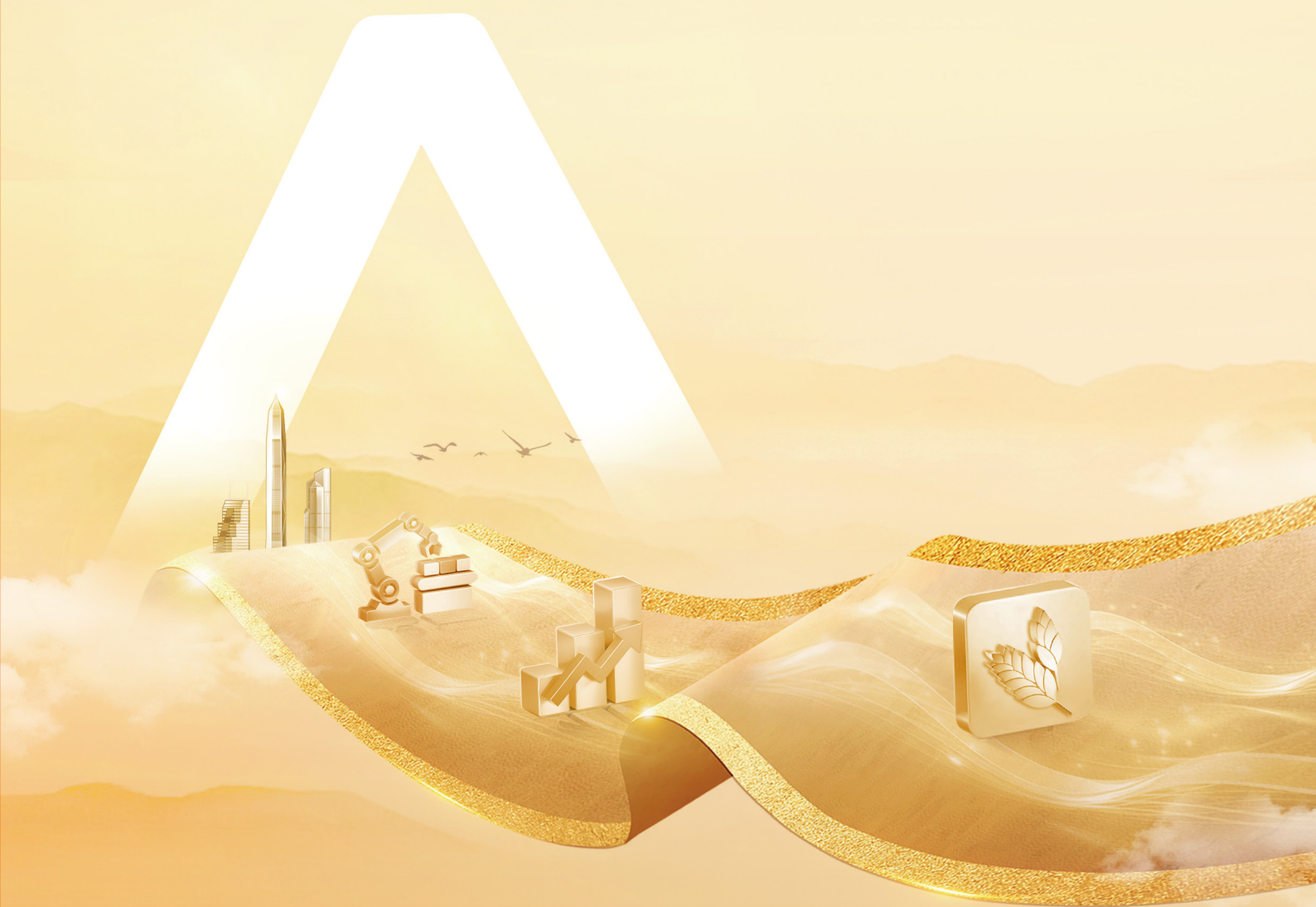


Ping An Bank Co., Ltd.

2023 Annual Report



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Notes for Important Content

1. The board of directors (hereinafter referred to as the “Board”), the Supervisory Committee, the directors, the supervisors and senior management of the Ping An Bank Co., Ltd. (hereinafter referred to as the “Bank” guarantee the authenticity, accuracy and completeness of this Annual Report, in which there are no false representations, misleading statements or material omissions, and are severally and jointly liable for its contents.
2. Xie Yonglin (the Bank’s Chairman), Ji Guangheng (the President), Xiang Youzhi (the Vice President and the Chief Financial Officer) and Zhu Peiqing (the head of the Accounting Department) declare that they guarantee the authenticity, accuracy and completeness of the financial reports included in this Annual Report.
3. The 23rd meeting of the 12th session of the Board of the Bank deliberated the 2023 Annual Report together with its summary. The quorum of the Board meeting is 13 directors, and 13 directors attended the Board meeting. The Annual Report was approved unanimously at the meeting.
4. The 2023 annual financial reports prepared by the Bank were audited by Ernst & Young Hua Ming LLP (hereinafter referred to as “EY”) according to the China Standards on Auditing and EY issued a standard unqualified auditor’s report.
5. The forward-looking statements such as plans for the future involved in the Report do not constitute a substantial commitment for investors. Investors and stakeholders shall be aware of risks therein and appreciate the distinctions between plans, forecasts and commitments.
6. The Bank advises investors to read the full text of the Annual Report with particular attention to the following risk factors: the risks the Bank is exposed to during its business activities mainly include credit risk, market risk, liquidity risk, operational risk, country risk, interest rate risk on its banking account, reputation risk, strategic risk, information technology risk and legal and compliance risk, and the Bank has taken various measures to effectively manage and control these business risks, as discussed in detail under Section III 3.6 Risk Management.
7. The Bank’s profit distribution proposal of ordinary shares which has been approved at the Board meeting is based on the total share capital of 19,405,918,198 shares as at 31 December 2023. Cash dividends of RMB7.19 (tax inclusive) will be distributed to all shareholders for every 10 shares. There was no proposal to issue bonus shares or to convert reserve funds into share capital.

Interpretations

Item	refer(s) to	Interpretations
Ping An Bank, the Bank	refer(s) to	the bank formed and so renamed following the integration of Shenzhen Development Bank Co., Ltd. (“Shenzhen Development Bank” or “Shenzhen Development”) and the former Ping An Bank Co., Ltd. (the “Former Ping An Bank”) in 2012 through the acquisition of the Former Ping An Bank by Shenzhen Development
The Group	refer(s) to	Ping An Bank Co., Ltd. and its wholly-owned subsidiary Ping An Wealth Management Co., Ltd.
Shenzhen Development Bank or Shenzhen Development	refer(s) to	the national joint-stock commercial bank established on 22 December 1987 and renamed to Ping An Bank after its acquisition of the Former Ping An Bank
Former Ping An Bank	refer(s) to	the joint-stock commercial bank established in June 1995 and deregistered on 12 June 2012
China Ping An and Ping An Group	refer(s) to	Ping An Insurance (Group) Company of China, Ltd.
Ping An Wealth Management	refer(s) to	Ping An Wealth Management Co., Ltd.
Ping An Life Insurance	refer(s) to	Ping An Life Insurance Company of China, Ltd.
PBOC	refer(s) to	The People’s Bank of China
CSRC	refer(s) to	China Securities Regulatory Commission

Chairman's Statement

The year 2023 was the opening year of fully implementing the spirit of the 20th Communist Party of China (CPC) National Congress. The Chinese economy maintained the momentum of recovery, and steady progress was made in pursuing high-quality development. However, there were still many difficulties and challenges in terms of effective demand, social expectations and business operations. The banking sector was generally facing multiple pressures, such as narrow interest rate spreads, slow income growth and increased pressure on asset quality. Facing the intricate external environment, Ping An Bank took the initiative as a matter of course, adhered to the leadership of Party building and the political and people-oriented nature of financial work, promoted reforms in business management and strategic iteration and upgrading, and advanced financial risk management, so as to make steady progress in business development, and effectively consolidate the foundation of sustainable development.

In 2023, the Bank's net profit amounted to RMB46,455 million, representing a year-on-year increase of 2.1% and maintaining a positive growth. At the end of 2023, the total asset of Ping An Bank amounted to RMB5,587,116 million, representing an increase of 5.0% from the end of last year; the NPL ratio remained stable at 1.06%; and the capital adequacy ratio was 13.43%, up by 0.42 percentage point from the end of last year.

Forge ahead with unshakable mind. This year, we maintained firm strategic resolve, adhered to the positioning of the retail business, implemented the strategic principle of "strengthening its retail banking, reinventing its corporate banking, and expertizing the interbank business", vigorously promoted the advancement and upgrading of various business strategies, and advanced the coordinated development of the three business segments.

- **As for retail business**, we focused on a robust business model, continued to improve asset structure, strengthened cost control, deepened wealth management and customer management, upgraded product rights and platform tools, and made efforts in the service model of multi-customer tier, multi-channel, multi-account and multi-product.

- **As for corporate business**, we focused on "refining industries, refining customers, and refining products", centered around five areas of promoting industry finance, technology finance, supply chain finance, cross-border finance and inclusive finance, improved comprehensive service capability, and help industry transformation and upgrading.

- **As for interbank capital business**, we focused on the three key directions of "professional investment capability, professional sales capability and professional hedging products", strengthened services for markets, customers and corporates, assisted in the high-quality development of financial market, and enhanced the ability to serve the real economy.

Altering means as times evolve and changing ways as circumstances change. In the past year, we complied with the requirements of the bank development under new situation and new stage, adhered to the problem-oriented approach, and actively pushed forward the reforms in organizational structure and business management, so as to enhance the Bank's development vitality and core competitive advantages.



Ji Guangheng

Secretary of the Party Committee,
President of Ping An Bank

Chairman's Statement

- Promoting structural reform. At the head office level, we streamlined structure administrative procedures, delegated powers to lower levels, optimized mechanisms, enhanced efficiencies, and strengthened service capabilities, and transformed itself into a “service-oriented and empowerment-oriented” organization; at the branch level, we reinforced its team building and actively enhanced its capability in a self-driven manner to deepen the comprehensive operation.

- Promoting structural adjustment. At the asset end, we expanded the number of medium- and low-risk customers, increased the scale of residential mortgage and title deed-secured loans, optimized the structure of credit loan products, and improved asset quality; at the liability end, we strengthened overall management, deepened customer management, optimized liability structure, and improved the stability of liability sources, the rationality of liability costs, and the matching between liabilities and assets.

- Promoting upgrading management. We continuously strengthened the collaboration of various business segments as well as the collaboration between the Head Office and branches, and deepened customer-centric comprehensive operation; we actively implemented quality improvement and efficiency enhancement, continuously improved the digital and refinement level of operation and management, and promoted continuous optimization of business and management costs.

Remain true to our original aspiration and drive the real economy. In the past year, adhering to the concept of “finance for the people” and the original intention of business establishment and keeping in mind the financial mission, we continuously improved our ability and level to serve the real economy and actively accomplished the task in five areas to provide strong support for high-quality economic and social development.

- Science and technology finance. We deepened services to support key manufacturing industrial chains and strengthened the cultivation for “specialized, refined, distinctive and innovative” enterprises and science and innovation enterprises to provide customers with one-stop and comprehensive financial services throughout the life cycle. At the end of 2023, the balance of medium and long-term loans to manufacturing sector increased by 39.1% as compared with the end of last year.

- Green finance. Diving into green fields, we actively supported major projects such as clean energy, energy conservation, environmental protection, ecological environment, and green infrastructure upgrading, and innovated products and services to facilitate green transformation. At the end of 2023, the balance of green loans increased by 27.2% from the end of last year.

- Inclusive finance. We adhered to the development idea of “true inclusive service and true micro/small enterprises”, innovated digital products, promoted online services, and implemented fee reduction and profit concession to continuously support rural revitalization. At the end of 2023, the cumulative number of customers to which inclusive small and micro business loans were granted exceeded 1,000 thousand, and the Bank invested funds of over RMB100 billion in total for supporting rural revitalization.

- Pension finance. We upgraded customer service and product systems, improved the pension rights and interests system, enriched pension financial products, accelerated planning for personal pension business, strengthened elderly-friendly financial services, and improved the sense of access to financial services for the elderly.

- Digital finance. We vigorously promoted the “three digital” projects of digital operation, digital management and digital execution. Internally, we reduced operating cost, improved business efficiency and consolidated the digital transformation base. Externally, we upgraded customer services, and strengthened the support for industries related to digital innovation.

Act cautiously with risk-orientation and secure steady and continued success. In the past year, adhering to the base line and “long-termism”, we continuously strengthened risk control and compliance management, maintained stable asset quality, and enhanced compliance management and compliance awareness.

- Enhance risk management. We continued to strengthen the collection and disposal of existing non-performing assets, actively promoted the risk mitigation of existing problematic assets; continuously enhanced the access and management of new assets to ensure the stable quality of new assets; continuously strengthened risk management and control in key areas, and effectively prevented and resolved risks in related areas.

- Enhance compliance management. Being fully alert, we comprehensively strengthened compliance risk management, improved the “grid” compliance governance model, and consolidated the “three capabilities” of compliance governance, compliance constraint and compliance culture to enhance compliance awareness, cultivate a culture of integrity, build a solid line of defense for sustainable development, and secure steady and continued success in the Bank’s operational management and business development.

Looking ahead to 2024, the strategy of building a strong financial country has initiated. Ping An Bank will deepen the leadership of Party building, actively follow the national strategy, effectively promote the implementation of various reforms and transformation initiatives, steadily improve financial institutions’ ability to serve the real economy, continuously enhance financial risk prevention and control, deeply practise high-quality financial development and strive to make its contribution in the process of building a powerful country.

Company Profile

1.1 Company profile

1.1.1 Company information

Stock abbreviation	Ping An Bank	Stock code	000001
Traded on	Shenzhen Stock Exchange		
Name of the company in Chinese	平安银行股份有限公司		
Abbreviation in Chinese	平安银行		
Name of the company in English	Ping An Bank Co., Ltd.		
Abbreviation in English	PAB		
Legal Representative of the company	Xie Yonglin		
Place of registration	No. 5047, Shennan East Road, Luohu District, Shenzhen, Guangdong Province, the PRC. The Bank established on 22nd December 1987, and the registration address was No.1, Caiwuwei Xinshifang, Luohu District, Shenzhen, Guangdong Province, the PRC. The Bank's registration address was changed to Floor 1-6, Hubei Bao Feng Building, No.45, Baoan South Road, Shenzhen, Guangdong Province, the PRC on 6th November 1990 due to relocation of the head office. The Bank's registration address was changed to No. 178, Shennan Middle Road, Luohu District, Shenzhen, Guangdong Province, the PRC on 24th April 1998 due to relocation of the head office. The Bank's registration address was changed to No. 5047, Shennan East Road, Luohu District, Shenzhen, Guangdong Province, the PRC on 27th April 2002 due to change in doorplate of the head office building.		
Change history of the company's registration address			
Postal code of the registration address	518001		
Office Address	No. 5047, Shennan East Road, Luohu District, Shenzhen, Guangdong Province, the PRC. Block B, Ping An Financial Centre, No. 5023, Yitian Road, Futian District, Shenzhen, Guangdong, the PRC.		
Postal code of the office address	518001, 518033		
Website	http://bank.pingan.com		
E-mail	PAB_db@pingan.com.cn		
Service Hotline	95511 ext. 3		

1.1.2 Contact information

	Secretary of the Board	Representative of Securities Affairs
Name	Zhou Qiang	Lv Xuguang
Address	Board Office of Ping An Bank, Block B, Ping An Financial Center, No. 5023, Yitian Road, Futian District, Shenzhen, Guangdong, the PRC.	Board Office of Ping An Bank, Block B, Ping An Financial Center, No. 5023, Yitian Road, Futian District, Shenzhen, Guangdong, the PRC.
Telephone	(0755) 82080387	(0755) 82080387
Facsimile	(0755) 82080386	(0755) 82080386
E-mail	PAB_db@pingan.com.cn	PAB_db@pingan.com.cn

1.1.3 Information disclosure and filing location

Website of stock exchange that disclose the Annual Report of the company	Shenzhen Stock Exchange http://www.szse.cn
Name and website of media that disclose the Annual Report of the company	<i>China Securities Journal, Securities Times, Shanghai Securities News, Securities Daily</i> CNINFO http://www.cninfo.com.cn
Filing location of the Annual Report	Shenzhen Stock Exchange, Board Office of Ping An Bank

1.1 Company profile (Continued)

1.1.4 Change of registered information

Organization code	91440300192185379H (Unified social credit code)
Change of main business after listing (if any)	None
Changes of all previous controlling shareholders	<p>China Ping An is the controlling shareholder of the Bank.</p> <p>In May 2010, Newbridge Asia AIV III, L.P. ("Newbridge"), the previous largest shareholder of the Bank, transferred all of its 520,414,439 shares of the Bank to China Ping An. In June 2010, the Bank issued 379,580,000 shares in a non-public manner to Ping An Life Insurance, a holding subsidiary of China Ping An. After the issuance, China Ping An and its holding subsidiary Ping An Life Insurance held a total of 1,045,322,687 shares of the Bank, approximately accounting for 29.99% of the total issued share capital of the Bank.</p> <p>In July 2011, the Bank completed the issuance of 1,638,336,654 shares to China Ping An to purchase 7,825,181,106 shares of Ping An Bank formerly held by it and raise RMB2,690,052,300 for its major asset reorganization. After the completion of the major asset reorganization, the total share capital of the Bank increased to 5,123,350,416 shares. China Ping An and its holding subsidiary Ping An Life Insurance held a total of 52.38% of the shares of the Bank and became the controlling shareholders of the Bank.</p> <p>In December 2013, the Bank issued 1,323,384,991 shares to China Ping An in a non-public manner. After the issuance, the total share capital of the Bank increased to 9,520,745,656 shares. China Ping An and its holding subsidiary Ping An Life Insurance, holding a total of 59% of the shares of the Bank, were the controlling shareholders of the Bank.</p> <p>In May 2015, the Bank issued 598,802,395 shares of the ordinary shares to eligible domestic investors in a non-public manner, and China Ping An subscribed 210,206,652 shares. After the issuance, the total share capital of the Bank increased to 14,308,676,139 shares. China Ping An and its holding subsidiary Ping An Life Insurance, holding a total of 58% of the shares of the Bank, were the controlling shareholders of the Bank.</p> <p>In January 2019, the Bank made a public issuance of RMB26 billion of convertible corporate bonds. China Ping An and Ping An Life Insurance, as shareholders of the Bank, had the priority in placement in full amount. In August 2019, the Bank exercised the conditional right to redeem the convertible corporate bonds. Due to the conversion of convertible bonds, the total share capital of the Bank increased from 17,170,411,366 shares to 19,405,918,198 shares. China Ping An and its holding subsidiary Ping An Life Insurance, holding a total of 58% of the shares of the Bank, were the controlling shareholders of the Bank.</p>

1.1.5 Others relevant information

Accounting firm employed by the company

Name of Accounting Firm	Ernst & Young Hua Ming LLP
Address of Accounting Firm	Room 01-12, Level 17, Ernst & Young Tower, Oriental Plaza, No.1 East Changan Ave. Dongcheng District, Beijing.
Names of Signing Accountant	Chang Hua, Wang Yangyan

The sponsor institution appointed by the company to perform the duty of continuous supervision during the reporting period

Applicable Not applicable

The financial advisor appointed by the company to perform the duty of continuous supervision during the reporting period

Applicable Not applicable

1.2 Main businesses of the company during the reporting period

The year 2023 marks the beginning of fully implementing the spirit of the 20th National Congress of the Communist Party of China (CPC). The Central Financial Work Conference was held successfully, which pointed out the fundamental direction and provided the action guidance for strengthening the construction of a powerful financial country. Strengthening the centralized and unified leadership of the CPC Central Committee over financial work, providing high-quality financial services for economic and social development, and effectively preventing and defusing financial risks have become the main theme of the banking industry.

The banking industry actively implements the spirit of the 20th CPC National Congress and the Central Financial Work Conference by insisting on seeking improvement in a stable way, continuously promoting the financial supply-side reform, vigorously making efforts in the five areas of promoting technology finance, green finance, inclusive finance, pension finance, and digital finance, continuously enhancing the financial support to household consumption, private enterprises, manufacturing industry and other areas, continuously improving the ability of financial institutions to serve the real economy, continuously strengthening financial risk prevention and control and making every effort to promote high-quality development.

The Bank is the first listed national joint-stock commercial bank in Chinese mainland. After years of development, the Bank has gradually grown into a nationwide joint-stock commercial bank with mature and steady operation and management system, a wide network of institutional outlets, a complete range of financial services, and a market-leading brand influence. At the same time, the Bank strives to build a unique competitiveness in the industry, and it has formed distinct operating features in the fields of being technology empowerment, retail business and comprehensive finance.

As approved by relevant regulatory authorities, the Bank engages in the following commercial banking activities: (I) absorption of public deposits; (II) advances of short, medium and long-term loans; (III) domestic and overseas settlement; (IV) bill acceptance and discounting; (V) issuance of financial bonds; (VI) issuing, cashing and underwriting government bonds on an agency basis; (VII) trading in government bonds and financial bonds; (VIII) interbank lending and borrowing; (IX) trading in foreign exchange on its own and as an agent; (X) bank cards; (XI) provision of letter of credit services and guarantee; (XII) collection and payment and insurance agency; (XIII) safe deposit box services; (XIV) foreign exchange settlement and sale; (XV) off-shore banking; (XVI) assets custody; (XVII) gold services; (XVIII) financial advisory, credit investigation, consultation and witness services; and (XIX) other businesses approved by relevant regulatory authorities.

1.3 Development strategy and core competence of the Bank

1.3.1 Development strategy of the Bank

The Bank adheres to the leadership of Party building, and vigorously implements the spirit of the 20th CPC National Congress and the Central Financial Work Conference and regulatory requirements. Insisting on the strategic goal of “China’s most outstanding, world-leading smart retail bank” and the strategic principle of “strengthening its retail banking, reinventing its corporate banking, and expertizing the interbank business”, the Bank continuously deepens strategic transformation, upgrades its operating strategies in retail business, corporate business and interbank capital business, comprehensively deepens digital transformation, strengthens risk management, and promotes high-quality development.

(1) Strengthening its retail banking

The Bank adheres to the strategic positioning of the retail business, continues to promote the business reform and transformation. Conforming to changes in the external environment, the Bank consolidates its liability business development base, optimizes its asset business structure, reinforces its asset allocation services, upgrades its customer management strategy model to promote the high-quality and sustainable development of the retail business.

Focus on four key businesses-

Liability business: expanding deposit scale and lowering liability cost. The Bank deepens the corporate-private business linkage, focuses on expanding the scenarios of payroll business, platform customer acquisition and attraction, drives steady growth of deposits scale, and increases the balance of low-cost deposits, so as to realize the high-quality development of liability business.

Asset business: increasing the proportion of high-quality customer groups and optimizing the asset quality structure. The Bank expands its medium- and low-risk customer groups, increases the loan supply of residential mortgage, title deed-secured, and new energy vehicle, and accelerated the remodeling of credit products.

Wealth management business: strengthening asset allocation and deeply developing the bank-insurance business. The Bank continues to upgrade its capabilities in products, services, teams and brand to create a right and interest system with brand features and influences, and optimizes customer experience. Meanwhile, by building a new wealth team that understood insurance well, the Bank provides customers with more comprehensive and integrated financial asset allocation services.

Customer management: strengthening high-quality customer groups acquisition and deepening existing customer management, the Bank continuously deepens comprehensive finance model, seeks high-quality potential customers, and upgrades the comprehensive customer management mode of “multi-customer tier, multi-channel, multi-account and multi-product”. The Bank constantly constructs its digitalized and Artificial Intelligence (AI) platform tools, and empowers customer manager to improve service efficiency, enlarge service coverage and enhance service quality.

Ensure five safeguard mechanisms-

The Bank establishes a safeguard system that matches its business development to support the retail business development. In terms of resource, the Bank upgrades its resource allocation system, and enhances the level of refined management. In terms of product and channel, the Bank continues to build the product system of “worry free, time-saving and money-saving”, strengthens channel management, and configures differentiated channel strategies. In terms of talent, the Bank enriches the professional training for its teams, develops specific training plans, reinforces the construction of talent echelon and helps the comprehensive management on teams. In terms of risk, the Bank holistically upgrades the retail risk system and continuously optimizes the retail risk model. In terms of compliance, the Bank deepens integrity building, improves systems and processes, and constructs long-term mechanisms to continuously enhance the team’s awareness of compliance and firmly implement the whole process management on consumer protection.

(2) Refining its corporate banking

The Bank follows the national development strategy, actively implements the spirit of the Central Financial Work Conference, and continuously deepens the strategy of refining its corporate business. Focusing on the five areas and combining with its feature advantages, the Bank makes the efforts in industry finance, technology finance, supply chain finance, cross-board finance and inclusive finance. With customer-centric as its core, the Bank focuses on “refining industries, refining customers and refining products”, closely follows the national industrial development policy, and continuously strengthens the financing support for key areas such as manufacturing, the specialized, refined, distinctive and innovative enterprises, private enterprises, micro, small and medium-sized enterprises, rural revitalization, green industry and infrastructure. The Bank gives full play to Ping An Group’s comprehensive financial advantages and provides customers with one-stop financial services through comprehensive solutions of “commercial banking + investment bank + investment” to help enterprises’ industrial transformation and upgrading. The Bank increases customers’ share of wallet by implementing in-depth management to consolidate corporate business development base. In addition, the Bank strictly maintains the “one lifeline” of asset quality and ensures stable asset quality to advance sustainable and high-quality development.

Refining industries: the Bank closely follows the national strategic direction, examines the development trend of the industry, and continues to build up differentiated advantages and “moats” of industry-based operations. The Bank is deeply engaged in the key areas of modernized industries such as “new energy, new infrastructure and new manufacturing”, to foster and develop the new momentum in the industry.

Refining customers: in line with the trend of comprehensive, ecological and integrated management on corporate customers, the Bank establishes a tiered management system and a gradient development mechanism for customers from strategic customers to small and micro customers, forges professional management and in-depth management capabilities with “long-termism” orientation, and promotes the refinement of customers.

Refining products: focusing on core customer groups, the Bank goes deep in industry scenarios, strengthens the product portfolio with industrialization, differentiation and integration, and applies our “finance + technology” capabilities to continuously innovate business models, optimize the financial service experience, and enhance comprehensive customer service capabilities.

1.3 Development strategy and core competence of the Bank(Continued)

1.3.1 Development strategy of the Bank(Continued)

(3) Expertizing the interbank business

Upholding the operational concept of “serving financial market, interbank customer and the real economy”, the Bank’s interbank capital business fully strengthens the two-wheel driven mode of “investment transaction + customer business”, continuously improves the three capabilities of investment, transaction and sales, so as to consolidate the foundation of long-term healthy development and continuously enhance market competitiveness with a sound and balanced business layout.

Enhancing the “two-wheel driven” mode--

With respect to investment transaction, the Bank is committed to becoming a “leading investment institution and FICC market maker in China”. The Bank refines its investment business, continues to enrich transaction strategies, agilely captures transaction opportunities, builds a well-established market-making system, and enhances the ability to generate income from relative value transaction; it reinforces its ability to analyze trends, and grasps medium- to long-term strategic opportunities in the market; it enhances its featured market-making business, and plays a positive role in enhancing the liquidity of the financial market, suppressing volatility, and supporting the bonds issuance and financing for entities, and further improves the influence of its FICC (Fixed Income, Currencies and Commodities) market-making service.

With respect to customer business, the Bank is committed to becoming a “leading institutional service provider and product expert in China”. The Bank deeply explores the diversified service needs from institutional customers, builds a full-dimensional product service matrix covering the bond and fund ecosystems, provides integrated services of “trust, financing and investment”, and establishes a link connecting the fund side, product side and asset side, so as to realize the maximization of institutional customer service radius and professionalism; it make full use of its research and trading capabilities to build a rich shelf of universal hedging and structured products, so as to enhance its comprehensive service capability for the public; it also fully leverages its research and transaction capabilities, and builds a rich product category including inclusive risk aversion products and structured products, so as to improve comprehensive services for corporate business.

Improving the “three capabilities”--

Investment capability The Bank establishes a globalized, cross-category and cross-market trading system, sensitively captures trading opportunities in different markets and maturity structures, improves yields, reasonably selects sub-category, makes trendy allocations, and provides balanced and complementary returns through a wealth of investment solutions.

Transaction capability The Bank continuously enriches transaction strategies, accurately captures market opportunities, and seizes trading opportunities to realize higher trading efficiency and returns. Meanwhile, it deepens the application of cutting-edge technologies, creates a direct trading process with “fast” quotation, “accurate” pricing and “fast” closing, and brings new breakthroughs for trading in terms of improving inquiry, offering and trading efficiency, risk control capability, information processing.

Sales capability The Bank expands the scope of financial market products and services, develops an all-round sales team, comprehensively promotes the development of customer businesses, products and services in financial market with the direction of meeting the needs of institutions and enterprises in trading, investment and financing, custody operation and risk control, so as to create an integrated financial service mode and continuously expand the breadth and depth of sales services.

1.3.2 Core competence of the Bank

Party building leading business development

The Bank adheres to the leadership of Party building, vigorously implements the spirit of the 20th CPC National Congress and the Central Financial Work Conference, adheres to the political and people-oriented nature of financial work, continuously enhances the Party’s leadership and Party building, deepens the integration of Party building and banking business, makes efforts in the five areas of promoting technology finance, green finance, inclusive finance, pension finance, and digital finance, and fully promotes high-quality economic development.

Clearly science-based development strategy

Insisting on the strategic goal of “China’s most outstanding, world-leading smart retail bank” and the strategic principle of “strengthening its retail banking, reinventing its corporate banking, and expertizing the interbank business”, the Bank continuously deepens strategic transformation, upgrades its operating strategies in retail business, corporate business and interbank capital business, and enhances its financial support to household consumption, green development, private enterprises, micro/small enterprises, technology enterprises, manufacturing, and other areas. Furthermore, the Bank constantly improves financial institution’s ability to serve the real economy, comprehensively strengthens risk management, deepens digital transformation, and actively practices high-quality financial development.

Outstanding comprehensive finance advantages

Comprehensive finance is the unique core competence of the Bank. With compliance as per-condition, combining its actual operation condition with Ping An Group’s massive individual customer base, powerful capital funding capability, strong branding influence, various financial licenses and all other advantages, the Bank has built distinct comprehensive finance advantages through resource coordination and collaboration, and has developed a mature management mode, cooperation mechanism, and service platform for comprehensive finance, which has opened wider space for its strategic transformation and business development.

Technology empowering model innovation

The Bank energizes its strategic transformation by leveraging the leading digital technologies, and consistently improves technology-empowerment of financial services. In terms of technology empowering the retail business, the Bank fully advances digital operation, digital management and digital execution, upgrades digitalized platform tools, increases the team’s service efficiency and accurate marketing capability, reaches customers with the best products and services in the most convenient way, and provides customers with the service experience of “worry free, time-saving and money-saving”. In terms of technology empowering the corporate business, based on the advantages of account, transaction, data and openness, the Bank reaches a large number of micro, small and middle-sized customer groups from the industrial chain and Internet platform, continuously creates online management platforms, and consolidates the management of basic customer groups. In terms of technology empowering the interbank capital business, the Bank combines technology innovations with segmented scenarios in the field of investment transaction, improves inquiry, offering and trading efficiency, risk control, investment and research capabilities, and brings new breakthroughs for trading. The Bank establishes a research-driven investor service system with the “Hang-E-Tong” platform, provides the comprehensive service of “Custody+” with the digital service platform, and develops all-round institutional sales and service advantages.

Deeply rooted value culture

The Bank develops its new value culture system, uses the core concept of “expertise creates value” as the corporate culture, and adopts value as the only criteria of testing all work. Upholding the principles of business value is subject to social value and short-term value is subject to long-term value, the Bank constantly creates the maximized value for customers, employees and shareholders with professional capabilities and services. The culture gene of “innovation, execution and compliance” is also deeply rooted in the new value culture system, the Bank ensures that various products and services make the concept of “expertise creates value” prominent through effective mechanism of innovation, performance evaluation, tracking and supervision, and long-term compliance, and provides high-quality financial service to the real economy and people.

1.4 Honors and awards

In 2023, honors and awards obtained by the Bank from activities of domestic and foreign institutions are as follow:

February

- In February 2023, the Shanghai Stock Exchange released the list of 2022 Top 100 Institutions for Transaction and Top 10 Institutions for Classification, the Bank was recognized as “Top 10 Institutions for Classification - Top 10 Commercial Bank for Transaction”.
- In February 2023, SRP, a subsidiary of Delinian (formerly known as Euromoney Institutional Investor), announced the list of China Structured Retail Products Awards 2022, and the Bank won the awards of “Best Manufacturer - Commercial Bank” and “Best Derivatives Manufacturer - Commercial Bank”. Ping An Wealth Management won the award of “2022 Best Performance Award of Wealth Management Subsidiary” issued by SRP (Structured Retail Products).

April

- In April 2023, the Bank’s private bank won four awards of “Best Private Bank - Commercial Banks”, “Best Private Bank - Ultra High Net Worth”, “Best Private Bank - High Net Worth” and “Best Private Bank - Digital Innovation” issued by *Asian Private Banker*.
- In April 2023, *Financial Times* unveiled the Golden Dragon Medal winner for 2022 Gold Medal List of Chinese Financial Institution, and the Bank won the award of the “Most Competitive Bank of the Year”.

June

- In June 2023, the Bank won six awards, including “Best CEO”, “Best CFO”, “Best Board of Directors”, etc., in the “2023 Asia (Ex-Japan) Executive Team” awards held by Institutional Investor. The Bank was also recognized as one of “The Most Respected Companies”.
- In June 2023, the Bank’s Virtual Digital Human (a new member of Xiao PAi family) won the Experience and Design Award at the “iF Design Award”, the top award recognized internationally.
- In June 2023, Asiamoney released its selection results of “2023 Best Bank in Guangdong-Hongkong-Macao Greater Bay Area” awards, and the Bank won the award of “Best Bank for Small and Medium-sized Enterprises in the Guangdong-Hongkong-Macao Greater Bay Area”.

July

- In July 2023, the results of 2023 China Awards Programme organized by *The Asian Banker* were announced, and the Bank won nine awards, including “Best Digital Banking Service”, “China Best Trade and Financing Bank”, “Best Financial Management Implementation Solution” and other six awards.
- In July 2023, the Bank’s “UGC Project of Ping An Pocket Bank APP” won the “Digital Intelligence Transformation Excellent Case Award” at the “2023 World Artificial Intelligence Conference (WAIC) Business AI Summit Forum” organized by the National Development and Reform Commission, the Ministry of Industry and Information Technology and other units.

September

- In September 2023, the selection results of “Collection of Typical Cases of China’s Inclusive Finance (2023)” conducted by the 21st Century Finance Research Institute and the China Banking Association were announced, and the Bank was selected in the list of “Cases of Inclusive Finance Supporting the Development of Small and Micro-sized Enterprises” and “Cases of Inclusive Finance Helping Rural Revitalization”.

October

- In October 2023, *The Banker* magazine announced its 2023 Financial Innovation Achievements, and the Bank won six awards, including “2023 Annual ESG Financial Service Innovation Excellence Institution”, “2023 Annual Transaction Banking Innovation Outstanding Case”, etc.

December

- In December 2023, “Digital Intelligence Operation System Practice Project” and “Cloud Native Application Development Platform” of the Bank won the second prize and the third prize in the “2022 Fintech Development Awards”.

Accounting Data and Financial Indicators

2.1 Key indicators

(In RMB million)

Item	2023	2022	Year-on-year change
Operating income	164,699	179,895	(8.4%)
Net profit attributable to shareholders of the Bank	46,455	45,516	2.1%
Cost/income ratio	27.90%	27.45%	+0.45 percentage point
Average return on total assets	0.85%	0.89%	-0.04 percentage point
Weighted average return on net assets	11.38%	12.36%	-0.98 percentage point
Net interest margin	2.38%	2.75%	-0.37 percentage point
Proportion of net non-interest income	28.36%	27.66%	+0.70 percentage point
	31 December 2023	31 December 2022	Change at the end of the year from the end of last year
Deposit principals from customers	3,407,295	3,312,684	2.9%
Total principal of loans and advances to customers	3,407,509	3,329,161	2.4%
Non-performing loan (NPL) ratio	1.06%	1.05%	+0.01 percentage point
Provision coverage ratio	277.63%	290.28%	-12.65 percentage points
Deviation ratio of loans overdue for more than 60 days	0.74	0.83	-0.09
Capital adequacy ratio	13.43%	13.01%	+0.42 percentage point

2.2 Key accounting data and financial indicators

(In RMB million)

Item	31 December 2023	31 December 2022	31 December 2021	Change at the end of the year from the end of last year
Total assets	5,587,116	5,321,514	4,921,380	5.0%
Shareholders' equity	472,328	434,680	395,448	8.7%
Shareholders' equity attributable to ordinary shareholders of the Bank	402,384	364,736	325,504	10.3%
Share capital	19,406	19,406	19,406	-
Net asset per share attributable to ordinary shareholders of the Bank (RMB/share)	20.74	18.80	16.77	10.3%

Item	2023	2022	2021	Year-on-year change
Operating income	164,699	179,895	169,383	(8.4%)
Operating profit before impairment losses on credit and other assets	117,022	128,781	119,802	(9.1%)
Impairment losses on credit and other assets	59,094	71,306	73,817	(17.1%)
Operating profit	57,928	57,475	45,985	0.8%
Profit before tax	57,718	57,253	45,879	0.8%
Net profit attributable to shareholders of the Bank	46,455	45,516	36,336	2.1%
Net profit attributable to shareholders of the Bank less non-recurring gains/losses	46,431	45,407	36,230	2.3%
Net cash flows from operating activities	92,461	134,572	(192,733)	(31.3%)
Ratio per share (RMB/share):				
Basic/Diluted earnings per share (EPS)	2.25	2.20	1.73	2.3%
Basic/Diluted EPS less non-recurring gains/losses	2.25	2.19	1.72	2.7%
Net cash flows from operating activities per share	4.76	6.93	(9.93)	(31.3%)
Financial ratios (%):				
Return on total assets	0.83	0.86	0.74	-0.03 percentage point
Average return on total assets	0.85	0.89	0.77	-0.04 percentage point
Weighted average return on net assets	11.38	12.36	10.85	-0.98 percentage point
Weighted average return on net assets (less non-recurring gains/losses)	11.38	12.33	10.82	-0.95 percentage point

Note:

(1) The return on net assets and EPS indicators are calculated in accordance with the *Compilation Rules for Information Disclosure by Companies Offering Securities to the Public No. 9 - Computation and Disclosure of Return on Net Assets and Earnings per Share* (2010 Revision) (《公开发行证券的公司信息披露编报规则第9号——净资产收益率和每股收益的计算及披露》(2010年修订)) and *Accounting Standards for Business Enterprises No. 34 - Earnings per Share* (《企业会计准则第34号——每股收益》). The Bank issued non-cumulative preference shares of RMB20 billion in private placement on 7 March 2016 and issued non-fixed term capital bonds ("Perpetual Bond") of RMB20 billion and RMB30 billion in December 2019 and in February 2020 respectively, which are all classified as other equity instruments. In the calculation of the "weighted average return on net assets" and "EPS", the paid dividends on preference shares of RMB874 million and the interests on perpetual bonds of RMB1,975 million have been deducted from the "Net profit attributable to shareholders of the Bank".

(2) According to the *Interim Administrative Measures for Gold Lease Business* (《黄金租借业务管理暂行办法》) issued by the General Office of the People's Bank of China, the leased-out end of gold lease business carried out between the Bank and financial institutions has been reclassified from "precious metal" to "placement to banks and other financial institutions", and the leased-in end of gold lease business has been reclassified from "financial liabilities held for trading" to "placement from banks and other financial institutions". Relevant indicators have been adjusted with the same standard in the comparison period.

Accounting Data and Financial Indicators

2.2 Key accounting data and financial indicators

Whether the lower of the net profit before and after deducting non-recurring gains or losses for recent three fiscal years are negative, and the audit report of the last year shows that there is uncertainty in the company's ability to continue as a going concern.

Yes No

Whether the lower of the net profit before and after deducting non-recurring gains or losses are negative

Yes No

Total share capital of the Bank as at the trading day prior to disclosure and fully diluted EPS calculated based on the latest share capital:

Total share capital of the Bank as at the trading day prior to disclosure (in shares)	19,405,918,198
Payment of dividends on preference shares (RMB)	874,000,000
Payment of interests on perpetual bonds (RMB)	1,975,000,000
Fully diluted EPS calculated based on the latest share capital (RMB/share)	2.25

Accounting data differences under domestic and overseas accounting standards

1. Differences in net profit and net assets between financial reports under the international accounting standards and the Chinese accounting standards.

Applicable Not applicable

During the reporting period of the Group, there was no difference in net profit and net assets between financial reports under the international accounting standards and the Chinese accounting standards.

2. Differences in net profit and net assets between financial reports under the overseas accounting standards and the Chinese accounting standards.

Applicable Not applicable

During the reporting period of the Group, there was no difference in net profit and net assets between financial reports under the overseas accounting standards and the Chinese accounting standards.

3. Reasons for differences in accounting data under domestic and overseas accounting standards.

Applicable Not applicable

Quarterly key financial indicators

(In RMB million)

Item	First Quarter of 2023	Second Quarter of 2023	Third Quarter of 2023	Fourth Quarter of 2023
Operating income	45,098	43,512	39,024	37,065
Net profit attributable to shareholders of the Bank	14,602	10,785	14,248	6,820
Net profit attributable to shareholders of the Bank less non-recurring gains/losses	14,469	10,747	14,352	6,863
Net cash flows from operating activities	109,156	(64,915)	71,689	(23,469)

Have the above financial indicators or their totals differed significantly from the relevant financial indicators in the quarterly report and interim report disclosed by the Bank?

Yes No

Information of loans and deposits

(In RMB million)

Item	31 December 2023	31 December 2022	31 December 2021	Change at the end of the year from the end of last year
Deposit principals from customers	3,407,295	3,312,684	2,961,819	2.9%
Including: Corporate deposits	2,199,677	2,277,714	2,191,454	(3.4%)
Personal deposits	1,207,618	1,034,970	770,365	16.7%
Total principal of loans and advances to customers	3,407,509	3,329,161	3,063,448	2.4%
Including: Corporate loans	1,429,790	1,281,771	1,153,127	11.5%
General corporate loans	1,214,991	1,084,224	998,474	12.1%
Discounted bills	214,799	197,547	154,653	8.7%
Personal loans	1,977,719	2,047,390	1,910,321	(3.4%)

Pursuant to the *Circular on Revising and Issuing 2018 Versions of Financial Statement Templates for Financial Enterprises* (Cai Kuai [2018] No. 36) (《關於修訂印發 2018 年度金融企業財務報表格式的通知》(財會〔2018〕36 號)) issued by the Ministry of Finance, interests accrued using the effective interest method are included in the carrying amount of financial instruments, and interests not received or paid as at the balance sheet date are presented in "Other assets" or "Other liabilities". Unless otherwise stated, "Loans and advances to customers", "Deposits from customers" and their breakdowns mentioned in this report are all amounts net of interests.

Accounting Data and Financial Indicators

2.2 Key accounting data and financial indicators (Continued)

Items and amounts of non-recurring gains/losses

✓ Applicable □ Not applicable

(In RMB million)

Item	2023	2022	2021	Year-on-year change
Net gains or losses on disposal of non-current assets	20	152	16	(86.8%)
Gains/losses from contingencies	(64)	(75)	(9)	Negative amount for last year
Others	88	68	127	29.4%
Income tax effect	(20)	(36)	(28)	(44.4%)
Total	24	109	106	(78.0%)

Note: The non-recurring gains/losses are calculated in accordance with the definitions in the *Explanatory Announcement No. 1 on Information Disclosure of Companies Publicly Issuing Securities - Non-recurring Profit and Loss (2023 Revision)* (《公開發行證券的公司信息披露解釋性公告第 1 號——非經常性損益》) 2023 年修訂。

During the reporting period, the Group had no recurring gains/losses items that are defined or listed as non-recurring gains/losses as per the *Explanatory Announcement No. 1 on Information Disclosure of Companies Publicly Issuing Securities - Non-recurring Profit and Loss* (《公開發行證券的公司信息披露解釋性公告第 1 號 - 非經常性損益》).

2.3 Supplementary financial ratios

(Unit: %)

Item	2023	2022	2021	Year-on-year change
Cost/income ratio	27.90	27.45	28.30	+0.45 percentage point
Credit costs	1.85	2.01	2.08	-0.16 percentage point
Deposit-loan spread	3.23	3.81	4.05	-0.58 percentage point
Net interest spread	2.31	2.67	2.74	-0.36 percentage point
Net interest margin	2.38	2.75	2.79	-0.37 percentage point

Notes: Credit costs = impairment losses on loans/average balance of loans and advances to customers; Net interest spread (NIS) = average yield of interest-earning assets - average cost rate of interest-bearing liabilities; and Net interest margin (NIM) = net interest income/average balance of interest-earning assets.

2.4 Supplementary regulatory indicators

2.4.1 Key regulatory indicators

(Unit: %)

Item	Standard level of indicator	31 December 2023	31 December 2022	31 December 2021
Liquidity ratio (RMB and foreign currency)	≥25	68.01	55.19	55.57
Liquidity ratio (RMB)	≥25	67.17	54.16	53.98
Liquidity ratio (foreign currency)	≥25	89.76	79.51	89.83
Liquidity matching ratio	≥100	144.66	140.39	140.96
Capital adequacy ratio	≥10.75 (Note 2)	13.43	13.01	13.34
Tier 1 capital adequacy ratio	≥8.75 (Note 2)	10.90	10.40	10.56
Core tier 1 capital adequacy ratio	≥7.75 (Note 2)	9.22	8.64	8.60
Ratio of loans to the single largest customer to net capital	≤10	2.58	2.74	2.25
Ratio of loans to top 10 customers to net capital	Not applicable	12.77	13.93	12.66
Ratio of accumulated open foreign exchange position to net capital	≤20	4.42	2.28	1.32
Standard loan migration ratio	Not applicable	2.76	2.70	2.37
Special-mention loan migration ratio	Not applicable	41.23	45.54	36.09
Substandard loan migration ratio	Not applicable	80.18	73.89	56.33
Doubtful loan migration ratio	Not applicable	85.89	77.08	88.84
Non-performing loan (NPL) ratio	≤5	1.06	1.05	1.02
Provision coverage ratio	≥130 (Note 3)	277.63	290.28	288.42
Provision to loan ratio	≥1.8 (Note 3)	2.94	3.04	2.94

Notes:

(1) Above-mentioned regulatory indicators are calculated in accordance with the regulatory requirements, of which the migration ratio is calculated according to the latest regulatory standards, and the comparison data are adjusted accordingly by the same standard. Except for the capital adequacy ratio indicator, which represents the Group level position, all other indicators represent the Bank level positions as reported to the regulatory authorities.

(2) According to the *Additional Regulatory Requirements for Systemically Important Banks (for Trial Implementation)* (《系統重要性銀行附加監管規定(試行)》) and the list of China's systemically important banks in 2022, the Bank was in the first group of the list and implemented the additional capital requirement of 0.25% from 1 January 2023.

(3) In accordance with the provisions of *Circular on Adjusting the Regulatory Requirements for Loss Provisions for Loans of Commercial Banks* (Yin Jian Fa [2018] No. 7) (《關於調整商業銀行貸款損失準備監管要求的通知》(銀監發〔2018〕7號)), various joint-stock banks have implemented regulatory policies of differentiated and dynamically adjusted provision.

Accounting Data and Financial Indicators

2.4 Supplementary regulatory indicators(Continued)

2.4.2 Capital adequacy ratio

(In RMB million)

Item	31 December 2023		31 December 2022	
	The Group	The Bank	The Group	The Bank
Net core tier 1 capital	384,886	373,325	343,409	333,914
Other tier 1 capital	69,944	69,944	69,944	69,944
Net tier 1 capital	454,830	443,269	413,353	403,858
Tier 2 capital	105,943	105,896	103,684	103,652
Net capital	560,773	549,165	517,037	507,510
Total risk-weighted assets	4,174,044	4,163,832	3,975,182	3,968,099
Credit risk-weighted assets	3,722,711	3,718,869	3,539,646	3,537,017
On-balance-sheet risk-weighted assets	3,118,974	3,115,132	3,025,807	3,023,178
Off-balance-sheet risk-weighted assets	594,788	594,788	506,034	506,034
Risk-weighted assets of counterparty credit risk exposure	8,949	8,949	7,805	7,805
Market risk-weighted assets	128,970	128,130	120,638	119,993
Operational risk-weighted assets	322,363	316,833	314,898	311,089
Core tier 1 capital adequacy ratio	9.22%	8.97%	8.64%	8.41%
Tier 1 capital adequacy ratio	10.90%	10.65%	10.40%	10.18%
Capital adequacy ratio	13.43%	13.19%	13.01%	12.79%
Balance of mitigated risk exposures of credit risk asset portfolio:				
Balance of mitigated risk exposures of on-balance-sheet credit risk assets	4,999,649	4,993,873	4,784,498	4,779,955
Risk exposures of off-balance-sheet assets after conversion	1,402,829	1,402,829	1,223,859	1,223,859
Counterparty credit risk exposures	6,093,103	6,093,103	5,434,805	5,434,805

Note: The Bank adopted the risk-weighted approach, standardized approach and basic indicator approach to measure the capital requirements for its credit risk, market risk and operational risk, respectively; during the reporting period, there were no material changes in the measurement approaches, risk measurement systems and corresponding capital requirements for credit risk, market risk and operational risk. For more details on capital management, please refer to the Bank's website (<http://bank.pingan.com>).

2.4.3 Leverage ratio

(In RMB million)

Item	31 December 2023	30 September 2023	30 June 2023	31 March 2023
Leverage ratio	6.43%	6.44%	6.39%	6.36%
Net tier 1 capital	454,830	446,615	431,643	426,356
Balance of on-and off-balance sheet assets after adjustment	7,070,387	6,930,626	6,754,261	6,705,904

Note: The above data represents the Group level performance. According to the *Additional Regulatory Requirements for Systemically Important Banks (for Trial Implementation)* (《系統重要性銀行附加監管規定(試行)》) and the list of China's systemically important banks in 2022, the Group implemented the additional leverage ratio requirement of 0.125% from 1 January 2023, i.e., the minimum regulatory requirement of leverage ratio was 4.125%. At present, the Group's leverage ratio meets the additional leverage regulatory requirement. At the end of the reporting period, the Group's leverage ratio decreased as compared with that of the end of September 2023. The main reason for the increase was that the growth rate of net tier 1 capital was lower than the growth rate of the adjusted balance of on-and off-balance sheet assets. For more details on leverage ratio, please refer to the Bank's website (<http://bank.pingan.com>).

2.4.4 Liquidity coverage ratio

(In RMB million)

Item	31 December 2023	30 September 2023	31 December 2022
Liquidity coverage ratio	112.34%	101.25%	115.60%
Qualified liquidity assets with high quality	604,708	499,256	591,747
Net cash outflow	538,304	493,079	511,909

Note: The above data represents the Group level performance. The Group discloses the information on liquidity coverage ratio according to the *Measures for the Disclosure of Information on Liquidity Coverage Ratio of Commercial Banks* (《商業銀行流動性覆蓋率資訊披露辦法》).

2.4.5 Net stable funding ratio

(In RMB million)

Item	31 December 2023	30 September 2023	31 December 2022
Net stable funding ratio	105.49%	108.59%	109.44%
Available stable funding	3,212,627	3,370,417	3,257,530
Stable funding required	3,045,293	3,103,933	2,976,662

Note: The above data represents the Group level performance. The Group discloses the information on net stable funding ratio according to the *Measures for the Disclosure of Information on Net Stable Funding Ratio of Commercial Banks* (《商業銀行淨穩定資金比例信息披露辦法》).

Accounting Data and Financial Indicators

2.5 Data on operations of segments

2.5.1 Profit and scale

(In RMB million)

Item		Retail banking business		Wholesale banking business		Other operations		Total	
		2023	2022	2023	2022	2023	2022	2023	2022
Operating income	Amount	96,161	103,007	53,581	63,322	14,957	13,566	164,699	179,895
	Percentage %	58.4	57.3	32.5	35.2	9.1	7.5	100.0	100.0
Operating expenses	Amount	30,114	32,266	16,885	18,848	678	-	47,677	51,114
	Percentage %	63.2	63.1	35.4	36.9	1.4	-	100.0	100.0
Operating profit before impairment losses	Amount	66,047	70,741	36,696	44,474	14,279	13,566	117,022	128,781
	Percentage %	56.4	54.9	31.4	34.6	12.2	10.5	100.0	100.0
Impairment losses on credit and other assets	Amount	59,131	45,756	(63)	24,753	26	797	59,094	71,306
	Percentage %	100.1	64.2	(0.1)	34.7	0.0	1.1	100.0	100.0
Total profit	Amount	6,864	24,941	36,724	19,697	14,130	12,615	57,718	57,253
	Percentage %	11.9	43.6	63.6	34.4	24.5	22.0	100.0	100.0
Net profit	Amount	5,525	19,828	29,558	15,659	11,372	10,029	46,455	45,516
	Percentage %	11.9	43.6	63.6	34.4	24.5	22.0	100.0	100.0

Item	31 December 2023		31 December 2022		Change at the end of the year from the end of last year
	Balance	Percentage %	Balance	Percentage %	
Total assets	5,587,116	100.0	5,321,514	100.0	5.0%
Including: Retail banking business	1,948,994	34.9	2,027,005	38.1	(3.8%)
Wholesale banking business	2,357,660	42.2	2,094,404	39.4	12.6%
Other operations	1,280,462	22.9	1,200,105	22.5	6.7%

Notes:

(1) The retail banking business segment covers the provision of financial products and services to individual customers, including personal loans, personal deposits, bank cards and various personal intermediary businesses.

The wholesale banking business segment covers the provision of financial products and services to corporate customers, government organizations, banks and other financial institutions, as well as some small enterprises. The products and services include corporate loans, corporate deposits, trade financing, various corporate intermediary businesses, various inter-bank capital businesses and Ping An Wealth Management related businesses.

Other operations refer to the bond investments and some monetary market activities based on its liquidity management needs, centrally managed equity investments, and assets, liabilities and income which cannot be directly attributed to any business segment.

(2) The Bank continued to deepen strategic transformation for retail business. The operating income of retail business and operating profit before impairment losses maintained steady growth. However, the domestic economy was still in the process of recovery and stabilization, some individual customers remain under pressure to repay loans, and the Bank stepped up its efforts in retail asset write-offs and provisions, resulting in a year-on-year decline in net profit from retail business.

(In RMB million)

Item	31 December 2023		31 December 2022		Change at the end of the year from the end of last year
	Balance	Percentage %	Balance	Percentage %	
Deposit principals from customers	3,407,295	100.0	3,312,684	100.0	2.9%
Including: Corporate deposits	2,199,677	64.6	2,277,714	68.8	(3.4%)
Personal deposits	1,207,618	35.4	1,034,970	31.2	16.7%
Total principal of loans and advances to customers	3,407,509	100.0	3,329,161	100.0	2.4%
Including: Corporate loans	1,429,790	42.0	1,281,771	38.5	11.5%
Personal loans	1,977,719	58.0	2,047,390	61.5	(3.4%)

Note: Items above are classified based on the nature of the customers, where the corporate service to small enterprises is attributable to corporate deposits and corporate loans business, and the individual service to small enterprises is attributable to personal deposits and personal loans business. The same approach applies below.

2.5.2 Asset quality

Item	31 December 2023	31 December 2022	Change at the end of the year from the end of last year
Non-performing loan (NPL) ratio	1.06%	1.05%	+0.01 percentage point
Including: Corporate loans	0.63%	0.61%	+0.02 percentage point
Personal loans	1.37%	1.32%	+0.05 percentage point

Accounting Data and Financial Indicators

2.6 Change of core technical team or key technicians during the reporting period (exclusive of directors, supervisors and the senior management)

Applicable Not applicable

2.7 Significant changes in major assets

Significant changes in major assets

Major assets	Explanations on Significant Changes
Equity assets	There were no significant changes during the reporting period
Fixed assets	There were no significant changes during the reporting period
Intangible assets	There were no significant changes during the reporting period
Construction in progress	There were no significant changes during the reporting period

Status of major overseas assets

Applicable Not applicable

Management Discussion and Analysis

3.1 Overall analysis of operations

In 2023, facing the intricate external environment, the Bank adhered to the strategic goal of “China’s most outstanding, world-leading smart retail bank” and the strategic principle of “strengthening its retail banking, reinventing its corporate banking, and expertizing the interbank capital business”, continuously upgraded its operating strategies in retail business, corporate business and interbank business, comprehensively deepened digital transformation, vigorously practiced high-quality financial development, and overall business operation maintained stable.

A year-on-year decline in operating income and net profit maintaining growth.

In 2023, due to factors such as continued profit concession to the real economy, adjustment in asset structure and market fluctuations, the Bank realized the operating income of RMB164,699 million, representing a year-on-year decrease of 8.4%. Reducing cost and improving efficiency through digital transformation, strengthening asset quality control, and intensifying efforts to clear and dispose of non-performing assets, the Group recorded a net profit of RMB46,455 million, representing a year-on-year increase of 2.1%.

Size maintaining stable growth and vigorously supporting the real economy.

At the end of 2023, the Group’s total assets amounted to RMB5,587,116 million, grew by 5.0% as compared with the end of last year, including the total principal of loans and advances to customers of RMB3,407,509 million, up by 2.4% as compared with the end of last year. The Bank continued to strengthen the support for the real economy, and realized better growth in loans to fields such as inclusive finance, manufacturing, agriculture and green finance. The total liabilities amounted to RMB5,114,788 million, representing an increase of 4.7% as compared with the end of last year, including the balance of total deposit principals from customers of RMB3,407,295 million, up by 2.9% as compared with end of last year.

Strengthening comprehensive risk management and the risk compensation capability remained well.

The Bank actively responded to the changes in macro-economy environment, and strengthened asset quality management and control to promote risk prevention and mitigation. At the end of 2023, the NPL ratio of the Bank was 1.06%, increased by 0.01 percentage point from the end of last year; both the balance and the percentage of overdue loans dropped from the end of last year; the deviation ratios of loans overdue for more than 60 days and 90 days were 0.74 and 0.59, respectively; and the provision coverage ratio was 277.63%, the risk compensation capability remained a good level.

Practicing refined management and continuously improving capital adequacy ratio.

At the end of 2023, thanks to net profit growth, capital refined management and other factors, the Group’s core tier 1 capital adequacy ratio, tier 1 capital adequacy ratio and capital adequacy ratio were 9.22%, 10.90% and 13.43%, respectively, up by 0.58 percentage point, 0.50 percentage point and 0.42 percentage point as compared with the end of last year respectively, which all met the regulatory requirements.

Management Discussion and Analysis

3.2 Analysis of financial statements

3.2.1 Analysis of income statement items

(1) Composition of and changes in operating income

In 2023, the Group recorded an operating income of RMB164,699 million, representing a year-on-year decrease of 8.4%, which included a net interest income of RMB117,991 million, representing a year-on-year decrease of 9.3%, and a net non-interest income was RMB46,708 million, representing a year-on-year decrease of 6.1%.

(In RMB million)

Item	2023		2022		Year-on-year change
	Amount	Percentage	Amount	Percentage	
Net interest income	117,991	71.6%	130,130	72.3%	(9.3%)
Balance with the Central Bank	3,844	1.6%	3,715	1.6%	3.5%
Deposits with banks and other financial institutions, placements with and loans to banks and other financial institutions, and financial assets held under resale agreements	8,776	3.9%	4,795	2.1%	83.0%
Loans and advances to customers	183,849	80.8%	188,344	82.3%	(2.4%)
Financial investments	31,148	13.7%	32,024	14.0%	(2.7%)
Subtotal of interest income	227,617	100.0%	228,878	100.0%	(0.6%)
Borrowings from the Central Bank	4,101	3.8%	3,860	3.9%	6.2%
Deposits from banks and other financial institutions, placements from banks and other financial institutions and financial assets sold under repurchase agreements	12,945	11.8%	8,444	8.6%	53.3%
Deposits from customers	75,542	68.9%	66,974	67.8%	12.8%
Debt securities issued	17,038	15.5%	19,470	19.7%	(12.5%)
Subtotal of interest expenses	109,626	100.0%	98,748	100.0%	11.0%
Net non-interest income	46,708	28.4%	49,765	27.7%	(6.1%)
Net fee and commission income	29,430	17.9%	30,208	16.8%	(2.6%)
Other net non-interest income	17,278	10.5%	19,557	10.9%	(11.7%)
Total operating income	164,699	100.0%	179,895	100.0%	(8.4%)

(2) Net interest income

In 2023, the Group recorded a net interest income of RMB117,991 million, representing a year-on-year decrease of 9.3%. On the one hand, the Bank continued to strengthen credit supply to the real economy, and the average daily balance of loans and advances to customers in 2023 amounted to RMB3,387,714 million, increased by 6.2% as compared with the same period of last year. On the other hand, the Bank made continued profit concession to the real economy and adjusted asset structure, and in the meanwhile, affected by the loan repricing effect and changes in market interest rates, the Bank's NIM was dropped.

● Average daily balance and average yield/cost rate of the major asset and liability items

(In RMB million)

Item	January to December 2023			January to December 2022		
	Average daily balance	Interest income/expenses	Average yield/Cost rate	Average daily balance	Interest income/expenses	Average yield/Cost rate
Assets						
Loans and advances to customers	3,387,714	183,849	5.43%	3,190,601	188,344	5.90%
Financial investment	1,002,270	31,148	3.11%	1,022,351	32,024	3.13%
Balances with the Central Bank	250,380	3,844	1.54%	249,879	3,715	1.49%
Deposits with placements with and loans to banks and other financial institutions	325,699	8,776	2.69%	276,107	4,795	1.74%
Total interest-earning assets	4,966,063	227,617	4.58%	4,738,938	228,878	4.83%
Liabilities						
Deposits from customers	3,437,377	75,542	2.20%	3,205,027	66,974	2.09%
Debt securities issued	662,372	17,038	2.57%	726,966	19,470	2.68%
Interbank business and others	738,980	17,046	2.31%	633,752	12,304	1.94%
Total interest-bearing liabilities	4,838,729	109,626	2.27%	4,565,745	98,748	2.16%
Net interest income		117,991			130,130	
Deposit-loan spread			3.23%			3.81%
Net interest spread			2.31%			2.67%
Net interest margin			2.38%			2.75%

Management Discussion and Analysis

3.2 Analysis of financial statements(Continued)

3.2.1 Analysis of income statement items(Continued)

(2) Net interest income(Continued)

(In RMB million)

Item	October to December 2023			July to September 2023		
	Average daily balance	Interest income/expenses	Average yield/Cost rate	Average daily balance	Interest income/expenses	Average yield/Cost rate
Assets						
Loans and advances to customers	3,394,118	43,449	5.08%	3,397,600	45,638	5.33%
Financial investment	1,015,311	7,790	3.04%	983,070	7,672	3.10%
Balances with the Central Bank	245,804	956	1.54%	250,545	973	1.54%
Deposits with placements with and loans to banks and other financial institutions	346,661	2,467	2.82%	320,150	2,205	2.73%
Total interest-earning assets	5,001,894	54,662	4.34%	4,951,365	56,488	4.53%
Liabilities						
Deposits from customers	3,462,033	19,131	2.19%	3,459,421	19,219	2.20%
Debt securities issued	663,328	4,411	2.64%	660,340	4,271	2.57%
Interbank business and others	753,066	4,484	2.36%	713,593	4,277	2.38%
Total interest-bearing liabilities	4,878,427	28,026	2.28%	4,833,354	27,767	2.28%
Net interest income		26,636			28,721	
Deposit-loan spread			2.89%			3.13%
Net interest spread			2.06%			2.25%
Net interest margin			2.11%			2.30%

● Average daily balance and yield of loans and advances to customers

(In RMB million)

Item	January to December 2023			January to December 2022		
	Average daily balance	Interest income	Average yield	Average daily balance	Interest income	Average yield
Corporate loans	1,158,053	46,343	4.00%	1,054,976	41,158	3.90%
Discounted bills	201,144	4,056	2.02%	197,723	4,159	2.10%
Personal loans	2,028,517	133,450	6.58%	1,937,902	143,027	7.38%
Loans and advances to customers	3,387,714	183,849	5.43%	3,190,601	188,344	5.90%

Item	October to December 2023			July to September 2023		
	Average daily balance	Interest income	Average yield	Average daily balance	Interest income	Average yield
Corporate loans	1,200,148	11,759	3.89%	1,160,989	11,782	4.03%
Discounted bills	194,482	926	1.89%	190,627	902	1.88%
Personal loans	1,999,488	30,764	6.10%	2,045,984	32,954	6.39%
Loans and advances to customers	3,394,118	43,449	5.08%	3,397,600	45,638	5.33%

In 2023, the Bank's average yield of loans and advances to customers was 5.43%, representing a year-on-year decrease of 47 basis points from 2022. The average yield of corporate loans was 4.00%, representing a year-on-year increase of 10 basis points from 2022, mainly affected by rising interest rates in foreign currency markets. The average yield of personal loans was 6.58%, representing a year-on-year decrease of 80 basis points from 2022, mainly due to the Bank's increased efforts in mortgage loans supply, strengthened policy support in key areas such as inclusive and consumption, the implementation of the policy guidance of financial institutions to serve the real economy, market changes and structure adjustment, which all led to decline in personal loan yield.

Management Discussion and Analysis

3.2 Analysis of financial statements(Continued)

3.2.1 Analysis of income statement items(Continued)

(2) Net interest income(Continued)

● Average daily balance and cost rate of deposits from customers

(In RMB million)

Item	January to December 2023			January to December 2022		
	Average daily balance	Interest expenses	Average cost rate	Average daily balance	Interest expenses	Average cost rate
Corporate deposits	2,290,339	48,846	2.13%	2,335,115	46,693	2.00%
Including: Demand deposits	932,565	10,568	1.13%	883,736	7,987	0.90%
Term deposits	1,357,774	38,278	2.82%	1,451,379	38,706	2.67%
Including: Treasury deposits and agreement deposits	78,101	2,323	2.97%	106,997	3,583	3.35%
Personal deposits	1,147,038	26,696	2.33%	869,912	20,281	2.33%
Including: Demand deposits	254,693	539	0.21%	236,489	632	0.27%
Term deposits	892,345	26,157	2.93%	633,423	19,649	3.10%
Deposits from customers	3,437,377	75,542	2.20%	3,205,027	66,974	2.09%

Item	October to December 2023			July to September 2023		
	Average daily balance	Interest expenses	Average cost rate	Average daily balance	Interest expenses	Average cost rate
Corporate deposits	2,258,834	12,049	2.12%	2,286,926	12,257	2.13%
Including: Demand deposits	925,882	2,605	1.12%	954,231	2,679	1.11%
Term deposits	1,332,952	9,444	2.81%	1,332,695	9,578	2.85%
Including: Treasury deposits and agreement deposits	88,374	654	2.94%	88,151	654	2.94%
Personal deposits	1,203,199	7,082	2.34%	1,172,495	6,962	2.36%
Including: Demand deposits	247,536	126	0.20%	248,929	126	0.20%
Term deposits	955,663	6,956	2.89%	923,566	6,836	2.94%
Deposits from customers	3,462,033	19,131	2.19%	3,459,421	19,219	2.20%

In 2023, the average cost rate of deposit-taking was 2.20%, representing a year-on-year increase of 11 basis points from 2022. Affected by the sharp rise of foreign currency market interest rates and other factors, the foreign currency deposit cost rate increased. Meanwhile, the Bank continuously strengthened the management and control on deposit cost and optimized deposit structure so that the cost rate of RMB deposits decreased by 9 basis points as compared with the same period of last year.

(3) Net non-interest income

In 2023, the Group recorded a net non-interest income of RMB46,708 million, representing a year-on-year decrease of 6.1%.

● Net fee and commission income

In 2023, the Group recorded net fee and commission income of RMB29,430 million, representing a year-on-year decrease of 2.6%. In the fee and commission income, settlement fee income was RMB3,294 million, representing a year-on-year increase of 8.3%, mainly due to the increase in fee income of corporate settlement business; the agency and trusteeship fee income was RMB7,697 million, representing a year-on-year increase of 5.5%, mainly due to the increase in fee income of agency of personal insurance; the fee income of bank cards was RMB16,128 million, representing a year-on-year decrease of 13.1%, mainly due to the decrease in fee income of credit card business; other fee and commission income was RMB6,178 million, representing a year-on-year decrease of 10.2%, mainly due to the decrease in fee of wealth management and trade financing.

(In RMB million)

Item	2023	2022	Year-on-year change
Settlement fee income	3,294	3,042	8.3%
Agency and trusteeship fee income	7,697	7,296	5.5%
Bank card fee income	16,128	18,553	(13.1%)
Asset custody fee income	1,745	1,981	(11.9%)
Other	6,178	6,882	(10.2%)
Fee and commission income	35,042	37,754	(7.2%)
Fee and commission expenses	5,612	7,546	(25.6%)
Net fee and commission income	29,430	30,208	(2.6%)

Management Discussion and Analysis

3.2 Analysis of financial statements(Continued)

3.2.1 Analysis of income statement items(Continued)

(3) Net non-interest income(Continued)

● Other net non-interest income

In 2023, the Group's other net non-interest income was RMB17,278 million, representing a year-on-year decrease of 11.7%, mainly due to the decrease in gains or losses on foreign exchange as a result of market fluctuation factors. Meanwhile, the Bank's non-interest income from bond investments was increased by seizing market opportunities.

(In RMB million)

Item	2023	2022	Year-on-year change
Investment income	16,054	13,243	21.2%
Gains or losses on changes in fair value	(354)	1,240	(128.5%)
Gains or losses on foreign exchange	662	4,548	(85.4%)
Other operating income	538	131	310.7%
Gains or losses on disposal of assets	144	180	(20.0%)
Other income	234	215	8.8%
Other net non-interest income	17,278	19,557	(11.7%)

(4) Operating and administrative expenses

In 2023, the Group's operating and administrative expense was RMB45,959 million, representing a year-on-year decrease of 6.9%; the cost/income ratio was 27.90%, up by 0.45 percentage point as compared with the same period of last year. The Group deepened comprehensive digital transformation, promoted the cost reduction and efficiency improvement in management through digital transformation, empowered business innovation, and strengthened the investment in key businesses. Meanwhile, the Bank enhanced the refined management on expenses, streamlined daily expenditures, and accurately utilized business recourses.

(5) Provision for impairment losses on credit and other assets

The Group adhered to the prudent principle, continuously strengthened disposal of non-performing assets, and the risk compensate capability remained a good level. In 2023, the Group's provision for impairment losses on credit and other assets amounted to RMB59,094 million, representing a year-on-year decrease of 17.1%. The Group continued to optimize its business structure and strengthened its efforts to clear non-performing assets. At the same time, with gradually stabilized macro-economy, the overall provision for loan and non-loan impairments declined.

(In RMB million)

Item	Provision/ (Reversal) in 2023	Provision/ (Reversal) in 2022	Year-on-year change
Deposits with banks and other financial institutions	(1,512)	1,502	(200.7%)
Placement to banks and other financial institutions	(1,485)	2,175	(168.3%)
Financial assets held under resale agreements	104	4	2,500.0%
Loans and advances to customers	62,833	64,168	(2.1%)
Investment on debts (Note)	(5,538)	(2,763)	Negative amount for last year
Other investment on debts	(498)	127	(492.1%)
Expected credit losses of credit commitments	3,690	5,721	(35.5%)
Foreclosed assets	77	(35)	Negative amount for last year
Other	1,423	407	249.6%
Total	59,094	71,306	(17.1%)

Note: It mainly includes credit impairment loss of financial assets such as bonds measured at amortized cost, asset management plan and trust plan.

Management Discussion and Analysis

3.2 Analysis of financial statements(Continued)

3.2.1 Analysis of income statement items(Continued)

(6) Income tax expense

In 2023, the Group's provision for income tax expenses amounted to RMB11,263 million, with a year-on-year decrease of 4.0%; the effective income tax rate was 19.51%, decreased by 0.99 percentage point on a year-on-year basis, mainly due to the increase in tax exemption income such as interest income from government bonds.

(In RMB million)

Item	2023	2022	Year-on-year change
Profit before tax	57,718	57,253	0.8%
Income tax expenses	11,263	11,737	(4.0%)
Effective income tax rate	19.51%	20.50%	-0.99 percentage point

(7) Regional segment of operating income and expense

See "V. Operating Segment Information" in "Section X Financial Report" for details about regional segment of operating income and expense of the Group in 2023.

3.2.2 Analysis of balance sheet item

(1) Asset composition and changes

At the end of 2023, the Group's total assets amounted to RMB5,587,116 million, up by 5.0% as compared with the end of last year, including the total principal of loans and advances to customers of RMB3,407,509 million, up by 2.4% as compared with the end of last year.

(In RMB million)

Item	31 December 2023		31 December 2022		Change at the end of the year from the end of last year
	Balance	Percentage	Balance	Percentage	
Total loans and advances to customers	3,417,463	61.2%	3,340,177	62.8%	2.3%
Including: Total principal of loans and advances to customers	3,407,509	61.0%	3,329,161	62.6%	2.4%
Accrued interest on loans and advances to customers	9,954	0.2%	11,016	0.2%	(9.6%)
Impairment provision for loans and advances to customers measured at amortized cost	(97,353)	(1.7%)	(97,919)	(1.9%)	(0.6%)
Net loans and advances to customers	3,320,110	59.5%	3,242,258	60.9%	2.4%
Financial assets classified as investments (Note)	1,431,426	25.6%	1,384,149	26.1%	3.4%
Cash and balances with the Central Bank	274,663	4.9%	285,277	5.5%	(3.7%)
Deposits with banks and other financial institutions	93,597	1.7%	98,329	1.8%	(4.8%)
Precious metal	9,680	0.2%	16,555	0.3%	(41.5%)
Placements to banks and other financial institutions and financial assets held under resale agreements	331,537	5.9%	175,482	3.3%	88.9%
Investment properties	335	0.0%	477	0.0%	(29.8%)
Fixed assets	9,814	0.2%	11,083	0.2%	(11.4%)
Right-of-use assets	5,776	0.1%	6,530	0.1%	(11.5%)
Intangible assets	6,622	0.1%	6,879	0.1%	(3.7%)
Goodwill	7,568	0.1%	7,568	0.1%	-
Deferred income tax assets	45,757	0.8%	44,079	0.8%	3.8%
Other assets	50,231	0.9%	42,848	0.8%	17.2%
Total assets	5,587,116	100.0%	5,321,514	100.0%	5.0%

Note: "Financial assets classified as investments" include the derivative financial assets, financial assets held for trading, investment on debts, other investment on debts and other equity instrument investment on the balance sheet. Please see "3.2.3 (1) Investment portfolio and overall situation" in this section for details.

Management Discussion and Analysis

3.2 Analysis of financial statements(Continued)

3.2.2 Analysis of balance sheet item(Continued)

(1) Asset composition and changes(Continued)

● Loans and advances to customers

See “3.2.7 Analysis on asset quality of loans” in this section for details about loans and advances to customers.

● Goodwill

The Bank acquired goodwill from its acquisition of the former Ping An Bank in July 2011, the goodwill balance was RMB7,568 million at the end of 2023. See “IV. Notes to key items in the financial statements - Note 16. Goodwill” in “Section X Financial Report” for details about the Goodwill and impairment test.

(In RMB million)

Item	Balance	Impairment provision
Goodwill	7,568	-

● Other assets - foreclosed assets

(In RMB million)

Item	31 December 2023	31 December 2022	Change at the end of the year from the end of last year
Land, houses and buildings	1,791	2,058	(13.0%)
Other	2	1	100.0%
Sub-total	1,793	2,059	(12.9%)
Impairment provision for foreclosed assets	(1,587)	(1,699)	(6.6%)
Net value for foreclosed assets	206	360	(42.8%)

(2) Liability structure and changes

At the end of 2023, the Group's total liabilities amounted to RMB5,114,788 million, representing an increase of 4.7% as compared with the end of last year, which included the balance of deposit principals from customers of RMB3,407,295 million, representing an increase of 2.9% as compared with the end of last year.

(In RMB million)

Item	31 December 2023		31 December 2022		Change at the end of the year from the end of last year
	Balance	Percentage	Balance	Percentage	
Deposits from customers	3,458,287	67.6%	3,352,266	68.6%	3.2%
Including: Deposit principals from customers	3,407,295	66.6%	3,312,684	67.8%	2.9%
Accrued interest on deposits from customers	50,992	1.0%	39,582	0.8%	28.8%
Borrowings from the Central Bank	208,783	4.1%	191,916	3.9%	8.8%
Deposits from banks and other financial institutions	467,791	9.2%	407,278	8.3%	14.9%
Placements from banks and other financial institutions	49,059	1.0%	57,393	1.2%	(14.5%)
Financial liabilities held for trading	31,614	0.6%	64,943	1.3%	(51.3%)
Derivative financial liabilities	42,220	0.8%	36,525	0.7%	15.6%
Financial assets sold under repurchase agreements	58,152	1.1%	13,303	0.3%	337.1%
Employee benefits payable	17,189	0.3%	18,571	0.4%	(7.4%)
Taxes payable	9,380	0.2%	14,674	0.3%	(36.1%)
Debt securities issued	728,328	14.2%	692,075	14.2%	5.2%
Lease liabilities	6,210	0.1%	6,922	0.1%	(10.3%)
Others (Note)	37,775	0.8%	30,968	0.7%	22.0%
Total liabilities	5,114,788	100.0%	4,886,834	100.0%	4.7%

Note: "Others" include provisions and other liabilities as shown in the financial statements.

Management Discussion and Analysis

3.2 Analysis of financial statements(Continued)

3.2.2 Analysis of balance sheet item(Continued)

(2) Liability structure and changes

● Distribution of deposits from customers as per customer type

(In RMB million)

Item	31 December 2023		31 December 2022		Change at the end of the year from the end of last year
	Balance	Percentage	Balance	Percentage	
Corporate deposits	2,199,677		2,277,714		(3.4%)
Personal deposits	1,207,618		1,034,970		16.7%
Total deposit principals from customers	3,407,295		3,312,684		2.9%

● Distribution of deposits from customers as per regions

(In RMB million)

Item	31 December 2023		31 December 2022		Change at the end of the year from the end of last year
	Balance	Percentage	Balance	Percentage	
Eastern Region	994,482	29.2%	965,192	29.2%	3.0%
Southern Region	1,270,352	37.2%	1,187,196	35.8%	7.0%
Western Region	265,600	7.8%	219,664	6.6%	20.9%
Northern Region	756,662	22.2%	685,366	20.7%	10.4%
Headquarters	83,502	2.5%	225,219	6.8%	(62.9%)
Overseas	36,697	1.1%	30,047	0.9%	22.1%
Total deposit principals from customers	3,407,295	100.0%	3,312,684	100.0%	2.9%

(3) Changes in shareholders' equity

At the end of 2023, the Group's shareholders' equity amounted to RMB472,328 million, up by 8.7% as compared with the end of last year. Among which the undistributed profit amounted to RMB221,255 million, up by 18.8% as compared with the end of last year, due to the net profit recorded and appropriated in 2023.

(In RMB million)

Item	Beginning balance	Increase	Decrease	Ending balance
Share capital	19,406	-	-	19,406
Other equity instruments	69,944	-	-	69,944
Including: Preference shares	19,953	-	-	19,953
Perpetual bonds	49,991	-	-	49,991
Capital reserve	80,816	-	(55)	80,761
Other comprehensive income	2,660	-	(396)	2,264
Surplus reserve	10,781	-	-	10,781
General reserve	64,768	3,149	-	67,917
Undistributed profit	186,305	46,479	(11,529)	221,255
Including: Dividend of ordinary shares proposed for distribution	5,531	13,953	(5,531)	13,953
Total shareholders' equity	434,680	49,628	(11,980)	472,328

(4) Fair value measurement

At the end of 2023, for the Group's fair value measurement and items measured at fair value, please refer to "VIII. Risk disclosure - 4. Fair value of financial instruments" and "XII. Other significant items - Assets and liabilities measured at fair value" in the "Section X. Financial Report".

(5) Restrictions on major asset rights by the end of the reporting period

Applicable Not applicable

Management Discussion and Analysis

3.2 Analysis of financial statements(Continued)

3.2.3 Investment situation

(1) Investment portfolio and overall situation

Applicable Not applicable

(In RMB million)

Item	31 December 2023		31 December 2022		Change at the end of the year from the end of last year
	Balance	Percentage	Balance	Percentage	
Derivative financial assets	40,521	2.8%	27,553	2.0%	47.1%
Financial assets held for trading	450,293	31.5%	446,133	32.2%	0.9%
Investment on debts	772,467	54.0%	731,850	52.9%	5.5%
Other investment on debts	161,931	11.3%	172,233	12.4%	(6.0%)
Other equity instrument investments	6,214	0.4%	6,380	0.5%	(2.6%)
Total financial assets classified as investments	1,431,426	100.0%	1,384,149	100.0%	3.4%

(2) Significant equity investment acquired in the reporting period

Applicable Not applicable

(3) Significant non-equity investment ongoing in the reporting period

Applicable Not applicable

(4) Financial bonds held

At the end of 2023, the carrying amount of financial bonds (policy bank bonds, various general financial bonds, subordinated financial bonds, excluding enterprise bonds) held by the Group was RMB154,611 million, among which the top ten financial bonds with the highest face value were detailed as follows:

(In RMB million)

Name of bonds	Par value	Annual coupon rate (%)	Maturity date	Impairment provision
2022 Commercial Bank Financial Bonds	3,950	2.92	12/19/2025	16.49
2022 Policy Bank Bonds	3,902	2.69	6/16/2027	-
2023 Policy Bank Bonds	3,760	2.59	1/11/2026	-
2023 Policy Bank Bonds	3,186	2.69	9/11/2033	-
2023 Commercial Bank Financial Bonds	3,140	2.77	4/13/2026	12.61
2020 Policy Bank Bonds	3,032	3.23	1/10/2025	-
2020 Policy Bank Bonds	2,902	3.34	7/14/2025	-
2023 Policy Bank Bonds	2,717	2.25	7/6/2026	-
2022 Commercial Bank Financial Bonds	2,190	3.02	10/26/2032	-
2021 Commercial Bank Financial Bonds	2,000	3.30	1/26/2024	8.46

Management Discussion and Analysis

3.2 Analysis of financial statements(Continued)

3.2.3 Investment situation(Continued)

(5) Derivative financial instruments held

Derivative investment

Risk analysis and control measures for derivative positions in the reporting period (including but not limited to market risk, liquidity risk, operational risk, legal risk, etc.)	The Bank carried out capital transactions and investments covering derivatives within the overall limit framework of risk preference and market risk established by the Board of Directors. The Bank built a targeted system for risk management and internal control to effectively identify, measure, monitor, report and control the risks associated with derivative investment.
For changes in market price or fair value of products during the reporting period of invested derivatives, analysis of the fair value of derivatives shall disclose the specific measures used and related hypotheses and parameter setting	In the reporting period, changes in the fair value of the derivatives invested by the Bank were within reasonable and controllable range. The Bank adopted reliable valuation methods generally recognized by market players and used market observable parameters whenever possible to determine the fair value of the derivatives.
Description of whether the specific principles of the accounting policies and accounting for the company's derivatives during the reporting period changed significantly compared with those in the previous reporting period	The Bank developed the accounting policies and accounting measures for derivatives according to the Accounting Standards for Business Enterprises and there was no significant change in relevant policies during the reporting period.

Positions of derivative investment

(In RMB million)

Contract type	Beginning contract amount (nominal amount)	Ending contract amount (nominal amount)	Changes in fair value during the reporting period
Foreign exchange derivatives	2,108,131	2,416,752	6,678
Interest rate derivatives	4,549,226	5,353,908	(342)
Precious metals derivatives	79,968	46,280	831
Total	6,737,325	7,816,940	7,167

Note: The Bank carried out capital transactions and investments covering derivatives within the overall limit framework of risk preference and market risk established by the Board of Directors. The nominal amount of derivative financial instruments only demonstrated the trading volume but did not reflect the actual risk exposure. The Bank mainly adopted hedging strategy to the foreign exchange, interest rate and precious metal derivative businesses, so there was little actual risk exposure of foreign exchange rate, interest rate and commodities.

(6) Usage of raised funds

The Bank had no usage of raised funds during the reporting period.

(7) Significant asset and equity sales

The Bank had no significant asset and equity sales during the reporting period.

(8) Analysis on main holding companies and joint stock companies

Applicable Not applicable

There is no net profit of a single subsidiary of the Bank or investment income of a single joint-stock company that affects the net profit of the Bank by more than 10%. See "3.3 Discussion and analysis of the main businesses" in this section for details about business development of the Bank's wholly owned subsidiary Ping An Wealth Management Co., Ltd.

(9) Structured entities controlled by the company

See "IV. Notes to key items in the financial statements - Note 52. Structured entities" in the "Section X Financial Report" for details about the Group's structured entities.

3.2.4 Balance of off-balance sheet items which may have significant influences on business performance at the end of the reporting period

See "VI. Commitments and contingent liabilities" in "Section X Financial Report" for the Group's items, such as "capital expenditure commitments and credit commitments".

Management Discussion and Analysis

3.2 Analysis of financial statements(Continued)

3.2.5 Analysis on items with changes over 30% in comparative accounting statement

(In RMB million)

Item	Amount for the period	Amount of change	Rate of change	Analysis on reasons of change
Precious metals	9,680	(6,875)	(41.5%)	Mainly due to the decrease in receivables of trading gold leases
Placements to banks and other financial institutions	220,707	86,786	64.8%	Mainly due to the increase in placements to domestic financial institutions
Derivative financial assets	40,521	12,968	47.1%	Mainly due to the increase in the scale of market-making business and the impact of market fluctuations
Financial assets held under resale agreements	110,830	69,269	166.7%	Mainly due to the increase in the scale of bonds held under resale agreements
Financial liabilities held for trading	31,614	(33,329)	(51.3%)	Mainly due to the decrease in the scale of security lending business
Financial assets sold under repurchase agreements	58,152	44,849	337.1%	Mainly due to the increase in the scale of repurchase bonds and bills sold
Taxes payable	9,380	(5,294)	(36.1%)	Mainly due to the decrease in corporate income tax payable after the 2022 final settlement and payment of enterprise income taxes
Provisions	13,498	3,768	38.7%	Mainly due to the increase of expected credit losses of financial guaranteed contracts
Gains or losses on changes in fair value	(354)	(1,594)	(128.5%)	Mainly due to the decrease in gains or losses on changes in fair value of financial instruments held for trading
Gains or losses on foreign exchange	662	(3,886)	(85.4%)	Mainly due to the effect of fluctuated foreign exchange rate
Other operating income	538	407	310.7%	Small base period number of RMB131 million of last year
Other impairment losses on other assets	77	112	Negative amount for last year	Small base period number of RMB-35 million of last year

3.2.6 Cash flows

In 2023, the Group's net cash flows generated from operating activities amounted to RMB92,461 million, representing a year-on-year decrease of RMB42,111 million, primarily due to the decrease in cash inflows of deposit taking; the net cash flows generated from investment activities amounted to RMB-26,142 million, a year-on-year decrease of RMB44,000 million, mainly due to the decrease in cash received from the recovery of debt investments; the net cash flows generated from financing activities amounted to RMB8,089 million, a year-on-year increase of RMB169,494 million, primarily due to the increase in cash inflow received from the issuance of interbank certificates of deposits.

3.2.7 Analysis of loan quality

In 2023, macro-economy overall made a turnaround, but the vitality of business entities still needed to be strengthened, the repayment capacity of small and medium-sized enterprises (SMEs) and individuals continued to be under pressure. The Bank responded to national strategy of actively serving the real economy, supported development of private, small, medium and micro enterprises. The Bank continuously strengthened the efforts in disposal of problematic assets, maintaining a stable overall asset quality.

In 2023, the Bank's provision for credit impairment losses on loans and advances to customers amounted to RMB62,833 million, representing a year-on-year decrease of 2.1%. At the end of 2023, the NPL ratio of the Bank was 1.06% and increased by 0.01 percentage point from the end of last year; the provision coverage ratio was 277.63%, and the provision to loan ratio was 2.94%; the risk compensation capability remained relatively strong.

The Bank continuously strengthened asset quality management and control and intensified the disposal of non-performing assets. In 2023, the Bank's written-off loans amounted to RMB68,585 million, representing a year-on-year increase of 14.7%; the total of recovered non-performing assets was RMB32,595 million, which included recovered written-off principals of RMB19,142 million for non-performing assets (including recovered written-off amount of RMB17,779 million for non-performing loans); 91.3% of recovered amount for non-performing assets was recovered in cash, and the rest was recovered in repayment by collaterals.

In the future, the Bank will closely follow changes in macro situation, intensify management and control measures, keep a good risk compensation level, firmly protect the risk base line, and make sure the asset quality is controllable.

Management Discussion and Analysis

3.2 Analysis of financial statements(Continued)

3.2.7 Analysis of loan quality(Continued)

(1) Five-tier classification of loans and advances to customers

(In RMB million)

Item	31 December 2023		31 December 2022		Change at the end of the year from the end of last year
	Balance	Percentage	Balance	Percentage	
Standard loans	3,311,741	97.19%	3,233,708	97.13%	2.4%
Special-mention loans	59,732	1.75%	60,592	1.82%	(1.4%)
Non-performing loans	36,036	1.06%	34,861	1.05%	3.4%
Including: Substandard	19,133	0.56%	18,900	0.57%	1.2%
Doubtful	10,763	0.32%	9,703	0.29%	10.9%
Loss	6,140	0.18%	6,258	0.19%	(1.9%)
Total principal of loans and advances to customers	3,407,509	100.00%	3,329,161	100.00%	2.4%
Impairment provision for loans and advances to customers	(100,045)		(101,196)		(1.1%)
Including: Impairment provision for loans and advances to customers measured at amortized cost	(97,353)		(97,919)		(0.6%)
Impairment provision for loans and advances to customers measured at fair value and changes included into other comprehensive income	(2,692)		(3,277)		(17.9%)
Non-performing loan ratio	1.06%		1.05%		+0.01 percentage point
Deviation ratio of loans overdue for more than 90 days (Note 1)	0.59		0.69		-0.10
Deviation ratio of loans overdue for more than 60 days (Note 2)	0.74		0.83		-0.09
Provision coverage ratio	277.63%		290.28%		-12.65 percentage points
Provision coverage ratio for loans overdue for more than 90 days	469.25%		419.22%		+50.03 percentage points
Provision coverage ratio for loans overdue for more than 60 days	374.10%		351.08%		+23.02 percentage points
Provision to loan ratio	2.94%		3.04%		-0.10 percentage point

Notes:

(1) Deviation ratio of loans overdue for more than 90 days = Balance of loans overdue for more than 90 days/Balance of non-performing loans.

(2) Deviation ratio of loans overdue for more than 60 days = Balance of loans overdue for more than 60 days/Balance of non-performing loans.

(2) Structural distribution and quality of loans and advances to customers as per products

(In RMB million)

Item	31 December 2023			31 December 2022			Increase/decrease in NPL ratio
	Balance	Percentage	NPL ratio	Balance	Percentage	NPL ratio	
Corporate loans	1,429,790	42.0%	0.63%	1,281,771	38.5%	0.61%	+0.02 percentage point
Including: General corporate loans	1,214,991	35.7%	0.74%	1,084,224	32.6%	0.72%	+0.02 percentage point
Discounted bills	214,799	6.3%	-	197,547	5.9%	-	-
Personal loans (Note)	1,977,719	58.0%	1.37%	2,047,390	61.5%	1.32%	+0.05 percentage point
Including: Housing mortgage loans	303,568	8.9%	0.30%	284,443	8.5%	0.28%	+0.02 percentage point
Credit card receivables	514,092	15.1%	2.77%	578,691	17.4%	2.68%	+0.09 percentage point
Consumer loans	545,291	16.0%	1.23%	602,247	18.1%	1.08%	+0.15 percentage point
Operating loans	614,768	18.0%	0.83%	582,009	17.5%	0.74%	+0.09 percentage point
Total principal of loans and advances to customers	3,407,509	100.0%	1.06%	3,329,161	100.0%	1.05%	+0.01 percentage point

Notes: In the current period, the classification dimension of personal loan was optimized, in which products such as title deed-secured loans and automobile finance loans were classified as consumption loans and operating loans according to the purpose of issuance, and the comparative period data were adjusted on the same standard.

Management Discussion and Analysis

3.2 Analysis of financial statements(Continued)

3.2.7 Analysis of loan quality(Continued)

● Corporate loans

At the end of 2023, the NPL ratio of the Bank's corporate loans was 0.63%, up by 0.02 percentage point from the end of last year. The Bank continued to iterate risk policies, and improved asset quality control mechanism. The corporate credit indicators remained at a good level. The details are as follows:

In the aspect of risk access, the Bank continued to establish an ecological risk policy system, and focused on main business fields such as manufacturing, new and old infrastructure, green finance, "specialized, refined, distinctive and innovative" enterprises and the goal of the six major directions of "boosting China's strength in manufacturing, product quality, aerospace, transportation, cyberspace, and digital development" to serve the real economy with high-quality. The Bank optimized risk policy formation mechanisms, relied on its internal professional research strengthen, expanded horizontally and deepened vertically, continued to improve risk policies, led the Bank's business development direction, launched special risk policies according to local conditions, and actively capitalized on regional and cyclical business opportunities. The Bank continued to strengthen transaction bank business and integrated deeply with industry ecosystem policies to foster new momentum for asset growth. As for major business fields such as real estate and government related business, the Bank continued to track and judge external situation, adjusted business orientation and access rules timely, and conducted proactive inspection and flexible adjustments to policies.

In the aspect of post-loan management, the Bank deepened "system empowerment, management empowerment and team empowerment", and took multiple measures to achieve more agile response to the situation, more accurate portfolio control, more effective assessment and supervision, and more forward-looking control of problematic credit. The Bank continuously focused on the risk in real estate industry, large group customers and other fields, and promoted risk prevention and alleviation by grasping the management of key actions and large group customers. The Bank strengthened early warning and strategy classification management, deepened the hierarchical and classified management mechanism, and effectively enhanced early risk detection and control. The Bank continued to enhance the efforts to clear and dispose of non-performing assets, expanded disposal channels and methods for non-performing corporate asset, and helped maintain overall stable asset quality.

● Personal loans

At the end of 2023, the NPL ratio of the Bank's personal loans was 1.37%, up by 0.05 percentage point from the end of last year. In 2023, the domestic economy was overall stabilized with a structural difference, and the repayment ability of specific individual customers was still in the process of recovering, so the NPL ratio of personal loans has increased. The Bank has increased inspection frequency on pre-lending policies, strictly controlled customer access, improved risk prevention and response, and actively strengthened the disposal of non-performing loans while expanding collection and recovery channels. Moreover, the Bank has steadily promoted the structural adjustment on personal loans, continuously increased the proportion of secured loans, improved high-risk customers' identification using its industry-leading technological capabilities and risk control models. The Bank also implemented differential risk management strategies, and effectively enhanced its risk mitigation capability.

(3) Structural distribution and quality of loans and advances to customers as per industry

(In RMB million)

Item	31 December 2023			31 December 2022			Increase/decrease in non-performing loan ratio
	Balance	Percentage	NPL ratio	Balance	Percentage	NPL ratio	
Husbandry and fishery	3,575	0.1%	-	3,124	0.1%	-	-
Mining	17,821	0.5%	-	18,899	0.6%	-	-
Manufacturing	200,675	5.9%	0.32%	183,192	5.5%	0.53%	-0.21 percentage point
Energy	37,527	1.1%	-	33,091	1.0%	2.83%	-2.83 percentage points
Transportation, post and telecommunications	59,744	1.8%	0.08%	51,441	1.5%	0.46%	-0.38 percentage point
Wholesale and retail	151,160	4.4%	1.17%	124,729	3.7%	0.39%	+0.78 percentage point
Real estate	255,322	7.5%	0.86%	283,484	8.5%	1.43%	-0.57 percentage point
Social services, science and technology, culture and sanitary	246,241	7.2%	1.07%	219,219	6.6%	0.46%	+0.61 percentage point
Construction	52,760	1.5%	1.94%	45,868	1.4%	0.10%	+1.84 percentage points
Personal loans	1,977,719	58.0%	1.37%	2,047,390	61.5%	1.32%	+0.05 percentage point
Others	404,965	12.0%	0.16%	318,724	9.6%	-	+0.16 percentage point
Total principal of loans and advances to customers	3,407,509	100.0%	1.06%	3,329,161	100.0%	1.05%	+0.01 percentage point

Note: The industry statistics involve loans and discounted bills.

In 2023, the Bank kept up with the major national strategic planning, actively supported the development of the real economy, and focused on key industries, key areas and key customers. The Bank selected the industries with weak periodicity, steady growth and good asset quality, and made more efforts in taking reduction measures on high-risk customers to further optimize asset portfolio allocation. Meanwhile, the Bank continuously strengthened risk management and control over new businesses and strongly enhanced the mitigation and handling of existing risks, and the asset quality was overall stable. Affected by the industry imbalance in the gradual recovery of macro-economy and adverse impact of new non-performing corporate customers, the NPL ratio in the sectors of construction, wholesale and retail, social services, science and technology, culture and sanitary, and other loans increased slightly as compared with the end of last year. The Bank has actively implemented various measures to strengthen the recovery and disposal level, and overall risk is under control.

Management Discussion and Analysis

3.2 Analysis of financial statements(Continued)

3.2.7 Analysis of loan quality(Continued)

(4) Quality of loans and advances to customers as per regions

(In RMB million)

Item	31 December 2023			31 December 2022			Increase/decrease in NPL ratio
	Balance	Percentage	NPL ratio	Balance	Percentage	NPL ratio	
Eastern Region	782,187	23.0%	0.60%	711,833	21.4%	0.55%	+0.05 percentage point
Southern Region	706,021	20.7%	1.02%	649,810	19.5%	0.96%	+0.06 percentage point
Western Region	335,842	9.9%	0.76%	310,687	9.3%	1.03%	-0.27 percentage point
Northern Region	559,056	16.4%	0.45%	490,360	14.7%	0.42%	+0.03 percentage point
Headquarters	991,440	29.0%	1.92%	1,136,487	34.2%	1.72%	+0.20 percentage point
Overseas	32,963	1.0%	-	29,984	0.9%	-	-
Total principal of loans and advances to customers	3,407,509	100.0%	1.06%	3,329,161	100.0%	1.05%	+0.01 percentage point

(5) Restructured and overdue loans

(In RMB million)

Item	31 December 2023		31 December 2022	
	Balance	% of total loans	Balance	% of total loans
Restructured loans	32,030	0.94%	17,107	0.51%
Loans with principal and interest overdue for within 90 days	27,231	0.80%	27,903	0.83%
Loans with principal and interest overdue for more than 90 days	21,320	0.62%	24,139	0.73%

At the end of 2023, the Bank's balance of restructured loans was RMB32,030 million, up by 87.2% as compared with the end of last year, mainly due to debt restructuring of some large corporate customers. The Bank will continuously intensify the dissolving for collection and restructure on problematic credit corporates, and adjust and optimized the credit business plan step by step to mitigate and dissolve credit risks.

At the end of 2023, the Bank's balance of overdue loans accounted for 1.42% with a decrease of 0.14 percentage point as compared with the end of last year. The balance of loans overdue for more than 60 days (including loans with principal paid and interest overdue for more than 60 days) was RMB26,743 million, accounting for 0.78% of total principal of loans and advances to customers, with a decrease of 0.09 percentage point over the end of last year. In respect of overdue loans, the Bank took multiple targeted management and control actions, and developed recovery and restructuring conversion plans based on the actual conditions of customers. The Bank actively communicated with all relevant parties, and actively promoted risk management and resolution. The overall risk was controllable.

(6) Movements in impairment provision of loans

The Bank started to implement new accounting standards for financial instruments from 1 January 2018 and set up an expected credit loss model to measure the expected credit losses. In 2023, the Bank's provision for credit impairment losses on loans and advances to customers amounted to RMB62,833 million.

(In RMB million)

Item	Amount
Beginning balance	101,196
Provision	62,833
Write-offs	(68,585)
Reversal of written-off loans recovered	17,779
Transfer upon asset disposal	(12,587)
Decrease in loans due to increase in discounted value	(83)
Other changes	(508)
Ending balance	100,045

Non-performing loans fully provided will be written off to the extent that they conform to the write-off conditions and complete relevant procedures; written-off loans will be managed in accordance with the principle of "filing after writing-off and continuous recovery". For recovery of written-off loans, litigation fees due from borrower advanced from the Bank will be withheld first. For the remaining amount, the principal amount of the loans was deducted before the debit interest was deducted. The recovery of loan principals would be used to increase the provision for loss of loans of the Bank, and the recovered interest and expenses would be used to increase interest income in the current period and bad-debt provision.

Management Discussion and Analysis

3.2 Analysis of financial statements(Continued)

3.2.7 Analysis of loan quality(Continued)

(7) Top ten borrowers

(In RMB million)

Borrowers	31 December 2023		
	Loan balance	% of net capital	% of total loans
Borrower A	14,189	2.58%	0.42%
Borrower B	8,230	1.50%	0.24%
Borrower C	7,694	1.40%	0.23%
Borrower D	7,616	1.39%	0.22%
Borrower E	7,238	1.32%	0.21%
Borrower F	5,642	1.03%	0.17%
Borrower G	5,017	0.91%	0.15%
Borrower H	5,009	0.91%	0.15%
Borrower I	4,966	0.91%	0.14%
Borrower J	4,522	0.82%	0.13%
Total	70,123	12.77%	2.06%

At the end of 2023, the Bank's loan balance to the top ten borrowers amounted to RMB70,123 million, accounting for 2.06% of the total principal of loans and advances to customers. Among which the Bank's loan balance to the top five borrowers was RMB44,967 million, accounting for 1.32% of the total principal of loans and advances to customers. The Bank's top five borrowers are not associated with it.

(8) Distribution of loans by type of collateral

For information of "distribution of loans by type of collateral", please refer to "IV. Notes to key items in the financial statements - 6.3 Loans and advances to customers -- Analysis of distribution of loans by type of collateral" in "Section X Financial Report" for details.

3.2.8 Analysis of loan quality

Attaching high importance to liability quality management, the Bank formulated the *Measures for Liability Quality Management of Ping An Bank* in accordance with the Measures for Liability Quality Management of Commercial Banks. Based on the development condition of its strategic target and liability business, the Bank established a liability quality management structure with multilevel of head office, business lines and branches in which the Board of Directors assumed the ultimate responsibility for liability quality management, the senior management assumed the management responsibility for liability quality management, and the Audit and Supervision Department was responsible for the internal audit to liability quality management.

In 2023, the Bank continuously enhanced the management on liability source, structure and cost. Firstly, the Bank continued to strengthen customer group management, fully promoted steady growth of deposit scale, and enhanced the stability of liability sources. Secondly, the Bank adhered to the balanced development of volume and price of deposit business, strengthened internal and external pricing management, actively adjusted the structure, maturity and currency of deposits, and reasonably controlled costs of interest payment. Thirdly, the Bank paid close attention to policy and market changes, issued interbank certificates of deposit and financial bonds at a proper time, and improved the diversity of liability structure. Fourthly, the Bank continued to optimize the asset and liability management strategy, maintained coordinated development of deposit and loan business, and strengthened liquidity risk management to improve the reasonableness of matching liabilities and assets.

In 2023, the businesses remained stable development, the liability quality kept in safe and sound conditions, and all indicators stayed within a reasonable range. At the end of 2023, the Group's total liabilities amounted to RMB5,114,788 million, representing an increase of 4.7% as compared with the end of last year; the balance of deposit principals from customers was RMB3,407,295 million, representing an increase of 2.9% as compared with the end of last year. At the same time, the Group's liability quality management and regulatory indicators such as net stable funding ratio and liquidity coverage ratio all met the regulatory requirements.

Management Discussion and Analysis

3.3 Discussion and analysis of the main businesses

3.3.1 Strengthening its retail banking

The Bank actively fulfilled the original aspiration of providing financial service to the real economy and serving people's well-being, adhered to the strategic positioning of the retail business, and continued to promote the transformation of the retail business. At the end of 2023, the number of Bank's retail customers was 125,432 thousand, increased by 1.9% as compared with the end of last year, the assets under management (AUM) of retail customers amounted to RMB4,031,177 million, increased by 12.4% as compared with the end of last year, and the operating income of retail business for the year accounted for 58.4% of its total income.

(1) Liability business

Key indicators of the liability business (Selected)

(In RMB million)

Dimensions	Item	31 December 2023	31 December 2022	Change at the end of the year from the end of last year
Deposits	Balance of personal deposits	1,207,618	1,034,970	16.7%
	Average daily balance of personal deposits	1,147,038	869,912	31.9%
Payroll business	AUM balance brought from customers of agency and batch business	810,075	659,953	22.7%
	Deposit balance brought from customers of agency and batch business	299,226	224,893	33.1%

The Bank continued to promote faster growth in the size of retail deposits. First, the Bank utilized big data technology to identify target customer groups and improve precision marketing. Second, the Bank expanded the key scenarios of deposit operation, deepened the corporate-private linkage to realize integrated operation, optimized the payment and settlement business of merchants and acquirers, and continued to enhance the ability of scenario-based operation for customers. Third, the Bank provided customers with professional asset allocation services to drive deposit size growth. At the end of 2023, the balance of personal deposits amounted to RMB1,207,618 million, up by 16.7% as compared with the end of the previous year; the average daily balance of personal deposits was RMB1,147,038 million in 2023, increased by 31.9% as compared with the same period of last year.

The driving role of the Bank's payroll business to deposits was continuously enhanced. First, the Bank continued to iterate the "Ping An Salary", created industry solutions, upgraded one-stop enterprise service platform and comprehensive financial services, and assisted the development of agency customers. Second, based on the daily high-frequency payment scenarios of customers, the Bank enriched its product of "Ping An Salary Manager", and developed a smart income and expenditure management platform for customers' household main account. At the end of 2023, the number of binding customers of "Ping An Salary Manager" exceeded 2,136 thousand, with an addition of 686 thousand as compared with the end of last year. Third, the Bank continuously improved digital operation system for agency customer groups, and fully empowered their refine operations. At the end of 2023, the AUM balance from customers of agency and batch business amounted to RMB810,075 million, up by 22.7% as compared with the end of the previous year; the balance of deposits from customers amounted to RMB299,226 million, up by 33.1% as compared with the end of the previous year.

(2) Asset business

In response to changes in the external operation environment, the Bank took the initiative to expand medium- and low-risk customer groups, and increased the supply of residential mortgage loans, title deed-secured loans, and new energy automobile loans. At the end of 2023, the Bank's balance of personal loans amounted to RMB1,977,719 million, decreased by 3.4% as compared with the end of last year, of which the balance of secured loans was RMB1,162,316 million, representing an increase of 4.8% as compared with the end of last year. Among personal loans, the balance of personal property mortgage loans was RMB303,568 million, up by 6.7% from the end of last year; the balance of operating loans amounted to RMB614,768 million, up by 5.6% as compared with the end of last year; affected by external changes in operation environments, the balance of consumer loans was RMB545,291 million, down by 9.5% as compared with the end of last year; the balance of credit card receivables amounted to RMB514,092 million, down by 11.2% as compared with the end of last year.

Credit Card

The Bank actively responded to changes in external operating environment, advanced the transformation and upgrading of credit card business, deepened existing customer management, and strengthened the management on high-quality customers. At the end of 2023, the number of credit card in circulation was 53,889.1 thousand, the total consumption amount using credit card for the year was RMB2,781,504 million, in which the proportion of online consumption increased by 6.7 percentage points year on year, and the proportion of average daily balance of credit cards in circulation and installments increased by 4.1 percentage points year on year. The credit card business's consumption structure and asset structure were further optimized, which provided a strong support for the sustainable development.

The Bank continuously promoted refined management on customers. For car owner groups, it optimized the "Ping An Refueling" and "Car Owner Credit Card" platforms, and built one-stop auto ecological services. For wealth management groups, it upgraded its Platinum Card product system, and created five customized rights and interests for business travel, car owner's life, hotel and restaurant, golf private enjoyment and entertainment life. For young customer groups, it realized one card with multi rights, and created a rights and interests matrix of video, team & coffee, supermarket membership, sports, fitness, etc. The Bank strengthened scenario-based ecosystems, continuously enriched its platform, namely, "Daily and monthly transactions for a lucky draw", and conducted the "12% off for every day" activity in over 200 well-known shopping areas across the country. The Bank upgraded the capacity building of the new core system of credit card A+ to drive business scenario innovation. At the end of 2023, the Bank's credit card intelligent voice middle office service had been embedded into over 2,100 business scenarios.

Auto finance loans

In the face of changing automotive market environment and severe industrial competition, the Bank actively responded to the national policy, mapped out the new energy vehicle market, optimized auto finance product system, and constantly improved customer service experiences. At the end of 2023, the Bank's balance of auto finance loans amounted to RMB302,475 million, and the newly issued loans for new energy vehicles for the year amounted to RMB36,803 million, representing a year-on-year increase of 47.8%.

The Bank made efforts in developing auto finance business for new energy vehicle, constantly deepened the cooperation with new energy brands, advanced online business, and improved the convenience of customers' business processing and services. The Bank strengthened refined management on car owner groups, and went deep customers' needs and preferences to enhance the conversion of target customer. Meanwhile, the Bank upgraded online platform operation capability and car owner rights and interests around the scenarios of customer buying vehicles, using vehicles, maintaining vehicles and trading vehicles to satisfy the needs of customers for one-stop financial product services.

As continuous recovery and improvement of domestic economy, the Bank will actively seize the opportunity of consumer recovery, strengthen the foundation for the development of the retail asset business, and promote the retail asset business to achieve high-quality and sustainable development.

Management Discussion and Analysis

3.3 Discussion and analysis of the main businesses(Continued)

3.3.1 Deepening transformation and development in retail business(Continued)

(3) Private banking and wealth management

Key indicators of private banking and wealth management (Selected)

(In RMB million)

Item	31 December 2023	31 December 2022	Change at the end of the year from the end of last year
Number of wealth management customers (in 10,000 accounts)	137.75	126.52	8.9%
Number of private banking customers (in 10,000 accounts)	9.02	8.05	12.0%
AUM Balance of private banking customers	1,915,515	1,620,785	18.2%

The Bank continued to upgrade its capabilities in products, services, teams and brand, and improved the allocation level of wealth management assets to provide customers with the service experience of “worry free, time-saving and money-saving”. At the end of 2023, the assets under management (AUM) of retail customers amounted to RMB4,031,177 million, up by 12.4% as compared with the end of the previous year, among which the AUM balance of private banking customers amounted to RMB1,915,515 million, representing an increase of 18.2% as compared with the end of the previous year. The Bank’s wealth management customers reached 1,377.5 thousand, up by 8.9% as compared with the end of the previous year, among which the qualified private banking customers¹ reached 90.2 thousand, up by 12.0% as compared with the end of the previous year. In 2023, the Bank’s commission income from wealth management recorded RMB6,584 million, with a year-on-year increase of 2.1%.

In terms of product upgrading, the Bank continued to improve its capabilities in product screening, introduction, and customization, enriched and optimized product categories. As for agency of insurance products, the Bank leveraged ecological advantages of “comprehensive finance and medical health” of Ping An Group, and agilely tailored insurance products with market foresight and customer appeal. In 2023, the Bank’s income of personal insurance agency amounted to RMB2,989 million, representing a year-on-year increase of 50.7%. As for agency of wealth management products, affected by external operation environment, the Bank’s income of personal wealth management agency amounted to RMB948 million, representing a year-on-year decrease of 5.7%. As for agency of fund products, the Bank built different gradient product matrix and product strategy for publicly offered fund products in terms of currency, fixed income, fixed income+, rights and interests. At the end of 2023, the number of position customers of the Bank’s agency of non-monetary publicly offered funds increased by 13.6% as compared with the end of last year. Meanwhile, the Bank focused on top private banking customers and continuously optimized comprehensive finance solutions. In 2023, the Bank assisted customers in setting up new family trust and new insurance trust amounted to RMB66,913 million, representing a year-on-year increase of 22.5%.

¹The standard of private banking customers is the average daily assets in any month of recent three months is more than RMB6 million.

In terms of service upgrading, the Bank provided customers with full-account diagnostics and comprehensive investment advisory services for long-term companionship to improve the health level of customers’ wealth. The Bank also focused on building multiple trump cards of “high-end medical and health care, children’s education, and charity planning”. In 2023, the cumulative number of famous doctors’ services exceeded 22,000 cases, and online consultation exceeded 94,000 cases.

In terms of team upgrading, the Bank continued to improve the team’s expertise, and enhanced its capability of internal development. Firstly, the Bank improved the standardized wealth management training system, and promoted a standardized action model for its teams through a three-dimensional training mode of “training, practicing and counseling”. Secondly, the Bank upgraded intelligent marketing service tools, strengthened human-machine collaboration to empower team operation, and effectively enhanced customer service experience. Thirdly, the Bank focused on creating a new wealth team that understood insurance well, so as to provide customers with more comprehensive and integrated financial asset allocation services.

In terms of brand upgrading, the Bank enhanced the brand influence of its private banking business. In 2023, the Bank was awarded the “Best Private Bank” by Global Finance. Meanwhile, the Bank expanded the scope of participation in charity covering rural revitalization, children education, assistance to the elderly and the needy, environmental protection and other fields. At the end of 2023, the Bank’s charity rights and interests, “Ping An Benevolence”, served nearly 92 thousand donors.

(4) Digital platform and comprehensive finance

The Bank continued to digital operation capability. First, it upgraded the “AI + T + Offline” (AI bank + Remote bank + Offline bank) mode, created a unified platform support system by integrating various business systems, and supported the multiple-channel connection. Second, it improved the functions and experience of Ping An Pocket Bank APP, and fully applied AI technologies such as customer insight, intelligent interaction and personalized content recommendation to create seamless customer journey experience and improve customer stickiness. At the end of 2023, the registered customers of Ping An Pocket Bank reached 166,039.1 thousand, representing an increase of 8.6% as compared with the end of the previous year, among which the number of monthly active users (MAU) was 51,936.7 thousand. Its AI account managers had launched over 2,300 scenarios, and served nearly 30 million customers. The one-time problem-solving ratio and the proportion of unmanned services of the Bank exceeded 90%. In December 2023, the Bank’s customer services obtained a Net Promoter Score (NPS) of 86.8%, while the physical outlets reported a NPS of 94.5%.

The Bank’s overall contribution of comprehensive finance remained stable, and continuously drove the high-quality development of MGM (Member-Get-a-Member) model through the innovation of its online operation model. In 2023, the class one account of new customers acquired through the MGM model reached 1,229.6 thousand, accounting for 29.8% of new class one customers acquired.

²NPS = (Number of Promoters - Number of Detractors) / Total Number of the Sample Population × 100%. It is an index that measures the probability that a customer will recommend a certain company or service to others. Depending on different survey channels, the index may be divided into NPS for customer services and NPS for physical outlets.

Management Discussion and Analysis

3.3 Discussion and analysis of the main businesses(Continued)

3.3.1 Deepening transformation and development in retail business(Continued)

(1) Continuous upgrading for the operation of three business segments(Continued)

Key indicators of consumer finance (Selected)

(In RMB million)

Item	2023		2022	
	Contribution in comprehensive finance	Proportion in comprehensive finance	Contribution in comprehensive finance	Proportion in comprehensive finance
Number of new customers acquired (in 10,000)	305.82	36.9%	418.83	39.3%
Net increase in number of wealth management customers (in 10,000)	6.78	60.4%	7.66	46.3%
Net increase in number of private banking customers (in 10,000)	0.58	59.8%	0.55	50.9%
Net increase in the assets under management (AUM) of retail customers	258,876	58.3%	218,251	53.9%
Amount of auto finance loans issued	39,764	21.2%	48,520	20.8%
Amount of credit cards newly issued (in 10,000)	137.54	21.6%	207.01	26.4%

3.3.2 Refining its corporate banking

In 2023, closely following the national strategic plan and focusing on serving the real economy, the Bank made its efforts in five areas of promoting industry finance, technology finance, supply chain finance, cross-border finance and inclusive finance. The Bank's corporate business continued to increase its financing support for key areas such as manufacturing, specialized, refined, distinctive and innovative enterprises, private enterprises, micro, small and medium-sized enterprises, rural revitalization, green finance, and infrastructure. Adhering to the "customer-centric" principle and working on customer needs, the Bank fostered and strengthened its strategic customer groups through long-term in-depth management to consolidate its corporate business development base.

The Bank's corporate business focused on "refining industries, refining customers and refining products" to achieve steady business development by focusing on two core tracks. At the end of 2023, the balance of loans to enterprises was RMB1,429,790 million, up by 11.5% as compared with the end of last year; the balance of corporate deposits was RMB2,199,677 million, down by 3.4% as compared with the end of last year, mainly affected by rising interest rates in foreign currency markets. The Bank appropriately reduced corporate deposits in foreign currency, continuously strengthened the management and control on deposit cost, and optimized deposit structure.

(1) Refining industries

The Bank closely followed the national strategic direction, examined the industrial development trend, deepened industry-oriented services, and continued to build differentiated advantages and moats of industry-oriented operation.

Optimizing the layout of industry portfolio. The Bank took industry researches and industry risk controls as the key of industry-oriented operation, combined with customer base and business structure, selected industries and implements scientific and precise industry portfolio management. It not only emphasized the control of industry concentration based on its strategic focuses and reasonably dispersed risks, but also strengthened the in-depth industry management and actively integrated into the nation's modern industries. The Bank gave full play to Ping An's comprehensive financial advantages, provided various customers with high-quality services in industrial chain and supply chain, and helped the nation develop its modern industries.

Developing new industrial momentum. The Bank implemented the six major directions of "boosting China's strength in manufacturing, product quality, aerospace, transportation, cyberspace, and digital development", landed its focus on supporting the real economy for the development of the corporate business, concentrated on the "three new racing tracks" of new energy, new infrastructure and new manufacturing", and developed new industrial momentum. Through the model of "commercial banking + investment bank + investment", the Bank provided enterprises with full life-cycle financial services and helped industrial transformation and upgrading. In 2023, the asset investment scale³ of the "three new racing tracks" amounted to RMB204,552 million, representing a year-on-year increase of 32.5%.

(2) Refining customers

The Bank conformed to the trend of comprehensive, ecological and integrated management on corporate customers, adapted to changes in market environment and customer needs, and strengthened the customer-centric management concept. The Bank established a tiered customer management system and a gradient development mechanism for customers from strategic customers to small- and micro-sized customers, strengthened and optimized the pyramid structure for the Bank's corporate customers, and forged the professional and in-depth management capability with "long-termism" orientation to promote the refinement of customers. For strategic customers, the Bank managed them using a list system, continued to promote industry-specific and professional management, provided integrated financial services for customers, and built value and asset contributors and ecological management circles for corporate business. Based on regional characteristics, the Bank conducted high-quality customer group management, and focused on key customer groups such as the government, central government- and state-owned enterprises, platform enterprises, listed companies, high-tech enterprises, upstream and downstream of the supply chain, and cross-border customers, and guided branches to give full play to their regional resource advantages, and deepened and penetrated the local mainstream and special customer groups to expand the strategic and potential customer base. For small- and micro-size customer groups, the Bank acquired customers in batch relying on industry chain and supply chain, business districts and platforms, continuously enriched customer portraits, created the product category and built its unique characteristic model. At the end of 2023, the number of corporate customers was 754 thousand, representing an increase of 138.1 thousand or 22.4% as compared to the end of last year; and the number of new specialized, refined, distinctive and innovative customers increased by 160.5% as compared to the end of last year.

³ The statistic standard includes on-balance loans (excluding notes business, and secondary market forfailing) off-balance business.

Management Discussion and Analysis

3.3 Discussion and analysis of the main businesses(Continued)

3.3.2 Refining its corporate banking(Continued)

(3) Refining products

Focusing on core customer groups, the Bank went deep into industry scenarios, strengthened the product portfolio with industrialization, differentiation and integration, and applied our “finance + technology” capabilities to continuously innovate business models, optimize the financial service experience, and enhance comprehensive customer service capabilities.

Payment and settlement and cash management

Focusing on key customer groups such as online e-commerce, offline chains and core supply chain enterprises, the Bank continuously optimized and integrated payment and settlement products such as collection, payment and account, and provided full-scenario payment and settlement solutions. First, the Bank provided integrated payment and settlement services such as diversified bank card acceptance, fund management and intelligent clearing around the Internet platform in response to different needs of the platform and B-end merchants and C-end consumers. Second, the Bank gave full play to the value of payment data on the platform, innovated digital financing models, met the financing needs of buyers, sellers and service providers on the platform, and supported the operation and development of the massive B-end micro, small and medium-sized merchants on the platform. Third, the Bank explored a new mode of collection business and built comprehensive payment and settlement solutions such as “collection + account system” around the whole chain and multiple transaction scenarios of chain brands and other industry customer groups. In 2023, the Bank launched 62,663 million transactions relating to Internet payment and settlement business to serve the enterprises on the platforms, representing a year-on-year increase of 110.9%; the amount of transactions reached RMB32.80 trillion, representing a year-on-year increase of 18.5%.

As an expert in treasury management for corporate customers, the Bank’s digital treasury management platform continued to upgrade following the digital trend, provided all-in-one solutions of business, capital and tax for different customer groups and scenarios and a full set of treasury system solutions for large-sized customers, output the Bank’s distinctive product portfolios for medium-sized clients, and created a “miniaturized” functionality package that can be assembled rapidly for small and micro-sized clients.

Supply chain finance

The Bank looked deep into supply chain scenarios, constantly innovated its business models by applying the “finance + technology” capabilities, and optimized its financial service experience. First, the Bank strengthened its capabilities of “online operation, modeled approval and automated credit approval” for supply chain finance, improved business processing efficiency, continuously optimized customer experience, and created differentiated product advantages. Second, the Bank constructed the ecological supply chain finance, focused on key industries, deeply served the scenario of supply chain finance, core enterprises under ecological management and their upstream and downstream enterprises. Third, the Bank strengthened the digital supply chain finance, combined customer entity credit, transaction credit and credit of things through the “Nebula IoT Platform” and massive multi-dimensional data, provided upstream and downstream small- and micro-sized enterprises with convenient financial services, reciprocated customers with its data advantages such as IoT, and built its differentiated supply chain finance advantages to facilitate the development of the real economy.

In 2023, the Bank’s amount of supply chain finance financing incurred was RMB1,333,185 million, representing a year-on-year increase of 14.1%. Since the implementation of the “Nebula-IoT Operation”, it has implemented a number of innovative projects in six major industrial fields, including smart vehicle connection, smart manufacturing, smart energy, smart agriculture, smart infrastructure and smart logistics, and the total amount of financing incurred supporting the real economy has exceeded RMB1 trillion.

The Bank actively played the role of bills serving the real economy, constantly optimized bill business process and customer experience, and created first-class bill financial service brand. Meanwhile, the Bank deeply embedded bill business into

the supply chain ecosystem, and focused on national key industries, provided convenient and efficient bill settlement and financing services. In 2023, the Bank provided bill financing services for 38,056 enterprises, including bill discounting financing services for 30,709 enterprises, a year-on-year increase of 18.4%; the amount of bank acceptance notes discounting was RMB1,046,271 million, a year-on-year increase of 35.1%.

Cross-border finance

The Bank focused on the cross-border financial service needs of enterprises, and actively supported the development of the real economy. First, the Bank fully leveraged its advantages in five major cross-border financial account sectors including onshore international, offshore (OSA), free-trade zone (FT), domestic foreign currency/Renminbi account of overseas institutions (NRA) and overseas branches. The Bank further developed cross-border product systems such as “Cross-border Investing/Financing, Cross-border Trade Finance, Cross-border Payment and Settlement and Cross-border Fund Management”, and provided enterprises (including cross-border investment, mergers and acquisitions (M&A) and trade) with one-stop, cross-border comprehensive financial services at home and abroad and in local and foreign currencies, so as to facilitate the global layout of customers. Second, giving full play to its advantage of the Chinese-funded offshore banking license, the Bank provided follow-up offshore financing and settlement services for enterprises to help enterprises achieve “domestic operation of overseas business and domestic management of overseas funds”. Third, the Bank restructured the online service system for the whole process of cross-border business, continued to iterate and upgrade the online service platform for cross-border business, and launched a series of “immediate collection and payment” cross-border remittance services, providing customers with online services with simple operation, extremely high timeliness and excellent functions, and continuously improving customer experience. At the same time, by iterating and upgrading products, the Bank further met the needs of cross-border payment and settlement and financing services of small and medium-sized foreign trade enterprises, and supported import and export trades of enterprises. In 2023, the Bank’s amount of cross-border trading and financing reached RMB173,989 million.

Investment bank

The Bank actively responded to national policies, gave full play to Ping An Group’s comprehensive financial advantages, and focused on supporting the private economy, rejuvenating the country through scientific and technological innovation and green finance, continuously enhanced professional investment banking capability, and provided customers with one-stop and comprehensive solutions of “commercial bank + investment bank + investment”. On the one hand, relying on the structure advantages of “product + customer + cross-border”, the Bank strengthened the M&A bank consortium ecosystem to support the development of the real economy. In 2023, the amount of mergers and acquisitions reached RMB38,255 million; the amount of bank consortium business reached RMB121,016 million. On the other hand, the Bank grasped the opportunity of the booming direct financing market, deepened the integrated operation of “soliciting, researching and marketing” for bonds, carried out financial innovation in an orderly fashion, and strongly supported enterprises’ needs. In 2023, the amount of non-financial bond underwriting business amounted to RMB308,118 million. In addition, the Bank upgraded ecological management on two customer groups management of funds and listed companies, extended to LP customer groups and the invested enterprises with private offered funds as the core, and provided all around and ecological financial services. Leveraging the diversified ecosystem layout of Ping An Group, the Bank realized the in-depth bonding of “comprehensive finance + industrial cooperation” for listed companies.

3.3 Discussion and analysis of the main businesses(Continued)

3.3.3 Expertizing the interbank business

In 2023, the Bank's continuously enhanced macroscopic analysis, research and judgment for its interbank capital business, reasonably refined product category and portfolio layout, adopted hedging strategies in a flexible and active manner, and maintained stable investments on the premise of meeting safety and liquidity requirements. Around on the State's strategic plans of activating capital market and serving the real economy, the Bank leveraged its professional capabilities in investment trading and customer service, increased the efforts in bond market-making business, continuously enriched customer business products, helped the high-quality development of financial market, and served entities in financing and risk aversion.

(1) Professional investment capability to serve the market

With respect to market-making service, the Bank continued to expand the market-making coverage of bonds to help fulfill the bond market's role in supporting the real economy. In 2023, the Bank continued to increase its market-making services for green bonds, micro and small enterprise bonds, rural revitalization bonds and other sustainable development bonds, and provided open, orderly and competitive bilateral quotes to enhance secondary market trading activity and reduce bond liquidity premiums and issuance costs. In 2023, the market share of the Bank's bond trading volume was 3.2%, and the trading volume of green bonds, small and micro enterprise bonds, rural revitalization bonds and other sustainable development bonds was RMB86,155 million, representing a year-on-year increase of 209.9%. At the same time, the Bank actively implemented the decisions and deployment of continuously promoting the two-way opening up of the financial market by the state, actively expanded the coverage network of domestic and overseas customers relying on domestic and overseas sales and trading teams, intelligent electronic service platforms, and successfully launched the "Swap Connect" business to provide overseas investors with interest swap pricing service over the full time frame. This attracted more overseas institutional investors to participate in China's FICC market, and played a positive role in activating the capital market. In 2023, the Bank's number of active institutional trading customers reached 578, and the transaction volume of cash bond sold by institutions was RMB2.67 trillion, representing a year-on-year increase of 21.4%. In 2023, the Bank won the awards of "Market Influential Institution of the Year" and "Market Innovative Business Institution" selected and issued by China Foreign Exchange Trade System (CFETS).

In terms of financial infrastructure construction and product innovation, the Bank relied on CFETS's iDeal platform to build a "structured inquiry and offer" function, which effectively improved the accuracy and execution efficiency of inquiry and offer information and brought a new digital communication and interaction scenario and experience for financial institutions. The Bank launched an innovative package of bond products based on 10 year high-yield treasury bonds and CDB bonds, and provided more diversified choices for investors in terms of asset allocation and strategic trading.

(2) Professional sales capability to serve the customer

In terms of bond underwriting, the Bank relied on the advantages of ecological cooperation with financial institutions, broadened the service scope of bond sales, advanced the development of "underwriting + sales + market-making" model, built a bridge connecting primary and secondary bond market services, and provided bonds issuance and financing services to the real economy. In 2023, the bond sales volume through interbank channels reached RMB207,908 million, representing a year-on-year increase of 49.8%.

In terms of institutional sales, the Bank deeply cultivated the diversified service needs of institutional customers, continued to improve the research-driven investor service system, optimized product research, investment portfolio analysis and other value-added services, and created a product service matrix based on active lay out of "Hang-E-Tong" platform. In 2023, the "Hang-E-Tong" platform won the award of "China Best API and Open Banking Project" issued by The Asian Banker. At the end of 2023, the "Hang-E-Tong" had cooperated accumulatively with 2,556 customers, and the balance of third-party fund products sold through the "Hang-E-Tong" platform reached RMB185,620 million, an increase of 66.8% from the end of last year.

In terms of asset custody, the Bank continued to enhance its ability to operate the whole business chain of asset custody, constantly deepened and improved the integrated service system of "custody + financing + investment", and actively built a digital custody service platform to improve the comprehensive, intelligent and professional level of custody service and realize customers' in-depth management. At the same time, the Bank focused on the development opportunities of capital market, and accelerated the layout of diversified products custody such as Internet scenario, ETF (Exchange Traded Fund) and publicly offered Real Estate Investment Trusts (REITs) to enrich the custody product system. At the end of 2023, the Bank's net custody assets amounted to RMB8.70 trillion, increased by 5.8% from the prior year-end. The size of the Bank's custody of publicly offered funds and third-party fund sales amounted to RMB1.75 trillion, increased by 9.4% from the prior year-end. Leveraging its excellent performance in asset custody filed, the Bank was awarded the "2023 Outstanding Asset Custody Bank - Tianji Award" in the "2023 China Banking Industry - Tianji Award" selection.

(3) professional risk aversion product to serve enterprises

The Bank's "Ping An Risk Avoidance" business actively implemented national requirements for inclusive financial services, gave full play to the advantages of financial market trading capability and financial technology capability, and created a benchmark model of serving the real economy in risk aversion. On the one hand, the Bank actively responded to the call of the central bank and the State Administration of Foreign Exchange (SAFE), continuously carried out "fee reduction and profit concession" activities, lowered the thresholds of risk aversion for medium and small-sized enterprises, popularized exchange rate risk aversion knowledge and products through online and offline channels, and guided enterprise customers to develop the concept of "Risk Neutrality". On the other hand, the Bank constantly optimized services for customer end, connected business scenarios of Digital Pocket APP and corporate Internet banking, launched the pricing function through WeChat on its "Ping An Risk Avoidance" intelligent platform (CRW), and provided customers with more convenient services. In 2023, the Bank's customers for foreign exchange spot and derivatives risk aversion business reached 12,859, representing a year-on-year increase of 11.8%.

3.3 Discussion and analysis of the main businesses(Continued)

3.3.4 Technology-empowered digital transformation

The Bank steadily implemented Cloud Native transformation, strove to improve its technology capability in terms of technology, data and agility, consolidated digital base, safeguarded steady and safe business development, so as to realize the technological value goals of being agile and creative, being effective and reusable, and being more safe and stable. In addition, the Bank continuously deepened digital transformation, optimized service experience, upgraded product quality, improved operating efficiency through digital operation, digital management and digital execution, so as to facilitate high-quality business development. In 2023, the Bank's IT capital expenditures and costs reached RMB6,343 million, and its digital transformation was full empowered through strengthening the refined management of science and technology.

(1) Achievements of technology-empowered digital transformation

Having customer centric as its core, the Bank's digital transformation reshaped the operation process, upgraded the risk management model, and drove the reform of the business model to assist in strategic iteration and upgrading and coordinated business development. In 2023, over 50 achievements from technology-empowered digital transformation won honorable industry awards.

Empowering digital operation

With customer-centric and data-driven as its core, the Bank's retail business provided customers with the service experience of "worry free, time-saving and money-saving". The Bank used accurate identification ability from big data, strengthened demand insight for customers, and improved customer experience through the multi-channel coordination of "AI + T + Offline". In 2023, the service model of "AI + T + Offline" had served more than 47 million customers, and acquired 1,040 thousand first-purchase customers of wealth management products for the year, accounting for nearly 30% of the total first-purchase customers.

The corporate business actively integrated into the modern industrial system, and innovated the digital financial service model. With respect to customer management, the Bank's Digital Pocket APP integrated the non-financial services for all types of business and finance, and empowered micro, small and medium-sized enterprises' operations. At the end of 2023, the number of registered corporate users of the Digital Pocket APP exceeded 18,916.2 thousand, increased by 42.3% as compared with the end of last year. With respect to team management, the Bank continued to improve the evaluation system of "three-merit and five-star" account manager team, and the number of customers managed per corporate account manager increased by about 24% as compared with the end of last year.

The interbank capital business leveraged the advantages of electronic trading platforms, and deepened cooperation with financial institutions relying on the "Hang-E-Tong" platform. In terms of transaction, the Bank deepened the application of financial technologies, in which the "structured inquiry and offer" function effectively improved the transaction execution efficiency. In terms of sales, combining product research, sales, transaction, and investment analysis together, the "Hang-E-Tong" platform provided efficient transaction services for institutional customers. At the end of 2023, the "Hang-E-Tong" platform had 12,261 publicly offered fund products on sale, grew by 29.0% from the end of last year.

The Bank's middle and back office built its "platform + data" capability to empower operation and management and employee services. In terms of smart finance, the Bank's intelligent tax and "Cai Zhi Tong" released the digitized electronic invoice function, which realized automatic invoicing, real-time payment and settlement and intelligent review. In 2023, about 60% of the Bank's invoicing operations had supported the issuance of digitized electronic invoice. In terms of asset and liability management, the Bank established a multi-dimensional capital and credit monitoring system to guide operating institutions to optimize their business structure in accordance with the "lights assets and light capital" orientation. In terms of personnel management, the Bank focused on key scenarios and launched over 800 standardized jobs position and various analysis kanban to improve human resource quality and management efficiency.

Empowering digital management

Strictly abiding by the risk bottom line, the Bank focused on risk prevention and control, and strengthened the construction of an ecological, intelligent and professional risk prevention and control system. With respect to corporate risk control, the Bank upgraded the smart risk control platform, created the assembled risk control mode of "1 core enterprise + N associates" in the supply chain scenario to improve its automatic risk monitoring capability. At the end of 2023, the credit approval of more than 70% standardized business achieved the second level disbursement. With respect to retail risk control, the Bank expanded model data sources, promoted the construction of the intelligent post-loan warning system and the whole-process management platform of retail model to improve the perspectiveness, effectiveness and accuracy of risk control model. With respect to collection and disposal, the smart special asset management platform created a one-stop and whole-journey project management, improved its refined management capability, upgraded its "Special-Asset-E" platform, deepened its ecological operation, and conducted diversified marketing activities. The accumulative registered users of the platform reached 100 thousand.

With the goal of being more efficient and forward-looking, the Bank constructed an intelligent compliance system and upgraded audit model to help operations grow steadily. In terms of compliance, the Bank constructed an intelligent compliance system of "intelligent related transactions + compliance grid management + Ping An Compliance Journey". With the help of standardized, large-scale and clustered intelligent models, the Bank focused on empowering its capability of control and management on money laundering risk and operational risk. In terms of audit and supervision, the Bank promoted the construction of "Ping An Smart Eye" auditing and supervision platform, and deepened AI technology applications. At the end of 2023, the audit and supervision issues identified by remote and continuous audit methods accounted for about 60%.

Empowering digital execution

The Bank deepened the digitalization of its executions, continuously improved its executional efficiency, optimized risk prevention and control, and upgraded user experience. With respect to centralized improvement, the Bank drove process optimization using technologies such as Robotic Process Automation (RPA), virtual Digital Human, etc., and upgraded its centralized operation abilities. The virtual Digital Human had been deployed to various platforms including the Bank's branch devices, mobile Apps, etc., which reduced manual workloads. At the end of 2023, the virtual Digital Human helped 45% of retail operation approval works to realize automatic approvals. With respect to being data-driven, focusing on account risk prevention and control and account service, the Bank built a digitalized account management system through life cycle journey. In 2023, approximately 400,000 customers per month had completed online self-service applications and other services. With respect to digital store, the Bank upgraded its branch comprehensive service model, organized featured salons by leveraging its intelligent marketing tool of "Pocket Banker", and acquired more than 150 thousand new customers.

Management Discussion and Analysis

3.3 Discussion and analysis of the main businesses(Continued)

3.3.4 Technology-empowered digital transformation(Continued)

(2) Solid digital foundation

In 2023, the Bank continuously constructed a professional and leading technology system, consolidated digital foundation, strengthened the digital intelligence empowerment to provide solid supports for business optimization and upgrading and stable system operation.

Supporting agile and efficient business development

The Bank built an agile and efficient development system for business demands to continuously improve the quality and efficiency of demand delivery. In 2023, the Bank's closed IT demand volume increased by 4.3% year on year, and the average delivery time reduced by 10% year on year. First, the Bank constructed an automated production line, which realized the whole-process standardization and automation in terms of development, testing and deployment. In 2023, the average monthly number of automated release of applications increased by approximately 11% as compared with 2022. Second, the Bank strengthened the sharing capacity building, built a low-code development platform, and supported developers to rapidly deliver applications. In 2023, the Bank's number of technology service through technology development and sharing increased by about 23% year on year.

Strengthening the data capability base

The Bank accelerated the construction of the data capability base and promoted the in-depth development of business digitalization. First, the Bank improved its data governance system. In 2023, the Bank optimized more than 2,700 data governance standards, passed the Level IV certification of Data Capability Maturity Model (DCMM) Assessment issued by China Federation of Electronics and Information Industry. Second, the Bank improved its data self-analyzing capability for employees, in 2023, the monthly active rate of Business Intelligent (BI) tool platform increased by about 24% year on year, and the self-service rate increased by about 9.6 percentage point year on year. Third, the Bank continued to explore data value, established a hierarchical data sharing system, and connected data service links of data modeling, strategy research and development and scenario application. At the end of 2023, the Bank created a total of 22,000 portrait labels and nearly 6,000 product release strategies, empowering the intelligent operation of business.

Ensuring safety production and stable operation

The Bank built an efficient and intensive, safe and solid technology base, and continuously improved the system's stability and reliability. First, the first phase of the Cloud Native project was completed. At the end of 2023, the Bank's application micro-service transformation rate exceeded 60%, and the proportion of applications installed in the container cloud was about 63%. Second, the Bank improved the infrastructure architecture of "dual-live in the same city and multiple-live in different places", and enhanced its safeguard ability for business continuity. In 2023, the number of system operation and maintenance issues of the Bank dropped by 36% year on year. Third, the Bank developed a defense-in-depth system for network security under the new situation, strengthened data security control, and increased the time efficiency of security risk perception and disposal to the minute level.

3.3.5 General information of Ping An Wealth Management

Ping An Wealth Management, a wholly-owned subsidiary of the Bank, was officially opened for business in August 2020. The registered capital of Ping An Wealth Management is RMB5,000 million, and its principal business activities include issuance of public and private wealth management products, financial advising and consulting service and other asset management related businesses. At the end of 2023, Ping An Wealth Management recorded a total assets of RMB11,393 million and net assets of RMB10,547 million, and it derived a net profit of RMB1,885 million for the whole year. The balance of wealth management products of Ping An Wealth Management amounted to RMB1,013,060 million, up by 14.2% from the end of last year.

In 2023, with the gradual recovery of the bank wealth management market, Ping An Wealth Management seized the market opportunity and focused on promoting the upgrading of its core competencies in channel operation, investment management, product system, risk control, etc. First, Ping An Wealth Management deepened its channel operation. On the one hand, combining with the Bank's operation scenarios, it enhanced customer experience through wealth management products such as "Ling Huo Bao" to help the Bank to acquire customers and improve asset allocation services. On the other hand, Ping An Wealth Management strengthened its agency cooperation with peer banks. At the end of 2023, Ping An Wealth Management had cooperated with more than 40 peer banks to carry out agency business, and the agency balance exceeded RMB340,000 million. Second, Ping An Wealth Management strengthened its investment and research systems, adhered to prudent investment strategies, enhanced product returns, and diversified investment risks through multi-asset and multi-strategy investment modes. By virtue of its specialized investment management capabilities, Ping An Wealth Management was awarded the "Golden Bull Winner Award as the Bank Wealth Management Company", "Golden Wealth Management Award - Asset Management of the Year and Investment Management Team of the Year" in 2023. Third, Ping An Wealth Management further enriched its product system and broadened the product maturity and functions to meet investors' diversified demands in returns and liquidity. Fourth, Ping An Wealth Management continued to strengthen risk management, strictly controlled asset access, optimized concentration allocation, and strengthened risk early warning; it also introduced a management mechanism for the retraction of product net value to control product volatility. In addition, Ping An Wealth Management actively fulfilled its social responsibility, leveraged its professional advantages in asset management, and guided wealth management fund investments in the real economy. In 2023, the balance of capital invested in the real economy exceeded RMB260,000 million, and the investments in ESG and green finance assets exceeded RMB49,000 million.

3.4 Key issues of concern in operations

3.4.1 NIM

In 2023, the Group's NIM was 2.38%, down by 37 percentage points from the same period of 2022. Under the influence of profit concession to the real economy, downturn of market interest rate and fixed-term deposit, the NIM of the Bank dropped. The Bank vigorously reshaped asset-liability management, continued to guide the downward trend of deposit costs following the market trend, and eased the downward pressure on the NIM.

In terms of liabilities, the Bank actively optimized liability structure, lowered deposit interest rates for several times, and continued to guide the downward trend of liability costs. On the one hand, the Bank actively expanded the source channels of deposits, consolidated the deposit base, implemented the reform of deposit interest rate pricing mechanism, and gave full play to the role of deposits as "the ballast" for stable operations. On the other hand, the Bank continued the high-cost long-term liability management and control strategy to mitigate the impact of fixed-term deposit, it also actively seized market opportunities, guided the adjustment of liability duration, and replenished interbank funds according to liquidity and other needs, optimizing liability costs.

In terms of assets, due to the loan repricing effect and changes in market interest rates, the yield of assets dropped slightly. On the one hand, the Bank adhered to the policy orientation of surrendering benefits to the real economy. The Bank deepened the achievements of interest rate marketization reform. The Bank continuously enhanced credit loan support to key sectors such as manufacturing, green finance, inclusive loans to micro/small enterprises and high-tech industry, and effectively reduced the financing cost for enterprises with decreased loan interest rates. On the other hand, the Bank actively adjusted the asset structure and focused on cultivating and managing high-quality customers to promote the high-quality development of assets.

Against the backdrop of asset repricing and support for the real economy, the downward pressure on the NIM still exists, but the downward range will slow down. The Bank will actively adjust its asset-liability structure, strengthen its capability of serving the real economy in financial services, improve its customer pricing management system, and constantly optimize deposit costs.

3.4.2 Asset quality

At the end of 2023, the Bank's assets quality remained stable, and the risk compensation capability remained a good level. The Bank actively implemented the *Measures for Risk Classification of Financial Assets of Commercial Banks* and continuously optimized and improved the risk classification management system of financial assets. Adhering to the principle of substance over form, the Bank strictly identified asset risk classification and truly reflected asset quality.

Loan: In terms of overdue loans, the balance of overdue loans accounted for 1.42% of total loans, decreased by 0.14 percentage point as compared with the end of last year, of which loans overdue for more than 60 days accounted for 0.78%, decreased by 0.09 percentage point as compared with the end of last year; loans overdue for more than 90 days accounted for 0.62% of total loans, decreased by 0.11 percentage point as compared with the end of last year. In terms of the classification, the ratio of special mention loans was 1.75%, decreased by 0.07 percentage point as compared with the end of last year; the NPL ratio was 1.06%, increased by 0.01 percentage point as compared with last year. In terms of the deviation ratio, the deviation ratio of loans overdue for more than 60 days and 90 days were 0.74 and 0.59 respectively, down by 0.09 and 0.10 respectively as compared with the end of last year. In terms of the formation ratio, the NPL formation ratio was 1.89%, a year-on-year increase of 0.17 percentage point. In terms of provision coverage ratio, the Bank's provision coverage ratio was 277.63%, with a decrease of 12.56 percentage points from the end of last year; the provision coverage ratios of loans overdue for more than 60 days and 90 days were 374.10% and 469.25%, respectively, with increases of 23.02 and 50.03 percentage points respectively from the end of last year. In addition, the Bank's provision to loan ratio was 2.94%, down by 0.10 percentage point compared with the end of last year.

Non-loan: In 2023, the Bank further reinforced asset quality, built a strong barrier against risk, continuously promoted the disposal and resolution of non-loan non-performing assets and constantly improved and optimized non-loan asset quality and asset structure, the overall risks were controllable.

In response to the risk of asset quality differentiated by industries and regional structure, the Bank will dynamically studies and judges the risk situation and proactively takes various measures to enhance the capabilities for risk prevention and control, so as to enable stability of asset quality: Firstly, the Bank controls the incremental business, tracks and judges changes in industry, customer and regional risks in real time, conducts policy and system reviews, strengthen forward-looking research and judgment and agile adjustment, dynamically adjusts customer access and industry early warning standards, optimizes the requirements of institutional risk managements, and controls asset quality from the source. Secondly, the Bank manages existing businesses, conducts tiered and grouped customer differentiation management, implements the post-loan management actions, focuses on controlling key issues, and intensifies the pre-control on the recovery of loan principal and interest. It also strengthens early warning monitoring management, further improves the foresight of early warning, focuses on early risk management and control of key institutions, key customer groups and major customers, deepens tiered management of customers and institutions, and improves the effectiveness of early warning management. Thirdly, the Bank strengthens the collection and disposal of problematic assets, further optimizes the management mechanism of non-performing assets, gives full play to the advantages of large-scale and intensive operation, and improves the quality and efficiency of collection and disposal of non-performing assets. Fourthly, the Bank improves the level of smart risk control, through the unified risk data mart, the Bank builds a risk indicator library to empower online and intelligent management of various risks; the Bank further expands the coverage of scenarios such as intelligent approval, intelligent lending, intelligent post-lending, intelligent monitoring and intelligent analysis, and improves the efficiency and effectiveness of risk management. The Bank will redouble its efforts in risk management and control, intensify the collection and disposal of non-performing assets and maintain good risk compensation capability, aiming at defending the lifeline of asset quality.

³ NPL formation ratio = NPL formation amount (return to principal losses on write-off and disposal of non-performing transfers within the reporting period) / (loan balance at the beginning of the year + balance of traditional off-balance sheet credit such as bank undertaking, letter of credit and letter of guarantee at the beginning of the year)

3.4 Key issues of concern in operations(Continued)

3.4.3 Risk management on real estate industry

The Group attached great importance to risk prevention and quality control of credit granting in the real estate industry. At the end of 2023, the aggregate balance of credit risk-bearing businesses of the Group amounted to RMB284,196 million including actual and contingent credits and loans, proprietary bond investments, and proprietary non-standard investments relating to real estate, with a decrease of RMB39,439 million as compared with the end of last year; the aggregate balance of non-credit risk bearing businesses of the Group amounted to RMB80,795 million including wealth management capital contribution, entrust loans, trusts and funds management and consignment for cooperative institutions, lead underwriting of debt financing instruments, with a decrease of RMB8,774 million as compared with the end of last year. Including:

(1) Credit risk-bearing business involving real estate mainly included the real estate loans to corporates, with the balance of RMB255,322 million, representing a decrease of RMB28,162 million as compared with the end of last year. Among them, the real estate development loans totaled RMB82,005 million, accounting for 2.4% of the Bank's total principals of loans and advances to customers, and down by 0.4 percentage point as compared with the end of last year. All real estate development loans have been effectively mortgaged, with an average mortgage rate of 40.9%, and 95.8% of the loans were distributed in the urban areas of first and second tier cities, the Greater Bay Area and the Yangtze River Delta region. The operating property loans, mergers and acquisitions loans and others totaled RMB173,317 million, mainly including mature property mortgages, with an average mortgage rate of 48.7%, and 94.1% of loans were distributed in the urban areas of first and second tier cities, the Greater Bay Area and the Yangtze River Delta region. At the end of 2023, the NPL ratio of the Bank's corporate real estate was 0.86%, down by 0.57 percentage point from the end of last year.

(2) Non-credit risk bearing business with real estate trusts, funds management and consignment for cooperative institutions, with a total of RMB34,085 million, representing a decrease of RMB8,748 million as compared with the end of last year. The product size of underlying assets corresponding to specific projects and assets with high-quality pledge of stock rights reached RMB23,954 million, and 88.5% of which were distributed in the urban areas of first and second tier cities, the Greater Bay Area and the Yangtze River Delta region. The other business included high level private placement bonds.

Since the fourth quarter of 2022, China has released various policies to support the real estate sector. The real estate risks were resolved in a coordinated way, in particular, the Political Bureau of the Central Committee meeting set a new stage for real estate development, and the financing environment of real estate sector has been continuously improved. Subsequently, the Group will continue to implement the Central Committee's policy orientation and regulatory requirements, support the development and construction of government-subsidized housing, rigidly needed and improved commercial housing as well as the construction and operation of rental housing, meet the reasonable financing needs of real estate enterprises with different ownership systems, actively implement the financing coordination mechanism of urban real estate, and conduct a financing guarantee for projects on the list in line with the principle of commercialization. Meanwhile, the Group will continue to strengthen management and control of real estate loans and insist on the enclosed project management, the same weighting of loans and management to achieve holistic monitoring of customer management, project progress, assets status and capital flow.

3.4.4 Risk management of local government financing platforms

The Group strictly implements various national regulations and regulatory policies on local government debt management, supports local government debt financing by "opening the front door and blocking the back door", adheres to legal compliance operations, actively prevents and resolves local government debt risks. At the end of 2023, the balance of the Group's local government financing platform's generalized risk business was RMB172,186 million (including actual and contingent loans, bond investments, self-operated and wealth management fund investments, etc.), an increase of RMB16,862 million as compared with the end of the last year. Among them, the Group's balance of government financing platform loans (including those reclassified as general corporate loans and those still managed as government financing platform loans) was RMB78,993 million, an increase of RMB11,809 million or 17.6% as compared with the end of last year; and accounted for 2.3% of the total principal of loans and advances to customers, up by 0.3 percentage point as compared with the end of last year. Local government financing platforms had good loan quality and no non-performing loans.

3.4.5 Capital planning

At the end of 2023, the Group's capital adequacy ratio at all levels met the regulatory requirements, of which the core tier 1 capital adequacy ratio, tier 1 capital adequacy ratio and capital adequacy ratio were 9.22%, 10.90% and 13.43%, respectively, up by 0.58 percentage point, 0.50 percentage point and 0.42 percentage point as compared with the end of last year respectively.

In 2023, the Group continued to strengthen the internal supplementation capacity of capital; continuously optimized on- and off-balance sheet asset business structure; actively reduced inefficient and invalid capital occupation; and improved the efficiency of capital allocation and use. In accordance with the trend of international financial regulatory reform and the latest standards of *Administrative Measures for the Capital Management of Commercial Banks*, and in consideration of changes in the internal and external business environment, the Bank has formulated and approved by the Board of Directors and the general meeting of shareholders the *Capital Management Plan of Ping An Bank Co., Ltd. (2024-2028)* to promote the sustainable and healthy development of its business and enhance the ability to resist risks, which specifies that in the next five years, the capital adequacy ratios at all levels will continue to meet the regulatory capital compliance requirements, such as those for domestic systemically important banks. In addition, the Bank will also maintain a certain safety margin and buffer range to provide solid capital support for its high-quality development. In order to strengthen the implementation and application of the *Administrative Measures for the Capital of Commercial Banks* at the same time, the Group has laid out in advance and actively guided the optimization of business in the direction of capital saving, and the capital adequacy ratio at all levels will remain stable after the switching of the new regulations.

3.5 Business innovation

In 2023, the Bank focused on innovative top-level mechanism, innovative incubation application and innovative talent team, upgraded business innovation and scientific and technological innovation strategies, consolidated financial technology advantages, and relied on Ping An Group's financial technology and comprehensive financial advantages to coordinate and improve scientific and technological innovation capabilities, help cost reduction and efficiency improvement in financial services, and support high-quality and sustainable development of business.

Innovation mechanism upgrade

The Bank's "Innovation Committee" steadily improved its overall planning and coordination capabilities, realized cross-line and cross-function resource integration, and promoted innovation of all staff; through innovative cooperation mechanisms with universities, banks and enterprises, and the headquarter and branches, the Bank actively explored cutting-edge technologies such as AIGC (generative artificial intelligence), which helped it reduce costs and increase efficiency. The Bank set up two incubation platforms, namely Retail Garage and Co-Space, respectively in retail and corporate lines to promote the creative exploration and project landing in relevant business areas, and held an innovation competition of "Science and Technology Curiosity Talk" to motivate the innovative thinking of all staff and promote business integrated with and empowered by science and technology.

Enhancements in the application of financial technology

The Bank actively implemented requirements from the Central Financial Work Conference and the Central Economic Work Conference and strengthened the landing and application of cutting-edge technologies in the financial field to facilitate the high-quality development of the real economy. The Bank set up innovation labs to assist the Innovation Committee in coordinating innovation work of the Bank and committed to exploring the incubation chain of transformation of cutting-edge technologies into financial technology applications, cultivating a team of professionals proficient in business and technology, and creating industry-leading comprehensive financial technology solutions. In terms of application of cutting-edge technologies, the Bank applied large model technology to scenarios such as retail loan approval, digital and intelligent upgrading of operation management, consumer protection lawsuit reduction and auto finance AI vehicle inspection, and combined computer vision, multi-modality and other technologies to form comprehensive artificial intelligence solutions and improve the availability of financial services. In 2023, the Bank obtained about 400 granted patents.

Training of a team of scientific and technological talents

The Bank continued to build a learning-oriented organization and a "three-in-one" financial technology talent training system consisting of echelon training, professional training and compound training by training compound cross-field financial technology talents who understands business, technology and management. By means of job rotation and talent transfer, the Bank promoted the in-depth learning for scientific and technological personnel at primary, intermediate and senior levels, facilitated science-industry integration, and assisted business empowerment and innovation. In 2023, the Bank conducted more than 200 training sessions for new employees and more than 900 training sessions for junior employees and technical backbone.

3.6 Risk management

3.6.1 Credit risk

Credit risk refers to the risk that borrowers or counter parties of the Bank cannot fulfil obligations according to the agreement reached in advance. The risk management committee of the Bank's head office is in charge of overall plan on risk management at all levels. The professional departments of the head office including the risk management department, the credit approval department and the retail credit risk management department are responsible for the Bank's credit risk management. The Bank stuck to the principle of risk management of "coordination between risk and development, balance between risk and profit, adaptation between risk and capital", continued to improve the full-process management of credit risk, and effectively enhanced the level of credit risk management.

(1) Optimizing the Bank's asset structure

For retail business, the Bank actively built a retail risk mid-office platform with customer-centric, optimized the customer structure and established an intelligent risk management system for the entire process and products to support the continuous high-quality growth of the business. For corporate business, the Bank focused on key industries with national policy-oriented; integrated superior resources to invest in high-quality and high-potential customers; helped customers in the upstream and downstream supply chain, industry chain or ecological circles; guided and encouraged resources to tilt towards the fields of green finance, manufacturing and technological innovation; and continuously advocated the optimization of the portfolio structure of credit risk assets.

(2) Enhancing the asset risk management and control mechanism

Strictly following the regulatory requirements, the Bank enhanced the risk management on off-balance sheet business, improved relevant management mechanisms, and conducted differentiated management based on off-balance sheet business category and risk characteristics. The Bank strengthened the role of early warning risk detection. With "big data + intelligent algorithm" as the core and system as the support, the Bank continuously monitored customer risk dynamics 7 × 24 hours through rule models and scenario models, summarized and analyzed in a timely manner, discovered key characteristics of customer potential risk rise, and gained insight into the risk change trend of industries, customers, products and regions in advance, so as to improve the effectiveness of risk early warning monitoring. The Bank continued to improve various post-loan management mechanisms, continuously optimized iterative system tools, implemented standardized risk management and control actions, and consolidated the foundation for refined management after loans granting and investment.

(3) Intensifying the disposal of non-performing assets

The Bank has further strengthened the collection and disposal of non-performing assets. Firstly, the Bank concentrated the whole bank's efforts to tackle key and difficult corporate projects, solve project pain points, and improve the quality and efficiency of project implementation. Secondly, the Bank made good use of the combination of retail and collection, strengthened the collection and disposal of retail non-performing assets by comprehensively using various means such as collection, transfer of creditor's rights, asset securitization and write-off of bad debts. Thirdly, the Bank built a unified, open and shared special asset ecosystem, focused on expanding various high-quality investors, and assisted in the collection and disposal of non-performing assets throughout the Bank. Fourthly, the Bank focused on the two major directions of restructuring and revitalization of real estate projects, further deepened the innovative management of investment banking, improved the value of non-performing assets, and realized the flexible withdrawal of non-performing creditor's rights.

Management Discussion and Analysis

3.6 Risk management(Continued)

3.6.2 Large risk exposure

According to the *Administrative Measures on Large Risk Exposure of Commercial Banks*, large risk exposure refers to the credit exposure of a commercial bank to a single customer or a group of connected customers, which exceeds 2.5% of the bank's net tier 1 capital (including all kinds of credit risk exposure in the bank account and trading book). The Bank has incorporated the large risk exposure into its comprehensive risk management system and has formulated the *Administrative Measures on Large Risk Exposure of Ping An Bank*, which clearly stipulates the management responsibilities and process management plan for the large risk exposure. The Bank continuously improved customer credit management requirements, system construction and data governance, realized automated statistics, monitoring, early warning and control for large risk exposure of customers, and dynamically controlled customer concentration risk through technological means. During the reporting period, except for customers exempted from supervision, the proportion of the Bank's risk exposure to net tier 1 capital for interbank single customers, interbank group customers, non-interbank single customers, and non-interbank group customers all met the regulatory requirements.

3.6.3 Market risk

Market risk refers to the risk of losses arising from unfavorable changes in market prices (including interest rates, exchange rates, stock prices, commodity prices, etc.). The market risk of the Bank mainly arises from trading books and bank books. Main market risk represents interest rate risk and exchange rate risk. The Bank uses indicators such as market risk value indicators, stress tests, interest rate sensitivity, foreign exchange exposure, etc. to measure and monitor interest rate risk of major trading books and exchange rate risk of the Bank.

The Bank has established an effective market risk governance structure and division of management responsibilities. The Board is the ultimate decision-making body of market risk management and assumes the ultimate responsibility of market risk management. The senior management and its committees are responsible for approving the major issues of market risk management to the extent of the scope of authority and regularly listening to the report on the implementation of market risk management. The risk management department leads the management and specific implementation of the Bank's market risk and is independent of the front desk business department. The Bank has set up an improved market risk management system covering the whole process of market risk identification, measurement, monitoring, reporting and control. The Bank regularly examines various systems and management measures for assessing market risks and continuously perfects, improves and optimizes the process according to the business and development status. The Bank has established a relatively complete market risk management process, from the beforehand tradable products authorization management and book division to the risk identification, measurement monitoring and control in the process, and to the afterwards back-testing and stress testing, fully covering the entire process of risk management.

During the reporting period, in order to address the increasing challenges in market risk management, the Bank took the following measures: First, the Bank has further improved its market risk monitoring and early warning capabilities, regularly conducted market risk stress tests and established a regular inspection and early warning mechanism with respect to business, monitored the exposure and profit and loss of various businesses, paid attention to fluctuations in market factors such as interest rates, exchange rates and commodity prices, and conducted risk early warning in a timely manner. Second, the Bank carried out business advocacy and calculation and interpretation of capital measurement rules for market risk in accordance with the *Administrative Measures for the Capital of Commercial Banks* to continuously meet relevant regulatory and compliance requirements. Third, the Bank continuously optimized market risk management tools and systems, and promoted the construction of "Easy Risk Control" intelligent system around the areas of market risk approval, monitoring, early warning and analysis.

In the future, in addition to further improvement of the policy system and process, the Bank will optimize the market risk measurement model; upgrade the market risk management system; and strengthen daily risk monitoring, to effectively manage the market risk and control the market risk within the bearable range.

3.6.4 Liquidity risk

Liquidity risk refers to the risk that commercial banks are unable to obtain sufficient funds at reasonable cost and in a timely manner to pay debts as they fall due, meet other payment obligations and meet other funding requirements for normal business operations. According to the *Administrative Measures for Liquidity Risks of Commercial Banks*, the Bank adheres to a cautious liquidity risk management principle and a prudent management strategy, timely establishes a reasonable and effective liquidity risk management mechanism to identify, measure, monitor and control liquidity risk, and ensures sufficient fund to handle the growth in assets and the payment for due debts, whether the Bank is in normal condition or under pressure.

The Bank has established a sound liquidity risk management and governance architecture. The Board assumes the ultimate responsibility of liquidity risk management. The Supervisory Committee supervises and evaluates the performance of the Board and senior management in liquidity risk management. The senior management is responsible for managing liquidity risk. The Asset and Liability Management Committee is the top management body of liquidity risk management. Under the guidance of the Asset and Liability Management Committee, the Asset and Liability Management Department is responsible for specific management of liquidity risk and forms an implementation system with all business management departments and branches. The Audit and Supervision Department performs internal audit over liquidity risk management.

The Bank attaches great importance to liquidity risk management, continuously optimizes the liquidity risk management framework and management strategies and has established a sound liquidity risk management system. The Bank monitors and optimizes the asset and liability structure in time; enhances the management over active liability; promotes steady growth in core liability; strengthens liquidity risk index limit management. The Bank manages the mismatched liquidity risk reasonably. Moreover, the Bank regularly conducts liquidity risk stress tests, assesses future liquidity demand on a prudent basis and maintains sufficient high-quality liquidity assets. The Bank continuously optimizes the emergency management system on liquidity; improves the early warning mechanism for liquidity risk; conducts emergency drills on liquidity risk and strengthens the communication and collaboration between relevant departments to effectively guard against emergency liquidity risk. The Bank also continues strengthening the analysis of macroeconomic situation and market liquidity and improves the forward-looking and initiative liquidity management, to cope with market liquidity risk in time. As at the end of the reporting period, each of the Bank's businesses maintained stable development, with abundant high-quality liquidity asset reserve, safe and prudent liquidity condition, and liquidity risk regulatory indicators meeting the regulatory requirements.

The Bank conducts full identification, accurate measurement, continuous monitoring and effective control of liquidity risk. The Bank applies a number of measures to manage and control its liquidity risk, including cash flow measurement and analysis, liquidity risk limit management, fund source management, high-quality liquidity asset management and daytime liquidity risk management.

The liquidity risk index of the Bank is divided into regulatory index and monitoring index. The Bank sets the liquidity risk index limit based on the minimum regulatory standard for the regulatory index, liquidity risk preference, liquidity risk management strategy, asset and liability structure, financing ability and other factors.

The liquidity risk stress test is an important tool for analysis and assessment for quantitative management of liquidity risk; provides basis for decision making on the Bank's formulation and revision of liquidity risk preference, liquidity risk management strategy and liquidity risk limits. Based on the regulatory requirements, the Bank conducts liquidity risk stress tests on a regular basis based on its asset and liability structure, product type and data status, and reports to the Asset and Liability Management Committee, senior management and the Board level by level.

Management Discussion and Analysis

3.6 Risk management(Continued)

3.6.5 Operational risk

The Bank followed the new regulatory requirements related to operational risk, continued to improve the operational risk management system, strengthened informatization construction and risk data value mining, and enhanced the refinement and intelligence of operational risk management to provide guarantee for the steady development of business.

First, the Bank continued to optimize the three management tools, i.e., "operational risk and control self-assessment (RCSA), key risk indicators (KRI) and losses data collection (LDC)" to strengthen risk early warning and tracking improvement, and improve the effectiveness of risk prevention and control. Second, the Bank strengthened the data-driven operational risk management system, integrated risk monitoring data, upgraded and improved the risk heat map, and continuously improved the intelligence of operational risk management. Third, in order to implement the relevant requirements of the *Administrative Measures for the Capital Management of Commercial Banks*, the Bank comprehensively upgraded the operational risk capital measurement system to continuously meet the regulatory compliance requirements of the Operational Risk Standardized Approach. Fourth, the Bank strengthened business continuity management, improved the business continuity management system and continuously enhanced the overall management of business continuity of the Bank. Fifth, the Bank strengthened the operational risk training and publicity and continued to give business support and evaluation to institutions at all levels to cultivate a good culture of the operational risk management.

3.6.6 Country risk

Country risk refers to the risk that the debtor of a foreign country or region has no capacity or refuses to repay the debts to banking financial institutions; or the banking financial institution in the country or region suffers from business losses or other losses, due to the political, economic, social changes and events of the country or region.

Based on the regulatory requirements, the Bank has formulated the *Measures for Management of Country Risks of Ping An Bank* to clearly stipulate management responsibilities, management means and approval process of country risks, established a standardized management system of country risks, and has incorporated country risk management into its comprehensive risk management system. According to the result of country risk rating, the Bank divides country risks into five classes: low country risk, relatively low country risk, medium country risk, relatively high country risk, and high country risk, and manages risks by their classes accordingly based on risk severity. The Bank integrated all business activities that bear overseas entity country risk into unified management under the country risk limit. The Bank checked country risk limit annually according to the result of country risk rating, situation of development of country economy and business needs, and adjusted country risk rating and limit dynamically according to the changes in country risk. The Bank has implemented the new requirements of the *Measures for Management of Country Risks of Banking Financial Institutions*, continuously improved the country risk management system and the country risk management capability. During the reporting period, the Bank's country risk exposure limits were well implemented, mainly in countries or regions with relatively low country risk, and the overall country risk was controllable.

3.6.7 Bank account interest rate risk

Bank account interest rate risk refers to the risk of losses of the overall income and economic value of bank accounts as a result of adverse changes in interest rate level, maturity structure and other factors. Based on the requirements of the *Guidelines for the Management of Interest Rate Risk in the Banking Book of Commercial Banks (Revised)* and other laws and regulations, the Bank continued to improve the interest rate risk governance structure; optimized the interest rate risk related systems; enriched the interest rate risk measurement framework and improved the refinement of management to ensure that the Bank can effectively identify, measure, monitor and manage and control interest rate risk assumed by various businesses.

Following the principle of being reasonable and prudent, the Bank effectively measured bank account interest rate risk by means of gap analysis, duration analysis, scenario simulation, stress testing, etc. Based on the above measurements, the Bank established and implemented bank account interest rate risk limit management system, continued to monitor interest rate risk exposure and limit usage, and regularly reported to the Board of Directors (or the special committees authorized by it) and senior management. With a comprehensive consideration of interest rate risk characteristics and actual business development, the Bank strengthened the analysis, research and judgment of the market trend of interest rates. The Bank adjusted the asset and liability structure in a reasonable way and optimized interest rate risk exposure.

In the domestic market, Loan Prime Rate (LPR) and deposit interest rate have been lowered multiple times, the interest rate of existing housing loans has been adjusted, the loan repricing effect has been highlighted, and the volatility level of interest rate risk in the bank account of RMB business increased. In the international market, the upward pressure on the cost of foreign currency debt continued, making foreign currency interest rate risk management more difficult. In response to the negative impact of interest rate fluctuations, the Bank continuously paid attention to the changes in economic situation at home and abroad; enhanced the research and judgment of macroeconomic and interest rate trends; and timely guided the structure adjustment of asset and liability. Meanwhile, the Bank implemented active interest rate risk management strategy. The Bank adjusted business portfolio re-pricing term at suitable time by using pricing instrument such as internal funds transfer pricing (FTP) to effectively control bank account interest rate risk. During the reporting period, all monitoring indicators of the Bank operated within the limit, and the level of bank account interest rate risk was under control on the whole.

Management Discussion and Analysis

3.6 Risk management(Continued)

3.6.8 Reputation risk

Reputation risk mainly refers to the risk of negative evaluation of the Bank by stakeholders, the public and the media as a result of the Bank's behavior, the behavior of its employees or external events, which may damage the Bank's brand value, adversely affect the Bank's ordinary course of business, or even affect market stability and social stability. The Bank continuously improved its reputation risk management system in terms of governance structure, operating activities, normalization construction, and supervision and management. Under the guidance of the regulatory authorities, the Bank has taken active action. In accordance with the *Administrative Measures for Reputation Risks of Banking and Insurance Institutions (for Trial Implementation)* and other regulatory requirements, guided by the basic principles of being "forward-looking, matching, full-coverage and effective" as well as the implementation principles of "level-to-level management, division of responsibility, real-time monitoring, prevention-oriented, rapid response, classified disposal, and coordinated response", the Bank continuously implemented various reputation risk management work, and continued to improve the effectiveness of reputation risk management. In 2023, the Bank mainly focused on the eight specific tasks below: First, the Bank strengthened reputation risk screening and public opinion early warning, and formulated emergency plans and special monitoring mechanism against "the National People's Congress and the Chinese People's Political Consultative Conference", "3.15 consumer rights protection day", "Double 11 shopping festival" and other important nodes. Second, the Bank established the evaluation mechanism before the process of major complaint letters and visits or class actions against the head office and branches and made plans based on the evaluation results to effectively prevent risks. Third, the Bank established 7 × 24-hour public opinion monitoring system to deal with public opinions in a timely manner. Fourth, the Bank properly handled reputation risk events, it adopted a three-dimensional and multi-level strategy for false information, clarified the truth in an appropriate form, and responded the public concerns. Fifth, the Bank comprehensively implemented the guidance of positive public opinion, and enhanced its brand image all around with "traditional media" and "new media" in a supplementary way. Sixth, the Bank conducted drills for crisis response and disposal from time to time to strengthen the capacity building of all functional departments and branches to control reputation risks and handle public opinion. Seventh, the Bank strengthened assessment and accountability and included the prevention and disposal of reputation risk events in the assessment scope of each unit through the improvement of the Bank's risk assessment mechanism. Eighth, focusing on its various initiatives to actively fulfill its corporate social responsibilities, the Bank has carried out publicity on themes such as supporting the real economy and consumer rights protection to enhance its brand image.

3.6.9 Strategic risk

The Bank adhered to the leadership of Party building, actively implemented the spirit of the 20th CPC National Congress and the Central Financial Work Conference, adhered to its strategic determination, continued to deepen strategic transformation and increase its financial support to household consumption, green development, private enterprises, small and micro enterprises, science and technology enterprises, manufacturing and other areas, comprehensively enhanced risk management, and fully promoted high-quality development.

On the premise of adhering to the established strategic objectives, the Bank organically connected the strategic transformation with the annual operation objective plan, closely integrated the development and changes of the internal and external situation with the help of its keen market insight, and continuously enriched and deepened the connotation of the strategies, so as to ensure that the Bank's operation management and business development was always focused on the main channel of strategic transformation and to actively push forward the comprehensive implementation and efficient execution of the strategic plan across the whole Bank.

On the whole, the Bank's strategy is in line with the requirements of the Party and the country, the development and changes of macroeconomic landscape and the changes in customer demands. The Bank's overall ability to execute strategy is improving, and its risk control capability is continuously enhancing. Strategic risk is generally controllable.

3.6.10 Information technology risk

Information technology risk refers to the operational risk, legal risk, reputation risk and other risks caused by natural factors, human factors, technical loopholes and management defects in the application of information technology in the commercial banks. In compliance with regulatory provisions, the Bank formulated the *Administrative Measures for Information Technology Risk of Ping An Bank*; established an information technology risk management framework; defined the Bank's information technology risk appetite and management strategy; and determined the information technology risk management structure and responsibilities, administrative measures and procedures.

The Bank has established an information technology risk management structure with three information technology risk defense lines of the Financial Technology Related Departments, the Risk Management Department and the Audit and Supervision Department. The three lines of defense have a clear division of labor, and each department is relatively independent, responsible for its own responsibility and interlinked. They implement information technology risk management and control before, during and after the process. The Bank implemented a robust information technology risk appetite. Risk appetite includes qualitative statements and key indicators of risk strategies such as information technology governance, information technology risk management, information security, development and testing, operation and maintenance, business continuity management, outsourcing service management, information technology audit and intellectual property management, reflecting the acceptable level or degree of information technology risk of the Bank in the medium and long term. The Bank managed information technology risks by means of information technology risk and control self-assessment, information technology key risk indicator setting and monitoring, information technology risk event and loss data collection, information technology risk monitoring report, etc., and continuously reviewed and optimized them. At the same time, the Bank continued to pay attention to the risks in the application of new technologies such as cloud computing, AI, big data and blockchain, and strengthened its ability to prevent technology risks.

During the reporting period, the Bank's information system was in good working conditions, the overall information technology risk was under control, and its information technology risk appetite indicators all reached the target value.

Management Discussion and Analysis

3.6 Risk management(Continued)

3.6.11 Other risks

Other risks exposed to the Bank include legal risk and compliance risk.

(1) Legal risk

The Bank continued to enhance legal risk control. First, continuous improvement was made in terms of the format of legal instruments, and standard legal instruments were reviewed and modified. The research and analysis on contract applicability was conducted, and the system of standard legal instruments was continuously optimized in combination with the latest requirements of laws and regulations and regulatory authorities. Second, the daily legal review and consulting were carried out in an orderly manner to provide professional and efficient legal support for the Bank's new product research and development, new business development, major projects and difficult problems, etc. Third, for key businesses, legal research and legal risk warning and prompting were conducted to support healthy development of business. Fourth, the Bank continuously strengthened the refined management of litigation and arbitration cases, intensified the follow-up management of major and difficult cases, and strengthened the online and intelligent management of litigation and arbitration cases by upgrading the intelligent litigation system. Fifthly, the Bank strengthened the dynamic management of lawyers, improved the quality of lawyers absorbed, improved the management methods of external lawyers, and further standardized and strengthened the process management and result evaluation of lawyers' agency work.

(2) Compliance risk

Adhering to the operation concept of compliance, the Bank optimized and improved compliance risk management system, enhanced compliance risk management level by means of technical measures, strengthened compliance publicity and assessment incentives to further build a solid compliance culture in which employees are "not dare not to, not able to and not willing to" break the rules, and fully implemented and firmly promoted various regulatory compliance requirements.

First, the Bank improved the long-term mechanism of compliance governance. Relying on the steady and effective operation of the compliance network system, the compliance performance standards have been clarified by formulating compliance grid management system, compliance performance manual, compliance points method, etc. The Bank Focused on compliance performance and compliance risk, conducted online supervision and evaluation of grids at all levels, broke down and compacted the compliance responsibility to the grassroots grid, and strengthened the main responsibility for compliance of institutions at all levels, so as to form an atmosphere of system co-construction, compliance co-governance, and responsibility sharing.

Second, the Bank strengthened its system life cycle management. The Bank established an internalization mechanism for laws, regulations and regulatory policies, transformed regulatory requirements into internal rules and regulations in a timely and dynamical manner to ensure that all business fields and key management links are covered. The Bank organized and carried out system plan; reviewed system applicability and reasonableness; enhanced the quality of internal system; and consolidated the management base for business development and internal management control.

Third, the Bank strengthened the professional empowerment of compliance review. By optimizing processes, clarifying standards and enhancing capabilities, the Bank strengthened legal compliance review of new products and businesses, identified legal compliance risks, adhered to compliance bottom lines and boosted the healthy development of business. At the same time, the Bank established a post-review supervision mechanism to conduct post-review evaluation on legal compliance review matters, and timely required rectification for problems identified, effectively improving the quality and effectiveness of legal compliance review.

Fourth, the Bank improved the management ability of related-party transactions. The Bank earnestly implemented laws, regulations and regulatory requirements, and established a management system and operation mechanism for related-party transactions. The Bank also continuously optimized the procedures and rules for the management of related parties and related-party transactions, developed and launched the intelligent related-party transaction system, continued to promote and implement the management requirements of compliance and effectiveness to facilitate healthy and orderly related-party transactions.

Fifth, the Bank improved the effectiveness of anti-money laundering. The Bank constantly improved the anti-money laundering organizational structure, established a sound internal control management system, optimized the centralized operation mode of anti-money laundering, and continuously strengthened the anti-money laundering team building. The Bank strove to explore technology empowerment to anti-money laundering, optimized the anti-money laundering model monitoring system, standardized model management, and continuously improved the anti-money laundering monitoring level. The Bank optimized the working mechanism of money laundering risk assessment, and strengthened risk management and control of high-risk customers and businesses. The Bank also actively carried out anti-money laundering advocacy and training to effectively prevent risks of money laundering, terrorism financing and international sanction.

Sixth, the Bank improved the long-term mechanism for case prevention and control. The head office's Compliance, Internal Control and Case Prevention and Control Committee regularly reviewed the risk status of lines and operating institutions and the risk prevention and control work in key areas, and strengthened the prevention of cases in high-risk areas; it compiled and issued typical cases involving criminal cases, carried out case prevention and control compliance training, warning theme education and relevant special inspection actions; it optimized smart management system of employees' behaviors and enabled the improvement of case prevention and control level; it also comprehensively refined compliance evaluation standards, strengthened compliance and internal control evaluation, and led operation units to improve the compliance and internal control management level.

Seventh, the Bank deepened the construction of the compliance culture system. The Bank established Guidelines for Compliance Culture Construction of Ping An Bank to clarify the compliance culture construction system, guarantee system and its standard actions, it promoted the normalization of compliance culture publicity work from the four major systems of responsibility, system, publicity and education, and certification. At the same time, the Bank continued to push learning tasks to all employees point-to-point through the construction of a compliance publicity and education platform "Ping An Compliance Journey" to effectively guide all employees to improve compliance awareness and duty performance capability. The Bank also organized and carried out the theme activity of "Compliance Protection Family with Ping An" to create a good atmosphere of compliance co-construction and family-bank linkage.

Management Discussion and Analysis

3.7 Prospects

Forecast of operational performance from January to March 2024

Warnings on predicting any potential loss in accumulated net profit from the beginning of the year to the end of the next reporting period or any material change as compared with that in the same period of last year and the reasons

Applicable Not applicable

3.7.1 Prospects of macro and industry environment

The country will uphold Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, thoroughly implement the spirit of the 20th CPC National Congress and the 2nd Plenary Session of the 20th CPC Central Committee, adhere to the general tone of seeking improvement in a stable way, implement the new concept of development in a complete, accurate and comprehensive way, accelerate the establishment of a new development pattern, strive to promote high-quality development, comprehensively deepen reform and opening up, coordinate the expansion of domestic demand and the deepening of supply-side structural reform, coordinate the new urbanization and the overall revitalization of rural areas, coordinate high-quality development and high-level security, effectively enhance economic vitality, prevent and defuse risks, improve social expectations, consolidate and enhance the trend of economic recovery, continue to promote the effective improvement of the economy in quality and reasonable growth in quantity, improve people's livelihood, and maintain social stability, to comprehensively promote the building of a strong country and the rejuvenation of the nation with Chinese modernization. Going forward for 2024, it is expected that the proactive fiscal policy will be more effective to improve quality and efficiency, and the prudent monetary policy will be flexible, moderate, precise and effective, to form a joint force to promote high-quality development. It is expected that the macro economy will still maintain steady growth, and the economic recovery will be further consolidated and enhanced. Meanwhile, the construction of a strong financial country will be accelerated. Strengthening the centralized and unified leadership of the CPC Central Committee over financial work, providing high-quality financial services for economic and social development, and effectively preventing and defusing financial risks will be the main theme of the banking industry.

3.7.2 Operational plan

In 2024, the Bank will adhere to the leadership of Party building, continue to deepen strategic transformation, improve financial institutions' ability to serve the real economy, enhance financial risk prevention and control, actively practice high-quality financial development, and help strengthen the construction of a strong financial country.

First, the Bank will continuously deepen Party building guidance. The Bank will continue to strengthen Party leadership and Party building, actively implement the major decisions and arrangements of the CPC Central Committee, comply with all regulatory requirements, continue to deepen the integration of Party building with business, and fully implement strict governance of the Party, to comprehensively lead high-quality development of its operation and management with high-quality Party building.

Second, the Bank will continuously improve financial institutions' ability to serve the real economy. The Bank will give full play to its own resource endowment and unique advantages in operation and management and actively accomplish the tasks in five areas. The Bank will continue to develop consumer finance business and wealth management business in private banking and actively help expand domestic demand. The Bank will continue to develop market-making business in the financial market and hedging business for corporate customers, actively help activate the financial market, and reduce business risks for corporate customers.

Third, the Bank will continuously enhance financial risk prevention and control. The Bank focuses regards asset quality as the "first lifeline" of its development. The Bank focuses on risk mitigation in the real estate industry, consolidated risk prevention and control in key industries, products, customer groups and major clients and other areas; promote the risk mitigation of existing problematic assets and strengthen the write-off and disposal of non-performing assets; promote the adjustment of asset structure and increase the proportion of high-quality customers and medium and low-risk loans; deepen technology empowerment, upgrade the smart risk control platform system, and comprehensively improve the efficiency and level of risk management. The Bank will comprehensively strengthen compliance risk management, create a new "grid" compliance governance model, and comprehensively enhance the "three capabilities" of compliance governance, compliance constraint and compliance culture. The Bank will comprehensively strengthen the management of letters and visits and the protection of rights and interests of financial consumers, focus on key areas, implement source governance, and effectively safeguard the legitimate rights and interests of consumers.

4.1 Basic situation of corporate governance

During the reporting period, the Bank was committed to further completing the corporate governance system and perfecting the corporate governance structure in accordance with the provisions of the *Company Law*, *Securities Law*, *Commercial Bank Law* and other relevant laws and regulations, as well as the regulatory requirements of China Securities Regulatory Commission and National Financial Regulation Administration. The Bank has established a number of corporate governance systems, including the Articles of Association, rules of procedures for the Shareholders' General Meeting, the Board of Directors and the Supervisory Committees, working instructions for the Board of Directors and the Supervisory Committee and their special committees, Work instructions for independent directors, information disclosure management system, investor relations system, measures for the administration of equity affairs, measures for the administration of shares held by directors, supervisors and senior management and changes in shareholding, registration management system for people with insider information, accountability system of major errors in annual report information disclosure, system of preventing major shareholders and related parties occupying the funds, performance evaluation methods of directors and supervisors, etc.

During the reporting period, the shareholders' general meeting of the Bank has effectively played its functions in accordance with the relevant provisions of the *Company Law and the Articles of Association*. The Board of Directors shall be responsible to the Shareholders' General Meeting, and bear the ultimate responsibility for the operation and management of the Bank, and shall hold the meeting in accordance with the legal procedures and exercise its functions and powers. The Supervisory Committee, with its responsible attitude towards all shareholders, shall maintain close contact and communication with the Board of Directors and the management, and carry out performance evaluation of directors, supervisors and senior management, to effectively perform the supervisory functions and duties. The management of the Bank abides by the principle of good faith, prudently and diligently performs its duties, and carries out management according to the decision of the Board of Directors.

Whether there is a significant difference between the actual situation of corporate governance and laws, administrative regulations and the regulations of the China Securities Regulatory Commission on the governance of listed companies

Yes No

4.2 Independence of the company in ensuring its assets, personnel, finance, organization, business, etc. from the controlling shareholder and actual controller

There is no actual controller for the Bank. The Bank is completely separated from its controlling shareholder in terms of assets, personnel, finance, organization, business, etc. and has self-operation capabilities of carrying out independent and complete businesses. In terms of assets, the Bank's assets are complete, and the property relations are clear. The Bank has independent premises for business activities and property rights, trademark registration right and non-patented technology and other intangible assets. In terms of personnel, the Bank is independent of the controlling shareholder in labor, personnel and payroll management and other aspects; members of the operating management do not hold posts in the shareholders' units. In terms of finance, the Bank has established an independent financial management system and accounting system, with independent accounting and independent tax. In terms of organization, the Bank has an organization structure which is completely independent from the controlling shareholder. In terms of business, the Bank has an independent operation and sales system.

During the reporting period, the controlling shareholder of the Bank did not interfere with operation and management of the Bank, and there were no other non-standard situations of corporate governance.

4.3 Competition in the same business

Applicable Not applicable

During the reporting period, the Bank's controlling shareholder and other entities controlled by it did not engage in the same or similar business as the Bank's.

4.4 Information about Annual General Meeting and Extraordinary General Meeting during the reporting period

4.4.1 Conditions of Annual General Meeting during the reporting period

Session of meeting	Type of meeting	Investor participation rate	Date of meeting	Disclosure date	Resolution of meeting
2022 Annual General Meeting	Annual General Meeting	66.5211%	31 May 2023	1 June 2023	The Annual Board of Directors Work Report, the Annual Supervisory Committee Work Report, the Annual Report and Summary, the Annual Final Financial Report and Financial Budget Report, the Annual Profit Distribution Plan, the Annual Related-party Transactions and Related-party Transaction Management System Execution Report, the Appointment of Accounting Firm for the Year, the Annual Total Budget for External Donation, and the External Donation Authorization Scheme were approved
The First Extraordinary General Meeting in 2023	Extraordinary General Meeting	64.5918%	26 June 2023	27 June 2023	The Proposal on Electing Mr. Ji Guangheng as the Executive Director was approved
The Second Extraordinary General Meeting in 2023	Extraordinary General Meeting	63.7205%	14 November 2023	15 November 2023	The Proposal on Electing Mr. Pan Min as the Independent Director was approved
The Third Extraordinary General Meeting in 2023	Extraordinary General Meeting	64.2371%	10 November 2022	11 November 2022	The Proposal on Electing Mr. Guo Xiaotao as the Non-executive Director, the Capital Management Plan (2024-2028), and the Proposal on Renewal of Existing Capital Bonds Upon Maturity were approved

4.4.2 Preferred shareholders with resumed voting rights request to convene an extraordinary general meeting

Applicable Not applicable

4.5 Directors, supervisors and senior management

4.5.1 General information

Name	Title	Service status	Gender	Age	Term
Xie Yonglin	Chairman	In-service	Male	55	From December 2016 to change of term
Ji Guangheng	Director, President of the Bank	In-service	Male	55	Director: From November 2023 to change of term President of the Bank: from November 2023 till now
Chan Sin Yin	Director	In-service	Female	46	From January 2014 to change of term
Cai Fangfang	Director	In-service	Female	49	From January 2014 to change of term
Fu Xin	Director	In-service	Female	44	From March 2024 to change of term
Guo Jian	Director	In-service	Male	59	From February 2017 to change of term
Yang Zhiqun	Director, Vice president of the Bank	In-service	Male	53	Director: From January 2020 to change of term Vice president of the Bank: from April 2019 till now
Xiang Youzhi	Director, Vice president of the Bank, CFO	In-service	Male	59	Director: From January 2020 to change of term Vice president of the Bank: From June 2020 till now CFO: from January 2018 till now
Yang Jun	Independent director	In-service	Male	65	From September 2020 to change of term
Ai Chunrong	Independent director	In-service	Male	61	From September 2020 to change of term
Wu Zhipan	Independent director	In-service	Male	67	From May 2023 to change of term
Liu Feng	Independent director	In-service	Male	57	From April 2023 to change of term
Ye Wangchun	Chairman of the Supervisory Committee, Employee supervisor	In-service	Male	68	From December 2022 to change of term
Che Guobao	Supervisor of shareholder	In-service	Male	74	From December 2010 to change of term
Wang Chunhan	External supervisor	In-service	Male	72	From September 2020 to change of term
Wang Songqi	External supervisor	In-service	Male	71	From September 2020 to change of term
Han Xiaojing	External supervisor	In-service	Male	68	From September 2020 to change of term
Sun Yongzhen	Employee supervisor	In-service	Female	55	From October 2018 to change of term
Deng Hong	Employee supervisor	In-service	Female	49	From November 2022 to change of term

Name	Title	Service status	Gender	Age	Term
Zhou Qiang	Secretary of the Board	In-service	Male	51	From June 2014 till now
Hu Yuefei	Director, President of the Bank	Left post	Male	61	Director: From December 2007 to November 2023 President of the Bank: from December 2016 to November 2023
Guo Shibang	Director, Vice president of the Bank	Left post	Male	58	Director: From December 2017 to December 2023 Vice president of the Bank: from April 2019 to December 2023
Guo Tianyong	Independent director	Left post	Male	55	From August 2016 to August 2022
Yang Rusheng	Independent director	Left post	Male	55	From February 2017 to November 2022
Cai Hongbin	Independent director	Left post	Male	56	From September 2020 to November 2022
Ju Weiping	Vice president of the Bank	Left post	Male	60	From June 2020 to January 2024

4.5 Directors, supervisors and senior management(Continued)

4.5.1 General information(Continued)

Name	Shareholding at the beginning of the period (share)	Shareholding increased in the period (share)	Shareholding decreased in the period (share)	Other increase or decrease (share)	Shareholding at the end of the period (share)	Reason for the increase or decrease of shares
Xie Yonglin	26,700	-	-	-	26,700	-
Ji Guangheng	-	-	-	-	-	-
Chan Sin Yin	-	-	-	-	-	-
Cai Fangfang	-	-	-	-	-	-
Fu Xin	-	-	-	-	-	-
Guo Jian	-	-	-	-	-	-
Yang Zhiqun	50,000	-	-	-	50,000	-
Xiang Youzhi	26,000	-	-	-	26,000	-
Yang Jun	-	-	-	-	-	-
Ai Chunrong	-	-	-	-	-	-
Wu Zhipan	-	-	-	-	-	-
Liu Feng	-	-	-	-	-	-
Ye Wangchun	-	-	-	-	-	-
Che Guobao	-	-	-	-	-	-
Wang Chunhan	-	-	-	-	-	-
Wang Songqi	-	-	-	-	-	-
Han Xiaojing	-	-	-	-	-	-
Sun Yongzhen	-	-	-	-	-	-
Deng Hong	-	-	-	-	-	-

Name	Shareholding at the beginning of the period (share)	Shareholding increased in the period (share)	Shareholding decreased in the period (share)	Other increase or decrease (share)	Shareholding at the end of the period (share)	Reason for the increase or decrease of shares
Zhou Qiang	-	-	-	-	-	-
Hu Yuefei	104,104	-	-	-	104,104	-
Guo Shibang	-	-	-	-	-	-
Guo Tianyong	-	-	-	-	-	-
Yang Rusheng	-	-	-	-	-	-
Cai Hongbin	-	-	-	-	-	-
Ju Weiping	30,000	-	-	-	30,000	-
Total	236,804	-	-	-	236,804	-

Notes:

(1) On 20 April and 11 May 2023, the qualifications of Mr. Liu Feng and Wu Zhipan as independent directors were approved by the National Financial Regulatory Administration (NFRA), and Mr. Yang Rusheng and Mr. Cai Hongbin as independent directors resigned respectively. Mr. Guo Tianyong, the independent director, will leave his post on the date when Mr. Pan Min's qualification as an independent director is approved by the NFRA.

(2) The persons mentioned in this table do not hold the Bank's stock options or restricted shares.

4.5 Directors, supervisors and senior management(Continued)

4.5.2 Whether there is any resignation of directors and supervisors within their term of office and dismissal of senior management during the reporting period

Yes No

On 7 June 2023, Mr. Hu Yuefei resigned as executive director, member of the Strategic Development and Consumer Right Protection Committee of the Board of Directors and president of the Bank due to his age. Mr. Hu Yuefei performed his duties as president of the Bank until the date of approval of Mr. Ji Guangheng's qualification as president of the Bank on 10 November 2023.

On 21 December 2023, Mr. Guo Shibang resigned as executive director, member of the Risk Management Committee of the Board of Directors, member of the Related Transaction Control Committee and vice president of the Bank due to job changes.

4.5.3 Changes in the directors, supervisors and senior management of the company

Name	Role	Type	Date	Reason
Liu Feng	Independent director	Elected	20 April 2023	Regulatory approval
Wu Zhipan	Independent director	Elected	11 May 2023	Regulatory approval
Ji Guangheng	Executive director President of the Bank	Elected Appointment	10 November 2023	Regulatory approval
Hu Yuefei	Executive director, President of the Bank	Left post	10 November 2023	Age
Guo Shibang	Executive director, Vice president of the bank	Left post	21 December 2023	Job change
Ju Weiping	Vice president of the Bank	Left post	15 January 2024	Job
Fu Xin	Non-executive director	Elected	6 March 2024	Regulatory approval

Notes: On 14 November 2023 and 26 December 2023, the Bank's Second Extraordinary General Meeting and the Third Extraordinary General Meeting in 2023 deliberated and approved the relevant proposals for electing Mr. Pan Min as an independent director and Mr. Guo Xiaotao as a non-executive director respectively. The appointments of Mr. Pan Min and Mr. Guo Xiaotao are subject to the approval of the NFRA.

4.5.4 Professional background, main work experiences and current major responsibility in the company of incumbent directors, supervisors and senior management

Mr. Xie Yonglin, Non-executive Director and Chairman.

Born in 1968, Mr. Xie holds a master's degree in science and doctor's degree in management from Nanjing University. He has been the Chairman of Ping An Bank since December 2016, Deputy Secretary of the CPC Committee of China Ping An since July 2018, Co-CEO of China Ping An since December 2018, and General Manager of China Ping An since December 2019. Since April 2020, he has worked as the Executive Director of China Ping An.

Mr. Xie Yonglin joined China Ping An in October 1994 as a grass-roots salesperson and successively worked as the Deputy General Manager of a Ping An Property & Casualty Insurance branch, Deputy General Manager and General Manager of a Ping An Life Insurance branch, and General Manager of the Marketing Department of Ping An Life Insurance. From June 2005 to March 2006, he was the Deputy Director of China Ping An Reform and Development Center. From March 2006 to November 2013, he was the Operation Director, HR Director and Vice President of Ping An Bank successively. From November 2013 to November 2016, he worked successively as the Special Assistant to Chairman, General Manager & CEO, and Chairman of Ping An Securities. From September 2016 to December 2019, he was the Deputy General Manager of China Ping An.

Mr. Ji Guangheng, Executive Director and President of the Bank.

Born in 1968, Mr. Ji holds a bachelor's degree in economic geography, master's degree in human geography and doctor's degree in regional economics from Peking University. Now he is a senior economist.

Mr. Ji Guangheng joined China Ping An in April 2020. He successively served as the Secretary of the CPC Committee and General Manager of Shanghai Headquarter, Secretary of the CPC Committee and Chairman of Lufax Holding Ltd., and Deputy General Manager of China Ping An. He has served as the Deputy Secretary of the CPC Committee of China Ping An since July 2022. Since June 2023, he has served as the Party secretary of Ping An Bank. Since November 2023, he has served as the Executive Director and President of Ping An Bank.

Before joining China Ping An, Mr. Ji served as the Vice Chairman and Co-President of Baoneng Group; Secretary of the CPC Committee and Chairman of Shanghai Rural Commercial Bank; member of CPC Committee and Vice President of Shanghai Pudong Development Bank, and Secretary of the CPC Committee and President of Beijing Branch; member of CPC Committee and Vice President of Industrial and Commercial Bank of China Beijing Branch, Office Director and Director of Party Affairs of Beijing Branch, Secretary of the CPC Committee and President of Chang'an Branch, Full-time Secretary of the Vice President of and Deputy Director of Market Development Department of Housing Credit Department of the Head Office; Director and Deputy General Manager of Shanghai Yingong Real Estate Development Co., Ltd.

4.5 Directors, supervisors and senior management(Continued)

4.5.4 Professional background, main work experiences and current major responsibility in the company of incumbent directors, supervisors and senior management(Continued)

Ms. Chan Sin Yin, Non-executive Director.

Born in 1977 and graduated from the Massachusetts Institute of Technology, Ms. Chan holds a master's degree in electrical engineering and computer science, and bachelor's degree in both electrical engineering and economics. Since April 2020, Ms. Chan has worked as the Director of China Ping An. Since January 2014, she has been the Director of Ping An Bank.

Ms. Chan Sin Yin joined China Ping An in 2013. From January 2013 to November 2019, she was the Chief Information Officer ("CIO") of China Ping An. From December 2013 to February 2021, she was the Chief Operating Officer ("COO") of China Ping An. From June 2015 to December 2015, she was the Deputy General Manager of China Ping An. From January 2016 to December 2023, she was the Standing Deputy General Manager of China Ping An. From October 2017 to November 2018, she was the Deputy CEO of China Ping An. From December 2018 to December 2023, she was the Co-CEO of China Ping An.

Before she joined China Ping An, she was the Global Director (Partner) of McKinsey & Company.

Ms. Cai Fangfang, Non-executive Director.

Born in 1974, Ms. Cai is a master of commerce in accounting from the University of New South Wales, Australia. She has served as the Executive Director of China Ping An since July 2014. Also, she has been the Deputy General Manager of China Ping An since December 2019. Since January 2014, she has been the Director of Ping An Bank.

Ms. Cai Fangfang joined China Ping An in July 2007. She worked as the Deputy General Manager and General Manager in the Compensation Planning and Management Department of Human Resource Center of China Ping An from October 2009 to February 2012. She was the Deputy CFO and General Manager of the Planning Department of China Ping An from February 2012 to September 2013. She was the Deputy Chief Human Resources Officer ("CHRO") of China Ping An from September 2013 to March 2015. She was the CHRO of China Ping An from March 2015 to August 2023.

Before joining China Ping An, Ms. Cai once worked as a consulting director in Watson Wyatt Consultancy (Shanghai) Co., Ltd. and an audit director specialized in financial industry in Britain Standards Institutions Management Systems Certification Co. Ltd.

Ms. Fu Xin, Non-Executive Director.

Born in 1979, Ms. Fu Xin holds a master degree in Shanghai Jiao Tong University. She was the Deputy General Manager of China Ping An from August 2023 to present, and the Director of Ping An Bank from March 2024 to present.

Ms. Fu Xin joined China Ping An in October 2017 as the General Manager in the Planning Department of China Ping An, and served as the Deputy CFO of China Ping An from March 2020 to March 2022 and the COO of China Ping An from March 2022 to September 2023, respectively.

Prior to joining China Ping An, Ms. Fu Xin was a partner of the financial sector at Roland Berger and an executive director at PricewaterhouseCoopers.

Mr. Guo Jian, Non-executive Director.

Born in 1964, Mr. Guo holds his master's degree in electronic physics and devices from Chengdu Institute of Telecommunications (now the University of Electronic Science and Technology of China). He is now a Full-time Director in China Electronics Information Service Co., Ltd., Chairman of Supervisory Committee in China Electronics Investment Shenzhen Company and Vice Chairman of Shenzhen Jingwah Electronics Co., Ltd.. He has worked as a director of Ping An Bank since February 2017.

Mr. Guo Jian joined China Electronics Investment Shenzhen Company in May 1988, taking up the positions of an assistant to General Manager, Deputy General Manager, General Manager, Director and Deputy Secretary of the CPC Committee; and he was appointed as the Deputy Secretary of the CPC Committee, Deputy General Manager and General Manager under the E-commerce Business Department of China Electronics Corporation Information Service Co., Ltd.. He has served as a Full-time Director in China Electronics Information Service Co., Ltd. since July 2020; he has served as a Director of CET since October 2021; he has served as the Chairman of Supervisory Committee in China Electronics Investment Shenzhen Company Limited (it changed its name to China Electronics Investment Shenzhen Company in September 2022) since November 2021; and he has served as the Vice Chairman of Shenzhen Jingwah Electronics Co., Ltd. since May 2022.

He is a CPPCC member of Shenzhen, Vice-Chairman of Guangdong Provincial Enterprise Confederation, Vice-Chairman of Shenzhen Enterprise Confederation, etc.

Mr. Yang Zhiqun, Executive Director and Vice President of the Bank.

Born in 1970, Mr. Yang holds a doctor's degree in world economics from Nankai University and is now a senior economist.

From 1991 to October 1996, he served in Guangzhou Jiufu Electric Co., Ltd. and China Nanhai Petroleum United Service General Company; from October 1996 to September 2008, he served in China Minsheng Bank as a teller, Deputy Chief, Chief and Deputy General Manager of Division 1 under the Marketing Department of Guangzhou Branch (directing operations), Vice President of Tianhe Branch (directing operations), President of Tianhe Branch, Senior Assistant to President of the Branch, and Vice President of the Branch successively; from October 2008 to February 2011, he was the leader of the preparatory group of Former Ping An Bank Guangzhou Branch and President of the Branch; from March 2011 to March 2015, he was the President of Ping An Bank (formerly known as Shenzhen Development Bank) Guangzhou Branch; from March 2015 to November 2016, he served as the General Manager of Ping An Securities Co., Ltd.; from November 2016 to December 2023, he served as the Secretary of the CPC Committee of Ping An Bank Shenzhen Branch; from May 2017 to December 2023, he was the President of Ping An Bank Shenzhen Branch; from May 2017 to April 2019, he was an assistant to the President of Ping An Bank; he has served as the Vice President of Ping An Bank since April 2019, and Executive Director of Ping An Bank since January 2020.

4.5 Directors, supervisors and senior management(Continued)

4.5.4 Professional background, main work experiences and current major responsibility in the company of incumbent directors, supervisors and senior management(Continued)

Mr. Xiang Youzhi, Executive Director, Vice President of the Bank and CFO.

Born in 1964, Mr. Xiang is a doctor of management from Xiamen University, and is a senior accountant.

From July 1987 to September 1991, Mr. Xiang worked as a teaching assistant in Faculty of Economics and Management of East China Metallurgic Institute (now Anhui University of Technology); from September 1991 to July 1994, he got a master's degree in accounting from Xiamen University; from August 1994 to August 1995, he worked as a lecturer in Faculty of Economics and Management of East China Metallurgic Institute (now Anhui University of Technology); from September 1995 to August 1998, he pursued a doctorate in management from Xiamen University; from September 1998 to April 2007, he successively served as the Manager of the Accounting Department, assistant to General Manager, Deputy General Manager, and Deputy General Manager of Planning and Finance Department at the Head Office of China Merchants Bank; from April 2007 to July 2013, he successively worked as the Planning and Finance Director of Ping An Bank (formerly Shenzhen Development Bank), and also General Manager of Planning and Finance Management Department and General Manager of Asset and Liability Management Department of the Bank; from July 2013 to May 2014, he worked as the General Manager of the Planning Department of China Ping An; from May 2014 to August 2017, he was the Finance Director and General Manager of the Finance Department of China Ping An; he has worked in Ping An Bank since August 2017 and served as CFO of Ping An Bank since January 2018, Executive Director of Ping An Bank since January 2020, and Vice President and CFO of Ping An Bank since June 2020.

Mr. Yang Jun, Independent Director.

Born in 1958, Mr. Yang is a doctor of laws from Columbia University. He is a practicing lawyer in China and the State of New York, USA. Since September 2020, he has served as an Independent Director of Ping An Bank.

Mr. Yang Jun once worked as a lawyer at Beijing Foreign Economy Law Firm, Marinoth Law Firm in America and American International Group, an Executive Director of Investment Banking Department of Goldman Sachs (Asia) L.L.C., Vice President of Investment Banking Department of Salomon Brothers, Managing Director of H&Q Asia Pacific in China and BOC International Holdings Limited, Vice Chairman of Hainan Bo'ao Investment Holdings Ltd., and an Independent Director of COSCO SHIPPING Holdings Co., Ltd., Offshore Oil Engineering Co., Ltd., China Merchants Bank Co., Ltd., China Hainan Rubber Industry Group Co., Ltd. and Former Ping An Bank. Since March 2003, he has served as a member of the council of China Soong Ching Ling Foundation.

Mr. Ai Chunrong, Independent Director.

Born in 1962, Mr. Ai holds a PhD in Economics from Massachusetts Institute of Technology, USA. He learned from Professor McFadden who won Nobel Memorial Prize in Economic Sciences in 2000. Currently, he is a professor of economics in the School of Economics and Management and a headmaster's chair professor in the Chinese University of Hong Kong, Shenzhen. Since September 2020, he has served as an Independent Director of Ping An Bank.

From 1990 to 1991, Mr. Ai was a post-doctor in the National Bureau of Economic Research in the United States. From 1991 to 1994, he was an assistant professor of economics in the State University of New York at Stony Brook. From 1994 to July 2020, he was an assistant professor, associate professor, professor and chair professor of economics in University of Florida. He was the Dean in the School of Statistics and Management of Shanghai University of Finance and Economics from 2006 to 2013, and Executive Vice Dean in the Institute of Advanced Research of Shanghai University of Finance and Economics from 2007 to 2015. From May 2015 to February 2020, he was the Dean in the Institute of Statistics and Big Data of Renmin University of China. He is now the Vice Dean of Shenzhen Finance Institute. He was selected as a Chang Jiang Chair Professor in 2005, a National Distinguished Expert in 2010, and a Fellow of the Econometric Society in 2021. He has been engaged in such fields as econometrics, applied microeconomics, empirical finance and digital economy.

Mr. Wu Zhipan, Independent Director.

Born in 1956, Mr. Wu holds a doctor's degree in law and is now a professor and doctoral supervisor in Peking University Law School. Since May 2023, he has served as an Independent Director of Ping An Bank.

Mr. Wu Zhipan joined the work in September 1975, studied in the Law Department of Peking University from 1978 to 1988, and obtained a bachelor's degree, master's degree and doctor's degree in law. Since 1988, he has worked at Peking University. He has successively served as a lecturer, associate professor and professor of the Law Department, deputy director and director of the Law Department, Dean of the Law School, and assistant president, vice president, executive deputy secretary and executive vice president of Peking University. He has also served as the Director of the Financial Law Research Center of Peking University and Dean of Guanghua School of Management.

Professor Wu Zhipan's research fields include financial law, international economic law and international financial law. He has published some monographs such as *Introduction to Financial Law and International Financial Law*. He concurrently served as the Chairman of the China Economic Law Research Association, Vice Chairman of the China Law Society, Vice Chairman of the China Finance Association and Vice Chairman of the China Law Education Research Association. He served as a consultant to the drafting group of the Law of the People's Republic of China on the People's Bank of China and Law of the People's Republic of China on Commercial Banks, and participated in the drafting of Securities Law. Since 2020, he has worked as a senior advisory expert of the China Securities Regulatory Commission on the construction of the rule of law in the capital market. He concurrently worked as an Independent Director of BlueFocus Intelligent Communications Group Co., Ltd. and China Trust Protection Fund Co., Ltd.. He also served as an Independent Director of Air China Limited, China Minsheng Banking Corp., Ltd., China National Petroleum Corporation, Henan Zhongfu Industry Co., Ltd. and Hwabao WP Fund Management Co., Ltd..

4.5 Directors, supervisors and senior management(Continued)

4.5.4 Professional background, main work experiences and current major responsibility in the company of incumbent directors, supervisors and senior management(Continued)

Mr. Liu Feng, Independent Director.

Born in 1966, Mr. Liu holds a doctor's degree in economics (accounting) and now is a Professor of Accounting Department and Director of Accounting Development Center of Xiamen University. Since April 2023, he has served as an Independent Director of Ping An Bank.

Mr. Liu Feng was admitted to the Accounting Department of Xiamen University in 1983. He graduated from Xiamen University in 1987 and stayed on teaching. During that time, he obtained a doctor's degree in economics (accounting) in October 1994 and was promoted to professor in November 1997. From January 2000 to August 2010, he taught in the Accounting Department of School of Business of Sun Yat-sen University, and concurrently served as the Director of Modern Accounting and Finance Research Center of Sun Yat-sen University. Since September 2010, he has taught in the Accounting Department of Xiamen University. He successively served as Vice Dean of School of Business of Sun Yat-sen University, and Vice Dean of School of Management, Xiamen University. He is currently a Professor of Accounting Department and Director of Accounting Development Center of Xiamen University, and Chief Editor of *Contemporary Accounting Review*.

His long-term research fields include accounting theories, accounting standards and corporate governance. He successively undertook a number of national natural science fund and social science fund projects, and major base projects of the Ministry of Education. He was a member of the Accounting Standards Advisory Committee of the Ministry of Finance. Since 2020, he has been a member of the first Accounting Professional Advisory Committee of Shenzhen Stock Exchange and a member of the IFRS Advisory Council in China. He concurrently worked as an Independent Director of Fujian Aonong Biological Technology Group Incorporation Limited, Xiamen ITG Group Corp., Ltd. and Luckin Coffee (China) Co., Ltd.. He has been an Independent Director of Debang Logistics Limited by Share Ltd, COSCO SHIPPING Corporation Limited Company (now renamed COSCO SHIPPING Specialized Carriers Co., Ltd.), Bank of Hangzhou Co., Ltd., Xiamen C&D Inc. and Shanghai Rongtai Health Technology Corporation Limited.

Mr. Ye Wangchun, Chairman of the Supervisory Committee and Employee Supervisor.

Born in 1955, he is a member of the Communist Party of China and a doctor of management science and engineering from Huazhong University of Science and Technology. He serves as the Chairman of the Supervisory Committee of Ping An Bank.

From March 1973 to May 1987, Mr. Ye served as a loan officer, Deputy Director of the Office and Vice President of PBOC Hubei Honghu Branch. From May 1984 to November 1999, he served in ICBC as the Director of Hubei Jingzhou Central Sub-branch Office, Vice President, President and Secretary of the CPC Committee of Hubei Jingmen Branch, Director of Planning Department in Hubei Branch, and Vice President and Deputy Secretary of the CPC Committee of Wuhan Branch. From November 1999 to March 2007, he served in Hua Xia Bank as the Office Director of Head Office, President and Secretary of the CPC Committee of Hangzhou Branch, and General Manager of Human Resources and Education Department, Head of Organization Department, General Manager of the Business Department and Secretary of the CPC Committee in Head Office. From March 2007 to July 2012, he successively served as the Vice President and Acting President of the Former Ping An Bank. From July 2008 to June 2012, he served as the Executive Director of the Former Ping An Bank. From August 2012 to November 2015, he successively served as the Vice President and Consultant from Head Office of Ping An Bank. From November 2015 to July 2016, he was the Chairman of Ping An Financial Technology. From August 2016 to November 2022, he successively served as the Chairman & CEO, Chairman and Executive Director of OneConnect Financial Technology Co. Ltd.. Since December 2022, he has worked in Ping An Bank.

Mr. Che Guobao, Supervisor of Shareholder.

Born in 1949, Mr. Che holds a bachelor's degree in construction machinery. Now, he is a shareholder, Legal Representative and Chairman of Shenzhen Yingzhongtai Investment Co., Ltd. He has been a supervisor of shareholder of Ping An Bank (former Shenzhen Development Bank) since December 2010.

Mr. Che served as the Vice Factory Director of Beijing Construction Light Steel Structure Factory from 1981 to 1982, Deputy Director-General and Secretary of the CPC Committee of Shenzhen Shekou District Authority from 1983 to 1984, and Deputy General Manager of China Merchants Shekou Industrial Zone Holdings Co., Ltd. of Guangdong being responsible for investment promotion, finance, import & export trade and harbour service from 1985 to 1991. He has been the Chairman, Legal Representative and a shareholder of Shenzhen Yingzhongtai Investment Co., Ltd. since 1992.

Mr. Wang Chunhan, External Supervisor.

Born in 1951, Mr. Wang holds a junior college degree and is now a senior economist. He is now an External Supervisor of Bank of Tibet. He has been an External Supervisor of Ping An Bank since September 2020.

From May 1975 to March 1988, Mr. Wang successively worked as an accountant, an officer and the Deputy Secretary of the Party branch at the office in Siwei Road of PBOC Wuhan Branch; the Deputy Secretary (directing operations) and Secretary of the Party branch at the office in Chezhan Road; and a leader at the Party Affairs Consolidation Office of the Branch, the Deputy Director (directing operations) and Director (in the period from September 1983 to July 1985, he was studying in Jiangnan University) of Political Affairs Office of the Branch. He was the Vice President of PBOC Wuhan Branch from April 1988 to December 1997 (in the period from October 1994 to December 1997, he was also a member of the leadership team of Wuhan Municipal Government City Cooperative Bank and the Director of the Construction Preparation Office). He was appointed as the Executive Vice Chairman, Secretary of the CPC Committee and President of Wuhan Commercial Bank from December 1997 to December 2000. He was the Chairman, Secretary of the CPC Committee and President of Wuhan Commercial Bank from December 2000 to December 2006. He was the Chairman and Secretary of the CPC Committee of Hankou Bank from December 2006 to July 2009 (During the period, Wuhan Commercial Bank was renamed as Hankou Bank in June 2008). He was a counselor of the People's Municipal Government of Wuhan from July 2009 to May 2014. He has been an External Supervisor of Bank of Tibet since December 2020. He was an Independent Director of Qishang Bank, Bank of Tibet and Ping An Bank, respectively.

Mr. Wang Songqi, External Supervisor.

Born in 1952, Mr. Wang holds a PhD in economics. He is a professor and doctoral supervisor at the Graduate School of Science Academy of Social Sciences, and a part-time doctoral supervisor of Central University of Finance and Economics. He has been an External Supervisor of Ping An Bank since September 2020.

Mr. Wang got his bachelor's degree in economics from the Financial Department of Jilin University of Finance and Economics in 1982, a master's degree in economics from Financial Department of Tianjin University of Finance and Economics in 1985 and a doctor's degree from the Finance and Economics Department of Renmin University of China in 1988. He was a teacher at the Finance and Economics Department of Renmin University of China from August 1988 to December 1995. He has served as a research fellow both in National Academy of Economic Strategy and Institute of Finance and Banking under the Chinese Academy of Social Sciences since January 1996. From 1990, he was a member of the fourth council of China Society for Finance and Banking. He once worked as the Chairman of National Middle-aged and Young Financial Research Association. He is now an executive member of the sixth council of China Society for Finance and Banking. He receives special government allowances from the State Council. He served as an Independent Director of Ping An Bank.

4.5 Directors, supervisors and senior management(Continued)

4.5.4 Professional background, main work experiences and current major responsibility in the company of incumbent directors, supervisors and senior management(Continued)

Mr. Han Xiaojing, External Supervisor.

Born in 1955, Mr. Han got a master's degree in law. He is a practicing lawyer in China and a founding partner of Commerce & Finance Law Offices in Beijing. He has been an External Supervisor of Ping An Bank since September 2020.

Mr. Han got his bachelor's degree in law from Zhongnan University of Economics and Law (old name: Hubei Finance and Economics College) in 1982 and his master's degree in law from China University of Political Science and Law in 1985. He worked as a lecturer from 1985 to 1986 in China University of Political Science and Law. He served as a lawyer at China Legal Affairs Center from 1986 to 1992. Since 1992, he has been a partner of Commerce & Finance Law Offices, mainly engaged in securities, corporate restructuring / merger, banking, project financing, etc. He is now an Independent Non-executive Director of China COSCO Holdings Company Limited, Far East Horizon Ltd., Vital Mobile Holdings Limited and Angelalign Technology Company Limited. He served as an Independent Director of Ping An Bank.

Ms. Sun Yongzhen, Employee Supervisor.

Born in 1968, she holds a master's degree in economics from Zhongnan University of Economics and Law and is now a senior economist. Now, she serves as the Chief Audit Executive and Secretary of Committee for Discipline Inspection of Ping An Bank. She has worked as an Employee Supervisor of Ping An Bank since October 2018.

From July 1993 to October 1996, Ms. Sun successively served as a senior staff member, principal staff member and deputy-director-general-level researcher of Capital Planning Department under PBOC, Shenzhen Special Economic Zone Branch; from October 1996 to February 2005, she successively served as the Deputy General Manager of Capital Planning Department, Deputy General Manager of Financial Institution Department and Deputy General Manager of Financial Interbank Department under Shenzhen Development Bank; from March 2005 to August 2017, she successively served as a researcher of Division I in the Joint Stock Bank Supervision Department, researcher of Policy and Regulation Department, head of the office of supervision, Director of Foreign Bank Supervision Department, and Director of HR Department (Director of Organization Department of the CPC Committee) in CBRC Shenzhen Branch; since August 2017, she has successively served as the Chief Audit Executive, Deputy Secretary of Committee for Discipline Inspection and Secretary of Committee for Discipline Inspection of Ping An Bank.

Ms. Deng Hong, Employee Supervisor.

Born in 1974, she is now the President of Ping An Bank Wuhan Branch. She has been an Employee Supervisor of Ping An Bank since November 2022.

From 1993 to 2001, Ms. Deng served as a senior staff member of Housing Reform Office directly under Hubei Province; from 2001 to 2004, she served as a principal staff member of Hubei Education Examinations Authority; from 2004 to 2009, she served as the Director of PBOC Wuhan Branch; from 2009 till now, she has successively served as the head of Marketing Department of Corporate Banking Office under Business Department of Ping An Bank (former Shenzhen Development Bank) Wuhan Branch, head of Division 9 under the Marketing Department, President of Guanggu Sub-branch, Sales Director of Wuhan Branch, General Manager of Ping An Securities Hubei Branch, Vice President of Ping An Bank Wuhan Branch (directing operations), and President of Ping An Bank Wuhan Branch.

Mr. Zhou Qiang, Secretary of the Board.

Born in 1972, Mr. Zhou majored in international finance in School of Finance of Nankai University and received a PhD in economics.

From July 2001 to April 2007, Mr. Zhou successively served as the Business Manager of Investment Banking Division of Ping An Securities Co., Ltd., Deputy General Manager and General Manager of Investment Banking Management Department; from April 2007 to October 2011, he served as the Deputy Director of Board Office and Securities Affairs Representative of China Ping An; from October 2011 to May 2014, he successively served as an assistant to the General Manager and Deputy General Manager of Ping An Securities. Since June 2014, he has served as a secretary of the Board of Ping An Bank.

Corporate Governance

4.5 Directors, supervisors and senior management(Continued)

4.5.5 Directors and supervisors' service status in shareholder units

Name	Serving shareholder unit	Title	Term
Xie Yonglin	Ping An Insurance (Group) Company of China, Ltd.	Executive director	From April 2020 till now
		General manager	From December 2019 till now
		Co-CEO	From December 2018 till now
Chan Sin Yin	Ping An Insurance (Group) Company of China, Ltd.	Director	From April 2020 till now
	Ping An Life Insurance Company of China, Ltd.	Non-executive director	From June 2013 till now
Cai Fangfang	Ping An Insurance (Group) Company of China, Ltd.	Deputy general manager	From December 2019 till now
		Executive director	From July 2014 till now
Fu Xin	Ping An Life Insurance Company of China, Ltd.	Non-executive director	From December 2013 till now
		Deputy general manager	From August 2023 till now
Guo Jian	Ping An Life Insurance Company of China, Ltd.	Non-executive director	From September 2023 till now
		Deputy general manager	From August 2023 till now
Guo Jian	China Electronics Shenzhen Company	Chairman of Supervisory Committee	From November 2021 till now
Che Guobao	Shenzhen Yingzhongtai Investment Co., Ltd.	Chairman, legal representative, shareholder	From December 1992 till now

4.5.6 Directors, supervisors and senior management staff's service status in other units besides shareholder units

Name	Name of other entities	Title
Xie Yonglin	China Ping An Insurance Overseas (Holdings) Limited	Director
	Lufax Holding Ltd.	Non-executive director
Chan Sin Yin	Ping An Property & Casualty Insurance Company of China, Ltd.	Non-executive director
	Ping An Health Insurance Company of China, Ltd.	Non-executive director
	Ping An Assets Management Co., Ltd.	Non-executive director
	Ping An Healthcare and Technology Company Limited	Non-executive director

Name	Name of other entities	Title
Cai Fangfang	Ping An Property & Casualty Insurance Company of China, Ltd.	Non-executive director
	Ping An Health Insurance Company of China, Ltd.	Non-executive director
	Ping An Assets Management Co., Ltd.	Non-executive director
	Shenzhen Ping An Financial Services Co., Ltd.	Non-executive director
Fu Xin	Ping An Assets Management Co., Ltd.	Non-executive director
	Shenzhen Municipal Committee of CPPCC	CPPCC member
Guo Jian	Shenzhen Chamber of Commerce for import & export	President
	Shenzhen Enterprise Confederation	Vice president
	China Electronics Corporation Information Service Co., Ltd.	Full-time Director
	CET Electric Technology, Inc.	Director
Yang Zhiquan	Shenzhen Supply Chain Finance Association	President
	Shenzhen Banking Association	President of the 10th Council
Yang Jun	China Soong Ching Ling Foundation	Director
Ai Chunrong	The School of Management and Economics of the Chinese University of Hong Kong, Shenzhen	Professor and doctoral supervisor
	Shenzhen Finance Institute	Vice president
Wu Zhipan	Peking University Law School	Professor and doctoral supervisor
	BlueFocus Intelligent Communications Group Co., Ltd.	Independent director
Liu Feng	China Trust Protection Fund Co., Ltd.	Independent director
	Xiamen University	Professor of Accounting Department and doctoral supervisor, Director of Accounting Development Center
	Xiamen ITG Group Corp., Ltd.	Independent director
Wang Chunhan	Fujian Aonong Biological Technology Group Incorporation Limited	Independent director
	Luckin Coffee (China) Co., Ltd.	Independent director
Wang Songqi	Bank of Tibet Limited Company	External supervisor
	Graduate School of Chinese Academy of Social Sciences	Professor and doctoral supervisor
Han Xiaojing	Institute of Finance & Banking of Chinese Academy of Social Sciences	Researcher
	Central University of Finance and Economics	Part-time doctoral supervisor
Han Xiaojing	Sixth China Society for Finance and Banking	Executive director
	Commerce & Finance Law Offices	Partner
	Sino-Ocean Group Holding Limited	Independent non-executive director
	Far East Horizon Ltd.	Independent non-executive director
Han Xiaojing	Vital Mobile Holdings Limited	Independent non-executive director
	Angelalign Technology Company Limited	Independent non-executive director
	China National Aviation Fuel Group Corporation Limited	External director

4.5 Directors, supervisors and senior management(Continued)

4.5.7 Penalties imposed by securities regulatory authorities in past three years on directors, supervisors and senior management staff who were in-service or left their posts during the reporting period

Applicable Not applicable

4.6 Compensation for directors, supervisors and senior management staff

Decision-making process, determining bases and actual payment of compensation for directors, supervisors and senior management staff of the Bank: the compensation plan for the Bank's senior management staff was deliberated and approved by board meeting of the Bank. The compensation plan for the Bank's directors and supervisors was deliberated and approved by the general meeting of shareholders of the Bank after being deliberated and approved by the Board of Directors and Supervisory Committee respectively.

Compensation for directors, supervisors and senior management staff during the reporting period:

(In RMB'0000)

Name	Title	Service status	Total pre-tax compensation settled by the Bank during the reporting period	Whether receiving compensation from related parties of the Bank
Xie Yonglin	Chairman	In-service	-	Yes
Ji Guangheng	Director and president of the Bank	In-service	79.27	No
Chan Sin Yin	Director	In-service	-	Yes
Cai Fangfang	Director	In-service	-	Yes
Fu Xin	Director	In-service	-	Yes
Guo Jian	Director	In-service	34.34	Yes
Yang Zhiqun	Director and vice president of the Bank	In-service	288.01	No
Xiang Youzhi	Director, vice president of the Bank and CFO	In-service	301.82	No
Yang Jun	Independent director	In-service	45.74	No
Ai Chunrong	Independent director	In-service	47.82	No
Wu Zhipan	Independent director	In-service	28.12	No
Liu Feng	Independent director	In-service	33.40	No
Ye Wangchun	Chairman of the Supervisory Committee and employee supervisor	In-service	80.27	No

Name	Title	Service status	Total pre-tax compensation settled by the Bank during the reporting period	Whether receiving compensation from related parties of the Bank
Che Guobao	Supervisor of shareholder	In-service	30.76	Yes
Wang Chunhan	External supervisor	In-service	34.00	No
Wang Songqi	External supervisor	In-service	33.64	No
Han Xiaojing	External supervisor	In-service	31.48	No
Sun Yongzhen	Employee supervisor	In-service	240.41	No
Deng Hong	Employee supervisor	In-service	231.29	No
Zhou Qiang	Secretary of the Board	In-service	241.20	No
Hu Yuefei	Director and president of the Bank	Left post	315.41	No
Guo Shibang	Director and vice president of the Bank	Left post	393.16	No
Guo Tianyong	Independent director	Left post	50.28	No
Yang Rusheng	Independent director	Left post	14.63	No
Cai Hongbin	Independent director	Left post	17.32	No
Ju Weiping	Vice president of the Bank	Left post	245.92	No

Notes:

(1) Directors Xie Yonglin, Chan Sin Yin, Cai Fangfang and Fu Xin serve in and receive compensation from Ping An Insurance (Group) Company of China, Ltd., the controlling shareholder of the Bank. See the 2023 Annual Report of Ping An Insurance (Group) Company of China, Ltd. for information about their compensation. Aforesaid persons did not receive compensation from the Bank.

(2) According to the *Supervisory Guidelines on Sound Compensation in Commercial Banks* and relevant regulations of the Bank, part payment of performance compensation for the Bank's senior management staff will be delayed. The delay period is 3 years. The total pre-tax compensation the Bank's senior management staff settled by the Bank included the performance compensation which is delayed and unpaid. And this part of performance compensation will be paid in a delayed manner by year in next 3 years.

(3) Compensations settled by the Bank during the reporting period by newly appointed staff or those who left post in the current year are calculated by their work time during the reporting period.

(4) The total pre-tax compensation of executive directors, employee supervisors and senior management staff who work for the Bank is to be confirmed and others will be disclosed separately after confirmation.

(5) As a member company of China Ping An, the Bank's senior management staff and some core personnel can voluntarily participate in the *Long-term Service Plan of Ping An Insurance (Group) Company of China, Ltd.* The source of funds is based on the amount of employee benefits payable and the final actual settlement is subject to the conditions specified in the Plan.

Equity incentive awarded to the company's directors and senior management staff during the reporting period

Applicable Not applicable

4.7 Remuneration management structure and decision-making procedures

The Board of Directors has Remuneration and Appraisal Committee; the independent directors are accounted for more than half of the members. The members of the Committee have professional knowledge. As per authorization of the Board of Directors, the Remuneration and Appraisal Committee performs its duties in accordance with the *Articles of Association* and the *Working Rules of the Remuneration and Appraisal Committee under the Board of Directors of Ping An Bank*. It mainly reviews the remuneration management system and policy of the Bank, drafts remuneration plan for directors and senior management staff, proposes suggestions on the remuneration plan to the Board of Directors, and supervises the implementation of the plan.

4.8 Evaluation and incentive mechanism of senior management staff

During the reporting period, the Bank made performance evaluation on senior management staff according to the completion of their individual annual work objectives and plans and those of the Bank, and the bonuses of senior management staff were closely linked to the assessment results. The Bank will continue to improve the performance evaluation and incentive and restraint mechanisms of senior management staff.

4.9 Implementation of responsibilities of directors during the reporting period

4.9.1 Conditions of the Board of Directors during the reporting period

In 2023, the Board of Directors of the Bank held 16 meetings, approved 70 proposals, and listened to or reviewed 55 reports.

Session of meeting	Date of meeting	Disclosure date	Resolution of meeting
The 4th meeting of the 12th session of the Board of Directors	19 January 2023	20 January 2023	Deliberated and approved 2022 Annual Report on the Consumer Right Protection, Related Party Transactions with Shenzhen Ping An Integrated Financial Services Co., Ltd., and Important Strategies, Systems and Procedures for the Sale of Financing Products
The 5th meeting of the 12th session of the Board of Directors	27 February 2023	28 February 2023	Deliberated and approved the Administrative Measures for the Implementation of the Expected Credit Loss Method, 2022 Expected Credit Loss Model Optimization Scheme and Pre-production Verification Report, Revision of the Management Measures for the Liquidity Risk, Related Transactions with Ping An International Financial Leasing Co., Ltd. and Lufax Holding Ltd, and Payment Plan of Dividends on Preference Shares
The 6th meeting of the 12th session of the Board of Directors	8 March 2023	9 March 2023	Deliberated and approved 2022 Annual Report and its Summary, Annual Profit Distribution Pre-plan, Annual Final Financial Report and Financial Budget Report, Appointment of Accounting Firm for the year of 2023, Internal Control Self-Evaluation Report, Special Audit Report on Business Continuity Management and Emergency Management of Important Information Systems in 2022, Authorization to the operating management on Write-off and Disposal of Non-performing Assets in 2023, Annual Sustainable Development Report, Annual Work Report of the Board of Directors, Annual Work Report of Independent Directors, Annual Evaluation Report on the Performance of Directors, 2023 Consumer Rights Protection Work Schedule, 2022 Comprehensive Risk Management Report, 2023 Risk Preference Statement, Annual Report on Related Party Transactions and Implementation of the Management System of Related Party Transactions, and the Compensation of Senior Management Staff
The 7th meeting of the 12th session of the Board of Directors	14 April 2023	15 April 2023	Deliberated and approved the Arrangements for the Performance of Independent Directors
The 8th meeting of the 12th session of the Board of Directors	24 April 2023	25 April 2023	Deliberated and approved 2023 First Quarterly Report, Report on the Management of Consolidated Financial Statements for the year of 2022, 2022 Internal Capital Adequacy Assessment Report, Retail Expected Credit Loss Model Optimization Scheme and Pre-production Verification Report, 2022 Capital Adequacy Ratio Report, and 2023 Capital Adequacy Ratio Management Plan

4.9 Implementation of responsibilities of directors during the reporting period(Continued)

4.9.1 Conditions of the Board of Directors during the reporting period(Continued)

Session of meeting	Date of meeting	Disclosure date	Resolution of meeting
The 9th meeting of the 12th session of the Board of Directors	8 May 2023	9 May 2023	Deliberated and approved the Management Measures for Concentration Risk, Revision of the Management Measures for Retail Internet Loan Risk, Related Party Transactions with Ping An Insurance (Group) Company of China, Ltd., Annual Total Budget for External Donation and External Donation Authorization Scheme, 2022 Annual Evaluation Report of Major Shareholders and Strong Shareholders, Proposal on Holding 2022 Annual General Meeting, and Revision of the Emergency Management Measures for Major Emergencies
The 10th meeting of the 12th session of the Board of Directors	8 June 2023	9 June 2023	Deliberated and approved the Appointment of Mr. Ji Guangheng as President, Nomination of Mr. Ji Guangheng as Candidate for Executive Director of the 12th session of the Board of Directors, and Proposal on Holding the First Extraordinary General Meeting in 2023
The 11th meeting of the 12th session of the Board of Directors	28 July 2023	29 July 2023	Deliberated and approved the Expected Credit Loss Model Optimization Scheme in the First Half of 2023 and Related Party Transactions with Ping An Insurance (Group) Company of China, Ltd.
The 12th meeting of the 12th session of the Board of Directors	4 August 2023	-	Reviewed the related reports of Remuneration and Appraisal Committee
The 13th meeting of the 12th session of the Board of Directors	23 August 2023	24 August 2023	Deliberated and approved 2023 Interim Report together with its Summary, Comprehensive Risk Management Report for the First Half of the Year, Revision of the Basic Measures for Market Risk Management, Proposed Update of 2023 Annual Recovery Plan and 2022 Annual Disposal Plan, Related Party Transactions with Ping An Insurance (Group) Company of China, Ltd., and Revision of the Authorization Scheme of the Board of Directors for the Management's Business
The 14th meeting of the 12th session of the Board of Directors	16 October 2023	17 October 2023	Deliberated and approved 2023 Third Quarterly Expected Credit Loss Model Parameter Update and Revision of the Administrative Measures for the Implementation of the Expected Credit Loss Method

Session of meeting	Date of meeting	Disclosure date	Resolution of meeting
The 15th meeting of the 12th session of the Board of Directors	24 October 2023	25 October 2023	Deliberated and approved 2023 Third Quarterly Report, Nomination of Mr. Pan Min as Candidate for Independent Director of the 12th session of the Board of Directors, and Proposal on Holding the Second Extraordinary General Meeting in 2023
The 16th meeting of the 12th session of the Board of Directors	20 November 2023	21 November 2023	Deliberated and approved the Management Measures for Systemically Important Banks, Off-balance-sheet Business Risk Management Measures and Related Party Transactions with Ping An Securities Co., Ltd.
The 17th meeting of the 12th session of the Board of Directors	27 November 2023	28 November 2023	Deliberated and approved the Nomination of Mr. Guo Xiaotao as Candidate for Non-executive Director of the 12th session of the Board of Directors, Appointment of Mr. Wu Leiming as an assistant to President and Chief Risk Officer (CRO), Compensation of Certain Senior Management Staff, and Adjustment of Organization Structure
The 18th meeting of the 12th session of the Board of Directors	8 December 2023	9 December 2023	Deliberated and approved the Capital Management Plan (2024-2028), Renewal of Stock Capital Bonds upon Maturity, Related Party Transactions with Ping An Healthcare and Technology Company Limited, and Proposal on Holding the Third Extraordinary General Meeting in 2023
The 19th meeting of the 12th session of the Board of Directors	26 December 2023	27 December 2023	Deliberated and approved the Related Party Transactions with Shenzhen Ping An Integrated Financial Services Co., Ltd. and Ping An Securities Co., Ltd., Adjustment of the Composition of the Special Committees of the 12th session of Board of Director, Work Instructions for Independent Directors, and Revision of the Working Rules of the Special Committees of the Board of Directors

4.9 Implementation of responsibilities of directors during the reporting period(Continued)

4.9.2 Participation of directors in the board meetings and shareholders' general meetings

Participation of directors in the board meetings and shareholders' general meetings							
Name of director	Number of participations in the board meetings during the reporting period	On-site attendance	Off-site attendance	Entrusted attendance	Absence	Failure to participate in the meetings for successive two times	Frequency of participating in shareholders' general meetings
Xie Yonglin	16	7	9	0	0	No	3
Ji Guangheng	4	2	2	0	0	No	0
Chan Sin Yin	16	6	9	1	0	No	0
Cai Fangfang	16	7	9	0	0	No	0
Guo Jian	16	7	9	0	0	No	0
Yang Zhiqun	16	7	9	0	0	No	0
Xiang Youzhi	16	7	9	0	0	No	4
Yang Jun	16	7	9	0	0	No	0
Ai Chunrong	16	7	9	0	0	No	3
Wu Zhipan	10	5	5	0	0	No	0
Liu Feng	12	6	6	0	0	No	1
Guo Tianyong	16	7	9	0	0	No	0
Hu Yuefei	6	2	4	0	0	No	1
Guo Shibang	15	7	8	0	0	No	1
Cai Hongbin	6	1	4	1	0	No	0
Yang Rusheng	4	1	3	0	0	No	0

Note: Description of failure to participate in the meetings for successive two times by themselves: None.

4.9.3 Objections raised by the directors on related issues raised by the company

Yes No

4.9.4 Other instructions on implementation of responsibilities of the directors

Are the suggestions related to the Bank proposed by the directors accepted?

Yes No

In 2023, the directors of the Bank made a number of comments and suggestions during the meeting and adjournment, which were accepted or responded by the Bank. The independent directors of the Bank actively, effectively and independently performed duties in accordance with the relevant laws, regulations, rules and requirements of the Bank's Articles of Association, made independent judgments and decisions on major issues, and gave objective and impartial review opinions on a total of 25 items, thereby safeguarding the overall interests of the Bank, especially protecting the legal rights and interests of minority shareholders from being violated, and making due contributions to the corporate governance optimization and the construction, operation and management of the Board of Directors of the Bank.

4.10 Information about the special committees set under the Board of Directors during the reporting period

The 12th session of the Board of Directors of the Bank set up six special committees: Strategic Development and Consumer Rights Protection Committee of the Board of Directors, Audit Committee, Risk Management Committee, Related Transaction Control Committee, Nomination Committee, and Remuneration and Appraisal Committee. The special committees under the Board of Directors held 36 meetings, approved 69 proposals and listened to or reviewed 51 reports.

Name of the committee	Members	Times of the meetings	Date of the meetings	Contents
Strategic Development and Consumer Right Protection Committee	Chairman: Xie Yonglin Committee members: Hu Yuefei, Chan Sin Yin, Cai Fangfang, Guo Jian and Ai Chunrong	2	16 January 2023 8 March 2023	Deliberated and approved 2022 Annual Report on the Consumer Right Protection, Financial Technology Development Plan (2022-2025), Work Plan of the Committee for 2023, 2023 Consumer Rights Protection Work Schedule, Capital Management Plan (2024-2028) and Proposal on the Renewal of Stock Capital Bonds upon Maturity. Listened to and reviewed the Interpretation of the Management Measures for Consumer Right Protection of Banking and Insurance Institutions, and Notification on Consumer Complaints in the Banking Industry
	Chairman: Xie Yonglin Committee members: Chan Sin Yin, Cai Fangfang, Guo Jian and Ai Chunrong	1	8 December 2023	
Audit Committee	Chairman: Yang Rusheng Committee members: Xiang Youzhi, Ai Chunrong, Guo Tianyong and Cai Hongbin	2	16 January 2023 7 March 2023	Deliberated and approved the Annual Report Together with its Summary, Interim Report Together with its Summary, Quarterly Report, Annual Financial Statements and Audit Report, Annual Profit Distribution Pre-plan, Annual Final Financial Report and Financial Budget Report, Appointment of Accounting Firm for the year of 2023, Annual Internal Control Self-Evaluation Report, Special Audit Report on Business Continuity Management and Emergency Management of Important Information Systems, Annual Internal Audit Work Report and Work Plan & Budget, Authorization on Write-off and Disposal of Non-performing Assets, Work Plan of the Committee for 2023, Report on Management of Consolidated Financial Statements, and Revision of the Guidance on Data Governance. Listened to and reviewed the Quarterly Agreed Procedure Report, Interim Review Report, Compliance Work Report, Internal Audit Work Report, and Self Assessment Report on Data Governance
	Chairman: Liu Feng Committee members: Xiang Youzhi, Ai Chunrong, Guo Tianyong and Cai Hongbin	2	24 April 2023 4 May 2023	
	Chairman: Liu Feng Committee members: Xiang Youzhi, Ai Chunrong, Wu Zhipan and Guo Tianyong	2	22 August 2023 24 October 2023	
Risk Management Committee	Interim Committee Convener/ Moderator: Guo Shibang Committee members: Yang Zhiqun, Yang Jun and Cai Hongbin	3	16 January 2023 25 February 2023 7 March 2023	Deliberated and approved the Comprehensive Risk Management Report, Risk Preference Statement, Report on the Management of Interest Rate Risk in the Banking Book, Work Plan of the Committee for 2023, Administrative Measures for the Implementation of the Expected Credit Loss Method, 2022 Expected Credit Loss Model Optimization Scheme and Pre-production Verification Report, Revision of the Management Measures for the Liquidity Risk, Revision of Management Measures for Interest Rate Risk in the Banking Book, Internal Capital Adequacy Assessment Report, Retail Expected Credit Loss Model Optimization Scheme and Pre-production Verification Report, Management Measures for Concentration Risk, Revision of the Management Measures for Risks of Retail Internet Loans, Expected Credit Loss Model Optimization Scheme in the First Half of 2023, Revision of the Basic Measures for Market Risk Management, Proposed Update of 2023 Annual Recovery Plan and 2022 Annual Disposal Plan, 2023 Third Quarterly Expected Credit Loss Model Parameter Update, Revision of the Administrative Measures for the Implementation of the Expected Credit Loss Method, Management Measures for Systemically Important Banks, Off-balance-sheet Business Risk Management Measures, Expected Credit Loss Model Optimization Scheme at the end of 2023, and Evaluation Report on the Development of Derivatives Business and Risk Management in 2023. Listened to and reviewed the Information Technology Work Report, Liquidity Risk Management Report, Report on Quality of Liabilities Management, Report on the Implementation of the Expected Credit Loss Method, Comprehensive Verification Report of Expected Credit Loss Method by Independent Third Party, and Expected Credit Loss Model Optimization Scheme and Pre-production Verification Report in the First Half of 2023
	Committee members: Yang Zhiqun, Yang Jun and Cai Hongbin	6	24 April 2023 4 May 2023 24 July 2023 22 August 2023 13 October 2023 17 November 2023	
	Chairman of the Committee: Cai Fangfang Committee members: Yang Zhiqun, Xiang Youzhi, Yang Jun and Guo Tianyong	1	29 December 2023	

Name of the committee	Members	Times of the meetings	Date of the meetings	Contents
Related Transaction Control Committee	Chairman of the Committee: Ai Chunrong Committee members: Guo Shibang, Cai Hongbin and Yang Rusheng	3	16 January 2023 25 February 2023 7 March 2023	Deliberated and approved the Annual Report on Related Party Transactions and Implementation of the Management System of Related Party Transactions, Annual List of Related Parties, Work Plan of the Committee for 2023, and Related Party Transactions with Founder Securities Co.,Ltd., Ping An Life Insurance Company of China, Ltd., Shenzhen Ping An Integrated Financial Services Co., Ltd., Ping An International Financial Leasing Co., Ltd., Lufax Holding Ltd, Ping An Insurance (Group) Company of China, Ltd., Shandong Gold Mining Co.,Ltd, Ping An Securities Co., Ltd. and Ping An Healthcare and Technology Company Limited
	Chairman of the Committee: Ai Chunrong Committee members: Guo Shibang, Liu Feng and Guo Tianyong	6	4 May 2023 24 July 2023 22 August 2023 17 November 2023 4 December 2023 22 December 2023	
	Chairman of the Committee: Guo Tianyong Committee members: Xie Yonglin, Cai Fangfang, Yang Jun and Cai Hongbin	1	16 January 2023	
	Chairman of the Committee: Wu Zhipan Committee members: Xie Yonglin, Cai Fangfang, Yang Jun and Guo Tianyong	3	8 June 2023 24 October 2023 27 November 2023	
Remuneration and Appraisal Committee	Chairman: Yang Jun Committee members: Cai Fangfang, Guo Tianyong and Yang Rusheng	2	16 January 2023 7 March 2023	Deliberated and approved the Work Plan of the Committee for 2023, Compensation of Senior Management Staff, Compensation of Mr. Ju Weiping and Compensation of Certain Senior Management Staff. Listened to and reviewed the Report on Advance Payment of Annual Performance Bonus for Senior Management Staff, Report on the Settlement of Annual Performance Bonus for Senior Management Staff and other reports on compensation
	Chairman: Yang Jun Committee members: Cai Fangfang, Wu Zhipan and Liu Feng	2	3 August 2023 27 November 2023	

Important comments and suggestions proposed by the Special Committees under the Board: the Special Committees of the 12th session of Board of Directors of the Bank agreed to the proposals in accordance with regulatory regulations and work rules, and made comments and suggestions on relevant work;

Other implementations of responsibilities: none;

Details of objection: none.

4.11 Information about the Supervisory Committee

Whether the Supervisory Committee found any risks in the company during the supervision activities during the reporting period

Yes No

The Supervisory Committee had no objection to the supervision issues during the reporting period.

4.11.1 Composition and working condition of the Supervisory Committee

During the reporting period, the Supervisory Committee, with its responsible attitude towards all shareholders and employees, fulfilled its duties, pursued diligence and responsibility, and conducted compliance operation according to the law in accordance with the *Company Law*, *Securities Law*, various guidelines of regulatory authorities, the Bank's *Articles of Association*, and various rules and regulations of the Supervisory Committee. A relatively comprehensive supervision system encompassing meeting supervision, strategic supervision, tour inspection and investigation supervision, performance evaluation supervision, external audit check supervision and communication and meeting supervision was set up, which positively promoted the robust development of the Bank's business, enhancement of risk control, and improvement of corporate governance structure.

The 11th Supervisory Committee set up 2 special committees: Audit and Oversight Committee and Nomination and Appraisal Committee. In 2023, the Supervisory Committee held 5 meetings of the Supervisory Committee and 5 meetings of special committees of the Supervisory Committee (including 4 meetings of Audit and Oversight Committee, and 1 meeting of Nomination and Appraisal Committee), and expressed opinions on the Bank's financial accounting, responsibility performances of directors, supervisors and executives, as well as related reports and conclusions. The Chairman of the Supervisory Committee and members of the Supervisory Committee also attended 7 meetings of the Board of Directors throughout the year, 14 meetings of the special committees of the Board of Directors and 4 shareholders' general meeting, directly participated in most of business line meetings, compliance, internal control and case preventing meetings and risk control meetings of the Bank, effectively exercised the performance supervision of the Board of Directors and the senior management, as well as the supervision of the Bank's financial management, risk management and internal control.

4.11.2 Working situation of external supervisors

During the reporting period, external supervisors of the Bank actively, effectively and independently performed supervisory duties in accordance with the relevant laws, regulations, rules and requirements of the Bank's Articles of Association, gave independent opinions, safeguarded the overall interests of the Bank, and made due contributions to the corporate governance optimization of the Bank and improvement of the supervision mechanism.

Participation of external supervisors in the meetings of the Supervisory Committee:

Name	Number of participations in the meetings of the Supervisory Committee during the reporting period	Attendance in person	Entrusted attendance	Absence	Failure to participate in the meetings for successive two times
Wang Chunhan	5	5	0	0	No
Wang Songqi	5	5	0	0	No
Han Xiaojing	5	5	0	0	No

4.12 Particulars about reception of researches, visits and interviews

During the reporting period, the Bank conducted a number of communications about the Bank's operations, financial position and other matters with the institutional investors through the results announcements, the analyst meeting and the acceptance of investor research, and individual investors could make inquiry by phone. The communications involved topics on the Bank's operations and development strategy, periodic reports and interim announcements and their explanations. The Bank and the parties subject to the information disclosure obligation have strictly followed the principle of fair information disclosure with no violation. The Bank's primary receptions of investors during the reporting period are as follows:

Date	Location	Mode	Type of visiting party	Visiting party	Topics discussed and materials provided	Reference
11 January 2023	Shenzhen	Communication by call	Institution(s)	Domestic investor(s)		
7 February 2023	Shenzhen	Communication by call	Institution(s)	Domestic investor(s)		
9 March 2023	Shenzhen	Performance conference and open day	Institution(s)	Domestic and foreign investor(s)		
23 March 2023	Shenzhen	Communication by call	Institution(s)	Foreign investor(s)		
7 April 2023	Shenzhen	Onsite visit	Institution(s)	Domestic investor(s)		
9 May 2023	Shenzhen	Communication by call	Institution(s)	Domestic and foreign investor(s)		CNINFO (http://www.cninfo.com.cn)
29 May 2023	Shenzhen	Onsite visit	Institution(s)	Foreign investor(s)	Operations and development strategies, regular reports and interim announcements and their explanations of the Bank	<i>Record Chart of Investor Relationship Activities of Ping An Bank Co., Ltd.</i>
15 June 2023	Shanghai	Onsite visit	Institution(s)	Domestic investor(s)		
24 August 2023	Shenzhen	Results release press	Institution(s)	Domestic and foreign investor(s)		
28 August 2023	Shenzhen	Onsite visit	Institution(s)	Domestic investor(s)		
4-5 September 2023	Shenzhen	Onsite visit	Institution(s)	Domestic investor(s)		
19 September 2023	Shenzhen	Communication by call	Institution(s)	Foreign investor(s)		
31 October 2023	Shenzhen	Performance call	Institution(s)	Domestic and foreign investor(s)		
7 November 2023	Shenzhen	Communication by call	Institution(s)	Domestic investor(s)		
21 December 2023	Shenzhen	Communication by call	Institution(s)	Foreign investor(s)		
26 December 2023	Shenzhen	Onsite visit	Institution(s)	Domestic analyst		

4.13 Information about organizations and employees

4.13.1 Establishment of organizations

The Bank continued to promote the AI-enabled upgrade of its outlets and optimize its branch distribution and physical presence. At the end of 2023, the Bank had 109 branches (including Hong Kong Branch) and a total of 1,201 outlets. Information about the Bank's organizations (including head office, branches and special-purpose organizations) is as follows:

Name	Address	Number of organizations	Asset size	Number of employees
Head office	No. 5047, Shennan East Road, Luohu District, Shenzhen	1	2,012,282	7,746
Shenzhen Branch	No. 1099, Shennan Middle Road, Futian District, Shenzhen	101	722,177	4,214
Shanghai Branch	No. 1333, Lujiazui Ring Road, Pudong New Area, Shanghai	74	362,933	2,221
Beijing Branch	No. 158, Fuxingmennei Street, Xicheng District, Beijing	57	327,645	2,155
Guangzhou Branch	Zhukong Commercial Building, No. 1, Huaqiang Road, Zhujiang New Town, Tianhe District, Guangzhou	50	283,338	1,704
Hangzhou Branch	Building 1, Ping An Financial Center, No. 280, Minxin Road, Jianggan District, Hangzhou	32	168,760	1,369
Wuhan Branch	No. 54, Zhongbei Road, Wuchang District, Wuhan	28	91,058	827
Nanjing Branch	No. 128, Shanxi Road, Gulou District, Nanjing	31	88,788	950
Shanghai Pilot Free Trade Zone Branch	No. 799, Yanggao South Road, Pudong New Area, Shanghai	1	78,016	153
Xi'an Branch	No. 240, Dongxin Street, Xincheng District, Xi'an	19	67,216	640
Foshan Branch	District Five, Foshan News Center, Yuhe Road, Dongping New City, Foshan	30	64,739	779
Qingdao Branch	No. 28, Miaoling Road, Laoshan District, Qingdao	21	64,703	666
Chengdu Branch	No. 99, Second Tianfu Street, Hi-tech Zone, Chengdu	26	59,915	790
Tianjin Branch	No. 349, Nanjing Road, Nankai District, Tianjin	26	58,845	838
Hong Kong Branch	42/F, Block 1, Exchange Square, Connaught Place 8, Hong Kong	1	56,817	99
Zhengzhou Branch	No. 25, Business Outer Ring Road, Zhengdong New District, Zhengzhou	24	52,219	645
Dalian Branch	No. 21, Ganglong Road, Zhongshan District, Dalian	22	51,357	656
Changsha Branch	No. 106, Building T1, Binjiang Financial Center Phase II, No. 112, Chazishan East Road, Guanshaling Sub-district, Yuelu District, Changsha	19	50,547	573
Fuzhou Branch	No. 109, Wusi Road, Gulou District, Fuzhou	26	48,837	607
Chongqing Branch	No. 778, Jingwei Avenue, Yuzhong District, Chongqing	30	47,036	692
Xiamen Branch	No. 82, Lianqian Sub-district, Zhanhong Road, Siming District, Xiamen	18	44,857	459
Ningbo Branch	No. 139, Haiyan North Road, Yinzhou District, Ningbo	16	42,898	549

Name	Address	Number of organizations	Asset size	Number of employees
Shenzhen Qianhai Branch	Building 28A, Qianhai Enterprise Dream Park, No. 63, Qianwan First Road, Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone, Shenzhen	1	42,586	53
Huizhou Branch	No. 8, Maidi East Road, Huicheng District, Huizhou	7	39,443	313
Dongguan Branch	Block A, Fortune Plaza, Hongfu Road, Nancheng District, Dongguan	10	34,259	444
Jinan Branch	No. 13777, Jingshi Road, Lixia District, Jinan	14	33,770	574
Zhuhai Branch	No. 288, Hongshan Road, Xiangzhou District, Zhuhai	11	33,708	322
Taiyuan Branch	No. 6, Bingzhou North Road, Yingze District, Taiyuan	10	32,908	335
Hefei Branch	No. 999, Dongliu Road West, Shushan District, Hefei	10	31,806	333
Suzhou Branch	No. 89, Suxiu Road, Suzhou Industrial Park, Suzhou	15	31,740	350
Wenzhou Branch	Podium Building of Hezhong Building, No. 168, Shifu Road, Nanhui Sub-district, Lucheng District, Wenzhou	21	29,986	493
Kunming Branch	No. 1101, Dianchi Road, Kunming Dianchi National Tourist Resort, Kunming	18	29,090	619
Nanchang Branch	Ruituoronghe Building, No. 88, Shangdu Road, Honggutan New District, Nanchang	10	28,829	329
Shijiazhuang Branch	No. 78, Xinhua Road, Xinhua District, Shijiazhuang	15	28,765	433
Wuxi Branch	No. 13-101, 1st Financial Street, Taihu New City, Wuxi	13	26,877	232
Zhongshan Branch	No. 1, Xingzheng Road, East District, Zhongshan	10	25,271	272
Guiyang Branch	Jincheng Street, Guanshanhu District, Guiyang	7	24,823	242
Haikou Branch	No. 22, Jinlong Road, Longhua District, Haikou	10	20,616	339
Quanzhou Branch	Lianjie International Center Building, No. 109, Binhai Street, Fengze District, Quanzhou	15	18,583	322
Shenyang Branch	No. 34, Taian Road, Heping District, Shenyang	11	18,265	309
Changzhou Branch	No. 288, Feilong East Road, Changzhou	11	16,842	215
Nanning Branch	B101-109, Jiuzhou International Building, No. 9, Zhongxin Road, Qingxiu District, Nanning	6	14,956	223
Yiwu Branch	No. 877, Chengbei Road, Yiwu	9	14,418	177
Yantai Branch	No. 96, Huanshan Road, Zhifu District, Yantai	9	13,492	109
Dongying Branch	No. 55, Fuqian Street, Dongying District, Dongying	2	11,244	46
Shaoxing Branch	No. 711-713, Jiefang Avenue, Shaoxing	5	10,704	91
Weifang Branch	No. 1070, Minsheng East Street, Kuiwen District, Weifang	4	10,525	93
Harbin Branch	No. 193, Zhongshan Road, Nangang District, Harbin	2	9,292	135

4.13 Information about organizations and employees(Continued)

4.13.1 Establishment of organizations(Continued)

Name	Address	Number of organizations	Asset size	Number of employees
Taizhou Branch	No. 181, Baiyunshan South Road, Taizhou Economic Development Zone, Taizhou	9	9,264	114
Changchun Branch	1-5/F, Building 9, No. 10606, Renmin Street, Nangan District, Changchun	2	8,376	139
Sanya Branch	No. 128, Xinfeng Road, Jiyang District, Sanya	2	7,860	38
Nantong Branch	No. 38, Yuelong Road, Chongchuan District, Nantong	4	7,846	132
Urumqi Branch	1/F, Tower B, Urumqi Evening News Media Building, No. 1119, Huizhan Avenue, Shuimogou District, Urumqi	3	7,708	136
Linyi Branch	No. 10, Jinqushan Road, Lanshan District, Linyi	4	7,425	79
Hohhot Branch	1-3/F, Block A, Ulan Fortune Plaza, No. 56, Ruyihe Street, Ruyi Development Zone, Hohhot	5	7,179	152
Taizhou Branch	No. 39, Qingnian South Road, Hailing District, Taizhou	3	6,837	88
Zhangzhou Branch	Liyuan Plaza, Eastern Section of Nanchang Road, Xiangcheng District, Zhangzhou	5	6,572	75
Yinchuan Branch	1/F, Zhonghuan Building, No. 619, Shanghai East Road, Xingqing District, Yinchuan	2	6,449	110
Huzhou Branch	No. 72, Lianjiaxiang Road, Building 1, Shangzuo, Tianyuanyicheng, Huzhou	3	5,986	58
Tangshan Branch	No. 31, Xinhua West Street, Lubei District, Tangshan	5	5,645	84
Lanzhou Branch	No. 4286, Yantan Road, Chengguan District, Lanzhou	3	5,473	134
Mianyang Branch	No. 116, Northern Section of Huoju West Street, Hi-tech Zone, Mianyang	2	5,258	35
Tianjin Pilot Free Trade Zone Branch	Building 1, Ronghe Plaza, No. 168, Xisi Road, Tianjin Pilot Free Trade Zone (Tianjin Airport Economic Area), Tianjin	1	5,201	36
Jingzhou Branch	Fengtai Mansion, Beijing Road, Shashi District, Jingzhou	5	5,165	58
Leshan Branch	No. 358, Southern Section of Chunhua Road, Shizhong District, Leshan	4	4,999	42
Luoyang Branch	No. 55, Binhe South Road, Luolong District, Luoyang	3	4,952	71
Xuzhou Branch	No. 2, Xi'an North Road, Xuzhou	2	4,870	80
Guangdong Pilot Free Trade Zone Nansha Branch	No. 106, Fengze East Road, Nansha District, Guangzhou	1	4,773	25
Liuzhou Branch	No. 1-17 to No. 1-19, 1/F, MixC Shopping Mall, No. 17, Wenchang Road, Liuzhou	1	4,440	37
Xiangyang Branch	No. 10, Chunyuan West Road, Xiangyang	4	4,267	61

Name	Address	Number of organizations	Asset size	Number of employees
Zhenjiang Branch	Building 9, Ruixiang Garden, No. 8, Hejiawan Road, Runzhou District, Zhenjiang	1	4,144	47
Chongqing Pilot Free Trade Zone Branch	No. 1, Caifu Avenue, Yubei District, Chongqing	1	4,044	8
Langfang Branch	F4, New World Center Office Building, Aimin East Road, Guangyang District, Langfang	3	3,992	54
Yancheng Branch	Fenghuang Culture Plaza, No. 611, Century Avenue, Yancheng	2	3,966	71
Wuhu Branch	1-2/F, Podium Building, Weixing Times Financial Center at the intersection of Beijing Middle Road and Jiuhua Middle Road, Jinghu District, Wuhu	3	3,716	56
Guangdong-Macao In-Depth Cooperation Zone in Hengqin Branch	Block 2, Phase I, Hengqin International Business Center, No. 3018, Huandao East Road, Hengqin New Area, Zhuhai	1	3,337	10
Yichang Branch	Zhongxing Plaza, No. 179, Yiling Avenue, Wujiagang District, Yichang	3	3,273	42
Cangzhou Branch	Tianchi International Business Office Building, South-western Corner of Junction of Shanghai Road and Jilin Avenue, Yunhe District, Cangzhou	2	3,169	48
Putian Branch	Room 101, No. 521, Meiyuan East Road, Zhenhai Sub-district, Licheng District, Putian	2	2,914	38
Jining Branch	Huiji Central Building, Junction of Guanghe Road and Gongqingtuan Road, Jining	2	2,906	43
Tai'an Branch	No. 286-1, Dongyue Street, Taishan District, Tai'an	2	2,883	44
Weihai Branch	No. 75, Qingdao North Road, Weihai	3	2,873	43
Ganzhou Branch	Building 9, Yangming International Center, No. 18 Xinganzhou, Ganzhou	3	2,822	55
Nanyang Branch	Wanda International, Junction of Zhongzhou Road and Yong'an Road, Wolong District, Nanyang	2	2,812	38
Baoding Branch	Office Commercial Building, Jinguan Mansion, No. 588, Chaoyang North Avenue, Jingxiu District, Baoding	2	2,737	51
Zibo Branch	Zhongrun Comprehensive Building, No. 1, Zhongrun Avenue, High-tech District, Zibo	3	2,684	61
Kaifeng Branch	No. 169, Jinming Avenue, Kaifeng	2	2,610	34
Yangzhou Branch	No. 447, Jiangyang Middle Road, Yangzhou	3	2,535	64
Fujian Pilot Free Trade Zone Fuzhou Branch	No. 68-1, Jiangbin East Avenue, Mawei Town, Mawei District, Fuzhou	1	2,406	5
Zunyi Branch	1/F, Tian'an Mansion, Xiamen Road, Huichuan District, Zunyi	2	2,210	40
Fuyang Branch	1-2/F, Building S1, Yijing Education Square, No. 666, Junction of Yinghuai Avenue and Huaihe Road, Yingzhou District, Fuyang	1	2,149	41

4.13 Information about organizations and employees(Continued)

4.13.1 Establishment of organizations(Continued)

Name	Address	Number of organizations	Asset size	Number of employees
Baotou Branch	1/F, 2/F and 4/F, No. 4-1, Gangtie Street, Qingshan District, Baotou	1	2,082	36
Shantou Branch	No. 107 and No. 206-108, North Tower, Huarun Mansion, No. 95, Changping Road, Shantou	3	2,074	61
Rizhao Branch	No. 89, Taian Road, Rizhao	3	2,027	29
Handan Branch	2/F, Chuangxin Sunshine New World, No. 81, Dongliu North Street, No. 455, Renmin East Road, Congtai District, Handan	1	1,743	45
Hengyang Branch	Room 1104, 1/F, Hengyang Shengguotou Commercial Center, No. 21, Jiefang Avenue, Zhengxiang District, Hengyang	3	1,736	36
Xianyang Branch	No. 2, Dingcheng Garden, No. 11, Renmin East Road, Weicheng District, Xianyang	1	1,711	26
Xinxiang Branch	Yingbin Building, No. 680, Jinsui Avenue (East), Hongqi District, Xinxiang	1	1,630	33
Fujian Pilot Free Trade Zone Xiamen Branch	No. 99, Xiangyu Road, Huli District, Xiamen	1	1,608	10
Zhanjiang Branch	Shop No. 01, 1/F, Huanleji Mansion, Urban Highland Garden, No. 71, Middle Renmin Avenue, Zhanjiang Economic and Technological Development Zone, Zhanjiang	2	1,605	52
Jinzhong Branch	No. 1, East Region of Yujing City Garden Phase II, No. 233, Xinjian North Road, Yuci District, Jinzhong	2	1,574	35
Yueyang Branch	Room 109A, 1/F, Building 2, Garden Mansion, No. 9, Jin'e Middle Road, Yueyanglou District, Yueyang	3	1,495	35
Deyang Branch	New Era Plaza, No. 308, First Section of Changjiang West Road, Deyang	2	1,282	29
Honghe Branch	No. 101 and 205, Building 3, Jin'an Pincheng, Junction of Chaoyang Road and Xuehai Road, Mengzi, Honghe Hani and Yi Autonomous Prefecture	2	1,235	29
Changde Branch	Room 103, 1/F, Dingfeng Fortune Plaza, No. 448, Longgang Road, Wuling District, Changde	1	1,193	25
Jiujiang Branch	No. 239, Lushan South Road, Jiujiang	1	788	29
Anshan Branch	27A, Shengli South Road, Tiedong District, Anshan	1	758	34
Jiangmen Branch	Room 108-112, Junjingwan Building, No. 79, Fazhan Avenue, Pengjiang District, Jiangmen	1	736	36
Qingdao Free Trade Zone Branch	No. 75, Honghe Road, Huangdao District, Qingdao	1	531	2
Huanggang Branch	Shop 101 and 106, Building 1, Phase I, Yakun Dijing, No. 17, Zhonghuan Road, Huangzhou District, Huanggang	1	373	25

Name	Address	Number of organizations	Asset size	Number of employees
Treasury Operation Center	No. 1333, Lujiazui Ring Road, Pudong New Area, Shanghai	1	336,243	161
Automobile Consumption Financial Center (sub-center inclusive)	20/F, Rongchao Mansion, No. 4036, Jintian Road, Futian Central District, Fuzhong Community, Lianhua Sub-district, Futian District, Shenzhen	65	294,894	835
Credit Card Center (sub-center inclusive)	No. 1, Liyumen Street, Qianwan First Road, Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone, Shenzhen	78	496,451	1,742
Total		1,201	/	42,757

Notes:

(1) The number of organizations was counted according to the business licenses.

(2) The netting amount for branch current payments was not deducted from the "Asset size" above.

4.13.2 Information about employees

At the end of 2023, the total number of in-service employees of the Group was 43,119 (including employees on secondment) including 42,757 in-service employees of the Bank and 362 in-service employees of Ping An Wealth Management, and the number of retired ex-employees who shall be paid pensions was 80. Professional composition: 34,496 business personnel, 5,739 professional and technical personnel, 2,884 management support personnel. Education distribution: 91.48% of the personnel hold bachelor's degrees or higher degrees. 99.49% of the personnel have college degrees or higher degrees.

(1) Employee compensation policy

To support the Bank's medium and long-term strategic development goals, and to give full play to compensation resources' guiding effects on strategic transformation requirements and stimulation of business vitality, by improving compensation incentive mechanism and reasonably designing compensation structure and level, the Bank has developed a compensation policy, which is "market-oriented and follows the principle of paying compensations based on posts and bonuses on performance and determining long-term incentives based on long-term business performance and banking market value".

On the basis of good corporate governance requirements, the Bank has brought risk factors into incentive mechanism for assessment and appraisal. The Bank has set multidimensional indexes to comprehensively evaluate the performance of each business unit. A linkage mechanism of compensation resources with assessment results was also established. At the same time, the Bank has set up a linkage mechanism of employee bonuses with individual performance, department performance and organization performance to fully arouse the enthusiasm of organizations and employees.

To better prevent risks, improper incentives or over incentives, the Bank has performed the plan of delay and recourse deduction in performance compensation. Personnel who are related to this plan are all senior management staff, other management staff associated with risk management and market frontline staff. The period of the delay payment of performance compensation matches with the period of risk exposure. Risk index implementation, the nature and effect of risk exposure events and other factors will be used to decide whether the payment will be made and how much the payment proportion will be.

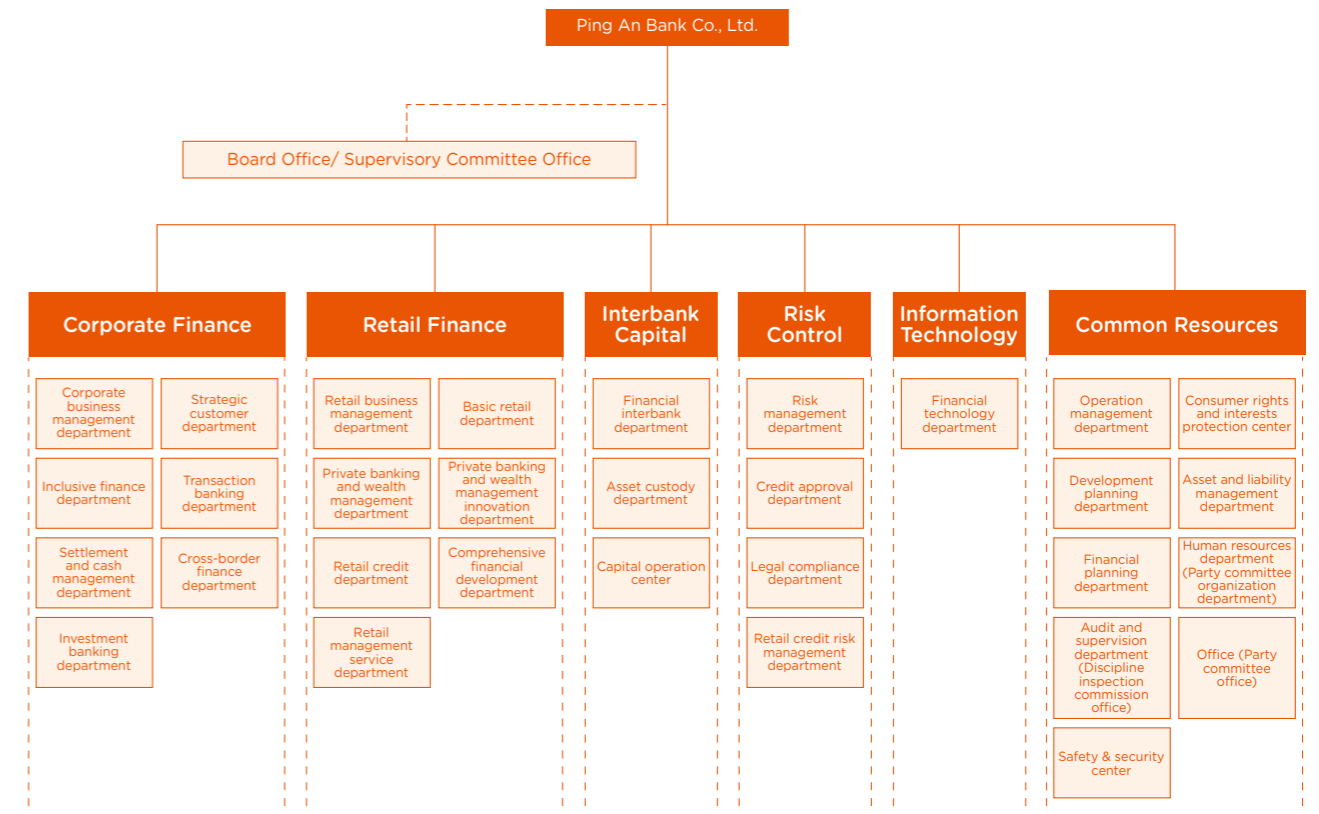
4.13 Information about organizations and employees(Continued)

4.13.2 Information about employees(Continued)

(2) Employee cultivating and development

In 2023, the Bank integrated talent development paths and conducted more than 8,000 online and offline training sessions to enhance employee's professional competence and comprehensive quality in all aspects. First, the Bank built a talent supply chain, continuously promoted the development of newcomers and potential talents at all levels, and strengthened the construction of talent echelon. Second, the Bank improved professional competence, connected online and offline learning resources for each business segment, helped key business positions refine their comprehensive operation capacities, and implemented basic qualification and capacity enhancement for each position at different levels. Third, the Bank fostered the comprehensive quality of all staff, continuously optimized online learning resources, and promoted compliance and integrity, consumer protection and other important learning content.

4.14 Department setting at the end of the reporting period



4.15 Profit distribution of ordinary shares and capital reserve converted into share capital of the company

4.15.1 Formulation, implementation or adjustment of profit distribution policy, particularly cash dividends policy during the reporting period

The Bank deliberated and approved the Plan of Returns to Shareholders of Ping An Bank Co., Ltd (2021-2023) at the Annual General Meeting of 2020 held on 8 April 2021. From 2021 to 2023, the profit distributed in cash every year is between 10% and 30% of the distributable profit achieved in the current year. The Bank is currently in a mature stage with major capital expenditure arrangements. From 2021 to 2023, on the premise that the company's capital adequacy ratio meets the regulatory requirements, when the company distributes the dividends by way of cash or stock or a combination of both, the proportion of cash dividends in the current year's profit distribution is not less than 40% (including 40%).

The 2023 profit distribution proposal is as follows:

In 2023, the audited net profit of the Bank was RMB44,570 million, and the profit available for distribution was RMB221,240 million. According to the above profit situation and relevant national regulations, the Bank has distributed the following profits for 2023 as below:

1. The statutory surplus reserve balance of the Bank has exceeded 50% of the share capital, and the statutory surplus reserve will not be withdrawn for the time being.
2. The provision for general risk will be withdrawn based on the difference of 1.5% of the balance of risk assets at the end of the period, amounting to RMB2,849 million.

After the above profit distribution, the Bank's provision for general risk was RMB65,233 million, and the balance of undistributed profit was RMB218,391 million as of 31 December 2023.

3. Taking into account factors such as shareholders' returns on investment, the regulatory authorities' requirements on capital adequacy ratio and the sustainable development of the Bank's businesses, in addition to the above statutory profit distribution, the Bank proposes to distribute cash dividends of RMB7.19 (tax inclusive) for every 10 shares based on the total share capital of 19,405,918,198 shares as of 31 December 2023, with a total cash dividend of RMB13,953 million. After the cash dividend was distributed, the remaining undistributed profit of the Bank was RMB204,438 million.

The 2023 profit distribution proposal of the Bank was in compliance with the Articles of Association of Ping An Bank Co., Ltd. and the Plan of Returns to Shareholders of Ping An Bank Co., Ltd (2021-2023). There was no significant difference between the Bank's cash dividend level and the average level of listed companies in the industry in which the Bank operates.

The above proposal shall be reviewed and approved at the 2023 Annual General Meeting.

The profit distribution proposal of the Bank for 2022 was based on the total share capital of 19,405,918,198 shares of the Bank as at 31 December 2022, and cash dividends of RMB2.85 (tax inclusive) were distributed to all shareholders for every 10 shares. There was no proposal to issue bonus shares or to convert reserve funds into share capital. The Bank issued the *Announcement on the Implementation of 2022 Annual Interest Distribution of Ping An Bank Co., Ltd.* on 7 June 2023. The date of record of the profit distribution was 13 June 2023 and the ex-dividend date was 14 June 2023. The profit distribution proposal of the Bank for 2022 was implemented during the reporting period.

Special description of cash dividend policy	
Whether it complies with the provisions of the Articles of Association or the requirements of resolutions of the Shareholders' General Meeting:	Yes
Whether the dividend standards and proportions are definite and clear:	Yes
Whether the relevant decision-making processes and mechanisms are complete:	Yes
Whether the independent directors perform their duties and play their due role:	Yes
Whether the minority shareholders have the opportunity to fully express their opinions and demands and whether their legitimate rights and interests are adequately protected:	Yes
Whether the conditions and procedures for adjusting and changing the cash dividend policy are compliant and transparent:	Yes

4.15.2 Table of cash dividends on ordinary shares in recent three years

(In RMB million)

Dividend-receiving year	Amount of cash dividends (tax inclusive)	Net profit attributable to shareholders of the Bank in the dividend-receiving year	Proportion accounting for net profit attributable to shareholders of the Bank	Amount of cash dividends paid in other ways	Proportion of cash dividends paid in other ways
2023	13,953	46,455	30%	Not applicable	Not applicable
2022	5,531	45,516	12%	Not applicable	Not applicable
2021	4,425	36,336	12%	Not applicable	Not applicable

4.15.3 During the reporting period, the Bank has profits and the parent company has positive undistributed profits, however, the proposal for cash dividends distribution is not made

Applicable Not applicable

4.15 Profit distribution of ordinary shares and capital reserve converted into share capital of the company(Continued)

4.15.3 During the reporting period, the Bank has profits and the parent company has positive undistributed profits, however, the proposal for cash dividends distribution is not made

Applicable Not applicable

Number of bonus shares per 10 ordinary shares (share)	-
Number of dividends per 10 ordinary shares (RMB) (tax inclusive)	7.19
Number of shares converted into share capital per 10 ordinary shares (share)	-
Base of share capital in distribution proposal (share)	19,405,918,198
Total cash dividends (RMB) (tax inclusive)	13,952,855,184
Distributable profit (RMB)	221,241,043,270
Proportion of cash dividends to total profit distribution	100%

Conditions of the cash dividends

If the company has developed to a mature stage and there are major capital expenditure arrangements, when distributing profits, the proportion of cash dividends to the profit distribution shall be at least 40%.

Description of details on proposal of profit distribution or capital reserve converted into share capital

2023 annual profit distribution proposal of Ping An Bank Co., Ltd.: distributing cash dividends of RMB7.19 (tax inclusive) to all shareholders for every 10 shares based on the total share capital of 19,405,918,198 shares of the Bank as at 31 December 2023. There was no proposal to issue bonus shares or to convert capital reserve into share capital. The proposal shall be reviewed and approved by the Bank at the 2023 Annual General Meeting.

4.16 During the reporting period, there were no equity incentive plan, employee stock ownership plan or other incentive measures for employees and their implementation for the Bank

4.17 Construction and implementation of internal control system during the reporting period

4.17.1 Construction and implementation of internal control

In 2023, the Bank continued to optimize its internal control management system and improve the level of internal control management. First, the legal compliance department, as the functional department of internal control management of the Bank, took the lead in the overall planning of the internal control management system of the Bank, optimized and improved the internal control management policies, frameworks, tools, processes, operation norms, etc., deepened the construction of the long-term control mechanism, gave full play to the role of laying solid foundation for the internal control system, and continued to improve the capability to prevent and address significant risks. Second, the Bank established and improved the internal control management mechanism with balanced supervision and restriction and clear separation of duties and responsibilities, enhanced the authorization control, risk monitoring, business inspection, internal control report and correction mechanism, and strengthened the core capacity of internal control. Third, the Bank promoted the construction of informatization, strengthened internal control management and upgraded and improved the departmental control and inspection system by applying technological means to enhance the refined and intelligent management tools. Fourth, the Bank improved the effectiveness of internal control, organized and promoted the self-assessment of internal control, and inspected the implementation of internal control. Fifth, the Bank strengthened the effectiveness of internal control management, followed up and monitored the internal control management status to enhance the ability to operate in accordance with the law and regulations and resist risks. Sixth, the Bank promoted the construction of internal control management culture and cultivated a favorable culture of internal control within the Bank.

4.17.2 Details about significant deficiencies identified in the internal control during the reporting period

Yes No

4.18 Management control over subsidiaries

Company name	Integration plan	Integration progress	Problems encountered	Measures taken	Progress of resolution	Subsequent resolution plans
Ping An Wealth Management Co., Ltd.	N/A	N/A	N/A	N/A	N/A	N/A

4.19 Internal control self-evaluation report or internal control audit report

4.19.1 Internal control self-evaluation report

Disclosure date of internal control self-evaluation report	15 March 2024
Disclosure index of internal control self-evaluation report	CNINFO http://www.cninfo.com.cn
The proportion of total assets included in the evaluation scope in those of the company's consolidated financial statement	100%
The proportion of operating revenue included in the evaluation scope in that of the company's consolidated financial statement	100%

Identification standard for deficiencies

Type	Financial report	Non-financial report
Qualitative standard	<p>Material deficiency: It may have or has caused a significant amount of misstatement of financial report;</p> <p>Significant deficiency: It may have or has caused a larger amount of misstatement of financial report;</p> <p>General deficiency: It may have or has caused a smaller amount of misstatement of financial report.</p>	<p>Material deficiency: 1. It has a serious impact on the realization of the Bank's overall control objectives; 2. It may have or has caused a significant amount of financial loss; 3. It is in violation of the relevant laws and regulations or regulatory requirements and the circumstances are very serious, thus causing severe punishment from the regulatory authorities or other very serious legal consequences; 4. It may lead to serious business or service problems, affecting a number of key products or causing failure in the provision of services to key customers; 5. It has a wide range of negative impacts, thus causing widespread public concern at home and abroad, and having serious negative impacts on the Bank's reputation and stock price.</p> <p>Significant deficiency: 1. It has a certain impact on the realization of the Bank's overall control objectives; 2. It may have or has caused a larger amount of financial loss; 3. It is in violation of the relevant laws and regulations as well as regulatory requirements and the circumstances are serious, thus causing more serious punishment from the regulatory authorities or other more serious legal consequences; 4. It may lead to business or service problems, causing a significant decline in the quality of one or several key products or the services provided to key customers; 5. The negative impact spreads in and out of the industry, thus causing public concern, and bringing a greater negative impact on the Bank's reputation in some areas.</p> <p>General deficiency: 1. It has a slight impact or basically no impact on the realization of the Bank's overall control objectives; 2. It may have or has caused a smaller amount of financial loss; 3. It is in violation of the relevant laws and regulations or regulatory requirements, and the circumstances are minor, thus causing lighter punishment from the regulatory authorities or other minor legal consequences; 4. It may lead to business or service problems, affecting one or several key products/key customer groups; the impact can be immediately controlled; 5. The negative impact is limited to a certain range, the degree of public concern is lower, and it brings a smaller negative impact on the Bank's reputation.</p>

Type	Financial report	Non-financial report
Quantitative standard	<p>Material deficiency: The proportion of the misstatement amount in the financial statement to the total assets at the end of the year $\geq 0.25\%$, or to the total annual profit $\geq 5\%$;</p> <p>Significant deficiency: The proportion of the misstatement amount in the financial statement to the total assets at the end of the year falls within the range of $[0.0125\%, 0.25\%)$, or to the total annual profit falls within the range of $[0.25\%, 5\%)$;</p> <p>General deficiency: The proportion of the misstatement amount in the financial statement to the total assets at the end of the year $< 0.0125\%$, or to the total annual profit $< 0.25\%$.</p>	<p>Material deficiency: The proportion of the financial loss to the annual operating revenue $\geq 1\%$;</p> <p>Significant deficiency: The proportion of the financial loss to the annual operating revenue falls within the range of $[0.05\%, 1\%)$;</p> <p>General deficiency: The proportion of the financial loss to the annual operating revenue $< 0.05\%$.</p>
	Number of material deficiencies in financial reporting (Nr.)	0
	Number of material deficiencies in non-financial reporting (Nr.)	0
Number of significant deficiencies in financial reporting (Nr.)	0	
Number of significant deficiencies in non-financial reporting (Nr.)	0	

4.19.2 Internal control audit report

Applicable Not applicable

Review comments in the internal control audit report

We believe that Ping An Bank maintained effective internal control over financial reports in all significant aspects in accordance with the *Basic Norms of Enterprise Internal Control* and the relevant regulations on 31 December 2023.

Disclosure of internal control audit report	Disclosure
Disclosure date of internal control audit report	15 March 2024
Disclosure index of internal control audit report	CNINFO http://www.cninfo.com.cn
Opinion type of internal control audit report	Standard and unqualified
Whether there are material deficiencies in the non-financial reporting	No

Whether the accounting firm issues internal control audit report with non-standard opinion?

Yes No

Whether the internal control audit report issued by the accounting firm shares the same opinion with the self-evaluation report of the Board of Directors

Yes No

4.20 Rectification of problems in self-inspection of special actions on governance of listed companies

Yes No

Environmental and Social Responsibilities

The Bank integrated the idea of sustainable development into its operation and management to create value for its shareholders, customers, employees, partners, communities and the environment. The Bank has built green banking, value banking, humanistic banking, caring banking and brand banking to promote economic development, social progress and environmental improvement with responsible finance and help realize people's welfare. The Board of Directors, as the ultimate decision-making and responsible body of environmental, social and governance (ESG) affairs of the Bank, attaches close attention to ESG work and continuously improves the governance structure of ESG.

See the *2023 Sustainable Development Report of Ping An Bank Co., Ltd.* published by the Bank on the CNINFO (<http://www.cninfo.com.cn>) on 15 March 2024 for further information.

5.1 Environmental responsibilities

5.1.1 Environmental protection related works

Whether the Bank and its subsidiaries belong to the key pollutant discharging units announced by the department

Yes No

Administrative penalties for environmental problems during the reporting period

Name of companies or subsidiaries	Reason	Violation	Result	Impact on the production and operation of listed companies	Rectification measures
N/A	N/A	None	N/A	N/A	N/A

There is no other environmental information to be disclosed.

Environmental and Social Responsibilities

5.1.2 Actively practice green finance

The Bank firmly acted upon the green development proposed at the 20th CPC National Congress, earnestly implemented the national strategy to achieve carbon neutrality, deeply laid out the industrialization development of green finance, actively supported major projects of green industry such as clean energy, energy conservation and environmental protection, clean production, ecological environment, green infrastructure upgrading and green services, and comprehensively promoted the green and high-quality development of the real economy. At the end of 2023, the Bank's balance of green loans was RMB139,647 million, up by 27.2% from the end of last year.

Promote diversified green financial products and services in an innovative way. Adhering to the concept of sustainable development and industrial development strategy, the Bank continued to upgrade a special action of "three maps" of the customer, the product and the operation, focused on strategic customers in multiple core industry chains such as wind power, photovoltaic and high carbon transformation, actively laid out green industries such as energy storage and nuclear power, increased green financial innovation, and provided customers with a panoramic service plan of "insurance capital equity + bank creditor's rights" relying on Ping An Group's comprehensive financial advantages to meet the diversified green financing needs, and reduce the financing leverage of enterprises. At the same time, it launched green supply chain finance, household distributed photovoltaic loans, sustainability linked loans, carbon emission reduction pledge financing loans and other green financial products and services, and established a green bond investment linkage mechanism to create an investment banking ecological scenario.

Upgrading and improving the layout of green and low-carbon ecosystem. The Bank continuously iterated the operation capability of "Low-carbon Home", continuously expanded the coverage of green scenarios, and launched 24 green low-carbon behaviors in three categories, including low-carbon travel, digital finance and on-line business. At the same time, it strengthened the integration with financial products, integrated green scenarios such as travel and consumption, and built a highly active and sticky low-carbon customer platform. In terms of carbon account construction, the Bank built the carbon account platform for enterprise employees to help achieve green office, and introduced green flight, making it the first commercial bank to connect with the green account of airlines.

Enabling the green and high-quality development of the real economy in a professional way. The Bank actively participated in the compilation, formulation and revision of national green finance related evaluation standards, assessment indicators and industry teaching materials, and provided suggestions for the formulation of green finance policies at all levels. The Bank continued to carry out researches on more than 10 cutting-edge regulatory topics such as transformation finance, carbon finance and carbon account, and supported the green development of the real economy by continuously enhancing industry expertise. In March 2023, the Bank participated in the research topic on transformation finance led by the People's Bank of China Shenzhen Central Sub-branch, and won the first prize of Financial Society of Shenzhen Special Economic Zone; in April 2023, the Bank released the first white paper on green finance of China's banking under the new circumstances, which injected professional innovation momentum into green finance to support high-quality economic development.

The Bank made continuous efforts in the deep cultivation of the green finance area and actively participated in domestic and foreign actions to address climate change. In November 2023, the Bank was awarded the Terra Carta Seal by the Sustainable Markets Initiative (SMI), becoming one of the three banks worldwide to receive the honor; since 2023, the Bank has successively won the "Guangdong Green Finance Reform and Innovation Promotion Case Award" of Financial Society of Guang Dong in 2023, the "Green Financial Product Innovation Award" of Shenzhen Green Finance Association in 2023 and the "Green Finance Pioneer Award" of Netease Finance and Economics in 2023.

Environmental and Social Responsibilities

5.1 Environmental responsibilities(Continued)

5.1.3 Promote green and low-carbon operations

Adhering to the principle of “low-carbon and environmental protection starts with me”, the Bank has integrated green operation into all its business lines, continuously promoted paperless, electronic and intelligent business, promoted green office, built green outlets and carried out regular green public welfare publicity, and created a “Green Bank” brand image of “green, low-carbon and environmentally friendly”.

In terms of green office, the Bank advocated the concept of green office, comprehensively promoted energy conservation and emission reduction, and improved energy and resource utilization. First, the Bank carried out paperless business transformation, effectively saving paper consumption by clearing important blank paper vouchers in the Bank’s inventory and redundant paper vouchers. Second, the Bank’s hall equipment status monitoring access enabled online transmission of equipment fault information. Third, the Bank promoted upgrading and transformation of its data center and achieved the efficient, low-carbon, recycling and green use of the data center.

In terms of green procurement, the Bank has integrated the concept of green and low-carbon into the whole procurement life cycle, and advocated environmental protection, resource conservation and circular low-carbon in all aspects of procurement activities. The Bank built an e-procurement system, and through the use of electronic bidding documents and online bid opening and evaluation by off-site institutions, the Bank significantly reduced the use of paper, and effectively saved transportation and travel expenses and reduced carbon footprint. The Bank continued to improve the standards and processes for supplier access, selection and evaluation, and strictly reviewed suppliers’ environmental protection plans, product quality certification and environmental protection certificates. The Bank also inspected and evaluated suppliers’ implementation of environmental protection requirements in product design, production, construction and services, and advocated suppliers to use green raw materials and provide green products and services.

5.2 Social responsibilities

5.2.1 Serving the real economy

In 2023, the Bank earnestly acted upon the policy decisions and financial regulatory requirements of the CPC Central Committee and the State Council, and enhanced the support for the real economy. The Bank actively implemented its “15 initiatives” to support the real economy, formulated targeted measures in terms of organization and promotion, resource allocation, team building and risk policy, and supported high-quality development of private enterprises and micro, small and medium-sized enterprises. At the end of 2023, the Bank’s total on-balance sheet and off-balance sheet credit facilities amounted to RMB5,148,958 million, with an increase of 4.2% over the end of last year.

Giving full play to the advantages of financial technology to implement “true inclusive service and true micro/small enterprises”. The Bank continued to increase its support for inclusive finance by deepening online and digital layout and coordinating development with diversified business models. In terms of services, the Bank served more high-quality inclusive customer groups and expanded the coverage of small and micro customers through the combination of human-machine and online and offline services. In terms of products, the Bank continuously enriched multi-dimensional business data such as supply chain and industrial chain, and scientific and technological innovation achievements, comprehensively identified and confirmed customers’ business situation, and customized products for local characteristic industries, markets and business districts of branches and sub-branches in combination with regional, sector and industrial characteristics, to provide small

and micro customers with financial products more suitable for their business characteristics. At the same time, the Bank actively responded to the call of regulators to reduce fees and concessions for small and micro customers, reduced their costs of inclusive financial services, and helped small and micro enterprises reduce their burdens by sending interest coupons and reducing and exempting fees for corporate and personal settlement and opening accounts.

At the end of 2023, the cumulative number of customers with loans to small and micro businesses each with a credit line not more than RMB10 million excluding bill financing (hereinafter referred to as “inclusive small and micro business loans”) amounted to 1,032.2 thousand, among which the number of customers with loans no more than RMB1 million accounted for 83.9%, the small and micro business owners and sole proprietorships representing the absolute majority; the loan balance was RMB572,080 million, with an increase of 8.3% over the end of last year, among which the balance of credit-type inclusive small and micro business loans amounted to RMB73,998 million, representing 12.9% of the balance of inclusive small and micro business loans; in 2023, the cumulative amount of inclusive small and micro business loans was RMB403,943 million, the weighted average interest rate of new loans decreased by 1.23 percentage points year-on-year, and the non-performing loan (NPL) ratio was controlled within a reasonable range. The Bank continuously supported the development of private enterprises; at the end of 2023, the balance of loans to private enterprises increased by 2.7% over the end of last year, accounting for 72.0% of the balance of corporate loans.

Continuing to promote finance innovation and technology empowerment to achieve breakthroughs in the service model of manufacturing enterprises. First, the Bank established a “1+N+n”⁵ integrated business model to reach customers through multiple channels such as warehousing logistics and platform enterprises, broke the highly dependent dilemma of core enterprises, supported customers from the upstream and downstream of supply chain and ecosystem of core enterprises, and effectively helped remove financing barriers and lower financing costs for micro, small and medium-sized enterprises. Second, based on the supply and order data of core enterprises and upstream manufacturing enterprises, the Bank provided upstream manufacturing enterprises with the financing service of “order financing” starting from the order stage, advanced the financing node to solve the financing pain points of manufacturing enterprises, and generalized “order financing” from individual cases of automotive parts suppliers to standard products to replicate and promote in the fields of new energy batteries and intelligent terminal manufacturing. Third, the Bank actively supported cross-border trade of enterprises with international trade financing and fully supported the credit financing needs of small and medium-sized enterprises engaged in exporting through online inclusive financial products. Fourth, the Bank improved the service convenience of small and micro enterprises, implemented risk control based on big data model, and realized online processing and approval automation to reduce manual intervention, shorten the credit process, and ensure the approval efficiency of businesses of small and micro enterprises. At the end of 2023, the Bank’s balance of medium and long-term loans to manufacturing increased by 39.1% from the end of last year, which was 36.7 percentage points higher than the increase of the total amount of loans issued and principal advanced.

⁵ “1+N+n” refers to 1 core enterprise + N large suppliers/distributors + n upstream and downstream long-tail customer groups.

Environmental and Social Responsibilities

5.2 Social responsibilities(Continued)

5.2.2 Information about consolidating and expanding the achievements of poverty alleviation and fully promoting rural revitalization

(1) Planning of rural revitalization

The Bank earnestly acted upon the spirit of the 20th CPC National Congress, regarded advancing common prosperity as the starting point and focus of financial work, and continued to make efforts in financial services for rural revitalization and financial support. The Bank also relied on the digital rural ecosystem to support areas which have been out of poverty and key counties for national rural revitalization, continuously improved service quality and efficiency, and supported the development of the real economy. At the same time, the Bank strove to expand and extend the “421” service model of rural revitalization based on the implementation of targeted poverty alleviation, namely promoting the integration of comprehensive finance and the scenarios of agriculture, rural areas and rural residents through empowerment from financing, integration of intelligence, branding, and science and technology. The Bank strove to develop a platform for industrial revitalization that connected rural people, agricultural enterprises, banks, insurance companies and agricultural research institutes under the guidance of the government.

(2) Summary of rural revitalization

In 2023, the Bank's invested funds of RMB37,109 million for supporting rural revitalization, with a total investment of RMB106,363 million; it issued 79,376 rural revitalization debit cards, with a total debit card of 193,306, benefiting 67.4 thousand rural people and 1,097.4 thousand rural people in total.

Improving talent cultivating mechanism and helping revitalize rural talents. The Bank effectively cultivated entrepreneurs in rural areas in accordance with the requirements of the “Volunteer Activities for the Country People” — insurance, finance, medical and health activities of Ping An Group. The Bank held training courses for entrepreneurs in rural areas engaged in rural revitalization in Funan County of Anhui Province, Beijing and other places to cultivate talents for upgrading and development of county and rural industries, and upgraded the interactive function of “digital villages” enrichment training classroom to optimize curriculum system and improve training effect.

Innovating financial products and services and serving the real economy. The Bank continued to innovate rural revitalization financial products and services. At the end of 2023, the balance of agriculture-related loans of the Bank was RMB131,680 million, an increase of RMB25,672 million or 24.2% as compared with the end of last year. First, the Bank assisted national food security strategy, focusing on supporting the grain storage and transportation and the construction of high-standard farmland in Heilongjiang, Liaoning, Jiangsu and other major provinces of grain production. Second, the Bank enriched the application scenarios of agricultural benefit loans and launched “beef cattle breeding loan”, “Artemisia Selengensis loan”, “lily loan” and “pig breeding loan” to provide financial support for micro, small and medium-sized enterprises and individual business owners. Third, the Bank assisted in the revitalization of rural ecology, launched “photovoltaic loan” in Shaanxi to support farmers to purchase household photovoltaic equipment, and developed co-branded debit cards with photovoltaic enterprises to provide convenient financial services such as payment and settlement. The Bank also established the Ping An Rural Revitalization Carbon Neutralization Service Alliance to integrate multiple resources based on its advantages in rural revitalization and green fields and achieve synergy effect, and provided a package of carbon services for local governments and enterprises. Fourth, the Bank enriched thematic debit card product series and launched Shenzhen “new citizen card” based on the requirements of national rural revitalization and new urbanization to provide financial and living services for new citizens working and settling in Shenzhen.

Strengthening corporate-private business linkage and promoting rural economic development. The Bank built a service system of “equity + public welfare” for rural revitalization of strategic customers, strengthened corporate-private business linkage, opened up value-added services and public welfare and charity channels for customers, and helped farmers increase income and assisted rural development. In terms of rural cultural tourism, the Bank organized customers to visit Hunan,

Yunnan, Guangdong, Inner Mongolia, Gansu, Qinghai and other provinces to conduct rural public welfare and cultural tourism activities and support the development of local cultural tourism and cause of education. In terms of sales helping agriculture, in 2023, the Bank increased the sales of agricultural assistance products by RMB31,237.6 thousand and accumulated a sales of RMB187 million.

Speeding up innovation of agricultural technology and creating a digital rural model. First, the Bank installed Ping An intelligent agricultural equipment for soil monitoring, air monitoring and water and fertilizer integration in Anhui Funan Artemisia Selengensis base, Gansu Lintao lily base and Guangdong Heyuan tea garden base to improve production efficiency of the bases. Second, the Bank launched version 2.0 of the “digital villages” service platform, focusing on improving functional modules such as inclusive finance, smart village affairs, agricultural science and technology, industrial assistance, convenience services and knowledge and skill training. Third, the Bank cooperated with the local government, agricultural research institutions and relevant assistance units in Heyuan of Guangdong Province to jointly build the aerospace Simiao rice test base, and practiced national food security strategy.

5.2.3 Protection of consumer rights and interests

The Bank attached high importance to the consumer rights and interest protection (hereinafter referred to as “consumer protection”), took the concept of “finance for the people” as the starting point and foothold of consumer protection, and constantly advanced high-quality development of consumer protection.

Implementing education and publicity of consumer protection

The Bank earnestly assumed social responsibility and launched activities such as “Consumer Protection in Rural Areas”, preventing illegal “rights protection via agency” and anti-fraud camps through centralized, normalized and innovative methods. In 2023, the Bank organized nearly 19,000 online and offline education and publicity activities, reaching over 300 million consumers. In March 2023, the Bank's publicity and awareness-raising activity “financial anti-fraud flash store” was selected as a typical case of consumer rights protection by China Banking and Insurance Media.

Guaranteeing the rights of special customer groups

The Bank continued to optimize experience of “finance + life” services for the elderly and special customer groups. The Bank provided services in large font for the elderly through remote counter channels, provided remote online form filling assistance to help elderly people input text, provided remote sign language services for deaf and mute individuals using remote seating, and provided account opening and business services for visually impaired individuals through the accessible screen reading function of mobile phones. The Bank introduced accessible service channels at its outlets, set up public phones, service windows, dedicated seats and other areas to provide convenient services for special customer groups.

Environmental and Social Responsibilities

5.2 Social responsibilities(Continued)

5.2.3 Protection of consumer rights and interests(Continued)

Safeguarding the legitimate rights and interests of customers

The Bank took the prevention of and the fight against telecommunication network fraud as the key focus of payment business and achieved more precise and systematic anti-fraud-related prevention and control by establishing a full-lifecycle customer risk grading and classification management mechanism. Meanwhile, the Bank upgraded the “anti-fraud digital intelligence” system to achieve scenario-based accurate publicity and awareness-raising activities. In 2023, the Bank successfully dissuaded nearly 13,200 defrauded customers and intercepted potential losses of RMB434 million in full.

Promoting the diversified resolution of disputes

The Bank improved the diversified resolution mechanism of financial disputes, earnestly fulfilled the main responsibility of resolving financial disputes, protected the legitimate rights and interests of financial consumers, and provided financial consumers with multi-channel and multi-level solutions. At the end of 2023, the Bank established 17 mediation stations in cooperation with provincial and municipal financial dispute mediation institutions and delivered a total of 181 part-time mediators. A number of branches won honorary titles such as “Advanced Unit for Diversified Resolution of Financial Disputes” at provincial and municipal levels.

Strengthening technology-driven consumer protection

The Bank empowered consumer protection scenarios through technologies such as artificial intelligence and big data and upgraded the SMS and telephone forgery detection platforms to continuously improve the intelligence of consumer protection. In 2023, customers of the Bank made more than 238,000 self-service inquiries through SMS and telephone inquiry platforms, with a year-on-year increase of 61.3%.

Enhancing customer complaint management

The Bank adhered to its customer-centric orientation, publicized complaint channels in its business outlets, the official website of Ping An Bank, Ping An Pocket Bank APP, etc., and continuously improved its complaint management process and level of complaint management. At the end of 2023, the Bank accepted 229,573 complaints in total, including complaints transferred from regulatory authorities, customer complaints from customer service line 95511, customer complaints from the credit card center and complaints from other channels within the Bank. From the perspective of business categories involved in consumer complaints, complaints mainly include 55.2% of credit card business complaints, 17.8% of loan business complaints, 9.0% of debit card business complaints, 7.4% of debt collection business complaints and 2.0% of bank agency business complaints.

The specific distribution of complaints by region is shown in the table below:

Region	Number of complaints	Region	Number of complaints	Region	Number of complaints
Beijing	1,466	Fujian	572	Yunnan	373
Tianjin	416	Jiangxi	294	Tibet	0
Hebei	784	Shandong	842	Shaanxi	482
Shanxi	269	Henan	948	Gansu	76
Inner Mongolia	184	Hubei	1,179	Qinghai	0
Liaoning	468	Hunan	572	Ningxia	34
Jilin	100	Guangdong	2,818	Xinjiang	122
Heilongjiang	190	Guangxi	256	Dalian	229
Shanghai	1,093	Hainan	176	Ningbo	144
Jiangsu	1,149	Chongqing	769	Xiamen	264
Zhejiang	989	Sichuan	611	Qingdao	392
Anhui	250	Guizhou	435	Shenzhen	1,731

Note: The above table does not include the data of Head Office level and the credit card center, and the data of Dalian, Ningbo, Xiamen, Qingdao and Shenzhen are listed separately.

In response to customer complaints, the Bank continued to increase resource investment, increased the staffing of consumer protection personnel and strengthened personnel capacity building, and constantly improved functions of the complaint resolution information system, to ensure prompt and efficient handling of customer complaints and continuously improve customer satisfaction. Under regulatory guidance, the Bank continued to strengthen the construction of a diversified resolution mechanism and actively promoted the traceability and governance of financial disputes. And the Bank established close cooperation with mediation institutions and provided consumers with multi-channel and multi-level solutions to quickly, conveniently and efficiently resolve financial disputes. The Bank paid attention to digging deep into root causes of complaints and tracing to the source for rectification, dealt with problems in products or services in a timely manner, and held serious accountability for violations, to reduce the occurrence of problems from the source.

The Bank will continue to actively fulfill its main responsibility of financial consumer rights and interests protection, and will earnestly safeguard the legitimate rights and interests of consumers under the guidance and overall promotion of the Board of Directors and senior management.

Significant Matters

6.1 Commitments

6.1.1 Commitments that have been fulfilled during the reporting period and have not yet been fulfilled as at the end of the reporting period by parties including actual controllers, shareholders, related parties, purchasers and the company

Applicable Not applicable

Commitment causes	Commitment type	Commitment party	Contents of commitment	Time of commitment	Duration of commitment	Performance
Commitment made during the asset reorganization	Commitment on competition in the same business, related party transaction and independence	Ping An Insurance (Group) Company of China, Ltd.	<p>China Ping An subscribes 1,638,336,654 shares issued by the Bank in a non-public offering (the Major Asset Reorganization) with 90.75% of its original shares of Ping An Bank and the cash of RMB2,690,052,300.</p> <p>1. After the completion of the Major Asset Reorganization, during the period when Ping An is a controlling shareholder of Shenzhen Development Bank, if Ping An and other enterprises controlled by Ping An intend to engage in or substantially get the same business or commercial opportunities as those of Shenzhen Development Bank in the future, and the assets and business formed by such business or commercial opportunities may constitute a potential competition in the same business with Shenzhen Development Bank, Ping An and other enterprises controlled by Ping An will not engage in the same or similar business as that of Shenzhen Development Bank to avoid a direct or indirect competition with the business operation of Shenzhen Development Bank.</p> <p>2. After the completion of the Major Asset Reorganization, for matters that occur between Ping An and other enterprises controlled by Ping An and Shenzhen Development Bank and constitute a related party transaction of Shenzhen Development Bank, by following the principle of openness, fairness and impartiality of market transactions, Ping An and other enterprises controlled by Ping An will perform transactions with Shenzhen Development Bank at a fair and reasonable market price, and fulfill the decision-making processes in accordance with the provisions of relevant laws, regulations and normative documents and fulfill the obligation of information disclosure according to the law. Ping An guarantees that Ping An and other enterprises controlled by Ping An will not obtain any improper benefits or make Shenzhen Development Bank undertake any unfair obligation through the transactions with Shenzhen Development Bank.</p> <p>3. After the completion of the Major Asset Reorganization, during the period of Ping An as a controlling shareholder of Shenzhen Development Bank, Ping An will maintain the independence of Shenzhen Development Bank and ensure that the personnel, assets, finance, organization and business of Shenzhen Development Bank are independent of those of Ping An and other enterprises controlled by Ping An.</p>	29 July 2011	Long-term	Performance in progress
Other commitments made for medium and small shareholders of the company	Other commitments	The Bank	The company has not made a performance commitment for the preference share issue. The company will take effective measures to improve the use efficiency of funds raised to further enhance the profitability of the company, thereby minimizing the impact of the preference share issue on the return to ordinary shareholders and fully protecting the legitimate rights and interests of shareholders of the company, especially the minority shareholders.	14 March 2016	Long-term	Performance in progress
Whether the commitments are performed timely						Yes
Specific reasons of failing to complete the performance and next plan (if any)						N/A

6.1.2 If the profit forecast can be carried out for the company's assets or projects and the reporting period is within the period of profit forecast, the company shall explain whether the assets or projects can realize the original profit forecast and the reasons

Applicable Not applicable

6.2 Occupation of funds of the listed company for non-operating purposes by controlling shareholders and their related parties

Applicable Not applicable

During the reporting period, there was no occupation of funds of the listed company for non-operating purpose by controlling shareholders and its related parties at the Bank.

6.3 Description of the Board of Directors on the latest "non-standard audit report"

Applicable Not applicable

6.4 Description of the Board of Directors, Supervisory Committee and independent directors (if any) on the "non-standard audit report" issued by the accounting firm during the reporting period

Applicable Not applicable

Significant Matters

6.5 Description of changes in accounting policies and accounting estimates or correction of major accounting errors as compared to the financial reports for the previous year

Applicable Not applicable

6.6 Reason for changes in the scope of the consolidated financial statements as compared to the financial report for last year

Applicable Not applicable

For changes in the scope of the consolidated financial statements, see "IV. Notes to key items in the financial statements - Note 52. Structured entities" in the "Section X Financial Report" for details.

6.7 Employment and dismissal of accounting firms

Currently appointed accounting firm

The Bank held the 2022 Annual General Meeting on 31 May 2023, which deliberated and approved the PAB Proposal for the Continued Appointment of Accounting Firm for 2023. The Bank continued to engage Ernst & Young Hua Ming LLP as its auditor for the year of 2023 to provide audit and relevant services.

Name of domestic accounting firm	Ernst & Young Hua Ming LLP
Remuneration of domestic accounting firm (including subsidiaries)	RMB9,750 thousand
Duration of audit service provided by domestic accounting firm	3 years
Names of CPAs of domestic accounting firm	Chang Hua, Wang Yangyan
Duration of audit service provided by CPAs of domestic accounting firm	3 years
Name of foreign accounting firm (if any)	N/A
Remuneration of foreign accounting firm (if any)	N/A
Duration of audit service provided by foreign accounting firm (if any)	N/A
Name of CPAs of foreign accounting firm (if any)	N/A
Duration of audit service provided by CPAs of foreign accounting firm	N/A

Whether the employment of the accounting firm has been changed at the current period

Yes No

Employment of accounting firm, financial consultant and sponsor for internal control audit

Name of accounting firm for internal control audit	Ernst & Young Hua Ming LLP
Remuneration of accounting firm for internal control audit (including subsidiaries)	RMB1,500 thousand
Name of financial consultant	N/A
Remuneration of financial consultant	N/A
Name of sponsor	N/A
Remuneration of sponsor	N/A

6.8 Delisting after the disclosure of annual report

Applicable Not applicable

6.9 Relevant matter of bankruptcy reorganization

Applicable Not applicable

During the reporting period, there were no bankruptcy reorganization related matters within the Bank.

6.10 Major litigation and arbitration matters

In 2023, there was no litigation and arbitration matter that had significant impact on the operation of the Bank. At the end of 2023, there were 235 pending litigations in which the Bank acted as the defendant, involving an amount of RMB1,667 million.

6.11 Punishment and rectification

During the reporting period, the Bank and its directors, supervisors, senior management staff, controlling shareholders, and actual controllers were not subject to any investigations by competent authorities, any coercive measures by judicial departments or discipline inspection departments, any transfer to judicial authorities, any criminal liabilities by judicial authorities, any investigations, administrative penalties or administrative supervision measures by the CSRC, any disciplinary actions by stock exchanges, or any penalties by other regulators that may have a significant impact on the Bank's operation.

6.12 Integrity conditions of the company and its controlling shareholder

During the reporting period, there was no case where the obligations determined by the legal documents in force by the court were not fulfilled and a large amount of debt was due and unpaid for the company and its controlling shareholder.

6.13 Matters on major related party transactions

1. See "IX. Related Party Relationships and Transactions" in "Section X Financial Report" for details about "transactions between the Bank and China Ping An and its related parties", "transactions between the Bank and other major shareholders and their related parties", "main transactions between the Bank and key management personnel" and "main transactions between the Bank and affiliated legal persons of the unit of key management personnel and its associates".

2. Websites for disclosure of interim report on major related party transactions

During the reporting period, the Board of the Bank deliberated and approved the proposals on the related party transactions with China Ping An, Ping An International Financial Leasing Co., Ltd., Lufax Holding Ltd. and Ping An Healthcare and Technology Company Limited. Please refer to the *Announcement of Ping An Bank Co., Ltd. on Related Party Transactions* issued by the Bank on *China Securities Journal*, *Securities Times*, *Shanghai Securities News*, *Securities Daily* and on the website of CNINFO (<http://www.cninfo.com.cn>) on 28 February, 9 May, 29 July, 24 August and 9 December 2023 respectively for further information.

6.14 Major contracts and their performance

1. Major entrustment, underwriting or lease: there was no major entrustment, underwriting or lease during the reporting period.
2. Major guarantee: apart from the guarantee business within its operating scope approved by the NFRA, the Bank had no other major guarantee.
3. Other major contracts and their performance: The Bank had no major contract dispute during the reporting period.

6.15 Major entrusted entrusted wealth management

During the reporting period, the Bank had no entrusted wealth management business outside the normal scope of business. See notes to "Section X Financial Report" for details about the entrusted wealth management business.

6.16 Other significant events

On 10 April 2023, the Bank successfully issued the special financial bonds (hereinafter referred to as "bonds issued in the current period") for loans to micro and small-sized enterprises with a total amount of RMB30 billion in the National Interbank Bond Market. The total amount of bonds issued in the current period was RMB30 billion, and the bonds have a maturity of 3 years, with a fixed coupon rate of 2.77%. The funds raised will be earmarked for special loans to micro and small-sized enterprises upon approval by regulatory authorities in accordance with applicable laws as further credit loan support to promote the steady and healthy development of micro and small-sized enterprises.

On 7 June 2023, the Board of Directors received the resignation report submitted by Mr. Hu Yuefei. Mr. Hu Yuefei resigned as executive director, member of the Strategic Development and Consumer Rights Protection Committee of the Board of Directors and president of the Bank due to his age. On 8 June 2023, the proposal on appointing Mr. Ji Guangheng as the president of the Bank was approved at the 10th meeting of the 12th Board of Directors of the Bank. On 26 June 2023, the proposal on electing Mr. Ji Guangheng as the executive director of the 12th Board of Directors of the Bank was approved during the First Extraordinary General Meeting in 2023. On 10 November 2023, the Bank received the *Reply of the National Financial Regulatory Administration on the Qualifications of Ji Guangheng of Ping An Bank* (Jin Fu [2023] No. 446), and the National Financial Regulatory Administration approved the qualifications of Mr. Ji Guangheng as president and director.

6.17 Significant events of the subsidiary of the company

Applicable Not applicable

There were no significant events that should be disclosed by Ping An Wealth Management Co., Ltd., the Bank's subsidiary.

Changes in Shares and Shareholders

7.1 Changes in shares

7.1.1 Changes in shares

Type of shares	Before change		Change					After change	
	Number of shares	Percentage (%)	Issue of new shares	Bonus issue	Transfer from reserve	Other	Sub-total	Number of shares	Percentage (%)
I. Restricted shares	371,248	About 0	-	-	-	-	-	371,248	About 0
1. Shareholding of the state	-	-	-	-	-	-	-	-	-
2. Shareholding of state-owned legal entity	-	-	-	-	-	-	-	-	-
3. Shareholding of other domestic investors	371,248	About 0	-	-	-	-	-	371,248	About 0
Including: Shareholding of domestic legal entity	156,145	About 0	-	-	-	-	-	156,145	About 0
Shareholding of domestic natural person	215,103	About 0	-	-	-	-	-	215,103	About 0
4. Shareholding of foreign investors	-	-	-	-	-	-	-	-	-
Including: Shareholding of overseas legal entity	-	-	-	-	-	-	-	-	-
Shareholding of foreign natural person	-	-	-	-	-	-	-	-	-
II. Unrestricted shares	19,405,546,950	About 100	-	-	-	-	-	19,405,546,950	About 100
1. RMB ordinary shares	19,405,546,950	About 100	-	-	-	-	-	19,405,546,950	About 100
2. Domestically listed foreign shares	-	-	-	-	-	-	-	-	-
3. Overseas listed foreign shares	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-
III. Total	19,405,918,198	100	-	-	-	-	-	19,405,918,198	100

Changes in Shares and Shareholders

Reason for the change in shares

Applicable Not applicable

Approval for the change in shares

Applicable Not applicable

Transfer registration related to shares change

Applicable Not applicable

Progress for share repurchase

Applicable Not applicable

Progress for reducing repurchased shares by means of centralized bidding

Applicable Not applicable

Effect of shares change on the financial indicators such as basic and diluted earnings per share and net assets per share attributable to ordinary shareholders of the company in the latest fiscal year and period

Applicable Not applicable

Other disclosure deemed necessary by the company or required by the securities regulators

Applicable Not applicable

Changes in Shares and Shareholders

7.1 Changes in shares(Continued)

7.1.2 Statement of changes in restricted shares

(Unit: Share)

Name of shareholder	Number of restricted shares at the beginning of the period	Number of shares release from sales restriction in the current period	Number of increased restricted shares in the current period	Number of restricted shares at the end of the period	Reason for sales restriction	Unlocking date
Shenzhen Tefa Communication Development Co., Ltd	113,089	-	-	113,089	Share reform	-
Shenzhen Tourism Association	30,504	-	-	30,504	Share reform	-
Shenzhen Futian District Agriculture Development Service Company Yannan Agricultural Machine Agency	12,552	-	-	12,552	Share reform	-
Total	156,145	-	-	156,145	-	-

Notes:

(1) The lock-up period of the restricted shares held by Shenzhen Tefa Communication Development Co., Ltd., Shenzhen Tourism Association and Shenzhen Futian District Agriculture Development Service Company Yannan Agricultural Machine Agency expired on 20 June 2008, but the relevant shareholders have not yet delegated the company to apply for handling unlocking procedures.

(2) The figures in the table above do not include 215,103 executive lock-up shares held by directors and senior management personnel.

7.2 The issuance and listing of securities

Conditions on securities issuance (excluding preference shares) during the reporting period

Applicable Not applicable

Description of total number of shares of the company, changes in shareholder structure and changes in the company's asset and liability structure

Applicable Not applicable

Shares of existing internal staff

Applicable Not applicable

Changes in Shares and Shareholders

7.3 Shareholders and actual controller

7.3.1 Number of shareholders and shareholding conditions

(Unit: Share)

Total number of ordinary shareholders as at the end of the reporting period	573,282	Total number of ordinary shareholders as at the end of the month before the disclosure date of the annual report	566,200	Total number of preference shareholders with restored voting rights as at the end of the reporting period (if any)	-	Total number of preference shareholders with restored voting rights as at the end of the month before the disclosure date of the annual report (if any)	-
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Shareholdings of the top 10 shareholders

Name of shareholder	Nature of shareholder	Number of shares held at the end of the reporting period	Shareholding (%)	Changes during the reporting period	Number of restricted shares held	Number of unrestricted shares held	Pledged or frozen	
							Status of shares	Number of shares
Ping An Insurance (Group) Company of China, Ltd. - the Group - proprietary fund	Domestic legal entity	9,618,540,236	49.56	-	-	9,618,540,236	-	-
Ping An Life Insurance Company of China, Ltd. - proprietary fund	Domestic legal entity	1,186,100,488	6.11	-	-	1,186,100,488	-	-
Hong Kong Securities Clearing Company Limited	Overseas legal entity	739,915,586	3.81	(505,532,904)	-	739,915,586	-	-
Ping An Life Insurance Company of China, Ltd. - traditional - ordinary insurance product	Domestic legal entity	440,478,714	2.27	-	-	440,478,714	-	-
China Securities Finance Corporation Limited	Domestic legal entity	429,232,688	2.21	-	-	429,232,688	-	-
Industrial and Commercial Bank of China Limited - Huatai-PB CSI 300 ETF	Domestic legal entity	71,708,438	0.37	31,947,600	-	71,708,438	-	-
China Electronics Investment Shenzhen Company	Domestic legal entity	62,523,366	0.32	-	-	62,523,366	-	-
Hexie Health Insurance Co., Ltd. - universal product	Domestic legal entity	58,894,176	0.30	-	-	58,894,176	-	-
Bank of Communications Co., Ltd. - E Fund Shanghai Stock Exchange 50-Index Enhanced Securities Investment Fund	Domestic legal entity	52,383,468	0.27	(14,783,600)	-	52,383,468	-	-
Hu Maoxiang	Natural person	51,630,000	0.27	27,349,100	-	51,630,000	-	-

Details of strategic investors or general legal persons becoming top 10 shareholders for issuing new shares (if any)

None

Explanations of the related party relationship or acting-in-concert relationship among the above shareholders

1. Ping An Life Insurance Company of China, Ltd. is a controlled subsidiary and person acting in concert of Ping An Insurance (Group) Company of China, Ltd., "Ping An Insurance (Group) Company of China, Ltd. - the Group - proprietary fund", "Ping An Life Insurance Company of China, Ltd. - proprietary fund" and "Ping An Life Insurance Company of China, Ltd. - traditional - ordinary insurance product" are related.
2. The Bank is not aware of any related-party relationship or parties acting in concert among other shareholders.

Explanation of the entrusting/entrusted voting rights and abstaining from voting rights involving the above shareholders

None

Special explanation of the existence of special repurchase accounts in top 10 shareholders

None

Shareholdings of the top 10 shareholders not subject to restrictions

Name of shareholder	Number of unrestricted shares held	Type of shares	
		Type of shares	Number of shares
Ping An Insurance (Group) Company of China, Ltd. - the Group - proprietary fund	9,618,540,236	RMB ordinary shares	9,618,540,236
Ping An Life Insurance Company of China, Ltd. - proprietary fund	1,186,100,488	RMB ordinary shares	1,186,100,488
Hong Kong Securities Clearing Company Limited	739,915,586	RMB ordinary shares	739,915,586
Ping An Life Insurance Company of China, Ltd. - traditional - ordinary insurance product	440,478,714	RMB ordinary shares	440,478,714
China Securities Finance Corporation Limited	429,232,688	RMB ordinary shares	429,232,688
Industrial and Commercial Bank of China Limited - Huatai-PB CSI 300 ETF	71,708,438	RMB ordinary shares	71,708,438
China Electronics Investment Shenzhen Company	62,523,366	RMB ordinary shares	62,523,366
Hexie Health Insurance Co., Ltd. - universal product	58,894,176	RMB ordinary shares	58,894,176
Bank of Communications Co., Ltd. - E Fund Shanghai Stock Exchange 50-Index Enhanced Securities Investment Fund	52,383,468	RMB ordinary shares	52,383,468
Hu Maoxiang	51,630,000	RMB ordinary shares	51,630,000

Descriptions of the related party relationship or acting-in-concert arrangement among the top 10 shareholders of unrestricted shares, and between the top 10 shareholders of unrestricted shares and the top 10 shareholders

1. Ping An Life Insurance Company of China, Ltd. is a controlled subsidiary and person acting in concert of Ping An Insurance (Group) Company of China, Ltd., "Ping An Insurance (Group) Company of China, Ltd. - the Group - proprietary fund", "Ping An Life Insurance Company of China, Ltd. - proprietary fund" and "Ping An Life Insurance Company of China, Ltd. - traditional - ordinary insurance product" are related.
2. The Bank is not aware of any related-party relationship or parties acting in concert among other shareholders.

Description of the top 10 shareholders who engage in securities margin trading business

In addition to 130,000 shares held through ordinary securities accounts, the shareholder Hu Maoxiang also holds 51,500,000 shares through the customer credit-backed securities trading account of Cinda Securities Co., Ltd., actually holding 51,630,000 shares in total.

Whether any of the top 10 shareholders or top 10 shareholders of unrestricted shares conducted agreed repurchase transactions during the reporting period

Yes No

Participation of the top ten shareholders in the refinancing of shares

Applicable Not applicable

Changes in Shares and Shareholders

7.3 Shareholders and actual controller(Continued)

7.3.2 Particulars of controlling shareholder of the Bank

Participation of the top ten shareholders in the refinancing of shares

(Unit: Share)

Name of shareholder (full name)	Shareholding in ordinary account and credit account at the beginning of the period		Shares lent through refinancing at the beginning of the period and not yet returned		Shareholding in general account and credit account at the end of the period		Shares lent by refinancing at the end of the period and not yet returned	
	Total Quantity	% of total equity	Total Quantity	% of total equity	Total Quantity	% of total equity	Total Quantity	% of total equity
Industrial and Commercial Bank of China Limited - Huatai Berry Shanghai-Shenzhen 300 ETF	39,760,838	0.20	-	-	71,708,438	0.37	921,100	0.00

Changes in the top ten shareholders as compared with the prior period

✓ Applicable □ Not applicable

Changes in the top ten shareholders as compared with the end of last year

(Unit: Share)

Name of shareholder (full name)	Additions/withdrawals during the reporting period	Number of shares lent and not yet returned by refinancing at the end of the period		At the end of the period, the number of shares held by shareholders in general accounts and credit accounts and lent by refinancing and not yet returned	
		Total Quantity	% of total equity	Total Quantity	% of total equity
Industrial and Commercial Bank of China Limited - Huatai Berry Shanghai-Shenzhen 300 ETF	Newly added	921,100	0.00	72,629,538	0.37

7.3.2 Particulars of controlling shareholder of the Bank

Name of controlling shareholder	Legal representative	Establishment date	Organization code	Main business
Ping An Insurance (Group) Company of China, Ltd.	Ma Mingzhe	21 March 1988	Unified social credit code: 91440300100012316L	The scope of business includes investment in insurance agencies; supervision and management of various domestic and international businesses of investment holding enterprises; insurance funds investment business; domestic and international insurance businesses upon approval; and other businesses approved by the China Banking and Insurance Regulatory Commission and relevant state departments.
Equity of other domestic and foreign listed companies controlled and equity participation by the controlling shareholder during the reporting period	The controlling shareholder of the Bank, Ping An Insurance (Group) Company of China, Ltd., was listed on the Main Board of the Stock Exchange of Hong Kong Limited and the Shanghai Stock Exchange respectively. As of the reporting date, China Ping An has not yet disclosed its 2023 Annual Report. See the <i>2023 Annual Report of Ping An Insurance (Group) Company of China, Ltd.</i> for details when it becomes available.			

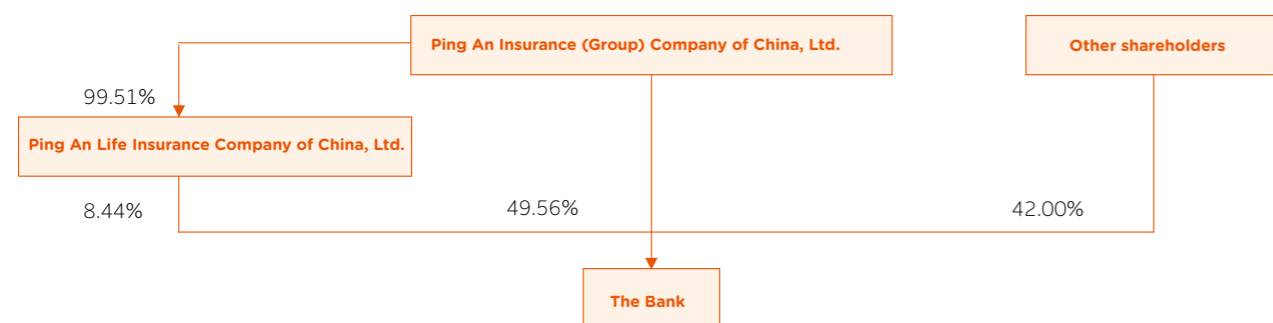
Changes in Shares and Shareholders

7.3 Shareholders and actual controller(Continued)

7.3.3 Change in the controlling shareholder of the Bank during the reporting period

The controlling shareholder of the Bank is Ping An Insurance (Group) Company of China, Ltd. There was no change in the controlling shareholder of the Bank during the reporting period. As at the end of the reporting period, Ping An Group and its controlling subsidiary Ping An Life Insurance, as the controlling shareholders of the Bank, held 58% of the shares of the Bank in total, of which Ping An Group held 49.56% of the shares of the Bank, and Ping An Life Insurance held 8.44%. Ping An Group dispatched directors to the Bank. Ping An Group was established on 21 March 1988. Its registered address is 47F, 48F, 109F, 110F, 111F and 112F, Ping An Financial Center, No. 5033, Yitian Road, Futian District, Shenzhen. The registered capital is RMB18,210,234,607. The legal representative is Ma Mingzhe. The scope of business includes investment in insurance agencies; supervision and management of various domestic and international businesses of investment holding enterprises; insurance funds investment business; domestic and international insurance businesses upon approval; and other businesses approved by the China Banking and Insurance Regulatory Commission and relevant state departments. With a relatively loose shareholding structure, Ping An Group has neither controlling shareholder, nor any actual controller or ultimate beneficiary. There are no equity interests of the Bank pledged by Ping An Group and its controlling subsidiary Ping An Life Insurance Company of China, Ltd.

A diagram showing the relationship between the Bank and its controlling shareholder is as follows:



As at 31 December 2023, shareholders who directly or indirectly held more than 5% equities of China Ping An were Charoen Pokphand Group Co., Ltd. and Shenzhen Investment Holdings Co., Ltd. As of the reporting date, China Ping An has not yet disclosed its 2023 Annual Report. See the *2023 Annual Report of Ping An Insurance (Group) Company of China, Ltd.* for details when it becomes available.

7.3.4 Actual controller

There is no actual controller for the Bank.

7.3.5 The cumulative number of shares that the company's controlling shareholder or the largest shareholder and its acting-in-concert parties have pledged accounted for 80% of the number of shares of companies held by them

Applicable Not applicable

7.3.6 Other corporate shareholders with more than 10% shares held

Applicable Not applicable

7.3.7 Restrictions on shareholding reduction by controlling shareholder, actual controller, restructuring parties and other commitment units

Applicable Not applicable

Changes in Shares and Shareholders

7.3 Shareholders and actual controller(Continued)

7.3.8 Other major shareholders prescribed by the *Interim Measures for Equity Interests Management of Commercial Banks*

(1) China Electronics Shenzhen Company. As at the end of the reporting period, China Electronics Shenzhen Company held 62,523,366 shares of the equity interest of the Bank and dispatched directors to the Bank. China Electronics Shenzhen Company was established on 19 May 1982. The registered address is No. 2070 and No. 2072, Shennan Middle Road, Futian District, Shenzhen. The registered capital is RMB3,341.25 million. The legal representative is Xiang Qunxiong. The scope of business includes import and export of proprietary and outsourced goods and technology (Operating upon the document Wai Jing Mao Zheng Shen Han Zi [97] No. 1980); economic cooperation business with foreign enterprises (Operating upon the document Wai Jing Mao He Han [2001] No. 500); sales of textiles, groceries, industry production materials (excluding gold, silver, automobile and hazardous chemical), petroleum products (excluding refined oil), hardware, AC electrical materials, chemical products (excluding hazardous chemical), construction materials and art crafts (excluding gold accessories), and domestic sales of goods under import and export operation; labor service, information consulting, packaging service, property management and sales and rental service of self-owned properties; domestic freight forwarding; international freight forwarding; wholesale and retail of auto mobile, auto parts and engineering equipment; investment in and establishment of industries (specific projects are subject to additional approval); start-up investment. China Electronics International Information Service Co., Ltd. is the controlling shareholder of China Electronics Shenzhen Company. China Electronics Corporation is the actual controlling party and ultimate beneficiary of China Electronics Shenzhen Company. China Electronics Shenzhen Company didn't pledge any equity interest of the Bank.

(2) Shenzhen Yingzhongtai Investment Co., Ltd. As at the end of the reporting period, Shenzhen Yingzhongtai Investment Co., Ltd. held 10,200 shares of the equity interest of the Bank and dispatched a supervisor to the Bank. Shenzhen Yingzhongtai Investment Co., Ltd. was established on 29 December 2001. The registered address is Room 102 (Office), B46 Longxiang Villa, Longxiang North Road, Fuyong Sub-district, Baoan District, Shenzhen. The legal representative is Che Guobao. The registered capital is RMB10 million. The scope of business includes investment in and establishment of industries (specific projects are subject to additional approval); domestic commerce, goods supply and marketing (excluding franchised goods, voice control products and monopolized goods). Mr. Che Guobao is the controlling shareholder and the actual controller of Shenzhen Yingzhongtai Investment Co., Ltd. Mr. Che Guobao and Mr. Che Guoquan are the ultimate beneficiaries of Shenzhen Yingzhongtai Investment Co., Ltd. Shenzhen Yingzhongtai Investment Co., Ltd. didn't pledge any equity interest of the Bank.

7.4 Specific implementation of share repurchases during the reporting period

Progress in the implementation and progress of share repurchases

Applicable Not applicable

Progress in the implementation of the reduction of repurchased shares by means of centralized bidding transactions

Applicable Not applicable

Preference Shares

8.1 Issuance and listing of preference shares in the recent three years at the end of the reporting period

Mode of issue	Date of issue	Issue price (RMB/share)	Dividend yield	Issuing number (share)	Listing date	Trading number approved for listing (share)	Termination date of listing	Query index of use progress of funds raised	Query index of changes of funds raised
Non-public offering	7 March 2016	100	4.37%	200,000,000	25 March 2016	200,000,000	-	See the <i>Special Report on the Deposit and Actual Use of Fund Raised of Ping An Bank Co., Ltd. in 2016 on 17 March 2017 for details.</i>	-

Preference Shares

8.2 Number and shareholdings of preference shareholders of the company

(Unit: Share)

Total number of preference shareholders at the end of the reporting period	31	Total number of preference shareholders at the end of the month before the release of the annual report	34
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Shareholding of shareholders holding more than 5% preference shares or the top 10 preference shareholders

Name of shareholder	Nature of shareholder	Shareholding (%)	Number of shares held as at the end of the reporting period	Changes during the reporting period	Number of restricted shares held	Number of unrestricted shares held	Pledged or frozen	
							Status of shares	Number of shares
Ping An Life Insurance Company of China, Ltd. - dividend - dividends for individual insurance	Domestic legal entity	29.00	58,000,000	-	-	58,000,000	-	-
Ping An Life Insurance Company of China, Ltd. - universal - individual universal insurance	Domestic legal entity	19.34	38,670,000	-	-	38,670,000	-	-
Ping An Property & Casualty Insurance Company of China, Ltd. - traditional - ordinary insurance product	Domestic legal entity	9.67	19,330,000	-	-	19,330,000	-	-
Bank of Communications Schroder Asset Management - Bank of Communications - Bank of Communications Schroder Asset Management Zhuoyuan No. 1 Collective Asset Management Plan	Domestic legal entity	8.45	16,905,000	(1,000,000)	-	16,905,000	-	-
CITIC Securities - Postal Savings Bank of China - CITIC Securities Star No. 28 Collective Asset Management Plan	Domestic legal entity	5.48	10,950,000	-	-	10,950,000	-	-
Bank of China Limited Shanghai Branch	Domestic legal entity	4.32	8,630,000	(300,000)	-	8,630,000	-	-
Jiangsu International Trust Co., Ltd. - Jiangsu Trust - Hexiang Tianli No. 1 Collective Capital Trust Plan	Domestic legal entity	3.66	7,325,000	-	-	7,325,000	-	-
Everbright Securities Asset Management ("EBSAM") - China Everbright Bank - EBSAM Xinyou Collective Asset Management Plan	Domestic legal entity	3.05	6,105,000	2,035,000	-	6,105,000	-	-
Sun Life Everbright Asset Management ("SLEBAM") - China Everbright Bank - SLEBAM Juyou No. 1 Equity asset management products	Domestic legal entity	2.40	4,800,000	2,900,000	-	4,800,000	-	-
BOC International (China) Co., Ltd. - Bank of China - BOCIC China Red - Huizhong No. 32 Collective Asset Management Plan	Domestic legal entity	2.23	4,465,000	-	-	4,465,000	-	-

Description of different requirements on other terms of preference shares held other than dividend distribution and residual property distribution

N/A

Explanations of the related party relationship or person acting-in-concert among top 10 preference shareholders and between top 10 preference shareholders and top 10 ordinary shareholders

- Ping An Life Insurance Company of China, Ltd. and Ping An Property & Casualty Insurance Company of China, Ltd. are controlled subsidiaries and persons acting in concert of the Ping An Insurance (Group) Company of China, Ltd. "Ping An Insurance (Group) Company of China, Ltd. - the Group - proprietary fund", "Ping An Life Insurance Company of China, Ltd. - proprietary fund", "Ping An Life Insurance Company of China, Ltd. - traditional - ordinary insurance product", "Ping An Life Insurance Company of China, Ltd. - dividend - dividends for individual insurance", "Ping An Life Insurance Company of China, Ltd. - universal - individual universal insurance" and "Ping An Property & Casualty Insurance Company of China, Ltd. - traditional - ordinary insurance products" are related.
- The Bank is not aware of any related-party relationship or parties acting in concert among other shareholders.

8.3 Profit distribution of preference shares of the company

Applicable Not applicable

(In RMB million)

Time of distribution	Dividend rate	Amount of distribution (tax inclusive)	Conformity with distribution requirements and procedures	Method of dividend payment	Accumulation of dividend	Participation of surplus profit
7 March 2023	4.37%	874	Yes	Paid in cash once a year	No	No

Preference share distribution in recent three years

(In RMB million)

Distribution year	Amount of distribution (tax inclusive)	Net profit attributable to shareholders of the Bank in the distribution year	Proportion accounting for net profit attributable to shareholders of the Bank	Description of amount included in the next accounting year due to the insufficiency of distributable profits or participating in surplus profit distribution
2023	874	46,455	1.88%	N/A
2022	874	45,516	1.92%	N/A
2021	874	36,336	2.41%	N/A

Whether profit distribution policies of preference shares are adjusted or changed

Yes No

During the reporting period, the company had profits and the parent company had positive undistributed profits, however, there was no profit distribution for preference shares

Applicable Not applicable

Other descriptions regarding preference shares distribution

Applicable Not applicable

8.4 Repurchase or conversion of preference shares

Applicable Not applicable

There was no repurchase or conversion of preference shares during the reporting period.

Preference Shares

8.5 Recovery of voting rights of preference shares during the reporting period

Recovery and exercise of voting rights of preference shares

Applicable Not applicable

There was no recovery of voting rights of preference shares during the reporting period.

Shareholders and actual controllers involved in the recovery of voting rights of preference shares

Applicable Not applicable

8.6 Accounting policies and reasons adopted for preference shares

Applicable Not applicable

See "12. Equity instrument under III. Major accounting policies and accounting estimates" in "Section X Financial Report" for "Accounting policies and reasons adopted for preference shares".

Corporate Bonds

Applicable Not applicable

Financial Report

1. Audit Report.
 2. Financial Statements.
 3. Notes to the Financial Statements.
 4. Supplementary Information to the Financial Statements.
- (Please see appendixes)

Board of Directors of Ping An Bank Co., Ltd.

15 March 2024

PING AN BANK CO., LTD.

**Audited Financial Statements
For the year ended 31 December 2023**

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AUDITOR'S REPORT

Ernst & Young Hua Ming (2024) Shen Zi No. 70036697_H01
PING AN BANK CO., LTD.

To the shareholders of Ping An Bank Co., Ltd.:

I.Opinion

We have audited the financial statements of Ping An Bank Co., Ltd., which comprise the consolidated and bank balance sheets as at 31 December 2023, the consolidated and bank income statements, statements of changes in shareholders' equity and statements of cash flows for the year then ended, and related 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 ("ASBEs")*.

II.Basis for Opinion

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

III.Key Audit Matters

Key audit matters are those matters that, in our professional judgment, 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide a basis for our audit opinion on the accompanying financial statements.

III.Key Audit Matters (Continued)

Key audit matters	How our audit addressed the matters
<i>Expected credit losses (ECL) of loans and advances to customers, investment on debts and credit commitments</i>	
<p>In ECL measurement, Ping An Bank Co., Ltd. applied multiple models and assumptions, such as:</p> <p>1.Significant increase in credit risk: selecting criteria for significant increase in credit risk is highly dependent on judgments and could exert significant impact on ECL of loans and investment on debts with long lifetime.</p> <p>2.Models and parameters: the model used in the measurement of ECL is highly complex in nature. It needs many input parameters and the parameters evaluation involves many judgments and assumptions;</p> <p>3.Forward-looking information: predict the macroeconomics, and consider how ECL will be impacted under the weight of different economic scenarios;</p> <p>4.Individual impairment assessment: many factors should be considered in determining whether loans or investment on debts have credit impairment. Individual impairment evaluation depends on the estimation of future cash flows.</p> <p>Since the impairment assessment of loans and advances to customers, investment on debts and credit commitments in the ECL model involves significant judgments and assumptions, and in view of the significance of the amount (as at 31 December 2023, total loans and advances to customers (including accrued interest) amounted to RMB3,417,463 million, and impairment provision for loans and advances to customers amounted to RMB100,045 million. Investment on debts (including accrued interest) amounted to RMB784,307 million, and impairment provision for investment on debts amounted to RMB11,840 million. Credit commitment balance amounted to RMB1,947,183 million, and related accrued liabilities amounted to RMB13,347 million), we consider the estimation a key audit matter.</p> <p>For related disclosures, please refer to Note III 8.4, Note III 34(ii), Note IV 6, Note IV 8, Note IV 29, Note VI 2 and Note VIII 1.2 to the financial statements.</p>	<p>We understood, assessed and tested the design and operating effectiveness of key internal control (including data quality and information system) related to the ECL of loans and advances to customers, investment on debts and credit commitments.</p> <p>We adopted a risk-based sampling approach, chose samples to implement review procedures to loans and advances to customers and investment on debts. Based on post-loan or post-investment investigation report, the debtor's financial information, collateral valuation reports and other available information, we analyzed the debtor's repayment ability and assessed the rating of Ping An Bank Co., Ltd. regarding loans and advances to customers and investment on debts.</p> <p>With the help of internal specialist, we assessed and tested the key parameters, the management's significant judgments and related assumptions used in the ECL model.</p> <p>1.ECL model:</p> <ul style="list-style-type: none"> ● Considering the macroeconomic fluctuations, we assessed the reasonableness of the methodology of ECL model and related parameters, including default probability, default loss rate, risk exposure, significant increase in credit risk, etc. ● We evaluated the forward-looking information used by the management in determining the ECL, including the forecasts of macroeconomic variables and assumptions and weight of multiple macroeconomic scenarios. ● We assessed models and related assumptions used in individual impairment assessment, and analyzed the amount, timing and likelihood of estimated future cash flows, especially the recoverable amount of collaterals. <p>2.Design and operating effectiveness of key control:</p> <ul style="list-style-type: none"> ● We evaluated and tested the data and processes used to confirm the provision for ECL, including loans and advances to customers, investment on debts and credit commitment business data, internal credit rating data, macroeconomic data, etc., as well as the impairment related system calculation logic, data input, system interface, etc. ● We evaluated and tested key control over the ECL model, including model change approval, ongoing monitoring of model performance, model validation and parameter calibration. <p>Furthermore, we evaluated and tested the design and operating effectiveness of control related to disclosures of credit risk exposures and ECL of Ping An Bank Co., Ltd.</p>

Key audit matters	How our audit addressed the matters
<i>Consolidation assessment of structured entities</i>	
<p>In conducting businesses such as financial investments, asset management and credit asset transfer, Ping An Bank Co., Ltd. had interests in various structured entities, including wealth management products, funds, asset management plans, trust plans and asset-backed securities.</p> <p>Ping An Bank Co., Ltd. determines whether or not to consolidate these structured entities based on the assessment of whether the Bank has control, taking into consideration power arising from rights, variable returns, and link between power and returns.</p> <p>The assessment of the existence of control of Ping An Bank Co., Ltd. over structured entities involves significant judgment on factors such as the purpose of setting up structured entities, its ability to direct the relevant activities, direct and indirect beneficial interests and returns, performance fee, remuneration and exposure to loss from providing credit enhancement or liquidity support. A comprehensive analysis of these factors and the conclusion of whether any control exists involves the management's significant judgments and estimates. Due to the significance of the control and the complexity of judgment exercised by the management, it is considered a key audit matter.</p> <p>For related disclosures, please refer to Note III 5, Note III 34 (iv), and Note IV 52 to the financial statements.</p>	<p>We understood, assessed and tested the design and operating effectiveness of key internal control related to consolidation assessment of structured entities. Such internal control mainly included approval of transaction structures and contract terms, and review and approval of consolidation assessment and results.</p> <p>In addition, we checked supporting documents of structured entities managed or invested by Ping An Bank Co., Ltd. on a sampling basis, including related contracts, internal documents and information obtained as an investor or disclosed to an investor, and assessed whether Ping An Bank Co., Ltd. had control over the structured entities by conducting the following audit procedures:</p> <ol style="list-style-type: none"> 1.We acquired an understanding of the purpose of setting up the structured entities and the participation of Ping An Bank Co., Ltd. in the structured entities, and assessed the management's judgment regarding whether Ping An Bank Co., Ltd. had power over the structured entities; 2.We checked the structure design of risks and rewards by the structured entities, including any assets owned in the structured entities by Ping An Bank Co., Ltd. or guarantee for its income, arrangement for providing liquidity support, payment of expenses and allocation of income, etc., to assess the magnitude and variability of the variable returns from the structured entities owned by Ping An Bank Co., Ltd. as judged by the management; 3.We determined the role of Ping An Bank Co., Ltd. in the aforesaid activities as an agent or a principal in charge based on whether the Bank was able to influence the amount of return by exercising its rights over the structured entities, including analyzing decision scope, rewards gained, other interests, and other participators' rights of Ping An Bank Co., Ltd.

IV.Other Information

The management of Ping An Bank Co., Ltd. is responsible for other information. Other information comprises all of the information included in annual report of Ping An Bank other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover 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 other information and, in doing so, consider whether 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 other information, we are required to report that fact. We have nothing to report in this regard.

V. Responsibilities of the management and those charged with governance for the financial statements

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

In preparing the financial statements, the management is responsible for assessing the ability of Ping An Bank Co., Ltd. to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the management either intends to liquidate the Company or to cease operations or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the financial reporting process of Ping An Bank Co., Ltd.

VI. Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

(2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.

(3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

(4) Conclude on the appropriateness of the 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 ability of Ping An Bank Co., Ltd. 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 Ping An Bank Co., Ltd. to cease to continue as a going concern.

(5) Evaluate the overall presentation (including the disclosures), structure and content of the financial statements, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

(6) Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within Ping An Bank Co., Ltd. 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.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, 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 laws or regulations preclude public disclosure about the matters 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.

Ernst & Young Hua Ming LLP

Chinese Certified Public Accountant: **Chang Hua(Engagement Partner)**

Beijing, the People's Republic of China

Chinese Certified Public Accountant: **Wang Yangyan**

14 March 2024

Consolidated Balance Sheet

For the year ended 31 December 2023
(All amounts in RMB million unless otherwise stated)

	Note IV	The Group	
		31 December 2023	31 December 2022
Assets			
Cash and balances with the Central Bank	1	274,663	285,277
Deposits with banks and other financial institutions	2	93,597	98,329
Precious metals		9,680	16,555
Placements to banks and other financial institutions	3	220,707	133,921
Derivative financial assets	4	40,521	27,553
Financial assets held under resale agreements	5	110,830	41,561
Loans and advances to customers	6	3,320,110	3,242,258
Financial investments:			
Financial assets held for trading	7	450,293	446,133
Investment on debts	8	772,467	731,850
Other investment on debts	9	161,931	172,233
Other equity instrument investment	10	6,214	6,380
Investment properties	12	335	477
Fixed assets	13	9,814	11,083
Right-of-use assets	14	5,776	6,530
Intangible assets	15	6,622	6,879
Goodwill	16	7,568	7,568
Deferred income tax assets	17	45,757	44,079
Other assets	18	50,231	42,848
Total assets		5,587,116	5,321,514

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

	Note IV	The Group	
		31 December 2023	31 December 2022
Liabilities			
Borrowings from the Central Bank	20	208,783	191,916
Deposits from banks and other financial institutions	21	467,791	407,278
Placements from banks and other financial institutions	22	49,059	57,393
Financial liabilities held for trading	23	31,614	64,943
Derivative financial liabilities	4	42,220	36,525
Financial assets sold under repurchase agreements	24	58,152	13,303
Deposits from customers	25	3,458,287	3,352,266
Employee benefits payable	26	17,189	18,571
Taxes payable	27	9,380	14,674
Debt securities issued	28	728,328	692,075
Lease liabilities	14	6,210	6,922
Accrued liabilities	29	13,498	9,730
Other liabilities	30	24,277	21,238
Total liabilities		5,114,788	4,886,834
Shareholders' equity			
Share capital	31	19,406	19,406
Other equity instruments	32	69,944	69,944
Including: Preference shares		19,953	19,953
Perpetual bonds		49,991	49,991
Capital reserve	33	80,761	80,816
Other comprehensive income	47	2,264	2,660
Surplus reserve	34	10,781	10,781
General reserve	35	67,917	64,768
Undistributed profit	36	221,255	186,305
Total shareholders' equity		472,328	434,680
Total liabilities and shareholders' equity		5,587,116	5,321,514

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

The financial statements have been signed by:

Legal Representative: Xie Yonglin President: Ji Guangheng Vice President and CFO: Xiang Youzhi Head of accounting department: Zhu Peiqing

Bank Balance Sheet

For the year ended 31 December 2023
(All amounts in RMB million unless otherwise stated)

	Note IV	The Bank	
		31 December 2023	31 December 2022
Assets			
Cash and balances with the Central Bank	1	274,663	285,277
Deposits with banks and other financial institutions	2	93,330	97,619
Precious metals		9,680	16,555
Placements to banks and other financial institutions	3	220,707	133,921
Derivative financial assets	4	40,521	27,553
Financial assets held under resale agreements	5	110,180	41,561
Loans and advances to customers	6	3,320,110	3,242,258
Financial investments:			
Financial assets held for trading	7	426,939	442,792
Investment on debts	8	771,836	731,753
Other investment on debts	9	159,081	169,368
Other equity instrument investment	10	6,214	6,380
Long-term equity investments	11	5,000	5,000
Investment properties	12	335	477
Fixed assets	13	9,786	11,054
Right-of-use assets	14	5,776	6,526
Intangible assets	15	6,622	6,879
Goodwill	16	7,568	7,568
Deferred income tax assets	17	45,680	44,015
Other assets	18	50,039	42,582
Total assets		5,564,067	5,319,138

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

	Note IV	The Bank	
		31 December 2023	31 December 2022
Liabilities			
Borrowings from the Central Bank	20	208,783	191,916
Deposits from banks and other financial institutions	21	467,839	407,605
Placements from banks and other financial institutions	22	49,059	57,393
Financial liabilities held for trading	23	31,614	64,943
Derivative financial liabilities	4	42,220	36,525
Financial assets sold under repurchase agreements	24	40,051	13,303
Deposits from customers	25	3,458,287	3,352,270
Employee benefits payable	26	16,833	18,271
Taxes payable	27	8,985	14,107
Debt securities issued	28	728,328	692,075
Lease liabilities	14	6,210	6,922
Accrued liabilities	29	13,498	9,730
Other liabilities	30	25,579	23,057
Total liabilities		5,097,286	4,888,117
Shareholders' equity			
Share capital	31	19,406	19,406
Other equity instruments	32	69,944	69,944
Including: Preference shares		19,953	19,953
Perpetual bonds		49,991	49,991
Capital reserve	33	80,763	80,816
Other comprehensive income	47	2,263	2,664
Surplus reserve	34	10,781	10,781
General reserve	35	65,233	62,384
Undistributed profit	36	218,391	185,026
Total shareholders' equity		466,781	431,021
Total liabilities and shareholders' equity		5,564,067	5,319,138

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

Consolidated Income Statement

For the year ended 31 December 2023

(All amounts in RMB million unless otherwise stated)

	Note IV	The Group	
		2023	2022
I. Operating income			
Interest income	37	227,617	228,878
Interest expenses	37	(109,626)	(98,748)
Net interest income	37	117,991	130,130
Fee and commission income	38	35,042	37,754
Fee and commission expenses	38	(5,612)	(7,546)
Net fee and commission income	38	29,430	30,208
Investment income	39	16,054	13,243
Including: Gains from derecognition of financial assets measured at amortized cost		1	160
Gains or losses on changes in fair value	40	(354)	1,240
Exchange gains or losses	41	662	4,548
Other operating income	42	538	131
Gains or losses on disposal of assets		144	180
Other income		234	215
Total operating income		164,699	179,895
II. Operating expenses			
Taxes and surcharges	43	(1,718)	(1,727)
Business and administrative expenses	44	(45,959)	(49,387)
Total operating expenses		(47,677)	(51,114)
III. Operating profit before impairment losses		117,022	128,781
Impairment losses on credit	45	(59,017)	(71,341)
Impairment losses on other assets		(77)	35
IV. Operating profit		57,928	57,475
Add: Non-operating income		49	64
Less: Non-operating expenses		(259)	(286)

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

	Note IV	The Group	
		2023	2022
V. Profit before tax		57,718	57,253
Less: Income tax expenses	46	(11,263)	(11,737)
VI. Net profit		46,455	45,516
(I)Net profit from continuing operations		46,455	45,516
(II)Net profit from discontinued operations		-	-
VII. Net value of other comprehensive	47		
(I)Other comprehensive income that will not be reclassified to profit or loss			
Changes in fair value of other equity instrument investment		(181)	(8)
(II)Other comprehensive income that may be reclassified to profit or loss			
1. Changes in fair value of financial assets designated at fair value and changes included into other comprehensive income		682	(870)
2. Provision for credit losses on financial assets designated at fair value and changes included into other comprehensive income		(879)	1,881
3. Exchange differences on translation of foreign currency financial statements		6	(13)
Sub-total		(191)	998
Total other comprehensive income		(372)	990
VIII. Total comprehensive income		46,083	46,506
IX. Earnings per share			
Basic earnings per share (EPS) (RMB)	48	2.25	2.20
Diluted earnings per share (RMB)	48	2.25	2.20

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

Bank Income Statement

For the year ended 31 December 2023

(All amounts in RMB million unless otherwise stated)

	Note IV	The Bank	
		2023	2022
I. Operating income			
Interest income	37	227,511	228,793
Interest expenses	37	(109,633)	(98,764)
Net interest income	37	117,878	130,029
Fee and commission income	38	33,914	36,914
Fee and commission expenses	38	(7,436)	(9,658)
Net fee and commission income	38	26,478	27,256
Investment income	39	15,959	13,051
Including: Gains from derecognition of financial assets measured at amortized cost		1	160
Gains or losses on changes in fair value	40	(317)	1,397
Exchange gains or losses	41	662	4,548
Other operating income	42	538	131
Gains or losses on disposal of assets		144	180
Other income		224	213
Total operating income		161,566	176,805
II. Operating expenses			
Taxes and surcharges	43	(1,699)	(1,708)
Business and administrative expenses	44	(45,214)	(48,711)
Total operating expenses		(46,913)	(50,419)
III. Operating profit before impairment losses		114,653	126,386
Impairment losses on credit	45	(59,013)	(71,341)
Impairment losses on other assets		(77)	35
IV. Operating profit		55,563	55,080
Add: Non-operating income		49	64
Less: Non-operating expenses		(259)	(285)

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

	Note IV	The Bank	
		2023	2022
V. Profit before tax		55,353	54,859
Less: Income tax expenses	46	(10,783)	(11,226)
VI. Net profit		44,570	43,633
(I) Net profit from continuing operations		44,570	43,633
(II) Net profit from discontinued operations		-	-
VII. Net value of other comprehensive income after tax	47		
(I) Other comprehensive income that will not be reclassified to profit or loss			
Changes in fair value of other equity instrument investment		(181)	(8)
(II) Other comprehensive income that may be reclassified to profit or loss			
1. Changes in fair value of financial assets designated at fair value and changes included into other comprehensive income		677	(865)
2. Provision for credit losses on financial assets designated at fair value and changes included into other comprehensive income		(879)	1,881
3. Exchange differences on translation of foreign currency financial statements		6	(13)
Sub-total		(196)	1,003
Total other comprehensive income		(377)	995
VIII. Total comprehensive income		44,193	44,628

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

Consolidated And Bank Statements Of Changes In Shareholders' Equity

For the year ended 31 December 2023

(All amounts in RMB million unless otherwise stated)

2023	The Group								
	Note IV	Share capital	Other equity instruments	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Undistributed profit	Total shareholders' equity
I. Balance at 1 January 2023		19,406	69,944	80,816	2,660	10,781	64,768	186,305	434,680
II. Changes in the current year									
(I)Net profit		-	-	-	-	-	-	46,455	46,455
(II)Other comprehensive income	47	-	-	-	(372)	-	-	-	(372)
Total comprehensive income		-	-	-	(372)	-	-	46,455	46,083
(III)Profit distribution									
1. Appropriation to surplus reserve	34	-	-	-	-	-	-	-	-
2. Appropriation to general reserve	35	-	-	-	-	-	3,149	(3,149)	-
3. Cash dividends on ordinary shares	36	-	-	-	-	-	-	(5,531)	(5,531)
4. Dividends on preference shares	36	-	-	-	-	-	-	(874)	(874)
5. Interest on perpetual bonds	36	-	-	-	-	-	-	(1,975)	(1,975)
(IV)Transfer within shareholders' equity									
1. Other comprehensive income transferred to retained earnings	47	-	-	-	(24)	-	-	24	-
(V)Others									
1. Long-term service plan	33	-	-	(55)	-	-	-	-	(55)
III. Balance at 31 December 2023		19,406	69,944	80,761	2,264	10,781	67,917	221,255	472,328

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

2023	The Bank								
	Note IV	Share capital	Other equity instruments	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Undistributed profit	Total shareholders' equity
I. Balance at 1 January 2023		19,406	69,944	80,816	2,664	10,781	62,384	185,026	431,021
II. Changes in the current year									
(I)Net profit		-	-	-	-	-	-	44,570	44,570
(II)Other comprehensive income	47	-	-	-	(377)	-	-	-	(377)
Total comprehensive income		-	-	-	(377)	-	-	44,570	44,193
(III)Profit distribution									
1. Appropriation to surplus reserve	34	-	-	-	-	-	-	-	-
2. Appropriation to general reserve	35	-	-	-	-	-	2,849	(2,849)	-
3. Cash dividends on ordinary shares	36	-	-	-	-	-	-	(5,531)	(5,531)
4. Dividends on preference shares	36	-	-	-	-	-	-	(874)	(874)
5. Interest on perpetual bonds	36	-	-	-	-	-	-	(1,975)	(1,975)
(IV)Transfer within shareholders' equity									
1. Other comprehensive income transferred to retained earnings	47	-	-	-	(24)	-	-	24	-
(V)Others									
1. Long-term service plan	33	-	-	(53)	-	-	-	-	(53)
III. Balance at 31 December 2023		19,406	69,944	80,763	2,263	10,781	65,233	218,391	466,781

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

Consolidated And Bank Statements Of Changes In Shareholders' Equity(Continued)

For the year ended 31 December 2023

(All amounts in RMB million unless otherwise stated)

2022	The Group								
	Note IV	Share capital	Other equity instruments	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Undistributed profit	Total shareholders' equity
I. Balance at 1 January 2022		19,406	69,944	80,816	1,785	10,781	58,339	154,377	395,448
II. Changes in the current year									
(I)Net profit		-	-	-	-	-	-	45,516	45,516
(II)Other comprehensive income	47	-	-	-	990	-	-	-	990
Total comprehensive income		-	-	-	990	-	-	45,516	46,506
(III)Profit distribution									
1. Appropriation to surplus reserve	34	-	-	-	-	-	-	-	-
2. Appropriation to general reserve	35	-	-	-	-	-	6,429	(6,429)	-
3. Cash dividends on ordinary shares	36	-	-	-	-	-	-	(4,425)	(4,425)
4. Dividends on preference shares	36	-	-	-	-	-	-	(874)	(874)
5. Interest on perpetual bonds	36	-	-	-	-	-	-	(1,975)	(1,975)
(IV)Transfer within shareholders' equity									
1. Other comprehensive income transferred to retained earnings	47	-	-	-	(115)	-	-	115	-
III. Balance at 31 December 2022		19,406	69,944	80,816	2,660	10,781	64,768	186,305	434,680

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

2022	The Bank								
	Note IV	Share capital	Other equity instruments	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Undistributed profit	Total shareholders' equity
I. Balance at 1 January 2022		19,406	69,944	80,816	1,784	10,781	57,083	153,853	393,667
II. Changes in the current year									
(I)Net profit		-	-	-	-	-	-	43,633	43,633
(II)Other comprehensive income	47	-	-	-	995	-	-	-	995
Total comprehensive income		-	-	-	995	-	-	43,633	44,628
(III)Profit distribution									
1. Appropriation to surplus reserve	34	-	-	-	-	-	-	-	-
2. Appropriation to general reserve	35	-	-	-	-	-	5,301	(5,301)	-
3. Cash dividends on ordinary shares	36	-	-	-	-	-	-	(4,425)	(4,425)
4. Dividends on preference shares	36	-	-	-	-	-	-	(874)	(874)
5. Interest on perpetual bonds	36	-	-	-	-	-	-	(1,975)	(1,975)
(IV)Transfer within shareholders' equity									
1. Other comprehensive income transferred to retained earnings	47	-	-	-	(115)	-	-	115	-
III. Balance at 31 December 2022		19,406	69,944	80,816	2,664	10,781	62,384	185,026	431,021

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

Consolidated Cash Flow Statement

For the year ended 31 December 2023

(All amounts in RMB million unless otherwise stated)

	Note IV	The Group	
		2023	2022
I. Cash flows from operating activities			
Net decrease in amounts due from the Central Bank and deposits with banks and other financial institutions		4,198	-
Net increase in borrowings from the Central Bank		16,665	43,317
Net increase in customer deposits and deposits from banks and other financial institutions		142,603	411,157
Net increase in placements from banks and other financial institutions		-	14,710
Net increase in financial assets sold under repurchase agreements		44,673	-
Cash received from interest, fee and commission income		251,564	248,891
Net decrease in financial assets held for trading		44,363	-
Cash received relating to other operating activities	50	24,969	53,676
Sub-total of cash inflows		529,035	771,751
Net increase in amounts due from the Central Bank and deposits with banks and other financial institutions		-	(21,405)
Net increase in loans and advances to customers		(163,664)	(332,903)
Net increase in placements to banks and other financial institutions		(62,701)	(52,697)
Net decrease in placements from banks and other financial institutions		(8,123)	-
Net increase in financial assets held under resale agreements		(1,470)	(2,018)
Net increase in financial assets held for trading		-	(45,987)
Net decrease in financial assets sold under repurchase agreements		-	(34,333)
Cash payments for interest, fee and commission expenses		(81,298)	(74,373)
Cash paid to and on behalf of employees		(22,346)	(21,741)
Payments of taxes and surcharges		(32,000)	(27,713)
Cash paid relating to other operating activities	51	(64,972)	(24,009)
Sub-total of cash outflows		(436,574)	(637,179)
Net cash flows from operating activities		92,461	134,572

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

	Note IV	The Group	
		2023	2022
II. Cash flows from investing activities			
Cash received from investments upon disposal/maturity		402,105	491,914
Cash received from returns on investments		38,401	38,427
Cash received from disposal of fixed assets and other long-term assets		219	291
Sub-total of cash inflows		440,725	530,632
Cash payments for investments		(463,771)	(509,231)
Cash paid to acquire fixed assets, intangible assets and other long-term assets		(3,096)	(3,543)
Sub-total of cash outflows		(466,867)	(512,774)
Net cash flows (used in)/from investing activities		(26,142)	17,858
III. Cash flows from financing activities			
Cash received from debt securities and other equity instruments issued		933,416	679,189
Sub-total of cash inflows		933,416	679,189
Cash payments for principal of debt securities		(908,807)	(825,906)
Cash payments for interest on debt securities		(5,393)	(4,613)
Cash payments for dividend and profit distribution		(8,380)	(7,274)
Cash payments for lease liabilities		(2,747)	(2,801)
Sub-total of cash outflows		(925,327)	(840,594)
Net cash flows from/(used in) financing activities		8,089	(161,405)
IV. Effect of foreign exchange rate changes on cash and cash equivalents		1,485	6,079
V. Net increase/(decrease) in cash and cash equivalents		75,893	(2,896)
Add: Cash and cash equivalents at the beginning of the year		222,326	225,222
VI. Cash and cash equivalents at the end of the year	49	298,219	222,326

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

Consolidated Cash Flow Statement(Continued)

For the year ended 31 December 2023
(All amounts in RMB million unless otherwise stated)

Supplementary information	Note IV	The Group	
		2023	2022
1. Reconciliation of net profit to cash flows from operating activities			
Net profit		46,455	45,516
Adjustments:			
Impairment losses on credit	45	59,017	71,341
Impairment losses on other assets		77	(35)
Interest income arising from financial assets that have been impaired		(83)	(45)
Depreciation of investment properties		18	24
Depreciation of fixed assets	44	1,879	1,933
Depreciation of right-of-use assets	44	2,491	2,650
Amortization of intangible assets	44	789	732
Amortization of long-term prepaid expenses		746	711
Net gains or losses from disposal of fixed assets and other long-term assets		(7)	(101)
Gains or losses on changes in fair value of financial instruments		(4,051)	(4,482)
Gains or losses on changes in fair value of foreign exchange derivative financial instruments		(6,678)	8,061
Interest income and profits from investment		(37,302)	(34,211)
Increase in deferred income tax assets	46	(1,536)	(4,648)
Interest expenses on lease liabilities		200	219
Interest expenses on debt securities issued	37	17,038	19,470
Increase in operating receivables		(177,434)	(463,015)
Increase in operating payables		190,778	490,377
Provision for expected litigation losses		64	75
Net cash flows from operating activities		92,461	134,572
2. Net increase/(decrease) in cash and cash equivalents			
Cash at the end of the year	49	3,687	4,162
Less: Cash at the beginning of the year		(4,162)	(3,685)
Add: Cash equivalents at the end of the year	49	294,532	218,164
Less: Cash equivalents at the beginning of the year		(218,164)	(221,537)
Net increase/(decrease) in cash and cash equivalents		75,893	(2,896)

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

Bank Cash Flow Statement

For the year ended 31 December 2023
(All amounts in RMB million unless otherwise stated)

Supplementary information	Note IV	The Bank	
		2023	2022
I. Cash flows from operating activities			
Net decrease in amounts due from the Central Bank and deposits with banks and other financial institutions		4,198	-
Net increase in borrowings from the Central Bank		16,665	43,317
Net increase in customer deposits and deposits from banks and other financial institutions		142,321	410,390
Net increase in placements from banks and other financial institutions		-	14,710
Net increase in financial assets sold under repurchase agreements		26,572	-
Cash received from interest, fee and commission income		250,268	248,110
Net decrease in financial assets held for trading		46,465	-
Cash received relating to other operating activities	50	24,960	53,673
Sub-total of cash inflows		511,449	770,200
Net increase in amounts due from the Central Bank and deposits with banks and other financial institutions		-	(21,405)
Net increase in loans and advances to customers		(163,664)	(332,903)
Net increase in placements to banks and other financial institutions		(62,701)	(52,697)
Net decrease in placements from banks and other financial institutions		(8,123)	-
Net increase in financial assets held under resale agreements		(1,470)	(2,018)
Net increase in financial assets held for trading		-	(45,207)
Net decrease in financial assets sold under repurchase agreements		-	(34,333)
Cash payments for interest, fee and commission expenses		(83,757)	(75,702)
Cash paid to and on behalf of employees		(21,975)	(21,433)
Payments of taxes and surcharges		(31,156)	(27,281)
Cash paid relating to other operating activities	51	(64,643)	(23,742)
Sub-total of cash outflows		(437,489)	(636,721)
Net cash flows from/(used in) operating activities		73,960	133,479

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

Bank Cash Flow Statement(Continued)

For the year ended 31 December 2023
(All amounts in RMB million unless otherwise stated)

	Note IV	The Bank	
		2023	2022
II. Cash flows from investing activities			
Cash received from investments upon disposal/maturity		402,090	491,011
Cash received from returns on investments		38,069	38,138
Cash received from disposal of fixed assets and other long-term assets		219	291
Sub-total of cash inflows		440,378	529,440
Cash payments for investments		(445,142)	(507,388)
Cash paid to acquire fixed assets, intangible assets and other long-term assets		(3,085)	(3,520)
Sub-total of cash outflows		(448,227)	(510,908)
Net cash flows from/(used in) investing activities		(7,849)	18,532
III. Cash flows from financing activities			
Cash received from debt securities and other equity instruments issued		933,416	679,189
Sub-total of cash inflows		933,416	679,189
Cash payments for principal of debt securities		(908,807)	(825,906)
Cash payments for interest on debt securities		(5,393)	(4,613)
Cash payments for dividend and profit distribution		(8,380)	(7,274)
Cash payments for lease liabilities		(2,747)	(2,765)
Sub-total of cash outflows		(925,327)	(840,558)
Net cash flows from/(used in) financing activities		8,089	(161,369)
IV. Effect of foreign exchange rate changes on cash and cash equivalents			
		1,485	6,079
Net increase/(decrease) in cash and cash equivalents		75,685	(3,279)
Add: Cash and cash equivalents at the beginning of the year		221,616	224,895
VI. Cash and cash equivalents at the end of the year	49	297,301	221,616

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

Supplementary information	Note IV	The Bank	
		2023	2022
1. Reconciliation of net profit to cash flows from operating activities			
Net profit		44,570	43,633
Adjustments:			
Impairment losses on credit	45	59,013	71,341
Impairment losses on other assets		77	(35)
Interest income arising from financial assets that have been impaired		(83)	(45)
Depreciation of investment properties		18	24
Depreciation of fixed assets	44	1,869	1,915
Depreciation of right-of-use assets	44	2,486	2,617
Amortization of intangible assets	44	789	732
Amortization of long-term prepaid expenses		746	709
Net gains or losses from disposal of fixed assets and other long-term assets		(7)	(101)
Gains or losses on changes in fair value of financial instruments		(4,087)	(4,639)
Gains or losses on changes in fair value of foreign exchange derivative financial instruments		(6,678)	8,061
Interest income and profits from investment		(36,969)	(33,920)
Increase in deferred income tax assets	46	(1,522)	(4,601)
Interest expenses on lease liabilities		200	218
Interest expenses on debt securities issued	37	17,038	19,470
Increase in operating receivables		(173,846)	(460,275)
Increase in operating payables		170,282	488,300
Provision for expected litigation losses		64	75
Net cash flows from operating activities		73,960	133,479
2. Net increase/(decrease) in cash and cash equivalents			
Cash at the end of the year	49	3,687	4,162
Less: Cash at the beginning of the year		(4,162)	(3,685)
Add: Cash equivalents at the end of the year	49	293,614	217,454
Less: Cash equivalents at the beginning of the year		(217,454)	(221,210)
Net increase/(decrease) in cash and cash equivalents		75,685	(3,279)

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

Notes to the Financial Statements

For the year ended 31 December 2023

(All amounts in RMB million unless otherwise stated)

I. General information of the Bank

Ping An Bank Co., Ltd. (formerly known as Shenzhen Development Bank Co., Ltd.) (hereinafter referred to as “the Bank”) was established in Shenzhen Special Economic Zone in the People’s Republic of China (the “PRC”) as a result of the restructuring of six rural credit cooperatives into a joint stock commercial bank with limited liability. The Bank was established on 22 December 1987 after the initial public offering of its RMB ordinary shares on 10 May 1987. The Bank was listed on the Shenzhen Stock Exchange on 3 April 1991 and the stock code is 000001. As at 31 December 2023, the share capital of the Bank amounted to RMB19,406 million, with a face value of RMB1 per share.

Board resolutions on *Proposal of SDB on the Scheme of Merger of the Controlling Subsidiary Ping An Bank Co., Ltd. through Absorption and Proposal of SDB on Signing the Absorption Merger Agreement with Ping An Bank Co., Ltd.* signed between the Bank and the former Ping An Bank Company Limited (hereinafter referred to as “Former Ping An Bank”) were approved during the first extraordinary general meeting held on 9 February 2012. The absorption and merger plan had been approved by the National Financial Regulatory Administration (NFRA, formerly named as China Banking and Insurance Regulatory Commission) in accordance with *China Banking Regulatory Commission’s Approval of Absorption of Ping An Bank Co., Ltd. by Shenzhen Development Bank Co., Ltd.* (Yin Jian Fu [2012] No. 192).

On 12 June 2012, the Shenzhen Market Supervision and Management Bureau approved Former Ping An Bank’s deregistration application. In July 2012, as approved by the NFRA in accordance with *China Banking Regulatory Commission’s Approval for the Renaming of Shenzhen Development Bank* (Yin Jian Fu [2012] No. 397), the Chinese name of the Bank, “深圳发展银行股份有限公司”, was changed to “平安银行股份有限公司”. The English name of “Shenzhen Development Bank Co., Ltd.” was changed to “Ping An Bank Co., Ltd.”.

On 16 December 2019, the Bank opened a branch in Hong Kong Special Administrative Region, China (“Hong Kong”). On 31 December 2023, the Bank had branches in Mainland China and Hong Kong. The Bank’s Head Office and domestic branches are collectively referred to as “domestic institutions” and its overseas branches are collectively referred to as “overseas institutions”.

The registered office of the Bank is located at No. 5047, Shennan Road East, Luohu District, Shenzhen, Guangdong Province, the PRC. Headquartered in Shenzhen, the Bank operates its business in Mainland China. The institution number of the Bank on No. 00386413 financial license issued by the NFRA is B0014H144030001. The business license of the Bank was issued by Shenzhen Market Supervision and Management Bureau with uniform social credit code 91440300192185379H.

On 19 August 2020, the Bank received the *Approval from CBIRC on the Opening of Ping An Wealth Management Co., Ltd.* (Yin Bao Jian Fu [2020] No. 513), which approved the opening of Ping An Wealth Management Co., Ltd., a wholly-owned subsidiary of the Bank. According to the approval of the NFRA, the registered capital of Ping An Wealth Management Co., Ltd. is RMB5,000 million. It is principally engaged in the businesses related to asset management such as the issuance of public financing products, the issuance of private financing products, financial advisory and consulting.

The Bank is principally engaged in authorized commercial banking activities. The ultimate holding company of the Bank and its subsidiaries (collectively referred to as “the Group”) is Ping An Insurance (Group) Company of China, Ltd.

The financial statements were approved and authorized for issue by the Board on 14 March 2024.

II. Basis of preparation of the financial statements

The financial statements have been prepared in accordance with the requirements of the *Accounting Standards for Business Enterprises-Basic Standards*, specific accounting standards, implementation guidance, interpretations and other regulations (collectively referred to as the “ASBEs”) issued by the Ministry of Finance (hereinafter referred to as “the MOF”) on 15 February 2006 and in subsequent periods and the disclosure requirements in the *Preparation Convention of Information Disclosure by Companies Offering Securities to the Public No. 15 - General Rules on Financial Reporting (Revised in 2023)* issued by the China Securities Regulatory Commission (hereinafter referred to as “the CSRC”).

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

III. Significant accounting policies and estimates

1. Statement of compliance with the Accounting Standards for Business Enterprises

The financial statements present truly and completely the financial positions of the Group and the Bank as 31 December 2023, and information relating to the financial performance and cash flows of the Group and the Bank for the year then ended in accordance with the requirements of the ASBEs.

2. Accounting year

The accounting year of the Group is a calendar year, i. e. , from 1 January to 31 December.

3. Functional currency

The functional currency of the Group’s domestic branches is RMB and the functional currency of the Group’s overseas branches is determined based on the currency of the primary economic environment in which they operate. The currency adopted for preparation of the financial statements by the Group is RMB. All amounts in financial statements are presented in RMB million unless otherwise stated.

Notes to the Financial Statements

For the year ended 31 December 2023

(All amounts in RMB million unless otherwise stated)

III. Significant accounting policies and estimates(Continued)

4. Business combinations

Business combinations are classified into business combinations involving entities under common control and business combinations not involving entities under common control.

Business combinations involving entities under common control

A business combination involving entities under common control is a business combination in which all of the combining entities are ultimately controlled by the same party or parties both before and after the combination, and that control is not transitory. In a business combination involving entities under common control, the entity that, at the combination date, obtains control of another combining entity is the absorbing entity, while that other combining entity is the entity being absorbed. The combination date is the date on which the absorbing entity effectively obtains control on the entity being absorbed.

The assets and liabilities that are obtained by the absorbing entity in a business combination involving entities under common control shall be measured on the basis of their carrying amounts in the financial statements of the entity being absorbed 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 (or the aggregate face value of shares issued) by the absorbing entity shall be adjusted to share premium under capital reserve. If the share premium is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings.

Business combinations not involving entities under common control

A business combination not involving entities under common control is a business combination in which all of the combining entities are not ultimately controlled by the same party or parties both before and after the combination. In a business combination not involving entities under common control, the entity that, on the acquisition date, obtains control of another combining entity is the acquirer, while that other combining entity is the acquiree. The acquisition date is the date on which the acquirer effectively obtains control of the acquiree.

The acquirer shall measure the acquiree's identifiable assets, liabilities and contingent liabilities acquired in a business combination not involving entities under common control at their fair values on the acquisition date.

The cost of combination and identifiable net assets obtained by the acquirer in a business combination are measured at fair value at the acquisition date. The acquirer shall recognize the positive difference between the combination costs and the fair value of the identifiable net assets it obtains from the acquiree as goodwill and recognize the negative difference in profit or loss for the period. Costs incurred by the acquirer directly attributable to the combination should also be included in cost of business combination.

5. Consolidated financial statements

The consolidated financial statements have been prepared on the basis of where control is achieved, including the Group and all its subsidiaries (including the structured entities).

Subsidiaries are the entities controlled by the Group. Control means having power over an investee, enjoying variable returns through involvement in relevant activities of the investee, and being able to impact the amount of such variable returns by using the power over the investee.

A structured entity refers to an entity of which, when controller of an entity is determined, the voting rights or similar rights do not compose a decisive factor affecting the design of entity structure (e.g., the voting rights are only related to administrative affairs), and relevant activities of the entity are carried out in accordance with contracts or corresponding arrangements.

For subsidiaries acquired through business combinations not involving entities under common control, the financial performance and cash flows of the acquiree shall be consolidated from the date on which the Group obtains control, and continue to be consolidated until the date such control ceases. While preparing the consolidated financial statements, the Group shall adjust the subsidiaries' financial statements, on the basis of the fair values of the identifiable assets, liabilities and contingent liabilities recognized on the acquisition date.

For subsidiaries acquired through business combinations involving entities under common control, the financial performance and cash flows of the entity being absorbed shall be consolidated from the beginning of the period in which the combination occurs. While preparing the comparative consolidated financial statements, adjustments are made to related items in the financial statements for the prior period as if the reporting entity after the combination has been in existence since the date the ultimate controlling party first obtained the control.

All significant intra-group balances, transactions and unrealized profits are eliminated in the consolidated financial statements. A subsidiary's shareholders' equity, net gains or losses and comprehensive income for the period not attributable to the Bank are recognized as non-controlling interests, profits and losses attributable to minority interests and total comprehensive income attributable to minority interests, and are presented separately in the consolidated financial statements under shareholders' equity, net profit and total comprehensive income respectively. Where a subsidiary's losses for the current period attributed to the non-controlling shareholders exceed their share of owners' equity of the subsidiary at the beginning of the period, the excess shall be allocated to non-controlling interests. Unrealized gains or losses resulting from the sales of assets by the Bank to its subsidiaries are fully eliminated against net profit attributable to owners of the Bank. Unrealized gains or losses resulting from the sales of assets by a subsidiary to the Bank are eliminated and allocated between net profit attributable to owners of the Bank and profits and losses attributable to minority interests by the allocation ratio of the Bank with respect to the subsidiary. Unrealized gains or losses resulting from the sales of assets by one subsidiary to another are eliminated and allocated between net profit attributable to owners of the Bank and profits and losses attributable to minority interests by the allocation ratio of the Bank with respect to the seller.

If a transaction is accounted for by the Bank or its subsidiaries in a way different from the Group, it is adjusted to conform to the way of the Group.

6. Foreign currency translation

The Group translates foreign currency transactions into its functional currency.

Foreign currency transactions are translated to RMB on initial recognition at the exchange rates quoted by the People's Bank of China ("the spot exchange rates") prevailing on the day in which the transactions take place. Monetary items denominated in foreign currencies are translated at the spot exchange rates ruling at the balance sheet date. Differences arising on settlement or translation of monetary items are recognized in "Exchange gains or losses" or "Other comprehensive income" in the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions; non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The resulting exchange differences are recognized in "Exchange gains or losses" or "Other comprehensive income" in the income statement.

Assets and liabilities from overseas institutions in the balance sheet are translated using the spot exchange rate at the balance sheet date, and equity items other than undistributed profit are translated at the spot exchange rates at the dates of transactions. Revenue and expense items in income statement from overseas institutions are translated using the spot exchange rates prevailing on the dates of the transactions. The resulting exchange differences are recognized in other comprehensive income. Cash flows arising from transactions in a foreign currency are translated using the spot exchange rates at the dates on which the transactions take place. The effect of exchange rate changes on cash is separately presented in the statement of cash flows.

Notes to the Financial Statements

For the year ended 31 December 2023

(All amounts in RMB million unless otherwise stated)

III. Significant accounting policies and estimates (Continued)

7. Precious metals

The Group's precious metals mainly include gold. Precious metals that are not related to the Group's precious metal trading activities are initially measured at acquisition cost and subsequently measured at the lower of cost and net realizable value. Precious metals acquired by the Group for trading purposes are initially measured at fair value and subsequent changes in fair value are recorded in profit or loss for the period.

8. Financial assets and liabilities

8.1 Initial recognition and measurement of financial instruments

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

At initial recognition, financial assets and liabilities are measured at fair value by the Group. For financial assets or financial liabilities not designated at fair value and changes included into the profits and losses for the period, transaction costs (such as commission and fee) that are directly attributable to the acquisition or issuance of financial assets or liabilities are added or deducted. Transaction costs for financial assets and liabilities designated at fair value and changes included into the profits and losses for the period are recognized as expenses through profit or loss. After initial recognition, for financial assets measured at amortized cost and investments in debt instruments designated at fair value and changes included into other comprehensive income, their expected credit losses are immediately recognized in profit or loss.

When the fair value of the financial assets and liabilities at initial recognition is different from their transaction costs, the Group confirms the difference in the following ways:

- (i) If the fair value is determined based on the quoted price in active markets (i.e., Level 1 inputs) for identical assets or liabilities or based on valuation techniques using only observable market data, the difference is recognized in profit or loss.
- (ii) In other cases, the Group defers the difference and then recognizes such deferral as gains or losses in corresponding accounting period based on changes in a particular factor in such period. Such factors should be limited to those which market participants will consider when pricing the financial instrument, including time.

8.2 Classification and subsequent measurement of financial assets

Classification

The Group classifies its financial assets into the following categories:

- (i) Financial assets at fair value through profit or loss (FVTPL)
- (ii) Financial assets at fair value through other comprehensive income (FVTOCI)
- (iii) Financial assets measured at amortized cost

Financial assets are classified based on the business model governing those financial assets and the characteristics of the corresponding contractual cash flows.

The business model reflects how the Group manages its financial assets to generate cash flows. In other words, it reflects whether the Group's goal is only collecting contractual cash flows of the assets, or both collecting contractual cash flows and trading the financial assets. If neither of the above is applicable (e.g., holding the financial assets for trading), the financial

asset group falls into the category of "others" for business model and is classified as financial assets designated at fair value and changes included into the profits and losses for the period.

If the business model is collecting contractual cash flows, or includes both collecting contractual cash flows and trading the financial assets, the Group will assess whether the cash flows of financial instruments are solely payments of principal and interest. In the assessment, the Group considers whether the contractual cash flows are consistent with basic lending arrangements, that is, the interest only includes the time value of currency, credit risk, other basic lending risks and considerations for profit rates in compliance with the basic lending arrangements. If contract terms lead to risks or volatility exposures inconsistent with basic lending arrangements, the relevant financial assets should be classified as financial assets designated at fair value and changes included into the profits and losses for the period.

For financial assets containing embedded derivatives, the Group should analyze them as a whole when confirming if the contractual cash flows are solely payments of principal and interest.

Subsequent measurement

Debt instruments

Debt instruments refer to those instruments complying with the definition of financial liabilities analyzed from the view of the issuers, such as loans, government bonds and corporate bonds.

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the contractual cash flow characteristics of the asset. The Group classifies debt instruments using the following three measurement methods:

- Measured at amortized cost: Assets that are held for receiving contractual cash flows and whose cash flows are solely payments of principal and interest are classified into financial assets measured at amortized cost. The interest income of such financial assets is recognized by the Group based on the effective interest method. The Group's debt instruments measured at amortized cost mainly comprise balances with the Central Bank, deposits with banks and other financial institutions, placements to banks and other financial institutions measured at amortized cost, financial assets held under resale agreements, loans and advances to customers that are measured at amortized cost, investment on debts and other receivables.

The amortized cost of a financial asset shall be measured at the initial recognition amount after making the following adjustments: (i) minus the principal repayments; (ii) plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount; (iii) minus the cumulative loss provision (only applicable to financial assets). The Group calculates the interest income of the asset using the effective interest method and presents it as "interest income".

The effective interest rate is the interest rate at which the estimated future cash flows of a financial asset or financial liability in the expected lifetime is discounted to the book balance of the financial asset (i.e., the amortized cost before deduction of loss provision) or the amortized cost of the financial liability. When calculating the effective interest rate, the expected credit losses are not taken into account, while the transaction costs, premiums or discounts, and fees paid or received that are an integral part of the effective interest rate are included.

- Designated at fair value and changes included into other comprehensive income: Assets that are held for receiving contractual cash flows and for sale and whose cash flows are solely payments of principal and interest are classified into financial assets designated at fair value and changes included into other comprehensive income. Such assets are subsequently designated at fair value with impairment losses or gains relating to the amortized cost of the financial asset, interest calculated using the effective interest method, exchange gains or losses recognized in profit or loss for the period. Besides, other changes in the carrying amount are included in other comprehensive income. Where a financial asset is derecognized, the accumulated gains or losses that are previously recognized in other comprehensive income are transferred from equity to profit or loss. Interest income from these financial assets is calculated at effective interest rate and recognized in profit or loss. The Group's debt instruments designated at fair value and changes included into other comprehensive income mainly comprise placements to banks and other financial institutions designated at fair value and changes included into other comprehensive income, loans and advances to customers designated at fair value and changes included into other comprehensive income and other investment on debts.

Notes to the Financial Statements

For the year ended 31 December 2023
(All amounts in RMB million unless otherwise stated)

III. Significant accounting policies and estimates (Continued)

8. Financial assets and liabilities (Continued)

8.2 Classification and subsequent measurement of financial assets (Continued)

Subsequent measurement (Continued)

Debt instruments (Continued)

The fair value of a financial asset is the price obtained from selling an asset or paid for transferring a liability in an orderly transaction among market participants on measurement date. An orderly transaction refers to a transaction in which related assets or liabilities are traded in customary market activities in a period before the measurement date. Compulsory transactions such as liquidation are not orderly transactions.

● Designated at fair value and changes included into the profits and losses for the period: Financial assets not measured at amortized cost or not designated at fair value and changes included into other comprehensive income are classified as financial assets designated at fair value and changes included into the profits and losses for the period. Such assets are subsequently designated at fair value and changes included into the profits and losses for the period.

Financial assets designated at fair value and changes included into the profits and losses for the period held by the Group include financial assets held for trading and financial assets recognized as financial assets designated at fair value and changes included into the profits and losses for the period for they are not qualified as financial assets measured at amortized cost or financial assets designated at fair value and changes included into other comprehensive income. These financial assets are included in "Financial assets held for trading" in the balance sheet. Interest on financial investments included in financial assets held for trading calculated based on coupon rate is recognized in "investment income".

Equity instruments

Equity instruments refer to the instruments that meet the definition of equity from the perspective of the issuer, that is, an instrument that does not contain contractual obligation to make a payment but is entitled to the net assets and residual income of the issuer, such as a common stock.

All equity instrument investments held by the Group are subsequently measured at fair value. The Group can elect to classify irrevocably its equity instrument investments which are not held for trading as financial assets designated at fair value and changes included into other comprehensive income. Only the relevant dividend income (except the dividend income that is clearly recovered as part of the investment cost) is included in the current profit and loss, and the subsequent changes in the fair value are included in other comprehensive income, without the need for provision of impairment. Upon derecognition of the financial assets, cumulative gains or losses previously recognized in other comprehensive income are transferred and reclassified into retained earnings for the period.

8.3 Classification and measurement of financial liabilities:

Financial liabilities held for trading

Financial liabilities held for trading refer to financial liabilities at fair value through profit or loss (including financial liabilities designated at fair value and changes included into the profits and losses for the period).

Such financial liabilities are measured at fair value and their gains or losses are recognized in profit or loss for the period. For financial liabilities designated at fair value and changes included into the profits and losses for the period, gains or losses should be recognized as follows:

(i) For changes in fair value of the financial liabilities that arise from changes in the Group's own credit risk, the relevant amount should be recognized in other comprehensive income.

(ii) Other changes in the fair value of the financial liabilities are recognized in profit or loss.

Where a financial liability designated at fair value and changes included into the profits and losses for the period is derecognized, the accumulated gains or losses that are previously recognized in other comprehensive income are transferred from other comprehensive income to retained earnings.

A financial liability may be designated, on initial recognition, as at fair value and changes included into the profits and losses for the period only when one of the following conditions is satisfied:

(i) The designation eliminates or significantly reduces the inconsistent treatment that would otherwise rise from measuring the assets or liabilities or recognizing the gains or losses on them on a different basis.

(ii) As stated in formal written document with respect to risk management or investment strategy, the portfolio of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, and the information is reported on that basis to the Group's key management personnel.

(iii) A hybrid instrument embedded with one or more derivatives, unless the embedded derivative does not significantly modify the cash flows of the hybrid instrument, or it is clear that a separation of the hybrid instrument from the embedded derivative is obviously inappropriate.

If a financial liability is designated as financial liability held for trading at initial recognition, it cannot be reclassified as other types of financial liabilities in subsequent periods; and other types of financial liabilities cannot be reclassified as financial liabilities held for trading, either.

Convertible corporate bonds

Convertible corporate bonds include the liability component and the equity component. Liability component represents the obligation to pay the fixed principal and interest and is classified as a liability with fair value calculated using the market interest rate of a similar liability that does not have an equity conversion option, and subsequently measured at amortized cost using the effective interest method. Equity component represents the embedded option to convert liability into ordinary share, which is recognized in the owners' equity based on the difference between the total income arising from issuance of the convertible corporate bond and its liability component. Direct transaction costs are allocated in proportion of the liability component and equity component to the proceeds of issuance.

On conversion of the corporate bonds into shares, the amount transferred to "Share capital" is calculated as the par value of the shares multiplied by the number of shares converted. The difference between the book balance of the related components of the converted corporate bonds and the amount transferred to "Share capital" is recognized in "Capital reserve - Share premium".

Other financial liabilities

After initial recognition, such financial liabilities are measured at amortized cost using the effective interest method.

8.4 Impairment of financial instruments

For debt instruments measured at amortized cost and those designated at fair value and changes included into other comprehensive income, as well as loan commitments and financial guarantee contracts, the Group assesses the expected credit losses by taking into account the forward-looking information. The Group recognizes relevant impairment provision at each reporting date. The measurement of expected credit losses reflects the following factors:

Notes to the Financial Statements

For the year ended 31 December 2023

(All amounts in RMB million unless otherwise stated)

III. Significant accounting policies and estimates(Continued)

8. Financial assets and liabilities(Continued)

8.4 Impairment of financial instruments(Continued)

(i) Unbiased probability weighted amount determined based on the assessment of a series of possible results;

(ii) Time value of money; and

(iii) Reasonable and supportable information that is related to past events, current situation and forecasting on future economic conditions and is available without undue cost or effort at the reporting date.

Provision for credit losses on loan commitments and financial guarantee contracts is presented in accrued liabilities. However, for an instrument that includes both loans and unused commitments, and the expected credit losses of loans cannot be distinguished from that of unused commitments by the Group, the loss provision for both loans and unused commitments should be presented in the loss provision for loans. However, if the total loss provision surpasses the book balance of the loans, the loss provision should be presented in the accrued liabilities.

For measurement method of expected credit losses, refer to Note VIII 1.2.

8.5 Modification of loan contracts

The Group will renegotiate or modify customer loan contracts due to certain special circumstances at times, which will in turn lead to changes in contract cash flows. In such cases, the Group will assess if there is a substantial change in the revised contractual terms. In making the assessment, factors which need to be considered include:

(i) Where a modification of contract occurs when the borrower is suffering from financial difficulties, whether the modification only reduces the contract cash flows to the amount that is expected to be repaid by the borrower;

(ii) If there's any newly added substantial term, for example, a term in regard to right to profits/equity returns is newly added, resulting in a substantial change in the risk characteristics of the contract;

(iii) The loan term is significantly extended in the absence of financial difficulties for the borrower;

(iv) Material change happens to the loan interest rate;

(v) Change happens to the loan currency; and

(vi) New collaterals and other credit enhancements dramatically change the level of loan credit risk.

If there is a substantial change in the revised contractual terms, the Group will derecognize the original financial asset and recognize a new financial asset at fair value. Meanwhile, a new effective interest rate is recalculated for the new asset. In this case, when applying impairment requirements to the modified financial asset, including when determining whether there is a significant increase in credit risk, the aforesaid modification date of contract will be regarded as the initial recognition date. For the above newly recognized financial asset, the Group is required to assess whether the asset is credit impaired at initial recognition, especially when the modification of contract occurs when the borrower fails to fulfill the initially agreed payment arrangement. Any change in carrying amount is recognized as gains or losses arising from derecognition, and is included into profit or loss for the period.

If there is no substantial change in the revised contractual terms, the modification of contract will not lead to de-recognition of the financial asset. The Group will recalculate the book balance of the financial asset in accordance with the revised contractual cash flows, and include gains or losses arising from the modification into profit or loss for the period. When recalculating the book balance, the original effective interest rate (or the credit-adjusted effective interest rate for purchased or originated credit-impaired financial asset) is adopted to discount the revised cash flows.

8.6 Derecognition other than modification of loan contracts

A financial asset or a part of a financial asset is derecognized when the contractual rights to receive the cash flows from the financial asset have expired or been transferred, and (i) all the substantial risks and rewards of ownership of the financial asset have been transferred; or (ii) the Group has neither transferred nor retained substantially all risks and rewards of the ownership of the financial asset and retained no control over the financial asset.

In certain transactions, the Group retains the contractual rights to receive the cash flows, but bears the contractual obligation to transfer the received cash flows to the final payee, and has transferred all the substantial risks and rewards of ownership of the financial asset. In such case, the Group can derecognize the financial asset if the following conditions for transfer arrangement are met:

(i) The obligation to pay the received cash flows to the final payee only exists when equivalent cash flows are received from the financial asset;

(ii) Sale or mortgage of the financial asset is prohibited; and

(iii) The Group has obligation to transfer all cash flows received from the financial asset to the final payee as early as possible.

When the contractual rights to receive the cash flows from the financial asset have been transferred, and the Group has neither transferred nor retained substantially all risks and rewards of the ownership of the financial asset and retained control over the financial asset, the transferred asset shall be accounted for using the continuing involvement method, and is recognized based on the extent to which the asset is involved. Relevant liabilities are recognized accordingly to reflect the rights or obligations the Group has retained.

Based on the standard repurchase agreement and collaterals (shares or bonds) provided under securities margin trading, the Group will exercise the repurchase right at a predetermined price, and retain all the substantial risks and rewards of ownership of the collaterals, the requirements for derecognition therefore are not met.

9. Financial guarantee contracts and loan commitments

Financial guarantee contracts are those contracts that require a payment to be made by the issuer to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument.

Financial guarantee contracts are initially recognized at fair value and subsequently measured at the higher of the following amounts:

(i) Impairment provision calculated using the method in Note III 8.4;

(ii) Initially recognized amount net of revenue recognized under Accounting Standard for Business Enterprises No.14 - Revenue.

Loan commitments provided by the Group are measured at impairment provision calculated using the method in Note III 8.4.

The Group does not commit to granting loans at a price lower than the market interest rate nor settling loan commitments on a net basis by making cash payment or issuing other financial instruments.

Notes to the Financial Statements

For the year ended 31 December 2023

(All amounts in RMB million unless otherwise stated)

III. Significant accounting policies and estimates (Continued)

10. Derivative financial instruments and hedging accounting

A derivative financial instrument is a financial instrument, the value of which is derived from an index associated with another “underlying” financial instrument or the value of other variables. Typically, an “underlying” financial instrument is a share, commodity, bond price, an index value or an exchange and interest rate. The Group uses derivative financial instruments such as foreign exchange category, interest rate category, precious metal and other derivative financial instruments.

Derivative financial instruments are initially recognized at fair value on the date on which the Group becomes a contractual party of a derivative contract and are subsequently remeasured at fair value. Derivative financial instruments are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Certain derivative financial instruments, such as debt for equity swap in convertible corporate bonds and interest rate based interest payments embedded in structured deposits, are embedded into hybrid contracts. In the case of a hybrid contract whose host contract is a financial asset, it is classified and measured as a whole. In the case of a hybrid contract whose host contract is not a financial asset, the embedded derivatives are separated as independent derivatives if the following criteria are met:

- (i) The economic characteristics and risks of the embedded derivatives are not closely related to those of the host contract;
- (ii) The instruments that have the same terms but exist independently meet the definition of derivatives;
- (iii) The hybrid instruments are not measured at fair value and changes included into the profits and losses for the period.

The Group can either measure the separated embedded derivatives as at fair value and changes included into the profits and losses for the period or designate the hybrid contract whose host contract is not related to financial assets as at fair value and changes included into the profits and losses for the period.

For the purpose of hedge accounting, the Group's hedges are classified as:

- (i) fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment (except for currency risk);
- (ii) cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction, or a currency risk in an unrecognized firm commitment;

At the beginning of a hedge relationship, the Group formally designates and documents the hedge relationship, the risk management objective and its strategy for undertaking the hedge. The documentation includes the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess the hedge effectiveness. Hedge effectiveness is the degree to which changes in the fair value or cash flows of hedging instruments can offset the fair value or cash flow of hedged items caused by hedged risk. Such hedges are assessed on an ongoing basis to determine that they actually have been highly effective throughout the accounting periods for which they were designated.

If the hedging instrument expires or is sold, terminated or exercised without rollover or replacement (as part of the hedging strategy) or when the hedging relationship is not consistent with the risk management objective as the risk management objective has changed or when the hedge no longer meets other criteria of the hedge accounting, the Group will discontinue the hedge accounting.

If a hedging relationship ceases to meet the hedge effectiveness requirements due to the hedge ratio, but the risk management objective of designating the hedging relationship remains unchanged, the hedging relationship is rebalanced by the Group.

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

Fair value hedges

The gains or losses arising from the hedging instrument are recognized in profit or loss for the period. The gain or loss on the hedged item resulting from hedged exposures is recognized in profit or loss and the carrying amount of the hedged item not measured at fair value is adjusted at the same time.

For fair value hedges relating to debt instruments measured at amortized cost, the adjustment to the carrying amount of the hedged items is amortized through profit or loss over the remaining term of the hedge using the effective interest method. Amortization using the effective interest method may begin as soon as an adjustment exists and shall begin no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged. If the hedged item is a debt instrument measured at fair value through other comprehensive income, the accumulation of recognized hedged gains or losses shall be amortized in the same manner and recognized in profit or loss, while no adjustment is made to the book value of financial assets. If the hedged item is derecognized, the unamortized fair value is recognized immediately in profit or loss.

Cash flow hedges

For a derivative financial instrument designated as and meets the criteria as a cash flow hedging instrument, the portion of the fair value changes on the hedging instrument that is determined to be an effective hedge is recognized in other comprehensive income. The gain or loss on the ineffective portion of the hedging instrument is recognized as profit or loss.

The cumulative gain or loss recognized in equity is transferred to profit or loss in the period when the hedged item affects profit or loss, and recognized as income or expense of the hedged item.

When a hedging instrument expires or is sold, or the hedge no longer meets the criteria for hedge accounting, the cumulative gain or loss recognized in equity continues to remain in equity until the hedged item affects profit or loss when it is recognized in profit or loss. When the forecast transaction is no longer expected to occur (for example, the hedged assets previously recognized have been sold), the cumulative gain or loss recognized in other comprehensive income shall be immediately reclassified into profit or loss.

11. Offsetting of financial instruments

Financial assets and liabilities are presented separately in the balance sheet and cannot be offset. However, the net amount after offset shall be presented in balance sheet if the following conditions are met:

- (i) The enterprise has the statutory right to offset the recognized amount, and the statutory right is executable;
- (ii) The enterprise plans a netting settlement, or meanwhile to sell the financial asset and pay off the financial liability.

When transferring the financial assets that not satisfying derecognition conditions, the transferor shall not offset the transferred financial assets and related liabilities.

Notes to the Financial Statements

For the year ended 31 December 2023
(All amounts in RMB million unless otherwise stated)

III. Significant accounting policies and estimates(Continued)

12. Equity instruments

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 shall be classified as equity instrument if the following conditions are met: (1) the financial instrument does not include delivery of cash or other financial assets to other parties or contractual obligations of exchanging financial assets or financial liabilities with other parties in potential adverse conditions; and (2) if the financial instrument will or may be settled in the Group's own equity instruments, it is a non-derivative financial instrument that includes no contractual obligations for the Group to deliver a variable number of its own equity instruments; or a derivative that will be settled only by the Group exchanging a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

Other equity instruments issued by the Group are recognized according to the actual consideration received less transaction expenses directly attributable to equity transactions.

Dividend distribution for other equity instruments in the duration is accounted for as profit distribution.

13. Long-term equity investments

Long-term equity investments comprise the Bank's long-term equity investments in its subsidiaries.

Subsidiaries are the investees over which the Bank is able to exercise control. Investments in subsidiaries are measured using the cost method in the company's financial statements, and adjusted by using the equity method when preparing the consolidated financial statements.

Determination of investment cost

For long-term equity investments acquired through a business combination involving enterprises under common control, the investment cost shall be the share of the carrying amount of owners' equity of the absorbed party in the consolidated financial statements of the ultimate controlling party at the combination date; for long-term equity investments acquired through a business combination involving enterprises not under common control, the investment cost shall be the combination cost.

For long-term equity investments acquired not through a business combination: for long-term equity investments acquired by payment in cash, the initial investment cost is the purchase price actually paid; for long-term equity investments acquired by issuing equity securities, the initial investment cost is the fair value of the equity securities issued.

Subsequent measurement and recognition of profit or loss

Under the cost method, the long-term equity investment is measured at its initial investment cost. When additional investment is made or the investment is recouped, the cost of long-term equity investment is adjusted accordingly. Cash dividends or profit distributions declared by the investee are recognized as investment income in profit or loss for the period.

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 acquisition date, no adjustment is made to the initial investment cost. Where the initial investment cost is less than the Group's share of the fair values of the investee's identifiable net assets at the acquisition date, the difference is charged to profit or loss, and the cost of the long-term equity investment is adjusted accordingly.

Under the equity method, the Group recognizes its share of the net gains or losses of the investee for the period as investment income or loss for the period. The Group's share of net losses of the investee is recognized to the extent that the carrying amount of the investment together with any long-term interests that in substance form part of its net investment in

the investee is reduced to zero. However, if the Group has obligations for additional losses and the criteria for recognition of accrued liabilities are satisfied, the Group continues to recognize the loss amount it expects to undertake. The Group's share of changes in the investee's owners' equity other than those arising from its net gains or losses, other comprehensive income and profit distribution is recognized in capital reserve with a corresponding adjustment to the carrying amount of the long-term equity investment. The carrying amount of the long-term equity investment is reduced by the Group's share of the profit distributions from or cash dividends declared by the investee. The Group's portion in the unrealized profits or losses arising from transactions between the Group and the investee is calculated by the proportion of the Group's equity interests in the investee and eliminated, before the Group recognizes its investment gains or losses. With respect to the portion of losses from internal transactions between the Group and its investee that is attributable to asset impairment losses, its corresponding unrealized losses are not eliminated.

Basis for determining existence of control, joint control or significant influence over investees

Control is the power over an investee to obtain variable returns from its involvement with the investee, and the ability to use this power to influence the amount of the returns.

Joint control is the contractually agreed sharing of control over an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the Group and those 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.

Impairment of long-term equity investments

The carrying amounts of long-term equity investments in subsidiaries are reduced to the recoverable amounts when the recoverable amounts are below their carrying amounts. Once an impairment loss of long-term equity investments is recognized, it shall not be reversed in a subsequent period.

14. Investment properties

Investment properties are properties that are held to earn rentals or for capital appreciation or both and can be measured and sold separately. The investment properties of the Group are leased buildings that can be sold separately and corresponding land use rights. Investment properties are recognized only when the related economic benefits are likely to flow into the Group and the costs can be reliably measured.

The investment properties are initially measured at cost and subsequently measured using the cost model. Depreciation of investment properties is calculated using the straight-line method.

	Useful life	Estimated net residual value ratio	Annual depreciation rate
Buildings	15 to 35 years	1% to 5%	2.7% to 6.6%

Notes to the Financial Statements

For the year ended 31 December 2023
(All amounts in RMB million unless otherwise stated)

III. Significant accounting policies and estimates(Continued)

15. Fixed assets and accumulated depreciation

A fixed asset is recognized only when the economic benefits associated with the asset will probably flow into the Group and the cost of the asset can be measured reliably. Subsequent expenditures incurred for fixed assets that meet the conditions are included in the cost of the fixed assets and the carrying amount of the parts that are replaced is derecognized. Otherwise, subsequent expenditures are recognized in the income statement in the period in which they are incurred.

The Group's fixed assets are initially measured at actual cost at the time of acquisition. All fixed assets are stated at cost less any accumulated depreciation and any impairment provision. The cost of an asset comprises the purchase price, related taxes, and any directly attributable expenditure of bringing the asset to working condition for its intended use, such as delivery and handling costs, installation costs and professional fees.

Depreciation is calculated using the straight-line method. The Group reasonably determines the useful lives and estimated net residual values of the fixed assets according to the natures and use patterns of the fixed assets as follows:

	Useful life	Estimated net residual value ratio	Annual depreciation rate
Buildings			
Including: Properties	15 to 35 years	1% to 5%	2.7% to 6.6%
Including: Owner-occupied property improvements	5 or 10 years	-	20.0% or 10.0%
Transportation vehicles	5 to 8 years	3% to 5%	11.9% to 19.4%
Office and electronic equipment	3 to 10 years	1% to 5%	9.5% to 33.0%

The useful life and estimated net residual value of fixed assets and the depreciation method applied are reviewed at each balance sheet date, and adjusted prospectively, if appropriate.

16. Construction in progress

The costs of construction in progress are determined based on the actual costs incurred, including various necessary construction costs and other related expenses during the construction period. Construction in progress is not depreciated.

Construction in progress is reclassified to the appropriate category of fixed assets, or long-term prepaid expenses when completed and ready for use. The carrying amount of construction in progress is reduced to the recoverable amount when the recoverable amount is below the carrying amount.

17. Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance owned or controlled by the Group.

An intangible asset is recognized 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. Intangible assets are measured initially at cost. As for any intangible asset acquired in a combination, if its fair value can be measured reliably, it shall be separately recognized as an intangible asset and shall be measured at its fair value. The useful life of an intangible asset is determined according to the period over which it is expected to generate economic benefits for the Group. An intangible asset is regarded as having an indefinite useful life when there is no foreseeable limit to the period over which the asset is expected to generate economic benefits for the Group.

An intangible asset with definite useful life is amortized over its useful life on the straight-line basis.

	Useful life	Annual depreciation rate
Software and others	3 to 40 years	2.5% to 33.0%
Core deposits	20 years	5.0%

The useful life and amortization method of intangible assets with finite useful lives are reviewed at each balance sheet date. If the expected useful life of the asset or the amortization method differs significantly from previous assessments, the amortization period or amortization method is changed accordingly as a change in accounting estimate.

The useful life of intangible assets with indefinite useful lives is reassessed at each balance sheet date. If there is evidence that the useful life of the asset becomes definite, the accounting policies for intangible assets with definite useful life described above are then applied.

Expenditure incurred for an internal research and development project is recorded as expenditure on the research phase and development phase, respectively. Expenditure on the research phase is recognized in profit or loss for the period in which it occurs. Expenditure on the development phase is capitalized only when the following conditions are satisfied:

- (i) It is technically feasible to complete the intangible asset so that it will be available for use or sale;
- (ii) The Group intends to complete the intangible asset and use or sell it;
- (iii) The Group can demonstrate the ways in which the intangible asset will generate economic benefits, including the evidence of the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;
- (iv) There are adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset;
- (v) The expenditure attributable to the intangible asset during its development phase can be reliably measured.

Expenditure on the development phase which does not meet all of the above conditions is recognized in profit or loss in the period in which it is incurred.

Notes to the Financial Statements

For the year ended 31 December 2023

(All amounts in RMB million unless otherwise stated)

III. Significant accounting policies and estimates(Continued)

18. Long-term prepaid expenses

Long-term prepaid expenses are those prepaid expenses with an amortization period of more than one year (excluding one year), mainly including leasehold improvements.

Long-term prepaid expenses are amortized evenly according to the shorter one of their beneficial periods and legal periods of validity.

When long-term prepaid expenses no longer provide future economic benefits, the unamortized amount is recognized in profit or loss for the period.

19. Foreclosed assets

Foreclosed assets are initially recognized at fair value. At the balance sheet date, the foreclosed assets are measured at the lower of their carrying amount and the recoverable amount. When the recoverable amount is lower than the carrying amount, a provision for impairment of foreclosed assets is made and recognized in "Impairment losses on other assets" in the income statement.

20. Impairment of assets

For assets excluding deferred income tax assets, financial assets and debt-expiated assets, the Group assesses impairment of assets as follows:

At each balance sheet date, the Group assesses whether there is any indication that assets may be impaired. If there is any indication that an asset may be impaired, the Group will estimate the recoverable amount and conduct impairment test for the asset. Goodwill arising from a business combination and an intangible asset with an indefinite useful life are tested for impairment at least at each year end, irrespective of whether there is any indication that the asset may be impaired. Intangible assets not yet available for use are tested for impairment at least annually, irrespective of whether there is any indication of impairment.

The recoverable amount is the higher of an asset's fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset.

Where the measurement result of the recoverable amount indicates that an asset's recoverable amount is lower than its carrying amount, the carrying amount of the asset shall be recorded down to the recoverable amount, and the reduced amount shall be recognized in profit or loss for the period. Simultaneously, a provision for asset impairment shall be made accordingly.

For impairment test of goodwill, the carrying amount of goodwill acquired in a business combination shall be reasonably allocated since the acquisition date to related asset unit or to related combination if it cannot be allocated to the asset unit; Related asset portfolio or combination of asset portfolios is expected to benefit from the synergies of the combination, and shall not be larger than a reportable segment as defined by the Group.

When making an impairment test on the goodwill related asset portfolio or combination of asset portfolios, if there is an indication that the portfolio or combination may be impaired, the impairment test is firstly conducted for the asset portfolio or combination of asset portfolios unrelated to goodwill, with its recoverable amount calculated and the impairment loss recognized. Then the Group shall make an impairment test for the goodwill related asset portfolio or combination of asset

portfolios by comparing the carrying amount with the recoverable amount. If the recoverable amount is lower than its carrying amount, the impairment loss is first deducted from the carrying amount of goodwill that is allocated to the asset portfolio or combination of asset portfolios, and then deducted from the carrying amount of other assets within the asset portfolio or combinations of asset portfolios in proportion to the carrying amount of assets other than goodwill.

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

21. Recognition of income and expense

Income is the total inflow of economic benefits arising from the ordinary activities of an enterprise that would result in an increase in owners' equity and that are unrelated to the capital invested by owners. Expense is the total outflow of economic benefits arising from the ordinary activities of the enterprise that would result in a decrease in owners' equity and that are unrelated to the distribution of profits to owners.

Interest income and interest expense

Interest income is calculated at the book balance of a financial asset multiplied by the effective interest rate, except for the following cases:

(i) For an originated or purchased credit-impaired financial asset, the interest income is calculated at the amortized cost of the asset multiplied by the credit-adjusted original effective interest rate.

(ii) For a financial asset that is not an originated or purchased credit-impaired financial asset, but subsequently suffers from credit impairment (or "Stage 3"), the interest income is calculated at the amortized cost (i.e., net of the provision for impairment losses) multiplied by the effective interest rate.

The effective interest rate is the interest rate at which the estimated future cash inflow or outflow of a financial asset or financial liability in the expected lifetime is discounted to the book balance of the financial asset (i.e., the amortized cost before deducting the provision for impairment losses) or the amortized cost of the financial liability. The calculation of effective interest rate takes into account all contractual terms of the financial instrument and includes all fees and transaction costs that are an integral part of the effective interest rate.

Fee and commission income

The Group earns fee and commission income from a diverse range of services provided to its customers. Fee income can be divided into the following two categories:

(i) Fee income earned from services that are provided over a certain period of time

Fees earned for the provision of services are measured on accrual basis over that period of time. These fees include commission income and asset management, custody and other management and advisory fees.

(ii) Fee income from providing specific transaction services

Fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses, are recognized on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognized after fulfilling the corresponding criteria.

The award credits granted by the Group to the bank card holders under customer loyalty programs are recognized at fair value as contract liabilities. When the award credits are redeemed or expired, the amount originally recognized as contract liabilities that is related to redeemed or expired credits is recognized in profit or loss for the period.

Dividend income

Dividends are recognized when the right to receive the dividends is established.

Notes to the Financial Statements

For the year ended 31 December 2023

(All amounts in RMB million unless otherwise stated)

III. Significant accounting policies and estimates(Continued)

22. Government grants

Government grants refer to the monetary or non-monetary assets obtained by the Group from the government, including tax return, financial subsidy, etc.

Government grants are recognized when the grants can be received and the Group can comply with all attached conditions. If a government grant is a monetary asset, it will be measured at the amount received or receivable. If a government grant is a non-monetary asset, it will be measured at its fair value. If it is unable to obtain its fair value reliably, it will be measured at its nominal amount.

Government grants related to assets refer to government grants which are obtained by the Group for the purposes of purchase, construction or acquisition of the long-term assets. Government grants related to income refer to the government grants other than those related to assets.

Government grants related to assets are either deducted against the carrying amount of the assets, or recorded as deferred income and recognized in profit or loss on a systemic basis over the useful lives of the assets. Government grants related to income that compensate the future costs, expenses or losses are recorded as deferred income and recognized in profit or loss for the period, or deducted against related costs, expenses or losses in reporting the related expenses; government grants related to income that compensate the incurred costs, expenses or losses are recognized in profit or loss for the period, or deducted against related costs, expenses or losses directly in the current period. The Group applies the presentation method consistently to the similar government grants in the financial statements.

Government grants that are related to ordinary activities are included in operating profit, otherwise, they are recorded in non-operating income or expenses.

23. Income tax

Income tax includes current income tax and deferred income tax. Except for goodwill arising from a business combination and to the extent that the tax arises from a transaction or event which is recognized directly in other comprehensive income, all the income tax should be expensed or credited to profit or loss for the period as appropriate.

Current income tax

Current income tax is the amount of income taxes payable in respect of the taxable profit for a period. Taxable profit is the profit for a period, determined in accordance with the rules established by the taxation authorities, upon which income taxes are payable.

The current income tax liabilities or assets for the current period or previous periods are measured at the amount expected to be paid or recoverable according to the requirements of tax law.

Deferred income tax

Deferred income tax is provided using the balance sheet liability method on temporary differences between the carrying amount of an asset or liability on balance sheet date and the tax base, and the difference between the tax base and the carrying amount of those items that are not recognized as assets or liabilities but have a tax base that can be determined according to tax laws.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

(i) Where the taxable temporary differences arise from the initial recognition of goodwill, or the initial recognition of an asset or liability in a single transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or deductible loss, and the initial recognition of such asset and liability does not result in equal amounts of taxable temporary differences and deductible temporary differences;

(ii) In respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

For deductible temporary differences and unused deductible losses and tax credits that can be carried forward to subsequent years, the Group recognizes the corresponding deferred income tax asset to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, the deductible losses and tax credits can be utilized. However, no deferred income tax asset arising from the initial recognition of an asset or liability in a single transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable income or deductible loss, and the initial recognition of such asset and liability does not result in equal amounts of taxable temporary differences and deductible temporary differences, is recognized.

In respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, the corresponding deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will be reversed in the foreseeable future and taxable profit will be available against which the deductible temporary differences can be utilized.

At the balance sheet date, deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is recovered or the liability is settled, in accordance with the requirements of tax laws. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the balance sheet date, to recover the assets or settle the liabilities.

At the balance sheet date, the Group reviews the carrying amount of a deferred income tax asset. The carrying amount of a deferred income tax asset is reduced to the extent that it is no longer probable that sufficient taxable profits will be available in future periods to allow the benefit of the deferred income tax asset to be utilized. At the balance sheet date, unrecognized deferred income tax assets are reassessed and are recognized to the extent that it has become probable that sufficient taxable profit will be available to allow part or full of the deferred income tax assets to be recovered.

Deferred income tax assets and liabilities are offset and presented as net amount if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred income tax relates to the same taxable entity and the same taxation authority.

24. Employee benefits

Employee benefits include short-term employee benefits, post-employment benefits and early retirement benefits provided in various forms of consideration in exchange for service rendered by employees or compensations for the termination of employment relationship.

Short-term employee benefits

Short-term employee benefits include employee wages or salaries, bonus, allowances and subsidies, staff welfare, premiums or contributions on medical insurance, work injury insurance and maternity insurance, housing funds, union running costs and employee education costs, short-term paid absences, etc. The short-term employee benefit liabilities are recognized in the accounting period in which the service is rendered by the employees, with a corresponding charge to profit or loss for the period or the cost of relevant assets. Employee benefits which are non-monetary benefits are measured at fair value.

Post-employment benefits

The Group classifies post-employment benefit plans as either defined contribution plans or defined benefit plans. Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into a separate fund and will have no obligation to pay further contributions; and defined benefit plans are post-employment benefit plans other than defined contribution plans. In the reporting period, defined contribution plans include basic pensions insurance, enterprise pension fund, unemployment insurance, etc.

Notes to the Financial Statements

For the year ended 31 December 2023
(All amounts in RMB million unless otherwise stated)

III. Significant accounting policies and estimates(Continued)

24. Employee benefits(Continued)

The Group's employees participate in the basic pension plan set up and administered by local authorities of Ministry of Human Resource and Social Security. Monthly payments of premiums on the basic pensions are calculated according to the bases and percentages prescribed by the relevant local authorities. When employees retire, the local labor and social security institutions are obliged to pay the basic pensions to them. The amounts based on the above calculations are recognized as liabilities in the accounting period in which the service has been rendered by the employees, with a corresponding charge to profit or loss for the period.

Early retirement benefits

For certain local employees, the Group accounts for the early retirement benefits in accordance with the treatment of termination benefits, in which the salaries and social security contributions to be paid to and for the early retired employees from the off-duty date to the normal retirement date are recognized as liabilities with a corresponding charge to profit or loss for the period. The differences arising from the changes in the respective actuarial assumptions of the early retirement benefits and the adjustments of benefit standards are recognized in profit or loss for the period in which they occur. There are no capital injections into the early retirement benefits. The cost of benefits is determined by using the projected unit credit actuarial valuation method.

25. Cash equivalents

Cash equivalents are short term, highly liquid monetary assets held by the Group that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the purpose of the cash flow statement, cash equivalents comprise investments that have a short maturity of generally within three months since acquired, the unrestricted balance with the Central Bank, and deposits with banks and other financial institutions, placements to banks and other financial institutions and financial assets held under resale agreements that have a short original maturity of generally within three months.

26. Related parties

If a party has the power to control, jointly control or exercise significant influence over another party in making financial and operating decisions, they are regarded as related parties. Two or more parties are also regarded as related parties if they are subject to control or joint control from the same party.

27. Fiduciary activities

Where the Group acts in a fiduciary capacity such as nominee, trustee or agent, assets arising there on together with the related undertakings to return such assets to customers are excluded from the financial statements.

Entrusted loans granted by the Group on behalf of third-party lenders are recorded as off-balance sheet items. The Group acts as an agent and grants such entrusted loans to borrowers under the direction of the third-party lenders who fund these loans. The Group has been contracted by the third-party lenders to manage the administration and collection of these loans

on their behalf. The third-party lenders determine both the underwriting criteria for and the terms of all entrusted loans including their purposes, amounts, interest rates, and repayment schedules. The Group charges a commission related to the management of the entrusted loans. The commission income is recognized averagely over the period in which the service is provided. The risk of loan loss is borne by the third-party lenders.

28. Leases

Lease refers to the contract that the lessor obtains consideration through transferring asset use right to the lessee for a certain period of time.

As lessee

Right-of-use assets are recognized at the commencement date of the lease term and lease liabilities are recognized based on the present value of the outstanding lease payments. Lease payments include fixed payments and amounts payable under reasonable determination of the exercise of the option to purchase or termination of the option to lease. The variable rental determined based on a certain percentage of sales is not included in lease payments but recognized into the profits and losses for the period when incurred.

Right-of-use assets of the Group comprise buildings under leases. Right-of-use assets are initially measured at cost. The cost includes the initially measured amount of lease liabilities, lease payments made at or before the commencement date and initial direct costs, net of the received lease incentives. When a leased asset can be reasonably determined that its ownership will be transferred at the end of the lease term, it is depreciated over its remaining useful life; otherwise, the leased asset is depreciated over the shorter of the lease term and its remaining useful life. The carrying amounts of right-of-use assets are reduced to the recoverable amounts when the recoverable amounts are below their carrying amounts.

For short-term lease with a lease term within 12 months and low-value asset lease with a lower value when a single leased asset is new, the right-of-use assets and lease liabilities are not recognized by the Group, and the relevant rental expenses are included into the profits and losses for the period or the cost of relevant assets on a straight-line basis over each period during the lease term.

The Group shall account for a lease modification as a separate lease if both: (1) the modification increases the scope of the lease by adding the right to use one or more underlying assets; and (2) the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the contract.

For a lease modification that is not accounted for as a separate lease, the Group shall redetermine the lease term at the effective date of the lease modification, and remeasure the lease liability by discounting the revised lease payments using a revised discount rate. For a lease modification which decreases the scope of the lease or shortens the lease term, the Group decreases the carrying amount of the right-of-use asset, and recognizes in profit or loss any gain or loss relating to the partial or full termination of the lease. For other lease modifications which lead to the remeasurement of lease liabilities, the Group correspondingly adjusts the carrying amounts of the right-of-use assets.

As lessor

Rental income from an operating lease is recognized in profit or loss for the period on a straight-line basis over the lease term.

Notes to the Financial Statements

For the year ended 31 December 2023

(All amounts in RMB million unless otherwise stated)

III. Significant accounting policies and estimates (Continued)

29. Segment information

The Group identifies operating segments based on the internal organization structure, management requirements and internal reporting system, and discloses segment information of reportable segments which is determined on the basis of operating segments.

An operating segment is a component of the Group that satisfies all of the following conditions: (i) the component is able to earn revenues and incur expenses from its ordinary activities; (ii) whose operating results are regularly reviewed by the Group's management to make decisions about resources to be allocated to the segment and to assess its performance; and (iii) for which the information on financial position, operating results and cash flows is available to the Group. If two or more operating segments have similar economic characteristics and satisfy certain conditions, they are aggregated into one single operating segment.

30. Contingent liabilities

A contingent liability is a possible obligation that arises from past transactions or events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events. It can also be a present obligation arising from past transactions or events but is not recognized because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

31. Accrued liabilities

An obligation related to a contingency is recognized as accrued liabilities when all of the following conditions are satisfied, except for contingent consideration and contingent liabilities assumed in the business combination:

- (i) The obligation is a present obligation of the Group;
- (ii) It is probable that an outflow of economic benefits from the Group will be required to fulfill the obligation;
- (iii) The amount of the obligation can be measured reliably.

An accrued liability is initially measured at the best estimate of the expenditure required to settle the related present obligation, taking into account factors pertaining to a contingency such as the risks, uncertainties and time value of money as a whole. Where the effect of the time value of money is material, the best estimate is determined by discounting the related future cash outflows. The Group reviews the carrying amount of an accrued liability at each balance sheet date. Where there is clear evidence that the carrying amount of an accrued liability does not reflect the current best estimate, the carrying amount is adjusted to the current best estimate.

With regard to loss provision for the Group's loan commitments and financial guarantee contracts, the expected credit losses are assessed taking into account the forward-looking information. For the measurement of loss provision for this regarding, please refer to Note III 8.4 and Note VIII 1.2.

32. Trade date accounting

All regular way purchases and sale of financial assets are recognized on the trade date, that is, the date on which the Group commits to purchasing or selling the asset. A regular way purchase or sale of financial assets is the purchase or sale of financial assets that requires delivery of assets within the time frame generally established by regulation or convention in the marketplace.

33. Dividends

Dividends that are declared or approved for distribution after the balance sheet date are not recognized as liability of the balance sheet date, but disclosed as an event after the balance sheet date. Dividend payable is recognized as liability for the period when the dividend is approved.

34. Significant accounting judgments and estimates

The preparation of the Group's financial statements requires the management to make judgments, estimates and assumptions that affect the presentation and disclosure of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the balance sheet date. The result of the uncertainties of these assumptions and estimates may cause a significant adjustment to the carrying amount of the assets or liabilities affected in the future.

(i) Classification of financial assets

Significant judgments involved in the Group's classification of financial assets include business model and analysis on contractual cash flow characteristics.

The Group determines the business model for financial asset management on the grouping basis, and factors to be considered include the methods of evaluation on financial asset performance and reporting of financial asset performance to key management personnel, risks affecting financial asset performance and management methods for such risks, the ways in which related business management personnel are remunerated, etc.

When assessing whether contractual cash flow characteristics of financial assets are consistent with basic lending arrangement, key judgments made by the Group include: the possibility of changes in timing or amount of the principal during the duration due to reasons such as repayment in advance; whether interest only includes time value of money, credit risks, other basic lending risks and considerations for costs and profits; whether the repayment in advance reflects the principal outstanding and corresponding interest and reasonable compensation paid for early termination of the contract.

(ii) Measurement of expected credit losses

For financial assets measured at amortized cost and designated at fair value and changes included into other comprehensive income, as well as credit commitments, the Group measures the impairment provision using the expected credit loss model that involves the establishment and regular review of key definitions, parameters and assumptions, such as estimates on future macroeconomic conditions and borrowers' credit behavior (e.g., possibility and corresponding losses of customer default). The measurement of expected credit losses requires a lot of the management's significant judgments and assumptions. Specific information is set out in Note VIII 1.2.

Notes to the Financial Statements

For the year ended 31 December 2023
(All amounts in RMB million unless otherwise stated)

III. Significant accounting policies and estimates(Continued)

34. Significant accounting judgments and estimates(Continued)

(iii)Income tax

Determining income tax provision requires the Group to estimate the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions in accordance with prevailing tax regulations and makes tax provision accordingly. In addition, deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilized. This requires significant estimates on the tax treatments of certain transactions and also significant assessment on the probability that adequate future taxable profits will be available for the deferred income tax assets to be recovered.

(iv)Judgment of control over structured entities

Where the Group acts as asset manager of structure entities, the Group makes judgment on whether it is the principal or an agent for the structure entities. In the case that the asset manager serves as the agent, it exercises decision-making power mainly on behalf of other parties (other investors in the structured entity) and thus has no control over the structured entity. In the case that the asset manager is considered to exercise decision-making power mainly on behalf of itself, it serves as the trustee and has control over the structured entity. During the evaluation, the Group considers many factors and re-evaluate regularly to assess whether it takes the role as the principal or agent, such as: the scope of asset manager's decision-making power, rights held by other parties, salary levels as management service provider, and any other arrangements (such as direct investment) which could affect the exposure to variable returns from its involvement.

For the unconsolidated structured entities that the Group has rights in or provides liquidity support to, disclosures are shown in Note IV 52.

(v)Fair value of financial instruments

For financial instruments not traded in active markets, fair value is determined using appropriate valuation techniques. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. Where practicable, the valuation techniques should make maximum use of market inputs. However, where market inputs are not available, the management needs to make estimates on areas such as credit risk (both the Group's and the counterparty's), volatility and correlation. Changes in assumptions about these factors could affect the reported fair values of financial instruments.

(vi)Impairment of goodwill

The Group performs impairment tests on goodwill annually and also when there is an indication of potential impairment. For the purpose of an impairment test, the goodwill is allocated to its corresponding cash-generating unit or a group of cash-generating units, whose recoverable amount is the higher of fair value less costs to sell and the present value of the expected future cash flows, and an appropriate discount rate is selected to calculate the present value of future cash flows.

(vii)Core deposits

The Group reviews the core deposits' remaining useful life on each balance sheet date. The review involves making necessary adjustments on relevant parameters and assumptions based on the actual development of relevant fact patterns, so as to amortize the core deposits over an appropriate remaining useful life.

35.Taxation

The main categories and rates of taxes applicable to the Group are set out as follows:

Category of tax	Basis of tax computation	Tax rate
Corporate income tax (Note)	Taxable income	25%
Value-added tax (VAT)	VAT payable	3%, 5%, 6%, 9%, 13%
City maintenance and construction tax	Amount of VAT paid	5%, 7%

Note: Pursuant to the *Circular on Corporate Income Tax Policy Concerning Deductions for Equipment and Appliances* (Cai Shui [2018] No. 54), during the period from 1 January 2018 to 31 December 2020, newly purchased fixed assets except buildings with a unit price of no more than RMB5 million can be fully deducted against taxable income in a one-off manner as costs and expenses in the current period, instead of being depreciated over the years.

36.Determination of materiality criteria and basis of selection

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 owner's 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.

Notes to the Financial Statements

For the year ended 31 December 2023
(All amounts in RMB million unless otherwise stated)

IV. Notes to key items in the financial statements

1. Cash and balances with the Central Bank

	The Group and the Bank	
	31 December 2023	31 December 2022
Cash on hand	3,687	4,162
Statutory reserves with the Central Bank - RMB	225,211	234,752
Statutory reserves with the Central Bank - foreign currencies	2,019	5,527
Unrestricted balance with the Central Bank	43,432	40,450
Other deposits with the Central Bank - fiscal deposits	202	268
Sub-total	274,551	285,159
Add: Accrued interest	112	118
Total	274,663	285,277

Based on the related RMB and foreign currency deposits, the Group placed respective statutory reserves with the People's Bank of China in accordance with the requirements from the People's Bank of China. These reserve deposits were not available for use in the Group's daily operations. As at 31 December 2023, the RMB deposit reserve ratio was 7.0% (31 December 2022: 7.5%), and the foreign currency deposit reserve ratio was 4.0% (31 December 2022: 6.0%).

Fiscal deposits represent the amounts received from government-related bodies that are required to be deposited with the People's Bank of China according to the relevant regulations.

2. Deposits with banks and other financial institutions

Summarized by locations and types of banks and other financial institutions

	The Group	
	31 December 2023	31 December 2022
Domestic banks and other financial institutions	72,565	55,014
Other domestic financial institutions	3,388	2,972
Overseas banks and other financial institutions	17,827	42,185
Sub-total	93,780	100,171
Add: Accrued interest	405	251
Less: Impairment provision (Note IV 19)	(588)	(2,093)
Total	93,597	98,329

	The Bank	
	31 December 2023	31 December 2022
Domestic banks and other financial institutions	72,297	54,304
Other domestic financial institutions	3,388	2,972
Overseas banks and other financial institutions	17,827	42,185
Sub-total	93,512	99,461
Add: Accrued interest	405	251
Less: Impairment provision (Note IV 19)	(587)	(2,093)
Total	93,330	97,619

3. Placements to banks and other financial institutions

Summarized by locations and types of banks and other financial institutions

	The Group and the Bank	
	31 December 2023	31 December 2022
<u>Placements to banks and other financial institutions measured at amortized cost</u>		
Domestic banks and other financial institutions	3,746	11,201
Other domestic financial institutions	151,944	68,334
Overseas banks and other financial institutions	64,569	53,140
Sub-total	220,259	132,675
Add: Accrued interest	1,380	797
Less: Impairment provision (Note IV 19)	(932)	(2,328)
Sub-total	220,707	131,144
<u>Placements to banks and other financial institutions designated at fair value and changes included into other comprehensive income</u>		
Other domestic financial institutions	-	2,685
Add: Accrued interest	-	92
Sub-total	-	2,777
Total	220,707	133,921

As at 31 December 2023, the Group and the Bank did not make impairment provision for placements to banks and other financial institutions designated at fair value and changes included into other comprehensive income (31 December 2022: RMB91 million). Refer to Note IV 19.

Notes to the Financial Statements

For the year ended 31 December 2023
(All amounts in RMB million unless otherwise stated)

IV. Notes to key items in the financial statements(Continued)

4. Derivative financial instruments

At the balance sheet date, the derivative financial instruments held by the Group and the Bank are as follows:

	The Group and the Bank						
	Notional amounts summarized by maturity					Fair value	
	Within 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total	Assets	Liabilities
31 December 2023							
Non-hedging instruments							
Foreign exchange derivatives:							
Foreign exchange forward and swap contracts and options	1,133,453	1,044,170	239,129	-	2,416,752	26,234	(27,568)
Interest rate derivatives:							
Interest rate swap and other interest rate derivatives	1,340,934	2,127,857	1,862,823	19,195	5,350,809	13,541	(12,650)
Precious metals derivatives	31,952	14,328	-	-	46,280	702	(1,999)
Hedging instruments							
Interest rate derivatives	-	-	3,099	-	3,099	44	(3)
Total	2,506,339	3,186,355	2,105,051	19,195	7,816,940	40,521	(42,220)

	The Group and the Bank						
	Notional amounts summarized by maturity					Fair value	
	Within 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total	Assets	Liabilities
31 December 2022							
Non-hedging instruments							
Foreign exchange derivatives:							
Foreign exchange forward and swap contracts and options	1,250,327	738,860	118,944	-	2,108,131	15,209	(23,292)
Interest rate derivatives:							
Interest rate swap and other interest rate derivatives	1,142,530	1,731,825	1,665,795	8,685	4,548,835	11,292	(10,061)
Precious metals derivatives	57,583	22,385	-	-	79,968	1,049	(3,172)
Hedging instruments							
Interest rate derivatives	-	-	391	-	391	3	-
Total	2,450,440	2,493,070	1,785,130	8,685	6,737,325	27,553	(36,525)

The nominal amount of a derivative only provides a basis for comparing the fair values of the on-balance sheet assets or liabilities, and does not represent the future cash flows involved or the current fair values. Therefore, it cannot reflect the credit risk or market risk that the Group is exposed to.

(a) Fair value hedges

The Group and the Bank use interest rate swaps to hedge changes in fair value arising from changes in interest rates, and interest rate risk is generally the most significant component affecting changes in fair value. The hedged items are fixed-rate bonds invested by the Group and the Bank, which are included in Note IV 9 "Other investment on debts".

For the years ended 31 December 2023 and 31 December 2022, the net gains and losses on changes in the fair value of the hedging instruments, the net gains and losses on the hedged items resulting from hedged exposures, as well as the gains and losses arising from the ineffective portion of the hedging instruments recognized in gains or losses on changes in fair value are insignificant.

Notes to the Financial Statements

For the year ended 31 December 2023
(All amounts in RMB million unless otherwise stated)

IV. Notes to key items in the financial statements(Continued)

5. Financial assets held under resale agreements

(a) Summarized by type of banks and other financial institutions

	The Group	
	31 December 2023	31 December 2022
Banks and other financial institutions	35,435	41,175
Other financial institutions	75,474	387
Sub-total	110,909	41,562
Add: Accrued interest	30	4
Less: Impairment provision (Note IV 19)	(109)	(5)
Total	110,830	41,561

	The Bank	
	31 December 2023	31 December 2022
Banks and other financial institutions	35,335	41,175
Other financial institutions	74,924	387
Sub-total	110,259	41,562
Add: Accrued interest	29	4
Less: Impairment provision (Note IV 19)	(108)	(5)
Total	110,180	41,561

(b) Summarized by collateral type

	The Group	
	31 December 2023	31 December 2022
Bonds	102,122	38,886
Bills	8,787	2,676
Sub-total	110,909	41,562
Add: Accrued interest	30	4
Less: Impairment provision (Note IV 19)	(109)	(5)
Total	110,830	41,561

	The Bank	
	31 December 2023	31 December 2022
Bonds	101,472	38,886
Bills	8,787	2,676
Sub-total	110,259	41,562
Add: Accrued interest	29	4
Less: Impairment provision (Note IV 19)	(108)	(5)
Total	110,180	41,561

Notes to the Financial Statements

For the year ended 31 December 2023
(All amounts in RMB million unless otherwise stated)

IV. Notes to key items in the financial statements(Continued)

6.Loans and advances to customers

6.1 Summarized by corporate and individual

	The Group and the Bank	
	31 December 2023	31 December 2022
<u>Loans and advances to customers measured at amortized cost</u>		
Loans and advances to corporates:		
Loans	975,860	949,891
Loans and advances to individuals:		
Mortgage loans	303,568	284,443
Credit card receivables	514,092	578,691
Consumer loans	545,291	602,247
Operating loans	614,768	582,009
Sub-total	1,977,719	2,047,390
Total loans and advances to customers measured at amortized cost	2,953,579	2,997,281
Add: Accrued interest	9,954	11,016
Less: Loans impairment provision (Note IV 6.6)	(97,353)	(97,919)
Total loans and advances to customers measured at amortized cost	2,866,180	2,910,378
<u>Loans and advances to customers designated at fair value and changes included into other comprehensive income</u>		
Loans and advances to corporates:		
Loans	239,131	134,333
Discounted bills	214,799	197,547
Total loans and advances to customers designated at fair value and changes included into other comprehensive income	453,930	331,880
Carrying amount of loans and advances to customers	3,320,110	3,242,258

As at 31 December 2023, there were RMB26 million discounted bills that had been pledged for agreements of borrowings from the Central Bank (31 December 2022: RMB211 million).

As at 31 December 2023, there were RMB8,829 million discounted bills that had been pledged for repurchase agreements (31 December 2022: RMB2,671 million).

For the year ended 31 December 2023, the Group and the Bank disposed of and derecognized loans of RMB13,712 million by transferring to third parties or credit asset securitization and other ways (2022: RMB6,339 million).

As at 31 December 2023, the impairment provision of the Group and the Bank for loans and advances to customers designated at fair value and changes included into other comprehensive income amounted to RMB2,692 million (31 December 2022: RMB3,277 million). Refer to Note IV 6.6.

Notes to the Financial Statements

For the year ended 31 December 2023
(All amounts in RMB million unless otherwise stated)

IV. Notes to key items in the financial statements(Continued)

6.Loans and advances to customers(Continued)

6.2 Summarised by industry

	The Group and the Bank	
	31 December 2023	31 December 2022
Agriculture, husbandry and fisheries	3,575	3,124
Mining	17,821	18,899
Manufacturing	200,675	183,192
Energy	37,527	33,091
Transportation, post and telecommunications	59,744	51,441
Wholesale and retail	151,160	124,729
Real estate	255,322	283,484
Social service, technology, culture and sanitary industries	246,241	219,219
Construction	52,760	45,868
Personal loans	1,977,719	2,047,390
Others	404,965	318,724
Total loans and advances to customers	3,407,509	3,329,161
Add: Accrued interest	9,954	11,016
Less: Loans impairment provision (Note IV 6.6)	(97,353)	(97,919)
Carrying amount of loans and advances to customers	3,320,110	3,242,258

6.3 Summarized by type of collateral held or other credit enhancements

	The Group and the Bank	
	31 December 2023	31 December 2022
Unsecured loans	1,315,582	1,283,847
Guaranteed loans	226,971	221,241
Loans secured by collateral	1,650,157	1,626,526
Including: Loans secured by collateral	1,313,001	1,316,244
Pledged loans	337,156	310,282
Sub-total	3,192,710	3,131,614
Discounted bills	214,799	197,547
Total loans and advances to customers	3,407,509	3,329,161
Add: Accrued interest	9,954	11,016
Less: Loans impairment provision (Note IV 6.6)	(97,353)	(97,919)
Carrying amount of loans and advances to customers	3,320,110	3,242,258

6.4 Summarized by overdue loans (excluding accrued interest)

	The Group and the Bank				
	31 December 2023				
	Overdue for 1 day to 90 days (inclusive 90 days)	Overdue for 90 days to 1 year (inclusive 1 year)	Overdue for 1 year to 3 years (inclusive 3 years)	Overdue for more than 3 years	Total
Unsecured loans	22,378	12,372	404	127	35,281
Guaranteed loans	1,115	1,056	19	4	2,194
Loans secured by collateral	15,088	5,823	1,481	34	22,426
Including: Loans secured by collateral	13,584	4,714	1,223	34	19,555
Pledged loans	1,504	1,109	258	-	2,871
Total	38,581	19,251	1,904	165	59,901

Notes to the Financial Statements

For the year ended 31 December 2023
(All amounts in RMB million unless otherwise stated)

IV. Notes to key items in the financial statements (Continued)

6. Loans and advances to customers (Continued)

6.4 Summarized by overdue loans (excluding accrued interest) (Continued)

	The Group and the Bank				
	31 December 2023				
	Overdue for 1 day to 90 days (inclusive 90 days)	Overdue for 90 days to 1 year (inclusive 1 year)	Overdue for 1 year to 3 years (inclusive 3 years)	Overdue for more than 3 years	Total
Unsecured loans	22,378	12,372	404	127	35,281
Guaranteed loans	1,115	1,056	19	4	2,194
Loans secured by collateral	15,088	5,823	1,481	34	22,426
Including: Loans secured by collateral	13,584	4,714	1,223	34	19,555
Pledged loans	1,504	1,109	258	-	2,871
Total	38,581	19,251	1,904	165	59,901

	The Group and the Bank				
	31 December 2022				
	Overdue for 1 day to 90 days (inclusive 90 days)	Overdue for 90 days to 1 year (inclusive 1 year)	Overdue for 1 year to 3 years (inclusive 3 years)	Overdue for more than 3 years	Total
Unsecured loans	25,934	14,983	343	78	41,338
Guaranteed loans	91	87	595	262	1,035
Loans secured by collateral	12,941	6,347	1,434	3	20,725
Including: Loans secured by collateral	12,318	5,639	827	-	18,784
Pledged loans	623	708	607	3	1,941
Total	38,966	21,417	2,372	343	63,098

Overdue loans refer to the loans with either principal or interest being overdue for one day or more. For the overdue loans presented above, if loans and advances to customers are repayable by installments and part of such installments is overdue, the total amount of loans is deemed overdue.

For loans repaid on an installment basis, only the amount which is not repaid upon maturity (not the total amount of loans) is deemed overdue. As at 31 December 2023, there were RMB48,551 million loans that had been deemed overdue according to this criterion (31 December 2022: RMB52,042 million).

6.5 Summarized by geographical region

	The Group and the Bank	
	31 December 2023	31 December 2022
Eastern Region	782,187	711,833
Southern Region	706,021	649,810
Western Region	335,842	310,687
Northern Region	559,056	490,360
Headquarters	991,440	1,136,487
Overseas	32,963	29,984
Total loans and advances to customers	3,407,509	3,329,161
Add: Accrued interest	9,954	11,016
Less: Loans impairment provision (Note IV 6.6)	(97,353)	(97,919)
Carrying amount of loans and advances to customers	3,320,110	3,242,258

Details of the above geographical regions:

"Eastern Region": Shanghai Branch, Hangzhou Branch, Yangzhou Branch, Yiwu Branch, Taizhou Branch, Shaoxing Branch, Huzhou Branch, Ningbo Branch, Wenzhou Branch, Nanjing Branch, Wuxi Branch, Changzhou Branch, Suzhou Branch, Nantong Branch, Taizhou Branch, Fuzhou Branch, Zhangzhou Branch, Fujian Pilot Free Trade Zone Fuzhou Branch, Xiamen Branch, Fujian Pilot Free Trade Zone Xiamen Branch, Quanzhou Branch, Shanghai Pilot Free Trade Zone Branch, Hefei Branch, Wuhu Branch, Xuzhou Branch, Nanchang Branch, Yancheng Branch, Putian Branch, Zhenjiang Branch, Fuyang Branch, Ganzhou Branch, Jiujiang Branch;

"Southern Region": Shenzhen Branch, Shenzhen Qianhai Branch, Guangzhou Branch, Guangdong Pilot Free Trade Zone Nansha Branch, Zhuhai Branch, Hengqin Guangdong-Macao In-depth Cooperation Zone Branch, Foshan Branch, Dongguan Branch, Huizhou Branch, Zhongshan Branch, Haikou Branch, Changsha Branch, Hengyang Branch, Yueyang Branch, Nanning Branch, Sanya Branch, Changde Branch, Liuzhou Branch, Shantou Branch, Zhanjiang Branch, Jiangmen Branch;

"Western Region": Chongqing Branch, Chengdu Branch, Deyang Branch, Leshan Branch, Mianyang Branch, Kunming Branch, Honghe Branch, Wuhan Branch, Jingzhou Branch, Xiangyang Branch, Yichang Branch, Xi'an Branch, Xianyang Branch, Guiyang Branch, Chongqing Pilot Free Trade Zone Branch, Zunyi Branch, Huanggang Branch;

"Northern Region": Beijing Branch, Dalian Branch, Tianjin Branch, Tianjin Pilot Free Trade Zone Branch, Jinan Branch, Linyi Branch, Weifang Branch, Dongying Branch, Qingdao Branch, Yantai Branch, Rizhao Branch, Zhengzhou Branch, Luoyang Branch, Shenyang Branch, Shijiazhuang Branch, Taiyuan Branch, Tangshan Branch, Zibo Branch, Jining Branch, Jinzhong Branch, Langfang Branch, Nanyang Branch, Weihai Branch, Hohhot Branch, Kaifeng Branch, Taian Branch, Baoding Branch, Urumchi Branch, Anshan Branch, Lanzhou Branch, Cangzhou Branch, Harbin Branch, Qingdao Free Trade Zone Branch, Yinchuan Branch, Xinxiang Branch, Handan Branch, Baotou Branch, Changchun Branch;

"Headquarters": The departments of Head Office including credit card center and auto consumer finance center, etc.;

"Overseas": Hong Kong Branch.

Notes to the Financial Statements

For the year ended 31 December 2023
(All amounts in RMB million unless otherwise stated)

IV. Notes to key items in the financial statements (Continued)

6. Loans and advances to customers (Continued)

6.6 Movements in impairment provision for loans

	The Group and the Bank	
	2023	2022
<u>Loans and advances to customers measured at amortized cost</u>		
Balance at the beginning of the year	97,919	89,256
Provision for the current year	62,973	61,837
Write-off and disposal in the current year (Note)	(80,727)	(65,136)
Recovery of loans and advances to customers in the current year written off previously	17,779	11,942
Decrease of loans and advances to customers due to rise in discount value	(83)	(45)
Other changes in the current year	(508)	65
Sub-total (Note IV 19)	97,353	97,919
<u>Loans and advances to customers designated at fair value and changes included into other comprehensive income</u>		
Balance at the beginning of the year	3,277	946
Provision for the current year	(140)	2,331
Write-off and disposal in the current year (Note)	(445)	-
Sub-total (Note IV 19)	2,692	3,277
Total	100,045	101,196

Note: For the year ended 31 December 2023, the outstanding contract amount corresponding to the credit assets offset during the year was RMB68,585 million (2022: RMB59,802 million). The Group and the Bank still seek to fully recover the legally-owned creditor's rights.

7. Financial assets held for trading

	The Group	
	31 December 2023	31 December 2022
Bonds		
Governments	123,279	77,973
Policy banks	64,440	79,843
Banks and other financial institutions	25,738	75,052
Corporates	22,745	22,591
Funds	165,174	184,228
Asset management plans	32,773	16
Trust plans	10,344	2,930
Asset-backed securities	2,141	2,686
Wealth management products	1,000	15
Equity investments and others	2,659	799
Total	450,293	446,133

	The Bank	
	31 December 2023	31 December 2022
Bonds		
Governments	121,431	77,009
Policy banks	64,348	79,792
Banks and other financial institutions	25,738	74,748
Corporates	22,745	22,591
Funds	162,861	182,221
Asset management plans	18,678	16
Trust plans	6,338	2,930
Asset-backed securities	2,141	2,686
Equity investments and others	2,659	799
Total	426,939	442,792

As at 31 December 2023, the Group and the Bank had RMB18,101 million investments in financial assets held for trading that had been pledged for repurchase agreements (31 December 2022: Nil).

Notes to the Financial Statements

For the year ended 31 December 2023
(All amounts in RMB million unless otherwise stated)

IV. Notes to key items in the financial statements (Continued)

8. Investment on debts

	The Group	
	31 December 2023	31 December 2022
Bonds		
Governments	634,046	566,281
Policy banks	8,559	10,269
Banks and other financial institutions	5,393	4,175
Corporates	39,561	44,442
Debt financing plans	12,787	18,582
Asset management plans	16,627	38,186
Trust plans	57,076	49,348
Asset-backed securities and others	2,663	9,371
Sub-total	776,712	740,654
Add: Accrued interest	7,595	7,583
Less: Impairment provision (Note IV 19)	(11,840)	(16,387)
Total	772,467	731,850

	The Bank	
	31 December 2023	31 December 2022
Bonds		
Governments	633,715	566,281
Policy banks	8,559	10,269
Banks and other financial institutions	5,196	4,175
Corporates	39,463	44,345
Debt financing plans	12,787	18,582
Asset management plans	16,627	38,186
Trust plans	57,076	49,348
Asset-backed securities and others	2,663	9,371
Sub-total	776,086	740,557
Add: Accrued interest	7,586	7,581
Less: Impairment provision (Note IV 19)	(11,836)	(16,385)
Total	771,836	731,753

As at 31 December 2023, the Group and the Bank had RMB31,816 million investment on debts that had been pledged for repurchase agreements (31 December 2022: RMB9,091 million); the Group and the Bank had RMB31,059 million investment on debts that had been pledged for agreements of time deposits from the PBOC (31 December 2022: RMB22,945 million); and the Group and the Bank had RMB188,366 million investment on debts that had been pledged for agreements of borrowings from the Central Bank (31 December 2022: RMB130,510 million).

Notes to the Financial Statements

For the year ended 31 December 2023
(All amounts in RMB million unless otherwise stated)

IV. Notes to key items in the financial statements (Continued)

9. Other investment on debts

	The Group	
	31 December 2023	31 December 2022
Bonds		
Governments	45,192	33,750
Central Bank	2,501	455
Policy banks	3,131	12,005
Banks and other financial institutions	47,808	63,648
Corporates	12,886	11,462
Asset-backed securities	40,150	35,113
Asset management plans	1,586	2,407
Trust plans	7,260	11,782
Sub-total	160,514	170,622
Add: Accrued interest	1,417	1,611
Total	161,931	172,233

	The Bank	
	31 December 2023	31 December 2022
Bonds		
Governments	42,371	30,922
Central Bank	2,501	455
Policy banks	3,131	12,005
Banks and other financial institutions	47,808	63,648
Corporates	12,886	11,462
Asset-backed securities	40,150	35,113
Asset management plans	1,586	2,407
Trust plans	7,260	11,782
Sub-total	157,693	167,794
Add: Accrued interest	1,388	1,574
Total	159,081	169,368

As at 31 December 2023, the Group and the Bank did not have other investment on debts that had been pledged for repurchase agreements (31 December 2022: RMB2,037 million); the Group and the Bank did not have other investment on debts that had been pledged for agreements of time deposits from the PBOC (31 December 2022: RMB1,021 million); and the Group and the Bank had RMB24,319 million other investment on debts that had been pledged for agreements of borrowings from the Central Bank (31 December 2022: RMB69,709 million).

	The Group			
	31 December 2023			
	Amortized cost	Fair value	Changes in fair value charged to other comprehensive income	Total impairment provision (Note IV 19)
Debt instruments	161,384	161,931	547	(842)

	The Bank			
	31 December 2023			
	Amortized cost	Fair value	Changes in fair value charged to other comprehensive income	Total impairment provision (Note IV 19)
Debt instruments	158,536	159,081	545	(842)

	The Group			
	31 December 2022			
	Amortised cost	Fair value	Changes in fair value charged to other comprehensive income	Total impairment provision (Note IV 19)
Debt instruments	172,590	172,233	(357)	(1,339)

	The Bank			
	31 December 2022			
	Amortised cost	Fair value	Changes in fair value charged to other comprehensive income	Total impairment provision (Note IV 19)
Debt instruments	169,720	169,368	(352)	(1,339)

Notes to the Financial Statements

For the year ended 31 December 2023
(All amounts in RMB million unless otherwise stated)

IV. Notes to key items in the financial statements (Continued)

10. Other equity instrument investment

	The Group and the Bank		
	31 December 2023		
	Cost	Fair value	Changes in fair value charged to other comprehensive income
Equity instruments	7,291	6,214	(1,077)

	The Group and the Bank		
	31 December 2022		
	Cost	Fair value	Changes in fair value charged to other comprehensive income
Equity instruments	7,184	6,380	(804)

For the year ended 31 December 2023, the Group and the Bank disposed of certain equity instruments designated at fair value and changes included into other comprehensive income with fair value of RMB772 million at the disposal date (2022: RMB1,088 million). The derecognition of such equity instruments resulted in transfer of accumulated gains, amounting to RMB24 million (2022: RMB115 million), from other comprehensive income to retained earnings.

11. Long-term equity investments

	The Bank	
	31 December 2023	31 December 2022
Subsidiaries	5,000	5,000
Less: Provision for impairment of long-term equity investments	-	-
Total	5,000	5,000

(a) Main subsidiaries of the Group

Name of subsidiaries	Place of major business	Place of registration	Nature of business	Shareholding		Method of acquisition
				Direct	Indirect	
Ping An Wealth Management Co., Ltd.	Shenzhen, PRC	Shenzhen, PRC	Asset management	100%	-	Established

On 19 August 2020, the Bank received the Approval from CBIRC on the Opening of Ping An Wealth Management Co., Ltd. (Yin Bao Jian Fu [2020] No. 513). The NFRA approved the opening of Ping An Wealth Management Co., Ltd., a wholly-owned subsidiary of the Bank, with a registered capital of RMB5,000 million.

12. Investment properties

	The Group and the Bank	
	2023	2022
Original cost:		
Balance at the beginning of the year	712	781
Transfer to fixed assets (Note IV 13)	(233)	(82)
Transfer from fixed assets (Note IV 13)	39	13
Balance at the end of the year	518	712
Accumulated depreciation:		
Balance at the beginning of the year	235	223
Provision for the current year	18	24
Transfer to fixed assets (Note IV 13)	(83)	(13)
Transfer from fixed assets (Note IV 13)	13	1
Balance at the end of the year	183	235
Carrying amount		
Balance at the end of the year	335	477
Balance at the beginning of the year	477	558

As at 31 December 2023, there were not any investment properties for which the corresponding registration certificates had not been obtained (31 December 2022: RMB1 million).

For the year ended 31 December 2023, the gross rental income earned from the investment properties amounted to RMB50 million (2022: RMB46 million). The accrued direct operating expense amounted to RMB1 million (2022: RMB1 million).

Notes to the Financial Statements

For the year ended 31 December 2023
(All amounts in RMB million unless otherwise stated)

IV. Notes to key items in the financial statements (Continued)

13. Fixed assets

	The Group			
	Buildings	Transportation vehicles	Office and electronic equipment	Total
Original cost:				
1 January 2023	10,822	87	9,798	20,707
Increase in the current year	14	-	570	584
Transfer from investment properties (Note IV 12)	233	-	-	233
Transfer to investment properties (Note IV 12)	(39)	-	-	(39)
Transfer from construction in progress (Note IV 18d)	31	-	-	31
Decrease in the current year	(114)	(5)	(589)	(708)
31 December 2023	10,947	82	9,779	20,808
Accumulated depreciation:				
1 January 2023	3,520	76	6,027	9,623
Increase in the current year (Note IV 44)	445	3	1,431	1,879
Transfer from investment properties (Note IV 12)	83	-	-	83
Transfer to investment properties (Note IV 12)	(13)	-	-	(13)
Decrease in the current year	(114)	(5)	(460)	(579)
31 December 2023	3,921	74	6,998	10,993
Impairment provision:				
1 January 2023	1	-	-	1
31 December 2023 (Note IV 19)	1	-	-	1
Carrying amount				
31 December 2023	7,025	8	2,781	9,814
1 January 2023	7,301	11	3,771	11,083

	The Bank			
	Buildings	Transportation vehicles	Office and electronic equipment	Total
Original cost:				
1 January 2023	10,822	87	9,742	20,651
Increase in the current year	14	-	561	575
Transfer from investment properties (Note IV 12)	233	-	-	233
Transfer to investment properties (Note IV 12)	(39)	-	-	(39)
Transfer from construction in progress (Note IV 18d)	31	-	-	31
Decrease in the current year	(114)	(5)	(589)	(708)
31 December 2023	10,947	82	9,714	20,743
Accumulated depreciation:				
1 January 2023	3,520	76	6,000	9,596
Increase in the current year (Note IV 44)	445	3	1,421	1,869
Transfer from investment properties (Note IV 12)	83	-	-	83
Transfer to investment properties (Note IV 12)	(13)	-	-	(13)
Decrease in the current year	(114)	(5)	(460)	(579)
31 December 2023	3,921	74	6,961	10,956
Impairment provision:				
1 January 2023	1	-	-	1
31 December 2023 (Note IV 19)	1	-	-	1
Carrying amount				
31 December 2023	7,025	8	2,753	9,786
1 January 2023	7,301	11	3,742	11,054

Notes to the Financial Statements

For the year ended 31 December 2023
(All amounts in RMB million unless otherwise stated)

IV. Notes to key items in the financial statements (Continued)

13.Fixed assets (Continued)

	The Group			
	Buildings	Transportation vehicles	Office and electronic equipment	Total
Original cost:				
1 January 2022	10,882	87	9,299	20,268
Increase in the current year	1	-	1,097	1,098
Transfer from investment properties (Note IV 12)	82	-	-	82
Transfer to investment properties (Note IV 12)	(13)	-	-	(13)
Transfer from construction in progress (Note IV 18d)	35	1	1	37
Decrease in the current year	(165)	(1)	(599)	(765)
31 December 2022	10,822	87	9,798	20,707
Accumulated depreciation:				
1 January 2022	3,126	71	5,096	8,293
Increase in the current year (Note IV 44)	448	6	1,479	1,933
Transfer from investment properties (Note IV 12)	13	-	-	13
Transfer to investment properties (Note IV 12)	(1)	-	-	(1)
Decrease in the current year	(66)	(1)	(548)	(615)
31 December 2022	3,520	76	6,027	9,623
Impairment provision:				
1 January 2022	1	-	-	1
31 December 2022 (Note IV 19)	1	-	-	1
Carrying amount				
31 December 2022	7,301	11	3,771	11,083
1 January 2022	7,755	16	4,203	11,974

	The Bank			
	Buildings	Transportation vehicles	Office and electronic equipment	Total
Original cost:				
1 January 2022	10,882	87	9,263	20,232
Increase in the current year	1	-	1,077	1,078
Transfer from investment properties (Note IV 12)	82	-	-	82
Transfer to investment properties (Note IV 12)	(13)	-	-	(13)
Transfer from construction in progress (Note IV 18d)	35	1	1	37
Decrease in the current year	(165)	(1)	(599)	(765)
31 December 2022	10,822	87	9,742	20,651
Accumulated depreciation:				
1 January 2022	3,126	71	5,087	8,284
Increase in the current year (Note IV 44)	448	6	1,461	1,915
Transfer from investment properties (Note IV 12)	13	-	-	13
Transfer to investment properties (Note IV 12)	(1)	-	-	(1)
Decrease in the current year	(66)	(1)	(548)	(615)
31 December 2022	3,520	76	6,000	9,596
Impairment provision:				
1 January 2022	1	-	-	1
31 December 2022 (Note IV 19)	1	-	-	1
Carrying amount				
31 December 2022	7,301	11	3,742	11,054
1 January 2022	7,755	16	4,176	11,947

As at 31 December 2023, the buildings with original cost of RMB74 million (31 December 2022: RMB63 million) and net book value of RMB14 million (31 December 2022: RMB15 million) were in use by the Group and the Bank without having the registration certificates of property.

Notes to the Financial Statements

For the year ended 31 December 2023
(All amounts in RMB million unless otherwise stated)

IV. Notes to key items in the financial statements (Continued)

14. Lease contracts

(a) Recognized in the balance sheet

	The Group	
	2023	2022
Original cost of right-of-use assets:		
Balance at the beginning of the year	13,090	12,181
Increase in the current year	1,881	2,613
Decrease in the current year	(2,329)	(1,704)
Balance at the end of the year	12,642	13,090
Accumulated depreciation of right-of-use assets:		
Balance at the beginning of the year	6,560	5,410
Increase in the current year (Note IV 44)	2,491	2,650
Decrease in the current year	(2,185)	(1,500)
Balance at the end of the year	6,866	6,560
Impairment provision:		
Balance at the beginning of the year	-	-
Balance at the end of the year	-	-
Carrying amount of right-of-use assets		
Balance at the end of the year	5,776	6,530
Balance at the beginning of the year	6,530	6,771

	The Group	
	31 December 2023	31 December 2022
Lease liabilities	6,210	6,922

	The Bank	
	2023	2022
Original cost of right-of-use assets:		
Balance at the beginning of the year	13,026	12,126
Increase in the current year	1,881	2,604
Decrease in the current year	(2,265)	(1,704)
Balance at the end of the year	12,642	13,026
Accumulated depreciation of right-of-use assets:		
Balance at the beginning of the year	6,500	5,383
Increase in the current year (Note IV 44)	2,486	2,617
Decrease in the current year	(2,120)	(1,500)
Balance at the end of the year	6,866	6,500
Impairment provision:		
Balance at the beginning of the year	-	-
Balance at the end of the year	-	-
Carrying amount of right-of-use assets		
Balance at the end of the year	5,776	6,526
Balance at the beginning of the year	6,526	6,743

	The Bank	
	31 December 2023	31 December 2022
Lease liabilities	6,210	6,922

(b) As at 31 December 2023, lease payments related to lease contracts signed but unexecuted by the Group and the Bank amounted to RMB53 million (31 December 2022: RMB152 million).

Notes to the Financial Statements

For the year ended 31 December 2023
(All amounts in RMB million unless otherwise stated)

IV. Notes to key items in the financial statements (Continued)

15. Intangible assets

	The Group and the Bank			
	Core deposit (Note)	Land use rights	Software and others	Total
Cost/valuation				
1 January 2023	5,757	4,011	6,220	15,988
Additions in the current year	-	-	281	281
Transfer from development expenditure	-	-	324	324
Decrease in the current year	-	-	(74)	(74)
31 December 2023	5,757	4,011	6,751	16,519
Amortization				
1 January 2023	3,308	154	5,647	9,109
Amortization in the current year (Note IV 44)	287	111	391	789
Decrease in the current year	-	-	(1)	(1)
31 December 2023	3,595	265	6,037	9,897
Carrying amount				
31 December 2023	2,162	3,746	714	6,622
1 January 2023	2,449	3,857	573	6,879

	The Group and the Bank			
	Core deposit (Note)	Land use rights	Software and others	Total
Cost/valuation				
1 January 2022	5,757	2,727	5,697	14,181
Additions in the current year	-	1,284	40	1,324
Transfer from development expenditure	-	-	502	502
Decrease in the current year	-	-	(19)	(19)
31 December 2022	5,757	4,011	6,220	15,988
Amortization				
1 January 2022	3,021	68	5,291	8,380
Amortization in the current year (Note IV 44)	287	86	359	732
Decrease in the current year	-	-	(3)	(3)
31 December 2022	3,308	154	5,647	9,109
Carrying amount				
31 December 2022	2,449	3,857	573	6,879
1 January 2022	2,736	2,659	406	5,801

Note: Core deposits were accounts that a financial institution expected to maintain for an extended period of time due to ongoing business relationships. The intangible asset value associated with core deposits reflected the use of the deposits as an alternative source of funding at a lower cost.

Notes to the Financial Statements

For the year ended 31 December 2023
(All amounts in RMB million unless otherwise stated)

IV. Notes to key items in the financial statements (Continued)

16. Goodwill

	The Group and the Bank				
	2023				
	1 January 2023	Increase in the current year	Decrease in the current year	31 December 2023	Impairment provision
Former Ping An Bank	7,568	-	-	7,568	-

	The Group and the Bank				
	2022				
	1 January 2022	Increase in the current year	Decrease in the current year	31 December 2022	Impairment provision
Former Ping An Bank	7,568	-	-	7,568	-

Former Ping An Bank was acquired by the Group in July 2011 and the goodwill acquired from this business combination amounted to RMB7,568 million. The goodwill acquired from the business combination was allocated to the eastern district, southern district, western district, northern district and credit card center cash-generating units for impairment test so as to compare the recoverable amount with the carrying amount of the cash-generating units. Those cash-generating units were consistent with the cash-generating units recognized at the acquisition date and during the impairment test of goodwill in prior years.

The recoverable amounts of the cash-generating units were determined based on the present value of the expected future cash flows of the cash-generating units. The expected future cash flows is determined based on the expected cash flows from the 5 years' budget plan as approved by the management. The cash flows beyond the 5 years' period is extrapolated based on the long-term average growth rates within the operating geographic locations and industries of the cash-generating units. The discount rate for future cash flow is 11.73% (31 December 2022: 11.51%), which is pre-tax and reflects specific risks relating to the relevant asset groups.

According to the results of impairment tests, as at 31 December 2023, there was no indication that goodwill may be impaired (31 December 2022: not impaired).

17. Deferred income tax assets

The Group's temporary differences of deferred income tax assets and liabilities before offsetting are shown below:

	The Group			
	31 December 2023		31 December 2022	
	Deductible/(taxable) temporary differences	Deferred income tax assets/(liabilities)	Deductible/(taxable) temporary differences	Deferred income tax assets/(liabilities)
<u>Deferred income tax assets</u>				
Provision for impairment of assets	175,764	43,941	174,984	43,746
Salaries and bonuses	11,160	2,790	7,864	1,966
Changes in fair value of financial assets and liabilities held for trading, derivatives and precious metals	184	46	148	37
Changes in fair value of financial instruments designated at fair value and changes included into other comprehensive income	568	142	1,172	293
Lease liabilities	6,210	1,553	6,922	1,731
Others	6,628	1,657	1,492	373
Sub-total	200,514	50,129	192,582	48,146
<u>Deferred income tax liabilities</u>				
Identifiable assets acquired in business combination of Former Ping An Bank at fair value	(2,296)	(574)	(2,608)	(652)
Changes in fair value of financial assets and liabilities held for trading, derivatives and precious metals	(7,208)	(1,802)	(4,252)	(1,063)
Right-of-use assets	(5,776)	(1,444)	(6,530)	(1,633)
Others	(2,208)	(552)	(2,876)	(719)
Sub-total	(17,488)	(4,372)	(16,266)	(4,067)
Net book value	183,026	45,757	176,316	44,079

Notes to the Financial Statements

For the year ended 31 December 2023
(All amounts in RMB million unless otherwise stated)

IV. Notes to key items in the financial statements (Continued)

17. Deferred income tax assets (Continued)

The temporary differences of deferred income tax assets and liabilities before offsetting are shown below:

	The Bank			
	31 December 2023		31 December 2022	
	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)
Deferred income tax assets				
Provision for impairment of assets	175,756	43,939	174,984	43,746
Salaries and bonuses	11,024	2,756	7,736	1,934
Changes in fair value of financial assets and liabilities held for trading, derivatives and precious metals	-	-	-	-
Changes in fair value of financial instruments designated at fair value and changes included into other comprehensive income	568	142	1,164	291
Lease liabilities	6,210	1,553	6,922	1,731
Others	6,620	1,655	1,488	372
Sub-total	200,178	50,045	192,294	48,074
Deferred income tax liabilities				
Identifiable assets acquired in business combination of Former Ping An Bank at fair value	(2,296)	(574)	(2,608)	(652)
Changes in fair value of financial assets and liabilities held for trading, derivatives and precious metals	(7,208)	(1,802)	(4,252)	(1,063)
Right-of-use assets	(5,776)	(1,444)	(6,526)	(1,632)
Others	(2,180)	(545)	(2,848)	(712)
Sub-total	(17,460)	(4,365)	(16,234)	(4,059)
Net book value	182,718	45,680	176,060	44,015

	The Group			
	2023			
	1 January 2023	Recognized in profit or loss (Note IV 46)	Recognized in other comprehensive income (Note IV 47)	31 December 2023
Deferred income tax assets				
Provision for impairment of assets	43,746	(98)	293	43,941
Salaries and bonuses	1,966	824	-	2,790
Changes in fair value of financial assets and liabilities held for trading, derivatives and precious metals	37	9	-	46
Changes in fair value of financial instruments designated at fair value and changes included into other comprehensive income	293	-	(151)	142
Lease liabilities	1,731	(178)	-	1,553
Others	373	1,284	-	1,657
Sub-total	48,146	1,841	142	50,129
Deferred income tax liabilities				
Identifiable assets acquired in business combination of Former Ping An Bank at fair value	(652)	78	-	(574)
Changes in fair value of financial assets and liabilities held for trading, derivatives and precious metals	(1,063)	(739)	-	(1,802)
Right-of-use assets	(1,633)	189	-	(1,444)
Others	(719)	167	-	(552)
Sub-total	(4,067)	(305)	-	(4,372)
Net book value	44,079	1,536	142	45,757

Notes to the Financial Statements

For the year ended 31 December 2023
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IV. Notes to key items in the financial statements (Continued)

17. Deferred income tax assets (Continued)

	The Bank			
	2023			
	1 January 2023	Recognized in profit or loss (Note IV 46)	Recognized in other comprehensive income (Note IV 47)	31 December 2023
Deferred income tax assets				
Provision for impairment of assets	43,746	(99)	292	43,939
Salaries and bonuses	1,934	822	-	2,756
Changes in fair value of financial assets and liabilities held for trading, derivatives and precious metals	-	-	-	-
Changes in fair value of financial instruments designated at fair value and changes included into other comprehensive income	291	-	(149)	142
Lease liabilities	1,731	(178)	-	1,553
Others	372	1,283	-	1,655
Sub-total	48,074	1,828	143	50,045
Deferred income tax liabilities				
Identifiable assets acquired in business combination of Former Ping An Bank at fair value	(652)	78	-	(574)
Changes in fair value of financial assets and liabilities held for trading, derivatives and precious metals	(1,063)	(739)	-	(1,802)
Right-of-use assets	(1,632)	188	-	(1,444)
Others	(712)	167	-	(545)
Sub-total	(4,059)	(306)	-	(4,365)
Net book value	44,015	1,522	143	45,680

	The Group			
	2022			
	1 January 2022	Recognized in profit or loss (Note IV 46)	Recognized in other comprehensive income (Note IV 47)	31 December 2022
Deferred income tax assets				
Provision for impairment of assets	39,061	5,313	(628)	43,746
Salaries and bonuses	1,691	275	-	1,966
Changes in fair value of financial assets and liabilities held for trading, derivatives and precious metals	10	27	-	37
Changes in fair value of financial instruments designated at fair value and changes included into other comprehensive income	-	-	293	293
Lease liabilities	1,736	(5)	-	1,731
Others	444	(71)	-	373
Sub-total	42,942	5,539	(335)	48,146
Deferred income tax liabilities				
Identifiable assets acquired in business combination of Former Ping An Bank at fair value	(729)	77	-	(652)
Changes in fair value of financial assets and liabilities held for trading, derivatives and precious metals	(2)	(1,061)	-	(1,063)
Changes in fair value of financial instruments designated at fair value and changes included into other comprehensive income	(31)	-	31	-
Right-of-use assets	(1,686)	53	-	(1,633)
Others	(759)	40	-	(719)
Sub-total	(3,207)	(891)	31	(4,067)
Net book value	39,735	4,648	(304)	44,079

Notes to the Financial Statements

For the year ended 31 December 2023
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IV. Notes to key items in the financial statements (Continued)

17. Deferred income tax assets (Continued)

	The Bank			
	2022			
	1 January 2022	Recognized in profit or loss (Note IV 46)	Recognized in other comprehensive income (Note IV 47)	31 December 2022
Deferred income tax assets				
Provision for impairment of assets	39,060	5,312	(626)	43,746
Salaries and bonuses	1,668	266	-	1,934
Changes in fair value of financial assets and liabilities held for trading, derivatives and precious metals	10	(10)	-	-
Changes in fair value of financial instruments designated at fair value and changes included into other comprehensive income	-	-	291	291
Lease liabilities	1,736	(5)	-	1,731
Others	443	(71)	-	372
Sub-total	42,917	5,492	(335)	48,074
Deferred income tax liabilities				
Identifiable assets acquired in business combination of Former Ping An Bank at fair value	(729)	77	-	(652)
Changes in fair value of financial assets and liabilities held for trading, derivatives and precious metals	-	(1,063)	-	(1,063)
Changes in fair value of financial instruments designated at fair value and changes included into other comprehensive income	(30)	-	30	-
Right-of-use assets	(1,686)	54	-	(1,632)
Others	(753)	41	-	(712)
Sub-total	(3,198)	(891)	30	(4,059)
Net book value	39,719	4,601	(305)	44,015

18. Other assets

(a) Summarized by nature

	The Group	
	31 December 2023	31 December 2022
Prepayments and guarantee deposits (Note IV 18b)	1,332	1,486
Deposit of litigation fees	785	913
Fees receivable	3,669	4,875
Foreclosed assets (Note IV 18c)	1,793	2,059
Construction in progress (Note IV 18d)	1,846	789
Long-term prepaid expenses (Note IV 18e)	1,379	1,429
Settlement receivables	39,036	29,680
Development expenditure	128	138
Interest receivable	1,025	1,029
Others	3,137	3,402
Total other assets	54,130	45,800
Less: Impairment provision		
Foreclosed assets (Note IV 18c)	(1,587)	(1,699)
Others	(2,312)	(1,253)
Total impairment provision	(3,899)	(2,952)
Net value of other assets	50,231	42,848

Notes to the Financial Statements

For the year ended 31 December 2023
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IV. Notes to key items in the financial statements (Continued)

18. Other assets (Continued)

(a) Summarized by nature

	The Group	
	31 December 2023	31 December 2022
Prepayments and guarantee deposits (Note IV 18b)	1,332	1,486
Deposit of litigation fees	785	913
Fees receivable	3,669	4,875
Foreclosed assets (Note IV 18c)	1,793	2,059
Construction in progress (Note IV 18d)	1,846	789
Long-term prepaid expenses (Note IV 18e)	1,379	1,429
Settlement receivables	39,036	29,680
Development expenditure	128	138
Interest receivable	1,025	1,029
Others	3,137	3,402
Total other assets	54,130	45,800
Less: Impairment provision		
Foreclosed assets (Note IV 18c)	(1,587)	(1,699)
Others	(2,312)	(1,253)
Total impairment provision	(3,899)	(2,952)
Net value of other assets	50,231	42,848

	The Bank	
	31 December 2023	31 December 2022
Prepayments and guarantee deposits (Note IV 18b)	1,317	1,475
Deposit of litigation fees	785	913
Fees receivable	3,496	4,623
Foreclosed assets (Note IV 18c)	1,793	2,059
Construction in progress (Note IV 18d)	1,846	789
Long-term prepaid expenses (Note IV 18e)	1,379	1,429
Settlement receivables	39,036	29,680
Development expenditure	128	138
Interest receivable	1,025	1,029
Others	3,133	3,399
Total other assets	53,938	45,534
Less: Impairment provision		
Foreclosed assets (Note IV 18c)	(1,587)	(1,699)
Others	(2,312)	(1,253)
Total impairment provision	(3,899)	(2,952)
Net value of other assets	50,039	42,582

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IV. Notes to key items in the financial statements (Continued)

18. Other assets (Continued)

(b) Prepayments and guarantee deposits

Summarised by ageing

	The Group			
	31 December 2023		31 December 2022	
	Amount	Percentage	Amount	Percentage
Less than 1 year	420	31.53%	847	56.99%
1 to 2 years	415	31.16%	196	13.19%
2 to 3 years	126	9.46%	83	5.59%
Over 3 years	371	27.85%	360	24.23%
Total	1,332	100.00%	1,486	100.00%

	The Bank			
	31 December 2023		31 December 2022	
	Amount	Percentage	Amount	Percentage
Less than 1 year	414	31.44%	844	57.22%
1 to 2 years	412	31.28%	196	13.29%
2 to 3 years	126	9.57%	75	5.08%
Over 3 years	365	27.71%	360	24.41%
Total	1,317	100.00%	1,475	100.00%

(c) Foreclosed assets

	The Group and the Bank	
	31 December 2023	31 December 2022
Land and buildings	1,791	2,058
Others	2	1
Sub-total	1,793	2,059
Less: Provision for impairment of foreclosed assets (Note IV 19)	(1,587)	(1,699)
Net value of foreclosed assets	206	360

For the year ended 31 December 2023, the Group and the Bank took possession of collateral held as a security with a carrying amount of RMB1 million (2022: RMB1 million). For the year ended 31 December 2023, the Group and the Bank disposed debt assets of RMB267 million (2022: RMB276 million). The Group and the Bank planned to dispose of the repossessed assets through auctions, bidding or transfers in the subsequent years.

Notes to the Financial Statements

For the year ended 31 December 2023
(All amounts in RMB million unless otherwise stated)

IV. Notes to key items in the financial statements (Continued)

18. Other assets (Continued)

(d) Construction in progress

	The Group and the Bank	
	2023	2022
Balance at the beginning of the year	789	728
Increase in the current year	1,531	588
Transfer to fixed assets (Note IV 13)	(31)	(37)
Transfer to long-term prepaid expenses (Note IV 18e)	(443)	(490)
Balance at the end of the year	1,846	789

Construction in progress of the Group and the Bank is listed as follows:

	The Group and the Bank					
	2023					
	Budget	Balance at 1 January 2023	Increase in the current year	Decrease in the current year	Balance at 31 December 2023	Percentage of engineering investment to budget
Project of Zhongbei Road, Wuhan	1,609	-	843	-	843	52.39%
Construction of Ping An Credit Card Global Technology Building	1,900	522	243	-	765	40.26%

(e) Long-term prepaid expenses

	The Group	
	2023	2022
Balance at the beginning of the year	1,429	1,514
Increase in the current year	264	160
Transfer from construction in progress (Note IV 18d)	443	490
Amortization in the current year	(746)	(711)
Other decreases in the current year	(11)	(24)
Balance at the end of the year	1,379	1,429

	The Bank	
	2023	2022
Balance at the beginning of the year	1,429	1,512
Increase in the current year	264	160
Transfer from construction in progress (Note IV 18d)	443	490
Amortization in the current year	(746)	(709)
Other decreases in the current year	(11)	(24)
Balance at the end of the year	1,379	1,429

Notes to the Financial Statements

For the year ended 31 December 2023
(All amounts in RMB million unless otherwise stated)

IV. Notes to key items in the financial statements (Continued)

19. Provision for impairment of assets

	The Group								
	2023								
	Note IV	1 January 2023	Provision/ (Reversal) in the current year	Write-off in the current year	Recovery of assets written off previously in the current year	Transfer upon asset disposal in the current year	Changes in value of loans due to discount	Other changes	31 December 2023
Impairment provision for deposits with banks and other financial institutions	2	2,093	(1,512)	-	-	-	-	7	588
Impairment provision for placements to banks and other financial institutions measured at amortized cost	3	2,328	(1,394)	-	-	-	-	(2)	932
Impairment provision for placements to banks and other financial institutions designated at fair value and changes included into other comprehensive income	3	91	(91)	-	-	-	-	-	-
Impairment provision for financial assets held under resale agreements	5	5	104	-	-	-	-	-	109
Impairment provision for loans and advances to customers measured at amortized cost	6	97,919	62,973	(68,140)	17,779	(12,587)	(83)	(508)	97,353
Impairment provision for loans and advances to customers designated at fair value and changes included into other comprehensive income	6	3,277	(140)	(445)	-	-	-	-	2,692
Impairment provision for investment on debts	8	16,387	(5,538)	(157)	1,346	(256)	-	58	11,840
Impairment provision for other investment on debts	9	1,339	(498)	-	1	-	-	-	842
Impairment provision for fixed assets	13	1	-	-	-	-	-	-	1
Impairment provision for foreclosed assets	18c	1,699	77	-	-	(189)	-	-	1,587
Impairment provision for others		1,532	1,297	(171)	16	-	-	-	2,674
Total		126,671	55,278	(68,913)	19,142	(13,032)	(83)	(445)	118,618

	The Bank								
	2023								
	Note IV	1 January 2023	Provision/ (Reversal) in the current year	Write-off in the current year	Recovery of assets written off previously in the current year	Transfer upon asset disposal in the current year	Changes in value of loans due to discount	Other changes	31 December 2023
Impairment provision for deposits with banks and other financial institutions	2	2,093	(1,513)	-	-	-	-	7	587
Impairment provision for placements to banks and other financial institutions measured at amortized cost	3	2,328	(1,394)	-	-	-	-	(2)	932
Impairment provision for placements to banks and other financial institutions designated at fair value and changes included into other comprehensive income	3	91	(91)	-	-	-	-	-	-
Impairment provision for financial assets held under resale agreements	5	5	103	-	-	-	-	-	108
Impairment provision for loans and advances to customers measured at amortized cost	6	97,919	62,973	(68,140)	17,779	(12,587)	(83)	(508)	97,353
Impairment provision for loans and advances to customers designated at fair value and changes included into other comprehensive income	6	3,277	(140)	(445)	-	-	-	-	2,692
Impairment provision for investment on debts	8	16,385	(5,540)	(157)	1,346	(256)	-	58	11,836
Impairment provision for other investment on debts	9	1,339	(498)	-	1	-	-	-	842
Impairment provision for fixed assets	13	1	-	-	-	-	-	-	1
Impairment provision for foreclosed assets	18c	1,699	77	-	-	(189)	-	-	1,587
Impairment provision for others		1,532	1,297	(171)	16	-	-	-	2,674
Total		126,669	55,274	(68,913)	19,142	(13,032)	(83)	(445)	118,612

Notes to the Financial Statements

For the year ended 31 December 2023

(All amounts in RMB million unless otherwise stated)

IV. Notes to key items in the financial statements (Continued)

19. Provision for impairment of assets (Continued)

	The Group								
	2022								
	Note IV	1 January 2022	Provision/ (Reversal) in the current year	Write-off in the current year	Recovery of assets written off previously in the current year	Transfer upon asset disposal in the current year	Changes in value of loans due to discount	Other changes	31 December 2022
Impairment provision for deposits with banks and other financial institutions	2	573	1,502	-	-	-	-	18	2,093
Impairment provision for placements to banks and other financial institutions measured at amortized cost	3	72	2,254	-	-	-	-	2	2,328
Impairment provision for placements to banks and other financial institutions designated at fair value and changes included into other comprehensive income	3	170	(79)	-	-	-	-	-	91
Impairment provision for financial assets held under resale agreements	5	1	4	-	-	-	-	-	5
Impairment provision for loans and advances to customers measured at amortized cost	6	89,256	61,837	(59,802)	11,942	(5,334)	(45)	65	97,919
Impairment provision for loans and advances to customers designated at fair value and changes included into other comprehensive income	6	946	2,331	-	-	-	-	-	3,277
Impairment provision for investment on debts	8	11,110	(2,763)	-	8,283	(333)	-	90	16,387
Impairment provision for other investment on debts	9	1,083	127	-	129	-	-	-	1,339
Impairment provision for fixed assets	13	1	-	-	-	-	-	-	1
Impairment provision for foreclosed assets	18c	1,895	(35)	-	-	(161)	-	-	1,699
Impairment provision for others		1,330	251	(61)	10	-	-	2	1,532
Total		106,437	65,429	(59,863)	20,364	(5,828)	(45)	177	126,671

	The Bank								
	2022								
	Note IV	1 January 2022	Provision/ (Reversal) in the current year	Write-off in the current year	Recovery of assets written off previously in the current year	Transfer upon asset disposal in the current year	Changes in value of loans due to discount	Other changes	31 December 2022
Impairment provision for deposits with banks and other financial institutions	2	571	1,504	-	-	-	-	18	2,093
Impairment provision for placements to banks and other financial institutions measured at amortized cost	3	72	2,254	-	-	-	-	2	2,328
Impairment provision for placements to banks and other financial institutions designated at fair value and changes included into other comprehensive income	3	170	(79)	-	-	-	-	-	91
Impairment provision for financial assets held under resale agreements	5	1	4	-	-	-	-	-	5
Impairment provision for loans and advances to customers measured at amortized cost	6	89,256	61,837	(59,802)	11,942	(5,334)	(45)	65	97,919
Impairment provision for loans and advances to customers designated at fair value and changes included into other comprehensive income	6	946	2,331	-	-	-	-	-	3,277
Impairment provision for investment on debts	8	11,110	(2,765)	-	8,283	(333)	-	90	16,385
Impairment provision for other investment on debts	9	1,083	127	-	129	-	-	-	1,339
Impairment provision for fixed assets	13	1	-	-	-	-	-	-	1
Impairment provision for foreclosed assets	18c	1,895	(35)	-	-	(161)	-	-	1,699
Impairment provision for others		1,330	251	(61)	10	-	-	2	1,532
Total		106,435	65,429	(59,863)	20,364	(5,828)	(45)	177	126,669

Notes to the Financial Statements

For the year ended 31 December 2023
(All amounts in RMB million unless otherwise stated)

IV. Notes to key items in the financial statements (Continued)

20. Borrowings from the Central bank

	The Group and the Bank	
	31 December 2023	31 December 2022
Medium-term borrowing facility	124,800	115,600
Selling repurchase bills to the Central Bank	26	211
Selling repurchase bonds to the Central Bank	74,970	69,760
Others	6,992	4,548
Sub-total	206,788	190,119
Add: Accrued interest	1,995	1,797
Total	208,783	191,916

21. Deposits from banks and other financial institutions

	The Group	
	31 December 2023	31 December 2022
Domestic banks and other financial institutions	103,142	98,717
Other domestic financial institutions	360,016	307,523
Overseas banks and other financial institutions	276	104
Other overseas financial institutions	87	36
Sub-total	463,521	406,380
Add: Accrued interest	4,270	898
Total	467,791	407,278

	The Bank	
	31 December 2023	31 December 2022
Domestic banks and other financial institutions	103,142	98,717
Other domestic financial institutions	360,064	307,850
Overseas banks and other financial institutions	276	104
Other overseas financial institutions	87	36
Sub-total	463,569	406,707
Add: Accrued interest	4,270	898
Total	467,839	407,605

22. Placements from banks and other financial institutions

	The Group and the Bank	
	31 December 2023	31 December 2022
<u>Placements from banks and other financial institutions measured at amortized cost</u>		
Domestic banks and other financial institutions	38,100	29,454
Overseas banks and other financial institutions	8,033	23,665
Add: Accrued interest	134	163
Sub-total	46,267	53,282
<u>Placements from banks and other financial institutions measured at amortized cost</u>		
Domestic banks and other financial institutions	-	3,290
Other domestic financial institutions	144	-
Overseas banks and other financial institutions	2,648	821
Add: Accrued interest	2,792	4,111
Sub-total	49,059	57,393

Notes to the Financial Statements

For the year ended 31 December 2023
(All amounts in RMB million unless otherwise stated)

IV. Notes to key items in the financial statements (Continued)

23. Financial liabilities held for trading

	The Group and the Bank	
	31 December 2023	31 December 2022
Payables of bond lending	29,649	63,288
Financial liabilities arising from precious metals	1,965	1,655
Total	31,614	64,943

24. Financial assets sold under repurchase agreements

(a) Summarized by type of banks and other financial institutions

	The Group	
	31 December 2023	31 December 2022
Banks and other financial institutions	58,151	13,302
Add: Accrued interest	1	1
Total	58,152	13,303

	The Bank	
	31 December 2023	31 December 2022
Banks and other financial institutions	40,050	13,302
Add: Accrued interest	1	1
Total	40,051	13,303

(b) Summarized by collateral type

	The Group	
	31 December 2023	31 December 2022
Bonds	49,299	10,597
Bills	8,852	2,705
Sub-total	58,151	13,302
Add: Accrued interest	1	1
Total	58,152	13,303

	The Bank	
	31 December 2023	31 December 2022
Bonds	31,198	10,597
Bills	8,852	2,705
Sub-total	40,050	13,302
Add: Accrued interest	1	1
Total	40,051	13,303

Financial assets transferred as collateral under repurchase agreements are not derecognized.

Notes to the Financial Statements

For the year ended 31 December 2023
(All amounts in RMB million unless otherwise stated)

IV. Notes to key items in the financial statements (Continued)

25. Deposits from customers

	The Group	
	31 December 2023	31 December 2022
Demand deposits		
Corporate customers	902,975	879,189
Individual customers	290,336	297,120
Sub-total	1,193,311	1,176,309
Time deposits		
Corporate customers	1,296,702	1,398,525
Individual customers	917,282	737,850
Sub-total	2,213,984	2,136,375
Add: Accrued interest	50,992	39,582
Total	3,458,287	3,352,266

	The Bank	
	31 December 2023	31 December 2022
Demand deposits		
Corporate customers	902,975	879,193
Individual customers	290,336	297,120
Sub-total	1,193,311	1,176,313
Time deposits		
Corporate customers	1,296,702	1,398,525
Individual customers	917,282	737,850
Sub-total	2,213,984	2,136,375
Add: Accrued interest	50,992	39,582
Total	3,458,287	3,352,270

26. Employee benefits payable

	The Group	
	31 December 2023	31 December 2022
Short-term employee benefits payable (a)	17,111	18,484
Defined contribution plans and defined benefit plans payable (b)	77	86
Termination benefits payable	1	1
Total	17,189	18,571

	The Bank	
	31 December 2023	31 December 2022
Short-term employee benefits payable (a)	16,755	18,184
Defined contribution plans and defined benefit plans payable (b)	77	86
Termination benefits payable	1	1
Total	16,833	18,271

Notes to the Financial Statements

For the year ended 31 December 2023
(All amounts in RMB million unless otherwise stated)

IV. Notes to key items in the financial statements (Continued)

26. Employee benefits payable (Continued)

(a) Short-term employee benefits payable

	The Group			
	2023			
	1 January 2023	Increase in the current year	Payment in the current year	31 December 2023
Salaries, bonuses, allowances and subsidies	17,926	15,536	(17,013)	16,449
Staff welfare and other social insurance	476	1,774	(1,662)	588
Housing funds	-	1,269	(1,269)	-
Labor union and training expenses	82	458	(466)	74
Total	18,484	19,037	(20,410)	17,111

	The Bank			
	2023			
	1 January 2023	Increase in the current year	Payment in the current year	31 December 2023
Salaries, bonuses, allowances and subsidies	17,628	15,173	(16,705)	16,096
Staff welfare and other social insurance	474	1,755	(1,643)	586
Housing funds	-	1,254	(1,254)	-
Labor union and training expenses	82	450	(459)	73
Total	18,184	18,632	(20,061)	16,755

	The Group			
	2022			
	1 January 2022	Increase in the current year	Payment in the current year	31 December 2022
Salaries, bonuses, allowances and subsidies	17,475	17,450	(16,999)	17,926
Staff welfare and other social insurance	452	1,568	(1,544)	476
Housing funds	-	1,103	(1,103)	-
Labor union and training expenses	76	454	(448)	82
Total	18,003	20,575	(20,094)	18,484

	The Bank			
	2022			
	1 January 2022	Increase in the current year	Payment in the current year	31 December 2022
Salaries, bonuses, allowances and subsidies	17,248	17,123	(16,743)	17,628
Staff welfare and other social insurance	451	1,549	(1,526)	474
Housing funds	-	1,092	(1,092)	-
Labor union and training expenses	76	447	(441)	82
Total	17,775	20,211	(19,802)	18,184

Notes to the Financial Statements

For the year ended 31 December 2023

(All amounts in RMB million unless otherwise stated)

IV. Notes to key items in the financial statements (Continued)

26. Employee benefits payable (Continued)

(b) Defined contribution plans and defined benefit plans payable

	The Group			
	2023			
	1 January 2023	Increase in the current year	Payment in the current year	31 December 2023
Defined contribution plans	47	1,819	(1,827)	39
Defined benefit plans	39	2	(3)	38
Total	86	1,821	(1,830)	77

	The Bank			
	2023			
	1 January 2023	Increase in the current year	Payment in the current year	31 December 2023
Defined contribution plans	47	1,802	(1,810)	39
Defined benefit plans	39	2	(3)	38
Total	86	1,804	(1,813)	77

	The Group			
	2022			
	1 January 2022	Increase in the current year	Payment in the current year	31 December 2022
Defined contribution plans	50	1,607	(1,610)	47
Defined benefit plans	41	2	(4)	39
Total	91	1,609	(1,614)	86

	The Bank			
	2022			
	1 January 2022	Increase in the current year	Payment in the current year	31 December 2022
Defined contribution plans	49	1,592	(1,594)	47
Defined benefit plans	41	2	(4)	39
Total	90	1,594	(1,598)	86

27. Taxes payable

	The Group	
	31 December 2023	31 December 2022
Corporate income tax payable	5,861	10,911
VAT payable	2,919	3,094
Additional taxes and surcharges payable	385	394
Others	215	275
Total	9,380	14,674

	The Bank	
	31 December 2023	31 December 2022
Corporate income tax payable	5,563	10,478
VAT payable	2,834	2,977
Additional taxes and surcharges payable	375	380
Others	213	272
Total	8,985	14,107

Notes to the Financial Statements

For the year ended 31 December 2023

(All amounts in RMB million unless otherwise stated)

IV. Notes to key items in the financial statements (Continued)

28. Debt securities issued

	The Group and the Bank	
	31 December 2023	31 December 2022
Debt securities issued		
Financial bonds (Note 1)	99,995	99,994
Tier 2 capital bonds (Note 2)	59,984	59,981
Sub-total	159,979	159,975
Deposit receipts and certificates of deposit issued by banks and other financial institutions (Note 3)	565,833	529,724
Add: Accrued interest	2,516	2,376
Total	728,328	692,075

As at 31 December 2023 and 31 December 2022, the Group and the Bank did not have any defaults of principal, interest or other breaches with respect to debt securities issued.

Note 1: As approved by the PBOC and the NFRA, the Bank issued financial bonds amounting to RMB30 billion, RMB20 billion, RMB20 billion, RMB5 billion, RMB5 billion, RMB20 billion and RMB30 billion respectively in the inter-bank market on 22 May 2020, 28 January 2021, 17 October 2022, 28 October 2022, 28 October 2022, 8 November 2022 and 10 April 2023. The debt instruments have 3 years to maturity, with fixed coupon rates of 2.30%, 3.45%, 2.45%, 2.45%, 2.45%, 2.45% and 2.77% respectively. In May 2023, the 2020 financial bonds above were redeemed upon maturity. As at 31 December 2023, the book balance of the Bank's financial bonds were RMB20,000 million, RMB19,999 million, RMB4,999 million, RMB4,999 million, RMB19,999 million and RMB29,999 million, respectively.

Note 2: As approved by the PBOC and the NFRA, the Bank issued Tier 2 capital bonds amounting to RMB30 billion and RMB30 billion respectively in the inter-bank market on 25 April 2019 and 9 November 2021. These subordinated bonds have 10 years to maturity with fixed coupon rates. The Bank has the option to redeem these bonds at the end of the fifth year on certain conditions and the coupon rates are 4.55% and 3.69% respectively. As at 31 December 2023, the book balance of the Bank's Tier 2 capital bonds in 2019 and 2021 was RMB29,987 million and RMB29,997 million respectively.

When the triggering event occurs, the Bank has the right to irrevocably fully write down the principals of bonds and other Tier 1 capital instruments issued in the current period, without the consent from bondholders, from the day following the triggering event. Any unpaid accumulated interest payable will no longer be paid. Once the principals of bonds are written down, the bonds are permanently canceled, no longer be restored in any condition. The triggering event is the earlier of following: (1) if the principals are not written down, the issuer will be prohibited from operating by the NFRA; (2) with no capital injection or equivalent support from the public sector, the issuer will be prohibited from operating by the NFRA.

Note 3: As at 31 December 2023, the original term of deposit receipts and certificates of deposit issued by banks and other financial institutions but unmatured was from 3 months to 1 year, and the annual interest rate was from 2.22% to 5.32% (31 December 2022: the original term was from 1 month to 1 year, and the annual interest rate was from 1.65% to 3.01%).

29. Accrued liabilities

	The Group and the Bank	
	31 December 2023	31 December 2022
Provision for expected credit losses of credit commitments	13,347	9,640
Expected litigation losses	151	90
Total	13,498	9,730

30. Other liabilities

	The Group	
	31 December 2023	31 December 2022
Settlement & clearing and pending payables	10,393	5,418
Accrued and payable expenses	6,454	8,142
Inactive deposit account balances	25	57
Dividends payable (Note)	12	12
Amounts payable for custody	601	1,049
Contract liabilities	1,905	1,980
Quality warranties and deposits	158	224
Others	4,729	4,356
Total	24,277	21,238

Notes to the Financial Statements

For the year ended 31 December 2023
(All amounts in RMB million unless otherwise stated)

IV. Notes to key items in the financial statements (Continued)

30. Other liabilities (Continued)

	The Bank	
	31 December 2023	31 December 2022
Settlement & clearing and pending payables	10,393	5,418
Accrued and payable expenses	7,756	9,961
Inactive deposit account balances	25	57
Dividends payable (Note)	12	12
Amounts payable for custody	601	1,049
Contract liabilities	1,905	1,980
Quality warranties and deposits	158	224
Others	4,729	4,356
Total	25,579	23,057

Note: As at 31 December 2023 and 31 December 2022, the dividends payable of RMB12 million above had been overdue for more than 1 year as the related shareholders had not collected the dividends.

31. Share capital

As at 31 December 2023, the number of the Group's and the Bank's ordinary shares registered and fully paid was RMB19,406 million, with a par value of RMB1 per share. The nature and the structure of the share capital are as follows:

	The Group and the Bank					
	1 January 2023	Percentage	Movements in the current year	31 December 2023	Percentage	
Share capital of ordinary shares	19,406	100.00%	-	19,406	100.00%	

32. Other equity instruments

	The Group and the Bank	
	31 December 2023	31 December 2022
Preference shares (Note 1)	19,953	19,953
Perpetual bonds (Note 2)	49,991	49,991
Total	69,944	69,944

Note 1:

Outstanding financial instruments	Dividend rate	Issue price (In RMB)	Number of shares issued (Million)	Amount of shares issued (In RMB million)	Maturity date or renewal	Conversion
Preference shares	4.37%	100	200	20,000	No maturity date	No conversion

7 March 2016, the Bank issued 200 million preference shares at par. The amount of RMB19,953 million was included in other equity instruments after deducting issuance expenses. In the duration, in the case that relevant requirements are satisfied, the Bank has the option to redeem the whole or part of the preference shares on annual dividend payment date after expiry of 5 years after the approval of the NFRA. The redemption right for the preference shares is owned by the Bank after the approval of the NFRA. The nominal dividend rate of the preference shares is 4.37%, and the dividend is paid by cash at fixed rate annually.

As authorized by the shareholders' annual general meeting, the Board of Directors has the sole discretion to declare and distribute dividends on preference shares. No profit will be distributed to ordinary shareholders unless the Bank decides to completely distribute the current dividends on preference shares. The preference shares are non-cumulative preference shares and the Bank has the option to cancel a portion or all of the dividend distribution. Preference shareholders shall not participate in the distribution of residual profits with ordinary shareholders. As approved by the NFRA, the existing preference shares issued by the Bank will be completely or partially converted to ordinary shares of the Bank when the following triggering events of mandatory conversion happen:

(1) Where the triggering events of other Tier 1 capital instruments happen, namely when the core Tier 1 capital adequacy ratio falls to 5.125% (or lower), the preference shares will be completely or partially converted to A shares at once as agreed in the contract to restore the Bank's core Tier 1 capital adequacy ratio above the triggering point.

(2) Where the triggering events of Tier 2 capital instruments happen, the preference shares will be mandatorily converted to A shares. If the triggering conditions for mandatory conversion are all met, the existing preference shares will be completely or partially converted to A shares at agreed conversion price after approval of the regulator. Since the issuing scheme for preference shares is approved by the Board of Directors, where such conditions as bonus shares (excluding the option of cash dividend distribution), transfer to paid-in capital, issuance of new shares (excluding transfer to paid-in capital from issuance of financial instruments (e.g., preference shares, convertible bonds, etc.) with the terms of being convertible to ordinary shares) and allotment of shares happen, the Bank will make accumulative adjustments for mandatory conversion price successively following the sequential order of the above conditions without consideration of cash dividends on ordinary shares.

The preference shares issued by the Bank are classified as equity instruments and presented in shareholders' equity in balance sheet. Based on relevant provisions of the NFRA, the preference shares meet all the criteria of qualified other Tier 1 capital instruments.

Note 2: As approved by the PBOC and the NFRA, the Bank proposed to issue non-fixed term capital bonds totaling RMB50 billion with write-down features by installment in the national inter-bank market. On 19 December 2019, the Bank issued non-fixed term capital bonds with write-down features amounting to RMB20 billion in the national inter-bank market, and the issuance was completed on 26 December 2019. The par value per unit of the bonds was RMB100 and the coupon rate is 4.10% for the first 5 years, which shall be adjusted every 5 years. On 21 February 2020, the Bank issued non-fixed term capital bonds with write-down features amounting to RMB30 billion in the national inter-bank market, and the issuance was completed on 25 February 2020. The par value per unit of the bonds was RMB100 and the coupon rate is 3.85% for the first 5 years, which shall be adjusted every 5 years.

Notes to the Financial Statements

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(All amounts in RMB million unless otherwise stated)

IV. Notes to key items in the financial statements (Continued)

32. Other equity instruments (Continued)

Lifetime of the bonds is consistent with that of the Bank to continue as a going concern. The Bank has the option to redeem the whole or part of such bonds on annual interest payment date 5 years after the issuance date, provided that prerequisite for redemption is met and such redemption is approved by the NFRA. When the operation prohibited triggering event occurs, the Bank has the right to partially or fully write down the principals of the above existing bonds issued, which is not subject to the consent from bondholders. The above bonds are written down by the proportion of remaining par value to total remaining par value of other Tier 1 capital instruments subject to the same triggering event. The operation prohibited triggering event is the earlier of following: (1) if the principals are not written down, the issuer will be prohibited from operating by the NFRA; (2) with no capital injection or equivalent support from the public sector, the issuer will be prohibited from operating by relevant department. The written down part is irreversible. The principals of the bonds rank after depositors, general creditors and subordinated debts of higher ranks than bonds issued in the current period, but before shares held by shareholders when liquidated. Bonds and other Tier 1 capital instruments with the same liquidation ranks are liquidated in sequence.

Payment of interest on the above bonds is non-cumulative and the Bank has the right to cancel a portion or all of the interest distribution, which will not constitute a breach of contract. The Bank can dominate the bond interest canceled for timely repayment of other debts. No interests shall be distributed to ordinary shareholders before the Bank decides to distribute interests in full amount to bondholders again.

After deduction of issuance expenses, the net amount of funds raised by above bonds will all be used to replenish other Tier 1 capital and to improve capital adequacy ratio.

Changes in outstanding perpetual bonds:

	1 January 2023		Movements in the current year		31 December 2023	
	Number of bonds	Carrying amount	Number of bonds	Carrying amount	Number of bonds	Carrying amount
	Million	In RMB million	Million	In RMB million	Million	In RMB million
Issued amount of perpetual bonds	500	50,000	-	-	500	50,000
Issuance expenses	-	(9)	-	-	-	(9)
Total perpetual bonds	500	49,991	-	-	500	49,991

Equity attributable to holders of equity instruments is summarized as follows:

	The Group	
	31 December 2023	31 December 2022
Equity attributable to holders of ordinary shares	402,384	364,736
Equity attributable to holders of other equity	69,944	69,944
Total	472,328	434,680

	The Bank	
	31 December 2023	31 December 2022
Equity attributable to holders of ordinary shares	396,837	361,077
Equity attributable to holders of other equity	69,944	69,944
Total	466,781	431,021

33. Capital reserve

	The Group	
	31 December 2023	31 December 2022
Share premium	80,816	80,816
Long-term service plan (Note)	(55)	-
Total	80,761	80,816

	The Bank	
	31 December 2023	31 December 2022
Share premium	80,816	80,816
Long-term service plan (Note)	(53)	-
Total	80,763	80,816

Note: The Group's senior management and some core personnel participate in the long-term service plan (hereinafter referred to as "long-term service plan") managed by Ping An Insurance (Group) Company of China, Ltd. (hereafter referred to as "China Ping An"), its parent company. The vesting of benefits under the plan can only be applied for when a long-term service plan participant retires from the Group, and finally granted upon confirmation. Under the long-term service plan, the Group purchases shares of China Ping An, the parent company, through the market. For the year ended 31 December 2023, the Group has paid RMB59 million of share purchase costs attributable to the long-term service plan (2022: Nil). For the year ended 31 December 2023, the Bank's payments for share purchase costs payable under the long-term service plan amounted to RMB56 million (2022: Nil).

For the year ended 31 December 2023, the Group's share-based payments for the long-term service plan and total amount of employee services in exchange for share-based payments amounted to RMB4 million (2022: Nil). For the year ended 31 December 2023, the Bank's share-based payments for the long-term service plan and total amount of employee services in exchange for share-based payments amounted to RMB3 million (2022: Nil).

Notes to the Financial Statements

For the year ended 31 December 2023
(All amounts in RMB million unless otherwise stated)

IV. Notes to key items in the financial statements (Continued)

34. Surplus reserve

In accordance with the Company Law, the Bank is required to appropriate 10% of its profit after tax to its statutory surplus reserve until the reserve balance exceeds 50% of its registered capital. Subject to the approval of the shareholders in general meetings, the statutory surplus reserve may be used to offset the Bank's accumulated losses or be converted to the Bank's paid-in capital. When converting the statutory surplus reserve to paid-in capital, new shares can be distributed to shareholders according to the original share proportion, provided that the balance of the statutory surplus reserve after such capitalization is not less than 25% of the registered capital. The Bank may also appropriate its profit after tax to the discretionary surplus reserve upon approval of the shareholders in general meetings. As at 31 December 2023 and 31 December 2022, the amount of the surplus reserve represented the statutory surplus reserve.

35. General reserve

According to the relevant regulations of the Ministry of Finance, the Bank's general reserve balance shall be 1.5% of the ending balance of gross risk assets. The general reserve also includes the general reserve drawn by the Bank's subsidiaries in accordance with the applicable regulations within their industry or region.

36. Undistributed profit

According to a resolution at the meeting of the Board of Directors dated 14 March 2024, the Bank will appropriate RMB2,849 million to the general reserve based on net profit of 2023 audited by domestic certified public accountant. For the year ended 31 December 2023, no appropriation was made to the statutory surplus reserve as the balance of statutory surplus reserve exceeds 50% of the registered capital. The above distribution is pending for the approval by the general meeting of shareholders.

The Bank passed its profit appropriation resolution for the year of 2022 at the 2022 annual general meeting held on 31 May 2023. According to the profit appropriation plan, the Bank appropriated cash dividend of RMB5,531 million for 2022.

According to a resolution at the Board of Directors dated 27 February 2023, the Bank distributed RMB4.37 (inclusive of tax) per preference share as dividends based on the amount of issued preference shares of 200 million (with a face value of RMB100 per share), and calculated with a nominal dividend rate of 4.37%. The calculation period for the dividends on preference shares was from 7 March 2022 to 6 March 2023. The dividends date was 7 March 2023. The total amount of the dividends distributed was RMB874 million (inclusive of tax). The Bank distributed dividends directly to preference shareholders.

As at 25 February 2023, the Bank paid the interest on perpetual bonds amounting to RMB1,155 million at 3.85%, the bond interest rate for the calculation period as determined by the terms of the first tranche of non-fixed term capital bonds in 2020. As at 26 December 2023, the Bank paid the interest on perpetual bonds amounting to RMB820 million at 4.10%, the bond interest rate for the calculation period as determined by the terms of the first tranche of non-fixed term capital bonds in 2019.

37. Net interest income

	The Group	
	2023	2022
Interest income:		
Balances with the Central Bank	3,844	3,715
Deposits with banks and other financial institutions, placements to banks and other financial institutions, financial assets held under resale agreements	8,776	4,795
Loans and advances to customers	183,849	188,344
Financial investments	31,148	32,024
Sub-total	227,617	228,878
Interest expenses:		
Borrowings from the Central Bank	4,101	3,860
Deposits from banks and other financial institutions, placements from banks and other financial institutions, financial assets sold under repurchase agreements	12,945	8,444
Deposits from customers	75,542	66,974
Debt securities issued	17,038	19,470
Sub-total	109,626	98,748
Net interest income	117,991	130,130

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For the year ended 31 December 2023
(All amounts in RMB million unless otherwise stated)

IV. Notes to key items in the financial statements (Continued)

37. Net interest income (Continued)

	The Bank	
	2023	2022
Interest income:		
Balances with the Central Bank	3,844	3,715
Deposits with banks and other financial institutions, placements to banks and other financial institutions, financial assets held under resale agreements	8,754	4,770
Loans and advances to customers	183,849	188,344
Financial investments	31,064	31,964
Sub-total	227,511	228,793
Interest expenses:		
Borrowings from the Central Bank	4,101	3,860
Deposits from banks and other financial institutions, placements from banks and other financial institutions, financial assets sold under repurchase agreements	12,952	8,460
Deposits from customers	75,542	66,974
Debt securities issued	17,038	19,470
Sub-total	109,633	98,764
Net interest income	117,878	130,029

38. Net fee and commission income

	The Group	
	2023	2022
Fee and commission income:		
Settlement fee income	3,294	3,042
Agency and trusteeship business fee income	7,697	7,296
Bank card fee income	16,128	18,553
Asset custody service fee income	1,745	1,981
Others	6,178	6,882
Sub-total	35,042	37,754
Fee and commission expenses	5,612	7,546
Net fee and commission income	29,430	30,208

	The Bank	
	2023	2022
Fee and commission income:		
Settlement fee income	3,294	3,042
Agency and trusteeship business fee income	7,699	7,309
Bank card fee income	16,128	18,553
Asset custody service fee income	1,745	1,981
Others	5,048	6,029
Sub-total	33,914	36,914
Fee and commission expenses	7,436	9,658
Net fee and commission income	26,478	27,256

Notes to the Financial Statements

For the year ended 31 December 2023
(All amounts in RMB million unless otherwise stated)

IV. Notes to key items in the financial statements (Continued)

39. Investment income

	The Group	
	2023	2022
Net gains on derivative financial instruments (excluding foreign exchange derivative financial instruments)	1,321	1,972
Spread gains on loans and advances to customers designated at fair value and changes included into other comprehensive income	2,403	3,255
Spread gains on loans and advances to customers measured at amortized cost	1	160
Interest income, spread gains and dividend income from financial instruments held for trading	11,953	9,613
Spread gains or losses on other investment on debts	297	(1,372)
Other net gains or losses	79	(385)
Total	16,054	13,243

	The Bank	
	2023	2022
Net gains on derivative financial instruments (excluding foreign exchange derivative financial instruments)	1,321	1,972
Spread gains on loans and advances to customers designated at fair value and changes included into other comprehensive income	2,403	3,255
Spread gains on loans and advances to customers measured at amortized cost	1	160
Interest income, spread gains and dividend income from financial instruments held for trading	11,859	9,426
Spread gains or losses on other investment on debts	296	(1,377)
Other net gains or losses	79	(385)
Total	15,959	13,051

40. Gains or losses on changes in fair value

	The Group	
	2023	2022
Financial instruments held for trading	(15)	991
Derivative financial instruments (excluding foreign exchange derivative financial instruments)	(342)	249
Others	3	-
Total	(354)	1,240

	The Bank	
	2023	2022
Financial instruments held for trading	22	1,148
Derivative financial instruments (excluding foreign exchange derivative financial instruments)	(342)	249
Others	3	-
Total	(317)	1,397

41. Exchange gains or losses

	The Group and the Bank	
	2023	2022
Losses on changes in fair value of foreign exchange derivative financial instruments	6,678	(8,061)
Other exchange gains	(6,016)	12,609
Total	662	4,548

Notes to the Financial Statements

For the year ended 31 December 2023
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IV. Notes to key items in the financial statements (Continued)

42. Other operating income

	The Group and the Bank	
	2023	2022
Rental income	80	74
Others	458	57
Total	538	131

43. Taxes and surcharges

	The Group	
	2023	2022
City maintenance and construction tax	869	896
Educational surcharge	622	640
Others	227	191
Total	1,718	1,727

	The Bank	
	2023	2022
City maintenance and construction tax	858	885
Educational surcharge	614	632
Others	227	191
Total	1,699	1,708

44. Business and administrative expenses

	The Group	
	2023	2022
Staff expenses		
Salaries, bonuses, allowances and subsidies	15,540	17,450
Social insurance and staff welfare	3,642	3,210
Housing funds	1,269	1,103
Labor union and training expenses	458	454
Sub-total	20,909	22,217
Depreciation of fixed assets (Note IV 13)	1,879	1,933
Amortization of expenses of improvements to fixed assets held under operating leases	693	639
Amortization of intangible assets (Note IV 15)	789	732
Depreciation expenses of right-of-use assets (Note IV 14)	2,491	2,650
Rental expenses	633	614
Sub-total	6,485	6,568
General business management expenses	18,565	20,602
Total	45,959	49,387

Notes to the Financial Statements

For the year ended 31 December 2023
(All amounts in RMB million unless otherwise stated)

IV. Notes to key items in the financial statements (Continued)

44. Business and administrative expenses (Continued)

	The Bank	
	2023	2022
Staff expenses		
Salaries, bonuses, allowances and subsidies	15,176	17,123
Social insurance and staff welfare	3,605	3,176
Housing funds	1,254	1,091
Labor union and training expenses	450	448
Sub-total	20,485	21,838
Depreciation of fixed assets (Note IV 13)	1,869	1,915
Amortization of expenses of improvements to fixed assets held under operating leases	693	637
Amortization of intangible assets (Note IV 15)	789	732
Depreciation expenses of right-of-use assets (Note IV 14)	2,486	2,617
Rental expenses	592	602
Sub-total	6,429	6,503
General business management expenses	18,300	20,370
Total	45,214	48,711

45. Impairment losses on credit

	The Group	
	2023	2022
Impairment losses accrued/(reversed) in the current year:		
Deposits with banks and other financial institutions	(1,512)	1,502
Placements to banks and other financial institutions	(1,485)	2,175
Financial assets held under resale agreements	104	4
Loans and advances to customers	62,833	64,168
Investment on debts	(5,538)	(2,763)
Other investment on debts	(498)	127
Other assets	1,423	407
Expected credit losses of credit commitments	3,690	5,721
Total	59,017	71,341

	The Bank	
	2023	2022
Impairment losses accrued/(reversed) in the current year:		
Deposits with banks and other financial institutions	(1,513)	1,504
Placements to banks and other financial institutions	(1,485)	2,175
Financial assets held under resale agreements	103	4
Loans and advances to customers	62,833	64,168
Investment on debts	(5,540)	(2,765)
Other investment on debts	(498)	127
Other assets	1,423	407
Expected credit losses of credit commitments	3,690	5,721
Total	59,013	71,341

Notes to the Financial Statements

For the year ended 31 December 2023
(All amounts in RMB million unless otherwise stated)

IV. Notes to key items in the financial statements (Continued)

46. Income tax expenses

	The Group	
	2023	2022
Current tax	12,799	16,385
Deferred tax (Note IV 17)	(1,536)	(4,648)
Total	11,263	11,737

	The Bank	
	2023	2022
Current tax	12,305	15,827
Deferred tax (Note IV 17)	(1,522)	(4,601)
Total	10,783	11,226

The reconciliation of income tax expenses applicable to profit before tax at the statutory tax rate to income tax expenses at the Group's and the Bank's effective income tax rate is as follows:

	The Group	
	2023	2022
Profit before tax	57,718	57,253
Income tax at the statutory tax rate of 25%	14,430	14,313
Tax-exempt income	(7,062)	(6,345)
Non-deductible expenses and other adjustments	3,895	3,769
Income tax expenses	11,263	11,737

	The Bank	
	2023	2022
Profit before tax	55,353	54,859
Income tax at the statutory tax rate of 25%	13,838	13,715
Tax-exempt income	(6,968)	(6,267)
Non-deductible expenses and other adjustments	3,913	3,778
Income tax expenses	10,783	11,226

Notes to the Financial Statements

For the year ended 31 December 2023
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IV. Notes to key items in the financial statements (Continued)

47. Other comprehensive income

	The Group							
	Other comprehensive income in the balance sheet				Other comprehensive income in the income statement for the year ended 31 December 2023			
	31 December 2022	Other comprehensive income after tax	Reclassification of previous other comprehensive income to retained earnings in the current year	31 December 2023	Amount incurred before tax in the current year	Less: Reclassification of previous other comprehensive income to profit or loss in the current year	Less: Income tax expenses	Other comprehensive income after tax
I. Items that may not be reclassified into profit or loss in subsequent periods								
Changes in fair value of other equity instrument investment	(602)	(181)	(24)	(807)	(249)	-	68	(181)
II. Items that will be reclassified into profit or loss in subsequent periods when specific condition is met								
Changes in fair value of financial assets designated at fair value and changes included into other comprehensive income	(264)	682	-	418	897	4	(219)	682
Provision for credit losses on financial assets designated at fair value and changes included into other comprehensive income	3,528	(879)	-	2,649	3,672	(4,844)	293	(879)
Exchange differences on translation of foreign currency financial statements	(2)	6	-	4	6	-	-	6
Total	2,660	(372)	(24)	2,264	4,326	(4,840)	142	(372)

	The Bank							
	Other comprehensive income in the balance sheet				Other comprehensive income in the income statement for the year ended 31 December 2023			
	31 December 2022	Other comprehensive income after tax	Reclassification of previous other comprehensive income to retained earnings in the current year	31 December 2023	Amount incurred before tax in the current year	Less: Reclassification of previous other comprehensive income to profit or loss in the current year	Less: Income tax expenses	Other comprehensive income after tax
I. Items that may not be reclassified into profit or loss in subsequent periods								
Changes in fair value of other equity instrument investment	(602)	(181)	(24)	(807)	(249)	-	68	(181)
II. Items that will be reclassified into profit or loss in subsequent periods when specific condition is met								
Changes in fair value of financial assets designated at fair value and changes included into other comprehensive income	(260)	677	-	417	895	-	(218)	677
Provision for credit losses on financial assets designated at fair value and changes included into other comprehensive income	3,528	(879)	-	2,649	3,672	(4,844)	293	(879)
Exchange differences on translation of foreign currency financial statements	(2)	6	-	4	6	-	-	6
Total	2,664	(377)	(24)	2,263	4,324	(4,844)	143	(377)

Notes to the Financial Statements

For the year ended 31 December 2023
(All amounts in RMB million unless otherwise stated)

IV. Notes to key items in the financial statements (Continued)

47. Other comprehensive income (Continued)

	The Group							
	Other comprehensive income in the balance sheet				Other comprehensive income in the income statement for the year ended 31 December 2022			
	31 December 2021	Other comprehensive income after tax	Reclassification of previous other comprehensive income to retained earnings in the current year	31 December 2022	Amount incurred before tax in the current year	Less: Reclassification of previous other comprehensive income to profit or loss in the current year	Less: Income tax expenses	Other comprehensive income after tax
I. Items that may not be reclassified into profit or loss in subsequent periods								
Changes in fair value of other equity instrument investment	(479)	(8)	(115)	(602)	(49)	-	41	(8)
II. Items that will be reclassified into profit or loss in subsequent periods when specific condition is met								
Changes in fair value of financial assets designated at fair value and changes included into other comprehensive income	606	(870)	-	(264)	(451)	(701)	282	(870)
Provision for credit losses on financial assets designated at fair value and changes included into other comprehensive income	1,647	1,881	-	3,528	4,267	(1,759)	(627)	1,881
Exchange differences on translation of foreign currency financial statements	11	(13)	-	(2)	(13)	-	-	(13)
Total	1,785	990	(115)	2,660	3,754	(2,460)	(304)	990

	The Bank							
	Other comprehensive income in the balance sheet				Other comprehensive income in the income statement for the year ended 31 December 2022			
	31 December 2021	Other comprehensive income after tax	Reclassification of previous other comprehensive income to retained earnings in the current year	31 December 2022	Amount incurred before tax in the current year	Less: Reclassification of previous other comprehensive income to profit or loss in the current year	Less: Income tax expenses	Other comprehensive income after tax
I. Items that may not be reclassified into profit or loss in subsequent periods								
Changes in fair value of other equity instrument investment	(479)	(8)	(115)	(602)	(49)	-	41	(8)
II. Items that will be reclassified into profit or loss in subsequent periods when specific condition is met								
Changes in fair value of financial assets designated at fair value and changes included into other comprehensive income	605	(865)	-	(260)	(445)	(701)	281	(865)
Provision for credit losses on financial assets designated at fair value and changes included into other comprehensive income	1,647	1,881	-	3,528	4,267	(1,759)	(627)	1,881
Exchange differences on translation of foreign currency financial statements	11	(13)	-	(2)	(13)	-	-	(13)
Total	1,784	995	(115)	2,664	3,760	(2,460)	(305)	995

Notes to the Financial Statements

For the year ended 31 December 2023
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IV. Notes to key items in the financial statements (Continued)

48. Earnings per share

Basic earnings per share are calculated by dividing the net profit attributable to the ordinary shareholders of the Bank by the weighted average number of ordinary shares issued by the Bank during the year. Diluted earnings per share are calculated by dividing the net profit attributable to the ordinary shareholders of the Bank after adjustment based on potential dilutive ordinary shares by the adjusted weighted average number of ordinary shares issued by the Bank during the year. The conversion feature of preference shares is considered to fall within contingently issuable ordinary shares. As at 31 December 2023, the triggering events of conversion did not occur and therefore the conversion feature of preference shares has no effect on calculation of the basic and diluted earnings per share for the year ended 31 December 2023.

(a) Basic earnings per share are calculated as follows:

	2023	2022
Net profit for the current year attributable to shareholders of the Bank	46,455	45,516
Less: Dividends on preference shares declared by the Bank	(874)	(874)
Interest on perpetual bonds of the Bank	(1,975)	(1,975)
Net profit for the current year attributable to ordinary shareholders of the Bank	43,606	42,667
Weighted average number of outstanding ordinary shares (million)	19,406	19,406
Basic earnings per share (RMB/share)	2.25	2.20

(b) Diluted earnings per share are calculated as follows:

	2022	2021
Net profit for the current year attributable to shareholders of the Bank	46,455	45,516
Less: Dividends on preference shares declared by the Bank	(874)	(874)
Interest on perpetual bonds of the Bank	(1,975)	(1,975)
Net profit for the current year attributable to ordinary shareholders of the Bank	43,606	42,667
Weighted average number of outstanding ordinary shares (million)	19,406	19,406
Weighted average number of outstanding ordinary shares of the period for calculating diluted earnings per share (million)	19,406	19,406
Diluted earnings per share (RMB/share)	2.25	2.20

49. Cash and cash equivalents

	The Group	
	31 December 2023	31 December 2022
Cash	3,687	4,162
Cash equivalents:		
Within three months before the original maturity date		
Deposits with banks and other financial institutions	62,569	77,877
Placements to banks and other financial institutions	80,373	58,175
Financial assets held under resale agreements	106,552	38,984
Unrestricted balance with the Central Bank	43,432	40,450
Bond investments (with maturity of less than three months since acquired)	1,606	2,678
Sub-total	294,532	218,164
Total	298,219	222,326

	The Bank	
	31 December 2023	31 December 2022
Cash	3,687	4,162
Cash equivalents:		
Within three months before the original maturity date		
Deposits with banks and other financial institutions	62,302	77,167
Placements to banks and other financial institutions	80,373	58,175
Financial assets held under resale agreements	105,901	38,984
Unrestricted balance with the Central Bank	43,432	40,450
Bond investments (with maturity of less than three months since acquired)	1,606	2,678
Sub-total	293,614	217,454
Total	297,301	221,616

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IV. Notes to key items in the financial statements (Continued)

50. Cash received relating to other operating activities

	The Group	
	2023	2022
Precious metals business	2,865	4,603
Collection of amounts already written off	17,795	11,952
Cash receipts from disposal of foreclosed assets	214	193
Derivative financial instruments	-	2,375
Gains on trading of bills	1,789	2,567
Bond lending	-	31,646
Others	2,306	340
Total	24,969	53,676

	The Bank	
	2023	2022
Precious metals business	2,865	4,603
Collection of amounts already written off	17,795	11,952
Cash receipts from disposal of foreclosed assets	214	193
Derivative financial instruments	-	2,375
Gains on trading of bills	1,789	2,567
Bond lending	-	31,646
Others	2,297	337
Total	24,960	53,673

51. Cash paid relating to other operating activities

	The Group	
	2023	2022
Derivative financial instruments	4,846	-
Bond lending	33,371	-
Administrative expenses such as marketing and public relation expenses, rental expenses and others	26,755	24,009
Total	64,972	24,009

	The Bank	
	2023	2022
Derivative financial instruments	4,846	-
Bond lending	33,371	-
Administrative expenses such as marketing and public relation expenses, rental expenses and others	26,426	23,742
Total	64,643	23,742

52. Structured entities

(a) Unconsolidated structured entities managed by the Group

(1) Wealth management products

The unconsolidated structured entities managed by the Group are primarily wealth management products (hereafter referred to as the "WMPs") issued and managed by the Group as an agency. On the basis of analyzing the potential target group of customers, the Group designs and sells the investment plan to the specific target customer group. The Group distributes the funds to related financial markets or products and distributes the investment income to the investors in accordance with contracts. As the manager of WMPs, the Group charges fees and commissions such as selling charges, fixed management fee, fluctuant management fee, etc. The Group considers that the variable return from the structured entities is not significant.

As at 31 December 2023, the total size of unconsolidated WMPs issued and managed by the Group amounted to RMB1,013,060 million (31 December 2022: RMB886,840 million).

As the manager of WMPs, the Group proactively manages the due date of assets and liabilities, and also the position and the proportion of the current assets in order to maximize the interest of investors. Temporary placements to WMPs are a commonly used way to manage liquidity risk. The placements are not specified in the contracts. The transaction price is set by referencing the market interest rate. As at 31 December 2023, the balance of placements mentioned above was nil (31 December 2022: Nil).

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IV. Notes to key items in the financial statements (Continued)

52. Structured entities (Continued)

(a) Unconsolidated structured entities managed by the Group (Continued)

(2) Asset-backed securitizations business

The other type of unconsolidated structured entity initiated and managed by the Group is the Special Purpose Trust (hereafter referred to as the "SPT") established by the third party in order to facilitate the asset-backed securitizations business. The credit assets are transferred from the Group to the SPTs to issue asset-backed securities for financing. As at 31 December 2023, the unconsolidated SPTs managed by the Group amounted to RMB21,639 million (31 December 2022: RMB43,748 million). Performing as the loan service provider, the Group manages the loans in associate with the SPTs and charges fee and commissions.

The Group also holds part of all levels of the asset-backed securities in SPTs. The Group's variable return from the structured entities is not significant. As at 31 December 2023, the book balance of the unconsolidated SPTs held by the Group amounted to RMB1,796 million (31 December 2022: RMB1,883 million). The carrying amount of these asset-backed securities approximates their fair value.

As at 31 December 2023, the Group did not give financial support to any of these unconsolidated SPTs (31 December 2022: Nil).

For certain asset-backed securitizations business, the Group may hold part of subordinated tranches which may give rise to the Group's continuing involvement in the transferred assets. The assets are recognized on the balance sheet to the extent of the Group's continuing involvement, and the rest part shall be derecognized. The extent of the Group's continuing involvement in the transferred asset is the extent to which it is exposed to changes in the value of the transferred asset. As at 31 December 2023, the Group continued to recognize assets totaling to RMB1,487 million (31 December 2022: RMB1,487 million).

(b) Unconsolidated structured entities invested by the Group

For the year ended 31 December 2023, the Group, for better investment return, has invested in such structured entities as funds, trust plans, asset management plans and earning rights, asset-backed securities issued and managed by independent third parties. Trust plans and asset management plans the Group invests are issued and managed by non-bank financial institutions. Underlying assets in such plan mainly comprise corporate or financial institution loans, notes, deposit receipts and asset-backed securities. As at 31 December 2023, the Group did not provide any liquidity support to those unconsolidated structured entities (31 December 2022: Nil).

As at 31 December 2023 and 31 December 2022, the carrying amount (including accrued interest) of and the Group's maximum exposure to these other unconsolidated structured entities was summarized in the table below:

	The Group		
	31 December 2023		
	Carrying amount	Maximum exposure to loss	Total size of structured entities
Financial assets held for trading			
Funds	165,174	165,174	Note
Wealth management products	1,000	1,000	Note
Trust plans	1,319	1,319	Note
Asset management plans	140	140	Note
Asset-backed securities and others	2,141	2,141	15,393
Sub-total	169,774	169,774	
Investment on debts			
Trust plans	57,255	57,255	Note
Asset management plans	17,138	17,138	Note
Asset-backed securities and others	2,690	2,690	23,327
Sub-total	77,083	77,083	
Other investment on debts			
Trust plans	7,281	7,281	Note
Asset management plans	1,590	1,590	Note
Asset-backed securities	40,365	40,365	320,529
Sub-total	49,236	49,236	
Total	296,093	296,093	

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IV. Notes to key items in the financial statements (Continued)

52. Structured entities (Continued)

(b) Unconsolidated structured entities invested by the Group (Continued)

	The Group		
	31 December 2022		
	Carrying amount	Maximum exposure to loss	Total size of structured entities
Financial assets held for trading			
Funds	184,228	184,228	Note
Trust plans	2,930	2,930	Note
Asset management plans	16	16	Note
Asset-backed securities and others	2,701	2,701	19,834
Sub-total	189,875	189,875	
Investment on debts			
Trust plans	49,655	49,655	Note
Asset management plans	38,748	38,748	Note
Asset-backed securities and others	9,434	9,434	123,106
Sub-total	97,837	97,837	
Other investment on debts			
Trust plans	11,847	11,847	Note
Asset management plans	2,425	2,425	Note
Asset-backed securities	35,270	35,270	259,892
Sub-total	49,542	49,542	
Total	337,254	337,254	

The Group earns interest income, service fee income and investment income for investing in or providing services to structured entities.

Note: The information of total size of the unconsolidated structured entities listed above is not readily available from the public.

(c) Consolidated structured entities invested by the Group

As at 31 December 2023, the Group's consolidated structured entities mainly included asset management plans and trust plans invested by the Group (31 December 2022: Nil).

V. Operating segment information

The Group identifies operating segments based on the internal organization structure, management requirements and internal reporting system, and implements management on such basis. The Group mainly manages the operation by way of geographical segments and business segments. Geographically, the Group separately operates five reporting segments, Eastern Region, Southern Region, Western Region, Northern Region and Headquarters. And in business lines, the Group separately manages the production and operation of three reporting segments, wholesale banking business, retail banking business and other businesses. The operating segment information is shown in detail as follows:

Geographical operating segments

The geographical operating segments are identified as follows:

- "Eastern Region": Shanghai Branch, Hangzhou Branch, Yangzhou Branch, Yiwu Branch, Taizhou Branch, Shaoxing Branch, Huzhou Branch, Ningbo Branch, Wenzhou Branch, Nanjing Branch, Wuxi Branch, Changzhou Branch, Suzhou Branch, Nantong Branch, Taizhou Branch, Fuzhou Branch, Zhangzhou Branch, Fujian Pilot Free Trade Zone Fuzhou Branch, Xiamen Branch, Fujian Pilot Free Trade Zone Xiamen Branch, Quanzhou Branch, Shanghai Pilot Free Trade Zone Branch, Hefei Branch, Wuhu Branch, Xuzhou Branch, Nanchang Branch, Yancheng Branch, Putian Branch, Zhenjiang Branch, Fuyang Branch, Ganzhou Branch, Jiujiang Branch;
- "Southern Region": Shenzhen Branch, Shenzhen Qianhai Branch, Guangzhou Branch, Guangdong Pilot Free Trade Zone Nansha Branch, Zhuhai Branch, Hengqin Guangdong-Macao In-depth Cooperation Zone Branch, Foshan Branch, Dongguan Branch, Huizhou Branch, Zhongshan Branch, Haikou Branch, Changsha Branch, Hengyang Branch, Yueyang Branch, Nanning Branch, Sanya Branch, Changde Branch, Liuzhou Branch, Shantou Branch, Zhanjiang Branch, Jiangmen Branch;
- "Western Region": Chongqing Branch, Chengdu Branch, Deyang Branch, Leshan Branch, Mianyang Branch, Kunming Branch, Honghe Branch, Wuhan Branch, Jingzhou Branch, Xiangyang Branch, Yichang Branch, Xi'an Branch, Xianyang Branch, Guiyang Branch, Chongqing Pilot Free Trade Zone Branch, Zunyi Branch, Huanggang Branch;
- "Northern Region": Beijing Branch, Dalian Branch, Tianjin Branch, Tianjin Pilot Free Trade Zone Branch, Jinan Branch, Linyi Branch, Weifang Branch, Dongying Branch, Qingdao Branch, Yantai Branch, Rizhao Branch, Zhengzhou Branch, Luoyang Branch, Shenyang Branch, Shijiazhuang Branch, Taiyuan Branch, Tangshan Branch, Zibo Branch, Jining Branch, Jinzhong Branch, Langfang Branch, Nanyang Branch, Weihai Branch, Hohhot Branch, Kaifeng Branch, Taian Branch, Baoding Branch, Urumchi Branch, Anshan Branch, Lanzhou Branch, Cangzhou Branch, Harbin Branch, Qingdao Free Trade Zone Branch, Yinchuan Branch, Xinxiang Branch, Handan Branch, Baotou Branch, Changchun Branch;
- "Headquarters": The departments of Head Office including credit card center, capital operation department, financial institution department, auto consumer finance center, etc., and Ping An Wealth Management;
- "Overseas": Hong Kong Branch.

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V. Operating segment information (Continued)

Geographical operating segments (Continued)

The management monitors the operating results of the above geographical operating segments for the purpose of making decisions about resources allocations and performance assessment. When monitoring operating results of the geographical operating segments, the management mainly considers operating income, operating expenses and operating profit.

2023	Eastern Region	Southern Region	Western Region	Northern Region	Headquarters	Overseas	Total
Net interest income (1)	22,878	23,317	8,053	15,863	47,665	215	117,991
Net non-interest income (2)	2,233	4,912	1,286	2,990	35,014	273	46,708
Operating income	25,111	28,229	9,339	18,853	82,679	488	164,699
Operating expenses (3)	(7,988)	(7,789)	(2,963)	(6,628)	(21,983)	(326)	(47,677)
Including: Depreciation, amortization and rental expenses	(1,086)	(1,109)	(514)	(1,023)	(2,700)	(53)	(6,485)
Operating profit before impairment losses	17,123	20,440	6,376	12,225	60,696	162	117,022
Impairment losses on credit and other assets	(8,433)	(5,350)	(3,496)	(6,316)	(35,733)	234	(59,094)
Net non-operating expenses	(92)	(6)	(2)	(36)	(74)	-	(210)
Segment profits	8,598	15,084	2,878	5,873	24,889	396	57,718
Income tax expenses							(11,263)
Net profit							46,455

31 December 2023	Eastern Region	Southern Region	Western Region	Northern Region	Headquarters	Overseas	Offsetting	Total
Total assets	1,112,157	1,359,863	352,469	807,636	3,166,438	56,769	(1,268,216)	5,587,116
Total liabilities	1,104,372	1,345,646	350,583	802,786	2,723,056	56,561	(1,268,216)	5,114,788

(1)Included external net interest income/expense and internal net interest income/expense;

(2)Included net fee and commission income, investment income, gains or losses on changes in fair value, exchange gains or losses, other operating income, gains or losses from disposal of assets and other income;

(3)Included taxes and surcharges, and business and administrative expenses.

2022	Eastern Region	Southern Region	Western Region	Northern Region	Headquarters	Overseas	Total
Net interest income (1)	24,504	25,837	8,568	17,443	53,460	318	130,130
Net non-interest income (2)	3,363	4,856	1,150	3,291	36,843	262	49,765
Operating income	27,867	30,693	9,718	20,734	90,303	580	179,895
Operating expenses (3)	(8,092)	(8,229)	(3,072)	(6,672)	(24,769)	(280)	(51,114)
Including: Depreciation, amortization and rental expenses	(1,122)	(1,054)	(589)	(1,057)	(2,710)	(36)	(6,568)
Operating profit before impairment losses	19,775	22,464	6,646	14,062	65,534	300	128,781
Impairment losses on credit and other assets	(8,251)	(16,636)	(5,321)	(6,115)	(34,634)	(349)	(71,306)
Net non-operating expenses	(68)	(88)	(21)	(22)	(23)	-	(222)
Segment profits	11,456	5,740	1,304	7,925	30,877	(49)	57,253
Income tax expenses							(11,737)
Net profit							45,516

31 December 2022	Eastern Region	Southern Region	Western Region	Northern Region	Headquarters	Overseas	Offsetting	Total
Total assets	1,055,076	1,257,025	321,413	745,054	3,085,160	54,702	(1,196,916)	5,321,514
Total liabilities	1,045,990	1,253,172	321,721	739,002	2,668,924	54,941	(1,196,916)	4,886,834

(1)Included external net interest income/expense and internal net interest income/expense;

(2)Included net fee and commission income, investment income, gains or losses on changes in fair value, exchange gains or losses, other operating income, gains or losses from disposal of assets and other income;

(3)Included taxes and surcharges, and business and administrative expenses.

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For the year ended 31 December 2023
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V. Operating segment information (Continued)

Business lines operating segments

For the year ended 31 December 2023, in concern of the management structure and policies, the business decisions, reporting and performance assessment should be in accordance with two main business lines-wholesale banking business and retail banking business and other business segments. The segments are set out as follows:

Wholesale banking business

The wholesale banking business segment covers the provision of financial products and services to corporate customers, government organizations, banks and other financial institutions, as well as some small enterprises. The products and services include corporate loans, corporate deposits, trade financing, various corporate intermediary businesses, various inter-bank capital businesses and Ping An Wealth Management related businesses.

Retail banking business

The retail banking business segment covers the provision of financial products and services to individual customers and some small enterprises, including personal loans, personal deposits, bank cards and various personal intermediary businesses.

Others

The others business line refers to the bond and money market investment in need of liquidity management. It refers to the collective management of equity investment as well as assets, liabilities, income, etc., that are not directly attributable to a segment.

Measurement of segment assets, liabilities, income and profit is based on the Group's accounting policies. Income tax is managed at the corporate level and would not be allocated to each operating segment. Segment income is mainly from interest income, and therefore interest income is presented in net amount. Net interest income, instead of total interest income and total interest expenses, is used by the management.

Inter-segment transactions are mainly money transference. The terms of the transaction are set by period and by referencing the capital cost in the market, and are reflected in the performance of each segment. "Internal interest net income/expense" refers to the net interest income and expense from transfer pricing between operating segments, which will be presented in operation business of each segment after offsetting. In addition, "external net interest income/expense" refers to the interest income received from the third party or interest expenses paid to the third party. The total amount of "external net interest income/expense" from every operating segment should be equal to the net interest income in the Group's income statement.

Segment revenue, profit, assets and liabilities include those items that can be directly allocated to a segment, and those that can be allocated pro rata.

The Group thoroughly conducts internal funds transfer pricing, using term matching and re-pricing method to calculate the income and expense of an individual account (contract), in order to enhance gearing, reasonable pricing, and comprehensive evaluation of the Group's performance.

2023	Wholesale banking business	Retail banking business	Others	Total
Net interest income (1)	28,830	76,329	12,832	117,991
Net non-interest income (2)	24,751	19,832	2,125	46,708
Operating income	53,581	96,161	14,957	164,699
Operating expenses (3)	(16,885)	(30,114)	(678)	(47,677)
Including: Depreciation, amortization and rental expenses	(2,142)	(4,158)	(185)	(6,485)
Operating profit before impairment losses	36,696	66,047	14,279	117,022
Impairment losses on credit and other assets	63	(59,131)	(26)	(59,094)
Net non-operating expenses	(35)	(52)	(123)	(210)
Segment profits	36,724	6,864	14,130	57,718
Income tax expenses				(11,263)
Net profit				46,455

	31 December 2023			
Total assets	2,357,660	1,948,994	1,280,462	5,587,116
Total liabilities	3,354,452	1,239,133	521,203	5,114,788

(1)Included external net interest income/expense and internal net interest income/expense;

(2)Included net fee and commission income, investment income, gains or losses on changes in fair value, exchange gains or losses, other operating income, gains or losses from disposal of assets and other income;

(3)Included taxes and surcharges, and business and administrative expenses.

Notes to the Financial Statements

For the year ended 31 December 2023
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V. Operating segment information (Continued)

Business lines operating segments (Continued)

2022	Wholesale banking business	Retail banking business	Others	Total
Net interest income (1)	32,789	83,197	14,144	130,130
Net non-interest income (2)	30,533	19,810	(578)	49,765
Operating income	63,322	103,007	13,566	179,895
Operating expenses (3)	(18,848)	(32,266)	-	(51,114)
Including: Depreciation, amortization and rental expenses	(2,113)	(4,455)	-	(6,568)
Operating profit before impairment losses	44,474	70,741	13,566	128,781
Impairment losses on credit and other assets	(24,753)	(45,756)	(797)	(71,306)
Net non-operating expenses	(24)	(44)	(154)	(222)
Segment profits	19,697	24,941	12,615	57,253
Income tax expenses				(11,737)
Net profit				45,516

	31 December 2022			
Total assets	2,094,404	2,027,005	1,200,105	5,321,514
Total liabilities	3,353,521	1,058,401	474,912	4,886,834

(1)Included external net interest income/expense and internal net interest income/expense;

(2)Included net fee and commission income, investment income, gains or losses on changes in fair value, exchange gains or losses, other operating income, gains or losses from disposal of assets and other income;

(3)Included taxes and surcharges, and business and administrative expenses.

Information on major customers

No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the Group's total revenue for the years ended 31 December 2023 and 31 December 2022.

VI. Commitments and contingent liabilities

1.Capital commitments

	The Group	
	31 December 2023	31 December 2022
Authorized but not contracted	6,470	9,516
Contracted but not provided	2,635	2,818
Total	9,105	12,334

	The Bank	
	31 December 2023	31 December 2022
Authorized but not contracted	6,469	9,514
Contracted but not provided	2,635	2,817
Total	9,104	12,331

2.Credit commitments

	The Group and the Bank	
	31 December 2023	31 December 2022
Bank acceptance bills	744,855	704,275
Letters of guarantee issued	93,066	111,318
Letters of credit issued	148,823	122,833
Sub-total	986,744	938,426
Unused limit of credit cards and loan commitments	960,439	889,566
Total	1,947,183	1,827,992
Credit risk weighted amounts of credit commitments	594,788	506,034

Financial guarantee contracts commit the Group and the Bank to make payments on behalf of customers upon the failure of the customers to perform the terms of the contracts. Provision for expected credit losses of bank acceptance bills, letters of guarantee issued, letters of credit issued and loan commitments is presented in accrued liabilities. Provision for expected credit losses of unused limit of credit cards is presented in impairment provision for loans and advances to customers.

Notes to the Financial Statements

For the year ended 31 December 2023

(All amounts in RMB million unless otherwise stated)

VI. Commitments and contingent liabilities (Continued)

3. Fiduciary activities

Entrusted loans business

The Group and the Bank act as an agent and grant such entrusted loans to borrowers under the direction of the third-party lenders who fund these loans. The Group and the Bank have been contracted by the third-party lenders to manage the administration and collection of these loans on their behalf. The credit risk is not recognized on the balance sheet as it remains with the trustees. As at 31 December 2023 and 31 December 2022, the scale of entrusted loans and deposits is as follows:

	The Group and the Bank	
	31 December 2023	31 December 2022
Entrusted deposits	155,382	178,386
Entrusted loans	155,382	178,386

Entrusted funding and entrusted investments

The Group's and the Bank's entrusted funding and entrusted investments are primarily unconsolidated WMPs sold to enterprises or individuals. Details are set out in Note IV 52.

4. Contingencies

4.1 Outstanding litigations and disputes

As at 31 December 2023, the total claimed amount of outstanding litigation cases in which the Group and the Bank were the defendants was RMB1,667 million (31 December 2022: RMB1,028 million). These litigation cases are under legal proceedings. In the opinion of the management, the Group and the Bank have made adequate provision for any probable losses based on the prevailing facts and circumstances.

4.2 Redemption and underwriting commitments of voucher-type government bonds and savings bonds (electronic)

As an underwriting agent of the MOF, the Group and the Bank underwrite PRC voucher-type government bonds and savings bonds (electronic) and sell the bonds to the general public. The Group and the Bank are obliged to redeem the bonds at the discretion of the holders at any time prior to maturity. The redemption price for the bonds is based on the notional value of the bonds plus any interest accrued up to the redemption date. As at 31 December 2023, the Group and the Bank reported voucher-type government bonds and savings bonds (electronic) with accumulated amounts of RMB985 million (31 December 2022: RMB1,023 million) and RMB2,718 million (31 December 2022: RMB2,620 million) respectively, of which that the Group and the Bank have the obligation of early redemption. The MOF will not provide funding for the early redemption of these voucher-type government bonds on a back-to-back basis but is obliged to repay the principal and the respective interest upon maturity.

As at 31 December 2023 and 31 December 2022, there was no unexpired underwriting commitment of the government bonds.

VII. Capital management

The primary objectives of the Group's capital management are to safeguard its continued and steady business growth, to ensure compliance with regulatory requirements and to maximize return on capital. The Group regularly reviews its capital position and the implementation of related capital management strategies across the Bank, and adopts active capital management to support the achievement of medium and long-term business objectives and continuously improve the efficiency of its capital employment. The Group reports the required capital adequacy information to the NFRA on a quarterly basis.

The Group calculates capital adequacy ratio pursuant to the *Administrative Measures for the Capital Management of Commercial Banks (Provisional)*. As required and for this reporting period, the Group applies the risk-weighted method to measure its credit-risk-weighted assets, the standard method for its market-risk-weighted assets, and the basic indicator approach for its operational risk-weighted assets.

Pursuant to the *Administrative Measures for the Capital Management of Commercial Banks (Provisional)*, the regulatory capital positions of the Group on 31 December 2023 are shown below:

	Note	31 December 2023	31 December 2022
Core Tier 1 capital adequacy ratio	(a)	9.22%	8.64%
Tier 1 capital adequacy ratio	(a)	10.90%	10.40%
Capital adequacy ratio	(a)	13.43%	13.01%
Core Tier 1 capital			
Share capital		19,406	19,406
Capital reserve and investment revaluation reserve		80,761	80,816
Surplus reserve		10,781	10,781
General reserve		67,917	64,768
Undistributed profit		221,255	186,305
Other comprehensive income		(428)	(617)
Deduction items from core Tier 1 capital			
Goodwill		7,568	7,568
Other intangible assets (except land use right)	(b)	2,465	2,549
Other net deferred income tax assets that rest on bank's future earnings		4,773	7,933
Other Tier 1 capital		69,944	69,944
Tier 2 capital			
Tier 2 capital instruments and surplus		59,984	59,985
Excessive loan impairment provision		45,959	43,699
Net core Tier 1 capital	(c)	384,886	343,409
Net Tier 1 capital	(c)	454,830	413,353
Net capital	(c)	560,773	517,037
Risk-weighted assets	(d)	4,174,044	3,975,182

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VII. Capital management(Continued)

(a)Core Tier 1 capital adequacy ratio equals to net amount of core Tier 1 capital over risk-weighted assets. Tier 1 capital adequacy ratio equals to net amount of Tier 1 capital over risk-weighted assets. Capital adequacy ratio equals to net capital over risk-weighted assets.

(b)Other intangible assets (excluding land use right) are the net amounts from deduction of the associated deferred income tax liability.

(c)Net amount of core Tier 1 capital is core Tier 1 capital minus exclusive items of core Tier 1 capital. Net amount of Tier 1 capital equals to Tier 1 capital minus exclusive items of Tier 1 capital. Net amount of capital equals to total capital minus exclusive items of total capital.

(d)Risk-weighted assets include credit risk-weighted assets, market risk-weighted assets, and operational risk-weighted assets.

VIII. Risk disclosure

1.Credit risk

Credit risk is the risk of loss arising from that a party of the financial instrument fails to fulfill its obligations.

The Group have established relevant mechanism for unified credit management, and periodically monitors the limit and reviews the credit risk.

1.1 Credit risk management

(i)Loans and advances to customers and credit commitments

The Bank has established a concentrated, vertical and independent comprehensive risk management framework. The Risk Management Committee of the Head Office is responsible for coordinating risk management of all levels. Professional departments such as the Risk Management Department, Credit Authorization Department, Retail Credit Risk Management Department of the Head Office, are responsible for credit risk management of the Bank.

The Bank has formulated a complete set of credit management processes and internal control mechanisms, so as to carry out whole process management of credit business. Credit management procedures for its corporate and personal loans comprise the processes of credit investigation, credit review, credit approval, disbursement and post management. In addition, the Bank has formulated relevant policies of credit underwriting, which have defined the functions and responsibilities of different credit operational processes, and have enhanced the monitoring of the related compliance for improving the overall effective control of credit risk.

Risks arising from credit commitments are similar to those associated with loans and advances. Transactions of financial guarantees and loan commitments are, therefore, subject to the same portfolio management and the same requirements for application and collateral as loans and advances to customers.

If the Bank, after executing all necessary procedures, still considers that it is not expected to recover the whole or part of the financial assets, they shall be written off. Signs indicating that amounts are not expected to be recovered include: (1) the enforcement has been terminated, and (2) the Bank recovers the amounts by confiscating and disposing the collaterals but it is estimated that the value of the collaterals could not fully cover the principal and interest.

(ii)Bonds

The Group manages credit risk exposure of bonds and bills by setting restriction of investment size, issuer profile and rating and also post-investment management. Generally, corporate credit rating of issuer of overseas bonds is required to be equal to or higher than BBB- (by Standard & Poor's or equivalent rating agencies) when purchasing. Corporate credit rating of domestic bonds is required to be equal to or higher than AA (credit rating institutes shall obtain the admission by the Group) when purchasing. With overall consideration taken into internal rating and external data, the Group continues to conduct strict risk management on bond investment.

(iii)Non-bond investment on debts

Non-bond investment on debts includes asset management plans and trust plans, etc. The Group has rating-based access policies in place towards the cooperating trust companies, securities companies and fund companies, and grants credit facility to the repurchase parties of trust beneficial rights, and ultimate financing parties of directional asset management plans. Subsequent risk management is carried out on a regular basis.

(iv)Inter-bank transactions

Inter-bank transactions include deposits with banks and other financial institutions, placements to banks and other financial institutions, financial assets held under resale agreements, etc. The Group reviews and monitors credit risk of individual financial institutions periodically. Limits are placed for each individual bank or non-bank financial institution which has business relationships with the Group.

1.2 Measurement of expected credit losses

The Group uses the "ECL model" to make impairment provision for debt-instrument financial assets measured at amortized cost and those designated at fair value and changes included into other comprehensive income, loan commitments and financial guarantee contracts.

For financial instruments measured at an amount equal to expected credit losses, the Group applies "three stages" impairment model to measure the loss allowance and recognize expected credit losses in assessing whether the credit risk on a financial instrument has increased significantly since initial recognition.

Stage 1: Financial instruments with credit risk not increased significantly since initial recognition are classified to Stage 1.

Stage 2: Financial instruments with credit risk increased significantly since initial recognition yet without credit impairment are classified to Stage 2.

Stage 3: Financial instruments with credit impairment are classified to Stage 3.

The loss allowance for the financial instruments at Stage 1 is determined at the amount of expected credit losses on the financial instrument within the next 12 months. The loss allowance for the financial instruments at Stage 2 and Stage 3 is determined at the amount of expected credit losses on the financial instrument within the lifetime.

Purchased or underlying financial assets that are impaired for which the credit impairment has been incurred refer to financial assets that are impaired at initial recognition. Impairment provision of these assets represent the expected credit losses over the whole duration period.

The Group uses the probability of default / loss given default model and the discounted cash flow model to assess financial assets for expected credit losses. The probability of default / loss given default model is applicable to retail business as well as non-retail business classified as Stage 1 and Stage 2. The discounted cash flow model is applicable to non-retail business classified as Stage 3.

Notes to the Financial Statements

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VIII. Risk disclosure(Continued)

1.Credit risk (Continued)

1.2 Measurement of expected credit losses (Continued)

Expected credit losses are assessed by taking into account the forward-looking information, and complicated models and assumptions are used in measuring expected credit losses. These models and assumptions involve future macroeconomic conditions and the credit record of the borrower (such as, possibility of default by customers and losses therefrom). The Group uses judgments, assumptions and estimates in measuring the expected credit losses in accordance with the accounting standards, including:

- (a) Grouping of risks
- (b) Classification of stages
- (c) Models and parameters
- (d) Forward-looking information
- (e) Sensitivity analysis

Grouping of risks

Credit exposures are grouped based on credit risk characteristics including type of product, type of customer, industry where the client operates and markets. The appropriateness of such grouping is reviewed and corrected at regular intervals.

Classification of stages

By judging whether the credit risk has increased significantly or the credit impairment has occurred since initial recognition, the Group classifies the financial assets into three stages and measures expected credit losses of financial assets by stage.

For purpose of classification of stages, the Group fully assesses available information on the credit entity and its credit exposures. The related information includes but is not limited to internal credit rating of the credit entity in the Group; classification and overdue status of credit exposures, contract terms, etc.; changes of the Group's credit strategies on the credit entity or credit risk management method; credit, external rating, changes in price of debts and equity, credit default swap prices, credit spread, public opinion, etc., relating to the credit entity; operating and financial information of the credit entity and its shareholder(s) and associate(s); macro-economy, industry development, technology innovation, climate changes, natural disasters, social, economic and financial policies, government support or aid measures that may have potential influence on the ability of the credit entity to repay, and other related information.

Criteria for significant increase in credit risk

The Group sets quantitative and qualitative criteria to judge whether the credit risk of financial instruments changes significantly since initial recognition, and the criteria include: overdue for more than 30 days, changes in default probability, changes in credit risk classification and other situations indicating significant changes in credit risk.

Criteria for credit-impaired assets

Under the accounting standards for financial instruments, in order to determine whether credit impairment occurs, the defined criteria adopted by the Group are consistent with the internal credit risk management objectives for relevant financial instruments, both of which incorporate quantitative and qualitative indicators. When assessing whether a debtor has suffered a credit impairment, the Group usually considers the following factors:

- Borrowings overdue for over 90 days after the contractual payment day
- Internal credit rating as "Default"
- Concessions made by the lender to the borrower for economic or contractual reasons related to the financial difficulties of the borrower
- Significant financial difficulty of the borrower
- It becomes probable that the borrower will enter bankruptcy or other financial reorganization
- The active market for financial assets disappears

Financial assets may be credit-impaired due to the joint effect of multiple events rather than separately identifiable events.

Models and parameters

The Group uses the probability of default / loss given default model to assess expected credit losses. For exposures of non-retail business classified as Stage 3, the Group uses the discounted cash flow model to assess expected credit losses of assets.

Under the probability of default / loss given default model, the Group estimates the parameters under the model, including default risk exposure, default probability, default loss rate, lifetime relating to credit exposures, etc., and calculates the expected credit losses. Under the discounted cash flow model, the Group determines the expected credit losses based the difference between the lower present value of future cash flows and the book value.

•Default probability refers to the possibility that borrowers are unable to perform their repayment obligation in the next 12 months or during the rest of the lifetime. The Group calculates default probability by combining historical default experience, which is calculated by adjusting the result of internal rating model or collective assessment, and forward-looking information to reflect the default probability under the current macroeconomic environment at a certain time point;

•Default loss rate refers to the Group's expectation of the extent of the losses caused by default risk exposure. It is the percentage of the risk exposure loss in the event of default

•Default risk exposure refers to the repayment due to the Group when default occurs.

The Group adopts internal credit risk rating to reflect the default probability assessment results of a single counter-party and adopts different internal rating models for different counter-parties. The information about the borrower and specific information of the loan collected upon the application for loan will be included in rating model. The Group's rating system consists of 33 grades for non-default and one grade for default. The Group regularly monitors and reviews assumptions related to the calculation of expected credit losses, including the changes in default probability, default loss rate and default risk exposure in terms of different maturities.

Notes to the Financial Statements

For the year ended 31 December 2023
(All amounts in RMB million unless otherwise stated)

VIII. Risk disclosure(Continued)

1.Credit risk (Continued)

1.2 Measurement of expected credit losses (Continued)

Forward-looking information

Both the assessment of significant increase in credit risk and the calculation of expected credit losses involve forward-looking information. The Group identifies key economic indicators that affect credit risks and expected credit losses of all asset portfolios based on historical data analysis, such as accumulated year-on-year growth rate of GDP, broad money supply, loan prime rate, etc.

The Group evaluates and predicts the economic indicators at regular intervals, and provides best estimates and examines the evaluation results on a regular basis. For the year ended 31 December 2023, the Group updated the forecasting of forward-looking economic indicators using the statistical analysis with combination of expert judgment, and also considered the range of possible outcomes represented by each scenario, and determined the final macroeconomic scenarios and weights. Similar to other economic estimates, the expected economic indicators and probability of occurrence are inherently highly uncertain. As a result, the actual results may be materially different from the estimates. The Group believes that the forecasting reflects the Group's best estimate of possible outcomes. The above weighted credit loss is calculated by multiplying the expected credit loss under each scenario by the weight of the corresponding scenario.

The impact of these economic indicators on default probability and default loss rate varies between different business types. The Group considers internal and external data, expert forecasts and statistical analysis to determine the relationship between these economic indicators and default probability, default loss rate and default risk exposure. The Group annually reviews key parameters and assumptions used in the calculation of expected credit losses and makes necessary updates and adjustments according to the external economic development and changes in industrial and regional risks.

For the year ended 31 December 2023, the key macroeconomic assumptions used by the Group in macroeconomic scenarios included accumulated year-on-year growth rate of GDP, broad money supply, loan prime rate. For accumulated year-on-year growth rate of GDP, the average forecasting value under baseline scenario in 2024 is about 5%, with that under optimistic scenario increasing by 0.49 percentage point and that under pessimistic scenario decreasing by 0.4 percentage point; the average forecasting value under baseline scenario in 2025 is about 4.79%, with that under optimistic scenario increasing by 0.46 percentage point and that under pessimistic scenario decreasing by 0.48 percentage point.

The Group develops a measurement model under which it leverages macro data analysis and experts' judgements to determine the weights of pessimistic scenario, baseline scenario and optimistic scenario. For the year ended 31 December 2023, the weight of baseline scenario accounted for the highest percentage and those of other scenarios were lower than 25% respectively.

Sensitivity analysis

Expected credit losses are sensitive to parameters used in the model, macroeconomic variables of forward-looking estimates, weight probability of the three scenarios, and other factors considered in the 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.

If the weight of optimistic scenario increases by 10% while the weight of basis scenario decreases by 10%, provision for credit impairment of the Group as at 31 December 2023 decreases by RMB1,982 million (31 December 2022: RMB1,177 million); if the weight of pessimistic scenario increases by 10% while the weight of basis scenario decreases by 10%, provision for credit impairment of the Group and the Bank increases by RMB1,236 million (31 December 2022: RMB1,144 million).

For the year ended 31 December 2023, for external environment and other circumstances not reflected by the model, the Group's management has also considered and therefore accrued loss provision, thereby further enhancing the risk compensation capacity.

The table below illustrates the changes in the carrying amount of major financial assets of the Group and the Bank (including accrued interest):

		The Group						
		2023						
		Changes in three stages						
Item	Stage of impairment	Balance at the beginning of the year	Net increase/ (decrease) in the current year (Note)	Net transfer/ (reversal) from Stage 1 to Stage 2	Net transfer/ (reversal) from Stage 1 to Stage 3	Net transfer/ (reversal) from Stage 2 to Stage 3	Write-off in the current year	Balance at the end of the year
Loans and advances to customers	Stage 1	3,209,668	168,476	(106,821)	434	-	-	3,271,757
	Stage 2	91,725	(21,507)	106,821	-	(69,424)	-	107,615
	Stage 3	38,784	(1,098)	-	(434)	69,424	(68,585)	38,091
	Sub-total	3,340,177	145,871	-	-	-	(68,585)	3,417,463
Investment on debts	Stage 1	728,102	41,100	(4,482)	-	-	-	764,720
	Stage 2	3,084	(552)	4,482	-	2	-	7,016
	Stage 3	17,051	(4,321)	-	-	(2)	(157)	12,571
	Sub-total	748,237	36,227	-	-	-	(157)	784,307
Other investment on debts	Stage 1	170,892	(9,961)	-	-	-	-	160,931
	Stage 2	1,000	-	-	-	-	-	1,000
	Stage 3	341	(341)	-	-	-	-	-
	Sub-total	172,233	(10,302)	-	-	-	-	161,931

Note: Changes due to purchase, origination, or derecognition (except for write-off) for the current year.

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For the year ended 31 December 2023

(All amounts in RMB million unless otherwise stated)

VIII. Risk disclosure(Continued)

1.Credit risk (Continued)

1.2 Measurement of expected credit losses (Continued)

The table below illustrates the changes in the carrying amount of major financial assets of the Group and the Bank (including accrued interest): (Continued)

		The Bank						
		2023						
		Changes in three stages						
Item	Stage of impairment	Balance at the beginning of the year	Net increase/(decrease) in the current year (Note)	Net transfer/(reversal) from Stage 1 to Stage 2	Net transfer/(reversal) from Stage 1 to Stage 3	Net transfer/(reversal) from Stage 2 to Stage 3	Write-off in the current year	Balance at the end of the year
Loans and advances to customers	Stage 1	3,209,668	168,476	(106,821)	434	-	-	3,271,757
	Stage 2	91,725	(21,507)	106,821	-	(69,424)	-	107,615
	Stage 3	38,784	(1,098)	-	(434)	69,424	(68,585)	38,091
	Sub-total	3,340,177	145,871	-	-	-	(68,585)	3,417,463
Investment on debts	Stage 1	728,003	40,564	(4,482)	-	-	-	764,085
	Stage 2	3,084	(552)	4,482	-	2	-	7,016
	Stage 3	17,051	(4,321)	-	-	(2)	(157)	12,571
	Sub-total	748,138	35,691	-	-	-	(157)	783,672
Other investment on debts	Stage 1	168,027	(9,946)	-	-	-	-	158,081
	Stage 2	1,000	-	-	-	-	-	1,000
	Stage 3	341	(341)	-	-	-	-	-
	Sub-total	169,368	(10,287)	-	-	-	-	159,081

Note: Changes due to purchase, origination, or derecognition (except for write-off) for the current year.

		The Group						
		2022						
		Changes in three stages						
Item	Stage of impairment	Balance at the beginning of the year	Net increase/(decrease) in the current year (Note)	Net transfer/(reversal) from Stage 1 to Stage 2	Net transfer/(reversal) from Stage 1 to Stage 3	Net transfer/(reversal) from Stage 2 to Stage 3	Write-off in the current year	Balance at the end of the year
Loans and advances to customers	Stage 1	2,995,788	340,965	(126,378)	(707)	-	-	3,209,668
	Stage 2	44,549	(14,009)	126,378	-	(65,193)	-	91,725
	Stage 3	33,672	(986)	-	707	65,193	(59,802)	38,784
	Sub-total	3,074,009	325,970	-	-	-	(59,802)	3,340,177
Investment on debts	Stage 1	725,080	2,223	799	-	-	-	728,102
	Stage 2	8,219	(3,006)	(799)	-	(1,330)	-	3,084
	Stage 3	15,977	(256)	-	-	1,330	-	17,051
	Sub-total	749,276	(1,039)	-	-	-	-	748,237
Other investment on debts	Stage 1	149,680	21,157	55	-	-	-	170,892
	Stage 2	2,710	(1,271)	(55)	-	(384)	-	1,000
	Stage 3	38	(81)	-	-	384	-	341
	Sub-total	152,428	19,805	-	-	-	-	172,233

Note: Changes due to purchase, origination, or derecognition (except for write-off) for the current year.

Notes to the Financial Statements

For the year ended 31 December 2023

(All amounts in RMB million unless otherwise stated)

VIII. Risk disclosure(Continued)

1.Credit risk (Continued)

1.2 Measurement of expected credit losses (Continued)

The table below illustrates the changes in the carrying amount of major financial assets of the Group and the Bank (including accrued interest): (Continued)

		The Bank						
		2022						
		Changes in three stages						
Item	Stage of impairment	Balance at the beginning of the year	Net increase/(decrease) in the current year (Note)	Net transfer/(reversal) from Stage 1 to Stage 2	Net transfer/(reversal) from Stage 1 to Stage 3	Net transfer/(reversal) from Stage 2 to Stage 3	Write-off in the current year	Balance at the end of the year
Loans and advances to customers	Stage 1	2,995,788	340,965	(126,378)	(707)	-	-	3,209,668
	Stage 2	44,549	(14,009)	126,378	-	(65,193)	-	91,725
	Stage 3	33,672	(986)	-	707	65,193	(59,802)	38,784
	Sub-total	3,074,009	325,970	-	-	-	(59,802)	3,340,177
Investment on debts	Stage 1	724,053	3,151	799	-	-	-	728,003
	Stage 2	8,219	(3,006)	(799)	-	(1,330)	-	3,084
	Stage 3	15,977	(256)	-	-	1,330	-	17,051
	Sub-total	748,249	(111)	-	-	-	-	748,138
Other investment on debts	Stage 1	148,678	19,294	55	-	-	-	168,027
	Stage 2	2,710	(1,271)	(55)	-	(384)	-	1,000
	Stage 3	38	(81)	-	-	384	-	341
	Sub-total	151,426	17,942	-	-	-	-	169,368

Note: Changes due to purchase, origination, or derecognition (except for write-off) for the current year.

The table below illustrates the changes in the impairment provision for major financial assets of the Group and the Bank:

		The Group							
		2023							
		Changes in three stages							
Item	Stage of impairment	Balance at the beginning of the year	Net increase/(decrease) in the current year (Note 1)	Increase in/(reversal of) provision (Note 2)	Net transfer/(reversal) from Stage 1 to Stage 2	Net transfer/(reversal) from Stage 1 to Stage 3	Net transfer/(reversal) from Stage 2 to Stage 3	Write-off in the current year	Balance at the end of the year
Loans and advances to customers	Stage 1	56,531	24,435	(22,272)	(6,782)	408	-	-	52,320
	Stage 2	17,357	(3,870)	20,752	6,782	-	(16,566)	-	24,455
	Stage 3	27,308	4,197	44,192	-	(408)	16,566	(68,585)	23,270
	Sub-total	101,196	24,762	42,672	-	-	-	(68,585)	100,045
Investment on debts	Stage 1	5,681	184	(3,643)	(98)	-	-	-	2,124
	Stage 2	863	(14)	(185)	98	-	1	-	763
	Stage 3	9,843	(2,074)	1,342	-	-	(1)	(157)	8,953
	Sub-total	16,387	(1,904)	(2,486)	-	-	-	(157)	11,840
Other investment on debts	Stage 1	921	(7)	(190)	-	-	-	-	724
	Stage 2	227	-	(151)	-	-	-	-	76
	Stage 3	191	(246)	97	-	-	-	-	42
	Sub-total	1,339	(253)	(244)	-	-	-	-	842

Note 1: Changes due to purchase, origination, or derecognition (except for write-off) for the current year.

Note 2: This item mainly includes changes in default probability, default risk exposure, default loss rate caused by regular updates of model parameters, and impacts of changes in stages, etc., on the measurement of expected credit losses.

Note 3: Impairment provision for loans and advances to customers designated at fair value and changes included into other comprehensive income.

Notes to the Financial Statements

For the year ended 31 December 2023

(All amounts in RMB million unless otherwise stated)

VIII. Risk disclosure(Continued)

1.Credit risk (Continued)

1.2 Measurement of expected credit losses (Continued)

The table below illustrates the changes in the impairment provision for major financial assets of the Group and the Bank:
(Continued)

		The Bank								
		2023								
		Changes in three stages								
Item	Stage of impairment	Balance at the beginning of the year	Net increase/(decrease) in the current year (Note 1)	Increase in/(reversal of) provision (Note 2)	Net transfer/(reversal) from Stage 1 to Stage 2	Net transfer/(reversal) from Stage 1 to Stage 3	Net transfer/(reversal) from Stage 2 to Stage 3	Write-off in the current year	Balance at the end of the year	
Loans and advances to customers	Stage 1	56,531	24,435	(22,272)	(6,782)	408	-	-	52,320	
	Stage 2	17,357	(3,870)	20,752	6,782	-	(16,566)	-	24,455	
	Stage 3	27,308	4,197	44,192	-	(408)	16,566	(68,585)	23,270	
	Sub-total	101,196	24,762	42,672	-	-	-	(68,585)	100,045	
Investment on debts	Stage 1	5,679	182	(3,643)	(98)	-	-	-	2,120	
	Stage 2	863	(14)	(185)	98	-	1	-	763	
	Stage 3	9,843	(2,074)	1,342	-	-	(1)	(157)	8,953	
	Sub-total	16,385	(1,906)	(2,486)	-	-	-	(157)	11,836	
Other investment on debts	Stage 1	921	(7)	(190)	-	-	-	-	724	
	Stage 2	227	-	(151)	-	-	-	-	76	
	Stage 3	191	(246)	97	-	-	-	-	42	
	Sub-total	1,339	(253)	(244)	-	-	-	-	842	

Note 1: Changes due to purchase, origination, or derecognition (except for write-off) for the current year.

Note 2: This item mainly includes changes in default probability, default risk exposure, default loss rate caused by regular updates of model parameters, and impacts of changes in stages, etc., on the measurement of expected credit losses.

Note 3: Impairment provision for loans and advances to customers designated at fair value and changes included into other comprehensive income.

		The Group								
		2022								
		Changes in three stages								
Item	Stage of impairment	Balance at the beginning of the year	Net increase/(decrease) in the current year (Note 1)	Increase in/(reversal of) provision (Note 2)	Net transfer/(reversal) from Stage 1 to Stage 2	Net transfer/(reversal) from Stage 1 to Stage 3	Net transfer/(reversal) from Stage 2 to Stage 3	Write-off in the current year	Balance at the end of the year	
Loans and advances to customers	Stage 1	53,285	20,225	(11,847)	(5,185)	53	-	-	56,531	
	Stage 2	10,088	(1,117)	26,245	5,185	-	(23,044)	-	17,357	
	Stage 3	26,829	2,631	34,659	-	(53)	23,044	(59,802)	27,308	
	Sub-total	90,202	21,739	49,057	-	-	-	(59,802)	101,196	
Investment on debts	Stage 1	2,737	740	2,093	111	-	-	-	5,681	
	Stage 2	877	(89)	202	(111)	-	(16)	-	863	
	Stage 3	7,496	104	2,227	-	-	16	-	9,843	
	Sub-total	11,110	755	4,522	-	-	-	-	16,387	
Other investment on debts	Stage 1	858	217	(169)	15	-	-	-	921	
	Stage 2	187	(33)	107	(15)	-	(19)	-	227	
	Stage 3	38	(37)	171	-	-	19	-	191	
	Sub-total	1,083	147	109	-	-	-	-	1,339	

Note 1: Changes due to purchase, origination, or derecognition (except for write-off) for the current year.

Note 2: This item mainly includes changes in default probability, default risk exposure, default loss rate caused by regular updates of model parameters, and impacts of changes in stages, etc., on the measurement of expected credit losses.

Note 3: Impairment provision for loans and advances to customers designated at fair value and changes included into other comprehensive income.

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For the year ended 31 December 2023

(All amounts in RMB million unless otherwise stated)

VIII. Risk disclosure(Continued)

1.Credit risk (Continued)

1.2 Measurement of expected credit losses (Continued)

The table below illustrates the changes in the impairment provision for major financial assets of the Group and the Bank:
(Continued)

Item	Stage of impairment	The Bank							
		2022							
		Balance at the beginning of the year	Net increase/(decrease) in the current year (Note 1)	Increase in/(reversal of) provision (Note 2)	Changes in three stages			Write-off in the current year	Balance at the end of the year
Net transfer/(reversal) from Stage 1 to Stage 2	Net transfer/(reversal) from Stage 1 to Stage 3				Net transfer/(reversal) from Stage 2 to Stage 3				
Loans and advances to customers	Stage 1	53,285	20,225	(11,847)	(5,185)	53	-	-	56,531
	Stage 2	10,088	(1,117)	26,245	5,185	-	(23,044)	-	17,357
	Stage 3	26,829	2,631	34,659	-	(53)	23,044	(59,802)	27,308
	Sub-total	90,202	21,739	49,057	-	-	-	(59,802)	101,196
Investment on debts	Stage 1	2,737	738	2,093	111	-	-	-	5,679
	Stage 2	877	(89)	202	(111)	-	(16)	-	863
	Stage 3	7,496	104	2,227	-	-	16	-	9,843
	Sub-total	11,110	753	4,522	-	-	-	-	16,385
Other investment on debts	Stage 1	858	217	(169)	15	-	-	-	921
	Stage 2	187	(33)	107	(15)	-	(19)	-	227
	Stage 3	38	(37)	171	-	-	19	-	191
	Sub-total	1,083	147	109	-	-	-	-	1,339

Note 1: Changes due to purchase, origination, or derecognition (except for write-off) for the current year.

Note 2: This item mainly includes changes in default probability, default risk exposure, default loss rate caused by regular updates of model parameters, and impacts of changes in stages, etc., on the measurement of expected credit losses.

Note 3: Impairment provision for loans and advances to customers designated at fair value and changes included into other comprehensive income.

1.3 Credit risk measurement

Credit risk exposure analysis

The Group conducts internal rating on the risk characteristics of assets based on the quality status of assets, and classifies the credit ratings of financial assets included in the measurement of expected credit losses into "low risk", "medium risk", "high risk" and "default" according to the internal rating yardstick. The credit ratings are only for internal credit risk management. "Low risk" means that an asset has high quality, and there is sufficient evidence to show that no default is expected to occur on the asset, or there is no sufficient reason to suspect that default is expected to occur on the asset; "medium risk" refers to factors that may adversely affect the quality of an asset, but there is no sufficient reason to suspect that the asset is expected to default; "high risk" means that there are factors that have an obvious adverse effect on the quality of an asset, but no occurrence of default; the criterion for "default" is consistent with the definition of credit-impaired assets.

The table below provides an analysis on the credit risk rate of the loans and advances to customers and investment on debts included in the expected credit losses assessment. The carrying amount of financial assets below represents the Group's maximum credit risk exposure with these assets.

Notes to the Financial Statements

For the year ended 31 December 2023
(All amounts in RMB million unless otherwise stated)

VIII. Risk disclosure(Continued)

1.Credit risk (Continued)

1.3 Credit risk measurement (Continued)

Credit risk exposure analysis (Continued)

Loans and advances to customers

	The Group and the Bank			
	31 December 2023			
	Stage 1	Stage 2	Stage 3	Total
Credit rating	12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses	
Low risk	1,756,892	7,777	-	1,764,669
Medium risk	1,488,318	41,077	-	1,529,395
High risk	26,547	58,761	-	85,308
Default	-	-	38,091	38,091
Book balance	3,271,757	107,615	38,091	3,417,463
Impairment provision	(49,802)	(24,448)	(23,103)	(97,353)
Carrying amount	3,221,955	83,167	14,988	3,320,110

	The Group and the Bank			
	31 December 2022			
	Stage 1	Stage 2	Stage 3	Total
Credit rating	12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses	
Low risk	1,781,739	4,945	-	1,786,684
Medium risk	1,426,465	34,864	-	1,461,329
High risk	1,464	51,916	-	53,380
Default	-	-	38,784	38,784
Book balance	3,209,668	91,725	38,784	3,340,177
Impairment provision	(53,393)	(17,281)	(27,245)	(97,919)
Carrying amount	3,156,275	74,444	11,539	3,242,258

Investment on debts

	The Group			
	31 December 2023			
	Stage 1	Stage 2	Stage 3	Total
Credit rating	12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses	
Low risk	739,713	-	-	739,713
Medium risk	25,007	5,316	-	30,323
High risk	-	1,700	-	1,700
Default	-	-	12,571	12,571
Book balance	764,720	7,016	12,571	784,307
Impairment provision	(2,124)	(763)	(8,953)	(11,840)
Carrying amount	762,596	6,253	3,618	772,467

	The Bank			
	31 December 2023			
	Stage 1	Stage 2	Stage 3	Total
Credit rating	12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses	
Low risk	739,375	-	-	739,375
Medium risk	24,710	5,316	-	30,026
High risk	-	1,700	-	1,700
Default	-	-	12,571	12,571
Book balance	764,085	7,016	12,571	783,672
Impairment provision	(2,120)	(763)	(8,953)	(11,836)
Carrying amount	761,965	6,253	3,618	771,836

Notes to the Financial Statements

For the year ended 31 December 2023

(All amounts in RMB million unless otherwise stated)

VIII. Risk disclosure(Continued)

1.Credit risk (Continued)

1.3 Credit risk measurement (Continued)

Credit risk exposure analysis (Continued)

Loans and advances to customers

	The Group			
	31 December 2022			
	Stage 1	Stage 2	Stage 3	Total
Credit rating	12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses	
Low risk	696,627	-	-	696,627
Medium risk	31,475	2,903	-	34,378
High risk	-	181	-	181
Default	-	-	17,051	17,051
Book balance	728,102	3,084	17,051	748,237
Impairment provision	(5,681)	(863)	(9,843)	(16,387)
Carrying amount	722,421	2,221	7,208	731,850

	The Bank			
	31 December 2022			
	Stage 1	Stage 2	Stage 3	Total
Credit rating	12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses	
Low risk	696,627	-	-	696,627
Medium risk	31,376	2,903	-	34,279
High risk	-	181	-	181
Default	-	-	17,051	17,051
Book balance	728,003	3,084	17,051	748,138
Impairment provision	(5,679)	(863)	(9,843)	(16,385)
Carrying amount	722,324	2,221	7,208	731,753

Risk concentration of the maximum credit risk exposure

Credit risk is often greater when counter-parties are concentrated in a single industry or geographic location or have comparable economic characteristics.

The majority of the loans and financial guarantee contracts of the Group are related to the local customers within Mainland China. However, different areas in Mainland China have their own unique characteristics in terms of economic development. Therefore, each area in Mainland China could present different credit risks.

Please refer to Note IV 6 for an analysis of concentration of loans and advances by industry and geographical region.

Collateral and other credit enhancements

The amount and type of collateral required depend on an assessment of the credit risk of the counter-party. The Group has developed guidelines regarding the types of collateral and valuation parameters.

The main types of collateral obtained are as follows:

- For reverse repurchase transactions, mainly in bills, beneficial right of trust, or securities;
- For corporate lending, mainly in real estate properties, inventories, shares or trade receivables;
- For personal loans, mainly in residential properties mortgages.

The management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement and monitors the changes in market value of collateral obtained during its review of the adequacy of impairment provision.

Notes to the Financial Statements

For the year ended 31 December 2023
(All amounts in RMB million unless otherwise stated)

VIII. Risk disclosure(Continued)

1.Credit risk (Continued)

1.3 Credit risk measurement (Continued)

Maximum exposure to credit risk without taking account of any collateral and other credit enhancements (deducting impairment provision):

	The Group				
	31 December 2023				
	Stage 1	Stage 2	Stage 3	Not applicable	Maximum exposure to credit risk without taking account of any collateral and other credit enhancements
Balances with the Central Bank	270,976	-	-	-	270,976
Deposits with banks and other financial institutions	93,597	-	-	-	93,597
Placements to banks and other financial institutions	220,707	-	-	-	220,707
Financial assets held for trading (excluding equity investments)	-	-	-	450,153	450,153
Derivative financial assets	-	-	-	40,521	40,521
Financial assets held under resale agreements	110,630	200	-	-	110,830
Loans and advances to customers	3,221,955	83,167	14,988	-	3,320,110
Other investment on debts	160,931	1,000	-	-	161,931
Investment on debts	762,596	6,253	3,618	-	772,467
Other financial assets	45,895	395	86	-	46,376
Sub-total	4,887,287	91,015	18,692	490,674	5,487,668
Credit commitments					
Including: Bank acceptance bills	735,008	792	-	-	735,800
Letters of guarantee issued	91,949	185	-	-	92,134
Letters of credit issued	145,713	180	-	-	145,893
Unused limit of credit cards and loan commitments	956,225	3,464	320	-	960,009
Sub-total	1,928,895	4,621	320	-	1,933,836
Total	6,816,182	95,636	19,012	490,674	7,421,504

	The Bank				
	31 December 2023				
	Stage 1	Stage 2	Stage 3	Not applicable	Maximum exposure to credit risk without taking account of any collateral and other credit enhancements
Balances with the Central Bank	270,976	-	-	-	270,976
Deposits with banks and other financial institutions	93,330	-	-	-	93,330
Placements to banks and other financial institutions	220,707	-	-	-	220,707
Financial assets held for trading (excluding equity investments)	-	-	-	426,799	426,799
Derivative financial assets	-	-	-	40,521	40,521
Financial assets held under resale agreements	109,980	200	-	-	110,180
Loans and advances to customers	3,221,955	83,167	14,988	-	3,320,110
Other investment on debts	158,081	1,000	-	-	159,081
Investment on debts	761,965	6,253	3,618	-	771,836
Other financial assets	45,703	395	86	-	46,184
Sub-total	4,882,697	91,015	18,692	467,320	5,459,724
Credit commitments					
Including: Bank acceptance bills	735,008	792	-	-	735,800
Letters of guarantee issued	91,949	185	-	-	92,134
Letters of credit issued	145,713	180	-	-	145,893
Unused limit of credit cards and loan commitments	956,225	3,464	320	-	960,009
Sub-total	1,928,895	4,621	320	-	1,933,836
Total	6,811,592	95,636	19,012	467,320	7,393,560

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For the year ended 31 December 2023
(All amounts in RMB million unless otherwise stated)

VIII. Risk disclosure(Continued)

1.Credit risk (Continued)

1.3 Credit risk measurement (Continued)

Maximum exposure to credit risk without taking account of any collateral and other credit enhancements (deducting impairment provision) (Continued):

	The Group				
	31 December 2022				
	Stage 1	Stage 2	Stage 3	Not applicable	Maximum exposure to credit risk without taking account of any collateral and other credit enhancements
Balances with the Central Bank	281,115	-	-	-	281,115
Deposits with banks and other financial institutions	98,329	-	-	-	98,329
Placements to banks and other financial institutions	133,921	-	-	-	133,921
Financial assets held for trading (excluding equity investments)	-	-	-	445,940	445,940
Derivative financial assets	-	-	-	27,553	27,553
Financial assets held under resale agreements	41,561	-	-	-	41,561
Loans and advances to customers	3,156,275	74,444	11,539	-	3,242,258
Other investment on debts	170,892	1,000	341	-	172,233
Investment on debts	722,421	2,221	7,208	-	731,850
Other financial assets	39,594	-	-	-	39,594
Sub-total	4,644,108	77,665	19,088	473,493	5,214,354
Credit commitments					
Including: Bank acceptance bills	694,344	2,563	1	-	696,908
Letters of guarantee issued	109,346	85	-	-	109,431
Letters of credit issued	121,941	506	-	-	122,447
Unused limit of credit cards and loan commitments	886,381	3,039	146	-	889,566
Sub-total	1,812,012	6,193	147	-	1,818,352
Total	6,456,120	83,858	19,235	473,493	7,032,706

	The Bank				
	31 December 2022				
	Stage 1	Stage 2	Stage 3	Not applicable	Maximum exposure to credit risk without taking account of any collateral and other credit enhancements
Balances with the Central Bank	281,115	-	-	-	281,115
Deposits with banks and other financial institutions	97,619	-	-	-	97,619
Placements to banks and other financial institutions	133,921	-	-	-	133,921
Financial assets held for trading (excluding equity investments)	-	-	-	442,599	442,599
Derivative financial assets	-	-	-	27,553	27,553
Financial assets held under resale agreements	41,561	-	-	-	41,561
Loans and advances to customers	3,156,275	74,444	11,539	-	3,242,258
Other investment on debts	168,027	1,000	341	-	169,368
Investment on debts	722,324	2,221	7,208	-	731,753
Other financial assets	39,328	-	-	-	39,328
Sub-total	4,640,170	77,665	19,088	470,152	5,207,075
Credit commitments					
Including: Bank acceptance bills	694,344	2,563	1	-	696,908
Letters of guarantee issued	109,346	85	-	-	109,431
Letters of credit issued	121,941	506	-	-	122,447
Unused limit of credit cards and loan commitments	886,381	3,039	146	-	889,566
Sub-total	1,812,012	6,193	147	-	1,818,352
Total	6,452,182	83,858	19,235	470,152	7,025,427

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For the year ended 31 December 2023
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VIII. Risk disclosure(Continued)

1.Credit risk (Continued)

1.3 Credit risk measurement (Continued)

The Group closely monitors collateral related to credit-impaired financial assets, as the possibility is greater that the Group confiscates such collateral in order to lower the potential credit losses when compared with other collaterals. As at 31 December 2023 and 31 December 2022, the Group's and the Bank's credit-impaired financial assets and the value of the collateral held to lower the potential losses were set out as follows:

	The Group and the Bank		
	31 December 2023		
	Carrying amount	Impairment provision (Note)	Fair value of the collateral held
Credit-impaired assets			
Loans and advances to customers	14,988	23,270	13,940
Financial investments:			
Investment on debts	3,618	8,953	900
Other investment on debts	-	42	-
Total credit-impaired assets	18,606	32,265	14,840

	The Group and the Bank		
	31 December 2022		
	Carrying amount	Impairment provision (Note)	Fair value of the collateral held
Credit-impaired assets			
Loans and advances to customers	11,539	27,308	16,747
Financial investments:			
Investment on debts	7,208	9,843	1,226
Other investment on debts	341	191	299
Total credit-impaired assets	19,088	37,342	18,272

Note: As at 31 December 2023, an impairment provision, amounting to RMB167 million, in the Group's and the Bank's loans and advances to customers that have been impaired was included in other comprehensive income (31 December 2022: RMB63 million). As at 31 December 2023, an impairment provision, amounting to RMB42 million, in the Group's and the Bank's other investment on debts that have been impaired was included in other comprehensive income (31 December 2022: RMB191 million).

Restructured loans and advances to customers

Restructured loans and advances to customers refer to those loans with renegotiated contract provisions due to deteriorated financial performance or inability to scheduled repayment. The Group reaches agreement with the borrowers in consideration of their financial difficulty or makes concessions based on the court order. As at 31 December 2023, the restructured loans and advances to customers of the Group and the Bank amounted to RMB32,030 million (31 December 2022: RMB17,107 million).

2. Liquidity risk

Liquidity risk refers to the risk that commercial banks are unable to obtain sufficient funds at reasonable cost and in a timely manner to pay debts as they fall due, meet other payment obligations and meet other funding requirements for normal business operations.

The Group and the Bank have established a comprehensive and effective liquidity risk management and governance structure. The Board assumes the ultimate responsibility of liquidity risk management. The Board of Supervisors supervises and evaluates the performance of the Board and senior management in liquidity risk management. Senior management assumes the responsibility for liquidity risk management, and the Asset and Liability Management Committee is the top management body of liquidity risk management. The Asset and Liability Management Department is responsible for specific management of liquidity risk under the guidance of the Asset and Liability Management Committee. The Audit and Supervision Department, as an internal audit department for liquidity risk management, is responsible for the internal audit of liquidity risk management.

The Group and the Bank attach great importance to liquidity risk management, continuously optimize the liquidity risk management system and management strategies. The Group and the Bank adequately identify, accurately measure, continuously monitor and effectively control liquidity risk, and monitor liquidity risk using various methods such as cash flow measurement and analysis and liquidity risk limit management. The Group and the Bank continuously optimize its asset and liability structure, strengthen the management of liabilities and high-quality liquid assets, and maintain a balanced development of fund sources and fund utilization; conduct regular liquidity risk stress tests to cautiously assess potential liquidity risks; and continuously improve emergency plan with respect to liquidity risk to enhance liquidity risk emergency management capabilities.

As at the end of the reporting period, each of the Group's and the Bank's businesses developed at a stable pace, with abundant high-quality liquid asset reserve, safe and prudent liquidity condition, and liquidity risk regulatory indicators meeting the requirements of the NFRA.

The Group and the Bank will continuously work on the improvement on the pertinence and flexibility of liquidity risk management, promote the structure optimization of assets and liabilities, strengthen the management of stable deposits, and maintain the balanced development of fund sources and fund utilization, to ensure continuous liquidity safety.

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For the year ended 31 December 2023
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VIII. Risk disclosure(Continued)

2. Liquidity risk (Continued)

As at 31 December 2023, the remaining contractual maturity analysis of the Group's financial assets and financial liabilities (based on contractual undiscounted cash flows) was as follows:

	The Group							Total
	31 December 2023							
	Overdue/On demand	Within 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Undated	
Non-derivative financial instruments cash flows:								
Financial assets:								
Cash and balances with the Central Bank	47,433	-	-	-	-	-	227,230	274,663
Amounts due from banks and other financial institutions (1)	42,434	202,735	65,162	101,424	16,715	-	-	428,470
Financial assets held for trading	1,319	1,137	6,508	26,685	177,463	54,004	208,112	475,228
Loans and advances to customers	12,057	475,908	359,571	955,728	1,247,208	718,621	-	3,769,093
Investment on debts	3,542	6,311	25,124	89,155	402,459	386,986	-	913,577
Other investment on debts	-	3,710	12,845	46,859	94,290	14,530	-	172,234
Other equity instrument investment	-	-	-	-	-	-	6,214	6,214
Other financial assets	38,602	1,238	3,000	24	927	1,498	-	45,289
Total financial assets	145,387	691,039	472,210	1,219,875	1,939,062	1,175,639	441,556	6,084,768
Financial liabilities:								
Borrowings from the Central Bank	-	105,874	23,333	81,082	-	-	-	210,289
Amounts due to banks and other financial institutions (2)	291,897	142,459	59,833	76,002	7,002	-	-	577,193
Financial liabilities held for trading	1,442	29,694	118	365	-	-	-	31,619
Deposits from customers	1,193,972	457,946	295,359	584,019	1,004,325	-	-	3,535,621
Debt securities issued	-	70,104	199,090	357,592	115,110	-	-	741,896
Lease liabilities	258	204	390	1,720	4,249	153	-	6,974
Other financial liabilities	18,023	16	54	2,791	-	1,487	-	22,371
Total financial liabilities	1,505,592	806,297	578,177	1,103,571	1,130,686	1,640	-	5,125,963
Net liquidity	(1,360,205)	(115,258)	(105,967)	116,304	808,376	1,173,999	441,556	958,805
Derivative cash flows:								
Derivative financial instruments settled on a net basis								
	-	34	(22)	(600)	(907)	42	-	(1,453)
Derivative financial instruments settled on a gross basis								
Including: Cash inflows	3,344	570,245	576,115	1,036,506	226,768	-	-	2,412,978
Cash outflows	(4,303)	(570,136)	(576,826)	(1,040,075)	(226,266)	-	-	(2,417,606)
	(959)	109	(711)	(3,569)	502	-	-	(4,628)

(1)Amounts due from banks and other financial institutions included deposits with banks and other financial institutions, placements to banks and other financial institutions and financial assets held under resale agreements.

(2)Amounts due to banks and other financial institutions included deposits from banks and other financial institutions, placements from banks and other financial institutions, and financial assets sold under repurchase agreements.

As at 31 December 2023, the remaining contractual maturity analysis of the Bank's financial assets and financial liabilities (based on contractual undiscounted cash flows) was as follows:

	The Bank							Total
	31 December 2023							
	Overdue/On demand	Within 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Undated	
Non-derivative financial instruments cash flows:								
Financial assets:								
Cash and balances with the Central Bank	47,433	-	-	-	-	-	227,230	274,663
Amounts due from banks and other financial institutions (1)	42,166	202,086	65,162	101,424	16,715	-	-	427,553
Financial assets held for trading	1,319	1,137	6,435	26,660	175,569	53,983	186,699	451,802
Loans and advances to customers	12,057	475,908	359,571	955,728	1,247,208	718,621	-	3,769,093
Investment on debts	3,542	6,311	25,124	88,790	402,173	386,986	-	912,926
Other investment on debts	-	3,710	12,835	44,919	93,334	14,530	-	169,328
Other equity instrument investment	-	-	-	-	-	-	6,214	6,214
Other financial assets	38,600	1,064	3,000	10	927	1,498	-	45,099
Total financial assets	145,117	690,216	472,127	1,217,531	1,935,926	1,175,618	420,143	6,056,678
Financial liabilities:								
Borrowings from the Central Bank	-	105,874	23,333	81,082	-	-	-	210,289
Amounts due to banks and other financial institutions (2)	291,945	124,358	59,833	76,002	7,002	-	-	559,140
Financial liabilities held for trading	1,442	29,694	118	365	-	-	-	31,619
Deposits from customers	1,193,972	457,946	295,359	584,019	1,004,325	-	-	3,535,621
Debt securities issued	-	70,104	199,090	357,592	115,110	-	-	741,896
Lease liabilities	258	204	390	1,720	4,249	153	-	6,974
Other financial liabilities	19,419	-	-	2,768	-	1,487	-	23,674
Total financial liabilities	1,507,036	788,180	578,123	1,103,548	1,130,686	1,640	-	5,109,213
Net liquidity	(1,361,919)	(97,964)	(105,996)	113,983	805,240	1,173,978	420,143	947,465
Derivative cash flows:								
Derivative financial instruments settled on a net basis								
	-	34	(22)	(600)	(907)	42	-	(1,453)
Derivative financial instruments settled on a gross basis								
Including: Cash inflows	3,344	570,245	576,115	1,036,506	226,768	-	-	2,412,978
Cash outflows	(4,303)	(570,136)	(576,826)	(1,040,075)	(226,266)	-	-	(2,417,606)
	(959)	109	(711)	(3,569)	502	-	-	(4,628)

(1)Amounts due from banks and other financial institutions included deposits with banks and other financial institutions, placements to banks and other financial institutions and financial assets held under resale agreements.

(2)Amounts due to banks and other financial institutions included deposits from banks and other financial institutions, placements from banks and other financial institutions, and financial assets sold under repurchase agreements.

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VIII. Risk disclosure(Continued)

2. Liquidity risk (Continued)

As at 31 December 2022, the remaining contractual maturity analysis of the Group's financial assets and financial liabilities (based on contractual undiscounted cash flows) was as follows:

	The Group							
	31 December 2022							
	Overdue/On demand	Within 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Undated	Total
Non-derivative financial instruments cash flows:								
Financial assets:								
Cash and balances with the Central Bank	44,998	-	-	-	-	-	240,279	285,277
Amounts due from banks and other financial institutions (1)	70,591	94,864	33,584	76,200	-	-	-	275,239
Financial assets held for trading	1,322	1,224	12,786	70,125	148,542	50,985	185,943	470,927
Loans and advances to customers	16,181	303,281	431,667	992,656	1,209,797	811,963	-	3,765,545
Investment on debts	6,895	5,694	19,681	89,221	392,276	351,194	-	864,961
Other investment on debts	150	4,278	9,332	54,016	101,834	15,576	-	185,186
Other equity instrument investment	-	-	-	-	-	-	6,380	6,380
Other financial assets	29,885	1,513	4,233	11	937	1,517	-	38,096
Total financial assets	170,022	410,854	511,283	1,282,229	1,853,386	1,231,235	432,602	5,891,611
Financial liabilities:								
Borrowings from the Central Bank	-	100,720	15,608	77,197	-	-	-	193,525
Amounts due to banks and other financial institutions (2)	296,380	101,188	58,210	16,801	6,907	-	-	479,486
Financial liabilities held for trading	1,289	63,319	78	261	-	-	-	64,947
Deposits from customers	1,176,768	546,290	269,396	600,651	834,494	-	-	3,427,599
Debt securities issued	-	74,216	129,102	365,678	137,836	-	-	706,832
Lease liabilities	285	232	416	1,923	4,721	239	-	7,816
Other financial liabilities	14,367	23	63	3,320	-	1,487	-	19,260
Total financial liabilities	1,489,089	885,988	472,873	1,065,831	983,958	1,726	-	4,899,465
Net liquidity	(1,319,067)	(475,134)	38,410	216,398	869,428	1,229,509	432,602	992,146
Derivative cash flows:								
Derivative financial instruments settled on a net basis								
	-	(185)	71	(11)	254	24	-	153
Derivative financial instruments settled on a gross basis								
Including: Cash inflows	8,006	791,549	483,558	756,035	115,623	-	-	2,154,771
Cash outflows	(8,885)	(794,401)	(485,960)	(759,555)	(115,653)	-	-	(2,164,454)
	(879)	(2,852)	(2,402)	(3,520)	(30)	-	-	(9,683)

(1) Amounts due from banks and other financial institutions included deposits with banks and other financial institutions, placements to banks and other financial institutions and financial assets held under resale agreements.

(2) Amounts due to banks and other financial institutions included deposits from banks and other financial institutions, placements from banks and other financial institutions, and financial assets sold under repurchase agreements.

As at 31 December 2022, the remaining contractual maturity analysis of the Bank's financial assets and financial liabilities (based on contractual undiscounted cash flows) was as follows:

	The Bank							
	31 December 2022							
	Overdue/On demand	Within 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Undated	Total
Non-derivative financial instruments cash flows:								
Financial assets:								
Cash and balances with the Central Bank	44,998	-	-	-	-	-	240,279	285,277
Amounts due from banks and other financial institutions (1)	69,881	94,864	33,584	76,200	-	-	-	274,529
Financial assets held for trading	1,322	1,224	12,786	70,090	147,249	50,923	183,921	467,515
Loans and advances to customers	16,181	303,281	431,667	992,656	1,209,797	811,963	-	3,765,545
Investment on debts	6,895	5,694	19,681	89,218	392,172	351,194	-	864,854
Other investment on debts	150	4,272	9,331	52,535	100,373	15,576	-	182,237
Other equity instrument investment	-	-	-	-	-	-	6,380	6,380
Other financial assets	29,883	1,261	4,233	1	937	1,517	-	37,832
Total financial assets	169,310	410,596	511,282	1,280,700	1,850,528	1,231,173	430,580	5,884,169
Financial liabilities:								
Borrowings from the Central Bank	-	100,720	15,608	77,197	-	-	-	193,525
Amounts due to banks and other financial institutions (2)	296,707	101,188	58,210	16,801	6,907	-	-	479,813
Financial liabilities held for trading	1,289	63,319	78	261	-	-	-	64,947
Deposits from customers	1,176,772	546,290	269,396	600,651	834,494	-	-	3,427,603
Debt securities issued	-	74,216	129,102	365,678	137,836	-	-	706,832
Lease liabilities	285	232	416	1,923	4,721	239	-	7,816
Other financial liabilities	16,286	-	-	3,308	-	1,487	-	21,081
Total financial liabilities	1,491,339	885,965	472,810	1,065,819	983,958	1,726	-	4,901,617
Net liquidity	(1,322,029)	(475,369)	38,472	214,881	866,570	1,229,447	430,580	982,552
Derivative cash flows:								
Derivative financial instruments settled on a net basis								
	-	(185)	71	(11)	254	24	-	153
Derivative financial instruments settled on a gross basis								
Including: Cash inflows	8,006	791,549	483,558	756,035	115,623	-	-	2,154,771
Cash outflows	(8,885)	(794,401)	(485,960)	(759,555)	(115,653)	-	-	(2,164,454)
	(879)	(2,852)	(2,402)	(3,520)	(30)	-	-	(9,683)

(1) Amounts due from banks and other financial institutions included deposits with banks and other financial institutions, placements to banks and other financial institutions and financial assets held under resale agreements.

(2) Amounts due to banks and other financial institutions included deposits from banks and other financial institutions, placements from banks and other financial institutions, and financial assets sold under repurchase agreements.

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VIII. Risk disclosure(Continued)

2. Liquidity risk (Continued)

Analysis of credit commitments by contractual expiry date of the Group and the Bank:

	The Group and the Bank						
	31 December 2023						
	Within 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Undated	Total
Bank acceptance bills	165,285	238,504	341,066	-	-	-	744,855
Unused limit of credit cards and loan commitments	657	14,967	93,652	419,132	432,031	-	960,439
Letters of guarantee issued	15,489	12,221	39,447	25,836	73	-	93,066
Letters of credit issued	17,551	32,274	98,540	458	-	-	148,823
Total	198,982	297,966	572,705	445,426	432,104	-	1,947,183

	The Group and the Bank						
	31 December 2022						
	Within 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Undated	Total
Bank acceptance bills	69,942	158,518	475,815	-	-	-	704,275
Unused limit of credit cards and loan commitments	373	7,537	58,996	458,956	363,704	-	889,566
Letters of guarantee issued	13,040	13,948	57,116	27,153	61	-	111,318
Letters of credit issued	10,474	23,614	88,075	670	-	-	122,833
Total	93,829	203,617	680,002	486,779	363,765	-	1,827,992

The management expects that not all of the credit commitments will be drawn before expiry of the commitments.

3. Market risk

The market risk faced by the Group comes from transaction accounts and bank accounts, and the principal market risks are interest rate risk and exchange rate risk. The target of market risk management is to avoid uncontrollable loss of revenue or equity caused by market risk, and to offset the impact of volatility risk of financial instruments on the Group. The Board of Directors is responsible for approving the basic system of market risk, while senior management and its subordinate committees specifically approve the credit limit on market risk, while conducting regular supervision on market risks. The Risk Management Department undertakes regular functions of market risk monitoring, including determining a reasonable level of market risk limit and monitoring daily operation of treasury business.

In the opinion of the management, as the market risk of the Group's trading business activities is not material, the Group has not separately disclosed quantitative information about exposure to market risk arising from the trading portfolio.

3.1 Foreign exchange risk

The Bank's foreign exchange risk exposures mainly comprise exposures from the mismatch of foreign currency assets and liabilities, and exposures from foreign exchange derivative transactions arising from adverse movements in exchange rates. The currency risk of the Bank mainly arises from loans and advances, investments and deposits denominated in foreign currencies. The Bank has set limits on positions by currency. Positions are monitored on a daily basis, and hedging strategies are used to ensure positions are maintained within established limits.

As at 31 December 2023, the Group's and the Bank's foreign currency assets and liabilities summarized by currency are as follows:

	The Group and the Bank			
	31 December 2023			
	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	Total
Assets:				
Cash and balances with the Central Bank	2,940	497	93	3,530
Amounts due from banks and other financial institutions (1)	56,766	4,066	4,342	65,174
Financial assets held for trading and derivative financial assets	4,013	-	-	4,013
Loans and advances to customers	85,436	33,260	31,018	149,714
Investment on debts	29,481	356	3,207	33,044
Other investment on debts	17,188	1,074	-	18,262
Other equity instrument investment	18	-	-	18
Other assets	29	32	6	67
Total assets	195,871	39,285	38,666	273,822
Liabilities:				
Amounts due to banks and other financial institutions (2)	27,665	3,678	3,915	35,258
Financial liabilities held for trading and derivative financial liabilities	2,446	-	-	2,446
Deposits from customers	169,162	15,254	17,571	201,987
Debt securities issued	1,416	544	-	1,960
Other liabilities	918	224	24	1,166
Total liabilities	201,607	19,700	21,510	242,817
Net position of foreign currency (3)	(5,736)	19,585	17,156	31,005
Notional amount of derivative financial instruments	23,126	(31,230)	(15,825)	(23,929)
Total	17,390	(11,645)	1,331	7,076
Credit commitments	20,232	2,764	9,251	32,247

(1) Amounts due from banks and other financial institutions included deposits with banks and other financial institutions, placements to banks and other financial institutions and financial assets held under resale agreements.

(2) Amounts due to banks and other financial institutions included deposits from banks and other financial institutions, placements from banks and other financial institutions, and financial assets sold under repurchase agreements.

(3) The net position of foreign currency comprised the related net position of monetary assets and liabilities.

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For the year ended 31 December 2023
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VIII. Risk disclosure(Continued)

3. Market risk (Continued)

3.1 Foreign exchange risk (Continued)

As at 31 December 2022, the Group's and the Bank's foreign currency assets and liabilities summarized by currency are as follows:

	The Group and the Bank			
	31 December 2022			
	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	Total
Assets:				
Cash and balances with the Central Bank	6,222	457	55	6,734
Amounts due from banks and other financial institutions (1)	85,102	3,816	4,806	93,724
Financial assets held for trading and derivative financial assets	9,653	-	-	9,653
Loans and advances to customers	126,601	39,831	27,685	194,117
Investment on debts	36,904	347	2,644	39,895
Other investment on debts	18,157	1,194	-	19,351
Other equity instrument investment	15	-	-	15
Other assets	62	46	3	111
Total assets	282,716	45,691	35,193	363,600
Liabilities:				
Amounts due to banks and other financial institutions (2)	26,485	12,045	9,294	47,824
Financial liabilities held for trading and derivative financial liabilities	2,163	-	-	2,163
Deposits from customers	246,525	15,688	6,038	268,251
Debt securities issued	3,074	-	-	3,074
Other liabilities	1,035	223	53	1,311
Total liabilities	279,282	27,956	15,385	322,623
Net position of foreign currency (3)	3,434	17,735	19,808	40,977
Notional amount of derivative financial instruments	(2,347)	(18,317)	(18,977)	(39,641)
Total	1,087	(582)	831	1,336
Credit commitments	25,879	1,003	9,399	36,281

(1) Amounts due from banks and other financial institutions included deposits with banks and other financial institutions, placements to banks and other financial institutions and financial assets held under resale agreements.

(2) Amounts due to banks and other financial institutions included deposits from banks and other financial institutions, placements from banks and other financial institutions, and financial assets sold under repurchase agreements.

(3) The net position of foreign currency comprised the related net position of monetary assets and liabilities.

The table below indicates the sensitivity analysis of exchange rate changes of the currencies to which the Group and the Bank had significant exposure on its monetary assets and liabilities and its forecast cash flows. The analysis calculates the effect of a reasonably possible movement in the currency rates against RMB, with all other variables held constant, on profit before tax. A negative amount in the table reflects a potential net reduction in profit before tax, while a positive amount reflects a potential net increase. As the Group and the Bank have no cash flow hedges based on foreign exchange risk and have only a minimal amount of equity instruments denominated in foreign currencies, changes in exchange rates do not have any material impact on equity.

Currency	The Group and the Bank			
	31 December 2023		31 December 2022	
	Change in exchange rate in %	Effect on profit before tax(RMB equivalent)	Change in exchange rate in %	Effect on profit before tax(RMB equivalent)
USD	+/-5	+/-870	+/-5	+/-54
HKD	+/-5	-/+582	+/-5	-/+29

3.2 Interest rate risk

Transaction account interest rate risk comes from the change in interest rates and product price of the transaction account resulting from the change in market interest rates, which in turn affects the profit or loss of the Bank for the period. The Bank mainly manages the interest rate risk of transaction account by adopting measures such as the interest rate sensitive limit and daily and monthly stop-loss limit to ensure that the fluctuations of interest rate and market value of products are within the affordable scope of the Bank.

Bank account interest rate risk comes from the mismatch of the maturity date or contract re-pricing date between interest-earning assets and interest-bearing liabilities. Interest-earning assets and interest-bearing liabilities of the Bank are primarily denominated in RMB. The Bank manages bank account interest rate risk primarily by adjusting the asset/liability pricing structure, regularly monitoring sensitive gaps of interest rate, analyzing characteristics of asset/liability re-pricing, and using an asset/liability management system to conduct scenario analysis on interest risk. The Bank regularly convenes the Asset and Liability Management Committee meetings to adjust the asset/liability structure timely and appropriately and manage bank account interest rate risk by predicting future macroeconomic trends and analyzing base rate policies of the Peoples' Bank of China.

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VIII. Risk disclosure(Continued)

3. Market risk (Continued)

3.2 Interest rate risk (Continued)

As at 31 December 2023, the contractual re-pricing dates or maturity dates, whichever were earlier, of the Group's balance sheet items were summarized as follows:

	The Group					
	31 December 2023					
	Within 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Non-interest bearing	Total
Assets:						
Cash and balances with the Central Bank	267,428	-	-	-	7,235	274,663
Precious metals	-	-	-	-	9,680	9,680
Amounts due from banks and other financial institutions (1)	308,595	98,492	16,232	-	1,815	425,134
Financial assets held for trading and derivative financial assets	5,353	21,960	163,439	44,305	255,757	490,814
Loans and advances to customers	1,397,847	1,528,328	356,985	26,996	9,954	3,320,110
Investment on debts	27,136	70,051	339,996	327,689	7,595	772,467
Other investment on debts	17,172	43,250	87,307	12,785	1,417	161,931
Other equity instrument investment	-	-	-	-	6,214	6,214
Fixed assets	-	-	-	-	9,814	9,814
Goodwill	-	-	-	-	7,568	7,568
Right-of-use assets	-	-	-	-	5,776	5,776
Other assets	-	-	-	-	102,945	102,945
Total assets	2,023,531	1,762,081	963,959	411,775	425,770	5,587,116
Liabilities:						
Borrowings from the Central Bank	127,732	79,056	-	-	1,995	208,783
Amounts due to banks and other financial institutions (2)	489,546	71,759	6,500	-	7,197	575,002
Financial liabilities held for trading and derivative financial liabilities	29,275	-	-	-	44,559	73,834
Deposits from customers	1,907,637	557,069	925,520	-	68,061	3,458,287
Debt securities issued	267,451	348,367	109,994	-	2,516	728,328
Lease liabilities	-	-	-	-	6,210	6,210
Other liabilities	-	-	-	-	64,344	64,344
Total liabilities	2,821,641	1,056,251	1,042,014	-	194,882	5,114,788
Interest rate risk gap	(798,110)	705,830	(78,055)	411,775	Not applicable	Not applicable

(1)Amounts due from banks and other financial institutions included deposits with banks and other financial institutions, placements to banks and other financial institutions and financial assets held under resale agreements.

(2)Amounts due to banks and other financial institutions included deposits from banks and other financial institutions, placements from banks and other financial institutions, and financial assets sold under repurchase agreements.

As at 31 December 2022, the contractual re-pricing dates or maturity dates, whichever were earlier, of the Bank's balance sheet items were summarized as follows:

	The Bank					
	31 December 2023					
	Within 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Non-interest bearing	Total
Assets:						
Cash and balances with the Central Bank	267,428	-	-	-	7,235	274,663
Precious metals	-	-	-	-	9,680	9,680
Amounts due from banks and other financial institutions (1)	307,677	98,492	16,234	-	1,814	424,217
Financial assets held for trading and derivative financial assets	5,303	21,960	161,597	44,285	234,315	467,460
Loans and advances to customers	1,397,847	1,528,328	356,985	26,996	9,954	3,320,110
Investment on debts	27,136	69,701	339,724	327,689	7,586	771,836
Other investment on debts	17,172	41,363	86,373	12,785	1,388	159,081
Other equity instrument investment	-	-	-	-	6,214	6,214
Fixed assets	-	-	-	-	9,786	9,786
Goodwill	-	-	-	-	7,568	7,568
Right-of-use assets	-	-	-	-	5,776	5,776
Other assets	-	-	-	-	107,676	107,676
Total assets	2,022,563	1,759,844	960,913	411,755	408,992	5,564,067
Liabilities:						
Borrowings from the Central Bank	127,732	79,056	-	-	1,995	208,783
Amounts due to banks and other financial institutions (2)	471,493	71,759	6,500	-	7,197	556,949
Financial liabilities held for trading and derivative financial liabilities	29,275	-	-	-	44,559	73,834
Deposits from customers	1,907,637	557,069	925,520	-	68,061	3,458,287
Debt securities issued	267,451	348,367	109,994	-	2,516	728,328
Lease liabilities	-	-	-	-	6,210	6,210
Other liabilities	-	-	-	-	64,895	64,895
Total liabilities	2,803,588	1,056,251	1,042,014	-	195,433	5,097,286
Interest rate risk gap	(781,025)	703,593	(81,101)	411,755	Not applicable	Not applicable

(1)Amounts due from banks and other financial institutions included deposits with banks and other financial institutions, placements to banks and other financial institutions and financial assets held under resale agreements.

(2)Amounts due to banks and other financial institutions included deposits from banks and other financial institutions, placements from banks and other financial institutions, and financial assets sold under repurchase agreements.

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VIII. Risk disclosure(Continued)

3. Market risk (Continued)

3.2 Interest rate risk (Continued)

As at 31 December 2022, the contractual re-pricing dates or maturity dates, whichever were earlier, of the Group's balance sheet items were summarized as follows:

	The Group					
	31 December 2022					
	Within 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Non-interest bearing	Total
Assets:						
Cash and balances with the Central Bank	274,300	-	-	-	10,977	285,277
Precious metals	-	-	-	-	16,555	16,555
Amounts due from banks and other financial institutions (1)	198,408	74,259	-	-	1,144	273,811
Financial assets held for trading and derivative financial assets	13,528	65,205	135,737	40,301	218,915	473,686
Loans and advances to customers	1,275,523	1,501,004	432,010	22,705	11,016	3,242,258
Investment on debts	23,192	67,876	332,679	300,520	7,583	731,850
Other investment on debts	13,523	50,449	93,621	13,029	1,611	172,233
Other equity instrument investment	-	-	-	-	6,380	6,380
Fixed assets	-	-	-	-	11,083	11,083
Goodwill	-	-	-	-	7,568	7,568
Right-of-use assets	-	-	-	-	6,530	6,530
Other assets	-	-	-	-	94,283	94,283
Total assets	1,798,474	1,758,793	994,047	376,555	393,645	5,321,514
Liabilities:						
Borrowings from the Central Bank	114,988	75,131	-	-	1,797	191,916
Amounts due to banks and other financial institutions (2)	450,684	15,757	6,360	-	5,173	477,974
Financial liabilities held for trading and derivative financial liabilities	62,494	-	-	-	38,974	101,468
Deposits from customers	1,956,399	579,921	770,391	-	45,555	3,352,266
Debt securities issued	213,599	346,122	129,978	-	2,376	692,075
Lease liabilities	-	-	-	-	6,922	6,922
Other liabilities	-	-	-	-	64,213	64,213
Total liabilities	2,798,164	1,016,931	906,729	-	165,010	4,886,834
Interest rate risk gap	(999,690)	741,862	87,318	376,555	Not applicable	Not applicable

(1) Amounts due from banks and other financial institutions included deposits with banks and other financial institutions, placements to banks and other financial institutions and financial assets held under resale agreements.

(2) Amounts due to banks and other financial institutions included deposits from banks and other financial institutions, placements from banks and other financial institutions, and financial assets sold under repurchase agreements.

As at 31 December 2022, the contractual re-pricing dates or maturity dates, whichever were earlier, of the Bank's balance sheet items were summarized as follows:

	The Bank					
	31 December 2022					
	Within 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Non-interest bearing	Total
Assets:						
Cash and balances with the Central Bank	274,300	-	-	-	10,977	285,277
Precious metals	-	-	-	-	16,555	16,555
Amounts due from banks and other financial institutions (1)	197,698	74,259	-	-	1,144	273,101
Financial assets held for trading and derivative financial assets	13,528	65,205	134,495	40,239	216,878	470,345
Loans and advances to customers	1,275,523	1,501,004	432,010	22,705	11,016	3,242,258
Investment on debts	23,192	67,876	332,584	300,520	7,581	731,753
Other investment on debts	13,523	49,035	92,207	13,029	1,574	169,368
Other equity instrument investment	-	-	-	-	6,380	6,380
Fixed assets	-	-	-	-	11,054	11,054
Goodwill	-	-	-	-	7,568	7,568
Right-of-use assets	-	-	-	-	6,526	6,526
Other assets	-	-	-	-	98,953	98,953
Total assets	1,797,764	1,757,379	991,296	376,493	396,206	5,319,138
Liabilities:						
Borrowings from the Central Bank	114,988	75,131	-	-	1,797	191,916
Amounts due to banks and other financial institutions (2)	451,011	15,757	6,360	-	5,173	478,301
Financial liabilities held for trading and derivative financial liabilities	62,494	-	-	-	38,974	101,468
Deposits from customers	1,956,403	579,921	770,391	-	45,555	3,352,270
Debt securities issued	213,599	346,122	129,978	-	2,376	692,075
Lease liabilities	-	-	-	-	6,922	6,922
Other liabilities	-	-	-	-	65,165	65,165
Total liabilities	2,798,495	1,016,931	906,729	-	165,962	4,888,117
Interest rate risk gap	(1,000,731)	740,448	84,567	376,493	Not applicable	Not applicable

(1) Amounts due from banks and other financial institutions included deposits with banks and other financial institutions, placements to banks and other financial institutions and financial assets held under resale agreements.

(2) Amounts due to banks and other financial institutions included deposits from banks and other financial institutions, placements from banks and other financial institutions, and financial assets sold under repurchase agreements.

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VIII. Risk disclosure(Continued)

3. Market risk (Continued)

3.2 Interest rate risk (Continued)

The Group and the Bank principally use sensitivity analysis to measure and control interest rate risk. In respect of the financial assets and liabilities held for trading, in the opinion of the management, the interest rate risk to the Group and the Bank arising from this portfolio is not significant. For other financial assets and liabilities, the Group and the Bank mainly use a gap analysis to measure and control the related interest rate risk.

As at 31 December 2023 and 31 December 2022, the gap analyses of the financial assets and liabilities (excluding financial assets and liabilities designated at fair value and changes included into the profits and losses) were as follows:

	The Group			
	31 December 2023		31 December 2022	
	Changes of interest rate (basis points)		Changes of interest rate (basis points)	
	-50	+50	-50	+50
Effect on the net interest income increase/(decrease)	2,105	(2,105)	2,891	(2,891)
Effect on equity increase/(decrease)	1,540	(1,540)	1,697	(1,697)

	The Bank			
	31 December 2023		31 December 2022	
	Changes of interest rate (basis points)		Changes of interest rate (basis points)	
	-50	+50	-50	+50
Effect on the net interest income increase/(decrease)	2,034	(2,034)	2,898	(2,898)
Effect on equity increase/(decrease)	1,527	(1,527)	1,680	(1,680)

The above gap analyses assume that the interest rate risk profile of the financial assets and liabilities (excluding financial assets and liabilities designated at fair value and changes included into the profits and losses) remains static.

The sensitivity of the net interest income is the effect of a reasonable possible change in interest rates on the net interest income for one year, in respect of the financial assets and liabilities (excluding financial assets and liabilities designated at fair value and changes included into the profits and losses) held by the Group and the Bank at the end of period. The sensitivity of equity is calculated by revaluing the year end portfolio of fixed-rate financial assets designated at fair value and changes included into other comprehensive income, based on a reasonable possible change in interest rates. Impact on income tax has not been considered in calculating the above effect on the net interest income and equity.

The above sensitivity analyses are based on the following assumptions: all assets and liabilities that are re-priced/due within three months (inclusive), and between three months and one year (inclusive) are assumed to be re-priced/due in the mid of the respective bands; and there are parallel shifts in the yield curve.

Regarding the above assumptions, the effect on the net interest income and equity of the Group and the Bank as a result of the actual increases or decreases in interest rates may differ from that of the above sensitivity analyses.

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VIII. Risk disclosure(Continued)

4. Fair value of financial instruments

4.1 Financial assets and liabilities measured at fair value on a recurring basis

The level in which fair value measurement is categorized is determined by the level of the fair value hierarchy of the lowest level input that is significant to the entire fair value measurement:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The sources of the inputs comprise Bloomberg, Reuters, China Bond Market Website and National Equities Exchange and Quotations.

Level 3: Unobservable inputs for the asset or liability.

As at 31 December 2023, the Group's assets measured at fair value on a recurring basis by the above three levels were analyzed below:

	The Group			Total
	31 December 2023			
	Quoted prices in active markets ("Level 1")	Valuation technique - observable market variables ("Level 2")	Valuation technique - unobservable market variables ("Level 3")	
Financial assets:				
Financial assets held for trading	3,312	445,090	1,891	450,293
Derivative financial assets	-	40,521	-	40,521
Loans and advances to customers designated at fair value and changes included into other comprehensive income	-	453,930	-	453,930
Other investment on debts	-	161,931	-	161,931
Other equity instrument investment	1,381	2,021	2,812	6,214
Total	4,693	1,103,493	4,703	1,112,889
Financial liabilities:				
Placements from banks and other financial institutions designated at fair value and changes included into the profits and losses for the period	2,792	-	-	2,792
Financial liabilities held for trading	1,965	29,649	-	31,614
Derivative financial liabilities	-	42,220	-	42,220
Total	4,757	71,869	-	76,626

As at 31 December 2023, the Bank's assets measured at fair value on a recurring basis by the above three levels were analyzed below:

	The Bank			Total
	31 December 2023			
	Quoted prices in active markets ("Level 1")	Valuation technique - observable market variables ("Level 2")	Valuation technique - unobservable market variables ("Level 3")	
Financial assets:				
Financial assets held for trading	-	425,048	1,891	426,939
Derivative financial assets	-	40,521	-	40,521
Loans and advances to customers designated at fair value and changes included into other comprehensive income	-	453,930	-	453,930
Other investment on debts	-	159,081	-	159,081
Other equity instrument investment	1,381	2,021	2,812	6,214
Total	1,381	1,080,601	4,703	1,086,685
Financial liabilities:				
Placements from banks and other financial institutions designated at fair value and changes included into the profits and losses for the period	2,792	-	-	2,792
Financial liabilities held for trading	1,965	29,649	-	31,614
Derivative financial liabilities	-	42,220	-	42,220
Total	4,757	71,869	-	76,626

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VIII. Risk disclosure(Continued)

4.Fair value of financial instruments(Continued)

4.1 Financial assets and liabilities measured at fair value on a recurring basis (Continued)

As at 31 December 2022, the Group's assets measured at fair value on a recurring basis by the above three levels were analyzed below:

	The Group			Total
	31 December 2022			
	Quoted prices in active markets ("Level 1")	Valuation technique - observable market variables ("Level 2")	Valuation technique - unobservable market variables ("Level 3")	
Financial assets:				
Placements to banks and other financial institutions designated at fair value and changes included into other comprehensive income	-	2,777	-	2,777
Financial assets held for trading	3,108	441,107	1,918	446,133
Derivative financial assets	-	27,553	-	27,553
Loans and advances to customers designated at fair value and changes included into other comprehensive income	-	331,880	-	331,880
Other investment on debts	-	172,233	-	172,233
Other equity instrument investment	2,166	1,949	2,265	6,380
Total	5,274	977,499	4,183	986,956
Financial liabilities:				
Placements from banks and other financial institutions designated at fair value and changes included into the profits and losses for the period	4,111	-	-	4,111
Financial liabilities held for trading	1,655	63,288	-	64,943
Derivative financial liabilities	-	36,525	-	36,525
Total	5,766	99,813	-	105,579

As at 31 December 2022, the Bank's assets measured at fair value on a recurring basis by the above three levels were analyzed below:

	The Bank			Total
	31 December 2022			
	Quoted prices in active markets ("Level 1")	Valuation technique - observable market variables ("Level 2")	Valuation technique - unobservable market variables ("Level 3")	
Financial assets:				
Placements to banks and other financial institutions designated at fair value and changes included into other comprehensive income	-	2,777	-	2,777
Financial assets held for trading	1,086	439,788	1,918	442,792
Derivative financial assets	-	27,553	-	27,553
Loans and advances to customers designated at fair value and changes included into other comprehensive income	-	331,880	-	331,880
Other investment on debts	-	169,368	-	169,368
Other equity instrument investment	2,166	1,949	2,265	6,380
Total	3,252	973,315	4,183	980,750
Financial liabilities:				
Placements from banks and other financial institutions designated at fair value and changes included into the profits and losses for the period	4,111	-	-	4,111
Financial liabilities held for trading	1,655	63,288	-	64,943
Derivative financial liabilities	-	36,525	-	36,525
Total	5,766	99,813	-	105,579

The Group and the Bank take the date on which events causing the transfers between the levels take place as the timing specific for recognizing the transfers. For the year ended 31 December 2023, the Group and the Bank had no transfer between Level 1 and Level 2.

The fair value of a financial instrument that is traded in an active market is determined at the quoted price in the active market. The fair value of those not traded in an active market is determined by the Group and the Bank using valuation techniques.

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VIII. Risk disclosure(Continued)

4.Fair value of financial instruments(Continued)

4.1 Financial assets and liabilities measured at fair value on a recurring basis (Continued)

Financial instruments classified to Level 2 are mainly investments in bonds, derivatives, loans and advances to customers designated at fair value and changes included into other comprehensive income, etc. The fair value of RMB denominated bonds is determined based on the valuation results from the China Central Depository & Clearing Co., Ltd. while the fair value of the foreign currency denominated bonds is determined based on the valuation results published by Bloomberg. Derivative financial instruments are mainly evaluated using the discounted cash flow method and the Black-Scholes Model, etc. Loans and advances to customers designated at fair value and changes included into other comprehensive income are evaluated using the discounted cash flow method. All significant parameters used valuation techniques which was observable market information.

Financial instruments classified to Level 3 are mainly private equity. The valuation methods used mainly comprise market method. The unobservable parameters used mainly include discount rate and liquidity discount, etc.

As at 31 December 2023 and 31 December 2022, the Group and the Bank had no financial assets or liabilities that were not measured at fair value on a recurring basis.

The changes in Level 3 financial assets are analyzed below:

	2023	
	The Group and the Bank	
	Financial assets held for trading	Other equity instrument investment
1 January 2023	1,918	2,265
Increase in the current year	14	553
Decrease in the current year	(41)	(6)
31 December 2023	1,891	2,812

4.2 Financial assets and liabilities not measured at fair value

Financial assets and liabilities that are not measured at fair value include: balances with the Central Bank, deposits with banks and other financial institutions, placements to banks and other financial institutions measured at amortized cost, financial assets held under resale agreements, loans and advances to customers measured at amortized cost, investment on debts, borrowings from the Central Bank, deposits from banks and other financial institutions, placements from banks and other financial institutions measured at amortized cost, financial assets sold under repurchase agreements, deposits from customers, and debt securities issued, etc.

The following table summarizes the carrying amount and fair value of the investment on debts and debt securities issued that are not measured or disclosed at fair value:

	The Group				
	31 December 2023				
	Carrying amount	Fair value			
	Level 1	Level 2	Level 3	Total	
Investment on debts	772,467	-	786,696	-	786,696
Debt securities issued	728,328	-	727,135	-	727,135

	The Bank				
	31 December 2023				
	Carrying amount	Fair value			
	Level 1	Level 2	Level 3	Total	
Investment on debts	771,836	-	786,056	-	786,056
Debt securities issued	728,328	-	727,135	-	727,135

	The Group				
	31 December 2022				
	Carrying amount	Fair value			
	Level 1	Level 2	Level 3	Total	
Investment on debts	731,850	-	743,946	-	743,946
Debt securities issued	692,075	-	689,459	-	689,459

	The Bank				
	31 December 2022				
	Carrying amount	Fair value			
	Level 1	Level 2	Level 3	Total	
Investment on debts	731,753	-	743,846	-	743,846
Debt securities issued	692,075	-	689,459	-	689,459

(1)If the fair value of investment on debts is determined based on quoted market prices, it is presented in Level 1. If relevant market information cannot be obtained for investment on debts, discounted cash flow model is used to carry on the valuation, or where applicable, the quoted price with similar credit risk, maturity and yield is used, the fair value is presented in Level 2 and Level 3.

(2)If the fair value of debt securities issued is determined based on quoted market prices, it is presented in Level 1. If all the significant inputs in calculating the fair value of debt securities issued are observable, the fair value is presented in Level 2.

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(All amounts in RMB million unless otherwise stated)

VIII. Risk disclosure(Continued)

4.Fair value of financial instruments(Continued)

4.2 Financial assets and liabilities not measured at fair value(Continued)

Discounted future cash flow method is used to determine the financial assets and financial liabilities that are not measured at fair value other than the above. As the periods for these financial instruments are short or their interest rates float based on the market interest rate, there are no significant differences between their carrying amounts and fair values:

Assets	Liabilities
Balances with the Central Bank	Borrowings from the Central Bank
Deposits with banks and other financial institutions	Deposits from banks and other financial institutions
Placements to banks and other financial institutions measured at amortized cost	Placements from banks and other financial institutions measured at amortized cost
Financial assets held under resale agreements	Financial assets sold under repurchase agreements
Loans and advances to customers measured at amortized cost	Deposits from customers
Other financial assets	Other financial liabilities

IX. Related party relationship and transactions

1.Major related party relationship

(1)The parent company:

Name	Place of registration	Percentage of equity interest held	
		31 December 2023	31 December 2022
Ping An Insurance (Group) Company of China, Ltd.	Shenzhen, PRC	58%	58%

China Ping An was established in Shenzhen, the People's Republic of China on 21 March 1988. The business scope of China Ping An includes investment in insurance enterprises; supervision and management of various domestic and international businesses of investment holding enterprises; management of insurance funds; conducting of domestic and international insurance businesses with the approval; conducting of other businesses approved by the NFRA and the relevant state departments.

As at 31 December 2023 and 31 December 2022, China Ping An and its controlling subsidiary, Ping An Life Insurance Company of China, Ltd. (hereinafter referred to as "Ping An Life Insurance") owned 58% of the Bank totally. Specifically, China Ping An and Ping An Life Insurance owned 49.56% and 8.44% of the Bank respectively.

(2)Subsidiaries:

For the subsidiaries, please refer to Note IV 11.

(3)Other major shareholders:

Name	Relationship with the Group
China Electronics Shenzhen Company	Shareholder that holds less than 5% of the equity interests of the Group and dispatches directors to the Group
Shenzhen Yingzhongtai Investment Co., Ltd.	Shareholder that holds less than 5% of the equity interests of the Group and dispatches supervisors to the Group

The transactions between the Group and its parent company and related parties, other major shareholders and their related parties are processed according to the normal commercial terms and business procedures. The above related parties mainly refer to subsidiaries, associates, joint ventures, key management personnel, etc. Key management personnel refer to the personnel that have the authority and responsibility to plan, direct and control business activities, including directors, supervisors and senior management of the Group.

Notes to the Financial Statements

For the year ended 31 December 2023
(All amounts in RMB million unless otherwise stated)

IX.Related party relationships and transactions (Continued)

2.Major transactions between the Group and China Ping An and its related parties during the year are as follows:

Balance at the end of the year	31 December 2023	31 December 2022
Derivative financial assets	55	120
Loans and advances to customers	10,661	15,728
Investment on debts	4,845	3,226
Precious metals	1,918	1,231
Right-of-use assets	999	1,343
Other assets	688	734
Deposits from banks and other financial institutions	23,353	22,186
Derivative financial liabilities	146	637
Deposits from customers	61,018	63,626
Lease liabilities	1,111	1,407
Other liabilities	994	1,738
Credit commitments	1,244	2,217
Letters of guarantee under comprehensive financial business (Note 1)	1,920	8,000
Other equity instruments (Note 2)	11,589	11,589

Transactions during the year	2023	2022
Interest income from loans and advances to customers	579	624
Agency and settlement service fee income	4,056	3,282
Asset custody service fee income	36	95
Investment income	36	(11)
Interest expenses on deposits from banks and other financial institutions	437	577
Interest expenses of deposits from customers	1,445	1,073
Interest expenses of lease liabilities	40	105
Service expenditure (Note 3)	8,044	9,305
Depreciation expenses of right-of-use assets	403	518
Gains or losses on changes in fair value	182	(201)
Exchange gains or losses	247	(342)

Note 1: For the purpose of letters of guarantee under comprehensive financial business, Ping An Group raises funds to establish debt investment plans in order to loan to the client for investing certain projects, where the Group issues financing guarantee, and Ping An Group acts as beneficiaries. The Group provides letters of guarantee based on credit granting to the borrowers, whose credit granting risk control measures are primarily based on the guarantee provided by the borrowers.

Note 2: On 7 March 2016, the Group issued 200 million preference shares at par, with a total amount of RMB20 billion. The net amount of raised money excluding issuance expenses amounted to RMB19,953 million. Ping An Group subscribed to RMB11,600 million of the total amount, and the actual subscription amount excluding issuance expenses amounted to RMB11,589 million. On 7 March 2023, the Group distributed a total amount of dividends on preference shares amounting to RMB507 million to Ping An Group, and the nominal dividend rate was 4.37%.

Note 3: Service expenditure mainly arises from the use of Ping An Group's Wanlitong credit card reward platform service, network platform service, the use of communication service, channel service, etc.

Notes to the Financial Statements

For the year ended 31 December 2023
(All amounts in RMB million unless otherwise stated)

IX.Related party relationships and transactions (Continued)

3.Major transactions between the Bank and its controlling subsidiaries during the year are listed below:

Balance at the end of the year	31 December 2023	31 December 2022
Deposits from banks and other financial institutions	48	327
Deposits from customers	-	4
Other liabilities	1,396	1,919

Transactions during the year	2023	2022
Interest expenses on deposits from banks and other financial institutions	7	16
Fee and commission expenses	1,878	2,196

4.Major transactions between the Group and other major shareholders and their related parties during the year are as follows:

Balance at the end of the year	31 December 2023	31 December 2022
Deposits from customers	94	3

5.Major transactions between the Group and the key management personnel during the year are listed below:

Loans	2023	2022
Balance at the beginning of the year	3	3
Increase in the current year	-	-
Decrease in the current year	(1)	-
Balance at the end of the year	2	3

As at 31 December 2023, the annual interest rate of these loan transactions was 2.83% (31 December 2022: from 1.13% to 3.08%).

Deposits	2023	2022
Balance at the beginning of the year	52	21
Increase in the current year	29	621
Decrease in the current year	(50)	(590)
Balance at the end of the year	31	52

The above deposit transactions were processed according to the normal commercial terms and business procedures.

6.Details of the compensation for key management personnel are as follows

	2023	2022
Salaries and other short-term employee benefits	28	30
Post-employment benefits	-	1
Total	28	31

As at 31 December 2023, the Group authorized a balance of total credit facility, in the amount of RMB2,200 million, for entities which are controlled, jointly controlled or significantly influenced relating to the key management personnel of the Group or their close family members (31 December 2022: Nil); there were RMB486 million utilized credit limit (31 December 2022: Nil) and there were not any loans and advances to customers (31 December 2022: Nil). As at 31 December 2023, the Group took a deposit amounting to RMB6,058 million from the above associates (31 December 2022: RMB5,309 million). The above do not include related party transactions between the Group and China Ping An and its related parties.

Notes to the Financial Statements

For the year ended 31 December 2023
(All amounts in RMB million unless otherwise stated)

X. Events after the balance sheet date

1. Profit distribution after the balance sheet date.

As approved by the 21st meeting of the 12nd session of the Board of Directors of the Bank on 8 February 2024, the Bank distributed RMB4.37 (inclusive of tax) per preference share as dividends based on the amount of issued preference shares of 200 million (with a face value of RMB100 per share), and calculated with a nominal dividend rate of 4.37%. The calculation period for the dividends on preference shares was from 7 March 2023 to 6 March 2024. The dividends date was 7 March 2024. The total amount of the dividends distributed was RMB874 million (inclusive of tax). The Bank distributed dividends directly to preference shareholders.

As at 25 February 2024, the Bank paid the interest on perpetual bonds amounting to RMB1,155 million at 3.85%, the bond interest rate for the calculation period as determined by the terms of the first tranche of non-fixed term capital bonds in 2020.

As approved by the 23rd meeting of the 12th session of the Board of Directors of the Bank on 14 March 2024, the Bank proposed to distribute a cash dividend of RMB7.19 (inclusive of tax) for every 10 shares based on the total share capital of 19,406 million shares as at 31 December 2023 after the appropriation to general reserve. The above dividend distribution scheme was pending for approval by the general meeting of shareholders.

2. Issuance of bonds

As at 5 February 2024, the Bank issued the first tranche of special financial bonds of Ping An Bank Co., Ltd. for loans to micro and small-sized enterprises in 2024. The total amount of bonds issued in the current period was RMB15 billion, and the bonds have a maturity of 3 years, with a coupon rate of 2.46%.

As at 5 February 2024, the Bank issued the first tranche of special financial bonds of Ping An Bank Co., Ltd. for "agriculture, rural areas and rural residents" in 2024. The total amount of bonds issued in the current period was RMB5 billion, and the bonds have a maturity of 3 years, with a coupon rate of 2.46%.

XI. Comparative information

To conform to the presentation of these financial statements, the Group has adjusted the presentation of certain comparative figures.

XII. Other significant items

Assets and liabilities measured at fair value

	The Group			
	2023			
	1 January 2023	Gains or losses on changes in fair value in the current year	Changes in fair value charged to other comprehensive income	31 December 2023
Assets:				
Precious metals	16,555	4,550	-	9,680
Placements to banks and other financial institutions designated at fair value and changes included into other comprehensive income	2,777	-	-	-
Financial assets held for trading	446,133	(974)	-	450,293
Derivative financial assets	27,553	13,601	-	40,521
Loans and advances to customers designated at fair value and changes included into other comprehensive income	331,880	-	-	453,930
Other investment on debts	172,233	3	547	161,931
Other equity instrument investment	6,380	-	(1,077)	6,214
Total	1,003,511	17,180	(530)	1,122,569
Liabilities:				
Placements from banks and other financial institutions designated at fair value and changes included into the profits and losses for the period	4,111	(177)	-	2,792
Financial liabilities held for trading	64,943	194	-	31,614
Derivative financial liabilities	36,525	6,434	-	42,220
Total	105,579	6,451	-	76,626

Notes to the Financial Statements

For the year ended 31 December 2023
(All amounts in RMB million unless otherwise stated)

XII. Other significant items (Continued)

Assets and liabilities measured at fair value (Continued)

	The Bank			31 December 2023
	2023			
	1 January 2023	Gains or losses on changes in fair value in the current year	Changes in fair value charged to other comprehensive income	
Assets:				
Precious metals	16,555	4,550	-	9,680
Placements to banks and other financial institutions designated at fair value and changes included into other comprehensive income	2,777	-	-	-
Financial assets held for trading	442,792	(938)	-	426,939
Derivative financial assets	27,553	13,601	-	40,521
Loans and advances to customers designated at fair value and changes included into other comprehensive income	331,880	-	-	453,930
Other investment on debts	169,368	3	545	159,081
Other equity instrument investment	6,380	-	(1,077)	6,214
Total	997,305	17,216	(532)	1,096,365
Liabilities:				
Placements from banks and other financial institutions designated at fair value and changes included into the profits and losses for the period	4,111	(177)	-	2,792
Financial liabilities held for trading	64,943	194	-	31,614
Derivative financial liabilities	36,525	6,434	-	42,220
Total	105,579	6,451	-	76,626

Supplementary Information to Financial Statements

For the year ended 31 December 2023
(All amounts in RMB million unless otherwise stated)

Appendix: Supplementary information to financial statements

Return on net assets and earnings per share

2023	Return on net assets	Earnings per share (RMB/share)	
	Weighted average	Basic	Diluted
Net profit attributable to ordinary shareholders of the Bank	11.38%	2.25	2.25
Net profit attributable to ordinary shareholders of the Bank after deduction of non-recurring gains or losses	11.38%	2.25	2.25

2022	Return on net assets	Earnings per share (RMB/share)	
	Weighted average	Basic	Diluted
Net profit attributable to ordinary shareholders of the Bank	12.36%	2.20	2.20
Net profit attributable to ordinary shareholders of the Bank after deduction of non-recurring gains or losses	12.33%	2.19	2.19

Including net profit attributable to ordinary shareholders of the Bank after deduction of non-recurring gains or losses:

	2023	2022
Net profit for the current year attributable to shareholders of the Bank	46,455	45,516
Less: Dividends on preference shares declared by the Bank	(874)	(874)
Interest on perpetual bonds of the Bank	(1,975)	(1,975)
Net profit attributable to ordinary shareholders of the Bank	43,606	42,667
Deduction: Non-recurring gains or losses	24	109
Net gains or losses from disposal of non-current assets	20	152
Net losses on contingencies	(64)	(75)
Other net gains or losses	88	68
Income tax effect	(20)	(36)
Net profit attributable to ordinary shareholders of the Bank after deduction of non-recurring gains or losses	43,582	42,558

The above return on net assets and earnings per share are calculated in accordance with the rules stipulated in the *Regulation on Information Disclosure of Public Companies No. 9* as revised by the China Securities Regulatory Commission on 11 January 2010. The non-recurring gains or losses are calculated in accordance with the rules stipulated in the CSRC Announcement [2023] No. 65 *Interpretation of Information Disclosure of Public Companies No. 1 - Non-recurring Gains or Losses*.

The gains or losses on changes in fair value of financial assets and liabilities held for trading in the Group's ordinary course of business, and investment income arising from disposal of investment on debts, other investment on debts, non-equity investment in financial assets held for trading and financial liabilities held for trading are not disclosed as non-recurring gains or losses.

List of Documents Available for Inspection

1. The accounting statements sealed and signed by the Chairman, President, Vice President and CFO, and the person in charge of the accounting institution.
2. The original copy of the audit report sealed by the accounting firm and sealed and signed by the certified public accountants.
3. The originals of the Bank's documents and announcements which have been publicly disclosed during the reporting period.

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