		**1,276,621**	861,322	**1,238,126**	821,686
Net increase in balances with Central Bank and deposits with banks and other financial institutions		**(5,318)**	(5,047)	**(4,306)**	(5,844)
Net increase in placements with banks and other financial institutions and financial assets purchased under resale agreements		**(46,175)**	(41,487)	**(41,139)**	(48,527)
Net increase in loans and advances to customers		**(527,710)**	(596,645)	**(510,006)**	(574,241)
Net increase in financial assets held for trading		**-**	(326,717)	**-**	(322,129)
Net increase in finance lease receivables		**(8,964)**	(4,445)	**-**	-
Net decrease in borrowing from Central Bank		**-**	(705)	**-**	(705)
Cash payments to interest, fee and commission		**(145,482)**	(148,689)	**(140,697)**	(146,370)
Cash payments to and on behalf of employees		**(35,160)**	(32,584)	**(31,379)**	(28,778)
Cash payments of various types of taxes		**(34,260)**	(35,151)	**(30,677)**	(31,592)
Other cash payments relating to operating activities		**(39,935)**	(14,439)	**(39,630)**	(17,634)
Subtotal of cash outflows from operating activities		**(843,004)**	(1,205,909)	**(797,834)**	(1,175,820)
Net cash flows generated from (used in) operating activities	43.1	**433,617**	(344,587)	**440,292**	(354,134)
II. Cash flows from investing activities:					
Cash receipts from recovery of investments		**2,781,613**	2,647,595	**2,741,670**	2,621,774
Cash receipts from investment income		**113,152**	105,951	**110,734**	103,943
Cash receipts from disposals of fixed assets, intangible assets and other long-term assets		**680**	68	**71**	67
Subtotal of cash inflows from investing activities		**2,895,445**	2,753,614	**2,852,475**	2,725,784
Cash payments to acquire investments		**(3,007,439)**	(2,749,757)	**(2,964,441)**	(2,720,858)
Cash payments to acquire fixed assets, intangible assets and other long-term assets		**(4,907)**	(5,916)	**(3,381)**	(4,770)
Subtotal of cash outflows from investing activities		**(3,012,346)**	(2,755,673)	**(2,967,822)**	(2,725,628)
Net cash flows (used in) generated from investing activities		**(116,901)**	(2,059)	**(115,347)**	156

	Note VII	The Group		The Bank	
		2023	2022	2023	2022
III. Cash flows from financing activities:					
Proceeds from issuance of bonds		**1,241,328**	1,142,354	**1,228,171**	1,140,254
Subtotal of cash inflows from financing activities		**1,241,328**	1,142,354	**1,228,171**	1,140,254
Cash repayments of borrowings		**(1,369,920)**	(1,111,663)	**(1,362,371)**	(1,101,498)
Cash payments for distribution of dividends or profits or settlement of interest expenses		**(59,146)**	(50,658)	**(57,082)**	(49,364)
Including: Dividends paid to non-controlling shareholders of subsidiaries		**(81)**	(5)	**-**	-
Other cash payments relating to financing activities		**(3,217)**	(2,281)	**(3,029)**	(2,251)
Subtotal of cash outflows from financing activities		**(1,432,283)**	(1,164,602)	**(1,422,482)**	(1,153,113)
Net cash flows used in financing activities		**(190,955)**	(22,248)	**(194,311)**	(12,859)
IV. Effect of foreign exchange rate changes on cash and cash equivalents		**660**	4,842	**654**	4,838
V. Net increase/(decrease) in cash and cash equivalents	43.1	**126,421**	(364,052)	**131,288**	(361,999)
Add: Opening balance of cash and cash equivalents		**404,856**	768,908	**398,084**	760,083
VI. Closing balance of cash and cash equivalents	43.2	**531,277**	404,856	**529,372**	398,084

The financial statements were approved by the Board of Directors of the Bank on 28 March 2024.

Lyu Jiajin	Chen Xinjian	Lin Shu
Chairman of the Board	President	Person in-charge of the Accounting Body
Legal Representative	Financial Director	

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

The Consolidated Statement of Changes In Shareholders' Equity

For the year ended 31 December 2023

(Expressed in millions of Renminbi, unless otherwise stated)

	Attributable to shareholders of the Bank									
	Note VII	Share capital	Other equity instruments	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Non-controlling interests	Total
I. Balance at 1 January 2023		**20,774**	**88,960**	**74,909**	**(724)**	**10,684**	**108,957**	**442,627**	**11,111**	**757,298**
II. Changes for the year										
(I) Net profit		-	-	-	-	-	-	**77,116**	**538**	**77,654**
(II) Other comprehensive income	41	-	-	-	**1,963**	-	-	-	**1**	**1,964**
Subtotal of (I) and (II)		-	-	-	**1,963**	-	-	**77,116**	**539**	**79,618**
(III) Capital contribution from shareholders		-	-	**1**	-	-	-	-	-	**1**
Conversion of equity from convertible corporate bonds	29	-	-	**1**	-	-	-	-	-	**1**
(IV) Profit distribution		-	-	-	-	-	**11,161**	**(40,053)**	**(155)**	**(29,047)**
1. Appropriation to general reserve	31	-	-	-	-	-	**11,161**	**(11,161)**	-	-
2. Dividends paid to ordinary shareholders	32	-	-	-	-	-	-	**(24,680)**	**(81)**	**(24,761)**
3. Dividends paid to preference shareholders	32	-	-	-	-	-	-	**(2,793)**	-	**(2,793)**
4. Distribution to perpetual debt holders	32	-	-	-	-	-	-	**(1,419)**	**(74)**	**(1,493)**
(V) Other		-	-	**(151)**	-	-	-	-	-	**(151)**
Passive dilution under equity method	29	-	-	**(151)**	-	-	-	-	-	**(151)**
III. Balance at 31 December 2023		**20,774**	**88,960**	**74,759**	**1,239**	**10,684**	**120,118**	**479,690**	**11,495**	**807,719**

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

The Consolidated Statement of Changes In Shareholders' Equity (continued)

For the year ended 31 December 2022

(Expressed in millions of Renminbi, unless otherwise stated)

		Attributable to shareholders of the Bank								
	Note VII	Share capital	Other equity instruments	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Non-controlling interests	Total
I. Balance at 1 January 2022		20,774	88,960	74,914	2,859	10,684	97,944	387,976	10,187	694,298
II. Changes for the year										
(I) Net profit		-	-	-	-	-	-	91,377	1,037	92,414
(II) Other comprehensive income	41	-	-	-	(3,583)	-	-	-	(4)	(3,587)
Subtotal of (I) and (II)		-	-	-	(3,583)	-	-	91,377	1,033	88,827
(III) Capital contribution from shareholders		-	-	(5)	-	-	-	-	-	(5)
1. Conversion of equity from convertible corporate bonds	29	-	-	1	-	-	-	-	-	1
2. Capital injection by other equity instruments shareholders		-	-	-	-	-	-	-	1,994	1,994
3. Repayment of capital of holders of other equity instruments		-	-	(6)	-	-	-	-	(1,994)	(2,000)
(IV) Profit distribution		-	-	-	-	-	11,013	(36,726)	(109)	(25,822)
1. Appropriation to general reserve	31	-	-	-	-	-	11,013	(11,013)	-	-
2. Dividends paid to ordinary shareholders	32	-	-	-	-	-	-	(21,501)	(5)	(21,506)
3. Dividends paid to preference shareholders	32	-	-	-	-	-	-	(2,793)	-	(2,793)
4. Distribution to perpetual debt holders	32	-	-	-	-	-	-	(1,419)	(104)	(1,523)
III. Balance at 31 December 2022		20,774	88,960	74,909	(724)	10,684	108,957	442,627	11,111	757,298

The financial statements were approved by the Board of Directors of the Bank on 28 March 2024.

Lyu Jiajin	Chen Xinjian	Lin Shu
Chairman of the Board	President	Person in-charge of the Accounting Body
Legal Representative	Financial Director	

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

The Bank's Statement of Changes In Shareholders' Equity

For the year ended 31 December 2023

(Expressed in millions of Renminbi, unless otherwise stated)

	Note VII	Share capital	Other equity instruments	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Total
I. Balance at 1 January 2023		**20,774**	**88,960**	**75,261**	**(736)**	**10,684**	**99,952**	**414,433**	**709,328**
II. Changes for the year									
(I) Net profit		-	-	-	-	-	-	**71,545**	**71,545**
(II) Other comprehensive income	41	-	-	-	**1,940**	-	-	-	**1,940**
Subtotal of (I) and (II)		-	-	-	**1,940**	-	-	**71,545**	**73,485**
(III) Capital contribution from shareholders		-	-	**1**	-	-	-	-	**1**
Conversion of equity from convertible corporate bonds	29	-	-	**1**	-	-	-	-	**1**
(IV) Profit distribution		-	-	-	-	-	**10,571**	**(39,463)**	**(28,892)**
1. Appropriation to general reserve	31	-	-	-	-	-	**10,571**	**(10,571)**	-
2. Dividends paid to ordinary shareholders	32	-	-	-	-	-	-	**(24,680)**	**(24,680)**
3. Dividends paid to preference shareholders	32	-	-	-	-	-	-	**(2,793)**	**(2,793)**
4. Distribution to perpetual debt holders	32	-	-	-	-	-	-	**(1,419)**	**(1,419)**
(V) Other		-	-	**(151)**	-	-	-	-	**(151)**
Passive dilution under equity method	29	-	-	**(151)**	-	-	-	-	**(151)**
III. Balance at 31 December 2023		**20,774**	**88,960**	**75,111**	**1,204**	**10,684**	**110,523**	**446,515**	**753,771**

The financial statements were approved by the Board of Directors of the Bank on 28 March 2024.

The Bank's Statement of Changes In Shareholders' Equity (continued)

For the year ended 31 December 2022

(Expressed in millions of Renminbi, unless otherwise stated)

	Note VII	Share capital	Other equity instruments	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Total
I. Balance at 1 January 2022		20,774	88,960	75,260	2,852	10,684	91,176	362,865	652,571
II. Changes for the year									
(I) Net profit		-	-	-	-	-	-	86,057	86,057
(II) Other comprehensive income	41	-	-	-	(3,588)	-	-	-	(3,588)
Subtotal of (I) and (II)		-	-	-	(3,588)	-	-	86,057	82,469
(III) Capital contribution from shareholders		-	-	1	-	-	-	-	1
Conversion of equity from convertible corporate bonds	29	-	-	1	-	-	-	-	1
(IV) Profit distribution		-	-	-	-	-	8,776	(34,489)	(25,713)
1. Appropriation to general reserve	31	-	-	-	-	-	8,776	(8,776)	-
2. Dividends paid to ordinary shareholders	32	-	-	-	-	-	-	(21,501)	(21,501)
3. Dividends paid to preference shareholders	32	-	-	-	-	-	-	(2,793)	(2,793)
4. Distribution to perpetual debt holders	32	-	-	-	-	-	-	(1,419)	(1,419)
III. Balance at 31 December 2022		20,774	88,960	75,261	(736)	10,684	99,952	414,433	709,328

The financial statements were approved by the Board of Directors of the Bank on 28 March 2024.

Lyu Jiajin	Chen Xinjian	Lin Shu
Chairman of the Board Legal Representative	President Financial Director	Person in-charge of the Accounting Body

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

Notes to the Consolidated Financial Statements

I. General information

Industrial Bank Co., Ltd. (hereinafter referred to as "the Bank") which was referred to as Fujian Industrial Bank Co., Ltd. previously, is a stock commercial bank approved by the People's Bank of China (the "PBOC"), with the document YF [1988] No.347 issued on 20 July 1988, in accordance with the Application by Fujian Province for Deepening Reform and Opening and Accelerating the Development of Export-oriented Economy (GH [1988] No.58) approved by the State Council. The Bank started trading on Shanghai Stock Exchange on 5 February 2007 with the stock code 601166.

The Bank holds the license for carrying out financial activities issued by The National Financial Regulatory Administration (the "NFRA"), formerly known as China Banking Regulatory Commission (the "CBIRC"), with the license number No.B0013H135010001; and the Business License of Enterprise Legal Person issued by Fujian Provincial Administration for Industry and Commerce with uniform social credit code of 91350000158142711F. The Bank's registered address is Industrial Bank Tower, 398 Middle Jiangbin Blvd., Taijiang District, Fuzhou, Fujian Province, the PRC. Lv Jiajin was delegated the duties of legal representative.

The principal activities of the Bank comprise the provision of banking service, which includes accepting deposits from the public; granting short-term, medium-term and long-term loans; domestic and overseas settlement services; issuance of discount and acceptance bills and notes; issuing financial bonds; agency issuance and encashment, underwriting of government bonds and debentures; trading of government and financial bonds and debentures; agency trading and trading of marketable securities except stock; asset custody business; inter-bank lending and borrowings; agency trading, trading, settlement and sale of foreign exchanges; bank card business; letters of credit and letters of guarantee; remittance and insurance agent services; safety deposit box services; financial advisory services; credit investigation, advisory and attestation services; other activities approved by the CBIRC; insurance and agency business; import and export of gold and its products; sales of public offering of fund; custody of securities investment funds.

The principal activities of the Bank's subsidiaries comprise finance leasing; trust services; fund raising and marketing; asset management for specific clients; asset management; consumer finance; equity investment; industrial investment; investment management and advisory; investment consulting (excluding brokerage); financial consulting; business consulting; enterprise management consulting; financial data processing; commodity futures brokerage; financial futures brokerage; futures investment consulting; asset management; economic information consulting service; application software development and operational services; system integration services; investment and asset management; acquisition, transfer and disposal of bad debts in batches of financial institutions in the province; acquisition, transfer and disposal of bad debts of non-financial institutions; issuance of wealth management products to non-specific public customers and investment and management of the investors' assets as entrusted; issuance of wealth management products to qualified investors and investment and management of the investors' assets as entrusted; wealth management consulting and advisory services; database services; data processing and storage services; cloud platform services; cloud software services and other banking activities approved by the CBIRC as well as other businesses permitted by China Securities Regulatory Commission (the "CSRC").

II. Basis of preparation of financial statements

The report is prepared on a going concern basis.

III. Statement of compliance with the CAS

The financial statements of the Bank have been prepared in accordance with CAS issued by the Ministry of Finance of the People's Republic of China, and present truly and completely, the consolidated and the Bank's financial position as of 31 December 2023, and the consolidated and Bank's results of operations and cash flows for the year then ended.

In addition, the Bank's financial statements also comply with relevant disclosure requirements on financial statements and notes of the revised Rules on the Preparation and Submission of Information Disclosed by Companies Offering Securities to the Public (No.15) – General Rules on Financial Reports issued by China Securities Regulatory Commission (CSRC) in 2023.

IV. Significant accounting policies and accounting estimates

The Group assesses the materiality of financial information from the perspectives of nature and amount of an item, depending on specific environment where it operates. When determining the materiality of nature of the item, the Group mainly considers whether the item is a daily activity in nature and whether it significantly affects the Group's financial position, financial performance and cash flows. When determining the materiality of amount of the item, the Group considers the proportion of the amount in that of a directly related item such as total assets, total liabilities, total owners' equity, total operating income, total operating costs, net profit and total comprehensive income, or the proportion of such amount in that of a separate item in the financial statements.

1. Accounting period

The Bank's accounting year starts on 1 January and ends on 31 December.

2. Functional currency

The Group and its domestic subsidiaries choose Renminbi ("RMB") as their functional currency and these financial statements are presented in RMB, while its subsidiaries overseas choose their functional currency depending on the primary economic environment in which the subsidiaries operate and were translated into RMB according to the principles stated in Note IV, 6.

3. Accounting treatments for business combinations involving entities under common control and not under common control

A transaction constitutes a business combination when the Group obtains control of one or more entities (or a group of assets or net assets). Business combination is classified as either business combinations involving enterprises under common control or business combinations not involving enterprises under common control.

For a transaction not involving enterprises under common control, the acquirer determines whether the acquired set of assets constitutes a business. The Group may elect to apply the simplified assessment method, the concentration test, to determine whether an acquired set of assets is not a business. If the concentration test is met and the set of assets is determined not to be a business, no further assessment is needed. If the concentration test is not met, the Group shall perform the assessment according to the guidance on the determination of a business.

When the set of assets the Group acquired does not constitute a business, acquisition costs should be allocated to each identifiable asset and liability at their acquisition date fair values. It is not required to apply the accounting of business combination described as below.

3.1 Business combinations involving enterprises under common control

A business combination involving enterprises under common control is a business combination in which all of the combining enterprises are ultimately controlled by the same party or parties both before and after the combination, and that control is not transitory.

The assets acquired and liabilities assumed are measured based on their carrying amounts (or the total par value of the issued shares) in the consolidated financial statements of the ultimate controlling party at the combination date. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the combination is adjusted to the share premium in capital reserve. If the share premium is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings.

Costs that are directly attributable to the combination are charged to profit or loss in the period in which they are incurred. Combination date is the date on which the absorbing party effectively obtains control of the party being absorbed.

3.2 Business combinations not involving enterprises under common control and goodwill

A business combination not involving enterprises under common control is a business combination in which all of the combining enterprises are not ultimately controlled by the same party or parties before and after the combination.

The cost of combination is the aggregation of the fair values, at the acquisition date, of the assets given, liabilities incurred or assumed, and the equity securities issued by the acquirer in exchange for control of the acquiree. Where a business combination not involving enterprises under common control is achieved in stages that involve multiple transactions, the cost of combination is the sum of the consideration paid at the acquisition date and the fair value at the acquisition date of the acquirer's previously held interest in the acquiree. The intermediary expenses incurred by the acquirer in respect of auditing, legal services, valuation and consultancy services, etc. and other associated administrative expenses attributable to the business combination are recognised in profit or loss when they are incurred.

For a business combination involving entities not under common control and achieved in stages, the Group remeasured its previously-held equity interest in the acquiree to its acquisition-date fair value and recognised any resulting difference between the fair value and the carrying amount as investment income or other comprehensive income for the current period. In addition, any amount recognised in other comprehensive income and other changes in the owners' equity under equity accounting in prior reporting periods relating to the previously-held equity interest that may be reclassified to profit or loss was transferred to investment income at the date of acquisition (see Note IV, 9.3. (2)); Any previously-held equity interest that was designated as equity investment at fair value through other comprehensive income, the other comprehensive income recognised in prior reporting periods was transferred to retained earnings at the date of acquisition.

The acquiree's identifiable assets, liabilities and contingent liabilities acquired by the acquirer in a business combination that meet the recognition criteria shall be measured at fair value at the acquisition date. Acquisition date is the date on which the acquirer effectively obtains control of the acquiree.

Where the cost of combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is treated as an asset and recognised as goodwill, which is measured at cost on initial recognition. Where the cost of combination is less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the acquirer firstly reassesses the measurement of the fair values of the acquiree's identifiable assets, liabilities and contingent liabilities and measurement of the cost of combination. If after that reassessment, the cost of combination is still less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the acquirer recognises the remaining difference immediately in profit or loss for the current period.

Goodwill arising from a business combination is measured at cost less accumulated impairment losses, and is presented separately in the consolidated financial statements. It is tested for impairment at least at the end of each year. On disposal of an asset group or a set of asset groups, any attributable goodwill is written off and included in the calculation of the profit or loss on disposal.

4. Criteria of control and preparation of consolidated financial statements

4.1 General principals

The scope of consolidated financial statements is determined on the basis of control and the consolidated financial statements comprise the Bank and its subsidiaries (including structured entities controlled). Control refers to the power an investor has over an investee, by virtue of which the investor enjoys variable returns by participating in related activities of the investee, and has the ability to use its power over the investee to influence the amount of its returns. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered. Once the change in relevant facts and circumstances leads to a change in relevant elements involved in the definition of control, the Group will conduct a reassessment.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

Structured entities refer to the entities that voting rights or similar rights do not constitute decisive factors when recognising the controlling party, such as when voting rights are associated with the administration, or related activities are led by the contractual arrangements. Wealth management products, funds, trust fund plans and fund management plans could be used as examples of structured entities.

Non-controlling interests are presented separately in the consolidated balance sheet within shareholders' equity. Net profit or loss attributable to non-controlling shareholders is presented separately in the consolidated income statement below the net profit line item. Total comprehensive income attributable to non-controlling shareholders is presented separately in the consolidated income statement below the total comprehensive income line item.

When the amount of loss for the current period attributable to the non-controlling shareholders of a subsidiary exceeds the non-controlling shareholders' share of the opening owners' equity of the subsidiary, the excess is still allocated against the non-controlling interests.

When the accounting period or accounting policies of a subsidiary are different from those of the Bank, the Bank makes necessary adjustments to the financial statements of the subsidiary based on the Bank's own accounting period or accounting policies.

Intra-group balances and transactions, and any unrealised profit or loss arising from intra-group transactions, are eliminated when preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, unless they represent impairment losses that are recognised in the financial statements.

4.2 Subsidiaries acquired through a business combination

No matter when the business combination occurs in the reporting period, subsidiaries acquired through a business combination involving enterprises under common control are included in the Group's scope of consolidation as if they had been included in the scope of consolidation from the date when they first came under the common control of the ultimate controlling party. Their operating results and cash flows from the beginning of the earliest reporting period are included in the consolidated income statement and consolidated statement of cash flows, as appropriate.

For subsidiaries acquired through a business combination not involving enterprises under common control, their results of operation and cash flows from the acquisition date(the date when control is obtained) are included in the consolidated statements of comprehensive income and consolidated statement of cash flows, as appropriate.

For the stepwise acquisition of equity interest till acquiring control after a few transactions and leading to business combination not involving enterprises under common control, this should be dealt with based on whether this belongs to 'package deal': if it belongs to 'package deal', transactions will be dealt as transactions to acquire control. If it does not belong to 'package deal', transactions will be dealt as transactions of a business combination involving entities not under common control and achieved in stages (see Note IV, 3.2).

4.3 Disposal of subsidiaries

When the Group loses control over a subsidiary, any resulting disposal gains or losses are recognised as investment income for the current period. The remaining equity interest is re-measured at its fair value at the date when control is lost, any resulting gains or losses are also recognised as investment income for the current period.

When the Group loses control of a subsidiary in multiple transactions in which it disposes of its long-term equity investment in the subsidiary in stages, If each of the multiple transactions does not form part of a bundled transaction, the transactions conducted before the loss of control of the subsidiary are accounted for in accordance with the accounting policy for partial disposal of equity investment in subsidiaries where control is retained (see Note IV, 4.4). If each of the multiple transactions forms part of a bundled transaction which eventually results in the loss of control in the subsidiary, these multiple transactions are accounted for as a single transaction. In the consolidated financial statements, the difference between the consideration received and the corresponding proportion of the subsidiary's net assets (calculated continuously from the acquisition date) in each transaction prior to the loss of control shall be recognised in other comprehensive income and transferred to profit or loss when the parent eventually loses control of the subsidiary.

Acquisition of non-controlling interests or disposal of interest in a subsidiary that does not result in the loss of control over the subsidiary is accounted for as equity transactions. The carrying amounts of the equity attributable to equity holders of the Bank and non-controlling interests in equity are adjusted to reflect the changes in their relative interests in the subsidiary. The difference between the amount by which the non-controlling interests in equity are adjusted and the fair value of the consideration paid or received is adjusted to capital reserve. If the capital reserve is not sufficient to absorb the difference, the excess is adjusted against retained earnings.

When the Group loses control over a subsidiary due to disposal of certain equity interest or other reasons, any retained interest is re-measured at its fair value at the date when control is lost. The difference between (i) the aggregate of the consideration received on disposal and the fair value of any retained interest and (ii) the share of the former subsidiary's net assets cumulatively calculated from the acquisition date according to the original proportion of ownership interest is recognised as investment income in the period in which control is lost. Other comprehensive income associated with investment in the former subsidiary is reclassified to investment income in the period in which control is lost.

4.4 Changes in non-controlling interests

Where the Bank acquires a non-controlling interest from a subsidiary's non-controlling shareholders or disposes of a portion of an interest in a subsidiary without a change in control, the difference between the proportion interests of the subsidiary's net assets being acquired or disposed of and the amount of the consideration paid or received is adjusted to the capital reserve (share premium) in the consolidated balance sheet, with any excess adjusted to retained earnings.

5. Recognition criteria of cash and cash equivalents

Cash comprises cash on hand and deposits of the Group that can be readily withdrawn on demand. Cash equivalents are the Group's short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

6. Transactions denominated in foreign currencies and translation of foreign currency financial statements

Transactions in foreign currencies are translated into the respective functional currencies of account on initial recognition at the spot exchange rate on the date of the transaction. Monetary items denominated in foreign currencies are translated to RMB at the spot exchange rate at the balance sheet date. Monetary items that are denominated in foreign currencies and classified as financial assets at fair value while their changes are recognised in other comprehensive income, their foreign currency translation differences are broken down into translation differences arising from changes in amortised cost and translation differences arising from changes in the other carrying amounts of these items. Translation differences arising from changes in amortised cost are recognised in profit or loss for the current period, and those arising from changes in other carrying amounts are recognised in other comprehensive income. Exchange differences on other foreign currency monetary items are recognised in profit or loss for the current period.

Non-monetary items denominated in foreign currencies that are measured at historical cost are translated into functional currency using the spot exchange rates at the dates of the transactions. Non-monetary items denominated in foreign currencies that are measured at fair value are translated using the spot exchange rates at the dates the fair values are determined; Translation differences on equity investments at fair value through other comprehensive income are recognised in other comprehensive income. Other Translation differences are recognised in the profit or loss.

When preparing consolidated financial statements, financial statements of overseas operations in foreign currency are translated into financial statements in RMB in the following methods: All assets and liabilities in the statements of financial position are translated by applying the spot exchange rates at the balance sheet date; shareholders' equities except retained earnings and other comprehensive income are translated by applying the spot exchange rate on the date of the transaction; statements of comprehensive income and items reflecting profit distribution occurred are translated by exchange rates similar with the spot exchange rate on the date of the transaction; retained earnings at the beginning of this year equal to the retained earnings after translation at the end of previous year; retained earnings at the end of period are presented as profit distributions after translation; differences between assets after translation and liabilities & shareholders' equity after translation are presented as "other comprehensive income" in shareholders' equity.

7. Financial instruments

A financial instrument is a contract that forms the financial assets of one party and forms the financial liabilities or equity instruments of the others.

The Group's financial instruments mainly include Cash and balances with Central Bank, Deposits with banks and other financial institutions, Placements with banks and other financial institutions, Derivative financial assets, Financial assets purchased under resale agreements, Loans and advances to customers, Trading assets, Debt investments, Other debt investments, Other equity investments, Other receivables, Borrowing from Central Bank, Deposits from banks and other financial institutions, Placements from banks and other financial institutions, Trading liabilities, Derivative financial liabilities, Financial assets sold under repurchase agreements, Deposits from customers, Debt securities issued, Other payables, Share capital, Preference Shares, Perpetual bonds and Convertible instruments etc.

7.1 Recognition and initial measurement of financial assets and financial liabilities

A financial asset or financial liability is recognised in the balance sheet when the Group becomes a party to the contractual provisions of a financial instrument.

A financial asset and financial liability are measured initially at fair value. For financial assets and financial liabilities at fair value through profit or loss, any related directly attributable transaction costs are charged to profit or loss; for other categories of financial assets and financial liabilities, any related directly attributable transaction costs are included in their initial costs.

7.2 Classification and subsequent measurement of financial assets

(1) Classification of financial assets

The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. On initial recognition, a financial asset is classified as measured at amortised cost, at fair value through other comprehensive income ("FVOCI"), or at fair value through profit or loss ("FVTPL").

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows;
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The financial assets measured at amortised cost held by the Group mainly include Cash and balances with Central Bank, Deposits with banks and other financial institutions, Placements with banks and other financial institutions, Financial assets purchased under resale agreements, Loans and advances to customers measured at amortised cost, Debt investments, Other receivables, etc.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets;
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The financial assets measured at FVOCI held by the Group mainly include Loans and advances to customers measured at FVOCI and Other debt investments.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. The equity investments elected to fair value in other comprehensive income held by the Group mainly include Other equity investments.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. The financial assets measured at FVTPL held by the Group mainly include Loans and advances to customers measured at FVTPL and Trading assets.

The business model refers to how the Group manages its financial assets in order to generate cash flows. That is, the Group's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. The Group determines the business model for managing the financial assets according to the facts and based on the specific business objective for managing the financial assets determined by the Group's key management personnel.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. For the purposes of this assessment, 'Principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. The Group also assesses whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

(2) Subsequent measurement of financial assets

(i) Financial assets at FVTPL

These financial assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss unless the financial assets are part of a hedging relationship.

(ii) Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. A gain or loss on a financial asset that is measured at amortised cost and is not part of a hedging relationship shall be recognised in profit or loss when the financial asset is derecognised, through the amortisation process or in order to recognise impairment gains or losses.

(iii) Debt investments at FVOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, impairment and foreign exchange gains and losses are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

(iv) Equity investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to retained earnings.

7.3 Classification and subsequent measurement of financial liabilities

Financial liabilities are classified as measured at FVTPL or other financial liabilities.

(1) Financial liabilities at FVTPL

A financial liability is classified as at FVTPL if it is classified as held-for-trading (including derivative financial liability) or it is designated as such on initial recognition.

Financial liabilities at FVTPL are subsequently measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss, unless the financial liabilities are part of a hedging relationship.

(2) Other financial liabilities

Financial liabilities measured at amortised cost are subsequently measured at amortised cost using the effective interest method, However, the transfer of financial assets does not meet the conditions for termination of recognition or continues to involve in the transfer of financial liabilities, financial guarantee contracts and loan commitments (see Note IV, 7.4) formed by the financial assets shall be excluded.

7.4 Financial guarantee contracts and loan commitments

(1) Financial guarantee contracts

Financial guarantees contracts are contracts that require the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are initially recognised at fair value on the date of the guarantee is provided. Subsequent to initial recognition, deferred income related to financial guarantee is amortised in profit or loss in accordance with the accounting policies set out in Note IV, 18. A financial guarantee liability is measured at the higher of the amount of the allowance for loss determined in accordance with impairment policies of financial instruments (see Note IV, 7.6); and the amount initially recognised less the cumulative amount of income.

(2) Loan commitments

Loan commitments are the commitments to extend credit under pre-defined terms and conditions.

The Group provides loan commitments that are assessed for impairment based on expected credit losses. The Group does not commit to extend loans at any below-market interest rates, make cash payments, or issue other financial instruments as a net settlement of loan commitments.

The provision for losses on loan commitments and financial guarantee contracts are stated in Provinsion by the Group.

7.5 Derecognition of financial assets and financial liabilities

The Group derecognises a financial asset if the part being considered for derecognition meets one of the following conditions:

- the contractual rights to receive the cash flows from the financial asset expire; or
- the financial asset has been transferred and the Group transfers substantially all of the risks and rewards of ownership of the financial asset; or
- the financial asset has been transferred, although the Group neither transfers nor retains substantially all of the risks and rewards of ownership of the financial asset, it does not retain control over the transferred asset.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset which has been transferred, but retains control, the Group continues to recognise the financial asset to the extent of its continuing involvement in the financial asset, and corresponding financial liability.

Where a transfer of a financial asset in its entirety meets the criteria for derecognition, the difference between the two amounts below is recognised in profit or loss:

- The carrying amount of the financial asset transferred measured at the date of derecognition;
- The sum of the consideration received from the transfer and, when the transferred financial asset is a debt investment at FVOCI, any cumulative gain or loss that has been recognised directly in other comprehensive income for the part derecognised.

The Group derecognises a financial liability (or part of it) only when its contractual obligation (or part of it) is extinguished.

As part of its business activities, the Bank securitised some of its assets, generally by selling the assets to structured entities, which then issue securities to investors. For the conditions for financial assets derecognition. When applying the financial assets derecognition conditions, the Group considers the risk and reward transfer degree of the assets transferred to structured entities, as well as the extent to which the Group exercises control over the entities. The financial assets related to the asset-backed securities failing to meet the derecognition conditions are not derecognised, and funds from third-party investors are treated as financial liabilities. Where the Group neither transfers nor retains substantially all of the risks and rewards of ownership of the financial assets, the Group will consider whether it retains control over the transferred assets. If the Group does not retain control, it shall derecognise the financial assets and recognise the rights and obligations arising from or reserved during the transfer as assets or liabilities. If the Group retains control, the financial assets are recognised based on the extent of its involvement in the financial assets.

7.6 Impairment of financial assets

The Group recognises an allowance for impairment losses for expected credit loss (ECL) on:

- Financial assets measured at amortised cost;
- Debt investments measured at FVOCI;
- Financial lease receivables
- Loan commitments and financial guarantee contracts issued, which are not measured at FVTPL.

Financial assets measured at fair value, including debt investments or equity securities at FVTPL, equity securities designated at FVOCI and derivative financial assets, are not subject to the ECL assessment.

(1) Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

The Group's method of measuring expected credit losses of financial instruments reflects the following elements: (i) unbiased weighted average probability determined by the results of evaluating a range of possible outcomes; (ii) time value of money;(iii) reasonable and evidence-based information about past events, current conditions, and future economic forecasts that are available at no additional cost or effort at the end of the reporting period.

The maximum period considered when estimating ECLs is the maximum contractual period (including extension options) over which the Group is exposed to credit risk.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the balance sheet date (or a shorter period if the expected life of the instrument is less than 12 months).

The Group applies a "three-stage model" for measuring ECL. For the measurement and segmentation of ECL of financial instruments of the Group, see Note XI, 3 Credit risk.

(2) Presentation of allowance for ECL

ECLs are remeasured at each balance sheet date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through an allowance for loss account, except for debt investments that are measured at FVOCI, for which the allowance for impairment loss is recognised in other comprehensive income. For the loan commitments and financial guarantee contracts issued, which are not measured at FVTPL, the Group recognises the allowance for impairment losses in provisions (credit loss of off-balance sheet assets).

(3) Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. A write-off constitutes a derecognition event. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

7.7 Offsetting

Financial assets and financial liabilities are generally presented separately in the balance sheet, and are not offset. However, a financial asset and a financial liability are offset and the net amount is presented in the balance sheet when both of the following conditions are satisfied:

- The Group currently has a legally enforceable right to set off the recognised amounts;

- The Group intends either to settle on a net basis, or to realise the financial asset and settle the financial liability simultaneously.

7.8 Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

If the main contract included in the hybrid contract is an asset within the scope of the new financial instrument standard, the embedded derivative is no longer split from the main contract of the financial asset, but the hybrid financial instrument as a whole is related to the classification of the financial asset provision. Derivatives embedded in the hybrid contract in which the main contract included is not an asset within the scope of the new financial instructment standard should be split from the hybrid contract and treated as separate derivatives when their economic characteristics and risks are not closely related to those of the hybrid contract, they meet the definition of derivatives, and the hybrid instrument is not carried at FVTPL. These embedded derivatives are measured at fair value with the changes in fair value recognised in profit or loss.

Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to profit or loss.

7.9 Hedge accounting

Hedge accounting is a method which recognises in profit or loss (or other comprehensive income) the gain or loss on the hedging instrument and the hedged item in the same accounting period(s) to represent the effect of risk management.

Hedged items are items that expose the Group to risks of changes in fair value or cash flows and that are designated as being hedged and can be reliably measured. A hedging instrument is a designated financial instrument whose changes in fair value or cash flows are expected to offset changes in the fair value or cash flows of the hedged item.

The Group assesses at the inception of a hedging relationship, and on an ongoing basis, whether the hedging relationship meets the hedge effectiveness requirements. A hedging relationship is regarded as having met the hedge effectiveness requirements if all of the following conditions are satisfied:

- There is an economic relationship between the hedged item and the hedging instrument.

- The effect of credit risk does not dominate the value changes that result from the economic relationship.

- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of the hedged item.

The hedging relationship does not conform to the requirements of the hedging effectiveness due to hedging ratio, however, the risk management goal of existing hedging relationship has not changed. The Group performs the hedging relationship rebalancing and makes the adjustments to hedged items in the existing hedging relationship or the number of the hedging instruments, in order to make the hedging ratio conform to the requirements of the hedging effectiveness.

The Group discontinues applying hedge accounting in any of the following circumstances:

- The hedging relationship no longer meets the risk management objective on the basis of which it qualified for hedge accounting.

- The hedging instrument expires or is sold, terminated or exercised.

- There is no longer an economic relationship between the hedged item and the hedging instrument or the effect of credit risk starts to dominate the value changes that result from that economic relationship.

- The hedging relationship no longer meets other criteria for applying hedge accounting.

Fair value hedges

Fair value hedges are hedges of the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment, or a portion of such an asset, liability or firm commitment.

Gains or losses arising from hedging instruments are recognised in current profit or loss. The gain or loss on the hedged item attributable to the hedged risk adjusts the carrying amount of the recognised hedged item not measured at fair value and is recognised in profit or loss.

Any adjustment to the carrying amount of a hedged item is amortised to profit or loss if the hedged item is a financial instrument (or a component thereof) measured at amortised cost. The amortisation is based on a recalculated effective interest rate at the date that amortisation begins and is recognised in profit or loss.

7.10 Equity instrument

An equity instrument is a contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. A financial instrument issued by the Group shall be classified as an equity instrument when both of the following conditions are satisfied: (1) the instrument includes no contractual obligation to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the issuer; (2) if the instrument will or may be settled in the Group's own equity instrument, it is a non-derivative that includes no contractual obligation for the issuer to deliver a variable number of its own equity instruments; or a derivative that will be settled only by the Group exchanging a fixed amount of cash or another financial asset for a fixed number of its own equity instruments. The Group's issuance (including refinancing), repurchase, sales or cancellation of an equity instrument shall be accounted for as a change to equity. The Group does not recognise changes in the fair value of an equity instrument. Transaction costs of an equity transaction are accounted for as a deduction from equity.

The Group's distribution to the holders of equity instruments is treated as profit distribution, and the issued stock dividends do not affect the total amount of shareholders' equity.

7.11 Preference share and perpetual bond

Such preference shares or their components are initially recognised as financial assets, financial liabilities or equity instruments according to the terms and the economic substance combined with the definition of financial assets, financial liabilities and equity instruments.

The issued preference shares that should be classified as equity instruments, will be recognised as equity in actual amount received. Dividend payables are recognised as distribution of profits. Redemption before maturity will write down equity at redemption price.

7.12 Convertible instruments

Convertible instruments issued by the Group that can be converted to equity shares, where the number of shares to be issued and the value of consideration to be received at that time do not vary, are accounted for as compound financial instruments containing both liability and equity components.

The initial carrying amount of a compound financial instrument is allocated to its equity and liability components. The amount recognised in the equity is the difference between the fair value of the instrument as a whole and the separately determined fair value of the liability component (including the fair value of any embedded derivatives other than the equity component). Transaction costs that relate to the issuance of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

Subsequent to initial recognition, the liability component is measured at amortised cost using the effective interest method, unless it is designated upon recognition at fair value through profit or loss. The equity component is not re-measured.

If the convertible instrument is converted, the liability component, together with the equity component, is transferred to equity. If the convertible instrument is redeemed, the consideration paid for the redemption, together with the transaction costs that relate to the redemption, are allocated to the liability and equity components. The method used to allocate the consideration and transaction costs is the same as that used for issuance. After allocating the consideration and transaction costs, the difference between the allocated and carrying amounts is charged to profit and loss if it relates to the liability component or is directly recognised in equity if it relates to the equity component.

8. Precious metal

Precious metals comprise gold, silver and other precious metals. Precious metals that are not related to the Group's precious metals trading activities are initially measured at acquisition cost and subsequently measured at the lower of cost and net realisable value. Precious metals acquired by the Group for trading purposes are initially measured at fair value and subsequent changes in fair value are recorded in the statement of profit or loss.

9. Long-term equity investments

9.1 Determination of joint control or significant influence over investee

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. 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. When determining whether an investing enterprise is able to exercise control or significant influence over an investee, the effect of potential voting rights of the investee (for example, warrants and convertible debts) held by the investing enterprises or other parties that are currently exercisable or convertible shall be considered.

9.2 Determination of initial investment cost

For the acquisition of long-term equity investments involving enterprises under the common control, the Group measures the initial cost of the long-term equity investment as the share of the carrying amount of the owner's equity of the acquired enterprise at that date. The difference between the initial costs of the long-term equity investment and cash paid or non-cash assets transferred as well as the carrying amount of the debts borne by the Group shall offset against the capital reserve. If the capital reserve is insufficient to observe the difference, the retained earnings shall be adjusted. The investment cost which adopts the equity securities issued as the consideration should be adopted as the initial investment cost of the long-term equity investment according to the proportion carrying amount of combined party's shareholder equity in the consolidated financial statement of the final controlling part, and adjust the capital reserves by the difference between the initial investment cost of long-term equity investment and the amount of issued stock's face value, which is regarded as capital stock. If the capital reserves are insufficient to absorb the difference, retained income should be adjusted. For the acquisition of enterprises under the common control through several steps of trading, it should be confirmed whether it's a package deal. If it is, these deals should be measured as one acquiring-control deal. If not, the Group measures the initial cost of the long-term equity investment as the share of the carrying amount of the owner's equity of the acquired enterprise at that date. The difference between the initial costs of the long-term equity investment and the carrying amount of long-term equity investment before acquiring control as well as the carrying amount of the debts for more shares on the acquisition date shall offset against the capital reserve. If the capital reserve is insufficient to absorb the difference, the retained earnings shall be adjusted.

For a long-term equity investment acquired through business combination not involving enterprises under common control, the initial investment cost of the long-term equity investment is the cost of acquisition on the acquisition date. For the acquisition of enterprises under the common control through several steps of trading, it should be confirmed whether it's a package deal. If it is, these deals should be measured as one acquiring-control deal. If not, the carrying amount of long-term equity investment before acquiring control and the cost of new investment is the cost of acquisition measured under cost method.

Acquisition-related costs including auditing fees, legal services fees, valuation advice fees and other relevant management fees are generally recognised in profit or loss as incurred.

A long-term equity investment acquired other than through a business combination is initially recognised at the amount of cash paid if the Group acquires the investment by cash, or at the fair value of the equity securities issued if an investment is acquired by issuing equity securities.

9.3 Subsequent measurement and recognition of profit or loss

(1) Long-term equity investment accounted for using the cost method

The Bank uses the cost method for the long-term equity investment in subsidiaries in the financial statements. The subsidiary refers to the investee controlled by the group.

Under the cost method, a long-term equity investment is measured at initial investment cost. Increasing or reducing investment will adjust the cost of long-term equity investment accordingly. Investment income is recognised in the period in accordance with the attributable share of cash dividends or profit distributions declared by the investee.

The investments in subsidiaries are stated in the balance sheet at cost less accumulated impairment losses.

(2) Long-term equity investment accounted for using the equity method

The Group accounts for investment in associates using the equity method. Associates are investees that the group is able to exercise significant influence over.

Under the equity method, where the initial investment cost of a long-term equity investment exceeds the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, no adjustment is made to the initial investment cost. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the initial cost of the investment, after reassessment of the long-term equity investment, is recognised immediately in profit or loss in the period in which the investment is acquired.

Under the equity method, the Group recognises investment income and other comprehensive income based on the Group's share of net profit or loss and other comprehensive income of the investee and adjust the carrying amount of long-term equity investment accordingly. The carrying amount of the investment decreases regarding the attributable share of cash dividends or profit distributions declared by the investee. Changes in shareholders' equity of the investee other than net profits or losses, other comprehensive income or profit distribution are correspondingly adjusted to the carrying amount of the long-term equity investment, and recognised as capital reserve. The Group recognises its share of the investee's net profit or loss based on the fair value of the investee's identifiable assets after the adjustment of investee's net profit. When the accounting policy and accounting period adopted by the investee are inconsistent with the Group's, the investment income and other comprehensive income are recognised based on the adjusted financial statements of the investee in accordance with the Group's accounting policies and accounting period. Unrealised profits or losses resulting from the Group's transactions with its associates and joint ventures are recognised as investment income or loss to the extent that those attributable to the Group's equity interest are eliminated. However, unrealised losses resulting from the Group's transactions with its investees in respect of impairment losses on the transferred assets shouldn't be eliminated.

The Group discontinues recognising its share of net losses of the investee after the carrying amount of the long-term equity investment together with any long-term interests that in substance form part of its net investment in the investee is reduced to zero. If the Group has incurred obligations to assume additional losses of the investee, a provision is recognised according to the expected obligation, and recorded as investment loss for the period. Where net profits are subsequently made by the investee, the Group resumes recognising its share of those profits only after its share of the profits exceeds the share of losses previously not recognised.

9.4 Disposal of long-term equity investments

On disposal of a long-term equity investment, the difference between the proceeds actually received and the carrying amount is recognised in profit or loss for the period. When the Group reduces its ownership interest in investee but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the investee's disposal of the related assets or liabilities. Then the equity recognised by the Group other than the change of the net profits and loss, other comprehensive income and profit distribution of the invested entity is reclassified to profit and losses on proportion. When the Group reduces its ownership interest but the Group continues to use the cost method, for the other comprehensive income recognised by the Group using equity method prior to the control over the investee or under financial instrument recognition and measurement standard, the Group reclassifies to profit or loss the proportion of the gain or loss relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the investee's disposal of the related assets or liabilities. Then the other changes in owners' equity recognised by the Group using equity method, not arising from the change of the net profits and loss, other comprehensive income or profit distribution of the invested entity is reclassified to profit and loss on proportion.

10. Fixed assets

10.1 Recognition criteria for fixed assets

Fixed assets are tangible assets that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and have useful lives of more than one accounting year. A fixed asset is recognised only when it is probable that economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. Fixed assets are initially measured at cost.

The cost of a purchased fixed asset comprises the purchase price, related taxes, and any directly attributable expenditure for bringing the asset to working condition for its intended use. The cost of self-constructed assets is measured in accordance with Construction in progress.

Subsequent expenditures incurred for the fixed asset are included in the cost of the fixed asset if it is probable that economic benefits associated with the asset will flow to the Group and the cost can be measured reliably. Meanwhile, the carrying amount of the replaced part is derecognised. Other subsequent expenditures are recognised in profit or loss in the period in which they are incurred.

Fixed assets are stated in the balance sheet at cost less accumulated depreciation and impairment losses.

10.2 Depreciation of each category of fixed assets

A fixed asset is depreciated over its useful life using the straight-line method from the month subsequent to the one in which it is ready for intended use. The depreciation period, estimated net residual value rate and annual depreciation rate of each category of fixed assets are as follows:

Category	Depreciation period	Estimated residual value rate	Annual depreciation rate
Buildings	20 - 30 years	0% - 3%	3.23% - 5.00%
Fixed assets improvement	The lower of improvement period and remaining useful life	0%	Linear depreciation according to depreciation life
Office and machinery equipment	3 - 20 years	0% - 5%	4.75% - 33.33%
Transportation vehicles	5 - 8 years	0% - 3%	12.13% - 20.00%
Flight equipment	25 years or 20 years	5% or 15%	3.80% or 4.25%

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

10.3 Other explanations

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

The Group reviews the useful life and estimated net residual value rate of a fixed asset and the depreciation method applied at least once at each financial year-end, and accounts for any change as a change in an accounting estimate.

The carrying amount of a fixed asset is derecognised:

- on disposal; or
- when no future economic benefits are expected to be generated from its use or disposal.

Gains or losses arising from the retirement or disposal of an item of fixed assets are determined as the difference between the net disposal proceeds and the carrying amount of the item, and are recognised in profit or loss on the date of retirement or disposal.

11. Construction in progress

Construction in progress is measured at its actual costs. The actual costs include various construction expenditures during the construction period and other relevant costs. Construction in progress is not depreciated. Construction in progress is transferred to a fixed asset or other asset when it is ready for intended use.

12. Intangible assets

Intangible assets include land use rights, franchising, etc.

An intangible asset is measured initially at cost. Expenses related to the intangible assets are recognised in the cost of intangible assets when (i) it is probable that the associated economic benefits will flow to the Group; and (ii) the associated costs can be measured reliably. Other expenses related to the intangible assets are recognised in profit or loss for the period in which it is incurred.

Intangible assets are stated in the balance sheet at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses.

The acquired land use right is recognised as an intangible asset. Expenses related to land use rights and construction costs from buildings such as self-built factories, etc. are recognised as intangible assets and fixed assets, respectively. In the case of purchased buildings, it allocates related costs between land use rights and buildings. If the related cost cannot be allocated reasonably, it is recognised as an fixed asset.

When an intangible asset with a finite useful life is available for use, its original cost is amortised over its estimated useful life using the straight-line method. An intangible asset with an indefinite useful life is not amortised.

The estimated useful lives, basis for determination and amortisation methods of intangible assets are as follows:

Item	Estimated useful life (years)	Basis for determination	Amortisation method
Land use rights	30 - 70 years	Statutory useful life	Straight-line method
System and software	5 years	Beneficial life	Straight-line method
Other intangible assets	2 - 50 years	Beneficial life	Straight-line method

For an intangible asset with a finite useful life, the Group reviews the useful life and amortisation method at the end of the period, and accounts for any change as a change in an accounting estimate. For an intangible asset with infinite useful life, the Group reviews the useful life. If it is evident that the duration of associated economic benefits is predictable, then estimate the useful life pursuant to amortisation policies for intangible assets with finite useful life.

13. Impairment of non-financial assets

The Group checks whether long-term equity investment, fixed assets, construction in progress, right-of-use assets, intangible assets with a finite useful life, goodwill, long-term prepaid expenses, and non-financial foreclosed assets will impair in every balance sheet date. If the indication of impairment of these assets exists, the Group estimates their recoverable amount. Intangible assets with indefinite useful life and intangible assets not yet available for use are tested for impairment annually, irrespective of whether there is any indication that the assets may be impaired.

Estimation of recoverable amount of assets is based on an individual asset. If the recoverable amount is difficult to estimate, the amount should be estimated by the asset group which the asset belongs to. Recoverable amount is the higher of the two: net fair value of the assets or asset group after disposal expenses, or present value of the expected cash flow from the assets.

If an asset's recoverable amount is lower than its carrying amount, the allowance for impairment losses should be recognised by their balances in profit or loss for the period.

The goodwill should be tested for impairment at least at the end of each year with its related asset group or combination of asset groups. On the purchase date, the carrying amount of goodwill should be allocated reasonably to asset groups or combinations which can benefit from the synergy of the enterprise merger. If the recoverable amount of asset group or combinations of allocated goodwill is lower than its carrying amount, impairment loss should be recognised. The amount of impairment loss should offset the carrying value of the goodwill which is allocated to certain asset groups or combinations at first, then it should offset the carrying amount of other assets proportionally according to the proportion of other assets' carrying amount of asset group or combination after goodwill. However, such allocation would not reduce the carrying amount of an asset below the highest of its fair value less costs to sell (if measurable), its present value of expected future cash flows (if determinable) and zero.

The impairment losses cannot be reversed once they are recognised.

14. Long-term prepaid expenses

Long-term prepaid expenses represent expenses incurred that should be borne and amortised over the current and subsequent periods (together of more than one year). Long-term prepaid expenses are amortised using the straight-line method over the expected periods in which benefits are derived.

15. Employee benefits

15.1 Accounting method of short-term employee benefits

In an accounting period in which an employee has rendered service to the Group, the Group recognises the short-term employee benefits for that service as a liability, and the expenditure incurred for the period is recorded in profit or loss. The employee's welfare incurred is recognised in the profit or loss for the period as well. Non-monetary benefits included in employee's welfare expenses are recorded at fair value.

Payment made by the Group regarding social security contributions for employees such as contributions on medical insurance, work injury insurance and maternity insurance, etc. and payments of housing funds, as well as trade union fund and employee education fund provided in accordance with relevant requirements, are calculated according to prescribed bases and percentages in determining the amount of employee benefits and recognised as relevant liabilities, with a corresponding charge to the profit or loss for the period in the accounting period in which employees provide services.

15.2 Accounting method of post-employment benefits

Termination benefits are classified as defined contribution pension plans and defined benefit plans.

In an accounting period in which an employee has rendered service to the Group, the Group recognises the employee benefits arising from defined contribution pension plans as a liability as well as in profit or loss for the period.

For the defined benefit plan, the Group recognises obligations arising from such plan based on a formula under estimated cumulated welfare method in the period in which employees render service and in profit or loss for the period. The classifications of the costs are as follows:

- Service costs (including service costs of the period, service costs in the past, and profit and loss).
- Net value of interests from net liabilities or net assets of defined benefit plans (including interest income of planned assets, obligated interest cost of defined benefit plans and interest of influence of assets upper limit).
- The changes of recalculating the net liabilities and net assets of defined benefit plans.

Net interests of service costs and net liabilities and net assets of defined benefit plans are recorded in the profit and loss. The changes of recalculating the net liabilities and net assets of defined benefit plans, including actuarial gains or loss, planned assets yield deducting net value of interests from net liabilities or net assets of defined benefit plans, change rising from upper limit of assets deducting net value of interests from net liabilities or net assets of defined, are recorded in other comprehensive income.

The difference between the present value of defined benefit obligation and the fair value of defined benefit asset is recognised as a net asset or liability of defined benefit plans. If there is a surplus, the net assets of defined benefit plans should be measured by the lower of the two: 1. the surplus of defined benefit plans; 2. upper limit of assets.

15.3 Accounting method of termination benefits

In an accounting period in which an employee has rendered service to the Group, a liability for a termination benefit and an expense accordingly are recognised at the earlier of when the Group entity can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.

16. Assets transferred under repurchase agreements

16.1 Financial assets purchased under resale agreements

The financial assets are not recognised in the statements of financial position if they are committed to being resold at a specific price at a specific date in the future. The cost of purchasing such assets is presented under "financial assets purchased under resale agreements" in the statements of financial position. The difference between the purchasing price and reselling price is recognised as interest income during the term of the agreement using the effective interest method.

16.2 Financial assets sold under repurchase agreements

Financial assets sold subject to agreements with a commitment to repurchase at a specific future date and price are not derecognised in the statements of financial position. The proceeds from selling such assets are presented under "financial assets sold under repurchase agreements" in the statements of financial position. The difference between the selling price and repurchasing price is recognised as interest expense during the term of the agreement using the effective interest method.

17. Provisions

Provisions are recognised when the Group has a present obligation related to a contingency, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account factors pertaining to a contingency such as the risks, uncertainties and time value of money. Where the effect of the time value of money is material, the amount of the provision is determined by discounting the related future cash outflows.

Where all or some of the expenditure required to settle a provision is expected to be reimbursed by a third party, the reimbursement is recognised as a separate asset only when it is virtually certain that reimbursement will be received, and the amount of reimbursement recognised does not exceed the carrying amount of the provision.

The Group reviews the carrying amount of a provision at the balance sheet date and adjusts the carrying amount to the current best estimate.

18. Income

18.1 Interest income

For all financial instruments measured at amortised cost and interest-generating financial instruments classified as financial assets measured at FVOCI, interest income is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument, where appropriate, to the book value of the financial asset, or the amortised cost of financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not expected credit losses.

Interest income is calculated by applying the effective interest rate to the book value of financial assets and is included in interest income, except for:

- For purchased or originated credit-impaired financial assets, whose interest income is calculated, since initial recognition, by applying the credit-adjusted effective interest rate to their amortised cost;

- Financial assets that are not purchased or originated credit-impaired but have subsequently become credit-impaired, whose interest income is calculated by applying the effective interest rate to their amortised cost (i.e. net of the expected credit loss provision). If, in a subsequent period, the financial assets improve their qualities so that they are no longer credit-impaired and the improvement in credit quality is related objectively to a certain event occurring after the application of the above-mentioned rules, then the interest income is calculated by applying the effective interest rate to their book value.

18.2 Fee and commission income

Fees and commissions are recognised by providing various services to customers, which reflects the consideration amount expected to be entitled to receive for the service provided to customers, and the income is recognised when the performance obligations in the contract are fulfilled.

The Group will confirm the income according to the performance schedule within the time period when one of the following conditions is met:

- The customer obtains and consumes the economic benefits brought by the Group's performance while performing the contract;

- The customer can control the services performed during the performance of the Group;

- The services performed by the Group in the performance process are irreplaceable and the Group has the right to collect money for the cumulative performance part which has been completed so far throughout the contract period;

In other cases, the Group recognises revenue when customers obtain the relevant service control right.

19. Expenses

19.1 Interest expense

The interest expense of the financial liability is calculated according to the amortised cost of the financial liability and the time occupied by the capital according to the effective interest rate method, and is recognised in the corresponding period.

19.2 Other expenses

Other expenses are recognised on an accrual basis.

20. Government grants

Government grants are transfer of monetary assets and non-monetary assets from the government to the Group at no consideration, excluding capital investment by the government as an investor. A government grant is recognised only when the Group can comply with the conditions attached to the grant and the Group will receive the grant.

If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount received or receivable. If a government grant is in the form of a non-monetary asset, it is measured at fair value. If the fair value cannot be reliably determined, it is measured at a nominal amount. A government grant measured at a nominal amount is recognised immediately in profit or loss for the period. Government grants are classified into government grants related to assets and government grants related to income according to the subjects required by the Government documents.

Government grants related to assets are grants whose primary condition is that the Group qualifying for them should purchase, construct or otherwise acquire long-term assets. Government grants related to income are grants other than those related to assets.

A government grant related to an asset is offset against the carrying amount of related asset. For a government grant related to income, if the grant is compensation for related costs or losses to be incurred in subsequent periods, the grant is recognised as deferred income, and recognised in profit or loss over the periods in which the related costs or losses are recognised. If the grant is compensation for related expenses or losses already incurred, the grant is recognised immediately in profit or loss for the period.

A government grant related to the Group's daily activities is included in other income according to the economic business substance. A government not related to the Group's daily activities is included in non-operating income and expense.

For the repayment of a government grant already recognised, if the carrying value of related assets is written off upon initial recognition, the carrying value of the assets is adjusted; if there is any related deferred income, the repayment is offset against the carrying amount of the deferred income, and any excess is recognised in profit or loss for the period; if there is no related deferred income, it is recognised immediately in profit or loss for the period.

21. Deferred tax assets/deferred tax liabilities

The income tax expenses include current income tax and deferred income tax.

21.1 Current income tax

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

21.2 Deferred tax assets and deferred tax liabilities

For temporary differences between the carrying amounts of certain assets or liabilities and their tax base, or between the nil carrying amount of those items that are not recognised as assets or liabilities and their tax base that can be determined according to tax laws, deferred tax assets and liabilities are recognised using the balance sheet liability method.

Deferred tax assets and deferred tax liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases, which include the deductible losses and tax credits carried forward to subsequent periods. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax is not recognised for temporary differences arising from the initial recognition of assets or liabilities in a single transaction that is not a business combination, affects neither accounting profit nor taxable profit (or deductible loss) and does not give rise to equal taxable and deductible temporary differences. Deferred tax is alsonot recognised for taxable temporary differences arising from the initial recognition of goodwill.

For deductible losses and tax credits that can be carried forward, deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible losses and tax credits can be utilised.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

At the balance sheet date, deferred tax assets and liabilities are measured at the tax rates, according to tax laws, that are expected to apply in the period in which the asset is realised or the liability is settled.

When they arise from transactions or events that are directly recognised in other comprehensive income or in shareholders' equity, in which case they are recognised in other comprehensive income or in shareholders' equity; and when they arise from business combinations, in which case they adjust the carrying amount of goodwill.

At the balance sheet date, the carrying amount of deferred tax assets is reviewed and reduced if it is no longer probable that sufficient taxable profits will be available in the future to allow the benefit of deferred tax assets to be utilised. Such reduction in amount is reversed when it becomes probable that sufficient taxable profits will be available.

When the Group has a legal right to settle on a net basis and intends either to settle on a net basis or to realise the assets and settle the liabilities simultaneously, current tax assets and current tax liabilities are offset and presented on a net basis.

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

22. Fiduciary activities and agent business

The Group acts in fiduciary activities and agent business as a trustee or an agent for customers. Customers should bear the risk and return generated by such activities. The Group only charges fees and commissions. The fiduciary activities and agent business are excluded from the financial statements.

23. Lease

A contract is a lease if the lessor conveys the right to control the use of an identified asset to lessee for a period of time in exchange for consideration.

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset. An identified asset may be specified explicitly or implicitly specified in a contract and should be physically distinct, or capacity portion or other portion of an asset that is not physically distinct but it represents substantially all of the capacity of the asset and thereby provides the customer with the right to obtain substantially all of the economic benefits from the use of the asset. If the supplier has a substantive substitution right throughout the period of use, then the asset is not identified;

- the lessee has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use;

- the lessee has the right to direct the use of the asset.

For a contract that contains more separate lease components, the lessee and the lessor separate lease components and account for each lease component as a lease separately. For a contract that contains lease and non-lease components, the lessee and the lessor separate lease components from non-lease components. For a contract that contains lease and non-lease components, the lessee allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. On the contract inception date, the Lessor determines the stand-alone selling price of the lease and non-lease components underlying each performance obligation and allocates the transaction price in proportion to those stand-alone selling prices to recognise income.

(1) The Group as lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability, any lease payments made at or before the commencement date (less any lease incentives received), any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease.

The right-of-use asset is depreciated using the straight-line method. If the lessee is reasonably certain to exercise a purchase option by the end of the lease term, the right-of-use asset is depreciated over the remaining useful lives of the underlying asset. Otherwise, the right-of-use asset is depreciated from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. Impairment losses of right-of-use assets are accounted for in accordance with the accounting policy described in Note IV, 13.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

A constant periodic rate is used to calculate the interest on the lease liability in each period during the lease term with a corresponding charge to profit or loss or included in the cost of assets where appropriate. Variable lease payments not included in the measurement of the lease liability are charged to profit or loss or included in the cost of assets where appropriate as incurred.

Under the following circumstances after the commencement date, the Group remeasures lease liabilities based on the present value of revised lease payments:

- there is a change in the amounts expected to be payable under a residual value guarantee;

- there is a change in future lease payments resulting from a change in an index or a rate used to determine those payments;

- there is a change in the assessment of whether the Group will exercise a purchase, extension or termination option, or there is a change in the exercise of the extension or termination option.

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 has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets (A leased asset is valued at RMB40,000 or less individually when it is new). The Group recognises the lease payments associated with these leases in profit or loss or as the cost of the assets where appropriate using the straight-line method over the lease term.

(2) The Group as lessor

The Group determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset irrespective of whether the legal title to the asset is eventually transferred. An operating lease is a lease other than a finance lease.

When the Group is a sub-lessor, it assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies practical expedient described above, then it classifies the sub-lease as an operating lease.

Under a finance lease, at the commencement date, the Group recognises the finance lease receivable and derecognises the finance lease asset. The finance lease receivable is initially measured at an amount equal to the net investment in the lease. The net investment in the lease is measured at the aggregate of the unguaranteed residual value and the present value of the lease receivable that are not received at the commencement date, discounted using the interest rate implicit in the lease.

The Group recognises finance income over the lease term, based on a pattern reflecting a constant periodic rate of return. The derecognition and impairment of the finance lease receivable are recognised in accordance with the accounting policy in Note IV, 7. Variable lease payments not included in the measurement of net investment in the lease are recognised as income as they are earned.

Lease receipts from operating leases are recognised as income using the straight-line method over the lease term. The initial direct costs incurred in respect of the operating lease are initially capitalised and subsequently amortised in profit or loss over the lease term on the same basis as the lease income. Variable lease payments not included in lease receipts are recognised as income as they are earned.

24. Foreclosed asset

Foreclosed asset is initially measured at its fair value. At the balance sheet date, foreclosed asset is measured at the lower of carrying amount and net realisable value. The difference by which the net realisable value is lower than the carrying amount of the assets shall be provided for the current period. The foreclosed assets other than equity instruments are charged to other assets.

On disposal of a foreclosed asset, the difference between (i) income from disposal and (ii) the carrying amount of the foreclosed asset is charged to income from disposal of assets.

If the foreclosed asset is transferred for self-use, it should be measured at the carrying amount at the transfer date. Provision is to be taken into account if applicable (see Note IV, 13).

25. Profit distribution

Proposed dividends which are declared and approved after the end of each balance sheet date are not recognised as a liability in the statement of financial position and are instead disclosed as a subsequent event after the end of each balance sheet date in the notes to the financial statements. Dividends payable are recognised as liabilities in the period in which they are approved.

26. Contingent liabilities

A potential obligation arising from a past transaction or event whose existence can only be confirmed by the occurrence or non-occurrence of future uncertain events; or a present obligation that arises from past transactions or events where it is not probable that an outflow of economic benefits is required to settle the obligation or the amount of the obligation cannot be measured reliably, is disclosed as a contingent liability unless the probability of outflow of economic benefit is remote.

Contingent liabilities which are not recognised as liabilities are expected to be disclosed in the notes only. If the situation changes, the contingent liabilities are recognised as provisions when it is probable that an outflow of economic resources will be required and the amount of obligation can be measured reliably.

27. Related parties

If the Group has the power to control, jointly control or exercise significant influence over another party, or vice versa, or the two parties are subject to common control or joint control from another party, they are considered to be related parties. Related parties may be individuals or enterprises. Enterprises with which the Group is under common control only from the State and that have no other related party relationships are not regarded as related parties.

In addition to the related parties stated above, the Bank determines related parties based on the disclosure requirements of Administrative Procedures on the Information Disclosures of Listed Companies issued by the CSRC.

28. Operating segment

The Group determines its operating segments on the basis of its internal organisational structure, management requirements and internal reporting practices.

An operating segment is a component of the Group that meets all the following requirements: (i) it engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses relating to transactions with other components of the Group; (ii) its operating results are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and (iii) separate financial information is available. The operating segments that meet the specified criteria have been aggregated, and the operating segment that meets quantitative thresholds have been reported separately.

For segment reporting, inter segment revenues are measured on the basis of the actual transaction prices for such transactions, and segment accounting policies are consistent with those used to prepare the consolidated financial statements.

29. Significant accounting estimates and judgements

The preparation of the financial statements requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates as well as underlying assumptions and uncertainties involved are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

29.1 Significant accounting estimates

In addition to the accounting estimates related to the depreciation and amortisation of fixed assets and intangible assets (see Note IV, 10 and 12) and the impairment of various assets (see Note VII, 2, 3, 5, 6, 7, 8, 9, 10, 11, 12, 13 and 15), other major accounting estimates are as follows:

(1) Note VII, 14 - Recognition of deferred tax assets;

(2) Note VII, 44 - Post-employment benefits - defined benefit plans; and

(3) Note XI, 7 - Fair value of financial instruments.

29.2 Significant accounting judgements

The significant accounting judgements made by the Group in the application of accounting policies are as follows:

(1) Note IV, 7 - Classification of financial investment;

(2) Note IV, 4 and 9 - Significant judgments and assumptions on control, joint control or significant impact on other entities;

(3) Note VII, 24 and 28 - Other financial instruments are classified as financial liabilities or equity instruments; and

(4) Note VII, 45 - Judgement of consolidated structured entities.

30. Changes in significant accounting policies

The Group has adopted these standards released by the MOF recently from the accounting year beginning on 1 January 2023.

"The accounting treatment of deferred tax related to assets and liabilities arising from a single transaction excluded from the scope of the initial recognition exemption" in CAS Bulletin No.16 (Caikuai [2022] No.31)("CAS Bulletin No.16")

The application of the above provisions does not have a significant impact on the Group's financial position and operating results.

V. Taxation

1. Corporate income tax

According to the Corporate Income Tax Law of the People's Republic of China, the income tax of the Bank is 25% (2022: 25%). The Bank's subsidiaries are calculated and settled at the tax rate in accordance with the tax rate applicable in the relevant territory.

The income tax of overseas branches of the Bank is calculated in accordance with the local tax rate, and the difference between the overseas tax rate and domestic tax rate is settled by the head office.

The deductible items of Corporate income tax are calculated in accordance with the relevant regulations. Corporate income tax is prepaid by domestic branches of the Bank and conducted annual filing by the head office.

2. Value-added tax

The value-added tax ("VAT") on sales is calculated using applicable tax rate on the basis of the revenue from sales determined as per tax regulations, and is paid after deducting the VAT on purchases. According to the Announcement of the Ministry of Finance, the State Taxation Administration and the General Administration of Customs on Policies for Deepening the VAT Reform (MOF/STA/GACC Announcement [2019] No.39), the Group's applicable VAT rate range was changed from 3% - 16% to 3% - 13% from 1 April 2019.

According to the Supplementary Notice on Issues relating to VAT Policies on Assets Management Products (Cai Shui [2017] No.2) and Notice on Issues relating to VAT Policies on Assets Management Products (Cai Shui [2017] No.56) issued by MOF and State Administration of Taxation, since 1 January 2018, the manager of asset management products will be the VAT taxpayer for VAT taxable behaviours occurred in the operation of asset management products. And the VAT is levied at the rate of 3% with a provisional application of simple taxation method.

3. City maintenance and construction tax

The Group's city maintenance and construction tax is calculated according to 1% ~ 7% of VAT.

4. Education surcharge

The Group's education surcharge and local education surcharge are calculated according to 3% ~ 5% of VAT.

VI. Consolidation scope

1. Details of the Bank's principal subsidiaries included in the scope of consolidation are set out as follows:

Key subsidiaries	Main business place/ Place of registration	Business nature	Registered capital In millions of RMB	Total shareholding(%) (or similar equity interest) 31 December 2023	31 December 2022
Industrial Bank Financial Leasing Co., Ltd.	Tianjin	Financial leasing	9,000	**100**	100
China Industrial International Trust Limited	Fuzhou	Trust	10,000	**73**	73
CIB Fund Management Co., Ltd.	Fuzhou	Fund management	1,200	**90**	90
Industrial Consumer Finance Co., Ltd.	Quanzhou	Consumer finance	5,320	**66**	66
CIB Wealth Management Co., Ltd.	Fuzhou	Wealth management	5,000	**100**	100
CIIT Asset Management Co., Ltd. (1)	Shanghai	Assets management	3,400	**Note (1)**	Note (1)
China Industrial Asset Management Co., Ltd. (2)	Fuzhou	Assets management	1,950	**Note (2)**	Note (2)
Industrial Future Co., Ltd. (3)	Ningbo	Futures brokerage	500	**Note (3)**	Note (3)

(1) CIIT Asset Management Co., Ltd. is a wholly-owned subsidiary of China Industrial International Trust Limited, a holding subsidiary of the Bank.

(2) China Industrial Asset Management Co., Ltd. is a wholly-owned subsidiary of CIIT Asset Management Co., Ltd..

(3) Industrial Future Co., Ltd. is a wholly-owned subsidiary of China Industrial International Trust Limited, a holding subsidiary of the Bank.

2. Refer to Note VII, 45 for the information of consolidated structure entities included in the consolidation scope.

VII. Notes to items in the financial statements

1. Cash and balances with Central Bank

Unit: RMB million

		The Group		The Bank	
	Note	2023	2022	2023	2022
Cash on hand		**5,722**	5,181	**5,679**	5,181
Mandatory reserves with central bank	(1)	**357,075**	355,956	**357,073**	355,954
Excess reserves with central bank	(2)	**54,137**	79,172	**54,136**	79,163
Other deposits with central bank	(3)	**1,456**	1,918	**1,456**	1,918
Interest accrued		**179**	176	**179**	176
Total		**418,569**	442,403	**418,523**	442,392

(1) The domestic institution of the Bank places general deposit reserves mainly with the PBOC as required, including RMB deposit reserves and foreign deposit reserves. These deposit reserves are not available for the Group's daily operations and can't be transferred or used without the PBOC's approval. General deposit generates from organisations deposit, non-financial-budget deposit, individual deposit, enterprise deposit, net trust funds and other deposits. As at 31 December 2023, the ratio of the Bank's RMB deposit reserves is 7% (31 December 2022: 7.5%), and the ratio of foreign deposit reserves is 4% (31 December 2022: 6%). According to related regulations from the PBOC, foreign deposit reserves are non-interest bearing. The Group's subsidiaries' RMB reserve deposit ratio is in accordance with regulations of PBOC. Deposit ratio of statutory reserve in Hong Kong branch is in accordance with regulations from local regulators.

(2) Excess reserves with central bank are maintained with the PBOC mainly for the purpose of clearing, transferring, etc.

(3) The majority of other deposits with central bank are the fiscal deposits placed at Central Bank. Fiscal deposit at Central Bank refers to the fiscal deposit at PBOC by the Bank according to regulations, including the Bank's agent central budgetary revenues, local treasury deposits, etc. The fiscal deposits placed with the PBOC of institutions in mainland China are non-interest bearing.

2. Deposits with banks and other financial institutions

Unit: RMB million

	The Group		The Bank	
	2023	2022	2023	2022
Banks operating in Mainland China	**154,361**	68,262	**148,247**	61,393
Other financial institutions operating in Mainland China	**11,898**	8,501	**11,640**	8,358
Banks operating outside Mainland China	**19,504**	17,178	**19,504**	17,178
Other financial institutions operating outside Mainland China	**56**	197	**56**	197
Interest accrued	**156**	110	**133**	71
Subtotal	**185,975**	94,248	**179,580**	87,197
Less: allowance for impairment losses	**(69)**	(134)	**(68)**	(129)
Net value	**185,906**	94,114	**179,512**	87,068

3. Placements with banks and other financial institutions

Unit: RMB million

	The Group		The Bank	
	2023	2022	2023	2022
Banks operating in Mainland China	**8,568**	11,202	**8,568**	11,202
Other financial institutions operating in Mainland China	**295,125**	259,880	**313,475**	279,880
Banks operating outside Mainland China	**57,987**	80,618	**57,987**	80,618
Subtotal	**361,680**	351,700	**380,030**	371,700
Less: allowance for impairment losses	**(383)**	(585)	**(383)**	(585)
Net value	**361,297**	351,115	**379,647**	371,115
Designated at fair value through profit or loss (related to gold leasing business):				
Banks operating in Chinese Mainland	**241**	-	**241**	-
Subtotal	**241**	-	**241**	-
Interest accrued	**1,634**	928	**1,775**	1,022
Total	**363,172**	352,043	**381,663**	372,137

Effective from 9 January 2023, the lease-out side of gold leasing business was adjusted to "placements with banks and other financial institutions".

4. Derivative financial instruments

The Group enters into derivative financial instruments related to foreign currency exchange rate, interest rate, precious metals and credit rating or index for purposes of trading, asset and liability management and customer-driven business.

The notional amounts of derivative instruments represent the value of the underlying asset or the reference rate as a basis to measure changes in derivative financial instruments, which provide an indication of the volume of business transacted by the Group, but don't stand for the relevant future cash flow or current fair value, thus, do not indicate the Group's exposure to credit or market risks. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates, foreign exchange rates or precious metal prices relative to their terms. The aggregate fair values of derivative financial assets and financial liabilities can fluctuate significantly from time to time.

The notional amount and fair value of the Group's derivative financial instruments are as follows:

Unit: RMB million

	The Group		
	2023		
	Notional amount	Fair value	
		Assets	Liabilities
Exchange rate derivatives	**2,764,005**	**23,854**	**(24,586)**
Interest rate derivatives	**5,534,689**	**16,092**	**(17,746)**
Precious metal derivatives	**125,459**	**3,704**	**(927)**
Credit derivatives and others	**4,922**	**29**	**(20)**
Total	**8,429,075**	**43,679**	**(43,279)**
	2022		
	Notional amount	Fair value	
		Assets	Liabilities
Exchange rate derivatives	2,096,757	22,057	(21,666)
Interest rate derivatives	4,688,389	11,950	(11,903)
Precious metal derivatives	51,688	1,221	(1,366)
Credit derivatives and others	5,747	25	(32)
Total	6,842,581	35,253	(34,967)

	The Bank		
	2023		
	Notional amount	Fair value	
		Assets	Liabilities
Exchange rate derivatives	**2,764,005**	**23,854**	**(24,586)**
Interest rate derivatives	**5,534,689**	**16,092**	**(17,746)**
Precious metal derivatives	**125,459**	**3,704**	**(927)**
Credit derivatives and others	**4,760**	**25**	**(18)**
Total	**8,428,913**	**43,675**	**(43,277)**
	2022		
	Notional amount	Fair value	
		Assets	Liabilities
Exchange rate derivatives	2,096,757	22,057	(21,666)
Interest rate derivatives	4,688,389	11,950	(11,903)
Precious metal derivatives	51,688	1,221	(1,366)
Credit derivatives and others	5,500	24	(21)
Total	6,842,334	35,252	(34,956)

Fair value hedge

The Group uses fair value hedges to hedge the influences of changes in fair value of financial assets and trading spots caused by the changes of market interest rate and market value. For interest rate risk of financial assets, the Group adopts interest rate swaps as hedging instruments. For pricing risk of trading spots, the Group adopts future contracts as hedging instruments. Included in the aforesaid derivative financial instruments, the hedging instruments designated by the Group and the Bank are as follows:

Unit: RMB million

		The Group		
		2023		
		Notional amount	Fair value	
			Assets	Liabilities
Derivatives designated as fair value hedging instruments:		**26,188**	**523**	**(122)**
Interest rate derivatives - Interest rate swaps	(i)	**161**	**-**	**-**
Commodity derivatives - Future contracts		**26,349**	**523**	**(122)**
		2022		
		Notional amount	Fair value	
			Assets	Liabilities
Derivatives designated as fair value hedging instruments:				
Interest rate derivatives - Interest rate swaps		18,004	784	(26)
Commodity derivatives - Future contracts	(i)	40	-	-
		18,044	784	(26)

(i) Industrial Future Co., Ltd., a subsidiary of the Group, uses commodity derivatives to hedge the fair value changes caused by market price changes of trading spots held. The commodity derivatives are settled daily without liability and have a fair value of 0 on the balance sheet date.

Unit: RMB million

	The Bank		
	2023		
	Notional amount	Fair value	
		Assets	Liabilities
Derivatives designated as fair value hedging instruments:			
Interest rate derivatives - Interest rate swaps	**26,188**	**523**	**(122)**
	2022		
	Notional amount	Fair value	
		Assets	Liabilities
Derivatives designated as fair value hedging instruments:			
Interest rate derivatives - Interest rate swaps	18,004	784	(26)

The effectiveness of the hedging activities in the year which is reflected by the changes in fair value of hedging instruments and the net profit or loss from the hedged item attributable to the hedged risks is as follows:

Unit: RMB million

	The Group	
	2023	2022
Net gain (loss) from fair value hedge:		
Hedging instruments	**(351)**	818
Hedged item attributable to the hedged risk	**432**	(795)
	81	23
	The Bank	
	2023	2022
Net gain (loss) from fair value hedge:		
Hedging instruments	**(357)**	822
Hedged item attributable to the hedged risk	**419**	(797)
	62	25

Details of hedged exposure in fair value hedging strategy of the Group and the Bank as below:

Unit: RMB million

	The Group				
	2023				
	Carrying amount of hedged items		Total amount of fair value adjustment of hedged items		Balance sheet items
	Assets	Liabilities	Assets	Liabilities	
Bonds	**25,452**	**-**	**(298)**	**-**	Other Debt Investments
Others	**164**	**-**	**(6)**	**-**	Other Assets
Total	**25,616**	**-**	**(304)**	**-**	
	2022				
	Carrying amount of hedged items		Total amount of fair value adjustment of hedged items		Balance sheet items
	Assets	Liabilities	Assets	Liabilities	
Bonds	17,483	-	(717)	-	Other Debt Investments
Others	37	-	(19)	-	Other Assets
Total	17,520	-	(736)	-	

Unit: RMB million

	The Bank				
	2023				
	Carrying amount of hedged items		Total amount of fair value adjustment of hedged items		Balance sheet items
	Assets	Liabilities	Assets	Liabilities	
Bonds	**25,452**	**-**	**(298)**	**-**	Other Debt Investments
	2022				
	Carrying amount of hedged items		Total amount of fair value adjustment of hedged items		Balance sheet items
	Assets	Liabilities	Assets	Liabilities	
Bonds	17,483	-	(717)	-	Other Debt Investments

5. Financial assets purchased under resale agreements

Unit: RMB million

	The Group		The Bank	
	2023	2022	2023	2022
Bonds	**199,953**	56,589	**199,036**	56,058
Interest accrued	**195**	59	**195**	59
Subtotal	**200,148**	56,648	**199,231**	56,117
Less: allowance for impairment losses	**(83)**	(111)	**(83)**	(111)
Total	**200,065**	56,537	**199,148**	56,006

6. Loans and advances to customers

6.1 Analysis of loans and advances to customers by person and corporate

Unit: RMB million

	The Group		The Bank	
	2023	2022	2023	2022
Measured at amortised cost:				
Personal loans and advances				
Residential and business mortgage loans	**1,075,915**	1,097,324	**1,075,915**	1,097,324
Credit cards	**401,633**	452,772	**401,633**	452,772
Others	**498,824**	423,811	**412,413**	348,889
Subtotal	**1,976,372**	1,973,907	**1,889,961**	1,898,985
Corporate loans and advances				
Loans and advances	**3,154,340**	2,620,620	**3,157,547**	2,625,254
Subtotal	**3,154,340**	2,620,620	**3,157,547**	2,625,254
Less: allowance for impairment losses on loans and advances to customers measured at amortised cost	**(142,564)**	(126,083)	**(136,031)**	(120,981)
Carrying amount of loans and advances to customers measured at amortised cost	**4,988,148**	4,468,444	**4,911,477**	4,403,258
Fair value through other comprehensive income:				
Corporate loans and advances				
Discounted Bills	**319,749**	377,567	**319,749**	377,567
Subtotal	**319,749**	377,567	**319,749**	377,567
Fair value through profit or loss:				
Corporate loans and advances				
Loans and advances	**10,474**	10,793	**10,474**	10,793
Subtotal	**10,474**	10,793	**10,474**	10,793
Interest accrued	**15,112**	13,075	**14,303**	12,388
Net balance	**5,333,483**	4,869,879	**5,256,003**	4,804,006

As at 31 December 2023, the Group and Bank's allowance for impairment losses on loans and advances to customers measured at fair value through other comprehensive income was RMB862 million (As at 31 December 2022: RMB2,751 million).

6.2 Analysis of loans and advances to customers (interest accrued excluded) by industry distribution

Unit: RMB million

	The Group				The Bank			
	2023		2022		2023		2022	
	Amount	(%)	Amount	(%)	Amount	(%)	Amount	(%)
Manufacturing	**728,257**	**13.34**	585,275	11.74	**728,257**	**13.54**	585,275	11.91
Leasing and commercial services	**633,435**	**11.60**	458,017	9.19	**633,435**	**11.78**	458,017	9.32
Real estate	**437,450**	**8.01**	356,027	7.14	**437,450**	**8.13**	356,027	7.25
Retail and wholesale	**283,379**	**5.18**	263,437	5.29	**281,595**	**5.23**	261,652	5.33
Water, environment and public facilities administration	**278,973**	**5.11**	246,453	4.95	**278,973**	**5.19**	246,453	5.02
Production and supply of power, gas and water	**185,630**	**3.40**	166,203	3.34	**185,630**	**3.45**	166,203	3.38
Transport, logistics and postal service	**175,265**	**3.21**	165,154	3.31	**175,265**	**3.26**	165,154	3.36
Construction	**167,254**	**3.06**	163,364	3.28	**167,254**	**3.11**	163,364	3.33
Extractive industry	**76,574**	**1.40**	74,380	1.49	**76,574**	**1.42**	74,380	1.51
Financial industry	**43,269**	**0.79**	34,943	0.70	**48,260**	**0.90**	41,362	0.84
Other corporate industries	**155,328**	**2.85**	118,160	2.38	**155,328**	**2.90**	118,160	2.40
Subtotal	**3,164,814**	**57.95**	2,631,413	52.81	**3,168,021**	**58.91**	2,636,047	53.65
Personal loans	**1,976,372**	**36.19**	1,973,907	39.61	**1,889,961**	**35.14**	1,898,985	38.66
Discounted bills	**319,749**	**5.86**	377,567	7.58	**319,749**	**5.95**	377,567	7.69
Gross loans and advances	**5,460,935**	**100.00**	4,982,887	100.00	**5,377,731**	**100.00**	4,912,599	100.00
Less: allowance for impairment losses	**(142,564)**		(126,083)		**(136,031)**		(120,981)	
Loans and advances to customers (interest accrued excluded)	**5,318,371**		4,856,804		**5,241,700**		4,791,618	

6.3 Analysis of loans and advances to customers (interest accrued excluded) by geographical distribution

Unit: RMB million

	The Group				The Bank			
	2023		2022		2023		2022	
	Amount	(%)	Amount	(%)	Amount	(%)	Amount	(%)
Head office (Note 1)	**600,504**	**11.00**	602,207	12.09	**600,504**	**11.17**	602,207	12.26
Guangdong	**655,841**	**12.01**	577,166	11.58	**650,990**	**12.11**	572,586	11.66
Fujian	**572,595**	**10.50**	545,812	10.95	**568,738**	**10.58**	542,278	11.04
Jiangsu	**531,193**	**9.73**	478,612	9.61	**522,500**	**9.72**	470,024	9.57
Zhejiang	**501,544**	**9.18**	448,161	8.99	**497,451**	**9.25**	444,391	9.05
Shanghai	**274,363**	**5.02**	240,738	4.83	**239,742**	**4.46**	217,828	4.43
Beijing	**242,149**	**4.43**	215,527	4.33	**240,291**	**4.47**	213,556	4.35
Others (Note 2)	**2,082,746**	**38.13**	1,874,664	37.62	**2,057,515**	**38.24**	1,849,729	37.64
Gross loans and advances	**5,460,935**	**100.00**	4,982,887	100.00	**5,377,731**	**100.00**	4,912,599	100.00
Less: allowance for impairment losses	**(142,564)**		(126,083)		**(136,031)**		(120,981)	
Loans and advances to customers (interest accrued excluded)	**5,318,371**		4,856,804		**5,241,700**		4,791,618	

Note 1: Head office contains the head office and the operating divisions of the head office.

Note 2: As at 31 December 2023, the Bank has 45 tier 1 branches, apart from the tier-1 branches mentioned in the above areas, the rest is categorised into "Others". Loans and advances originated by the Bank and the subsidiaries are presented by geographical distribution.

6.4 Analysis of loans and advances (interest accrued excluded) to customers by security type

Unit: RMB million

	The Group		The Bank	
	2023	2022	2023	2022
Unsecured loans	**1,469,326**	1,392,814	**1,387,907**	1,324,311
Guaranteed loans	**1,341,021**	1,068,126	**1,340,993**	1,068,098
Collateralised loans	**2,330,839**	2,144,380	**2,329,082**	2,142,623
- Secured by mortgage	**1,930,799**	1,795,822	**1,929,042**	1,794,065
- Secured by collaterals	**400,040**	348,558	**400,040**	348,558
Discounted bills	**319,749**	377,567	**319,749**	377,567
Gross loans and advances	**5,460,935**	4,982,887	**5,377,731**	4,912,599
Less: allowance for impairment losses	**(142,564)**	(126,083)	**(136,031)**	(120,981)
Loans and advances to customers (interest accrued excluded)	**5,318,371**	4,856,804	**5,241,700**	4,791,618

6.5 Overdue loans (interest accrued excluded)

Unit: RMB million

	The Group									
	2023					2022				
	1-90 days (including 90 days)	91-360 days (including 360 days)	361 days to 3 years (including 3 years)	Over 3 years	Total	1-90 days (including 90 days)	91-360 days (including 360 days)	361 days to 3 years (including 3 years)	Over 3 years	Total
Unsecured loans	**14,688**	**15,716**	**4,042**	**425**	**34,871**	19,208	18,370	3,086	297	40,961
Guaranteed loans	**5,825**	**1,863**	**3,159**	**500**	**11,347**	3,623	4,002	3,467	516	11,608
Collateralised loans	**13,822**	**7,590**	**5,713**	**940**	**28,065**	14,170	10,409	4,854	1,235	30,668
- Secured by mortgage	**12,495**	**6,964**	**5,340**	**871**	**25,670**	12,868	8,336	4,668	1,235	27,107
- Secured by collaterals	**1,327**	**626**	**373**	**69**	**2,395**	1,302	2,073	186	-	3,561
Total	**34,335**	**25,169**	**12,914**	**1,865**	**74,283**	37,001	32,781	11,407	2,048	83,237

Unit: RMB million

	The Bank									
	2023					2022				
	1-90 days (including 90 days)	91-360 days (including 360 days)	361 days to 3 years (including 3 years)	Over 3 years	Total	1-90 days (including 90 days)	91-360 days (including 360 days)	361 days to 3 years (including 3 years)	Over 3 years	Total
Unsecured loans	**13,132**	**13,863**	**4,039**	**425**	**31,459**	17,734	17,382	3,078	297	38,491
Guaranteed loans	**5,825**	**1,863**	**3,159**	**500**	**11,347**	3,623	4,002	3,467	516	11,608
Collateralised loans	**13,822**	**7,590**	**5,713**	**940**	**28,065**	14,170	10,409	4,854	1,235	30,668
- Secured by mortgage	**12,495**	**6,964**	**5,340**	**871**	**25,670**	12,868	8,336	4,668	1,235	27,107
- Secured by collaterals	**1,327**	**626**	**373**	**69**	**2,395**	1,302	2,073	186	-	3,561
Total	**32,779**	**23,316**	**12,911**	**1,865**	**70,871**	35,527	31,793	11,399	2,048	80,767

The loan will be categorised into overdue when principal or interest is overdue for one day.

6.6 Allowance for loan impairment

As at 31 December 2023, changes in allowance for impairment losses on loans and advances to customers are as follows:

(1) Loans and advances to customers measured at amortised cost

Unit: RMB million

	The Group			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	
1 January 2023	**56,872**	**16,918**	**52,293**	**126,083**
Transfer:				
- to stage 1	**3,080**	**(1,957)**	**(1,123)**	**-**
- to stage 2	**(5,524)**	**10,215**	**(4,691)**	**-**
- to stage 3	**(1,549)**	**(7,277)**	**8,826**	**-**
Charge for the year	**11,692**	**9,342**	**47,958**	**68,992**
Write-offs and transfer out	**-**	**-**	**(63,383)**	**(63,383)**
Recoveries of amounts previously written off	**-**	**-**	**11,795**	**11,795**
Exchange difference and other movements	**-**	**-**	**(923)**	**(923)**
31 December 2023	**64,571**	**27,241**	**50,752**	**142,564**

Unit: RMB million

	The Group			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	
1 January 2022	81,935	14,080	33,862	129,877
Transfer:				
- to stage 1	3,501	(1,489)	(2,012)	-
- to stage 2	(3,490)	3,900	(410)	-
- to stage 3	(7,208)	(7,049)	14,257	-
(Reversal) charge for the year	(17,866)	7,476	46,490	36,100
Write-offs and transfer out	-	-	(46,745)	(46,745)
Recoveries of amounts previously written off	-	-	8,214	8,214
Exchange difference and other movements	-	-	(1,363)	(1,363)
31 December 2022	56,872	16,918	52,293	126,083

Unit: RMB million

	The Bank			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	
1 January 2023	**54,647**	**16,368**	**49,966**	**120,981**
Transfer:				
- to stage 1	**3,001**	**(1,933)**	**(1,068)**	**-**
- to stage 2	**(5,460)**	**10,140**	**(4,680)**	**-**
- to stage 3	**(1,473)**	**(7,249)**	**8,722**	**-**
Charge for the year	**11,218**	**8,790**	**42,520**	**62,528**
Write-offs and transfer out	**-**	**-**	**(57,655)**	**(57,655)**
Recoveries of amounts previously written off	**-**	**-**	**11,048**	**11,048**
Exchange difference and other movements	**-**	**-**	**(871)**	**(871)**
31 December 2023	**61,933**	**26,116**	**47,982**	**136,031**

Unit: RMB million

	The Bank			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	
1 January 2022	80,236	13,768	32,421	126,425
Transfer:				
- to stage 1	3,431	(1,478)	(1,953)	-
- to stage 2	(3,459)	3,863	(404)	-
- to stage 3	(7,154)	(7,036)	14,190	-
(Reversal) charge for the year	(18,407)	7,251	42,382	31,226
Write-offs and transfer out	-	-	(43,237)	(43,237)
Recoveries of amounts previously written off	-	-	7,910	7,910
Exchange difference and other movements	-	-	(1,343)	(1,343)
31 December 2022	54,647	16,368	49,966	120,981

(2) Loans and advances to customers measured at fair value through other comprehensive income

Unit: RMB million

	The Group and the Bank			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	
1 January 2023	**2,682**	**-**	**69**	**2,751**
Transfer:				
- to stage 1	**-**	**-**	**-**	**-**
- to stage 2	**-**	**-**	**-**	**-**
- to stage 3	**-**	**-**	**-**	**-**
Reversal for the year	**(1,830)**	**-**	**(59)**	**(1,889)**
Write-offs and transfer out	**-**	**-**	**-**	**-**
Recoveries of amounts previously written off	**-**	**-**	**-**	**-**
Exchange difference and other movements	**-**	**-**	**-**	**-**
31 December 2023	**852**	**-**	**10**	**862**

Unit: RMB million

	The Group and the Bank			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	
1 January 2022	1,008	3	21	1,032
Transfer:				
- to stage 1	-	-	-	-
- to stage 2	-	-	-	-
- to stage 3	-	-	-	-
Charge (reversal) for the year	1,674	(3)	48	1,719
Write-offs and transfer out	-	-	-	-
Recoveries of amounts previously written off	-	-	-	-
Exchange difference and other movements	-	-	-	-
31 December 2022	2,682	-	69	2,751

7. Financial investments

Unit: RMB million

		The Group		The Bank	
	Note	2023	2022	2023	2022
Trading assets	7.1	**957,708**	999,855	**894,921**	933,931
Debt investments	7.2	**1,801,346**	1,607,026	**1,791,706**	1,595,755
Other debt investments	7.3	**572,585**	548,007	**568,979**	548,000
Other equity investments	7.4	**3,836**	3,453	**3,255**	2,873
Total		**3,335,475**	3,158,341	**3,258,861**	3,080,559

7.1 Trading assets

Unit: RMB million

	The Group		The Bank	
	2023	2022	2023	2022
Held for trading purpose:				
Investment in debt instruments				
Government bonds	**48,253**	114,961	**45,224**	112,654
The Central Bank bills and policy bank financial bonds	**28,491**	13,725	**19,128**	9,268
Bonds issued by banks and other financial institutions	**24,526**	7,549	**1,823**	2,097
Interbank certificates of deposit	**25,579**	4,980	**24,257**	3,191
Corporate bonds and asset-backed securities	**71,585**	94,511	**36,276**	44,223
Funds	**593,346**	628,551	**639,021**	664,900
Other investments	**5,603**	5,624	**-**	-
Subtotal	**797,383**	869,901	**765,729**	836,333
Financial assets measured at fair value through profit or loss (mandatory):				
The Central Bank bills and policy bank financial bonds	**1,340**	-	**1,340**	-
Bonds issued by banks and other financial institutions	**7,216**	7,219	**7,216**	7,219
Corporate bonds and asset-backed securities	**850**	1,966	**551**	1,916
Trust beneficiary rights and asset management plans	**128,013**	95,546	**116,100**	86,629
- Debt securities	**117,643**	86,231	**114,587**	83,933
- Credit assets	**3,918**	3,211	**1,080**	1,705
- Others	**6,452**	6,104	**433**	991
Wealth management products	**5,126**	2,727	**2,469**	674
Equity investments	**14,944**	20,069	**1,516**	1,160
Funds	**2,836**	2,427	**-**	-
Subtotal	**160,325**	129,954	**129,192**	97,598
Total	**957,708**	999,855	**894,921**	933,931

7.2 Debt investments

Unit: RMB million

		The Group		The Bank	
	Note	2023	2022	2023	2022
Government bonds		**1,011,961**	845,933	**1,005,298**	839,518
The Central Bank bills and policy bank financial bonds		**5,656**	8,575	**5,656**	8,575
Bonds issued by banks and other financial institutions		**59,416**	75,740	**59,686**	75,740
Interbank certificates of deposit		**32,771**	16,072	**32,771**	16,072
Corporate bonds and asset-backed securities		**212,548**	153,007	**213,378**	152,892
Trust beneficiary rights and asset management plans		**501,896**	537,513	**494,169**	530,259
- Credit assets		**350,492**	308,810	**349,473**	308,083
- Debt securities		**119,611**	187,277	**119,475**	187,275
- Others		**31,793**	41,426	**25,221**	34,901
Interest accrued		**17,686**	15,632	**17,606**	15,588
Subtotal		**1,841,934**	1,652,472	**1,828,564**	1,638,644
Less: allowance for impairment losses	(1)	**(40,588)**	(45,446)	**(36,858)**	(42,889)
Net value		**1,801,346**	1,607,026	**1,791,706**	1,595,755

(1) Changes in allowance for impairment losses on debt investments are as follows:

Unit: RMB million

	The Group			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	
1 January 2023	**5,342**	**7,988**	**32,116**	**45,446**
Transfer:				
- to stage 1	**240**	**(240)**	**-**	**-**
- to stage 2	**(82)**	**4,029**	**(3,947)**	**-**
- to stage 3	**(60)**	**(1,108)**	**1,168**	**-**
(Reversal) charge for the year	**(2,207)**	**(5,069)**	**1,692**	**(5,584)**
Write-offs and transfer out	**-**	**-**	**(1,255)**	**(1,255)**
Exchange difference and other movements	**566**	**-**	**1,415**	**1,981**
31 December 2023	**3,799**	**5,600**	**31,189**	**40,588**

Unit: RMB million

	The Group			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	
1 January 2022	8,390	6,671	27,256	42,317
Transfer:				
- to stage 1	-	-	-	-
- to stage 2	(154)	3,257	(3,103)	-
- to stage 3	(141)	(3,712)	3,853	-
(Reversal) charge for the year	(1,959)	1,772	9,759	9,572
Write-offs and transfer out	-	-	(7,842)	(7,842)
Exchange difference and other movements	(794)	-	2,193	1,399
31 December 2022	5,342	7,988	32,116	45,446

Unit: RMB million

	The Bank			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	
1 January 2023	**5,333**	**7,988**	**29,568**	**42,889**
Transfer:				
- to stage 1	**240**	**(240)**	**-**	**-**
- to stage 2	**(82)**	**4,029**	**(3,947)**	**-**
- to stage 3	**(60)**	**(1,108)**	**1,168**	**-**
(Reversal) charge for the year	**(2,217)**	**(5,093)**	**932**	**(6,378)**
Write-offs and transfer out	**-**	**-**	**(1,250)**	**(1,250)**
Exchange difference and other movements	**566**	**-**	**1,031**	**1,597**
31 December 2023	**3,780**	**5,576**	**27,502**	**36,858**

Unit: RMB million

	The Bank			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	
1 January 2022	8,386	6,356	25,862	40,604
Transfer:				
- to stage 1	-	-	-	-
- to stage 2	(154)	3,257	(3,103)	-
- to stage 3	(141)	(2,150)	2,291	-
(Reversal) charge for the year	(1,964)	525	8,485	7,046
Write-offs and transfer out	-	-	(6,160)	(6,160)
Exchange difference and other movements	(794)	-	2,193	1,399
31 December 2022	5,333	7,988	29,568	42,889

7.3 Other debt investments

Unit: RMB million

	The Group		The Bank	
	2023	2022	2023	2022
Debt investments:				
Government bonds	**213,998**	170,626	**210,276**	170,122
The Central Bank bills and policy bank financial bonds	**14,220**	13,437	**14,220**	13,437
Bonds issued by banks and other financial institutions	**110,450**	70,276	**110,450**	70,378
Interbank certificates of deposit	**52,533**	79,529	**52,533**	79,529
Corporate bonds and asset-backed securities	**175,628**	207,936	**176,138**	208,435
Trust beneficiary rights and asset management plans	**506**	1,436	**173**	1,332
Interest accrued	**5,250**	4,767	**5,189**	4,767
Total	**572,585**	548,007	**568,979**	548,000

(1) Changes in fair value

Unit: RMB million

	Note	The Group		The Bank	
		2023	2022	2023	2022
Initial recognition cost		**574,970**	555,284	**571,329**	555,131
Fair value		**572,585**	548,007	**568,979**	548,000
Accumulated amount recognised in other comprehensive income		**(2,087)**	(6,560)	**(2,052)**	(6,414)
Accumulated amount recognised in profit or loss	(i)	**(298)**	(717)	**(298)**	(717)

(i) The Bank uses interest rate swaps to hedge the changes in fair value caused by changes in bond interest rates of other debt investments held. Fair value changes of the part of hedged bonds are included in profit or loss.

(2) Changes in allowance for impairment losses on other debt investments are as follows:

Unit: RMB million

	The Group			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	
1 January 2023	1,296	348	509	2,153
Transfer:				
- to stage 1	-	-	-	-
- to stage 2	(347)	347	-	-
- to stage 3	-	(174)	174	-
(Reversal) charge for the year	(493)	396	884	787
Write-offs and transfer out	-	-	(777)	(777)
Exchange difference and other movements	44	-	-	44
31 December 2023	500	917	790	2,207

Unit: RMB million

	The Group			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	
1 January 2022	752	233	1,313	2,298
Transfer:				
- to stage 1	20	(20)	-	-
- to stage 2	-	-	-	-
- to stage 3	(1)	-	1	-
Charge for the year	493	135	73	701
Write-offs and transfer out	-	-	(878)	(878)
Exchange difference and other movements	32	-	-	32
31 December 2022	1,296	348	509	2,153

Unit: RMB million

	The Bank			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	
1 January 2023	**1,296**	**348**	**399**	**2,043**
Transfer:				
- to stage 1	**-**	**-**	**-**	**-**
- to stage 2	**(347)**	**347**	**-**	**-**
- to stage 3	**-**	**(174)**	**174**	**-**
(Reversal) charge for the year	**(497)**	**396**	**884**	**783**
Write-offs and transfer out	**-**	**-**	**(687)**	**(687)**
Exchange difference and other movements	**44**	**-**	**-**	**44**
31 December 2023	**496**	**917**	**770**	**2,183**

Unit: RMB million

	The Bank			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	
1 January 2022	714	222	1,204	2,140
Transfer:				
- to stage 1	20	(20)	-	-
- to stage 2	-	-	-	-
- to stage 3	(1)	-	1	-
Charge for the year	531	146	34	711
Write-offs and transfer out	-	-	(840)	(840)
Exchange difference and other movements	32	-	-	32
31 December 2022	1,296	348	399	2,043

7.4 Other equity investments

Unit: RMB million

	The Group		The Bank	
	2023	2022	2023	2022
Designated at fair value through other comprehensive income	**3,836**	3,453	**3,255**	2,873

The Group designates non-trading equity investments as financial assets at fair value through other comprehensive income. As at 31 December 2023, the fair value of the equity investments is RMB3,836 million (31 December 2022: RMB3,453 million). During the reporting period, dividend income of RMB37.49 million (2022: RMB50.00 million) recognised for such equity investments was included in the profit or loss.

Related analyses of other equity investments are as follows:

Unit: RMB million

	The Group		The Bank	
	2023	2022	2023	2022
Initial recognition cost	**4,098**	3,676	**3,517**	3,096
Fair value	**3,836**	3,453	**3,255**	2,873
Accumulated amount recognised in other comprehensive income	**(262)**	(223)	**(262)**	(223)

8. Finance lease receivables

Presented by nature:

Unit: RMB million

	The Group		
	Note	2023	2022
Finance lease receivables		**133,132**	123,843
Less:unrealised financing income		**(14,091)**	(11,970)
Present value of minimum finance lease receivables		**119,041**	111,873
Less:allowance for impairment losses	(1)	**(4,364)**	(4,649)
Net value		**114,677**	107,224

Finance lease receivables Listed as follows:

Unit: RMB million

	Note	2023	2022
Within 1 year		**49,299**	50,184
1 to 2 years		**37,270**	32,800
2 to 3 years		**19,159**	17,331
3 to 5 years		**17,087**	13,742
Over 5 years		**8,879**	7,529
Undated*		**1,438**	2,257
Minimum lease receipts in total		**133,132**	123,843
Unrealised financing income		**(14,091)**	(11,970)
Present value of minimum finance lease receivables		**119,041**	111,873
Less:allowance for impairment losses	(1)	**(4,364)**	(4,649)
Net value		**114,677**	107,224

* Undated refers to finance lease receivables which are overdue

(1) Changes in allowance for impairment losses on finance lease receivables :

Unit: RMB million

	The Group			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	
1 January 2023	**1,269**	**225**	**3,155**	**4,649**
Transfer:				
- to stage 1	**-**	**-**	**-**	**-**
- to stage 2	**-**	**215**	**(215)**	**-**
- to stage 3	**(241)**	**(204)**	**445**	**-**
Charge (reversal) for the year	**69**	**2**	**(383)**	**(312)**
Write-offs and transfer out	**-**	**-**	**(60)**	**(60)**
Exchange difference and other movements	**-**	**-**	**87**	**87**
31 December 2023	**1,097**	**238**	**3,029**	**4,364**

Unit: RMB million

	The Group			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	
1 January 2022	1,461	201	3,243	4,905
Transfer:				
- to stage 1	9	(9)	-	-
- to stage 2	(153)	169	(16)	-
- to stage 3	(841)	-	841	-
Charge (reversal) for the year	793	(136)	(861)	(204)
Write-offs and transfer out	-	-	(222)	(222)
Exchange difference and other movements	-	-	170	170
31 December 2022	1,269	225	3,155	4,649

9. Long-term equity investments

Unit: RMB million

		The Group								
Investee	Accounting method	1 January 2023	Investment income recognised under the equity method	Cash dividends for this year	Changes for the preiod	Provisions	31 December 2023	Proportion of equity interest (%)	Proportion of voting power in the investee (%)	Explanation of inconsistency between the proportion of equity interest and the proportion of voting power in the investee
Bank of Jiujiang (1)	Equity method	3,568	9	(29)	(151)	-	3,397	10.34	10.34	N/A
Others	Equity method	478	9	(10)	(2)	-	475			N/A
Total		4,046	18	(39)	(153)	-	3,872			

Unit: RMB million

		The Bank								
Long-term equity investments by equity method: Investee	Accounting method	1 January 2023	Investment income recognised under the equity method	Cash dividends for this year	Changes for the period	Provisions	31 December 2023	Proportion of equity interest (%)	Proportion of voting power in the investee (%)	Explanation of inconsistency between the proportion of equity interest and the proportion of voting power in the investee
Bank of Jiujiang (1)	Equity method	3,568	9	(29)	(151)	-	3,397	10.34	10.34	N/A
Subtotal		3,568	9	(29)	(151)	-	3,397	10.34	10.34	N/A

Unit: RMB million

Long-term equity investments accounted by cost method: Investee	Accounting method	1 January 2023	Changes	31 December 2023	Proportion of equity interest (%)	Proportion of voting power in the investee (%)	Explanation of inconsistency between the proportion of equity interest and the proportion of voting power in the investee	Provision for impairment	Cash dividends for this year
Industrial Bank Financial Leasing Co., Ltd. (Note. VI)	Cost method	7,000	-	7,000	100.00	100.00	N/A	-	450
China Industrial International Trust Limited (Note. VI)	Cost method	6,395	-	6,395	73.00	73.00	N/A	-	-
CIB Fund Management Co., Ltd. (Note. VI)	Cost method	900	-	900	90.00	90.00	N/A	-	45
Industrial Consumer Finance Co., Ltd. (Note. VI)	Cost method	1,254	-	1,254	66.00	66.00	N/A	-	151
CIB Wealth Management Co., Ltd. (Note. VI)	Cost method	5,000	-	5,000	100.00	100.00	N/A	-	250
Subtotal		20,549	-	20,549				-	896

(1) Bank of Jiujiang issued a total of 75,000,000 H Shares to no less than six subscribers of H Shares, the registration of changes was completed on 26 July 2023. Bank of Jiujiang then issued a total of 365,000,000 Domestic Shares to no less than six subscribers of Domestic Shares, completion of issuance was announced on 22 September 2023. The shareholding of the Bank was diluted to 10.34% as at 31 December 2023 (as at 31 December 2022: 12.23%) after such private placements. As the Bank sent a director to the Bank of Jiujiang, the Bank has significant influence over the Bank of Jiujiang and the equity investment is accounted for using the equity method.

(2) There are no restrictions on the investees' capacities of capital transferring to the Group and the Bank on 31 December 2023.

10. Fixed assets

Unit: RMB million

	The Group					
	Buildings	Fixed assets improvement	Office and machinery equipment	Transportation vehicles	Flight equipment	Total
Cost						
At 1 January 2023	23,817	1,251	11,717	451	6,874	44,110
Purchase	2	1	2,393	57	693	3,146
Transfers from constructions in progress	1,016	17	-	-	-	1,033
Sales/disposals	(166)	(1)	(692)	(94)	(708)	(1,661)
At 31 December 2023	24,669	1,268	13,418	414	6,859	46,628
Accumulated depreciation						
At 1 January 2023	(5,705)	(646)	(7,029)	(339)	(1,617)	(15,336)
Depreciation for the year	(892)	(39)	(1,701)	(34)	(322)	(2,988)
Eliminated on sales/disposals	162	-	577	76	151	966
At 31 December 2023	(6,435)	(685)	(8,153)	(297)	(1,788)	(17,358)
Allowance for impairment losses						
At 1 January 2023	(3)	-	-	-	(200)	(203)
Charge for the year	-	-	-	-	(200)	(200)
At 31 December 2023	(3)	-	-	-	(400)	(403)
Net carrying amount						
At 1 January 2023	18,109	605	4,688	112	5,057	28,571
At 31 December 2023	18,231	583	5,265	117	4,671	28,867

As at 31 December 2023, the cost of flight equipment leased out under operating lease business by the Group's subsidiary Industrial Bank Financial Leasing Co., Ltd. was RMB6,859 million (31 December 2022: RMB6,874 million).

As at 31 December 2023, buildings with cost RMB758 million were in use but the legal ownership registrations were still in process (31 December 2022: RMB513 million).

Unit: RMB million

	The Bank				
	Buildings	Fixed assets improvement	Office and machinery equipment	Transportation vehicles	Total
Cost					
At 1 January 2023	23,353	1,202	10,880	416	35,851
Purchase	1	-	1,662	46	1,709
Transfers from constructions in progress	1,016	17	-	-	1,033
Sales/disposals	(166)	(1)	(589)	(82)	(838)
At 31 December 2023	24,204	1,218	11,953	380	37,755
Accumulated depreciation					
At 1 January 2023	(5,668)	(646)	(6,692)	(314)	(13,320)
Depreciation for the year	(874)	(39)	(1,454)	(27)	(2,394)
Eliminated on sales/disposals	162	-	547	69	778
At 31 December 2023	(6,380)	(685)	(7,599)	(272)	(14,936)
Allowance for impairment losses					
At 1 January 2023	(3)	-	-	-	(3)
At 31 December 2023	(3)	-	-	-	(3)
Net carrying amount					
At 1 January 2023	17,682	556	4,188	102	22,528
At 31 December 2023	17,821	533	4,354	108	22,816

As at 31 December 2023, buildings which cost RMB758 million were in use but the legal ownership registrations were still in process (31 December 2022: RMB513 million).

11. Construction in progress

Unit: RMB million

	The Group						
	2023						
	1 January 2023	Additions	Transfer to fixed assets	Transfer to long-term prepaid expenses	31 December 2023	Provisions	Net book value
Operating building, Ningbo	385	39	-	-	424	-	424
Operating building, Kunming	353	-	-	-	353	-	353
Operating building, Huizhou	273	-	-	-	273	-	273
Operating building, Wuyi Branch in Nanping	160	7	-	-	167	-	167
Operating building, Xuzhou	-	162	-	-	162	-	162
Operating building, Yibin	-	48	-	-	48	-	48
Partial improvement of Industrial Bank Tower, Fuzhou	26	-	-	-	26	-	26
Others	1,374	726	(1,033)	(550)	517	-	517
Total	2,571	982	(1,033)	(550)	1,970	-	1,970

Unit: RMB million

	The Bank						
	2023						
	1 January 2023	Additions	Transfer to fixed assets	Transfer to long-term prepaid expenses	31 December 2023	Provisions	Net book value
Operating building, Ningbo	385	39	-	-	424	-	424
Operating building, Kunming	353	-	-	-	353	-	353
Operating building, Huizhou	273	-	-	-	273	-	273
Operating building, Wuyi Branch in Nanping	160	7	-	-	167	-	167
Operating building, Xuzhou	-	162	-	-	162	-	162
Operating building, Yibin	-	48	-	-	48	-	48
Partial improvement of Industrial Bank Tower, Fuzhou	26	-	-	-	26	-	26
Others	1,361	733	(1,033)	(550)	511	-	511
Total	2,558	989	(1,033)	(550)	1,964	-	1,964

12. Right-of-use assets

Unit: RMB million

	The Group			
	Buildings	Flight equipment	Others	Total
Cost				
At 1 January 2023	13,854	717	76	14,647
Additions for the year	3,281	-	16	3,297
Less for the year	(1,593)	(8)	(9)	(1,610)
At 31 December 2023	15,542	709	83	16,334
Accumulated depreciation				
At 1 January 2023	(4,900)	(139)	(37)	(5,076)
Depreciation for the year	(2,940)	(12)	(16)	(2,968)
Eliminated for the year	1,573	-	5	1,578
At 31 December 2023	(6,267)	(151)	(48)	(6,466)
Allowance for impairment losses				
At 1 January 2023	-	(5)	-	(5)
Charge for the year	-	-	-	-
Reversal for the year	-	-	-	-
At 31 December 2023	-	(5)	-	(5)
Net value				
At 1 January 2023	8,954	573	39	9,566
At 31 December 2023	9,275	553	35	9,863

Unit: RMB million

	The bank		
	Buildings	Others	Total
Cost			
At 1 January 2023	13,303	55	13,358
Additions for the year	2,794	17	2,811
Less for the year	(1,520)	(6)	(1,526)
At 31 December 2023	14,577	66	14,643
Accumulated depreciation			
At 1 January 2023	(4,667)	(17)	(4,684)
Depreciation for the year	(2,750)	(16)	(2,766)
Eliminated for the year	1,482	3	1,485
At 31 December 2023	(5,935)	(30)	(5,965)
Allowance for impairment losses			
At 1 January 2023	-	-	-
Charge for the year	-	-	-
Reversal for the year	-	-	-
At 31 December 2023	-	-	-
Net value			
At 1 January 2023	8,636	38	8,674
At 31 December 2023	8,642	36	8,678

13. Goodwill

Unit: RMB million

China Industrial International Trust Limited	The Group			
	1 January 2023	Additions	Deductions	31 December 2023
Cost	**532**	-	-	**532**
Allowance for impairment losses	-	-	-	-
Carrying amount	**532**	-	-	**532**

Goodwill arose from acquisition of China Industrial International Trust Limited in February 2011, and the overweight of China Industrial Future Limited by China Industrial International Trust Limited in March 2015.

At the end of the period, the Group performed impairment tests on goodwill based on expected future cash flow of the investee, meanwhile, calculated the expected present value of future cash flow of the investee by applying an appropriate discount rate to determine recoverable amount. No evidence shows that the recoverable amount of goodwill is less than the carrying amount and therefore no impairment is recognised.

14. Deferred tax asset and deferred tax liability

14.1 Recognised deferred tax assets and liabilities

Unit: RMB million

	The Group			
	2023		2022	
	Deductible (taxable) temporary differences	Deferred tax assets (liabilities)	Deductible (taxable) temporary differences	Deferred tax assets (liabilities)
Deferred tax assets				
Impairment losses on assets	**198,092**	**49,523**	181,562	45,387
Fair value changes of trading assets	**366**	**83**	6,735	1,681
Fair value changes of trading liabilities	**3,507**	**877**	272	68
Changes in fair value in other debt investments	**3,320**	**830**	7,801	1,954
Changes in fair value in other equity investments	**264**	**66**	223	56
Accrued but not paid employee benefits	**28,896**	**7,224**	26,144	6,522
Accounting and tax basis differences related to lease liabilities	**8,704**	**2,176**	8,706	2,176
Others	**6,207**	**1,552**	3,910	977
Subtotal	**249,356**	**62,331**	235,353	58,821
Offset	**(17,134)**	**(4,285)**	(15,795)	(3,948)
Deferred tax assets after offset	**232,222**	**58,046**	219,558	54,873
Deferred tax liabilities				
Accounting and tax basis differences related to right-of-use assets	**(8,709)**	**(2,177)**	(8,747)	(2,187)
Differences of fixed assets depreciation	**(4,983)**	**(1,246)**	(4,615)	(1,154)
Fair value changes of trading assets	**(2,211)**	**(553)**	(1,861)	(465)
Fair value changes of other debt investments	**(24)**	**(6)**	-	-
Fair value changes of derivative financial instruments	**(965)**	**(241)**	(1,006)	(251)
Others	**(958)**	**(241)**	(958)	(239)
Subtotal	**(17,850)**	**(4,464)**	(17,187)	(4,296)
Offset	**17,134**	**4,285**	15,795	3,948
Deferred tax liabilities after offset	**(716)**	**(179)**	(1,392)	(348)

Unit: RMB million

	The Bank			
	2023		2022	
	Deductible (taxable) temporary differences	Deferred tax assets (liabilities)	Deductible (taxable) temporary differences	Deferred tax assets (liabilities)
Deferred tax assets				
Impairment losses on assets	**186,277**	**46,569**	170,795	42,700
Fair value changes of trading assets	**-**	**-**	6,396	1,599
Fair value changes of trading liabilities	**3,507**	**877**	272	68
Fair value changes of other debt investments	**3,291**	**823**	7,762	1,939
Fair value changes of other equity investments	**264**	**66**	223	56
Accrued but not paid employee benefits	**26,560**	**6,640**	23,092	5,773
Accounting and tax basis differences related to lease liabilities	**8,704**	**2,176**	8,706	2,176
Subtotal	**228,603**	**57,151**	217,246	54,311
Offset	**(16,827)**	**(4,208)**	(15,326)	(3,831)
Deferred tax assets after offset	**211,776**	**52,943**	201,920	50,480
Deferred tax liabilities				
Accounting and tax basis differences related to right-of-use assets	**(8,709)**	**(2,177)**	(8,747)	(2,187)
Differences of fixed assets depreciation	**(4,983)**	**(1,246)**	(4,615)	(1,154)
Fair value changes of trading assets	**(1,212)**	**(304)**	-	-
Fair value changes of derivative financial instruments	**(965)**	**(241)**	(1,006)	(251)
Others	**(958)**	**(240)**	(958)	(239)
Subtotal	**(16,827)**	**(4,208)**	(15,326)	(3,831)
Offset	**16,827**	**4,208**	15,326	3,831
Deferred tax liabilities after offset	**-**	**-**	-	-

The tax payment of domestic branches of the Bank can be aggregated in the way that the deferred tax assets and deferred tax liabilities are presented at the net amount after offset; overseas branches are individual taxable entities, and the deferred tax assets and deferred tax liabilities of the same entity can be presented at the net amount after offset. When there are net deferred tax assets/liabilities in overseas branches, they are not offset against those in domestic branches. The subsidiaries of the Bank are individual taxable entities, and the deferred tax assets and deferred tax liabilities of the same entity can be presented at the net amount after offset.

14.2 Movements in deferred tax assets and liabilities

Unit: RMB million

	The Group	The Bank
31 December 2022	54,525	50,480
- Deferred tax assets	58,821	54,311
- Deferred tax liabilities	(4,296)	(3,831)
Net changes of deferred tax recognised in income tax expenses	4,462	3,569
Net changes of deferred tax recognised in other comprehensive income	(1,120)	(1,106)
31 December 2023	57,867	52,943
- Deferred tax assets	62,331	57,151
- Deferred tax liabilities	(4,464)	(4,208)

15. Other assets

Unit: RMB million

	Note	The Group		The Bank	
		2023	2022	2023	2022
Items in the process of clearance and settlement		**13,046**	7,098	**10,185**	3,971
Other receivables	15.1	**19,051**	21,985	**13,946**	18,381
Continuing involvement assets (Note XII, 3.1)		**10,396**	11,427	**10,396**	11,314
Prepaid purchase cost of lease assets		**4,874**	2,042	**-**	-
Interest receivable	15.2	**2,315**	3,270	**1,884**	2,898
Net assets of defined benefit plan (Note VII, 44.2)		**1,835**	2,003	**1,835**	2,003
Long-term prepaid expenses	15.3	**1,402**	1,399	**1,340**	1,339
Foreclosed assets	15.4	**475**	395	**475**	395
Total		**53,394**	49,619	**40,061**	40,301

15.1 Other receivables

Unit: RMB million

Listed by aging: Account age	The Group				The Bank			
	2023	Proportion %	2022	Proportion %	2023	Proportion %	2022	Proportion %
Within 1 year	**10,810**	**51.72**	17,331	72.44	**5,725**	**37.03**	14,267	71.07
1 - 2 years	**4,447**	**21.28**	949	3.97	**4,298**	**27.79**	525	2.61
2 - 3 years	**347**	**1.66**	568	2.37	**325**	**2.10**	288	1.43
Over 3 years	**5,296**	**25.34**	5,078	21.22	**5,116**	**33.08**	4,998	24.89
Subtotal	**20,900**	**100.00**	23,926	100.00	**15,464**	**100.00**	20,078	100.00
Less: Allowance for impairment losses	**(1,849)**		(1,941)		**(1,518)**		(1,697)	
Net value	**19,051**		21,985		**13,946**		18,381	

15.2 Interest receivable

Unit: RMB million

	The Group		The Bank	
	2023	2022	2023	2022
Loans and advances to customers	**1,825**	2,799	**1,806**	2,799
Bonds and other investments	**490**	471	**78**	99
Total	**2,315**	3,270	**1,884**	2,898

15.3 Long-term prepaid expenses

Unit: RMB million

	The Group				
	1 January 2023	Changes	Transferred from construction in progress	Amortisation	31 December 2023
Leasehold improvements	**1,310**	2	550	(540)	**1,322**
Others	**89**	24	-	(33)	**80**
Total	**1,399**	26	550	(573)	**1,402**

Unit: RMB million

	The Bank				
	1 January 2023	Changes	Transferred from construction in progress	Amortisation	31 December 2023
Leasehold improvements	**1,275**	(5)	550	(525)	**1,295**
Others	**64**	(11)	-	(8)	**45**
Total	**1,339**	(16)	550	(533)	**1,340**

15.4 Foreclosed assets

Analysed by category of the foreclosed assets:

Unit: RMB million

	The Group and the Bank	
	2023	2022
Buildings and land use rights	**634**	546
Others	**1**	1
Subtotal	**635**	547
Less: Allowance for impairment losses	**(160)**	(152)
Net value	**475**	395

16. Deposits from banks and other financial institutions

Unit: RMB million

	The Group		The Bank	
	2023	2022	2023	2022
Banks operating in Mainland China	**293,954**	331,921	**293,954**	331,921
Other financial institutions operating in Mainland China	**1,529,056**	1,252,930	**1,538,888**	1,264,614
Banks operating outside Mainland China	**21,982**	36,319	**21,982**	36,319
Other financial institutions operating outside Mainland China	**3**	2	**3**	2
Interest accrued	**7,983**	7,082	**8,030**	7,110
Total	**1,852,978**	1,628,254	**1,862,857**	1,639,966

17. Placements from banks and other financial institutions

Unit: RMB million

	The Group		The Bank	
	2023	2022	2023	2022
Banks operating in Mainland China	**218,861**	190,990	**82,024**	77,837
Other financial institutions operating in Mainland China	**11,667**	17,466	**1,814**	441
Banks operating outside Mainland China	**65,239**	67,352	**65,239**	67,352
Subtotal	**295,767**	275,808	**149,077**	145,630
Designated at fair value through profit or loss (related to gold leasing business):				
Banks operating in Mainland China	**51,972**	-	**51,972**	-
Subtotal	**51,972**	-	**51,972**	-
Interest accrued	**1,755**	1,460	**961**	503
Total	**349,494**	277,268	**202,010**	146,133

Effective from 9 January 2023, the lease-in side of gold leasing business was adjusted to "Placements from banks and other financial institutions".

18. Trading liabilities

Unit: RMB million

	Note	The Group		The Bank	
		2023	2022	2023	2022
Trading liabilities:					
Financial liabilities related to precious metals	(1)	**-**	20,492	**-**	20,492
Sold financing bonds		**11,507**	28,212	**11,507**	28,212
Others		**1,158**	514	**1,158**	514
Subtotal		**12,665**	49,218	**12,665**	49,218
Financial liabilities designated as at fair value through profit or loss	(2)	**281**	360	**-**	-
Total		**12,946**	49,578	**12,665**	49,218

(1) Effective from 9 January 2023, the lease-in side of gold leasing business was adjusted to "Placements from banks and other financial institutions", and the selling of the lease-in gold is no longer recognised in trading liabilities.

(2) The Group's other shareholders' equities that are included in the consolidated financial statements are designated as financial liabilities at fair value through profit or loss. No significant changes in fair value from changes in credit risk occurred on 31 December 2023 (31 December 2022: Nil).

19. Financial assets sold under repurchase agreements

Unit: RMB million

	The Group		The Bank	
	2023	2022	2023	2022
Bonds	**403,187**	333,662	**386,254**	315,051
Bills	**13,202**	19,767	**13,202**	19,767
Interest accrued	**179**	197	**179**	197
Total	**416,568**	353,626	**399,635**	335,015

20. Deposits from customers

Unit: RMB million

	The Group		The Bank	
	2023	2022	2023	2022
Demand deposits				
- Corporate	**1,470,318**	1,389,479	**1,471,713**	1,390,335
- Personal	**376,888**	389,794	**376,888**	389,794
Subtotal	**1,847,206**	1,779,273	**1,848,601**	1,780,129
Term deposits (including call deposits)				
- Corporate	**1,829,352**	1,912,484	**1,829,412**	1,912,534
- Personal	**979,169**	695,739	**979,169**	695,739
Subtotal	**2,808,521**	2,608,223	**2,808,581**	2,608,273
Pledged deposits	**478,354**	346,921	**478,354**	346,921
Others	**2,992**	2,565	**2,992**	2,565
Interest accrued	**79,991**	51,772	**79,992**	51,773
Total	**5,217,064**	4,788,754	**5,218,520**	4,789,661

The pledged deposits included in deposits from customers are analysed as follows:

Unit: RMB million

	The Group and the Bank	
	2023	2022
Bank acceptances	**292,674**	213,756
Letters of credit	**56,303**	33,020
Guarantee	**9,218**	12,105
Others	**120,159**	88,040
Total	**478,354**	346,921

21. Employee benefits payable

Unit: RMB million

	The Group				The Bank			
	1 January 2023	Increase	Decrease	31 December 2023	1 January 2023	Increase	Decrease	31 December 2023
Salaries and bonus	**26,481**	**27,946**	**(25,284)**	**29,143**	**23,925**	**25,654**	**(22,541)**	**27,038**
Labor union expenditure and staff educational funds	**3,482**	**1,131**	**(701)**	**3,912**	**3,379**	**1,066**	**(602)**	**3,843**
Social insurance	**58**	**3,422**	**(3,401)**	**79**	**26**	**3,019**	**(3,020)**	**25**
Housing funds	**50**	**1,785**	**(1,777)**	**58**	**42**	**1,606**	**(1,606)**	**42**
Defined contribution plans	**324**	**3,781**	**(3,997)**	**108**	**304**	**3,390**	**(3,610)**	**84**
Total	**30,395**	**38,065**	**(35,160)**	**33,300**	**27,676**	**34,735**	**(31,379)**	**31,032**

The salaries, bonuses, retirement benefits and other social insurance of employee benefits payable are granted or paid according to time limit set by relevant laws, regulations and the Group's policies. See defined contribution pension plans in Note VII, 44.1.

22. Tax payable

Unit: RMB million

	The Group		The Bank	
	2023	2022	2023	2022
Corporate income tax	**2,575**	8,680	**1,874**	7,590
Value added tax	**3,147**	3,688	**3,001**	3,504
City maintenance and construction tax	**244**	289	**226**	265
Others	**457**	465	**390**	419
Total	**6,423**	13,122	**5,491**	11,778

23. Provisions

Unit: RMB million

	The Group		The Bank	
	2023	2022	2023	2022
Impairment allowance for off-balance-sheet assets	**6,224**	7,030	**6,224**	7,030
Litigation provisions	**120**	20	**15**	18
Total	**6,344**	7,050	**6,239**	7,048

As at 31 December 2023, movements of impairment allowance for off-balance-sheet assets are as follows:

Unit: RMB million

	The Group and the Bank			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	
1 January 2023	**6,263**	**396**	**371**	**7,030**
Transfer:				
- to stage 1	**57**	**(56)**	**(1)**	**-**
- to stage 2	**(29)**	**29**	**-**	**-**
- to stage 3	**(29)**	**(20)**	**49**	**-**
Reversal for the year	**(189)**	**(210)**	**(411)**	**(810)**
Exchange difference and other movements	**4**	**-**	**-**	**4**
31 December 2023	**6,077**	**139**	**8**	**6,224**

Unit: RMB million

	The Group and the Bank			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	
1 January 2022	3,947	126	10	4,083
Transfer:				
- to stage 1	7	(6)	(1)	-
- to stage 2	(246)	246	-	-
- to stage 3	(8)	(1)	9	-
Charge for the year	2,554	29	353	2,936
Exchange difference and other movements	9	2	-	11
31 December 2022	6,263	396	371	7,030

24. Debt securities issued

Unit: RMB million

	The Group		The Bank	
	2023	2022	2023	2022
Financial bonds	**181,611**	183,460	**172,257**	173,391
Tier two capital bonds	**151,784**	151,780	**151,784**	151,780
Interbank certificates of deposit	**616,303**	753,276	**616,303**	753,276
Certificates of deposit	**12,366**	8,780	**12,366**	8,780
Convertible corporate bonds	**49,783**	48,307	**49,783**	48,307
Long-term subordinated bonds	**224**	-	**-**	-
Private placement note	**-**	1,026	**-**	-
Corporate bonds	**11,682**	10,461	**-**	-
Super short-term commercial paper	**1,003**	-	**-**	-
Mid-term note	**1,431**	917	**-**	-
Asset-backed securities	**3,338**	-	**-**	-
Total	**1,029,525**	1,158,007	**1,002,493**	1,135,534

Note: Debt securities issued by the Group include financial bonds, tier two capital bonds, interbank certificates of deposit, certificates of deposit and convertible corporate bonds. Tier two capital bonds are issued by commercial banks and their subsidiaries to supplement the secondary capital. Tier two capital bonds and long-term subordinated bonds are in the same liquidation sequence.

Details of debt securities issued are as follows:

Unit: RMB million

Category of bonds	Note	Issuing date	Frequency of interest payment	The Group 2023	The Bank 2023
Financial bonds					
20 CIB small and micro enterprise bond 02	(1)	2020-04-28	Yearly	**7,000**	**7,000**
20 CIB small and micro enterprise bond 04	(1)	2020-05-25	Yearly	**5,000**	**5,000**
23 CIB small and micro enterprise bond 01	(1)	2023-08-17	Yearly	**20,000**	**20,000**
23 CIB small and micro enterprise bond 02	(1)	2023-10-24	Yearly	**5,000**	**5,000**
CIB BOND 2022 01	(2)	2022-03-10	Yearly	**10,000**	**10,000**
CIB BOND 2022 02	(2)	2022-03-10	Yearly	**30,000**	**30,000**
CIB BOND 2022 03	(2)	2022-04-01	Yearly	**11,500**	**11,500**
CIB BOND 2022 04	(2)	2022-08-01	Yearly	**20,000**	**20,000**
23 CIB green financial bond 01	(3)	2023-04-24	Yearly	**27,000**	**27,000**
23 CIB green financial bond 02	(3)	2023-06-06	Yearly	**23,000**	**23,000**
USD green financial bond 01	(4)	2021-06-10	Semi-annually	**4,250**	**4,250**
HKD green financial bond 01	(4)	2021-06-10	Semi-annually	**2,265**	**2,265**
USD green financial bond 02	(4)	2022-05-18	Semi-annually	**4,604**	**4,603**
21 CIB consumer financial debt 01	(5)	2021-03-02	Yearly	**1,500**	**-**
21 CIB consumer financial debt 02	(5)	2021-10-12	Yearly	**1,500**	**-**
23 CIB consumer financial debt 01	(5)	2023-11-24	Yearly	**1,200**	**-**
21 CIB leasing green debt 01	(6)	2021-06-02	Yearly	**3,500**	**-**
21 CIB leasing green debt 02	(6)	2021-06-16	Yearly	**1,500**	**-**
Interest accrued				**2,864**	**2,706**
Less: unamortised issuance cost				**(72)**	**(67)**
Subtotal				**181,611**	**172,257**
Tier two capital bonds					
19 CIB secondary 01	(7)	2019-08-23	Yearly	**30,000**	**30,000**
19 CIB secondary 02	(7)	2019-09-17	Yearly	**20,000**	**20,000**
21 CIB secondary 01	(7)	2021-10-21	Yearly	**30,000**	**30,000**
21 CIB secondary 02	(7)	2021-11-23	Yearly	**40,000**	**40,000**
21 CIB secondary 03	(7)	2021-11-23	Yearly	**5,000**	**5,000**
22 CIB secondary 01	(7)	2022-01-12	Yearly	**25,000**	**25,000**
Interest accrued				**1,877**	**1,877**
Less: unamortised issuance cost				**(93)**	**(93)**
Subtotal				**151,784**	**151,784**

Unit: RMB million

Category of bonds	Note	Issuing date	Frequency of interest payment	The Group 2023	The Bank 2023
Interbank certificates of deposit					
Par value of interbank certificates of deposit	(8)	/	/	**622,543**	**622,543**
Interest accrued				**1**	**1**
Less: unamortised issuance cost				**(6,241)**	**(6,241)**
Subtotal				**616,303**	**616,303**
Certificates of deposit					
Par value of certificates of deposit	(9)	/	/	**12,551**	**12,551**
Interest accrued				**15**	**15**
Less: unamortised issuance cost				**(200)**	**(200)**
Subtotal				**12,366**	**12,366**
Convertible corporate bonds					
CIB convertible corporate bonds	(10)	2021-12-27	Yearly	**49,776**	**49,776**
Interest accrued				**7**	**7**
Subtotal				**49,783**	**49,783**
Long-term subordinated bonds					
23 CIFutures C	(11)	2023-06-21	Yearly	**225**	**-**
Less: unamortised issuance cost				**(1)**	**-**
Subtotal				**224**	**-**
Corporate bonds					
21 CIAMC 01	(12)	2021-08-11	Yearly	**600**	**-**
21 CIAMC 02	(12)	2021-11-01	Yearly	**500**	**-**
22 CIAMC 01	(12)	2022-03-07	Yearly	**900**	**-**
23 CIAMC 01	(12)	2023-12-14	Yearly	**1,000**	**-**
21 CIIT 01	(13)	2021-03-26	Yearly	**1,400**	**-**
22 CIIT 01	(13)	2022-12-22	Yearly	**1,200**	**-**
23 CIIT 01	(13)	2023-02-27	Yearly	**500**	**-**
23 CIIT 02	(13)	2023-04-26	Yearly	**2,000**	**-**
23 CIIT 03	(13)	2023-06-19	Yearly	**1,200**	**-**
23 CIIT 04	(13)	2023-09-06	Yearly	**1,200**	**-**
23 CIIT 05	(13)	2023-11-01	Yearly	**1,000**	**-**
Interest accrued				**198**	**-**
Less: unamortised issuance cost				**(16)**	**-**
Subtotal				**11,682**	**-**
Super short-term commercial paper					
23 CIAMC SCP003	(14)	2023-11-23	Yearly	**1,000**	**-**
Interest accrued				**3**	**-**

Less: unamortised issuance cost				-	-
Subtotal				1,003	-
Mid-term note					
21 CIAMC MTN001	(15)	2021-07-07	Yearly	900	-
23 CIAMC MTN001	(16)	2023-03-07	Yearly	500	-
Interest accrued				31	-
Subtotal				1,431	-
Assdt-backed securities					
23 Xingqing-1	(17)	2023-07-17	Monthly	1,640	-
23 Xingqing-2	(18)	2023-08-21	Monthly	1,692	-
Interest accrued				6	-
Subtotal				3,338	-
Total				1,029,525	1,002,493

(1) In April 2020, the Group issued RMB7 billion 5-year fixed-rate small and micro enterprise bonds, with annual interest rates of 2.67%. In May 2020, the Group issued RMB5 billion 5-year fixed-rate small and micro enterprise bonds, with annual interest rates of 2.95%. In August 2023, the Group issued RMB20 billion 3-year fixed-rate small and micro enterprise bond, with annual interest rates of 2.54%. In October 2023, the Group issued RMB5 billion 3-year fixed-rate small and micro enterprise bond, with annual interest rates of 2.78%.

(2) In March 2022, the Group issued RMB10 billion 3-year fixed-rate and RMB30 billion 3-year fixed-rate financial bonds, with annual interest rates of 3.00% and 2.96%, respectively. In April 2022, the Group issued RMB11.5 billion 3-year fixed-rate financial bond, with annual interest rate of 2.94%. In August 2022, the Group issued RMB20 billion 3-year fixed-rate financial bond, with annual interest rate of 2.54%.

(3) In April 2023 and June 2023, the Group issued RMB27 billion 3-year fixed-rate and RMB23 billion 3-year fixed-rate small-and-micro enterprise bonds, with annual interest rates of 2.77% and 2.66%, respectively.

(4) In June 2021, the Hong Kong branch of the Bank issued USD600 million 3-year fixed-rate USD green financial bond and HKD2.5 billion 3-year fixed-rate HKD green financial bond, with annual interest rates of 0.875% and 0.75%, respectively. In May 2022, the Hong Kong branch of the Bank issued USD650 million 3-year fixed-rate USD green financial bond, with annual interest rate of 3.25%.

(5) In March 2021, October 2021 and November 2023, the Group's subsidiary Industrial Consumer Finance Co., Ltd. respectively issued 3-year fixed-rate RMB financial bonds each amounting to RMB1.5 billion with fixed rates of 3.85%, 3.45% and 3.03%. As at 31 December 2023, the bond "23 CIB consumer financial debt 01", issued by Industrial Consumer Finance Co., Ltd., held by the Bank amounted to RMB270 million, and the Group's subsidiary, Industrial Future Co., Ltd., holds RMB30 million.

(6) In June 2021, the Group's subsidiary Industrial Financial Leasing Co., Ltd. issued RMB3.5 billion and RMB1.5 billion 3-year fixed-rate green financial bonds with annual interest rates of 3.42% and 3.49%.

(7) In August 2019 and September 2019, the Group respectively issued RMB30 billion and RMB20 billion tier 2 capital bonds with a 10-year maturity, a fixed interest rate and issuer's redemption right at the end of the fifth year. During the tenure of the bonds, the annual interest rates remain at 4.15% and 4.12%. In October 2021 and November 2021, the Group respectively issued RMB30 billion and RMB40 billion tier 2 capital bonds with a 10-year maturity, a fixed rate and issuer's redemption right at the end of the fifth year. During the tenure of the bonds, the annual interest rates remain at 3.83% and 3.62%. In November 2021, the Group issued RMB5 billion tier 2 capital bond with a 15-year maturity, a fixed rate and issuer's redemption right at the end of the tenth year. During the tenure of the bond, the annual interest rate remains at 3.85%. In January 2022, the Group issued RMB25 billion tier 2 capital bond with a 10-year maturity, a fixed rate and issuer's redemption right at the end of the fifth year. During the tenure of the bond, the annual interest rate remains at 3.45%.

(8) As at 31 December 2023, the Group had 271 unpaid interbank certificates of deposit with a total amount of RMB622,543 million, including 5 USD interbank certificates of deposit, of which the issued par value is USD400 million(RMB2,833 million) and the terms are within 1 year, and 266 RMB interbank certificates of deposit, of which the issued par value is RMB619,710 million and the terms are within 1 year. The annual interest rates are from 0.00% to 5.79%. The interest of the rest is paid upon maturity.

(9) As at 31 December 2023, the Hong Kong Branch had 24 unpaid certificates of deposit, with a total amount of RMB12,551 million and the terms are within 1 year. The total amount of 11 USD certificates is USD785 million (RMB5,560 million). The total amount of 13 RMB certificates is RMB6,991 million. The annual interest rates are from 0% to 3%. The interest of the rest is paid upon maturity.

(10) Approved by relevant regulatory agencies, the Bank issued RMB50 billion of 500 million A-shares convertible corporate bonds publicly with face value of RMB100 per share (hereinafter referred to as "convertible bonds") on 27 December 2021. The duration of the convertible bonds is 6 years, which is from 27 December 2021 to 26 December 2027. The coupon rate of the convertible bonds is 0.2% in the first year, 0.4% in the second year, 1.0% in the third year, 1.5% in the fourth year, 2.3% in the fifth year and 3.0% in the sixth year. Within five trading days after the expiration of the convertible bonds issued, the Bank will redeem all unconverted bonds at the price of 109% of the face value of the convertible bonds issued (including the last annual interest). Convertible bonds holders may, within the period from the first trading day subsequent to six months after the end of the issuance to the maturity date of the convertible bonds (hereinafter referred to as the "conversion period"), which is 30 June 2022 to 26 December 2027 (in case of statutory holidays or weekends, the conversion period is extended to the next first weekday; interest paid during the deferred period will not be calculated separately), convert the convertible bonds held into ordinary shares of the Bank according to the agreed clauses.

The initial conversion price is RMB25.51 per share. After the issuance, if the Bank changes its shares due to the issuance of share dividends, conversion of share capital, additional issuance of new shares or allotment of shares (excluding the increase of share capital resulting from the conversion of convertible bonds issued) and distributes cash dividends, the Bank will adjust the conversion price according to the offering terms in accordance with the principles of equity, justice and fairness and the principle of fully protecting the rights and interests of the convertible bond holders. On 16 June 2022, the Bank adjusted the conversion price to RMB24.48 per share due to the 2021 A-shares ordinary share profit distribution. On 19 June 2023, the Bank adjusted the conversion price to RMB23.29 per share due to the 2022 A-shares ordinary share profit distribution.

The convertible bonds include conditional redemption clauses: during the conversion period, if the closing price of the Bank's A-share stocks for at least 15 trading days in any 30 consecutive trading days is not less than 130% (including 130%) of the current conversion price, the Bank has the right to redeem all or part of the unconverted convertible bonds at the price of the bond's face value plus accrued interest. If a conversion price adjustment occurs due to ex-rights or ex-dividends within the aforementioned 30 trading days, on trading days before adjustment, it is calculated according to the conversion price and the closing price before adjustment. On subsequent trading days, it is calculated based on the conversion price and the closing price after adjustment. In addition, when the total par value of the unconverted convertible bonds issued is less than RMB30 million, the Bank has the right to redeem all the unconverted convertible bonds at the face value plus the interest accrued in the current period.

As of 31 December 2023, a total of RMB2.476 million of convertible bonds have been converted into A-share ordinary shares of the Bank, with a cumulative number of 101,127 shares.

Equity and liability components of the convertible bonds issued by the Group and the Bank are allocated as follows:

Unit: RMB million

	Liability components	Equity components (Note VII, 28)	Total
Issuing amounts of convertible corporate bonds	46,837	3,163	50,000
Direct trading fees	(75)	(5)	(80)
Balance at the issue date	46,762	3,158	49,920
Accumulated amortisation	1,543	-	1,543
Accumulated conversion of shares	(1)	-	(1)
As of January 1 2023	48,304	3,158	51,462
Amortisation	1,473	-	1,473
Conversion of shares	(1)	-	(1)
As of December 31 2023	49,776	3,158	52,934

(11) In June 2023, China Industrial Futures Limited, a subsidiary of China Industrial International Trust Limited, the Group's subsidiary, issued RMB225 million 6-year fixed-rate long-term subordinated bonds with annual interest rate of 4.80%.

(12) In August 2021, China Industrial Asset Management Co., Ltd., a subsidiary of China Industrial International Trust Limited, the Group's subsidiary, issued RMB600 million 3-year fixed-rate corporate bond with annual interest rate of 3.40%. In November 2021, it issued RMB500 million 3-year fixed-rate corporate bond with annual interest rate of 3.60%. In March 2022, it issued RMB900 million 3-year fixed rate corporate bond with annual interest rate of 3.30%. In December 2023, it issued RMB1 billion 3-year fixed rate corporate bond with annual interest rate of 3.24%.

(13) In March 2021, CIIT Asset Management Co., Ltd., a subsidiary of China Industrial International Trust Limited, the Group's subsidiary, issued RMB1,500 million 3+2-year fixed-rate corporate bond with annual interest rate of 4.60%. As at 31 December 2023, the Bank holds "21 CIIT 01", issued by CIIT Asset Management Co., Ltd., of RMB100 million. In December 2022, it issued RMB1,500 million 3-year fixed-rate corporate bond with annual interest rate of 4.90%. As at 31 December 2023, the Bank holds "22 CIIT 01", issued by CIIT Asset Management Co., Ltd., of RMB300 million. In February 2023, it issued RMB500 million 3-year fixed-rate corporate bond with annual interest rate of 4.50%. In April 2023, it issued RMB2,000 million 3-year fixed-rate corporate bond with annual interest rate of 3.57%. In June 2023, it issued RMB1,500 million 3-year fixed-rate corporate bond with annual interest rate of 3.41%. As at 31 December 2023, the Bank holds "23 CIIT 03", issued by CIIT Asset Management Co., Ltd., of RMB300 million. In September 2023, it issued RMB1,600 million 3-year fixed-rate corporate bond with annual interest rate of 3.41%. As at 31 December 2023, the Bank holds "23 CIIT 04", issued by CIIT Asset Management Co., Ltd., of RMB400 million. In November 2023, it issued RMB1,000 million 3-year fixed-rate corporate bond with annual interest rate of 3.41%.

(14) In November 2023, China Industrial Asset Management Co., Ltd., a subsidiary of China Industrial International Trust Limited, the Group's subsidiary, issued RMB1 billion super short-term commercial paper with annual interest rate of 2.61%.

(15) In July 2021, China Industrial Asset Management Co., Ltd., a subsidiary of China Industrial International Trust Limited, the Group's subsidiary, issued RMB1 billion 3-year fixed-rate medium-term note with annual interest rate of 3.82%. As at 31 December 2023, the Bank holds "21 CIAMC MTN001" of RMB100 million issued by China Industrial Asset Management Co., Ltd..

(16) In March 2023, China Industrial Asset Management Co., Ltd., a subsidiary of China Industrial International Trust Limited, the Group's subsidiary, issued RMB500 million 3-year fixed-rate medium-term note with annual interest rate of 3.58%.

(17) In July 2023, the Group's subsidiary Industrial Consumer Finance Co., Ltd. issued asset-backed securities of consumer loans amounting to RMB 1,700 million. As at 31 December 2023, the Bank holds "23 Xingqing-1", issued by Industrial Consumer Finance Co., Ltd., of RMB60 million. According to the terms in the Credit Assets Securitization contracts, the Group retained substantially all the risks and rewards of the ownership of the credit assets, the Group would not derecognise the transferred credit assets and the corresponding liability is recognised as debt securities issued.

(18) In August 2023, the Group's subsidiary Industrial Consumer Finance Co., Ltd. issued asset-backed securities of consumer loans amounting to RMB 1,800 million. As at 31 December 2023, the Bank holds "23 Xingqing-2", issued by Industrial Consumer Finance Co., Ltd., of RMB108 million. According to the terms in the Credit Assets Securitization contracts, the Group retained substantially all the risks and rewards of the ownership of the credit assets, the Group would not derecognise the transferred credit assets and the corresponding liability is recognised as debt securities issued.

25. Lease liabilites

Unit: RMB million

	The Group		The Bank	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Due within 1 year	**2,769**	2,593	**2,524**	2,415
1 - 5 years	**6,396**	6,134	**5,680**	5,773
Due over 5 years	**1,418**	1,341	**1,140**	1,139
Closing balance of undiscounted lease liabilities	**10,583**	10,068	**9,344**	9,327
Lease liabilities	**9,659**	9,296	**8,662**	8,622

26. Other liabilites

Unit: RMB million

	The Group		The Bank	
	2023	2022	2023	2022
Continuing involvement liabilities (Note XII, 3.1)	**10,396**	11,427	**10,396**	11,314
Items in the process of clearance and settlement	**20,232**	15,592	**10,170**	3,023
Other accounts payable	**7,709**	12,943	**5,884**	10,645
Advance collection of financial leasing funds	**267**	588	**-**	-
Notes payable	**12,092**	9,706	**-**	-
Contract liabilities	**859**	870	**859**	870
Deferred income	**702**	1,010	**472**	497
Others	**13,527**	11,951	**12,941**	11,186
Total	**65,784**	64,087	**40,722**	37,535

27. Share capital

Unit: RMB million

	The Group and the Bank		
	1 January 2023	Change for the period	31 December 2023
Shares without limited sales restrictions RMB ordinary shares (A shares)	**20,774**	-	**20,774**
Shares with limited sales restrictions RMB ordinary shares (A shares)	-	-	-
Total shares	**20,774**	-	**20,774**

As at 31 December 2023, the share capital of the Bank is RMB20,774 million (31 December 2022: RMB20,774 million) with par value of RMB 1 per share.

28. Other equity instruments

Unit: RMB million

	The Group and the Bank		
	Note	31 December 2023	31 December 2022
Equity components of convertible corporate bonds	28.1	**3,158**	3,158
Preference shares	28.2	**55,842**	55,842
Perpetual bonds	28.3	**29,960**	29,960
Total		**88,960**	88,960

28.1 As of 31 December 2023, the equity components of convertible corporate bonds issued by the Bank are RMB3,158 million (as of 31 December 2022: RMB3,158 million), and detail refers to Note VII, 24 (10).

28.2 Preference shares

	The Group and the Bank								
Outstanding financial instrument	Issue Date	Classification	Rate	Issue price RMB / share	Quantity million share	Amount in millions of RMB	Maturity date	Conversion condition	Conversion
Outstanding preference shares									
Xing Ye You 1	December 2014	Equity instrument	Note 1	100	130	13,000	N/A	Note 4	N/A
Xing Ye You 2	June 2015	Equity instrument	Note 2	100	130	13,000	N/A	Note 4	N/A
Xing Ye You 3	April 2019	Equity instrument	Note 3	100	300	30,000	N/A	Note 4	N/A

Note 1: For the initial issuance of the preference shares ("Xing Ye You 1"), every five years was an interest-bearing cycle starting from the payment deadline (i.e. 8 December 2014). The dividend rate was the same in every interest-bearing cycle. The dividend rate of preference shares of this issuance was the sum of benchmark interest rate and basic interest rate. The benchmark interest rate was adjusted every 5 years from the deadline for payment of preference shares issued. The basic spread was the dividend rate of first cycle deducting the benchmark interest rate, i.e. 2.55%. The basic spread would no longer be adjusted after the issuance. The subsequent coupon interest rate was determined by the current benchmark interest rate plus the basis spread. The benchmark interest rate of current interest-bearing cycle is national debt (which period before payment is for 5 years) YTM's arithmetic mean (rounded to 0.01%), from the fixed-rate national debt yield curve in Bank Debt published on www.chinabond.com.cn (or any other websites approved by Central Securities Depository Trust and Clearing Corporation Limited), 20 days before benchmark interest rate adjustment date, the date of each 5 years of the deadline for payment of preference shares issued (which is 8 December). If the YTM regarding treasury bonds, with 5-year remaining terms is not available on the benchmark interest adjustment date, the Bank will negotiate with the investors to determine the subsequent benchmark interest rate or its determining principles at the request of the regulatory authorities.

In December 2019, the dividend yield ratio of the "Xing Ye You 1" preferred stock for the second dividend period was adjusted in accordance with relevant provisions in the Prospectus. The current benchmark interest rate was the arithmetic mean (i.e. 3.00% rounded to 0.01%) of the yield to maturity of the 5-year treasury bonds within the ChinaBond treasury bond yield curve (previously known as the ChinaBond interbank fixed interest rate treasury bond yield curve) in the 20 trading days (excluding the benchmark interest rate adjustment date) prior to the current benchmark interest rate adjustment date (8 December 2019) published on www.chinabond.com.cn or other websites recognised by China Central Depository & Clearing Co., Ltd., and the basic spread was 2.55%. Therefore, the dividend yield ratio of "Xing Ye You 1" for the second dividend period was changed to 5.55% from 8 December 2019.

Note 2: For the second issuance of the preference shares ("Xing Ye You 2"), every five years was an interest-bearing cycle starting from the payment deadline (i.e. 24 June 2015). The dividend rate was the same in every interest-bearing cycle. The dividend rate of preference shares of this issuance was the sum of benchmark interest rate and basic interest rate. The benchmark interest rate was adjusted every 5 years from the deadline for payment of preference shares issued. The basic spread was the dividend rate of first cycle deducting the benchmark interest rate, i.e. 2.15%. The basic spread would no longer be adjusted after the issuance. The subsequent coupon interest rate was determined by the current benchmark interest rate plus the basis spread, the benchmark interest rate of current interest-bearing cycle is national debt (which period before payment is for 5 years) YTM's arithmetic mean (rounded to 0.01%), from the fixed-rate national debt yield curve in Bank Debt published on www.chinabond.com.cn (or any other websites approved by Central Securities Depository Trust and Clearing Corporation Limited), 20 days before benchmark interest rate adjustment date, the date of each 5 years of the deadline for payment of preference shares issued (which is 24 June). If the YTM regarding treasury bonds, with 5-year remaining terms is not available on the benchmark interest adjustment date, the Bank will negotiate with the investors to determine the subsequent benchmark interest rate or its determining principles at the request of the regulatory authorities.

In June 2020, the dividend yield ratio of the "Xing Ye You 2" preferred stock for the second dividend period was adjusted in accordance with relevant provisions in the Prospectus. The current benchmark interest rate was the arithmetic mean (i.e. 2.48% rounded to 0.01%) of the yield to maturity of the 5-year treasury bond within the ChinaBond treasury bond yield curve (previously known as the ChinaBond interbank fixed interest rate treasury bond yield curve) in the 20 trading days (excluding the benchmark interest rate adjustment date) prior to the current benchmark interest rate adjustment date (24 June 2020) published on www.chinabond.com.cn or other websites recognised by China Central Depository & Clearing Co., Ltd., and the basic spread was 2.15%. Therefore, the dividend yield ratio of "Xing Ye You 2" for the second dividend period was changed to 4.63% from 24 June 2020.

Note 3: For the preference shares ("Xing Ye You 3") issued in 2019, every five years was an interest-bearing cycle starting from the payment deadline (i.e. 10 April 2019). The dividend rate was the same in every interest-bearing cycle. The dividend rate of first cycle was determined as 4.90% through inquiry by the Board of Directors authorised by shareholders' meeting and was in accordance with factors such as national policy, market conditions, specific circumstances of the Bank and requirements from investors at that time. The dividend rate of preference shares of this issuance was the sum of benchmark interest rate and basic interest rate. The benchmark interest rate of the first interest-bearing cycle (i.e. 3.06%, rounded to 0.01%) was determined by calculating the arithmetic mean of 20 trading days (before 10 April 2019) of the YTM regarding treasury bonds, with 5-year remaining terms. The data was obtained from the interbank fixed-rate treasury bond yield curve published by ChinaBond Information Website (or any other websites approved by Central Securities Depository Trust and Clearing Corporation Limited). The benchmark interest rate was adjusted every 5 years from the deadline for payment of preference shares issued. The basic spread was the dividend rate of first cycle deducting the benchmark interest rate, i.e. 1.84%. The basic spread would no longer be adjusted after the issuance. The subsequent coupon interest rate was determined by the current benchmark interest rate plus the basis spread. The benchmark interest rate of current interest-bearing cycle was determined by calculating the arithmetic mean of 20 trading days (before the benchmark interest adjustment date) of the YTM regarding treasury bonds, with 5-year remaining terms (rounded to 0.01%). If the YTM regarding treasury bonds, with 5-year remaining terms is not available on the benchmark interest adjustment date, the Bank will negotiate with the investors to determine the subsequent benchmark interest rate or its determining principles at the request of the regulatory authorities.

Note 4: When the Bank's core tier 1 capital adequacy ratio falls to 5.125%, the preference shares issued this time will be completely converted to A shares of ordinary shares with the mandatory price after the examination and determination made by NFRA in accordance with the relevant requirements of NFRA. The conversion is irrevocable.

When triggered events of the secondary capital instruments (unable to survive) issued by the Bank occur, the preference shares issued this time will be completely converted to A shares of ordinary shares with the mandatory price after the examination and determination made by NFRA in accordance with the relevant requirements of NFRA. The conversion is irrevocable. The secondary capital instruments triggering event is the earlier of the following two situations: 1) NFRA considers the Bank unable to survive without conversion or written off; 2) Relevant departments consider the Bank unable to survive without the contribution from public departments or the support of the same effect.

(i) The principal terms of disclosure

The Bank will pay preference shares dividends in cash. The preference shares of this issuance use a non-cumulative dividend payment, which means a dividend that is not paid in full to preference shareholders will not accumulate to the next interest-bearing year. After the preference shareholders obtain distribution in accordance with the agreed dividend rate, they can no longer participate in the distribution of remaining profits with ordinary shareholders.

Under the premise of ensuring the capital adequacy ratio to satisfy the regulatory requirements, if there still are retained earnings in the Bank's financial statements calibre after covering losses, extracting statutory reserve and general reserve, the Bank could allocate dividends to preference shareholders. The priority of preference shareholders is higher than ordinary shareholders in dividend distribution. Payment of preference shares dividends is neither linked to ratings of the Bank, nor adjusted with the rating changes. The Bank can cancel payment of preference shares dividends in any case, which does not constitute an event of default. The Bank is entitled to arrange cancelled payment of preference shares dividends as repayment of other matured debts. Cancelling payment of dividends shall not constitute any further restrictions on the Bank except restrictions on profit distribution of ordinary shares. When the Bank exercises the aforesaid rights, it will take full account of the interests of preference shareholders. If payment of preference shares dividend is wholly or partly cancelled, the Bank shall not pay ordinary share dividend for the fiscal year.

The right of redemption for preference shares of this issuance belongs to the Bank. The Bank may exercise the right of redemption under the premise of obtaining

NFRA's approval. The Bank's preference shareholders do not have the right to request redemption of preference shares and should not expect that the preference shares will be redeemed.

The initial mandatory conversion price of the preference shares of this issuance is the arithmetic mean of 20 trading days of the Bank's A shares of ordinary shares before issuance of Board resolution which approved the issuance of the preference shares. Since the issuance plan of the preference shares is approved by the Bank's Board of Directors, when the Bank's shares change with the delivery of stock dividend, transfer of reserve to share capital, issuance of new shares (not including any share capital from conversion of financing instruments with terms that they could be converted to ordinary shares) or the allotment of shares, the mandatory conversion price of the preference shares will be accumulatively adjusted in turn in accordance with the established formula, and disclose relevant information in accordance with the provisions.

The Bank's preference shareholders are entitled to priority over ordinary shareholders of the remaining property distribution. The amount paid off is the sum of the neither cancelled nor paid dividends and the nominal amount of the preference shares; if it can not be paid in full, the remaining property will be distributed in proportion to preference shares.

(ii) Changes in outstanding preference shares are as follows:

The preferred shares issued by the Group and the Bank remained unchanged during the period.

	1 January 2023		Additional/Less		31 December 2023	
	Quantity Million	Book value in millions of RMB	Quantity Million	Book value in millions of RMB	Quantity Million	Book value in millions of RMB
Issuing Preference Shares						
Preference shares	560	56,000	-	-	560	56,000
Issue cost	-	(158)	-	-	-	(158)
Total	560	55,842	-	-	560	55,842

28.3 Perpetual bonds

Outstanding financial instrument	Issue Date	Classification	Rate	Issue price RMB/Unit	Quantity million units	Amount in millions of RMB	Maturity date
Issuing Perpetual bonds							
Perpetual Bonds	October 2020	Equity instrument	Note 1	100	300	30,000	N/A

Note 1: Approved by the relevant regulators, the Bank issued the Non-fixed-term Capital Bonds of Industrial Bank Co., Ltd. (Perpetual bonds or "the Bonds") in the national inter-bank bond market on 13 October 2020. The Bank completed book keeping and the issuance of the Bonds on 13 October 2020 and 15 October 2020, respectively. The Bonds have a par value of RMB100 per unit and a coupon rate of 4.73% for the first five years. The coupon rate will be adjusted every five years, and the issuer shall have a conditional redemption right on every dividend payment date from the fifth year onwards. Proceeds from the issuance of the Bonds will be used to replenish Additional tier 1 capital of the Bank in accordance with the applicable laws and the approval of the competent authorities.

(i) The principal terms of disclosure

The Bonds will keep continuing so long as the Bank's business continues operating. The Bonds set conditional redemption rights for the issuer. Specifically, from the fifth anniversary since the issuance, the Bank can redeem the Bonds, in whole or in part, on each dividend payment date (including the fifth dividend payment date since the issuance).

The coupon rate of the Bonds will be adjusted at defined intervals, with an adjustment period every five years from the payment due date. The dividend shall be paid at the same agreed rate in each adjustment period of coupon rate. The coupon rate at the time of issuance is determined by book keeping and centralised allotment.

The claims in respect of the Bonds will be subordinated to the claims of depositors, general creditors, and subordinated debts that rank senior to the Bonds; and will rank in priority to all classes of shares held by the Bank's shareholders and rank pari passu with the claims in respect of additional tier 1 capital instruments of the Bank that rank pari passu with the Bonds.

If a Non-Viability Trigger Event occurs (see Note VII, 28.2.4), the Bank has the right to write off, in whole or in part, the principal amount of the Bonds without the need for the consent of the Bondholders. The amount of the write-off shall be determined by the ratio of the outstanding principal amount of the Bonds to the aggregate outstanding principal amount of all additional tier 1 capital instruments under the identical trigger event.

The dividends on the Bonds are non-cumulative, any dividends unpaid to the Bondholders in full by the Bank will not accumulate or compound to the subsequent distribution period. The Bank has the right to cancel, in whole or in part, dividends on the Bonds and any such cancellation shall not constitute an event of default.

According to the applicable laws and approval of the competent authorities, the net proceeds from the issuance of the Bonds after deducting issuance costs will be used to replenish the additional tier 1 capital of the Bank.

(ii) Changes in outstanding perpetual bonds are as follows:

	1 January 2023		Additional/Less		31 December 2023	
	Quantity Million	Book value in millions of RMB	Quantity Million	Book value in millions of RMB	Quantity Million	Book value in millions of RMB
Issuing Perpetual bonds						
Perpetual bonds	**300**	**30,000**	**-**	**-**	**300**	**30,000**
Issue cost	**-**	**(40)**	**-**	**-**	**-**	**(40)**
Total	**300**	**29,960**	**-**	**-**	**300**	**29,960**

As at 31 December 2023, the above-mentioned other equity instruments supplement tier 1 capital amounted to RMB88,960 million.

28.4 Attribution to holders of equity instrument:

Unit: RMB million

	The Group	
	31 December 2023	31 December 2022
Equities attributable to shareholders of the Bank	**796,224**	746,187
Equities attributable to ordinary shareholders of the Bank	**710,422**	660,385
Equities attributable to shareholders of other equity instruments of the Bank	**85,802**	85,802
Equity attributable to non-controlling shareholders	**11,495**	11,111
Equity attributable to non-controlling ordinary shareholders	**9,783**	9,325
Equity attributable to non-controlling shareholders of other equity instruments	**1,712**	1,786

29. Capital reserve

Unit: RMB million

	The Group				The Bank			
	1 January 2023	Increase	Decrease	31 December 2023	1 January 2023	Increase	Decrease	31 December 2023
Share premium	74,881	1	-	74,882	75,227	1	-	75,228
Others	28	-	(151)	(123)	34	-	(151)	(117)
Total	74,909	1	(151)	74,759	75,261	1	(151)	75,111

30. Surplus reserve

Unit: RMB million

	The Group and the Bank	
	2023	2022
Statutory surplus reserve	**10,387**	10,387
Discretionary surplus reserve	**297**	297
Total	**10,684**	10,684

Under relevant PRC law, the Bank is required to transfer 10% of its net profit to a non-distributable statutory surplus reserve. Appropriation to the statutory surplus reserve may cease when the balance of this reserve has reached 50% of share capital. As of 31 December 2023, the Bank ceased to make appropriations to the statutory surplus reserves since the balance of them has reached 50% of the share capital of the Bank.

31. General reserve

Unit: RMB million

	The Group		The Bank	
	2023	2022	2023	2022
General reserve	**120,118**	108,957	**110,523**	99,952

Pursuant to (Cai Jin [2012] No.20) Measures on General Provision for Bad and Doubtful Debts for Financial Institutions promulgated by the MOF, the Bank is required to transfer a certain percentage of its net profit to establish and maintain a general reserve within shareholders' equity, through the appropriation of profit to address unidentified potential impairment losses. In principle, the general reserve, accounted as profit distribution, should not be lower than 1.5% of the closing balance of gross risk-bearing assets since it is a part of shareholders' equity. Gross risk-bearing assets include Loans and advances to customers, Debt investments, Other debt investments, Other equity investments, Long-term equity investments, Deposits with banks and other financial institutions, Placements with banks and other financial institutions, Foreclosed assets and Other receivables and so forth. The subsidiaries of the Bank determine the general reserve according to the regulation.

32. Retained earnings

Unit: RMB million

	The Group		The Bank	
	2023	2022	2023	2022
Opening balance	**442,627**	387,976	**414,433**	362,865
Net profit	**77,116**	91,377	**71,545**	86,057
Appropriations to general reserve	**(11,161)**	(11,013)	**(10,571)**	(8,776)
Dividends distribution of ordinary shares	**(24,680)**	(21,501)	**(24,680)**	(21,501)
Dividends distribution of preference shares	**(2,793)**	(2,793)	**(2,793)**	(2,793)
Interest expense of perpetual bonds	**(1,419)**	(1,419)	**(1,419)**	(1,419)
Closing balance	**479,690**	442,627	**446,515**	414,433

32.1 "2023 Profit Distribution Proposal of the Bank" approved by the Board of Directors on 28 March 2024 and will be submitted for approval by the annual general meeting is as follows :

(i) Appropriation of RMB10,571 million to general reserve. As at 31 December 2023, the proposed appropriation of general reserve has been included in the general reserve.

(ii) The Bank has issued a total of 560 million preference shares (Xing Ye You 1, Xing Ye You 2 and Xing Ye You 3) with a par value of $100 per share, interest payable in cash once a fiscal year. For the year ended 31 December 2023, the dividends payable of preference shares are RMB2,793 million (tax inclusive) in total.

(iii) Distribute cash dividends of RMB10.40 per 10 shares (tax inclusive) on the basis of ordinary shares of the Bank on the record date for implementation of the profit appropriation.

The above profit distribution plan has not been approved by the Annual General Meeting of the Bank. The accounting treatment of dividend distribution scheme before the approval is not carried out.

32.2 "2022 Profit Distribution Proposal of the Bank" approved by the Board of Directors on 30 March 2023 and approved by the Annual General Meeting on 26 May 2023 is as follows :

(i) Appropriate RMB8,776 million to general reserve. As at 31 December 2022, the proposed appropriation of general reserve has been included in the general reserve.

(ii) The Bank has issued a total of 560 million preference shares (Xing Ye You 1, Xing Ye You 2 and Xing Ye You 3) with a par value of RMB100 per share, interest payable in cash once a fiscal year. For the year ended 31 December 2022, the dividends of preference shares are RMB2,793 million (tax inclusive) in total.

(iii) Distribute cash dividends of RMB11.88 per 10 shares (tax inclusive) on the basis of ordinary shares of the Bank on the record date for implementation of the profit appropriation.

As at 31 December 2023, the above-mentioned dividend distribution has been completed.

32.3 Surplus reserve appropriated by subsidiaries

As at 31 December 2023, the balance of the Group's retained earnings includes surplus reserve appropriated by subsidiaries amounting to RMB4,658 million (31 December 2022: RMB3,970 million).

33. Net interest income

Unit: RMB million

	The Group		The Bank	
	2023	2022	2023	2022
Interest income				
Balances with Central Bank	**5,795**	5,656	**5,795**	5,656
Deposits with banks and other financial institutions	**3,023**	1,426	**2,809**	1,282
Placements with banks and other financial institutions	**13,592**	10,761	**14,228**	11,327
Financial assets purchased under resale agreements	**3,781**	3,971	**3,763**	3,956
Loans and advances to customers	**236,281**	225,468	**222,702**	213,791
Including: Corporate	**123,858**	103,084	**124,020**	103,273
Personal	**108,370**	116,311	**94,629**	104,445
Discounted bills	**4,053**	6,073	**4,053**	6,073
Bonds and other investment	**81,450**	76,258	**79,954**	74,817
Finance lease receivables	**4,976**	5,034	**-**	-
Others	**181**	172	**20**	52
Subtotal	**349,079**	328,746	**329,271**	310,881
Interest expense				
Borrowing from Central Bank	**(5,043)**	(2,495)	**(5,043)**	(2,495)
Deposits from banks and other financial institutions	**(40,222)**	(36,916)	**(40,331)**	(37,097)
Placements from banks and other financial institutions	**(9,460)**	(5,366)	**(5,726)**	(1,743)
Financial assets sold under repurchase agreements	**(3,875)**	(2,459)	**(3,475)**	(2,118)
Deposits from customers	**(112,909)**	(103,703)	**(112,935)**	(103,719)
Debt securities issued	**(30,210)**	(32,033)	**(29,350)**	(30,950)
Others	**(857)**	(501)	**(610)**	(282)
Subtotal	**(202,576)**	(183,473)	**(197,470)**	(178,404)
Net interest income	**146,503**	145,273	**131,801**	132,477

34. Net fee and commission income

Unit: RMB million

	The Group		The Bank	
	2023	2022	2023	2022
Fee and commission income				
Bank card fee	**11,808**	13,384	**11,808**	13,384
Consultancy and advisory fee	**5,256**	19,454	**1,272**	16,034
Agency fee	**5,831**	5,258	**5,823**	5,249
Custodian fee	**3,549**	3,551	**3,549**	3,551
Trust service fee	**370**	564	**-**	-
Credit commitment fee	**1,210**	1,408	**1,210**	1,408
Settlement and clearing fee	**2,914**	2,775	**2,914**	2,775
Lease service fee	**292**	421	**-**	-
Transactional service fee	**484**	570	**484**	570
Others	**1,405**	2,077	**1,182**	1,692
Subtotal	**33,119**	49,462	**28,242**	44,663
Fee and commission expense	**(5,364)**	(4,421)	**(5,034)**	(6,005)
Net fee and commission income	**27,755**	45,041	**23,208**	38,658

35. Investment income

Unit: RMB million

	The Group		The Bank	
	2023	2022	2023	2022
Trading assets	**24,746**	24,976	**23,029**	23,800
Debt investments	**4,216**	4,584	**4,213**	4,527
Other debt investments	**861**	2,671	**855**	2,671
Precious metals and related financial instruments	**730**	167	**730**	167
Other equity investments	**37**	50	**37**	50
Gains from long-term equity investments under the equity method	**18**	190	**9**	190
Dividends declared by subsidiaries	**-**	-	**896**	495
Derivative financial instruments	**(675)**	(2,212)	**(738)**	(2,314)
Trading liabilities	**(771)**	(1,887)	**(771)**	(1,887)
Others	**1,537**	1,683	**1,511**	1,696
Total	**30,699**	30,222	**29,771**	29,395

36. Gains (losses) from changes in fair values

Unit: RMB million

	The Group		The Bank	
	2023	2022	2023	2022
Trading assets	**6,130**	(3,670)	**7,576**	(3,862)
Trading liabilities	**(87)**	2	**(87)**	2
Precious metals and related financial instruments	**(3,116)**	-	**(3,116)**	-
Derivative financial instruments and others	**1,212**	3,037	**1,212**	3,037
Total	**4,139**	(631)	**5,585**	(823)

37. Taxes and surcharges

Unit: RMB million

	The Group		The Bank	
	2023	2022	2023	2022
City maintenance and construction tax	**1,094**	1,109	**997**	1,021
Education surcharge	**751**	766	**686**	708
Others	**474**	403	**377**	342
Total	**2,319**	2,278	**2,060**	2,071

38. General and administrative expenses

Unit: RMB million

	The Group		The Bank	
	2023	2022	2023	2022
Employee benefits	**38,065**	38,196	**34,735**	34,351
Lease expenses	**164**	162	**164**	179
Depreciation and amortisation	**6,785**	6,480	**6,218**	5,852
Others	**17,594**	20,005	**17,594**	19,965
Total	**62,608**	64,843	**58,711**	60,347

39. Credit impairment losses

Unit: RMB million

	The Group		The Bank	
	2023	2022	2023	2022
Loans and advances to customers	**67,103**	37,819	**60,639**	32,945
Debt investments	**(5,584)**	9,572	**(6,378)**	7,046
Other debt investments	**787**	701	**783**	711
Finance lease receivables	**(312)**	(204)	**-**	-
Impairment loss for off-balance-sheet assets	**(810)**	2,936	**(810)**	2,936
Others	**(210)**	(2,232)	**(363)**	(2,288)
Total	**60,974**	48,592	**53,871**	41,350

40. Income tax expenses

Unit: RMB million

	The Group		The Bank	
	2023	2022	2023	2022
Current income tax	**11,754**	18,317	**8,823**	14,763
Deferred income tax	**(4,202)**	(4,707)	**(3,327)**	(3,970)
Adjustment for prior years	**(877)**	197	**(853)**	192
Total	**6,675**	13,807	**4,643**	10,985

The income tax expense of the Group and the Bank can be reconciled to the profit as follows:

Unit: RMB million

	The Group		The Bank	
	2023	2022	2023	2022
Accounting profit	**84,329**	106,221	**76,188**	97,042
Tax calculated at applicable statutory tax rate of 25%	**21,082**	26,555	**19,047**	24,261
Adjustments on income tax:				
Income not taxable for tax purpose	**(13,900)**	(13,826)	**(13,770)**	(13,656)
Expenses not deductible for tax purpose	**370**	881	**219**	188
Adjustment for prior years	**(877)**	197	**(853)**	192
Total	**6,675**	13,807	**4,643**	10,985

41. Other comprehensive income

Unit: RMB million

	The Group						
	Year ended 31 December 2023						
	1 January 2023	Amount incurred before income tax	Other comprehensive income transferred to profit and loss	Income tax expense	Attributable to shareholders of the Bank after tax	Non-controlling interests after tax	31 December 2023
Other comprehensive income that will not be subsequently classified to profit and loss							
Including: Actuarial (losses) profits on defined benefit plans	1,661	(67)	-	-	(67)		1,594
Fair value changes of other equity investments	(166)	(41)	-	10	(31)	-	(197)
Subtotal	1,495	(108)	-	10	(98)	-	1,397
Other comprehensive income that may be subsequently classified to profit and loss							
Including: Fair value changes of other debt investments (Note 1)	(5,924)	(462)	5,040	(1,130)	3,426	22	(2,498)
Credit losses on other debt investments (Note 2)	3,686	2,084	(3,919)	445	(1,369)	(21)	2,317
Translation differences of financial statements denominated in foreign currencies	19	4	-	-	4	-	23
Subtotal	(2,219)	1,626	1,121	(685)	2,061	1	(158)
Total	(724)	1,518	1,121	(675)	1,963	1	1,239

Unit: RMB million

	The Bank				
	Year ended 31 December 2023				
	1 January 2023	Amount incurred before income tax	Other comprehensive income transferred to profit and loss	Income tax expense	31 December 2023
Other comprehensive income that will not be subsequently classified to profit and loss					
Including: Actuarial (losses) profits on defined benefit plans	1,661	(67)	-	-	1,594
Fair value changes of other equity investments	(166)	(41)	-	10	(197)
Subtotal	1,495	(108)	-	10	1,397
Other comprehensive income that may be subsequently classified to profit and loss					
Including: Fair value changes of other debt investments (Note 1)	(5,827)	(483)	4,948	(1,116)	(2,478)
Credit losses on other debt investments (Note 2)	3,596	2,084	(3,833)	438	2,285
Subtotal	(2,231)	1,601	1,115	(678)	(193)
Total	(736)	1,493	1,115	(668)	1,204

Note 1: Fair value changes of other debt investments include changes in fair value of other debt investments in financial investments and issued loans and advances measured at fair value through other comprehensive income.

Note 2: Provision for credit impairments of other debt investments includes provision for impairments of other debt investments in financial investments and issued loans and advances measured at fair value through other comprehensive income.

42. Earnings per share

42.1 Basic earnings per share

Unit: RMB million

	The Group	
	2023	2022
Current net proft attributable to equity shareholders of the Bank	**77,116**	91,377
Less: Current net proft attributable to preferred shareholders of the Bank	**(2,793)**	(2,793)
Less: Current net proft attributable to perpetual bonds of the Bank	**(1,419)**	(1,419)
Current net profit attributable to ordinary shareholders of the Bank	**72,904**	87,165
Weighted average ordinary shares issued by the Bank (shares in million)	**20,774**	20,774
Basic earnings per share (RMB)	**3.51**	4.20

When calculating the earnings per share, the declared dividends for preference shares and interest expense of perpetual bonds were not included in the current net profit attributable to ordinary shareholders.

42.2 Diluted earnings per share

Unit: RMB million

	The Group	
	2023	2022
Current net profit attributable to ordinary shareholders of the Bank	**72,904**	87,165
Add: Current interest charges on convertible corporate bonds (after tax)	**1,258**	1,235
Current net profit for calculating diluted earnings per share	**74,162**	88,400
Weighted average ordinary shares issued by the bank (shares in million)	**20,774**	20,774
Add: Weighted average of all convertible corporate bond converted into ordinary shares (shares in million)	**2,147**	2,042
Add: Weighted average of current ordinary shares for calculating diluted earnings per share(shares in million)	**22,921**	22,816
Diluted earnings per share(RMB)	**3.24**	3.87

The conversion characteristic of preference shares and convertible bonds enables the existence or ownership of ordinary shares to be issued. As at 31 December 2023 and 31 December 2022, there was no triggering event for the conversion of shares, and the conversion characteristics of preference shares had no impact on the calculation of the basic and diluted earnings per share for the above period.

43. Supplementary information to the cash flow statement

43.1 Reconciliation of net profit to cash flows from operating activities

Unit: RMB million

	The Group		The Bank	
	2023	2022	2023	2022
Reconciliation of net profit to cash flows from operating activities				
Net profit	**77,654**	92,414	**71,545**	86,057
Add: Allowance for impairment losses on assets	**61,178**	48,620	**53,883**	41,378
Depreciation of fixed assets	**2,988**	2,491	**2,394**	2,052
Amortisation of intangible assets	**256**	215	**226**	197
Depreciation of right-of-use assets	**2,968**	2,914	**2,766**	2,780
Amortisation of unrecognised financing fee	**312**	325	**299**	325
Amortisation of long-term prepaid expenses	**573**	535	**533**	498
Gains from disposal of fixed assets, intangible assets and other long-term assets	**(27)**	(7)	**(22)**	(7)
Interest income of bonds and other investments	**(81,450)**	(76,258)	**(79,954)**	(74,817)
Interest income of impaired financial assets	**(1,001)**	(1,685)	**(1,001)**	(1,685)
(Gains) losses from changes in fair value	**(4,139)**	631	**(5,585)**	823
Investment income	**(30,699)**	(30,222)	**(29,771)**	(29,395)
Interest expense for debt securities issued	**30,210**	32,033	**29,350**	30,950
Increase in deferred tax assets	**(4,293)**	(4,474)	**(3,569)**	(3,264)
(Decrease)/increase in deferred tax liabilities	**(169)**	486	**-**	-
Increase in receivables of operating activities	**(562,388)**	(976,485)	**(528,639)**	(956,357)
Increase in payables of operating activities	**941,644**	563,880	**927,837**	546,331
Net cash flow generated from (used in) operating activities	**433,617**	(344,587)	**440,292**	(354,134)
Net changes in cash and cash equivalents				
Closing balance of cash and cash equivalents	**531,277**	404,856	**529,372**	398,084
Less: Opening balance of cash and cash equivalents	**404,856**	768,908	**398,084**	760,083
Net increase/(decrease) of cash and cash equivalents	**126,421**	(364,052)	**131,288**	(361,999)

43.2 Composition of cash and cash equivalents

Cash and cash equivalents stated in consolidated cash flow statement and cash flow statement comprise:

Unit: RMB million

	The Group		The Bank	
	2023	2022	2023	2022
Cash on hand	**5,722**	5,201	**5,679**	5,181
Balances with Central Bank that can be withdrawn on demand	**54,137**	79,172	**54,136**	79,163
Original maturity less than three months:				
Deposits with banks and other financial institutions	**175,616**	88,627	**170,755**	82,084
Placements with banks and other financial institutions	**28,936**	63,812	**31,936**	63,812
Financial assets purchased under resale agreements	**198,067**	56,057	**198,067**	56,057
Investments	**68,799**	111,987	**68,799**	111,787
Closing balance of cash and cash equivalents	**531,277**	404,856	**529,372**	398,084

44. Post-employment compensation

44.1 Defined contribution plans

The Group participates in the endowment insurance, unemployment insurance plans established by the government and the annuity plan established by the Group. According to these plans, the employees' salaries are paid to the plans proportionally each month. Except for the expenses above, the Group undertakes no further payment duties. Certain expenses are charged in profit or loss of the period.

Expenses recognised in profit or loss for the period:

Unit: RMB million

	The Group		The Bank	
	2023	2022	2023	2022
Defined contribution plans	**3,781**	3,218	**3,390**	2,975

Amount of payable at the period-end:

Unit: RMB million

	The Group		The Bank	
	2023	2022	2023	2022
Defined contribution plans	**108**	324	**84**	304

44.2 Defined benefit plans

The Group offers complementary retiring benefit plans to employees who start their service before 31 December 2007 and core personnel of grade 13 or above who join the Group after 31 December 2007 and are not due to retire for 10 or more years. The Group estimates the present value by actuary means based on expected cumulative benefits unit method. The project estimates the future cash outflow based on rate of inflation and rate of death, and recognises its present value by discount rate. Discount rate is measured by the corresponding yield of the treasury bond which matches the period of defined benefit plans and currency on balance sheet date. The Group recognises assets of this plan based on actuary results, related actuarial gains or losses recognised into other comprehensive income. Past service costs will be charged in profit or loss in the period of revising the plans. The interest net value is recognised by net liabilities or assets of the defined benefit plans multiplied by appropriate discount rate.

The profit or loss charged by related influence from defined benefit plans is RMB101 million. Actuary losses charged to other comprehensive income are RMB67 million. Net assets of defined benefit plans decreased by RMB168 million for the period, and the balance at the end of the period is RMB1,835 million, which is the net value of present value of defined benefit plans duties and fair value of defined benefit plans assets, and should be charged to other assets (Note VII, 15).

As at 31 December 2023, the average benefit obligation period of the Group's defined benefit plans was about 5 to 6 years (31 December 2022: about 5 to 6 years).

Defined benefit plan makes the Group face actuarial risks that include interest rate risk and longevity risk. The decrease in the yield of government bonds will lead to an increase in the present value of defined benefit plan obligations. The present value of defined benefit plan obligations is calculated based on the best estimate of the mortality rate of the employees participating in the scheme, and the increase in life expectancy will lead to an increase in plan liabilities.

Discount rate and mortality rate are the key actuarial factors in determining the present value of the defined benefit plan obligations. The discount rate is 2.50% as at 31 December 2023 (31 December 2022: 2.75%). Mortality assumptions are based on Male Pension Service Form and Female Pension Service Form of China Experience Life Table of Life Insurance (2010-2013) released by Chinese Insurance Regulatory Commission. The male workers who retire at the age of 60 and female workers who retire at the age of 55 are expected to have an average residual life of 25.34 years and 34.03 years respectively.

The following sensitivity analysis is based on the corresponding hypothesis with reasonable possible changes at the end of the reporting period (assuming all other assumptions remain unchanged):

If the discount rate increases (decreases) by 25 basis points, then the present value of defined benefit plan obligations will be decreased by RMB30 million (increased by RMB31 million).

As part of hypothesises may have correlations and a hypothesis cannot be changed in an isolated way, the sensitivity analysis may not reflect the actual changes in the fair value of the defined benefit plan obligations.

In the aforesaid sensitivity analysis, the calculation method for determining the defined benefit plan obligations is the same as the recognition of the relevant liabilities in the balance sheet at the end of the reporting period.

Compared with the previous year, the method for sensitivity analysis and the hypothesis didn't change.

45. Structured entities

Consolidated structured entities

The consolidated structured entities of the Group are fund products, asset-backed securities, trust plans and asset management plans. As the manager/initiator of the fund products, asset-backed securities, trust plans and asset management plans, the Group considers whether it has control over the structured entities, and determines whether the consolidation is necessary based on the scope of asset manager's decision, power of trust holder, reward from management service offering and the risk exposure of variable profit. In 2023, the Group didn't offer financial support to the consolidated structured entities (2022: Nil).

Unconsolidated structured entities

45.1 Structured entities sponsored by third-party institutions in which the Group holds an interest

The Group holds an interest in some structured entities sponsored by third-party institutions through investments in the notes issued by these structured entities. Such structured entities include funds, asset-backed securities, trust plans, asset management plans and wealth management products and the Group does not consolidate these structured entities. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors including the Group and are financed through the issue of investment products to investors.

The following table sets out an analysis of the carrying amounts and the maximum risk exposure of interests held by the Group as at 31 December 2023 and 31 December 2022 in the structured entities sponsored by third-party institutions:

Unit: RMB million

	The Group					
	2023					
	Trading assets	Debt investments	Other debt investments	Carrying amount	Maximum risk exposure (note)	Type of income
Funds	585,875	-	-	585,875	585,875	Investment income
Trust plans	9,176	296,837	250	306,263	306,263	Investment income, interest income
Asset management plans	105,316	127,271	-	232,587	232,587	Investment income, interest income
Asset-backed securities	5,468	92,971	58,931	157,370	157,370	Investment income, interest income
Wealth management products	1,141	-	-	1,141	1,141	Investment income
Total	706,976	517,079	59,181	1,283,236	1,283,236	

Unit: RMB million

	2022					
	Trading assets	Debt investments	Other debt investments	Carrying amount	Maximum risk exposure (note)	Type of income
Funds	621,463	-	-	621,463	621,463	Investment income
Trust plans	6,928	216,733	-	223,661	223,661	Investment income, interest income
Asset management plans	77,319	202,789	1,104	281,212	281,212	Investment income, interest income
Asset-backed securities	6,938	60,089	87,222	154,249	154,249	Investment income, interest income
Wealth management products	-	-	-	-	-	Investment income
Total	712,648	479,611	88,326	1,280,585	1,280,585	

Note: Maximum risk exposure to funds, trust plans, asset management plans, asset-backed securities and wealth management products is the amortised cost or fair value at the reporting date as recognised in the balance sheet.

45.2 Structured entities sponsored by the Group which the Group did not consolidate but held an interest

The structured entities which are not consolidated and set up by the Group consist primarily of wealth management products, trust plans, funds, asset management plans and asset-backed securities. The nature and purpose of these structured entities are to manage investors' assets and collect management fees. These structured entities generally finance the purchase of assets by issuing units of the products. Interest held by the Group includes direct investments in these structured entities and fees charged by providing management services.

As at 31 December 2023 and 31 December 2022, unconsolidated structured entities sponsored by the Group are set out as below:

Unit: RMB million

	The Group	
	2023	2022
Wealth management products	2,264,211	2,067,451
Funds	231,554	262,159
Trust plans	149,387	151,946
Asset management plans	67,826	70,029
Asset-backed securities	30,084	36,121
Total	2,743,062	2,587,706

As at 31 December 2023, the commission income earned from offering management services to the investors of these structured entities by the Group is RMB5,598 million (As at 31 December 2022: RMB19,266 million).

45.3 Unconsolidated structured entities sponsored by the Group during the year in which the Group does not have an interest on 31 December 2023

Unconsolidated structured entities sponsored by the Group after 1 January 2023 but matured before 31 December 2023 in which the Group does not have an interest were mainly the non-principal-guaranteed wealth management products.

The aggregated amount of the non-principal-guaranteed wealth management products sponsored and issued by the Group after 1 January 2023 but matured before 31 December 2023 was RMB96,849 million (The aggregated amount of the non-principal-guaranteed wealth management products sponsored and issued by the Group after 1 January 2022 but matured before 31 December 2022 was RMB26,987 million). As at 31 December 2023, the amount of fee and commission income received from such category of non-principal-guaranteed wealth management products by the Group was RMB21 million (As at 31 December 2022: RMB70 million).

VIII. Segment reporting

Senior management of the Group evaluates the operations of the Group in accordance with the economic areas of the respective branches and subsidiaries. Each branch serves its local customers and a few customers in other regions. The Group does not deeply depend on one single external customer. Through the review of internal reports, the management of the Group conducts performance evaluations and determines the allocation of resources. Segment reporting is presented in a manner consistent with the Group's internal management and reports.

Segment accounting policies are consistent with the accounting policies of the consolidated financial statements. Inter-segment transfer transactions are measured at the actual transaction prices.

The Group includes the head office (including the head office and the operating institutions of the head office), Fujian, Beijing, Shanghai, Guangdong, Zhejiang, Jiangsu, northeast and other regions, western region, central region, a total of ten segments, of which branches within the northeast and other regions, western region, central region are presented in a consolidated manner.

Among them, the northeast and other regions include: Harbin branch, Changchun branch, Shenyang branch, Dalian branch, Tianjin branch, Jinan branch, Qingdao branch, Haikou branch, Hong Kong branch and Industrial Bank Financial Leasing Co., Ltd.;

Western region includes: Chengdu branch, Chongqing branch, Guiyang branch, Xi'an branch, Kunming branch, Nanning branch, Urumqi branch, Lanzhou branch, Yinchuan branch, Xining branch and Lasa branch;

Central region includes: Hohhot branch, Shijiazhuang branch, Zhengzhou branch, Taiyuan branch, Hefei branch, Changsha branch, Wuhan branch and Nanchang branch.

Unit: RMB million

	The Group											
	2023											
	Head office	Fujian	Beijing	Shanghai	Guangdong	Zhejiang	Jiangsu	Northeast and other regions	Western region	Central region	Eliminations	Total
Operating income	81,137	30,359	6,165	7,839	10,350	10,580	12,390	19,023	14,062	18,926	-	210,831
Net interest income	33,222	23,389	5,476	6,909	9,433	11,158	11,535	15,766	12,777	16,838	-	146,503
Including: Net inter-segment interest (expense) income	(36,761)	5,129	11,561	13,478	2,947	(1,758)	(1,528)	3,181	(2,218)	5,969	-	-
Net fee and commission income	16,454	5,159	651	823	740	(676)	724	1,379	986	1,515	-	27,755
Other income	31,461	1,811	38	107	177	98	131	1,878	299	573	-	36,573
Operating expenses	(42,973)	(20,449)	(4,854)	(4,742)	(7,123)	(5,133)	(5,943)	(8,711)	(14,196)	(12,567)	-	(126,691)
Operating profit	38,164	9,910	1,311	3,097	3,227	5,447	6,447	10,312	(134)	6,359	-	84,140
Add: Non-operating income	101	84	4	4	40	8	22	23	17	25	-	328
Less: Non-operating expenses	(31)	(44)	(2)	(4)	(8)	(2)	(3)	(17)	(6)	(22)	-	(139)
Total profit	38,234	9,950	1,313	3,097	3,259	5,453	6,466	10,318	(123)	6,362	-	84,329
Less: Income tax expenses												(6,675)
Net profit												77,654
Segment assets	4,829,387	888,283	644,002	756,407	737,144	500,933	566,309	1,022,624	712,677	975,412	(1,532,898)	10,100,280
Including: Investment in an associate	3,397	475										3,872
Undistributed assets												58,046
Total assets												10,158,326
Segment liabilities	4,209,772	820,415	642,326	748,487	733,866	495,365	559,830	991,284	712,947	969,034	(1,532,898)	9,350,428
Undistributed liabilities												179
Total liabilities												9,350,607
Supplemental information												
Credit commitments	531,064	117,772	33,260	31,610	116,447	105,077	103,604	229,741	175,181	263,584	-	1,707,340
Depreciation and amortisation	1,125	916	382	396	574	288	400	942	765	997	-	6,785
Capital expenditures	1,135	469	62	95	221	160	318	1,377	363	306	-	4,506

Unit: RMB million

	2022											
	Head office	Fujian	Beijing	Shanghai	Guangdong	Zhejiang	Jiangsu	Northeast and other regions	Western region	Central region	Eliminations	Total
Operating income	93,717	29,760	6,453	7,275	10,539	10,158	11,818	19,363	13,909	19,382	-	222,374
Net interest income	35,655	21,672	5,730	6,443	9,333	10,426	10,866	15,878	12,267	17,003	-	145,273
Including: Net inter-segment interest (expense) income	(48,167)	4,942	14,207	13,348	4,573	(393)	(468)	5,518	(62)	6,502	-	-
Net fee and commission income	33,286	5,242	732	733	966	(524)	658	1,315	1,152	1,481	-	45,041
Other income	24,776	2,846	(9)	99	240	256	294	2,170	490	898	-	32,060
Operating expenses	(52,396)	(17,066)	(4,919)	(3,551)	(7,730)	(4,178)	(4,301)	(7,564)	(6,685)	(7,822)	-	(116,212)
Operating profit	41,321	12,694	1,534	3,724	2,809	5,980	7,517	11,799	7,224	11,560	-	106,162
Add: Non-operating income	57	64	3	7	25	5	5	34	11	16	-	227
Less: Non-operating expenses	(19)	(34)	(9)	(11)	(18)	(17)	(5)	(30)	(12)	(13)	-	(168)
Total profit	41,359	12,724	1,528	3,720	2,816	5,968	7,517	11,803	7,223	11,563	-	106,221
Less: Income tax expenses												(13,807)
Net profit												92,414
Segment assets	4,511,962	808,053	586,351	660,698	706,644	442,206	473,164	944,926	599,120	885,049	(1,406,375)	9,211,798
Including: Investment in an associate	3,568	478										4,046
Undistributed assets												54,873
Total assets												9,266,671
Segment liabilities	3,923,261	752,861	585,001	652,272	707,617	437,589	467,573	914,698	598,117	876,411	(1,406,375)	8,509,025
Undistributed liabilities												348
Total liabilities												8,509,373
Supplemental information												
Credit commitments	518,344	109,505	21,081	32,671	145,105	107,603	118,972	254,177	165,741	243,759	-	1,716,958
Depreciation and amortisation	1,101	806	371	413	545	267	389	883	767	938	-	6,480
Capital expenditures	1,726	677	69	92	250	546	497	1,263	695	471	-	6,286

IX. Related party relationship and transactions

1. Related Party Relationship

The Group

Related parties with no controlling interest

1.1 Shareholders holding more than 5% (inclusive) of the Bank's shares

Name	Economic nature	Place of registration	Principal activities	Legal representative	Registered capital (RMB hundred million)	
					2023/12/31	2022/12/31
The Finance Bureau of Fujian Province (1)	Legal entity of government agencies	Fuzhou	Administration of Fujian provincial fiscal and tax policy	Lin Zhonglin	N/A	N/A
Fujian Financial Investment Co., Ltd. (1)	Limited Company	Fuzhou	Investment management	Wan Chongwei	1,000.00	1,000.00
PICC Life Insurance Company Limited (2)	Incorporated Company	Beijing	Insurance services	Xiao Jianyou	257.61	257.61
PICC Property and Casualty Company Limited (2)	Incorporated Company	Beijing	Insurance services	Yu Ze	222.43	222.43
China National Tobacco Corporation (3)	Owned by the whole people	Beijing	Production, and sales of tobacco products	Zhang Jianmin	570.00	570.00
Haisheng Investment Management Company of Fujian Tobacco (3)	Limited Company	Xiamen	Investment management	He Weiming	26.47	26.47
China Tobacco Hunan Investment Management Company (3)	Limited Company	Changsha	Investment management	Xiao Bing	2.00	2.00
The People's Insurance Company (Group) of China Limited (2)	Incorporated Company	Beijing	Investment management and insurance services	Wang Yanke	442.24	442.24
China National Tobacco Fujian Corporation (3)	Owned by the whole people	Fuzhou	Sales of tobacco products	Zhao Jiancheng	1.37	1.37
China National Tobacco Guangdong Corporation (3)	Owned by the whole people	Guangzhou	Production, and sales of tobacco products	Wang Deyuan	1.40	1.40
Fujian Sanhua Color Printing Co., Ltd. (3)	Limited Company	Longyan	Trademark, advertisement and other printed matter production	Chen Beirong	0.12	0.12

Number of shares held by Shareholders holding more than 5% (inclusive) of the Bank's shares:

Name	2023		2022	
	Shares (Million shares)	Proportion (%)	Shares (Million shares)	Proportion (%)
The Finance Bureau of Fujian Province (1)	453	2.18	418	2.01
Fujian Financial Investment Co., Ltd. (1)	3,512	16.91	3,512	16.91
PICC Life Insurance Company Limited (2)	1,276	6.14	1,276	6.14
PICC Property and Casualty Company Limited (2)	1,229	5.91	1,229	5.91
China National Tobacco Corporation (3)	1,110	5.34	1,110	5.34
Haisheng Investment Management Company of Fujian Tobacco (3)	441	2.13	441	2.13
China Tobacco Hunan Investment Management Company (3)	226	1.09	226	1.09
The People's Insurance Company (Group) of China Limited (2)	174	0.84	174	0.84
China National Tobacco Fujian Corporation (3)	132	0.64	132	0.64
China National Tobacco Guangdong Corporation (3)	99	0.48	99	0.48
Fujian Sanhua Color Printing Co., Ltd. (3)	46	0.22	46	0.22
Total	8,698	41.88	8,663	41.71

Note: (1) As of 31 December 2023, the aggregate proportion of the Finance Bureau of Fujian Province and its wholly-owned subsidiary Fujian Financial Investment Co., Ltd. was 19.09%.

(2) As of 31 December 2023, PICC Property and Casualty Company Limited and PICC Life Insurance Company Limited are both subsidiaries of The People's Insurance Company (Group) of China Limited. The aggregate proportion is 12.90%.

(3) As of 31 December 2023, Haisheng Investment Management Company of Fujian Tobacco, China Tobacco Hunan Investment Management Company, China National Tobacco Fujian Corporation, China National Tobacco Guangdong Corporation and Fujian Sanhua Color Printing Co., Ltd. are subsidiaries of China National Tobacco Corporation. The aggregate proportion is 9.90%.

1.2 Other major shareholders of the Bank

Name	Economic nature	Place of registration	Principal activities	Legal representative	Registered capital (RMB hundred million)	
					2023/12/31	2022/12/31
Zhejiang Provincial Energy Group Company Ltd.(4)	Limited Company	Hangzhou	Industrial investment and development	Liu Shenghui	**100.00**	100.00
Zhejiang Zheneng Electric Power Co., Ltd. (4)	Incorporated Company	Hangzhou	Electricity generation and related technologies research and development	Yu Guoping	**134.09**	136.01
Fujian Provincial Port Group Co., Ltd. (5)	Limited Company	Fuzhou	Port terminal infrastructure construction and operation	Chen Zhiping	**100.00**	100.00
Fujian Provincial Communication Transportation Group Co., Ltd. (5)	Limited Company	Fuzhou	Transportation	Li Xinghu	**32.20**	32.20
Xiamen Port Holding Group Co., Ltd. (5)	Limited Company	Xiamen	Port facility services	Cai Liqun	**31.00**	31.00
Fuzhou Port Group Co., Ltd. (5)	Limited Company	Fuzhou	Marina facility services	Chen Jianzhong	**12.04**	12.04
Fujian Shipping Company (5)	Limited Company	Fuzhou	Water transport and foreign trade	Wu Liangqi	**5.20**	4.60

(4) The supervisor assigned by Zhejiang Energy Group Co., Ltd. to the Bank resigned on 18 July 2023, satisfying the regulatory disclosure requirements, Zhejiang Provincial Energy Group Company Ltd. and its related parties constitute related parties of the Bank. Zhejiang Zheneng Electric Power Co., Ltd. is a subsidiary of Zhejiang Energy Group Co., Ltd., with a total shareholding ratio of less than 5%.

(5) On 26 May 2023, the Annual General Meeting passed a resolution that Fujian Provincial Port Group Co., Ltd. will appoint supervisor to the Bank, which can exercise significant influence over the Bank and constitute a related party of the Bank. Xiamen Port Holding Group Co., Ltd. and Fujian Provincial Communication Transportation Group Co., Ltd. are subsidiaries of Fujian Provincial Port Group Co., Ltd.. Fuzhou Port Group Co., Ltd. and Fujian Shipping Company are subsidiaries of Fujian Provincial Communication Transportation Group Co., Ltd.. The above companies have a total shareholding ratio of less than 5%.

1.3 The major shareholders' related parties which have credit-related transactions with the Group

Credit-related transactions: refer to the provision of financial support by a banking institution to related parties, or the guarantee of compensation and payment obligations that may arise from related parties' economic activities, including loans (including trade finance), acceptance and discounting of bills, overdrafts, bond investments, investment in special purpose vehicles, establishment of letters of credit, factoring, guarantees, letters of guarantee, loan commitments, securities repurchases, loan at call, and other on-balance-sheet and off-balance-sheet businesses in which the banking institution essentially bears credit risk.

(a) Fujian Financial Investment Co., Ltd. and its related parties

- Huafu Securities Corporation Limited

(b) The People's Insurance Company (Group) of China Limited and its related parties

- PICC Property and Casualty Company Limited
- China Securities Credit Investment Co., Ltd.

(c) China National Tobacco Corporation and its related parties

- Changde Jinpeng Printing Co.,
- Fujian Province Tobacco Company Fuzhou Company
- China Tobacco Guangxi Industry Co., Ltd.
- Guizhou Ke Tai Tian Xing Agricultural Technology Co., Ltd.
- Hangzhou Xiang Yi Chun Jiang Shan Ju Real Estate Co., Ltd.
- Hongta Securities Co., Ltd.
- Jilin Jin Ye Tobacco Co., Ltd.
- Xiamen Xiang'an Xing Hai Sheng Real Estate Development Co., Ltd.
- Yunnan Hongta Bank
- Zhong Wei Xin Sheng Real Estate Development (Fujian) Co., Ltd.
- Zunyi Da Xing Fu Fei Co., Ltd.

(d) Fujian Provincial Port Group Co., Ltd. and its related parties

- Fujian Provincial Port Group Co., Ltd.
- Fujian Atl- Shengfeng Logistics Co.,
- Fu Zhou Port (Luo Yuan) Group Co., Ltd.
- Fujian Jiangyin International Container Terminal Co.,
- Fujian Provincial Port Group Finance Co., Ltd.
- Fujian Shipping Company
- Fujian Hong Yuan Environment Resources Co.,Ltd.
- Fujian Provincial Communication Transportation Group Co., Ltd.
- Fujian Minshen Trading Co., Ltd.
- Putian Hanjiang Port Development Company
- Fujian Shaowu Minyun Passenger Transportation Station Co., Ltd.
- Fujian Province Sugar Liquor And Non-Staple Food Co.,Ltd.
- Fujian Xiaocuo Port Development Co., Ltd.
- Fuzhou Port Group Co.,Ltd.
- Fuzhou Minyun Public Traffic Co.,
- Lianjiang Minyun Public Traffic Co.,
- Xiamen Port Commerce Information Co.,Ltd.
- Xiamen Port Haiheng Industrial Co., Ltd.
- Xiamen Port Wine Co., Ltd.
- Xiamen Port Holding Group Co.,Ltd.
- Xiamen Port Trading Co.,Ltd.
- Xiamen Port Dredging & Engineering Co.,Ltd.
- Xiamen Port Ye Shui Fu Logistics Co., Ltd.
- Xiamen International Port Co.,Ltd.
- Xiamen Hailong Manning Service Co.,Ltd.
- Xiamen Haixia Supply Chain Development Co.,Ltd.
- Xiamen Haixia Investment Co.,Ltd.
- Xiamen Sunlit Co.,Ltd.
- Xiamen Port Group Gangdian Service Co.,Ltd.
- Xiamen Pilot Free Trade Zone Electronic Port Co., Ltd.
- Zhangzhou Longwen Long-distance Transportation Public Transport Co., Ltd.

- Zhangzhou Xiangcheng Long-distance Transportation Public Transport Co., Ltd.

(e) Zhejiang Provincial Energy Group Company Ltd. and its related parties

- Zhejiang Provincial Energy Group Company Ltd.
- Huzhou Chang Guang Placing of Electricity Co., Ltd.
- Qianjiang Water Resources Development Co., Ltd.
- Jolywood (Suzhou) Sunwatt Co., Ltd.
- Jolywood (Suzhou) Minsheng Energy Co., Ltd.
- Tongmei Zhejiang Energy Majialiang Coal Industry Co., Ltd.
- Jolywood (Taizhou) Optoelectronic Technology Co., Ltd.
- Zhejiang Fuhong Energy Co., Ltd.
- Zhejiang Water Conservancy & Hydropower Investment Corp.Group
- Zhejiang Zheneng Electric Power Co., Ltd.

1.4 Associates

Details of general information and related information of associates are set out in Note VII, 9.

1.5 Other related parties

Other related parties include key management personnel (director, supervisor, senior management of head office) and their close families, as well as other enterprises over which the key management personnel or their close families have control, common control or act as board of directors or senior management.

2. Related party transactions

The conditions and prices of related party transactions between the Group and the Bank are determined according to the Group's contract, and are examined and approved in accordance with the transaction type and content of transaction by corresponding decision-making authority.

2.1 Interest income

Unit: RMB million

Related party	2023	2022
Fujian Provincial Port Group Co., Ltd. and its related parties	**71**	N/A
China Tobacco and its related parties	**71**	27
Zhejiang Energy Group Co., Ltd. and its related parties	**21**	23
Fujian Financial Investment Co., Ltd. and its related parties	**18**	-
Associates	**102**	193
Others	**6**	7
Total	**289**	250
Proportion in amount of related similar transactions	**0.08%**	0.08%

2.2 Interest expense

Unit: RMB million

Related party	2023	2022
China Tobacco and its related parties	**5,791**	4,888
The People's Insurance Company (Group) of China Limited and its related parties	**807**	649
Fujian Financial Investment Co., Ltd. and its related parties	**176**	1
Fujian Provincial Port Group Co., Ltd. and its related parties	**38**	N/A
The Finance Bureau of Fujian Province	**13**	95
Zhejiang Energy Group Co., Ltd. and its related parties	**7**	4
Associates	**27**	34
Other related parties	**2**	1
Total	**6,861**	5,672
Proportion in amount of related similar transactions	**3.39%**	3.09%

2.3 Investment income

Unit: RMB million

Related party	2023	2022
Zhejiang Energy Group Co., Ltd. and its related parties	-	4
China Tobacco and its related parties	-	4
Total	-	8
Proportion in amount of related similar transactions	0.00%	0.03%

2.4 Fee and commission income

Unit: RMB million

Related party	2023	2022
The People's Insurance Company (Group) of China Limited and its related parties	**177**	114
Fujian Financial Investment Co., Ltd. and its related parties	**69**	-
The Finance Bureau of Fujian Province	**7**	-
Fujian Provincial Port Group Co., Ltd. and its related parties	**4**	N/A
China Tobacco and its related parties	**-**	1
Associates	**-**	6
Other related parties	**1**	1
Total	**258**	122
Proportion in amount of related similar transactions	**0.78%**	0.25%

2.5 Fees and commission expense

Unit: RMB million

Related party	2023	2022
The People's Insurance Company (Group) of China Limited and its related parties	**47**	56
Fujian Financial Investment Co., Ltd. and its related parties	**25**	-
Associates	**6**	-
Others	**8**	30
Total	**86**	86
Proportion in amount of related similar transactions	**1.60%**	1.95%

2.6 General and administrative expenses-insurance

Unit: RMB million

Related party	2023	2022
The People's Insurance Company (Group) of China Limited and its related parties	**658**	536
Proportion in amount of related similar transactions	**1.05%**	0.83%

In 2023, the Bank was paid RMB 0.76 million in compensation from PICC Property and Casualty Company Limited (2022: RMB 0.21 million).

2.7 General and administrative expenses-property rent

Unit: RMB million

Related party	2023	2022
China Tobacco and its related parties	**30**	22
Fujian Financial Investment Co., Ltd. and its related parties	**2**	-
Zhejiang Energy Group Co., Ltd. and its related parties	**1**	1
Total	**33**	23
Proportion in amount of related similar transactions	**0.05%**	0.04%

2.8 Income from other business – rental income

Unit: RMB million

Related party	2023	2022
Fujian Financial Investment Co., Ltd. and its related parties	**5**	1
China Tobacco and its related parties	**1**	-
Total	**6**	1
Proportion in amount of related similar transactions	**4.23%**	0.84%

2.9 Non-operating income

Unit: RMB million

Related party	2023	2022
Fujian Financial Investment Co., Ltd. and its related parties	**30**	-
Total	**30**	-
Proportion in amount of related similar transactions	**9.15%**	0.00%

3. Unsettled amount of related party transactions

3.1 Deposits with banks and other financial institutions

Unit: RMB million

Related party	2023	2022
China Tobacco and its related parties	**-**	1,000
Associates	**2**	7
Total	**2**	1,007
Proportion in amount of related similar transactions	**0.00%**	1.07%

3.2 Placements with banks and other financial institutions

Unit: RMB million

Related party	2023	2022
Associates	**276**	1,177
Proportion in amount of related similar transactions	**0.08%**	0.33%

3.3 Loans and advances to customers

Unit: RMB million

Related party	2023	2022
Fujian Provincial Port Group Co., Ltd. and its related parties	**1,182**	N/A
China Tobacco and its related parties	**568**	586
Zhejiang Energy Group Co., Ltd. and its related parties	**56**	556
Associates	**2,153**	3,133
Others	**183**	97
Total	**4,142**	4,372
Proportion in amount of related similar transactions	**0.08%**	0.09%

3.4 Trading assets

Unit: RMB million

Related party	2023	2022
Fujian Financial Investment Co., Ltd. and its related parties	**550**	-
China Tobacco and its related parties	**330**	102
Fujian Provincial Port Group Co., Ltd. and its related parties	**233**	N/A
Total	**1,113**	102
Proportion in amount of related similar transactions	**0.12%**	0.01%

3.5 Debt investments

Unit: RMB million

Related party	2023	2022
Fujian Provincial Port Group Co., Ltd. and its related parties	**3,298**	N/A
Fujian Financial Investment Co., Ltd. and its related parties	**2,100**	-
Zhejiang Energy Group Co., Ltd. and its related parties	**10**	10
China Tobacco and its related parties	**-**	1,200
Associates	**-**	3,609
Total	**5,408**	4,819
Proportion in amount of related similar transactions	**0.30%**	0.29%

3.6 Other debt investments

Unit: RMB million

Related party	2023	2022
China Tobacco and its related parties	**756**	159
Fujian Provincial Port Group Co., Ltd. and its related parties	**248**	N/A
Zhejiang Energy Group Co., Ltd. and its related parties	**195**	230
Associates	**496**	-
Total	**1,695**	389
Proportion in amount of related similar transactions	**0.30%**	0.07%

3.7 Lease payment receivables

Unit: RMB million

Related party	2023	2022
Zhejiang Energy Group Co., Ltd. and its related parties	**25**	-
Total	**25**	-
Proportion in amount of related similar transactions	**0.02%**	-

3.8 Deposits from banks and other financial institution

Unit: RMB million

Related party	2023	2022
The People's Insurance Company (Group) of China Limited and its related parties	**5,244**	152
Fujian Financial Investment Co., Ltd. and its related parties	**4,651**	-
Fujian Provincial Port Group Co., Ltd. and its related parties	**851**	N/A
China Tobacco and its related parties	**362**	833
Associates	**1,847**	2,338
Others	**33**	36
Total	**12,988**	3,359
Proportion in amount of related similar transactions	**0.70%**	0.21%

3.9 Deposits from customers

Unit: RMB million

Related party	2023	2022
China Tobacco and its related parties	**86,345**	86,268
The People's Insurance Company (Group) of China Limited and its related parties	**15,018**	17,766
Fujian Financial Investment Co., Ltd. and its related parties	**5,616**	390
The Finance Bureau of Fujian Province	**3,428**	4,153
Fujian Provincial Port Group Co., Ltd. and its related parties	**1,161**	N/A
Zhejiang Energy Group Co., Ltd. and its related parties	**273**	169
Associates	**257**	446
Others	**21**	148
Total	**112,119**	109,340
Proportion in amount of related similar transactions	**2.18%**	2.31%

3.10 Right-of-use assets

Unit: RMB million

Related party	2023	2022
China Tobacco and its related parties	**79**	4
Fujian Financial Investment Co., Ltd. and its related parties	**6**	-
Zhejiang Energy Group Co., Ltd. and its related parties	**-**	1
Total	**85**	5
Proportion in amount of related similar transactions	**0.86%**	0.05%

3.11 Lease liabilities

Unit: RMB million

Related party	2023	2022
China Tobacco and its related parties	**80**	4
Fujian Financial Investment Co., Ltd. and its related parties	**7**	-
Zhejiang Energy Group Co., Ltd. and its related parties	**1**	1
Total	**88**	5
Proportion in amount of related similar transactions	**0.91%**	0.05%

3.12 Other accounts payable

Unit: RMB million

Related party	2023	2022
The People's Insurance Company (Group) of China Limited and its related parties	**1**	-
Total	**1**	-
Proportion in amount of related similar transactions	**0.02%**	0.00%

3.13 Credit line

Unit: RMB million

Related party	2023	2022
The People's Insurance Company (Group) of China Limited and its related parties	**54,000**	54,000
Fujian Provincial Port Group Co., Ltd. and its related parties	**29,100**	N/A
Fujian Financial Investment Co., Ltd. and its related parties	**21,000**	N/A
China Tobacco and its related parties	**17,000**	17,000
Zhejiang Energy Group Co., Ltd. and its related parties	**8,500**	8,500
Total	**129,600**	79,500

For details of major credit-related transactions, please refer to the relevant resolutions of the board of directors publicly disclosed by the Bank.

3.14 Off-balance sheet items

Bank acceptances

Unit: RMB million

Related party	2023	2022
Zhejiang Energy Group Co., Ltd. and its related parties	**604**	62
China Tobacco and its related parties	**294**	330
Fujian Provincial Port Group Co., Ltd. and its related parties	**119**	N/A
Accociates	**1,495**	1,521
Others	**-**	183
Total	**2,512**	2,096
Proportion in amount of related similar transactions	**0.32%**	0.25%

Letters of guarantee

Unit: RMB million

Related party	2023	2022
China Tobacco and its related parties	**81**	54
Zhejiang Energy Group Co., Ltd. and its related parties	**30**	22
Fujian Provincial Port Group Co., Ltd. and its related parties	**39**	N/A
Total	**150**	76
Proportion in amount of related similar transactions	**0.18%**	0.08%

Letters of credit

Unit: RMB million

Related party	2023	2022
Zhejiang Energy Group Co., Ltd. and its related parties	**89**	-
China Tobacco and its related parties	**50**	50
Fujian Provincial Port Group Co., Ltd. and its related parties	**61**	N/A
Associates	**230**	118
Total	**430**	168
Proportion in amount of related similar transactions	**0.15%**	0.07%

4. Key management personnel remuneration

Unit: RMB million

	2023	2022
Salary and welfare	**19**	18

X. Contingencies and commitments

1. Pending litigations

As of the balance sheet date, the Group's management considers that there is no pending litigation which has a significant impact on the financial statements and needs to be disclosed.

2. Off-balance sheet items

Contractual amount

Unit: RMB million

	The Group and the Bank	
	2023	2022
Bank acceptances	**776,166**	834,853
Credit card commitments	**531,064**	518,344
Letters of credit	**290,125**	247,776
Letters of guarantee	**85,500**	93,375
Irrevocable loan commitments	**24,485**	22,610
Total	**1,707,340**	1,716,958

3. Capital commitments

Unit: RMB million

	Contractual amount of the Group		Contractual amount of the Bank	
	2023	2022	2023	2022
Authorised but not contracted for	**22**	8	**22**	8
Contracted but not paid for	**1,521**	356	**1,509**	311

	1,543	364	**1,531**	319

4.Collateral

Assets pledged

4.1 The carrying amount of assets pledged as collateral under repurchase agreements is as follows:

Unit: RMB million

	The Group		The Bank	
	2023	2022	2023	2022
Bonds	**406,986**	342,528	**390,053**	323,917
Bills	**13,260**	19,864	**13,260**	19,864
Total	**420,246**	362,392	**403,313**	343,781

As at 31 December 2023, none of the bills purchased under resale agreements by the Group and the Bank were used to carry out the sold under repurchased business (31 December 2022: Nil).

Debt securities pledged as collateral for borrowings from Central Banks by the Group as at 31 December 2023 amounted to RMB352,277 million in total (31 December 2022: RMB107,923 million).

4.2 As at 31 December 2023, the Group and the Bank have no pledged bonds to credit derivative transactions (31 December 2022: Nil).

Collateral accepted

In the resale agreement, the Group can sell pledged assets or transfer them in other transactions when the counterparty is not in breach of the contract. As at 31 December 2023, the fair value of pledged assets available for sale or convertible is RMB12,599 million (31 December 2022: RMB7,614 million).

5. Redemption commitment of certificate treasury bonds and saving treasury bonds

The Group entrusted by the MOF as its agent issues certificate treasury bonds and saving treasury bonds. Holders of certificate treasury bonds and saving treasury bonds can require advance redemption, and the Group has the obligation to execute the redemption responsibility. Redemption amount for the certificate treasury bonds and saving treasury bonds includes principal and interest payable till redemption date.

As of 31 December 2023 and 31 December 2022, the cumulative principal balances of the certificate treasury bonds and saving treasury bonds which are issued by the Group under trust prior to maturity and have not been paid are as follows:

Unit: RMB million

	The Group and the Bank	
	2023	2022
Certificate treasury bonds and saving treasury bonds	2,149	2,169

The Group believes the Group's redemption amount of these certificate treasury bonds and saving treasury bonds is not significant before their maturity.

6. Fiduciary Business

Unit: RMB million

	The Group		The Bank	
	2023	2022	2023	2022
Fiduciary loans	**130,239**	158,269	**130,239**	158,269
Fiduciary funds	**130,239**	158,269	**130,239**	158,269
Fiduciary wealth management products	**2,264,211**	2,067,451	**21,524**	29,658

Fiduciary loans are loans in that depositors designated a specific third party as the loan party, and related credit risk of the loan is borne by depositors who designated borrowers.

Fiduciary wealth management refers to a kind of service that the entrusted Group is responsible for the operation and management of customer assets. The investment risk of fiduciary wealth management products is borne by the trustor.

XI. Financial risk management

1. Overview

The Group is exposed to various types of risks due to its financing businesses including banking business. The Group identifies, assesses and monitors various risks on an ongoing basis. The most significant types of risk to which the Group is exposed are credit risk, market risk, liquidity risk and operation risk, country risk, bank book interest rate risk, reputation risk, strategic risk, information technology risk, and money-laundering risk.

The Group's risk management objectives are to achieve a proper balance between risks and benefits and run business safely and prudently under a reasonable level of risk.

2. Risk management framework

Risk management is the basic safeguard for survival and development of commercial banks. The Group has taken risk management as one of its core competitiveness, formulated a development strategy focused on business operation as well as risk management, established pre-during-post events risk control system with a core of risk asset management, and improved the risk management and operation instructions for various businesses; completed the mechanism of risk responsibilities and punishment, implemented credit business operation responsibilities, established risk fund for credit post personnel, enhanced risk constraints; including credit risk, market risk, liquidity risk, operational risk and other risks into the scope of risk management and continuously improve the risk management mechanism to wholly-owned and holding subsidiaries; Further defined the specific responsibilities of board of directors, board of supervisors, senior management and operation executives in respect of risk management, formed a defined, clear and effective overall risk management system. In daily risk management work, the Group's business sector, risk management department and internal audit department build up the "three defences"; they perform their respective functions and work together to achieve the objective of risk management. Among them, operation institutions and business sector form the first line of defence to conduct risk management according to the risk management rules and policies. Operation institutions take precautions against all the business and operating risks, while business sector is in charge of making its risk management policy, evaluating the effectiveness of risk management regularly and taking corrective actions if necessary. The risk management department is the second line of defence, which is responsible for the constitution of the Group's risk management strategy, policy, regulations and process, and supervision of the execution. Meanwhile, the risk management department is responsible for the identification, evaluation and supervision of the risk that the Group faces, assessing the Group's risk condition periodically, taking measures for continuous improvement, and pushing forward the outspread of overall risk management work. The internal audit department is the third line of defence. It is responsible for all process audits, continuously providing independent and prospective audits and supervision with emphasis.

3. Credit risk

Credit risk represents the potential loss that may arise from a customer or counterparty's failure to meet its obligation. Credit risk can also arise from operational failures that result in an unauthorised or inappropriate advance, commitment or investment of funds. The Group's major credit risks come from loans and receivables (enterprises and personal credit loans), treasury operations (including debt investment) and off-balance-sheet-related credit risk exposures. The Group manages and controls credit risk according to the following processes: customer investigation before granting of credit limits, credit review and approval and post-disbursement loan monitoring and collection.

The Group establish the risk management department, which is responsible for organising, implementing the credit risk management strategies and policies of the Group, and making basic rules for the Group risk management affairs. In addition, the department is also professionally managing, evaluating, guiding the general operation of the Group risk management together with inspecting and supervising the activities mentioned above. As the leading party, the risk management department formulates unified standards, responsible for the credit management on the whole. All the actions taken are to ensure the overall credit risk is under control. The Group set up risk management department and professional risk management desk in two major lines called enterprise financial line and investment banking and financial markets line. Each of the risk departments is responsible for the credit management in its own line or professional operating department, and it is also responsible for making detailed regulations and operating rules and approving projects within the approving authority. The Group also sets up several specialised committees such as Credit Approval Committee and Credit Accountability Committee. The first one is responsible for the examination and approval of the loans within the authority. The other one is responsible for determining the responsibility of related loans.

The Group has formulated a whole set of credit policies on approval process and management procedure, and implemented them throughout the Group. The credit management procedure for corporate and personal loans can be classified as credit investigation, credit examination, credit approval, credit disbursement, and post-disbursement monitoring and recovery process. In addition, the Group issued Due Diligence of Credit approval to clarify the duties of different positions, to effectively control the credit risk, and to strengthen compliance of credit business.

In accordance with the discriminative credit policy of "protecting, controlling, and compressing", the Group set up detailed rules for the implementation of credit policy, which has intensified the credit support for the real economy and optimised credit resources allocation. The Group preferentially develops credit businesses for industries which comply with national policy orientation, develop rapidly and have broad market prospects (including infrastructures, people's livelihood, strategic emerging industries and modern agriculture); actively practices green credit principle, preferentially supports green and environment-friendly industry with obvious social benefits, mature technology application and commercial operation; supports short-term cycle and people's livelihood consumption industry like medical care, education, tourism and communication.

The Group has established an internal customer credit rating system which comprehensively and systematically investigated various factors that influence customer solvency in future; disclosed and evaluated customers' credit risks and capabilities based on qualitative and quantitative analysis. Credit rating results become an important foundation to draw up credit service policies, adjust and optimise client structure, as well as identify credit service of individual customer. According to new Basel Capital Accord and Administrative Measures for the Capital of Commercial Banks ("Measures") and other relevant guidance of NFRA, the Group developed and established customer internal rating system and has been continuously optimising the model and system. Meanwhile, the related results of internal rating have continuously entered into various risk management areas including authorisation management, industry access, limit management, economic capital measurement and asset impairment calculation. The credit risk weighted assets ("CRWA") measurement system was successfully launched, realising automated measurement of CRWA using the internal rating method for credit risk. As the Measures construction made further headway, the Group got promoted in capacity of identification, measurement, monitoring and control of credit risk.

The Group developed an Intelligent Risk Management System, applying big data technology to fully integrate both internal and external risk information and analysing as per certain rules so as to form a warning indicator. With customers' potential risks disclosed in time by monitoring the indicator, the active push, tracking, feedback and report generated by level of risk indicator can be achieved and the timeliness and accuracy of risk warnings can be improved effectively. The Intelligent Risk Management System realised the online posting of warning information and carried out system hard control over warning levels and provided a basic guarantee for credit management.

To accurately and effectively assessed credit risk, Measures for the Risk Classification of Financial Assets of Industrial Bank Co., Ltd. have been established to make sure the Group adjusts financial asset risk classification according to real conditions of projects. Based on 5 levels classified by the supervisor, the Group has classified its financial asset risks into 9 levels as level 1(normal), level 2(normal), level 3(normal), level 1(special mention), level 2(special mention), level 3(special mention), substandard, doubtful and loss. The Group has various management policies for each level.

Risks arising from credit commitments are similar to risks of loans and advances to customers in substance. Therefore, requirements for application, post-loan management and pledge and guarantees are the same as those in loans and advances to customers. According to substance-over-form principle, the Group includes the non-standard credit loans in the comprehensive risk management system and manages them by comparing to traditional loans. The Group provides uniform credit, carries out general control on risks, executes uniform credit policy nationwide, carries out whole-process responsibilities management by comparing to traditional loans, implements risk classification and provides risk reserves.

ECL measurement

Stage of financial asset risks

The Group adopted a three-stage ECL model for the impairment of financial assets. The model is summarised as follows:

- Financial assets that have not increased significantly since the initial recognition or have a low credit risk at the reporting date are included in stage 1, and the Group continuously monitors its credit risk;
- Financial assets that have a significant increase (excluding the low credit risk of such financial instruments at the reporting date), but without objective impairment evidence are included in stage 2. Criteria of the Group's significant increase in credit risk, see Significant increase in credit risk;
- Financial assets with objective evidence of impairment at the reporting date are included in stage 3. The Group's definition of credit impairment and default, see Definition of asset defaulted and credit-impaired.
- Financial assets classified in stage 1 make provisions for ECL caused by defaults that may occur within 12 months after the reporting date, and the financial assets classified in the stage 2 and 3 make provisions for the entire lifetime ECL; calculation of the interest income of financial assets classified in stage 1 and 2 is based on the total carrying value of the assets, and interest income of the financial assets classified in stage 3 is calculated based on the net amount after deducting provisions for credit losses. Inputs, assumptions and estimation techniques utilised in ECL measurement, see Measurement of ECL – Explanation of inputs, assumptions and estimation techniques.
- The Group takes into account forward-looking information when measuring ECLs. For a description of how the Group considers forward-looking information in the ECL model, please refer to Forward-looking information incorporated in the ECL model;
- Purchased or originated credit-impaired (POCI) financial assets refer to financial assets with credit impairment at initial recognition. Loss provision of these assets is lifetime ECLs.

The key judgements and assumptions adopted by the Group when measuring ECL are as follows:

Significant increase in credit risk

The Group identifies whether the credit risk has increased significantly by comparing default risk at the reporting date with the risk of default on the day of initial recognition. The Group considers that the credit risk of a Financial Instrument has increased significantly when one or more of the following quantitative, qualitative or cap criteria are triggered:

- Asset quality is classified as special-mentioned;

- The number of overdue days or days in arrears with interest exceeds 30 days;
- The absolute and relative levels of change in the probability of default exceed a certain range;
- Downgraded by more than three levels or more;
- The customer triggers the bank alert list;
- Other significant increases in credit risk.

The Group periodically reviews the applicability of the evaluation criteria to the current situation. During the Reporting Period, the Group further deepened the application of forward-looking information and improved the risk differentiation ability of the model. At the same time, the Group has established a strict stage upward migration mechanism, and the upgrading of corporate financial instruments from the third stage to the second stage should meet the requirements of the observation period, and the financial instruments of the third stage cannot be directly moved to the first stage.

After the outbreak of the COVID-19 pandemic, the Group provided relief support for customers affected by the pandemic in accordance with government regulations. For customers who apply for loan relief, the Group strictly follows policy requirements related to deferred payment of principal and interest and regulates eligibility of customers. For customers who are eligible for loan relief, the Group provides support measures such as loan extensions, deferred interest payments, and adjustments to the repayment plans. The Group also evaluates whether the credit risk of such customers has increased significantly based on actual circumstances.

Definition of asset defaulted and credit-impaired

The Group carefully considers whether different standards represent client defaults. When a financial asset meets one or more of the following conditions, the Group recognises the financial asset as default, and the standard is consistent with the definition of the credit-impaired:

(1) Quantitative criteria:

- Payment overdue for more than 90 days or calssified or loans devided into substandard, doubtful or loss according to Measures for the Risk Classification of Financial Assets of Industrial Bank Co., Ltd..

(2) Qualitative criteria:

- Any loan to the debtor ceases to bear interest or accrue interest is included in the off-balance sheet accounting;
- After the occurrence of the credit relationship, due to the deterioration of the financial situation of the debtor, the Group wrote off the loan or made a certain proportion of loan loss provisions;
- The Group expects to sell the loan and assumes a certain percentage of the book loss;
- Due to the deterioration of the financial situation of the debtor, the Group agreed to passively restructure and make non-commercial adjustments to the terms of the loan contract, including but not limited to the following: (a) The contract term changes lead to a decline in the scale of the debt; (b) the debtor is unable to repay the loan; (c) extension due to the debtor's inability to repay;
- The Group classifies the debtor as a bankrupt enterprise or a similar status;
- The debtor filed for bankruptcy, or has gone bankrupt, or is in a similar state of protection, and thus will not perform or postpone the settlement of the debts of the Group;
- Other circumstances identified by the Group that may result in the debtor not being able to fully repay the debt.

The above criteria apply to all financial instruments of the Group and are consistent with the definition of default used in internal credit risk management. The definition of default has been consistently applied to the model of Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD) in the Group's ECL calculation process.

Measurement of ECL – Explanation of inputs, assumptions and estimation techniques

According to whether there is a significant increase in credit risk and whether there is an impairment of assets, the Group measures the impairment loss for different financial assets according to its current risk stage with ECL of 12 months or the entire lifetime respectively. The expected credit losses taken by the Group are obtained by Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD), and discounted by discount factors. Definitions are as follows:

- PD refers to the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation.
- The exposure to default risk refers to the amount that the Group should be repaid in the event of default in the next 12 months or throughout the remaining period;
- LGD is the Group's estimation regarding the extent of the EAD.

The estimates for each risk parameter are as follows:

- Estimation of PD: For non-retail credit assets, the PD is obtained through the main benchmark mapping of internal rating and the macroeconomic forward-looking adjustment is applied to obtain the applicable PD; for retail credit assets, it is based on PD of division of pool, and the macroeconomic forward-looking adjustment is conducted to obtain the applicable PD; for bond assets, the PD is mapped to the main benchmark mainly through external rating, and the applicable PD is obtained through macroeconomic forward-looking adjustment; PD for the entire lifetime of more than 12 months is estimated by a 12M PD and a forward-looking adjustment factor;
- Estimation of EAD: The EAD of financial assets in the first and third stages is the amortised cost; the EAD of financial assets in the second stage is the amortised cost and the cash discount of capital recovered in the following years;
- Estimation of LGD: For non-retail credit assets, it uses the LGD after mitigation, and a macroeconomic forward-looking adjustment is made to obtain the LGD applicable under the new standard; for retail credit assets, it is based on LGD of division of pool, and a macroeconomic forward-looking adjustment is conducted to obtain the LGD applicable under the new standard; for the loss without historical data collection and write-off data assets, it is based on peer experience and regulatory factors, combined with expert's judgement.

The ECL is multiplied by the above estimated PD, EAD and LGD, and discounted to the reporting date. The discount rate used in the ECL calculation is the initial actual effective interest rate.

The Group monitors and reviews assumptions related to the calculation of ECL on a regular basis. There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

Risk portfolio

When measuring expected credit losses on a portfolio basis, the Group has classified exposures with similar risk characteristics, with the main businesses being divided into non-retail business, bond business, retail business and credit card business. The Group groups the models according to similar risk characteristics, and the main reference indicators for the current grouping include national standard industries and product types. In grouping, the Group has obtained sufficient information to ensure its statistical reliability.

Forward-looking information incorporated in the ECL model

According to the different risk characteristics of assets, the Group divides assets into different risk groups, and collects external authoritative data and internal risk-related data for modelling within a reasonable cost and time range according to the risk characteristics of different risk groups.

During the reporting period, the Group expanded its macroeconomic index database to four categories: national economy, fiscal and monetary policy, price index and economic climate survey, fixed assets and real estate, and then formed macroeconomic indicator forecasts under multiple scenarios of "benchmark", "optimistic", "pessimistic", "extremely optimistic" and "extremely pessimistic" through quantitative statistical modelling combined with expert judgment.

The Group fully considers the differentiated risk characteristics of different assets, differentiates asset classes and constructs quantitative models to obtain the relationship between macroeconomic indicators and systemic risk factors, and then transmits the estimation results of one-year default probability and default loss rate based on macroeconomic forecasts.

The macroeconomic information used by the Group includes macro indicators such as the year-on-year growth rate of GDP in the quarter, the cumulative year-on-year growth rate of fixed asset investment completion, the stock of social financing scale: the year-on-year growth rate of RMB loans, and the average exchange rate of USD/RMB. Among them, the GDP forecast for the quarter is about 4.9% year-on-year under the 2023 baseline scenario, the optimistic scenario forecast is 0.5 percentage points higher than the benchmark, the pessimistic scenario forecast is 0.6 percentage points lower than the benchmark, and the extremely pessimistic scenario forecast is 1.2 percentage points lower than the benchmark.

By establishing an econometric model, combining macro data analysis and expert judgment, the weights of optimism, benchmark, pessimism and extreme pessimism were determined. In 2023, the benchmark scenario accounted for the highest weight, the extremely pessimistic scenario accounted for the lowest weight.

Expected credit loss is sensitive to the parameters used in the model, the macroeconomic variables of forward-looking forecasts, the weighting probability under multiple scenarios, and other factors considered in the application of expert judgment. Changes in these input parameters, assumptions, models, and judgments will have an impact on the significant increase in credit risk and the measurement of expected credit losses.

Assuming a 10% increase in the weight of the optimistic scenario and a 10% reduction in the weight of the benchmark scenario, the Group's credit impairment provision decreased by less than 1.1% as at 31 December 2023; Assuming a 10% increase in the weight of the pessimistic scenario and a 10% decrease in the weight of the benchmark scenario, the Group's credit impairment allowance increases by less than 1.8%; Assuming a 10% increase in the weight of the extreme pessimistic scenario and a 10% decrease in the weight of the benchmark scenario, the Group's credit impairment allowance increases by less than 3.7%.

3.1 Concentration of credit risk

Concentration of credit risk exists when changes in geographic, economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is material in relation to the Group's total exposures. The Group's portfolio of financial instrument is diversified along geographic, industry and product sectors.

The Group mainly operates the lending and guarantee business in the PRC mainland only. Since there are different economic development characteristics in the different regions in China, the characteristics of credit risks are also different.

For the geographical and industrial concentration of the loans and advances to customers please refer to Note VII, 6.

3.2 Maximum exposure to credit risk

Despite any usable collateral, and other credit enhancement measures, the maximum credit risk exposure that the Group and the Bank can afford on balance sheet date is the related financial assets (including derivative instruments and deducted equity instruments) plus the amount of off-balance sheet book value in Note X, 2. As at 31 December 2023, the maximum credit risk exposure of the Group amounted to RMB11,122,727 million (31 December 2022: RMB10,209,100 million); the maximum credit risk exposure of the Bank amounted to RMB10,822,985 million (31 December 2022: RMB9,947,171 million).

Credit exposure

Loans and advances to customers

Unit: RMB million

	The Group				
	2023				
	Stage 1	Stage 2	Stage 3	Purchased financial assets that have already been impaired	Total
Low risk	**5,275,900**	**43,554**	**92**	**-**	**5,319,546**
Medium risk	**-**	**81,326**	**4,485**	**-**	**85,811**
High risk	**-**	**-**	**60,216**	**-**	**60,216**
Total carrying amount	**5,275,900**	**124,880**	**64,793**	**-**	**5,465,573**
Allowance for impairment losses	**(64,571)**	**(27,241)**	**(50,752)**	**-**	**(142,564)**
Total	**5,211,329**	**97,639**	**14,041**	**-**	**5,323,009**

Unit: RMB million

	The Group				
	2022				
	Stage 1	Stage 2	Stage 3	Purchased financial assets that have already been impaired	Total
Low risk	4,817,165	34,556	2,964	-	4,854,685
Medium risk	-	65,739	9,016	-	74,755
High risk	-	-	55,729	-	55,729
Total carrying amount	4,817,165	100,295	67,709	-	4,985,169
Allowance for impairment losses	(56,872)	(16,918)	(52,293)	-	(126,083)
Total	4,760,293	83,377	15,416	-	4,859,086

The Group classifies asset risk characteristics according to the quality of assets. "Low risk" means that the borrower can fulfil the contract, and there are not enough reasons to suspect that the principal and interest of the loan cannot be repaid in full on time; "Medium risk" means that the borrower is currently able to repay the principal and interest of the loan, but there are some factors that may adversely affect the repayment; "High risk" means that the borrower's repayment ability has obvious problems and loan principal and interest cannot be repaid in full by relying on normal business income. Even if the guarantee is enforced, losses may be incurred. The above maximum credit risk exposure information for loans and advances does not include loans and advances that are measured at fair value through profit or loss.

Off-balance sheet items

Unit: RMB million

	The Group				
	2023				
	Stage 1	Stage 2	Stage 3	Purchased financial assets that have already been impaired	Total
Low risk	**1,703,619**	**1,722**	**63**	-	**1,705,404**
Medium risk	**-**	**1,885**	**1**	-	**1,886**
High risk	**-**	**-**	**50**	-	**50**
Total carrying amount	**1,703,619**	**3,607**	**114**	-	**1,707,340**
Allowance for impairment losses	**(6,077)**	**(139)**	**(8)**	-	**(6,224)**
Total	**1,697,542**	**3,468**	**106**	-	**1,701,116**

Unit: RMB million

	The Group				
	2022				
	Stage 1	Stage 2	Stage 3	Purchased financial assets that have already been impaired	Total
Low risk	1,705,782	4,890	392	-	1,711,064
Medium risk	-	4,986	281	-	5,267
High risk	-	-	627	-	627
Total carrying amount	1,705,782	9,876	1,300	-	1,716,958
Allowance for impairment losses	(6,263)	(396)	(371)	-	(7,030)
Total	1,699,519	9,480	929	-	1,709,928

Financial investments

Unit: RMB million

	The Group				
	2023				
	Stage 1	Stage 2	Stage 3	Purchased financial assets that have already been impaired	Total
Low risk	2,347,840	3,855	-	-	2,351,695
Medium risk	-	24,660	2,743	-	27,403
High risk	-	-	35,421	-	35,421
Total carrying amount	2,347,840	28,515	38,164	-	2,414,519
Allowance for impairment losses	(3,799)	(5,600)	(31,189)	-	(40,588)
Total	2,344,041	22,915	6,975	-	2,373,931

Unit: RMB million

	The Group				
	2022				
	Stage 1	Stage 2	Stage 3	Purchased financial assets that have already been impaired	Total
Low risk	2,130,652	5,698	-	-	2,136,350
Medium risk	-	23,964	7,780	-	31,744
High risk	-	-	32,385	-	32,385
Total carrying amount	2,130,652	29,662	40,165	-	2,200,479
Allowance for impairment losses	(5,342)	(7,988)	(32,116)	-	(45,446)
Total	2,125,310	21,674	8,049	-	2,155,033

The Group classifies the credit ratings of financial assets included in the ECL measurement as "low risk", "medium risk" and "high risk" according to the characteristics of risk levels. "Low risk" means that the assets are of good quality, the possibility of future default is low, and it is less affected by external unfavourable factors; "medium risk" means the asset has certain solvency, but the persistent significant instability or poor commercial, financial or economic conditions may reduce its solvency; and "high risk" means the existence of unfavourable factors that have a material impact on solvency, a higher risk of default or assets that meet the definition of default by the Group.

Deposits with banks and other financial institutions

Unit: RMB million

	The Group				
	2023				
	Stage 1	Stage 2	Stage 3	Purchased financial assets that have already been impaired	Total
Low risk	**749,428**	-	-	-	**749,428**
Medium risk	-	-	-	-	-
High risk	-	-	**9**	-	**9**
Total carrying amount	**749,428**	-	**9**	-	**749,437**
Allowance for impairment losses	**(526)**	-	**(9)**	-	**(535)**
Total	**748,902**	-	-	-	**748,902**

Unit: RMB million

	The Group				
	2022				
	Stage 1	Stage 2	Stage 3	Purchased financial assets that have already been impaired	Total
Low risk	503,515	-	-	-	503,515
Medium risk	-	-	-	-	-
High risk	-	-	9	-	9
Total carrying amount	503,515	-	9	-	503,524
Allowance for impairment losses	(821)	-	(9)	-	(830)
Total	502,694	-	-	-	502,694

The Group classifies risk characteristics of deposits with banks and other financial institutions based on asset entry and internal rating changes. "Low risk" means that the issuer's initial internal rating is above the entry level, and there are no reasons to suspect that the financial investment is expected to default; "medium risk" means that although the issuer's internal rating is reduced to a certain extent, there are not enough reasons to suspect that the financial investment is expected to default; "high risk" means that there are obvious problems may cause a default, or the financial investment indeed is defaulted.

3.3 Analysis of exposure to credit risk of the Group about loans and advances to customers, inter-bank placements, investments and finance lease receivables

As at 31 December 2023, the credit risk stages of financial instruments are as follows:

Unit: RMB million

	The Group							
	Gross carrying amount				Allowance for impairment losses			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Measured at amortised cost:								
Cash and balances with Central Bank	**418,569**	-	-	**418,569**	-	-	-	-
Deposits with banks and other financial institutions	**185,966**	-	**9**	**185,975**	**(60)**	-	**(9)**	**(69)**
Placements with banks and other financial institutions	**363,314**	-	-	**363,314**	**(383)**	-	-	**(383)**
Financial assets purchased under resale agreements	**200,148**	-	-	**200,148**	**(83)**	-	-	**(83)**
Loans and advances to customers								
- Corporate loans and advances	**3,048,128**	**79,117**	**36,071**	**3,163,316**	**(40,183)**	**(14,605)**	**(24,275)**	**(79,063)**
- Personal loans and advances	**1,908,028**	**45,758**	**28,722**	**1,982,508**	**(24,388)**	**(12,636)**	**(26,477)**	**(63,501)**
Debt investments	**1,777,265**	**26,962**	**37,707**	**1,841,934**	**(3,799)**	**(5,600)**	**(31,189)**	**(40,588)**
Finance lease receivables	**113,688**	**615**	**4,738**	**119,041**	**(1,097)**	**(238)**	**(3,029)**	**(4,364)**
Financial assets, Others	**37,001**	**25**	**146**	**37,172**	**(1,700)**	**(8)**	**(141)**	**(1,849)**
Total	**8,052,107**	**152,477**	**107,393**	**8,311,977**	**(71,693)**	**(33,087)**	**(85,120)**	**(189,900)**
Fair value through other comprehensive income:								
Loans and advances to customers								
- Corporate loans and advances	**319,744**	**5**	-	**319,749**	**(852)**	-	**(10)**	**(862)**
Other debt investments	**570,575**	**1,553**	**457**	**572,585**	**(500)**	**(917)**	**(790)**	**(2,207)**
Total	**890,319**	**1,558**	**457**	**892,334**	**(1,352)**	**(917)**	**(800)**	**(3,069)**
Credit commitments	**1,703,619**	**3,607**	**114**	**1,707,340**	**(6,077)**	**(139)**	**(8)**	**(6,224)**

As at 31 December 2022, the credit risk stages of financial instruments are as follows:

Unit: RMB million

	The Group							
	Gross carrying amount				Allowance for impairment losses			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Measured at amortised cost:								
Cash and balances with Central Bank	442,403	-	-	442,403	-	-	-	-
Deposits with banks and other financial institutions	94,239	-	9	94,248	(125)	-	(9)	(134)
Placements with banks and other financial institutions	352,628	-	-	352,628	(585)	-	-	(585)
Financial assets purchased under resale agreements	56,648	-	-	56,648	(111)	-	-	(111)
Loans and advances to customers								
- Corporate loans and advances	2,520,009	70,091	36,584	2,626,684	(29,218)	(8,920)	(24,627)	(62,765)
- Personal loans and advances	1,919,762	30,145	31,011	1,980,918	(27,654)	(7,998)	(27,666)	(63,318)
Debt investments	1,584,122	28,846	39,504	1,652,472	(5,342)	(7,988)	(32,116)	(45,446)
Finance lease receivables	106,745	801	4,327	111,873	(1,269)	(225)	(3,155)	(4,649)
Financial assets, Others	32,386	29	375	32,790	(1,569)	(9)	(364)	(1,942)
Total	7,108,942	129,912	111,810	7,350,664	(65,873)	(25,140)	(87,937)	(178,950)
Fair value through other comprehensive income:								
Loans and advances to customers								
- Corporate loans and advances	377,394	59	114	377,567	(2,682)	-	(69)	(2,751)
Other debt investments	546,530	816	661	548,007	(1,296)	(348)	(509)	(2,153)
Total	923,924	875	775	925,574	(3,978)	(348)	(578)	(4,904)
Credit commitments	1,705,782	9,876	1,300	1,716,958	(6,263)	(396)	(371)	(7,030)

3.3.1 Loans and advances to customers

As at 31 Demember 2023, loans and advances to customers were analysed by types of security as follows, excluding loans and advances measured at fair value through profit or loss:

Unit: RMB million

	31 December 2023		31 December 2022	
	The Group	The Bank	The Group	The Bank
Stage 1				
Unsecured loans	**1,419,457**	**1,341,568**	1,348,689	1,282,257
Guaranteed loans	**1,298,070**	**1,298,070**	1,020,593	1,020,593
Collateralised loans	**2,558,373**	**2,558,373**	2,447,883	2,447,883
- Secured by mortgage	**1,861,795**	**1,861,795**	1,745,840	1,745,840
- Secured by collaterals	**696,578**	**696,578**	702,043	702,043
Subtotal	**5,275,900**	**5,198,011**	4,817,165	4,750,733
Stage 2				
Unsecured loans	**30,480**	**28,293**	22,418	21,326
Guaranteed loans	**30,539**	**30,539**	37,166	37,166
Collateralised loans	**63,861**	**63,861**	40,711	40,711
- Secured by mortgage	**53,856**	**53,856**	31,943	31,943
- Secured by collaterals	**10,005**	**10,005**	8,768	8,768
Subtotal	**124,880**	**122,693**	100,295	99,203
Stage 3				
Unsecured loans	**22,739**	**20,587**	25,981	24,317
Guaranteed loans	**16,690**	**16,662**	12,326	12,298
Collateralised loans	**25,364**	**23,607**	29,402	27,643
- Secured by mortgage	**19,608**	**17,851**	22,691	20,932
- Secured by collaterals	**5,756**	**5,756**	6,711	6,711
Subtotal	**64,793**	**60,856**	67,709	64,258
Total	**5,465,573**	**5,381,560**	4,985,169	4,914,194
Fair value of collateral held against credit-impaired loans	**6,724**	**5,808**	9,839	8,922

The above collateral mainly includes land, buildings, machinery and equipment, etc. The fair value of collateral was estimated by the Group based on the latest external valuations available, adjusted in light of disposal experience and current market conditions.

3.3.2 Deposits with banks and other financial institutions

Deposits with banks and other financial institutions include balances with banks and other financial institutions, placements with banks and other financial institutions and financial assets purchased under resale agreements of which counterparties are banks and non-bank financial institutions.

Unit: RMB million

	31 December 2023		31 December 2022	
	The Group	The Bank	The Group	The Bank
Credit-impaired	**9**	**9**	9	9
Less: allowances for impairment losses	**(9)**	**(9)**	(9)	(9)
Subtotal	**-**	**-**	-	-
Neither past due nor credit-impaired				
- Grade A to AAA	**715,744**	**726,918**	439,703	452,922
- Grade B to BBB	**743**	**743**	20,239	20,239
- Unrated	**30,956**	**30,843**	42,476	41,714
Total	**747,443**	**758,504**	502,418	514,875
Interest accrued	**1,985**	**2,103**	1,097	1,152
Less: allowances for impairment losses	**(526)**	**(525)**	(821)	(816)
Subtotal	**748,902**	**760,082**	502,694	515,211
Total	**748,902**	**760,082**	502,694	515,211

Deposits with banks and other financial institutions are analysed above according to the Group and the Bank's internal credit rating. Exposure limits are set for trading counterparties of banks and non-bank financial institutions.

3.3.3 Distribution of investments analysed by rating

The ratings are obtained from Standard & Poor's ratings, or major rating agencies where the issuers of the debt securities are located. The investments include debt investments in financial investments.

Unit: RMB million

	The Group					
	2023					
	Unrated	AAA	AA	A	Lower than A	Total
Credit-impaired						
- Other corporates	**23,693**	**1,434**	**3,405**	**52**	**9,559**	**38,143**
- Banks and non-bank financial institutions.	**21**	**-**	**-**	**-**	**-**	**21**
Total	**23,714**	**1,434**	**3,405**	**52**	**9,559**	**38,164**
Allowance for impairment losses						**(31,189)**
Subtotal						**6,975**
Overdue but not credit impaired						
- Other corporates	**350**	**-**	**-**	**-**	**-**	**350**
Allowance for impairment losses						**(25)**
Subtotal						**325**
Neither overdue nor credit impaired						
- Government	**932,538**	**351,861**	**374**	**1,261**	**-**	**1,286,034**
- Policy banks	**39,930**	**9,014**	**-**	**581**	**-**	**49,525**
- Banking and non-banking financial institution	**199,235**	**215,108**	**34,353**	**7,225**	**4,397**	**460,318**
- Other corporates	**210,045**	**466,065**	**195,290**	**18,647**	**31,537**	**921,584**
Total	**1,381,748**	**1,042,048**	**230,017**	**27,714**	**35,934**	**2,717,461**
Allowance for impairment losses						**(9,374)**
Subtotal						**2,708,087**
Total						**2,715,387**

Unit: RMB million

	The Group					
	2022					
	Unrated	AAA	AA	A	Lower than A	Total
Credit-impaired						
- Other corporates	22,514	1,844	5,832	-	9,954	40,144
- Banks and non-bank financial institutions	21	-	-	-	-	21
Total	22,535	1,844	5,832	-	9,954	40,165
Allowance for impairment losses						(32,116)
Subtotal						8,049
Overdue but not credit impaired						
- Other corporates	1,239	-	1,125	-	-	2,364
Allowance for impairment losses						(349)
Subtotal						2,015
Neither overdue nor credit impaired						
- Government	902,234	237,689	21	1,673	-	1,141,617
- Policy banks	32,822	2,101	101	715	-	35,739
- Banking and non-banking financial institution	289,021	91,759	3,907	12,658	3,258	400,603
- Other corporates	432,462	335,170	91,376	27,928	39,136	926,072
Total	1,656,539	666,719	95,405	42,974	42,394	2,504,031
Allowance for impairment losses						(12,981)
Subtotal						2,491,050
Total						2,501,114

3.4 Collateral and other credit enhancements

The amount and type of collateral required depend on the assessment of the credit risk of the counterparty. The pledge rate depends on the credit information, operation and management, and financial position of pledgers, the condition of collateral, the market price, the pledged periods, and the convertibility of collateral. In addition, the Collateral Guideline of the Group set an upper limit on the pledged rate. Furthermore, the Group classifies and manages collateral by the difficulty of appraisal and management, the stability of market price and the convertibility of collateral. Collateral mainly includes financial collateral, real estate, accounts receivable and other collateral.

The management will monitor the market value of the collateral, ask the borrowers to increase collateral if necessary according to the agreements and monitor the changes in the market value of the collateral when reviewing the adequacy of impairment.

3.5 Rescheduled loans

Rescheduled loans refer to the loan projects generated by the Group to re-determine the terms of the loan at the discretion of the borrower who is unable to repay the loan according to the original loan terms. If conditions permit, the Group will seek to reschedule the loan instead of obtaining ownership of the collateral. The Group assessed the rescheduled loans as impaired loans when rescheduling. As at 31 December 2023, the carrying amount of the Group's rescheduled loans was RMB3,093 million. (As at 31 December 2022, the amount is RMB2,766 million.)

4. Market risk

Market risk is the risk of loss, in respect of the Group's on and off-balance sheet activities, arising from movements in market rates including interest rates, foreign exchange rates, commodity prices and stock prices. Market risk arises from both the Group's proprietary and customer-driven business. The Group's market risk management objective is to control the market risk within a reasonable scope in order to achieve the Group's business objectives.

According to the Group's market risk management structure, market risk management is critical for the risk management of the Group. Any major events should be reported to the Asset and Liability Management Committee for review and then authorised by President of the Bank. The planning and financial department is responsible for implementing the Group's asset and liability management policy, analysing and monitoring the implementation status of each type of indicator.

For daily control and management of treasury business, the risk management department of the treasury centre built up mid-stage risk control system to carry out implanting risk management and report to the risk management department of the Group.

4.1 Interest rate risk

The interest rate risk of the Group includes repricing risk, yield curve risk, benchmark risk and optional risk, among which repricing risk is the main risk. It is the risk arising from the mismatch between the agreed maturity date (fixed interest rate) and the repricing date (floating interest rate) of interest-bearing assets and interest payment liabilities. Currently, the Group has fully carried out the internal capital transfer pricing. The Group determined the transfer pricing by different products and terms, and gradually centralised the interest rate risk to the Head Office, so as to improve the efficiency of management and control the interest rate risk.

For the interest risk management of bank book, the Group mainly evaluates the interest rate risk of balance sheet through gap analysis. The Group dynamically monitors and controls the interest rate sensitive gap of balance sheet through information systems like assets-liabilities management system, and simply calculates the interest rate sensitivity affected by revenue and economic value on the basis of gap analysis. The revenue analysis emphasises the effect of the interest rate fluctuation on short-term income, while the economic value analysis emphasises the effect of the interest rate fluctuation on present value of net cash flow.

For the interest risk management of transaction book, the Group mainly achieves the real-time monitoring of the interest rate risk of the trading book through the quota system, the use of financial transactions and analysis system and the scientific exposure measurement models. According to regulatory requirements, the Group has strengthened the management of market risk measurement models, standardised the developing, testing and commissioning process, and built on regular evaluation mechanisms to ensure the accuracy of measurement models. The Group applies the online trading and analysis system to timely measure and control the interest rate risk exposure of transaction book, which provides effective technical support to control the interest rate risk of transaction book.

At the balance sheet date, an analysis of contractual repricing date or maturity date, whichever is earlier, of the financial assets and financial liabilities is as follows:

Unit: RMB million

	The Group					
	2023					
	Within 3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	Total
Financial assets:						
Cash and balances with Central Bank	**406,269**	**-**	**-**	**-**	**12,300**	**418,569**
Deposits with banks and other financial institutions	**182,784**	**3,122**	**-**	**-**	**-**	**185,906**
Placements with banks and other financial institutions	**133,964**	**187,270**	**41,938**	**-**	**-**	**363,172**
Derivative financial assets	**-**	**-**	**-**	**-**	**43,679**	**43,679**
Financial assets purchased under resale agreements	**199,772**	**293**	**-**	**-**	**-**	**200,065**
Loans and advances to customers	**3,357,819**	**1,687,157**	**218,869**	**69,638**	**-**	**5,333,483**
Financial investments:						
Trading assets	**75,628**	**51,697**	**102,235**	**108,962**	**619,186**	**957,708**
Debt investments	**103,602**	**215,234**	**765,658**	**716,852**	**-**	**1,801,346**
Other debt investments	**69,315**	**140,846**	**276,251**	**86,173**	**-**	**572,585**
Other equity investments	**-**	**-**	**-**	**-**	**3,836**	**3,836**
Finance lease receivables	**84,735**	**18,155**	**11,118**	**669**	**-**	**114,677**
Other assets	**6,576**	**1,737**	**146**	**-**	**26,864**	**35,323**
Total financial assets	**4,620,464**	**2,305,511**	**1,416,215**	**982,294**	**705,865**	**10,030,349**
Financial liabilities:						
Borrowing from Central Bank	**131,305**	**175,759**	**-**	**-**	**-**	**307,064**
Deposits from banks and other financial institutions	**1,532,028**	**320,950**	**-**	**-**	**-**	**1,852,978**
Placements from banks and other financial institutions	**217,161**	**121,834**	**10,499**	**-**	**-**	**349,494**
Trading liabilities	**12,665**	**-**	**-**	**-**	**281**	**12,946**
Derivative financial liabilities	**-**	**-**	**-**	**-**	**43,279**	**43,279**
Financial assets sold under repurchase agreements	**412,505**	**4,063**	**-**	**-**	**-**	**416,568**
Deposits from customers	**3,064,719**	**823,682**	**1,325,918**	**-**	**2,745**	**5,217,064**
Debt securities issued	**255,420**	**390,950**	**231,147**	**152,008**	**-**	**1,029,525**
Lease liabilities	**681**	**1,907**	**5,791**	**1,280**	**-**	**9,659**
Other liabilities	**5,731**	**7,179**	**-**	**-**	**40,647**	**53,557**
Total financial liabilities	**5,632,215**	**1,846,324**	**1,573,355**	**153,288**	**86,952**	**9,292,134**
Net position	**(1,011,751)**	**459,187**	**(157,140)**	**829,006**	**618,913**	**738,215**

Unit: RMB million

	2022					
	Within 3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	Total
Financial assets:						
Cash and balances with Central Bank	427,435	-	-	-	14,968	442,403
Deposits with banks and other financial institutions	90,139	3,975	-	-	-	94,114
Placements with banks and other financial institutions	111,581	197,581	42,881	-	-	352,043
Derivative financial assets	-	-	-	-	35,253	35,253
Financial assets purchased under resale agreements	56,537	-	-	-	-	56,537
Loans and advances to customers	3,097,093	1,488,291	214,081	70,414	-	4,869,879
Financial investments:						
Trading assets	43,611	40,662	159,727	95,584	660,271	999,855
Debt investments	57,798	133,427	816,411	599,390	-	1,607,026
Other debt investments	88,811	118,008	281,063	60,125	-	548,007
Other equity investments	-	-	-	-	3,453	3,453
Finance lease receivables	14,826	73,635	16,806	1,957	-	107,224
Other assets	3,672	658	1,447	106	24,965	30,848
Total financial assets	3,991,503	2,056,237	1,532,416	827,576	738,910	9,146,642
Financial liabilities:						
Borrowing from Central Bank	12,104	82,517	-	-	-	94,621
Deposits from banks and other financial institutions	1,548,687	79,567	-	-	-	1,628,254
Placements from banks and other financial institutions	173,704	90,489	12,276	799	-	277,268
Trading liabilities	28,726	-	-	-	20,852	49,578
Derivative financial liabilities	-	-	-	-	34,967	34,967
Financial assets sold under repurchase agreements	344,906	8,720	-	-	-	353,626
Deposits from customers	2,920,399	621,715	1,246,269	-	371	4,788,754
Debt securities issued	414,408	430,061	313,538	-	-	1,158,007
Lease liabilities	665	1,791	5,653	1,187	-	9,296
Other liabilities	1,457	8,249	-	-	40,382	50,088
Total financial liabilities	5,445,056	1,323,109	1,577,736	1,986	96,572	8,444,459
Net position	(1,453,553)	733,128	(45,320)	825,590	642,338	702,183

The following tables illustrate the potential impact of a parallel upward or downward shift of 100 basis points in yield curves of all currencies on the Group's net interest income and other comprehensive income, based on the Group's positions of financial assets and financial liabilities at the balance sheet date.

Unit: RMB million

	The Group			
	2023		2022	
	Net interest income (decrease) increase	Other comprehensive income (decrease) increase	Net interest income (decrease) increase	Other comprehensive income (decrease) increase
+100 basis points	**(10,263)**	**(12,181)**	(12,420)	(11,694)
- 100 basis points	**10,263**	**12,670**	12,420	12,047

The sensitivity analysis on net interest income is based on reasonably possible changes in interest rates with the assumption that the structure of financial assets and financial liabilities held at the period end remains unchanged.

The sensitivity analysis on other comprehensive income is the effect on changes of fixed-rate debt instruments at fair value through other comprehensive income at the period end after adjusting in accordance with the reasonably possible changes in interest rates.

The above prediction assumes that all yield curves of assets and liabilities, except demand deposits, shift upward or downward parallel. Therefore, it does not reflect the potential impact of non-parallel shifts in yield curves. The prediction also assumes that all positions are held to maturity. The Group anticipates that the amount of sensitivity analysis is insignificant if a position is not held to maturity.

The assumption does not represent the Group's capital and interest rate risk management policy. Therefore, the above analysis may differ from the actual situation.

In addition, the impact of interest rate fluctuation is only for illustrating purpose, showing the anticipated net interest income and other comprehensive income of the Group under the current interest rate risk situation, and such impact has not taken into account the potential interest rate risk control activities carried out by the management.

4.2 Foreign currency risk

The Group conducts its businesses mainly in RMB, with certain businesses denominated in USD or other currencies. RMB is the functional currency. The exchange rate for RMB converting to USD or other foreign currencies is regulated by the PBOC.

The Group is mainly exposed to currency risk resulting from currency mismatches of assets and liabilities, foreign currency transactions and foreign currency capital, etc.

The capital operation department of the Bank centrally manages the currency risk. The currency risk that arises from all types of foreign exchange transactions at the branch level should be centralised to head office to manage the risk exposure and squares positions through the core business system.

The currency risk exposure between foreign currencies is managed on the basis of "overnight position limit" and "daytime self-trading positions". The positions are centralised to the capital operation department in a timely way and managed centrally. This kind of position is relatively small compared to the Group's asset scale and is controllable.

Regarding the currency risk exposure between RMB and foreign currencies, the Group is mainly exposed to currency risk resulting from the comprehensive positions of the RMB market maker and the position of the foreign currency capital. As an active RMB market maker, the Group controls the position limit properly. The comprehensive positions of the market maker are managed close to zero and the overnight positions are kept at a low level.

The following tables are the structure analysis of the relevant financial assets and financial liabilities by currency.

Unit: RMB million

	The Group			
	2023			
	RMB	USD equivalent to RMB	Other currencies equivalent to RMB	Total
Financial assets:				
Cash and balances with Central Bank	413,193	4,964	412	418,569
Deposits with banks and other financial institutions	163,300	18,654	3,952	185,906
Placements with banks and other financial institutions	343,857	18,684	631	363,172
Derivative financial assets	36,587	6,907	185	43,679
Financial assets purchased under resale agreements	195,243	4,822	-	200,065
Loans and advances to customers	5,111,285	77,678	144,520	5,333,483
Financial investments:				
Trading assets	947,423	9,427	858	957,708
Debt investments	1,730,451	51,466	19,429	1,801,346
Other debt investments	493,489	76,090	3,006	572,585
Other equity investments	3,756	80	-	3,836
Finance lease receivables	114,111	566	-	114,677
Other assets	34,909	298	116	35,323
Total financial assets	9,587,604	269,636	173,109	10,030,349
Financial liabilities:				
Borrowing from Central Bank	307,064	-	-	307,064
Deposits from banks and other financial institutions	1,792,905	55,087	4,986	1,852,978
Placements from banks and other financial institutions	243,964	95,178	10,352	349,494
Trading liabilities	12,946	-	-	12,946
Derivative financial liabilities	33,620	9,559	100	43,279
Financial assets sold under repurchase agreements	407,799	8,075	694	416,568
Deposits from customers	5,046,475	119,426	51,163	5,217,064
Debt securities issued	1,010,211	17,047	2,267	1,029,525
Leasing liabilities	9,232	350	77	9,659
Other liabilities	53,279	207	71	53,557
Total financial liabilities	8,917,495	304,929	69,710	9,292,134
Net position	670,109	(35,293)	103,399	738,215

Unit: RMB million

	2022			
	RMB	USD equivalent to RMB	Other currencies equivalent to RMB	Total
Financial assets:				
Cash and balances with Central Bank	434,231	7,818	354	442,403
Deposits with banks and other financial institutions	70,136	20,394	3,584	94,114
Placements with banks and other financial institutions	306,713	39,353	5,977	352,043
Derivative financial assets	28,507	6,733	13	35,253
Financial assets purchased under resale agreements	52,583	3,954	-	56,537
Loans and advances to customers	4,676,667	103,491	89,721	4,869,879
Financial investments:				
Trading assets	981,941	17,914	-	999,855
Debt investments	1,534,720	66,012	6,294	1,607,026
Other debt investments	453,587	93,334	1,086	548,007
Other equity investments	3,449	4	-	3,453
Finance lease receivables	106,747	477	-	107,224
Other assets	30,442	278	128	30,848
Total financial assets	8,679,723	359,762	107,157	9,146,642
Financial liabilities:				
Borrowing from Central Bank	94,621	-	-	94,621
Deposits from banks and other financial institutions	1,572,922	54,678	654	1,628,254
Placements from banks and other financial institutions	167,428	106,653	3,187	277,268
Trading liabilities	49,578	-	-	49,578
Derivative financial liabilities	29,154	5,802	11	34,967
Financial assets sold under repurchase agreements	339,823	13,803	-	353,626
Deposits from customers	4,593,336	140,884	54,534	4,788,754
Debt securities issued	1,131,035	24,738	2,234	1,158,007
Leasing liabilities	8,762	379	155	9,296
Other liabilities	45,803	4,243	42	50,088
Total financial liabilities	8,032,462	351,180	60,817	8,444,459
Net position	647,261	8,582	46,340	702,183

The table below indicates the potential effect of an appreciation or depreciation of RMB spot and forward exchange rate against all other currencies by 5% on the foreign exchange gains or losses:

Unit: RMB million

	The Group	
	2023	2022
	Foreign exchange (losses) gains	Foreign exchange (losses) gains
5% appreciation	**551**	(170)
5% depreciation	**(551)**	170

The above sensitivity analysis is measured on the basis that all assets and liabilities have a static currency risk structure. The relevant assumptions are:

(1) The exchange rate sensitivity represents the exchange gains or losses arising from a 5% change of the closing exchange rates (middle price) of the different foreign currencies against RMB at the balance sheet date;

(2) The exchange rate changes of different foreign currencies against RMB move in the same direction simultaneously.

The aforesaid effect on foreign exchange gains or loss is based on the assumption that the Group's net positions of foreign exchange sensitivity and foreign exchange derivative instruments at the end of the reporting period remain unchanged. The Group mitigates its foreign currency risk through active management of its foreign currency exposures and appropriate use of derivative instruments, based on the management expectation of future foreign currency movements, and therefore the above sensitivity analysis may differ from the actual situation.

4.3 Other price risks

Other price risks mainly derive from equity investment, held-for-trading precious metals investment and other bonds and derivatives linked to commodity price.

The Group considers that the market risk of commodity price or stock price from portfolio is insignificant.

5. Liquidity risk

Liquidity risk refers to the risk of being unable to acquire sufficient funds in time or failing to acquire sufficient funds at a reasonable cost to meet repayment obligations for asset growth or other business. The Group's liquidity risk mainly derives from advanced or concentrated withdrawal, deferred loan repayment and mismatches of assets and liabilities.

The Group implements a unified liquidity risk management methodology, with the Bank responsible for formulating the Group's liquidity risk management policies and strategies, and centrally managing liquidity risks at the legal entity level, while domestic and overseas subsidiaries formulate their own liquidity risk management strategies and procedures within the framework of the Group's overall liquidity risk management policy and in accordance with the requirements of regulatory authorities. The assets and liabilities management committee of the Group monitors and manages the liquidity risk of the Group, ensuring effective liquidity management.

The financial planning department of the Bank is responsible for: drafting liquidity risk management policies and measures; monitoring different types of liquidity ratios and exposure indicators. The financial planning department monitors the liquidity risk ratios monthly by reviewing the structure of assets and liabilities. If there are any ratios close to or over the alarming limits, the department has to investigate the reasons and make recommendations to adjust the assets' and liabilities' structure accordingly. It is also responsible for analysing the liquidity risk and reporting to the assets and liabilities management committee regularly; and daily operation of liquidity management, establishment of a cash position forecast system in order to meet the cash payment needs and assure the liquidity for the business development requirements.

The Group regularly monitors the liquidity ratio, liquidity coverage ratio, net stable fund ratio, and liquidity matching ratio and sets objectives and limits for each ratio. The Group also analyses general liquidity conditions, incorporating the consideration of macro economy and interbank liquidity status. The assessment report will be submitted together with credit risk, liquidity risk and market risk to the risk management committee for the analysis of the Group's overall risk assessment to determine the management strategy accordingly.

5.1 Undiscounted contractual cash flows classified by the maturity date of contracts

The following tables are the structure analysis of non-derivative financial assets and financial liabilities by contractual maturities at the balance sheet date. The amounts disclosed in each term are the undiscounted contractual cash flows.

Unit: RMB million

	The Group							
	2023							
	On demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Past due/ undated	Total
Non-derivative financial assets:								
Cash and balances with Central Bank	**60,038**	**-**	**-**	**-**	**-**	**-**	**358,531**	**418,569**
Deposits with banks and other financial institutions	**170,531**	**9,307**	**2,971**	**3,178**	**-**	**-**	**9**	**185,996**
Placements with banks and other financial institutions	**-**	**37,516**	**99,410**	**190,558**	**42,610**	**-**	**-**	**370,094**
Financial assets purchased under resale agreements	**-**	**199,634**	**292**	**295**	**-**	**-**	**-**	**200,221**
Loans and advances to customers	**-**	**599,541**	**475,609**	**1,294,272**	**1,537,903**	**2,979,780**	**81,976**	**6,969,081**
Financial investments:								
Trading assets	**178,027**	**23,576**	**65,378**	**284,412**	**203,998**	**187,289**	**31,465**	**974,145**
Debt investments	**-**	**16,544**	**44,007**	**241,257**	**844,820**	**1,073,061**	**6,252**	**2,225,941**
Other debt investments	**-**	**10,802**	**39,325**	**146,898**	**306,411**	**129,320**	**83**	**632,839**
Other equity investments	**-**	**-**	**-**	**-**	**-**	**-**	**3,836**	**3,836**
Financial lease receivables	**330**	**3,761**	**9,421**	**36,117**	**73,516**	**8,879**	**1,108**	**133,132**
Other non-derivative financial assets	**21,101**	**1,649**	**2,711**	**2,031**	**4,549**	**2,545**	**896**	**35,482**
Total non-derivative financial assets	**430,027**	**902,330**	**739,124**	**2,199,018**	**3,013,807**	**4,380,874**	**484,156**	**12,149,336**
Non-derivative financial liabilities:								
Borrowing from Central Bank	**-**	**12,933**	**118,865**	**179,139**	**-**	**-**	**-**	**310,937**
Deposits from banks and other financial institutions	**971,629**	**220,590**	**342,422**	**325,093**	**-**	**-**	**-**	**1,859,734**
Placements from banks and other financial institutions	**-**	**124,219**	**93,972**	**122,876**	**11,096**	**-**	**-**	**352,163**
Trading liabilities	**1,218**	**11,519**	**15**	**149**	**-**	**-**	**45**	**12,946**
Financial assets sold under repurchase agreements	**-**	**406,404**	**6,178**	**4,076**	**-**	**-**	**-**	**416,658**
Deposits from customers	**2,054,781**	**703,378**	**307,118**	**832,814**	**1,519,180**	**-**	**-**	**5,417,271**
Debt securities issued	**-**	**40,711**	**215,892**	**407,415**	**262,412**	**165,086**	**-**	**1,091,516**
Lease liabilities	**6**	**473**	**280**	**2,010**	**6,396**	**1,418**	**-**	**10,583**
Other non-derivative financial liabilities	**34,763**	**1,853**	**4,910**	**8,131**	**3,600**	**422**	**199**	**53,878**
Total non-derivative financial liabilities	**3,062,397**	**1,522,080**	**1,089,652**	**1,881,703**	**1,802,684**	**166,926**	**244**	**9,525,686**
Net position	**(2,632,370)**	**(619,750)**	**(350,528)**	**317,315**	**1,211,123**	**4,213,948**	**483,912**	**2,623,650**

Unit: RMB million

	2022							
	On demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Past due/ undated	Total
Non-derivative financial assets:								
Cash and balances with Central Bank	84,528	-	-	-	-	-	357,875	442,403
Deposits with banks and other financial institutions	57,742	30,873	1,652	4,044	-	-	9	94,320
Placements with banks and other financial institutions	-	70,163	43,707	202,059	43,501	-	-	359,430
Financial assets purchased under resale agreements	331	55,859	484	-	-	-	-	56,674
Loans and advances to customers	-	638,070	374,312	1,311,069	1,378,572	2,596,984	84,432	6,383,439
Financial investments:								
Trading assets	628,551	14,502	2,546	22,477	47,714	274,138	42,229	1,032,157
Debt investments	-	11,202	28,044	276,108	194,646	1,473,647	13,356	1,997,003
Other debt investments	-	21	-	258	42,676	555,205	4,061	602,221
Other equity investments	-	-	-	-	-	-	3,453	3,453
Financial lease receivables	1,896	4,770	9,800	35,614	63,873	7,529	361	123,843
Other non-derivative financial assets	20,500	1,438	1,663	2,020	2,077	2,304	947	30,949
Total non-derivative financial assets	793,548	826,898	462,208	1,853,649	1,773,059	4,909,807	506,723	11,125,892
Non-derivative financial liabilities:								
Borrowing from Central Bank	-	5,966	6,248	83,897	-	-	-	96,111
Deposits from banks and other financial institutions	855,350	327,640	368,238	80,495	-	-	-	1,631,723
Placements from banks and other financial institutions	-	126,860	47,525	92,441	13,162	915	-	280,903
Trading liabilities	23,832	28,212	13	105	35	-	186	52,383
Financial assets sold under repurchase agreements	-	330,141	14,897	8,758	-	-	-	353,796
Deposits from customers	2,019,613	622,813	276,645	628,822	1,387,101	-	-	4,934,994
Debt securities issued	-	112,803	305,089	444,853	371,872	-	-	1,234,617
Lease liabilities	-	225	468	1,900	6,134	1,341	-	10,068
Other non-derivative financial liabilities	28,470	5,017	3,219	9,582	3,356	401	721	50,766
Total non-derivative financial liabilities	2,927,265	1,559,677	1,022,342	1,350,853	1,781,660	2,657	907	8,645,361
Net position	(2,133,717)	(732,779)	(560,134)	502,796	(8,601)	4,907,150	505,816	2,480,531

5.2 Liquidity risk analysis of derivative instruments

(1) Derivatives settled on a net basis

Derivatives that were settled on a net basis by the Group include: interest rate derivatives, exchange rate derivatives, credit derivatives and precious metal derivatives, etc. The tables below set forth the Group's net derivative financial instruments positions by remaining contractual maturities at the balance sheet date. The amounts disclosed in the tables are the undiscounted contractual cash flows

Unit: RMB million

	The Group					
	2023					
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Interest rate derivatives	**26**	**(18)**	**(63)**	**(1,563)**	**(27)**	**(1,645)**
Exchange rate derivatives	**356**	**1,687**	**(249)**	**62**	**-**	**1,856**
Other derivatives	**718**	**1,015**	**1,045**	**-**	**-**	**2,778**
Total	**1,100**	**2,684**	**733**	**(1,501)**	**(27)**	**2,989**
	2022					
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Interest rate derivatives	12	10	15	(45)	72	64
Exchange rate derivatives	(472)	497	482	15	-	522
Other derivatives	395	78	420	6	-	899
Total	(65)	585	917	(24)	72	1,485

(2) Derivatives settled on a gross basis

The Group's major derivatives that will be settled on a gross basis refer to exchange rate derivatives. The tables below set forth the Group's positions by remaining contractual maturities at the balance sheet date. The amounts disclosed in the tables are the undiscounted contractual cash flows:

Unit: RMB million

	The Group					
	2023					
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Exchange rate derivatives						
- Cash inflow	**275,636**	**211,887**	**518,261**	**123,389**	**445**	**1,129,618**
- Cash outflow	**(277,193)**	**(212,609)**	**(520,653)**	**(123,004)**	**(445)**	**(1,133,904)**
Total	**(1,557)**	**(722)**	**(2,392)**	**385**	**-**	**(4,286)**
	2022					
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Exchange rate derivatives						
- Cash inflow	216,699	174,241	320,756	164,914	-	876,610
- Cash outflow	(217,172)	(174,072)	(326,086)	(168,229)	-	(885,559)
Total	(473)	169	(5,330)	(3,315)	-	(8,949)

5.3 Liquidity risk analysis of off-balance sheet items

The Group's off-balance sheet items mainly include credit card commitments, letters of credit, letters of guarantee, bank acceptances and irrevocable loan commitments. The tables below set forth the liquidity of the off-balance sheet items:

Unit: RMB million

	The Group							
	2023				2022			
	Less than 1 year	1-5 years	Over 5 years	Total	Less than 1 year	1-5 years	Over 5 years	Total
Credit card commitments	**531,064**	**-**	**-**	**531,064**	518,344	-	-	518,344
Letters of credit	**289,514**	**611**	**-**	**290,125**	247,256	520	-	247,776
Letters of guarantee	**56,158**	**27,177**	**2,165**	**85,500**	60,298	32,065	1,012	93,375
Bank acceptances	**776,166**	**-**	**-**	**776,166**	834,853	-	-	834,853
Irrevocable loan commitments	**906**	**14,511**	**9,068**	**24,485**	7,612	5,549	9,449	22,610
Total	**1,653,808**	**42,299**	**11,233**	**1,707,340**	1,668,363	38,134	10,461	1,716,958

6. Capital management

During the reporting period, the Group had conscientiously implemented the capital management policy according to the "Administrative Measures for the Capital of Commercial Banks (for Trial Implementation)". The Group will ensure capital adequacy ratio and the overall strategic development match with target management requirements, in order to achieve healthy, sustainable and rapid development.

In 2023, the Group implemented capital-intensive operation and management to continuously improve and optimise risk-weighted asset amount allocation and governing system: oriented by risk-weighted asset yields, the Group makes overall arrangements in operation institutions, risk-weighted assets scale of business lines to reasonably adjust industry structure and promote capital allocation.

According "Administrative Measures for the Capital of Commercial Banks (for Trial Implementation)" and other regulations, the Group and the Bank monitor the capital adequacy and capital application in real time.

Unit: RMB million

	The Group		The Bank	
	2023	2022	2023	2022
Net capital	**1,033,057**	973,833	**960,834**	908,004
Core tier 1 capital	**714,764**	662,916	**667,283**	621,255
Other tier 1 capital	**86,089**	86,052	**85,802**	85,802
Tier 2 capital	**233,463**	226,053	**228,941**	222,074
Deductions	**1,259**	1,188	**21,192**	21,127
Total risk weighted assets	**7,312,326**	6,746,229	**6,956,839**	6,427,244
Capital adequacy ratio	**14.13%**	14.44%	**13.81%**	14.13%
Tier 1 capital adequacy ratio	**10.93%**	11.08%	**10.52%**	10.67%
Core tier 1 capital adequacy ratio	**9.76%**	9.81%	**9.29%**	9.34%

(1) The scope of consolidation for the purpose of calculating the Group's Capital Adequacy Ratio includes domestic and overseas operating units and other financial subsidiaries specified in the capital rules.

(2) The Group's core tier 1 capital includes ordinary shares, equity components of convertible bonds, the capital reserve (subject to regulatory limitations), surplus reserve, general reserve, retained earnings, non-controlling interests (to the extent permitted in the core tier 1 capital under the Regulation), and other qualified capital instruments.

(3) The Group's core tier 1 capital supervision deductions include the net amount of goodwill after deduction of related deferred tax liabilities and the net amount of other intangible assets (excluding land use rights) after deduction of related net deferred tax liabilities.

(4) The Group's other tier 1 capital includes preference shares and non-controlling interests to the extent permitted by the capital rules.

(5) The Group's tier two capital includes: tier two capital instruments and related premiums (to the extent permitted under the Regulation), excessive allowance for loan losses, and non-controlling interests to the extent permitted by the capital rules.

(6) Risk-weighted Assets include Credit Risk-weighted Assets, Market Risk-weighted Assets and Operational Risk-weighted Assets. The Group adopts risk weighting approach, standardised approach and basic indicator approach to measure Credit Risk-weighted Assets, Market Risk-weighted Assets and Operational Risk-weighted Assets respectively.

7. Fair value of financial instruments

7.1 Method of fair value recognition

Part of the financial assets and financial liabilities of the Group is measured at fair value. Fair values are measured through appropriate methods and parameters, and regularly reviewed by the Board of Directors to keep applicability. The Group determined and disclosed the fair value of financial instruments based on:

Level 1 inputs: Unadjusted public quoted prices in active markets that are observable at the measurement date for identical assets or liabilities;

Level 2 inputs: All parameters that have a significant impact on the valuation results are market information that can be directly or indirectly observable with the utilisation of valuation techniques; and

Level 3 inputs: Part of the parameters that have a significant impact on the valuation results are market information that is not observable with the utilisation of valuation techniques.

When recognising the fair value of the financial instrument, which can obtain unadjusted price of same assets and liabilities in the active market, the Group regards the unadjusted price in the active market as the best evidence of fair value. And then the Group recognises the fair value and classifies it to level 1. The financial instruments of the Group divided into level 1 include equity securities and public funds listed on the exchange.

If the parameters of the estimation are observable and acquirable in the active market, such financial instruments (including equity instrument and derivative financial instrument) should be classified to level 2. Financial instruments classified as level 2 by the Group were mainly bond investment, bill business, foreign exchange forwards and swaps, interest rate swaps, foreign exchange options and precious metal contracts, etc. In terms of the fair value of RMB bonds, the Group mainly adopted the valuation results issued by China Central Depository & Clearing Co., Ltd. or China Securities Depository and Clearing Corporation Limited according to the different bond exchange markets; the fair value of foreign currency bonds was based on the valuation results published by Bloomberg; bill business was discounted by a discounted cash flow model which uses the interbank lending rate as a benchmark to adjust the spread based on credit risk and liquidity to build an interest rate curve; non-derivative financial instruments and some derivative financial instruments (including interest rate swaps, foreign exchange forwards, etc.) that cannot obtain quotes from active markets were valued using a cash flow discount model which includes main parameters such as recent transaction price, relevant yield curve, exchange rate, early compensation rate and counterparty credit spread; and option derivative valuation valued using the Black-Scholes option pricing model which includes the relevant yield curve, exchange rate, volatility, and counterparty credit spread etc.. All significant valuation parameters are based on observable market information.

7.2 Financial assets and financial liabilities at fair value on a recurring basis

For financial assets and financial liabilities at fair value on a recurring basis, three levels of fair value measurement are analysed as follows:

Unit: RMB million

	The Group							
	2023				2022			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets:								
Placements with banks and other financial institutions	**-**	**241**	**-**	**241**	-	-	-	-
Trading assets	**201,984**	**722,556**	**33,168**	**957,708**	231,006	728,619	40,230	999,855
Other debt investments	**-**	**565,390**	**7,195**	**572,585**	-	541,346	6,661	548,007
Other equity investments	**619**	**-**	**3,217**	**3,836**	658	-	2,795	3,453
Loans and advances to customers								
At fair value through profit or loss	**-**	**10,474**	**-**	**10,474**	-	10,793	-	10,793
At fair value through other comprehensive income	**-**	**319,749**	**-**	**319,749**	-	377,567	-	377,567
Derivative financial assets	**-**	**43,679**	**-**	**43,679**	-	35,253	-	35,253
Total	**202,603**	**1,662,089**	**43,580**	**1,908,272**	231,664	1,693,578	49,686	1,974,928
Financial liabilities:								
Trading liabilities	**60**	**12,841**	**45**	**12,946**	24	49,346	208	49,578
Derivative financial liabilities	**-**	**43,279**	**-**	**43,279**	-	34,967	-	34,967
Placements from banks and other financial institutions	**-**	**51,972**	**-**	**51,972**	-	-	-	-
Total	**60**	**108,092**	**45**	**108,197**	24	84,313	208	84,545

In 2023 and 2022, the Group did not transfer the fair value of financial instruments from level 1 and level 2 to level 3, nor did it transfer the fair value of financial instruments from level 1 to level 2.

Movement in level 3 financial instruments measured at fair value:

Unit: RMB million

	The Group				
	Trading assets	Other debt investment	Other equity investment	Trading liabilities	Tatal
At 1 January 2023	**40,230**	**6,661**	**2,795**	**(208)**	**49,478**
Gains or losses					
- in profit or loss	**(1,200)**	**327**	**-**	**-**	**(873)**
- in other comprehensive income	**-**	**(701)**	**-**	**-**	**(701)**
Purchase	**8,859**	**3,718**	**422**	**-**	**12,999**
Sold and settle	**(14,721)**	**(2,810)**	**-**	**163**	**(17,368)**
At 31 December 2023	**33,168**	**7,195**	**3,217**	**(45)**	**43,535**
Unrealised gains or losses as at 31 December 2023 included in profit or loss for assets held at 31 December 2023	**(1,140)**	**-**	**-**	**-**	**(1,140)**

Unit: RMB million

	Trading assets	Other debt investment	Other equity investment	Trading liabilities	Tatal
At 1 January 2022	31,767	4,774	2,295	(188)	38,648
Gains or losses					
- in profit or loss	(288)	(214)	-	(20)	(522)
- in other comprehensive income	-	433	-	-	433
Purchase	20,160	5,208	500	-	25,868
Sold and settle	(11,409)	(3,540)	-	-	(14,949)
At 31 December 2022	40,230	6,661	2,795	(208)	49,478
Unrealised gains or losses as at 31 December 2022 included in profit or loss for assets held at 31 December 2022	(288)	-	-	-	(288)

Information of Level 3 financial instruments:

Unit: RMB million

Items	The Group		
	Fair value on 31 December 2023	Fair value on 31 December 2022	Value Tech
Trading assets			
- Equity investments	**12,266**	18,117	**Net asset value method**
- Trust beneficiary rights and asset management plans	**9,693**	8,797	**Discounted cash flow method**
- Debt	**5,625**	7,712	**Discounted cash flow method**
- Others	**5,584**	5,604	**Discounted cash flow method**
Other debt investments			
- Debt	**6,939**	5,228	**Discounted cash flow method**
- Trust beneficiary rights and asset management plans	**256**	1,433	**Discounted cash flow method**
Other equity investments	**3,217**	2,795	**Net asset value method**
Trading liabilities	**(45)**	(208)	**Note**
Total	**43,535**	49,478	

Note: Trading liabilities are the equity of other shareholders in the consolidated structured entity, and the fair value is the amount attributable to the investors of the structured entity calculated based on the net value of the structured entity.

7.3 Financial assets and liabilities measured not by fair value

All financial instruments not measured at fair value are carried at amounts which are not materially different from the fair value except as follows:

Unit: RMB million

	The Group				
	2023				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets:					
Debt investments	**1,801,346**	**1,828,786**	**-**	**1,359,166**	**469,620**
Total	**1,801,346**	**1,828,786**	**-**	**1,359,166**	**469,620**
Financial liabilities:					
Debt securities issued	**1,029,525**	**1,034,760**	**-**	**1,034,760**	**-**
Total	**1,029,525**	**1,034,760**	**-**	**1,034,760**	**-**
	2022				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets:					
Debt investments	1,607,026	1,620,124	-	1,118,736	501,388
Total	1,607,026	1,620,124	-	1,118,736	501,388
Financial liabilities:					
Debt securities issued	1,158,007	1,173,640	-	1,173,640	-
Total	1,158,007	1,173,640	-	1,173,640	-

Quantitative information of level 2, 3 at fair value:

Unit: RMB million

Items	The Group			
	Fair value at 31 December 2023	Fair value at 31 December 2022	Valuation Technique	Inputs
Debt investments	**1,828,786**	1,620,124	Discounted cash flow method	Yield rate of bonds,default rate, loss given default, discount rate
Debt securities issued	**1,034,760**	1,173,640	Discounted cash flow method	Yield rate of bonds

All of the above-mentioned assumptions and methods provide a consistent basis for the calculation of the fair values of the Group's assets and liabilities. However, other institutions may use different assumptions and methods. Therefore, the fair values disclosed by different financial institutions may not be entirely comparable.

XII. Other significant events

1. Financial assets and financial liabilities measured at fair value

Unit: RMB million

	The Group				
	2023				
	Opening balance	Profit or loss arising from changes in fair value for the year	Accumulated changes in fair value included in other comprehensive income	Provision for impairment losses for the year	Closing balance
Financial assets:					
Placements with banks and other financial institutions	**-**	**34**	**-**	**-**	**241**
Derivative financial assets	**35,253**	**8,426**	**-**	**-**	**43,679**
Loans and advances to customers measured at fair value through profit or loss	**10,793**	**5**	**-**	**-**	**10,474**
Loans and advances to customers measured at fair value through other comprehensive income	**377,567**	**-**	**(7)**	**1,889**	**319,749**
Trading assets	**999,855**	**6,130**	**-**	**-**	**957,708**
Other debt investments	**548,007**	**419**	**(2,087)**	**(787)**	**572,585**
Other equity investments	**3,453**	**-**	**(262)**	**-**	**3,836**
Total financial assets	**1,974,928**	**15,014**	**(2,356)**	**1,102**	**1,908,272**
Financial liabilities (1)	**(84,545)**	**(11,860)**	**-**	**-**	**(108,197)**

Unit: RMB million

	The Bank				
	2023				
	Opening balance	Profit or loss arising from changes in fair value for the year	Accumulated changes in fair value included in other comprehensive income	Provision for impairment losses for the year	Closing balance
Financial assets:					
Placements with banks and other financial institutions	**-**	**34**	**-**	**-**	**241**
Derivative financial assets	**35,252**	**8,423**	**-**	**-**	**43,675**
Loans and advances to customers measured at fair value through profit or loss	**10,793**	**5**	**-**	**-**	**10,474**
Loans and advances to customers measured at fair value through other comprehensive income	**377,567**	**-**	**(7)**	**1,889**	**319,749**
Trading assets	**933,931**	**7,576**	**-**	**-**	**894,921**
Other debt investments	**548,000**	**419**	**(2,052)**	**(783)**	**568,979**
Other equity investments	**2,873**	**-**	**(262)**	**-**	**3,255**
Total financial assets	**1,908,416**	**16,457**	**(2,321)**	**1,106**	**1,841,294**
Financial liabilities (1)	**(84,174)**	**(11,869)**	**-**	**-**	**(107,914)**

(1) Financial liabilities include placements with banks and other financial institutions, trading liabilities and derivative financial liabilities.

(2) The items of assets and liabilities listed in the above tables have no inevitable relationship.

2. Financial assets and financial liabilities denominated in foreign currencies

Unit: RMB million

	The Group				
	2023				
	Opening balance	Profit or loss arising from changes in fair value for the year	Accumulated changes in fair value included in other comprehensive income	(Charge) reversal for impairment losses for the year	Closing balance
Cash and balances with Central Bank	**8,172**	**-**	**-**	**-**	**5,376**
Deposits with banks and other financial institutions	**23,978**	**-**	**-**	**-**	**22,606**
Placements with banks and other financial institutions	**45,330**	**-**	**-**	**-**	**19,315**
Derivative financial assets	**6,746**	**346**	**-**	**-**	**7,092**
Financial assets purchased under resale agreement	**3,954**	**-**	**-**	**-**	**4,822**
Loans and advances to customers	**193,212**	**-**	**-**	**(454)**	**222,198**
Financial investments:					
Trading assets	**17,914**	**1,420**	**-**	**-**	**10,285**
Debt investments	**72,306**	**-**	**-**	**(8)**	**70,895**
Other debt investments	**94,420**	**-**	**(1,994)**	**(144)**	**79,096**
Other equity investments	**4**	**-**	**76**	**-**	**80**
Finance lease receivables	**477**	**-**	**-**	**117**	**566**
Other financial assets	**406**	**-**	**-**	**-**	**414**
Total of financial assets	**466,919**	**1,766**	**(1,918)**	**(489)**	**442,745**
Financial liabilities (1)	**(411,997)**	**3,812**	**-**	**-**	**(374,639)**

Unit: RMB million

	The Bank				
	2023				
	Opening balance	Profit or loss arising from changes in fair value for the year	Accumulated changes in fair value included in other comprehensive income	(Charge) reversal for impairment losses for the year	Closing balance
Cash and balances with Central Bank	8,172	-	-	-	5,376
Deposits with banks and other financial institutions	23,759	-	-	-	21,856
Placements with banks and other financial institutions	45,330	-	-	-	19,315
Derivative financial assets	6,746	346	-	-	7,092
Financial assets purchased under resale agreement	3,954	-	-	-	4,822
Loans and advances to customers	193,212	-	-	(454)	222,198
Financial investments:					
Trading assets	17,914	1,420	-	-	10,285
Debt investments	72,306	-	-	(8)	70,895
Other debt investments	94,420	-	(1,994)	(144)	79,096
Other equity investments	4	-	76	-	80
Other financial assets	406	-	-	-	172
Total of financial assets	466,223	1,766	(1,918)	(606)	441,187
Financial liabilities (1)	(406,005)	3,812	-	-	(368,739)

(1) Financial liabilities include Borrowing from Central Bank, Deposits from banks and other financial institutions, Placements from banks and other financial institutions, Trading liabilities, Derivative financial liabilities, Financial assets sold under repurchase agreements, Deposits from customers and Debt securities issued, etc.

(2) The items of assets and liabilities listed in the above tables have no inevitable relationship.

3. Transfer of financial assets

3.1 Assets-securitised

The Group conducts asset-backed securities transactions during normal operations. The Group sells part of its financial assets to the special purpose trust established by the Group as an originating institution and then the special purpose trust issues asset-backed securities to investors. The Group determines whether it consolidates the special purpose trust based on whether it has power over such special purpose trust and whether it is involved in related activities of the special purpose trust to enjoy variable returns, and whether the Group has the ability to use its power over the special purpose trust to affect its returns.

Once a special purpose trust is established, it shall be distinguished from other property for which the Group has not set up a trust. When the Group is dissolved or revoked according to law, and declared bankrupt, if the Group is the sole beneficiary, the special purpose trust shall be terminated and the trust property shall be deemed as the liquidation property; if the Group is not the sole beneficiary, the special purpose trust shall survive and the trust property shall not be deemed as the liquidation property; however, the trust beneficial rights held by the Group is its liquidation property.

The Group analyses and judges if the relevant financial assets transferred to be derecognised based on the degree of transfer of risk and return:

- When the Group transfers substantially all the risks (mainly including credit risk, early repayment risk and interest rate risk of the transferred assets) and rewards of ownership of the financial assets to other investors in the course of the transfer of the underlying financial assets, the Group derecognises the transferred financial assets. The Group has RMB16,589 million securitised financial assets in 2023 (2022: RMB12,605 million). Meanwhile, the Group subscribed for a certain percentage of asset-backed securities. As at 31 December 2023, the above asset-backed securities held by the Group amounted to RMB75 million (31 December 2022: RMB68 million).
- In 2023, the Group transferred assets include financial assets with carrying amount of RMB0 million (2022: RMB1,952 million), where the Group neither transferred nor retained substantially all the risks (mainly including the credit risk, early repayment risk and interest rate risk of the transferred assets) and rewards of the ownership, and retained the control and has continuing involvement in these financial assets. As at 31 December 2023, the Group continued to recognise the financial assets with carrying amount of RMB10,396 million (31 December 2022: RMB11,427 million) based on its extent of continuing involvement in the assets, and recognised assets and liabilities with continuing involvement as other assets and other liabilities.

3.2 Repurchase agreements

Repurchase agreements refer to agreements made by the Group and the counter-parities that financial assets (or financial assets that share the same substance) are settled at a fixed price of repurchasing when they are sold at a fixed date. Due to the fixed repurchasing price, the Group retains almost all the credit and market risks and benefits of the assets. The sold financial assets (cannot be used within the period) should not be recognised in the financial statement, but should be regarded as guarantees because the Group retains all the risks and returns. Besides, the Group recognises the financial liabilities by the price received. In these trading, the right of counter-parties to the Group is not limited to the transferred financial assets.

As at 31 December 2023 and 31 December 2022, the Group conducted trading of bonds and bills under repurchase agreements. The price of selling these financial assets is called financial assets sold under repurchase agreements price (Note VII, 19).

Included in the repurchase agreement, the book value of the financial assets which had been transferred but continued to be recognised by the Group and relevant liabilities are as follows:

Unit: RMB million

	The Group			
	2023		2022	
	Bond	Bill	Bond	Bill
Assets book value	406,986	13,260	342,528	19,864
Liabilities book value	403,187	13,202	333,662	19,767

3.3 Securities lending transactions

The counterparties are allowed to sell or repledge those securities sold under agreements to repurchase in the absence of default by the Group, but has an obligation to return the securities at the maturity of the contract. The Group determines that it retains substantially all the risks and rewards of these securities and therefore does not derecognise them.

XIII. Comparative figures

Certain comparative figures have been re-presented by the Group to meet the presentation of the financial reporting.

XIV. Non-adjusting events after balance sheet date

As at the approval date of the financial statements, there are no material post-balance-sheet date events which should be disclosed by the Group, except for dividend distribution. For details of dividend distribution, see Note VII, 32.

XV. Financial statements approved

The financial statements were approved by the Board of Directors of the Bank on 28 March 2024.

Supplementary Financial Information

(Expressed in millions of RMB, unless otherwise stated)

I. Breakdown of non-recurring profit or loss

The following table is in accordance with the requirement of Information Disclosure and Presentation Rules for Companies Making Public Offering of Securities No.1 - Non-recurring Profit or Loss (2023) (ZJHGG [2023] No.65) issued by CSRC.

Unit: RMB million

	The Group	
	2023	2022
Gains and losses on the disposal of non-current assets	**29**	12
Government grants recognised in profit or loss	**652**	483
Other non-operating income and expenses	**180**	56
Subtotal	**861**	551
Impact on income tax expenses	**(238)**	(151)
Total	**623**	400
Total non-recurring profit or loss attributable to ordinary shareholders of the Bank	**593**	381
Total non-recurring profit or loss attributable to non-controlling interests	**30**	19
Net profit attributable to ordinary shareholders of the Bank, after deduction of non-recurring profit or loss	**72,311**	86,784

Non-recurring profit or loss refers to the profit or loss not related to normal business or the profit or loss which is related to normal business but affects the user of financial statements to make correct judgement for the Bank's financial position and financial performance because of its distinctiveness and non-recurring. Considering the nature of its normal business, Industrial Bank Co., Ltd. (hereinafter referred to as "the Group") does not include "Trading assets, Debt investments, Other debt investments and Other equity investments" in non-recurring profit or loss.

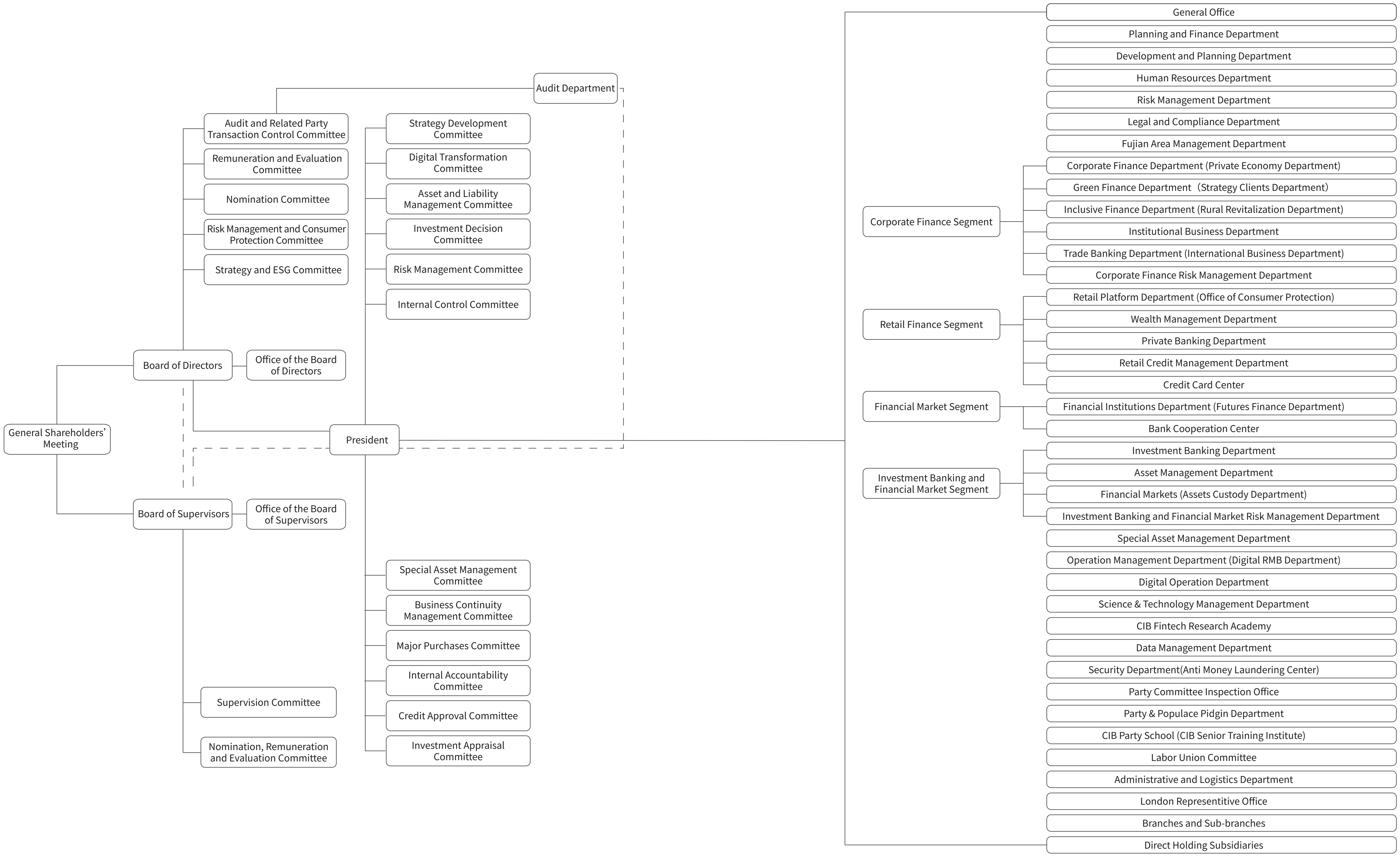
II. Return on net assets ("ROE") and earnings per share ("EPS")

The related data is calculated in accordance with the provisions in Rule No.9 for the Preparation of Information Disclosure of Companies with Public Offering – the Calculation and Disclosure of ROE and EPS (revised in 2010). In the related period, basic EPS is calculated by dividing net profit by weighted average ordinary shares issued.

	The Group		
	2023		
	Weighted average ROE (%)	Basic EPS (RMB)	Diluted EPS (RMB)
Net profit attributable to ordinary shareholders of the Bank	**10.64**	**3.51**	**3.24**
Net profit attributable to ordinary shareholders of the Bank, after deduction of non-recurring profit or loss	**10.55**	**3.48**	**3.21**

	2022		
	Weighted average ROE (%)	Basic EPS (RMB)	Diluted EPS (RMB)
Net profit attributable to ordinary shareholders of the Bank	13.85	4.20	3.87
Net profit attributable to ordinary shareholders of the Bank, after deduction of non-recurring profit or loss	13.79	4.18	3.86

The Company's Organizational Structure



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