招商銀行
CHINA MERCHANTS BANK

招商銀行股份有限公司
CHINA MERCHANTS BANK CO., LTD.

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

(H Share Stock Code: 03968)

2023 ANNUAL RESULTS ANNOUNCEMENT

The Board of Directors (the "**Board**") of China Merchants Bank Co., Ltd. (the "**Company**") hereby announces the audited results of the Company and its subsidiaries for the year ended 31 December 2023. This announcement, containing the full text of the 2023 Annual Report of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in relation to information to accompany preliminary announcement of annual results. The 2023 Annual Report of the Company will be published on the websites of Hong Kong Exchanges and Clearing Limited (www.hkex.com.hk) and the Company (www.cmbchina.com) in due course and will be delivered to the H-share shareholders of the Company by the means of receipt of corporate communication(s) at the option of the H-share shareholders of the Company.

Publication of Results Announcement

Both the Chinese and English versions of this results announcement are available on the websites of the Company (www.cmbchina.com) and of Hong Kong Exchanges and Clearing Limited (www.hkex.com.hk). In the event of any discrepancies in interpretations between the English version and Chinese version, the Chinese version shall prevail.

The Company has also prepared the annual report in Chinese in accordance with the PRC Generally Accepted Accounting Principles, which is available on the websites of the Company (www.cmbchina.com) and of Shanghai Stock Exchange (www.sse.com.cn).

By Order of the Board
China Merchants Bank Co., Ltd.
Miao Jianmin
Chairman

25 March 2024

As at the date of this announcement, the executive directors of the Company are Wang Liang and Zhu Jiangtao; the non-executive directors of the Company are Miao Jianmin, Sun Yunfei, Zhou Song, Zhang Jian and Chen Dong; and the independent non-executive directors of the Company are Wong See Hong, Li Menggang, Liu Qiao, Tian Hongqi, Li Chaoxian and Shi Yongdong.

Contents

Definitions

The Company, the Bank, CMB or China Merchants Bank:

China Merchants Bank Co., Ltd.

The Group:

China Merchants Bank and its subsidiaries

CSRC:

China Securities Regulatory Commission

Hong Kong Stock Exchange or SEHK:

The Stock Exchange of Hong Kong Limited

Hong Kong Listing Rules:

The Rules Governing the Listing of Securities on the SEHK

CMB Wing Lung Bank:

CMB Wing Lung Bank Limited

CMB Wing Lung Group:

CMB Wing Lung Bank and its subsidiaries

CMB Financial Leasing or CMBFL:

CMB Financial Leasing Co., Ltd.

CMB International Capital or CMBIC:

CMB International Capital Holdings Corporation Limited

CMB Wealth Management:

CMB Wealth Management Company Limited

China Merchants Fund or CMFM:

China Merchants Fund Management Co., Ltd.

CIGNA & CMAM:

CIGNA & CMB Asset Management Company Limited

CMB Europe S.A.:

China Merchants Bank (Europe) Co., Ltd. (招商銀行(歐洲)有限公司)

CIGNA & CMB Life Insurance:

CIGNA & CMB Life Insurance Co., Ltd.

MUCFC:

Merchants Union Consumer Finance Company Limited

CMB YunChuang:

CMB YunChuang Information Technology Co., Ltd. with 100% equity interest held by the Company indirectly

CMB Network Technology:

China Merchants Bank Network Technology (Shenzhen) Co., Ltd. with 100% equity interest held by the Company indirectly

Deloitte Touche Tohmatsu Certified Public Accountants LLP:

Deloitte Touche Tohmatsu Certified Public Accountants LLP (Special General Partnership)

SFO:

Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

Model Code:

Model Code for Securities Transactions by Directors of Listed Issuers of Hong Kong Stock Exchange

Significant Risk Warning

The Company has disclosed herein the major risks involved in its operations and the proposed risk management measures. Please refer to Chapter III for the details in relation to risk management.

Important Notice

1. The Board of Directors, the Board of Supervisors, Directors, Supervisors and senior management of the Company confirm that the contents in this annual report are true, accurate, and complete and have no false representations, misleading statements or material omissions, and they will severally and jointly accept legal responsibility for such contents.

2. The 31st meeting of the Twelfth Session of the Board of Directors of the Company was convened at the Head Office of the Company in Shenzhen on 25 March 2024. The meeting was presided by Miao Jianmin, Chairman of the Board of Directors. 12 out of 13 eligible Directors attended the meeting in person. Due to business engagement, Zhou Song, Non-Executive Director, was absent from the meeting and appointed Zhang Jian (Non-Executive Director) as his proxy to attend the meeting. 8 Supervisors of the Company were present at the meeting. The convening of the meeting complied with the relevant provisions of the Company Law of the People's Republic of China and the Articles of Association of China Merchants Bank Co., Ltd..

3. Deloitte Touche Tohmatsu Certified Public Accountants LLP and Deloitte Touche Tohmatsu (both being auditors of the Company) have separately audited the 2023 annual financial statements prepared in accordance with the PRC Generally Accepted Accounting Principles and International Financial Reporting Standards, and have separately issued standard auditing reports with unqualified opinions.

4. Unless otherwise stated, all monetary sums stated in this report are expressed in RMB.

5. Miao Jianmin, Chairman of the Company, Wang Liang, President and Chief Executive Officer, Peng Jiawen, Executive Vice President, Chief Financial Officer and Secretary of the Board of Directors and Zhang Dong, the person in charge of the Financial Accounting Department, hereby make representations in respect of the truthfulness, accuracy and completeness of the financial statements in this report.

6. The Board of Directors of the Company recommended the payment of a cash dividend of RMB1.972 (tax inclusive) for every ordinary share for the year of 2023. The implementation of the profit appropriation plan is subject to consideration and approval at the 2023 Annual General Meeting. In 2023, the Company did not transfer any capital reserve into share capital.

7. We have included in this report certain forward-looking statements with respect to the financial position, operating results and business development of the Group. We use words such as "will", "may", "expect", "try", "strive", "plan", "anticipate", "aim at", and similar expressions to indicate forward-looking statements. These statements are based on current plans, estimates and projections. Although we believe that the expectations reflected in these forward-looking statements are reasonable, we give no assurance that these expectations will turn into reality or prove to be correct. Therefore, they should not be deemed as the Group's commitments. Investors should not place undue reliance on such statements and should pay attention to investment risks. You are cautioned that such forward-looking statements are related to future events or future financial position, business, or other performances of the Group, and are subject to a number of uncertainties which may cause substantial differences from those in the actual results.

Chairman's Statement

In 2023, the Chinese economy sought progress while maintaining stability, with high-quality development being solidly promoted. However, it still faced difficulties and challenges, including insufficient effective demand, excess capacity in certain industries, relatively weak market expectations, and a variety of potential risks. Confronting these challenges head-on, CMB built a fortress-style balance sheet, continuously strengthened the management and control of all costs and risks, and maintained dynamically balanced development focusing on "Quality, Profitability and Scale", thereby ensuring steady growth of profits and maintaining the high-quality development momentum. In summary, the Bank's performance in 2023 was primarily characterised by "**unchanging fundamentals, solid foundation, and unwavering confidence**".

We have made remarkable achievements in building the "three capabilities". **In terms of risk management capability**, as of the end of 2023, the non-performing loan ratio was 0.95%, indicating overall stability in asset quality. The allowance coverage ratio remained at a high level, reaching 437.70%. The Bank further implemented the "Six All"[1] risk management system, consistently promoted risk prevention and mitigation in key areas such as real estate and credit cards, stepped up the management of risks associated with off-balance sheet businesses, launched the "dynamic rebalancing" asset allocation tactics, promoted risk management empowered by digitalisation, and resolutely upheld the risk bottom line. **In terms of wealth management capability**, the number of retail customers was 197 million, and the balance of total assets under management (AUM) from retail customers exceeded RMB13 trillion. **In terms of Fintech capability**, CMB took the lead in the industry in achieving a full-scale cloud deployment, and the "Project of Full-scale Cloud Deployment of CMB Banking System" won the first prize of Fintech Development Award of the People's Bank of China. The Bank initiated the construction of a large model ecosystem, and established a large model experience platform, connecting to multiple mainstream large models in China.

We have achieved initial success in building the "Malik Curve". CMB increased its input in technology, and comprehensively pushed forward a digital reshaping focusing on online, data-based, intelligent, platform-based and ecological operation. "Stepping out of its comfort zone and daring to embrace new challenges", the Bank gradually established a financial services ecosystem and explored scenario-based applications of artificial intelligence. The Bank released the CMB APP 12.0 version with upgraded core scenario-based services such as accounting, loans, etc. with the number of users exceeding 200 million. Intelligent operation were applied in scenarios such as intelligent customer service, intelligent process, quality inspection and the Conch RPA+ (Robotic Process Automation), and our staff were relieved from repetitive, time-consuming work equivalent to a workload of over 17,000 individuals.

We have taken solid steps towards building a "world-class value creation bank". In terms of customer value, the Bank focused on value creation and actively fulfilled its mission of "serving the nation and the people with finance". Through the steady growth in on-balance sheet and off-balance sheet businesses, the Bank supported the real economy at multiple levels, through multiple channels, and by multiple financing structures, with the balance of aggregate financing products to corporate customers (FPA) exceeding RMB5.5 trillion. The Bank employed a "people + digitalisation" mechanism to improve the breadth, depth, personal touch and precision of its services, and enhanced consumer rights protection, with 99.16% of customer complaints responded within one hour. In terms of employee value, CMB adopted a strict yet caring attitude in management of staff, and has been shortlisted as top ten "Best Employers of the Year" by Zhaopin.com for 13 consecutive years. In terms of shareholder value, the return on average equity (ROAE) attributable to ordinary shareholders of the Bank remained above 16%, creating good returns for shareholders. In terms of partner value, the Bank continued to expand the "circle of friends" in the wealth management ecosystem. Our "Zhao Cai Hao (招財號)", an open platform of wealth management business, has onboarded in total 152 asset management institutions with industrial representativeness. In terms of social value, CMB actively practiced the concept of "blue waters and green mountains are indeed gold and silver mountains". Its balance of green loans was nearly RMB450 billion. The Bank has won wide international acclaim in recognition of its excellent performance. It ranked first in the award of "Best Performing Chinese Bank" released by The Banker (UK) for three consecutive years, and achieved the first "5 Consecutive Championship" in the history of the "Best Bank in China" selection by Euromoney.

[1] Six All: all risks, all branches and subsidiaries, all customers, all assets, all processes and all factors.

Miao Jianmin
Chairman

The 2023 Central Financial Work Conference marked a new milestone in the development history of China's financial industry, calling for accelerated actions to make China a financial powerhouse in the new era. Finance is an important part of China's core competitiveness, and its high-quality development plays a pivotal role in the overall success of Chinese style modernisation. In 2024, **CMB will unswervingly follow the path of financial development with Chinese characteristics and contribute to the transformation of China into a financial powerhouse. We will maintain stable operation**, resolutely upholding the risk bottom line. **We will forge ahead in a responsible and proactive manner,** countering uncertainties of the environment with our own efforts. **We will spearhead the trend**, seizing the major development opportunities brought about by the large language model to establish an unassailable core competitiveness. **We will shift paradigm,** assessing and timely responding to the prevailing trends over interest rates, real estate, and population with forward-looking and strategic vision.

– **We aim to grow stronger, better, and bigger through differentiated development**. With accurate positioning of our strategic direction, the Bank will unwaveringly adhere to our strategic goal of building a "world-class value creation bank", maintain our existing characteristics and competitiveness, build a new moat centred around intelligent banking, and further strengthen all cost management. The Bank will give full play to the differentiated competitive advantages in retail finance, extensive wealth management and digitalisation to deliver solid achievements in the "five priorities" of sci-tech finance, green finance, inclusive finance, retirement finance, and digital finance. In the national campaign to build global financial centre, the Bank will undauntedly shoulder responsibilities, grow and strengthen cross-border finance, consolidate and improve our business characteristics in syndicated loans, asset management, wealth management and other aspects in the Hong Kong market.

– **We aim to strengthen risk management and control in key areas.** To maintain steady growth amidst a challenging and complex business environment, our greatest confidence lies in our prudent risk culture and effective risk management. We will stabilise the growth rate in scale, optimise the asset structure, and strive to form a new balance among the growth rate of risk-weighted asset, the growth rate of profit, as well as capital endogeneity. We will closely monitor risks in key areas such as real estate, industries with overcapacity, and extensive wealth management. We will also deepen science and technology security management and strengthen compliance risk management.

– **We aim to promote a financial culture with Chinese characteristics**. Carrying with the "China Merchants Inheritance, Hailiao Spirit (海遼精神) and Shekou Gene", CMB has cultivated an excellent corporate culture. Our entrepreneurial culture of "fighting spirit and dedication", service culture of "We are here just for you", innovative culture that honours "pioneering spirit", and risk culture prioritising "stability and prudence" have become the fundamental consensus among all employees of the Bank, contributing significantly to the formation of a positive brand image for CMB. We will effectively educate employees about the ideals and the financial culture with Chinese characteristics, establish righteous philosophies on business, performance and risk, solidify the foundation of financial culture, and safeguard the essence of the modern financial system with Chinese characteristics.

The year 2024 marks the 75th anniversary of the founding of the People's Republic of China, and it is also a crucial year for implementing the "14th Five-Year" strategic plan. As the saying goes, "diligent ploughing in spring begets bountiful harvest in autumn". We will remain steadfast in our confidence, build on our capabilities, and work diligently with perseverance to achieve high-quality growth of CMB, thereby contributing to China's development into a financial powerhouse, while writing a new chapter for CMB on the journey of financial development with Chinese characteristics. Paying tribute to history with a commitment to carrying forward its legacy, and creating history with an ambition to write our own story, we will strive to achieve greater successes on the Chinese path to modernisation.

China Merchants Bank Co., Ltd.

Chairman

缪建民

25 March 2024

President's Statement

In the face of the complicated and volatile business environment at home and abroad in 2023, the management of the Bank led all employees to earnestly fulfill the work requirements outlined by the national macroeconomic policies as well as the regulatory departments, and accomplish the objectives and tasks set by the Board of Directors. The Bank made stability as its top priority, sought progress while maintaining stability, adhered to high-quality development with the strategic objectives of building a value creation bank, thereby achieving dynamically balanced development of "Quality, Profitability and Scale".

The Company continued to consolidate the fortress-style balance sheet, which boasted the financial indicators to maintain the good momentum featuring steady growth with improved quality. We saw steady growth in business scale. As of the end of 2023, our total assets reached a new milestone of RMB11 trillion. Our operating efficiency remained stable. Annual net operating income amounted to RMB339.078 billion. Net profit attributable to shareholders of the Bank amounted to RMB146.602 billion, with ROAA and ROAE being 1.39% and 16.22%, respectively. We maintained endogenous capital growth. The core Tier 1 capital adequacy ratio and capital adequacy ratio under the Advanced Measurement Approach were 13.73% and 17.88% respectively, up by 0.05 and 0.11 percentage point from the end of the previous year, respectively. Asset quality has improved overall with a non-performing loan ratio of 0.95%, down by 0.01 percentage point from the end of the previous year. The allowance coverage ratio was 437.70% and allowance-to-loan ratio was 4.14%, maintaining strong risk compensation capability. We further consolidated structural advantages by strengthening our capital-heavy business while expanding capital-light business operations, and realised more balanced and stable management of customer structure, asset structure, regional structure and income structure, relentlessly reinforcing the foundation for sound operation.

The Company continued to strengthen its featured and systematic competitive advantages and maintained the balanced and coordinated development. Our four major business segments kept steady growth momentum. We secured the dominant position of retail finance, while consolidating and expanding our systematic advantages. The number of retail customers we served reached 197 million, up by 7.07% from the end of the previous year, thanks to more retail customers choosing CMB. Total assets under management (AUM) from retail customers exceeded RMB13 trillion, and retail finance contributed more than 55% of total net operating income and total profit before tax. We consistently exceled in corporate finance, enhanced our services rendered to customers in terms of the breadth and depth, and established distinctive financial service systems including sci-tech finance, green finance, etc. The number of our corporate customers reached 2,820,600, up by 11.66% from the end of the previous year, and the aggregate financing products (FPA) provided to real economy-based enterprise clients exceeded RMB5.5 trillion. We continued to pursue business specialisation and innovation in investment banking and financial markets business, and maintained a leading position in various specialised sectors such as M&A loans, bond underwriting, bond trading, bill business and asset custody. We continued to expand and strengthen our wealth management and asset management business, and our capability was constantly enhanced. The number of retail customers holding our wealth management products exceeded 50 million, representing an increase of 19.13% as compared with the end of the previous year. The total asset management business scale reached RMB4.48 trillion, up by 1.59% from the end of the previous year. We made further progress in comprehensive and international business operations, with subsidiaries and overseas branches continuing to enhance their competitiveness, and branches in key regions improving quality and efficiency of their development, further demonstrating the "flywheel effect" of coordinated development across the Bank.

The Company continued to strengthen the foundation of risk compliance management so as to uphold the bottom line of systemic risk. We reinforced the concept of "how far we can reach depends on our risk management capabilities" and advanced the establishment of the risk management system covering "all risks, all branches and subsidiaries, all customers, all assets, all processes and all factors", enhanced digital risk control capabilities and efficiency, and strengthened proactive risk prevention and control and differentiated management of the branches and subsidiaries. We actively prevented and mitigated risks in key areas, increased efforts to dispose of non-performing assets, and firmly upheld the risk bottom line. We comprehensively strengthened internal control compliance, and enhanced sanction and money laundering risk management.

The Company continued to improve refined management level and enhanced high-quality development capabilities. We tightened up internal management, optimised assets and liabilities management, performance management, cost management, capital management, pricing management, budget management, etc. and steadily promoted the implementation of the New Capital Rules. We aim to provide solid support for the implementation of the value creation bank strategy and achieve balance among multiple goals. We deepened organisational reform, steadily advanced the reform of branch operational systems, optimised the Head Office's organisational structure and improved service system, so at to further align our organisational structure with development strategies.

The Company continued to create new advantages in digital transformation and accelerate the construction of "Digital CMB". We enhanced top-level design to develop a three-year plan of digital transformation, and sped up the transition from "Online CMB" to "Smart CMB". We increased input in technology with the information technology input reaching 4.60% of the Bank's net operating income, and R&D personnel accounting for 9.14% of our total employee headcount. We set our sights on the cutting edge technologies, robustly strengthened the research and development as well as comprehensive applications of AI technology, and launched brand new intelligent wealth assistant "Xiao Zhao (小招)". AI has relieved our staff from repetitive, time-consuming work equivalent to the workload of over 17,000 individuals. We improved our service capability of "people + digitalisation", serving over 200 million users via the CMB APP; the online rate of our basic corporate banking business and financing business exceeded 92%; the digital application capabilities of all employees of the Bank continued to improve, further enhancing the quality and efficiency for integrated online and offline services.

The Company continued to build up talent team and promote the CMB culture. We intensified the recruitment of talents with more than 10,000 people recruited throughout the year; we strengthened the selection and appointment of management staff and the development of talents across different organisational levels; we enhanced the career development path of employees, improved the talent training and cultivation system, boosted the professional quality of employees, and highlighted the application of the "Six Can-do"[2] mechanism in order to stimulate the motivation and vitality of the talent team. We promoted the organic integration of financial culture with Chinese characteristics and CMB culture to inspire, unite and encourage our employees with such cultures, and enhance the soft power in competition.

The Company continued to practice ESG philosophy and fulfill social responsibilities. We facilitated the green and low-carbon transformation, developed green finance and promoted green operation. We enhanced consumer rights protection, conducted the "Service Quality Improvement Year" campaign, promoted the banking service transformation to be more respectful, suitable, and accessible for the elderly customers, and focused on strengthening network security, data security, and privacy protection. In the performance appraisal for targeted assistance and poverty alleviation projects, we received the highest rating for three consecutive years, with an external donation of RMB115 million in the year, demonstrating our commitment to "benefiting from and giving back to society".

CMB overcame difficulties and challenges in 2023. Under the strong leadership of the Board of Directors, and with the unwavering support of governments at all levels, regulatory departments, customers, investors, partners, and all walks of life, CMB spared no efforts to create greater value for all stakeholders. These hard-earned results have retained our fundamental stability of customers, market share and asset quality, demonstrating the resilience of sustainable development, as well as the strength and cohesion of the 110,000 CMBers. We would like to express our sincere gratitude to the people from all walks of life who care about and support the development of China Merchants Bank, and show our great respect to the 110,000 CMBers for their hard work!

Drawing a new blueprint in a new era, "high-quality development will be the top priority in the new stage". The goal of "Accelerating Construction of a Financial Powerhouse" was proposed at the Central Financial Work Conference, and CMB will stride in tandem with the times and align with the direction of the Chinese path to modernisation. Steadfast in its strategic determination, the Company will continue to explore and forge a new model for high-quality financial development. **A new model for high-quality development is anchored in value creation.** As the saying goes, "Only by taking the right path can we avoid going astray". We will adhere to the goal of creating greater comprehensive value for customers, employees, shareholders, partners and society, serve the real economy and people's aspiration for a better life, and follow the value creation logic of "volume growth - revenue growth - profit growth - value growth", resolutely forging ahead on the right path. **A new model of high-quality development honours long-term success.** Bank operation is a marathon, and it is about the determination and endurance to secure steady and sustainable growth. The path of extensive development driven by scale expansion has been proved unsustainable, and the "100-1=0" effect of risk will be more prominent, highlighting the logic of development determined by management and driven by innovation. We will adhere to the development philosophy which "takes quality as the foundation and profitability as priority, while maintaining moderate scale and reasonable structure" to achieve long-term sustainable development through intensive growth. **A new model of high-quality development is rooted in differentiation and specialisation.** As one of the first batch of joint-stock commercial banks established in the mid to late 1980s, the Bank has been making every effort to become a new force serving the real economy and people's livelihood, and a path-breaker for financial innovation and development. We will grow stronger, better and bigger through differentiated competition to serve a wider range of customers and cater for more diversified financial needs to integrate ourselves into a multi-layered, wide-covered, and differentiated modern financial service system. **A new model of high-quality development emphasises balance and coordination.** Individual business and institution will find it difficult to meet customer needs through its own efforts only, which is also unsustainable. We will uphold the philosophy of "One CMB" and provide customers with comprehensive, global and integrated services, thus achieving balanced, coordinated and complementary development of various business segments and regional branches and subsidiaries.

2 Management staff can be promoted or demoted; qualified talents can be recruited and those unqualified can be dismissed; remuneration can be increased or decreased.

Wang Liang
President and Chief Executive Officer

In the new year, the Bank will insist on leveraging management and innovation as the two pivotal drivers for the new model of high-quality development. **Holding strict management as a shield,** the Company will strengthen the foundation, improve quality, reduce costs, increase efficiency, and establish a standardised, refined, empowering, systematic, and scientific management system to expand the breadth and depth of risk management, cost management, institutional management and talent management in all aspects, and improve the level of intensive development. **Upholding fundamental principles and breaking new ground (守正創新),** the Company will seize the great opportunities along the Chinese path to modernisation, ride the wave of scientific and technological progress, and focus on the needs of the real economy and people's livelihood to strive for breakthroughs in scientific and technological innovation, product innovation, business innovation, model innovation, and management innovation, and create new advantages in more segment markets. We must **"attain to the broad and great while addressing the delicate and minute"**. Every bit of management improvement and micro-innovation, if sustained over time, will produce a compound effect in value creation and turn quantitative changes into qualitative changes. **Lofty aspirations grounded in persevered actions will lead to great success.** High-quality development is not only extolled in the grand narrative of the revolution of the banking operational philosophy, but also embedded in the perseverance of little efforts that lead to remarkable success. This year marks the 37th anniversary of the establishment of CMB. CMB was born out of reform and has risen with the times. Adhering to the spirit of "making our country flourish by solid work", the courage of "breaking new ground", and the original aspiration of "creating a real commercial bank", CMB sailed from Shekou, towards the whole country and towards the world. We will remain true to our original aspiration and forge ahead on the path of high-quality development to achieve the strategic goal of becoming a value creation bank and to build a world-class commercial bank. We will explore the CMB example for financial development with Chinese characteristics, and contribute to the efforts of the construction of a financial powerhouse.

China Merchants Bank Co., Ltd.

President and Chief Executive Officer

25 March 2024

Company Information

1.1 Company Profile

1.1.1 **Registered Company Name in Chinese:** 招商銀行股份有限公司(Abbreviated Name in Chinese: 招商銀行)

Registered Company Name in English: China Merchants Bank Co., Ltd.

1.1.2 **Legal Representative:** Miao Jianmin
Authorised Representatives: Wang Liang, Peng Jiawen
Secretary of the Board of Directors: Peng Jiawen
Joint Company Secretaries: Peng Jiawen, Ho Wing Tsz Wendy
Securities Representative: Xia Yangfang

1.1.3 **Registered and Office Address:** 7088 Shennan Boulevard, Futian District, Shenzhen, Guangdong Province, China

1.1.4 **Contact Details:**
Address: 7088 Shennan Boulevard, Futian District, Shenzhen, Guangdong Province, China
Postcode: 518040
Tel: +86 755 8319 8888
Fax: +86 755 8319 5555
E-mail: cmb@cmbchina.com
Website: www.cmbchina.com
Customer complaint hotline: 95555-7
Credit card complaint hotline: +86 400 820 5555-7

1.1.5 **Principal Place of Business in Hong Kong:** 31/F, Three Exchange Square, 8 Connaught Place, Central, Hong Kong, the PRC

1.1.6 **Share Listing:**
A Shares: Shanghai Stock Exchange
Abbreviated Name of A Shares: CMB
Stock Code: 600036
H Shares: SEHK
Abbreviated Name of H Shares: CM BANK
Stock Code: 03968
Domestic Preference Shares: Shanghai Stock Exchange
Abbreviated Name of Shares: Zhao Yin You 1 (招銀優 1)
Stock Code: 360028

1.1.7 **Domestic Auditor:** Deloitte Touche Tohmatsu Certified Public Accountants LLP

Office Address: 30th Floor, Bund Centre, 222 Yan'an Road East, Shanghai, China

Certified Public Accountants for Signature: Wu Lingzhi, Sun Weiqi

International Auditor: Deloitte Touche Tohmatsu

Office Address: 35th Floor, One Pacific Place, 88 Queensway, Hong Kong, the PRC

1.1.8 **Legal Advisor as to PRC Law:** JunHe LLP

Legal Advisor as to Hong Kong Law: Herbert Smith Freehills

1.1.9 **Registrar for A Shares:**

China Securities Depository & Clearing Corporation Ltd., Shanghai Branch

Address: 188 South-Yanggao Road, Pudong New Area, Shanghai, the PRC

Tel: +86 4008 058 058

Share Register and Transfer Office as to H Shares:

Computershare Hong Kong Investor Services Ltd.

Address: Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, the PRC

Tel: +852 2862 8555

Registrar for Domestic Preference Shares: China Securities Depository & Clearing Corporation Ltd., Shanghai Branch

1.1.10 **Newspapers and Websites Designated for Information Disclosure:**

The Chinese mainland:	"China Securities Journal" (www.cs.com.cn), "Securities Times" (www.stcn.com), "Shanghai Securities News" (www.cnstock.com)
	website of Shanghai Stock Exchange (www.sse.com.cn)
	website of the Company (www.cmbchina.com)
Hong Kong:	website of Hong Kong Exchanges and Clearing Limited (www.hkex.com.hk)
	website of the Company (www.cmbchina.com)

Place for maintenance of periodic reports: Office of the Board of Directors of the Company and principal place of business of the Company

1.2 Corporate Business Overview

Founded in 1987, the Company is headquartered in Shenzhen, China. The Company mainly focuses on the market in China with branches primarily covering major cities in the Chinese mainland, as well as international financial centres such as Hong Kong of China, New York, London, Singapore, Luxembourg and Sydney. The Company was listed on the Shanghai Stock Exchange in April 2002 and the SEHK in September 2006.

The Company provides customers with various wholesale and retail banking products and services, and maintains treasury businesses for proprietary purpose and on behalf of customers. Many innovative products and services of the Company have been well accepted by the market. Retail banking services include the account, payment and settlement service based on the "All-in-one" multifunction debit card and credit card, segmented and classified wealth management services including the "Sunflower Wealth Management" services and private banking services, retail credit services, CMB APP, CMB Life APP, "All-in-one Net" comprehensive online banking service platform, and other online services. Wholesale banking services include payment and settlement, wealth management, investment and financing and digital services, cash management, sci-tech finance, green finance, inclusive finance, retirement finance, digital finance, supply chain finance and cross-border finance services, asset management, asset custody and investment banking services etc. The Company continues to tap further into the living and business circles of customers to provide customers with customised, intelligent and comprehensive solutions for their supply chains and investment chains.

The Company has come up with the strategic vision of "building the best value creation bank with innovation-driven development, leading model and distinguished features" based on the internal and external situation and its own development. In line with the trend of the acceleration in the construction of China's modern industrial system, the Company consistently enhances its quality and efficiency in serving the real economy and social well-being, and strives to create more value for customers, employees, shareholders, partners and society, with the aim of making greater contributions to the modernisation process with Chinese characteristics.

1.3 Development Strategies

Strategic vision:	We are committed to building the best value creation bank with innovation-driven development, leading model and distinguished features.
Strategic objectives:	Building a value creation bank. The Company upholds the philosophy of win-win in business and business for common good to grow into a value creation bank in pursuit of maximising the comprehensive value of customers, employees, shareholders, partners and the society, aiming to become a world-class commercial bank.
Core Value:	Being customer-centric and creating values for customers.
Strategic focus:	Adhering to the concept of dynamically balanced development of "Quality, Profitability and Scale", the Company focuses on the building of three core capacities of "wealth management, Fintech and risk management" to promote the evolution of organisational culture consistently. Based on the needs of the country and enterprises and the ability of China Merchants Bank, we practically implement the ESG concept, serve the real economy and meet the needs of people's livelihood to create a new stage for high-quality growth.

Enlarging wealth management business and accelerating the transformation of the business model. By adopting a customer-centric approach to business operations and focusing on the value creation chain of "volume growth – revenue growth – profit growth – value growth", the Company aims to foster a flywheel effect by fully integrating its four major business segments: retail finance, corporate finance, investment banking and financial markets, wealth management and asset management, and will strive to deliver sustained growth in both total assets under management (AUM) from retail customers and the aggregate financing products to corporate customers (FPA).

Optimising Fintech and accelerating comprehensive digital transformation. Focusing on the goal of online, data-based, intelligent, platform-based and ecological operation, we will comprehensively promote the digital reshaping of financial infrastructure and capability system, customers and channels, businesses and products, management and decision-making. In particular, we are actively exploring the new mode of "AI + Finance" to make artificial intelligence a more important part of China Merchants Bank's intelligence, and build a value creation bank through the "Digital CMB".

Strengthening risk management and building a fortress-style overall risk and compliance management system. Adhering to the prudent risk management principle, using Fintech as the tool, and taking a prudent risk appetite as a safeguard measure, we will create a "Six All" risk management system covering all risks, all branches and subsidiaries, all customers, all assets, all processes, and all factors to support the operation of the value creation bank.

Pursuing the core values and building the cultural and organisational foundation for a value creation bank. Firstly, we will uphold and enhance China Merchants Bank's corporate culture focusing on entrepreneurship, service quality, innovation, risk management, compliance, management excellence, and people-orientation, with an aim to create a vibrant and evolving cultural system. Secondly, we will establish an organising team for supporting our service strategies and creating value together, providing organisational support and talent foundations for a value creation bank. Thirdly, we will actively implement sustainable development principles in serving the real economy, actively fulfilling environmental and social responsibilities, and enhancing the standard of our corporate governance.

1.4 Honors and Awards

In 2023, the Company received a number of honours and awards from organisations both at home and abroad, including:

- The Company ranked 10th globally in "The Top 500 Banking Brands 2023" released by The Banker (UK) in February 2023, with a brand value of USD24.536 billion.
- In March 2023, the Company was awarded the "Best Retail Bank in China" in "Asia Trailblazer Awards 2023" hosted by Retail Banker International.
- In June 2023, the US-based Institutional Investor magazine released the results of the "2023 All-Asia Executive Team", recognising the Company as the bank with the highest overall ranking and the most awards in the Asian region. The Company won several awards, including "Best Board of Directors", "Asia's Most Respected Company", "Best IR Company" and "Best ESG Company".
- In July 2023, the Company ranked 11th on the list of "Top 1,000 World Banks 2023" released by The Banker (UK), ranking first in the best performing Chinese banks for three consecutive years.
- In July 2023, the Company received the award of "Best Bank in China" at the "2023 Awards for Excellence" ceremony staged by Euromoney (UK) for the fifth consecutive year, marking the first "5-year championship streak" in its awarding history, and was also the only Chinese bank to receive the "Awards for Excellence" in that year.
- The list of Fortune Global 500 was officially released in August 2023, on which the Company ranked 179th and making the list for 12 consecutive years.
- In August 2023, the Company was recognised as the "Best CSR Bank in China" and "Best Investment Bank in China" at the awards ceremony for the "Best Banks in China 2023" hosted by Asiamoney.
- In September 2023, in the selection of the "2023 China Star" organised by the US-based Global Finance magazine, the Company was honoured with three awards, namely, "Best Wealth Management Provider", "Best Corporate Governance Bank" and "Best Transaction Service Bank".
- In November 2023, the Company ranked among China's Most Admired Companies by Fortune magazine.
- In December 2023, the Company won "Top 10 Best Employers 2023", "Most Socially Responsible Employer" and "Most Admired Employer by Women" at the awards ceremony for the "Best Employer in China 2023" jointly organised by Zhaopin.com and Institute of Social Science Survey, Peking University, and has been shortlisted in the top 10 list of "Best Employers of the Year" for 13 consecutive years.

Facilitating digital transformation of enterprises to open a new chapter by riding on the momentum

Summary of Accounting Data and Financial Indicators

2.1 Key Accounting Data and Financial Indicators of the Group

(in millions of RMB, unless otherwise specified)	2023	2022	Changes +/-%
Operating Results			
Net operating income[(1)]	339,078	344,740	-1.64
Profit before tax	176,618	165,113	6.97
Net profit attributable to shareholders of the Bank	146,602	138,012	6.22
Per Share (RMB yuan)			
Basic earnings attributable to ordinary shareholders of the Bank[(2)]	5.63	5.26	7.03
Diluted earnings attributable to ordinary shareholders of the Bank	5.63	5.26	7.03

(in millions of RMB, unless otherwise specified)	31 December 2023	31 December 2022	Changes +/-%
Volume Indicators			
Total assets	11,028,483	10,138,912	8.77
of which: total loans and advances to customers[(3)]	6,508,865	6,051,459	7.56
Total liabilities	9,942,754	9,184,674	8.25
of which: total deposits from customers[(3)]	8,155,438	7,535,742	8.22
Total equity attributable to shareholders of the Bank	1,076,370	945,503	13.84
Net assets per share attributable to ordinary shareholders of the Bank (RMB yuan)[(2)]	36.71	32.71	12.23

Notes:

(1) Net operating income is the sum of net interest income, net fee and commission income, other net income as well as share of profits of joint ventures and associates.

(2) The Company issued non-cumulative preference shares in 2017, and issued perpetual bonds in 2020, 2021 and 2023, all of which were classified as other equity instruments. In addition, the Company paid dividends on preference shares and interests on perpetual bonds in 2023. Therefore, when calculating the indicators such as basic earnings per share attributable to ordinary shareholders, return on average equity attributable to ordinary shareholders and net assets per share attributable to ordinary shareholders, dividends on the preference shares and interests on perpetual bonds have been deducted from "net profit attributable to shareholders of the Bank", while the preference shares and perpetual bonds shall be deducted from both the "average equity" and the "net assets".

(3) Unless otherwise stated, the balance of the relevant financial instrument items herein and set out below exclude accrued interest.

2.2 Financial Ratios of the Group

(%)	2023	2022	Changes
Profitability indicators			
Return on average assets attributable to shareholders of the Bank	1.39	1.42	Decreased by 0.03 percentage point
Return on average equity attributable to ordinary shareholders of the Bank	16.22	17.06	Decreased by 0.84 percentage point
Net interest spread(1)	2.03	2.28	Decreased by 0.25 percentage point
Net interest margin(2)	2.15	2.40	Decreased by 0.25 percentage point
As percentage of net operating income			
– Net interest income	63.31	63.30	Increased by 0.01 percentage point
– Net non-interest income	36.69	36.70	Decreased by 0.01 percentage point
Cost-to-income ratio(3)	32.97	32.89	Increased by 0.08 percentage point

(%)	31 December 2023	31 December 2022	Changes over 2022 year-end
Capital adequacy indicators under the Advanced Measurement Approach(4)			
Core Tier 1 capital adequacy ratio	13.73	13.68	Increased by 0.05 percentage point
Tier 1 capital adequacy ratio	16.01	15.75	Increased by 0.26 percentage point
Capital adequacy ratio	17.88	17.77	Increased by 0.11 percentage point
Equity to total assets	9.84	9.41	Increased by 0.43 percentage point
Asset quality indicators			
Non-performing loan ratio	0.95	0.96	Decreased by 0.01 percentage point
Allowance coverage ratio(5)	437.70	450.79	Decreased by 13.09 percentage points
Allowance-to-loan ratio(6)	4.14	4.32	Decreased by 0.18 percentage point

	2023	2022	Changes
Credit cost ratio(7)	0.74	0.78	Decreased by 0.04 percentage point

Notes:

(1) Net interest spread = average yield of the total interest-earning assets – average cost ratio of total interest-bearing liabilities.

(2) Net interest margin = net interest income/average balance of total interest-earning assets.

(3) Cost-to-income ratio = operating expenses/net operating income. The numerator does not include taxes and surcharges, provisions for insurance claims and the depreciation charges on fixed assets under operating lease and investment properties and others.

(4) As at the end of the reporting period, the Group's Core Tier 1 capital adequacy ratio, Tier 1 capital adequacy ratio and capital adequacy ratio under the Weighted Approach were 11.86%, 13.82% and 14.96% respectively.

(5) Allowance coverage ratio = allowances for impairment losses/balance of non-performing loans.

(6) Allowance-to-loan ratio = allowances for impairment losses/total loans and advances to customers.

(7) Credit cost ratio = expected credit losses of loans and advances to customers/the average of total loans and advances to customers, the average of total loans and advances to customers = (total loans and advances to customers at the beginning of the period + total loans and advances to customers at the end of the period)/2.

2.3 Five-year Financial Summary of the Group

(in millions of RMB)	2023	2022	2021	2020	2019
Results for the year					
Net operating income	**339,078**	344,740	331,407	290,279	269,788
Operating expenses	**120,991**	122,061	116,879	102,814	91,497
Impairment losses	**41,469**	57,566	66,355	65,025	61,159
Profit before tax	**176,618**	165,113	148,173	122,440	117,132
Net profit attributable to shareholders of the Bank	**146,602**	138,012	119,922	97,342	92,867
(RMB yuan)					
Per Share					
Dividend (tax inclusive)	**1.972**	1.738	1.522	1.253	1.20
Basic earnings attributable to ordinary shareholders of the Bank	**5.63**	5.26	4.61	3.79	3.62
Diluted earnings attributable to ordinary shareholders of the Bank	**5.63**	5.26	4.61	3.79	3.62
Year-end net assets attributable to ordinary shareholders of the Bank	**36.71**	32.71	29.01	25.36	22.89
(in millions of RMB)					
Year end					
Share capital	**25,220**	25,220	25,220	25,220	25,220
Total shareholders' equity	**1,085,729**	954,238	865,681	730,354	617,707
Total liabilities	**9,942,754**	9,184,674	8,383,340	7,631,094	6,799,533
Deposits from customers	**8,155,438**	7,535,742	6,347,078	5,628,336	4,844,422
Total assets	**11,028,483**	10,138,912	9,249,021	8,361,448	7,417,240
Total loans and advances to customers	**6,508,865**	6,051,459	5,570,034	5,029,128	4,490,650
(%)					
Key Financial Ratios					
Return on average assets attributable to shareholders of the Bank	**1.39**	1.42	1.36	1.23	1.31
Return on average equity attributable to ordinary shareholders of the Bank	**16.22**	17.06	16.96	15.73	16.84
Cost-to-income ratio	**32.97**	32.89	33.11	33.33	32.08
Non-performing loan ratio	**0.95**	0.96	0.91	1.07	1.16
Credit cost ratio	**0.74**	0.78	0.70	0.98	1.29
Core Tier 1 capital adequacy ratio under the Advanced Measurement Approach	**13.73**	13.68	12.66	12.29	11.95
Tier 1 capital adequacy ratio under the Advanced Measurement Approach	**16.01**	15.75	14.94	13.98	12.69
Capital adequacy ratio under the Advanced Measurement Approach	**17.88**	17.77	17.48	16.54	15.54

Piecing every small dream together to fill-in the development blueprint

Management Discussion and Analysis

3.1 Analysis of Overall Operation

In 2023, the Group adhered to the concept of dynamically balanced development of "Quality, Profitability and Scale", took the strategic target of building a value creation bank and carried out various businesses in a sound manner. Both the scale of assets and liabilities and net profit grew steadily, and the overall asset quality was stable.

During the reporting period, the Group realised the net operating income of RMB339.078 billion, representing a year-on-year decrease of 1.64%; realised a net profit attributable to shareholders of the Bank of RMB146.602 billion, representing a year-on-year increase of 6.22%; realised the net interest income of RMB214.669 billion, representing a year-on-year decrease of 1.63%; and realised the net non-interest income of RMB124.409 billion, representing a year-on-year decrease of 1.66%. The return on average asset (ROAA) attributable to shareholders of the Bank and return on average equity (ROAE) attributable to ordinary shareholders of the Bank were 1.39% and 16.22%, down by 0.03 percentage point and 0.84 percentage point year-on-year, respectively.

As at the end of the reporting period, the Group's total assets amounted to RMB11,028.483 billion, representing an increase of 8.77% as compared with the end of the previous year. The total loans and advances to customers amounted to RMB6,508.865 billion, representing an increase of 7.56% as compared with the end of the previous year. Total liabilities amounted to RMB9,942.754 billion, representing an increase of 8.25% as compared with the end of the previous year. Total deposits from customers amounted to RMB8,155.438 billion, representing an increase of 8.22% as compared with the end of the previous year.

As at the end of the reporting period, the Group had a balance of non-performing loans of RMB61.579 billion, representing an increase of RMB3.575 billion as compared with the end of the previous year. The non-performing loan ratio was 0.95%, representing a decrease of 0.01 percentage point as compared with the end of the previous year. The allowance coverage ratio was 437.70%, representing a decrease of 13.09 percentage points as compared with the end of the previous year; the allowance-to-loan ratio was 4.14%, representing a decrease of 0.18 percentage point as compared with the end of the previous year.

3.2 Analysis of Income Statement

3.2.1 Financial highlights

During the reporting period, the Group realised a profit before tax of RMB176.618 billion, representing a year-on-year increase of 6.97%. The effective income tax rate was 16.20%, representing a year-on-year increase of 0.56 percentage point. The following table sets out the major income/loss items of the Group for the periods indicated.

(in millions of RMB)	**2023**	2022
Net interest income	**214,669**	218,235
Net fee and commission income	**84,108**	94,275
Other net income	**37,825**	29,705
Operating expenses	**(120,991)**	(122,061)
Expected credit losses	**(41,278)**	(56,751)
Impairment losses on other assets	**(191)**	(815)
Share of profits of joint ventures and associates	**2,476**	2,525
Profit before tax	**176,618**	165,113
Income tax	**(28,612)**	(25,819)
Net profit	**148,006**	139,294
Net profit attributable to shareholders of the Bank	**146,602**	138,012

3.2.2 Net operating income

During the reporting period, the Group realised net operating income of RMB339.078 billion, representing a year-on-year decrease of 1.64%, of which net interest income accounted for 63.31% and net non-interest income accounted for 36.69% with a year-on-year decrease of 0.01 percentage point.

3.2.3 Interest income

During the reporting period, the Group recorded an interest income of RMB375.610 billion, representing a year-on-year increase of 6.29%, mainly due to the increase in interest-earning assets. Interest income from loans and advances to customers continued to be the largest component of the interest income of the Group.

Interest income from loans and advances to customers

During the reporting period, the interest income from loans and advances to customers of the Group was RMB268.240 billion, representing a year-on-year increase of 0.99%.

The following table sets forth the average balance (daily average balance, same as below), interest income and average yield of each component of loans and advances to customers of the Group for the periods indicated.

	2023			2022		
(in millions of RMB, except for percentages)	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Corporate loans	**2,523,210**	**94,526**	**3.75**	2,250,662	86,754	3.85
Retail loans	**3,308,043**	**166,104**	**5.02**	3,089,371	168,174	5.44
Discounted bills	**468,652**	**7,610**	**1.62**	510,242	10,673	2.09
Loans and advances to customers	**6,299,905**	**268,240**	**4.26**	5,850,275	265,601	4.54

During the reporting period, from the perspective of the maturity structure of loans and advances to customers of the Group, the average balance of short-term loans was RMB2,189.539 billion with the interest income amounting to RMB102.214 billion, and the average yield reached 4.67%; the average balance of medium- and long-term loans was RMB4,110.366 billion with the interest income amounting to RMB166.026 billion, and the average yield reached 4.04%. The average yield of short-term loans was higher than that of medium- and long-term loans, which was mainly attributable to the higher yield of credit card loans and consumer loans (as short-term loans) and the higher proportion thereof.

Interest income from investments

During the reporting period, the interest income from investments of the Group was RMB80.836 billion, representing a year-on-year increase of 22.84%, which was mainly influenced by the investment volume. The average yield of investments was 3.22%, representing a year-on-year decrease of 2 basis points, which was mainly attributable to the impact of the downward market interest rates.

Interest income from balances and placements with banks and other financial institutions

During the reporting period, the interest income of the Group from balances and placements with banks and other financial institutions was RMB16.557 billion, representing a year-on-year increase of 22.74%, and the average yield of balances and placements with banks and other financial institutions was 2.80%, representing a year-on-year increase of 71 basis points, which was primarily attributable to the increase in yield of balances and placements with banks and other financial institutions denominated in foreign currencies because of the effect of the rate hikes by the US Federal Reserve.

3.2.4 Interest expense

During the reporting period, the interest expense of the Group was RMB160.941 billion, representing a year-on-year increase of 19.09%, mainly due to the increase in the scale of the interest-bearing liabilities and the increase of the cost ratio of interest expense.

Interest expense on deposits from customers

During the reporting period, the Group's interest expense on deposits from customers was RMB128.809 billion, representing a year-on-year increase of 21.71%, mainly due to the sustained rapid growth of deposits from customers as well as the increase in the cost ratio of deposits.

The following table sets forth the average balances, interest expense and average cost ratios of the deposits from corporate and retail customers of the Group for the periods indicated.

	2023			2022		
(in millions of RMB, except for percentages)	Average balance	Interest expense	Average cost ratio (%)	Average balance	Interest expense	Average cost ratio (%)
Deposits from corporate customers						
Demand	2,670,778	29,002	1.09	2,631,389	27,749	1.05
Time	1,989,200	53,186	2.67	1,755,394	46,698	2.66
Subtotal	4,659,978	82,188	1.76	4,386,783	74,447	1.70
Deposits from retail customers						
Demand	1,857,291	7,337	0.40	1,655,088	6,073	0.37
Time	1,415,757	39,284	2.77	913,786	25,316	2.77
Subtotal	3,273,048	46,621	1.42	2,568,874	31,389	1.22
Total	7,933,026	128,809	1.62	6,955,657	105,836	1.52

Interest expense on deposits and placements from banks and other financial institutions

During the reporting period, the interest expense on deposits and placements from banks and other financial institutions of the Group amounted to RMB19.866 billion, representing a year-on-year increase of 21.81%, which was primarily attributable to the year-on-year increase of cost ratio of deposits and placements from banks and other financial institutions denominated in foreign currencies resulting from the US Federal Reserve's interest rate hike.

Interest expense on debt securities issued

During the reporting period, the interest expense on debt securities issued of the Group amounted to RMB7.781 billion, representing a year-on-year decrease of 19.47%, mainly due to the sound growth in deposits from customers, resulting in the decrease in daily average scale of debt securities issued.

3.2.5 Net interest income

During the reporting period, the Group's net interest income amounted to RMB214.669 billion, representing a year-on-year decrease of 1.63%.

The following table sets out the average balances, interest income/interest expense and average yield/cost ratio of assets and liabilities items of the Group for the periods indicated.

(in millions of RMB, except for percentages)	2023 Average balance	2023 Interest income	2023 Average yield (%)	2022 Average balance	2022 Interest income	2022 Average yield (%)
Interest-earning assets						
Loans and advances to customers	6,299,905	268,240	4.26	5,850,275	265,601	4.54
Investments	2,509,774	80,836	3.22	2,029,578	65,808	3.24
Balances with the central bank	586,797	9,977	1.70	557,031	8,482	1.52
Balances and placements with banks and other financial institutions	591,320	16,557	2.80	644,938	13,489	2.09
Total	9,987,796	375,610	3.76	9,081,822	353,380	3.89

(in millions of RMB, except for percentages)	2023 Average balance	2023 Interest expense	2023 Average cost ratio (%)	2022 Average balance	2022 Interest expense	2022 Average cost ratio (%)
Interest-bearing liabilities						
Deposits from customers	7,933,026	128,809	1.62	6,955,657	105,836	1.52
Deposits and placements from banks and other financial institutions	950,595	19,866	2.09	996,819	16,309	1.64
Debt securities issued	240,163	7,781	3.24	322,784	9,662	2.99
Borrowings from the central bank	186,340	4,005	2.15	122,194	2,828	2.31
Lease liabilities	12,718	480	3.77	13,408	510	3.80
Total	9,322,842	160,941	1.73	8,410,862	135,145	1.61
Net interest income	/	214,669	/	/	218,235	/
Net interest spread	/	/	2.03	/	/	2.28
Net interest margin	/	/	2.15	/	/	2.40

During the reporting period, the average yield of the interest-earning assets of the Group was 3.76%, representing a year-on-year decrease of 13 basis points; the average cost ratio of our interest-bearing liabilities was 1.73%, representing a year-on-year increase of 12 basis points; the net interest spread was 2.03%, representing a year-on-year decrease of 25 basis points and the net interest margin was 2.15%, representing a year-on-year decrease of 25 basis points. For the analysis of the reasons behind the decrease in the net interest margin, please refer to 3.9.1 "Net interest margin" in this Chapter.

The following table sets forth the breakdown of changes in interest income and interest expense due to changes in volumes and interest rates of the Group for the periods indicated. Changes in volume were measured by changes in average balances, while changes in interest rates were measured by changes in the average interest rates; the changes in interest income and interest expense due to changes in both volumes and interest rates have been included in the amounts of changes in interest income and interest expense due to changes in volume.

	2023 compared to 2022		
	Increase (decrease) due to		Net increase
(in millions of RMB)	Volume	Interest rate	(decrease)
Interest-earning assets			
Loans and advances to customers	20,263	(17,624)	2,639
Investments	15,434	(406)	15,028
Balances with the central bank	492	1,003	1,495
Balances and placements with banks and other financial institutions	(1,511)	4,579	3,068
Changes in interest income	34,678	(12,448)	22,230
Interest-bearing liabilities			
Deposits from customers	21,247	1,726	22,973
Deposits and placements from banks and other financial institutions	(929)	4,486	3,557
Debt securities issued	(2,688)	807	(1,881)
Borrowings from the central bank	1,373	(196)	1,177
Lease liabilities	(26)	(4)	(30)
Changes in interest expense	18,977	6,819	25,796
Changes in net interest income	15,701	(19,267)	(3,566)

The following table sets out the average balances, interest income/interest expense and annualised average yield/cost ratio of assets and liabilities items of the Group for the periods indicated.

	October to December 2023			July to September 2023		
(in millions of RMB, except for percentages)	Average balance	Interest income	Annualised average yield (%)	Average balance	Interest income	Annualised average yield (%)
Interest-earning assets						
Loans and advances to customers	6,434,844	66,170	4.08	6,317,543	67,478	4.24
Investments	2,611,336	21,151	3.21	2,555,495	20,487	3.18
Balances with the central bank	601,670	2,657	1.75	589,741	2,561	1.72
Balances and placements with banks and other financial institutions	546,862	4,457	3.23	555,602	3,315	2.37
Total	10,194,712	94,435	3.68	10,018,381	93,841	3.72

(in millions of RMB, except for percentages)	Average balance	Interest expense	Annualised average cost ratio (%)	Average balance	Interest expense	Annualised average cost ratio (%)
Interest-bearing liabilities						
Deposits from customers	8,116,797	33,543	1.64	7,954,311	32,811	1.64
Deposits and placements from banks and other financial institutions	931,173	5,268	2.24	926,136	4,634	1.99
Debt securities issued	204,148	1,776	3.45	252,778	2,137	3.35
Borrowings from the central bank	249,237	1,350	2.15	157,011	853	2.16
Lease liabilities	12,234	115	3.73	12,877	116	3.57
Total	9,513,589	42,052	1.75	9,303,113	40,551	1.73
Net interest income	/	52,383	/	/	53,290	/
Net interest spread	/	/	1.93	/	/	1.99
Net interest margin	/	/	2.04	/	/	2.11

In the fourth quarter of 2023, the net interest margin of the Group was 2.04%, representing a quarter-to-quarter decrease of 7 basis points, and its net interest spread was 1.93%, representing a quarter-to-quarter decrease of 6 basis points.

3.2.6 Net non-interest income

During the reporting period, the Group recorded a net non-interest income of RMB124.409 billion, representing a year-on-year decrease of 1.66%. The components are as follows:

Net fee and commission income amounted to RMB84.108 billion, representing a year-on-year decrease of 10.78%. Among the fee and commission income, fee and commission income from wealth management amounted to RMB28.466 billion, representing a year-on-year decrease of 7.89%; fee and commission income from asset management amounted to RMB11.474 billion, representing a year-on-year decrease of 7.89%; income from bank card fees amounted to RMB19.525 billion, representing a year-on-year decrease of 8.76%; income from settlement and clearing fees amounted to RMB15.492 billion, representing a year-on-year increase of 2.93%; commission income from credit commitment and loan business amounted to RMB4.997 billion, representing a year-on-year decrease of 13.14%; commission income from custody businesses amounted to RMB5.328 billion, representing a year-on-year decrease of 8.00%; and income from others amounted to RMB7.552 billion, representing a year-on-year decrease of 37.16%. For analysis of the main reasons for changes in fee and commission income, please refer to "Net non-interest income" in 3.9.2 under this chapter.

Other net non-interest income amounted to RMB40.301 billion, representing a year-on-year increase of 25.04%, of which net investment income amounted to RMB19.700 billion, representing a year-on-year increase of 9.37%, which was mainly due to the increase of bond investment income; net profit from changes in fair value amounted to RMB1.846 billion, representing a year-on-year increase of RMB4.521 billion, mainly due to the increase in fair value of bond investment and non-money-market fund investment; the net exchange gain amounted to RMB4.132 billion, representing a year-on-year increase of 14.78%, mainly due to the increase in gains arising from the foreign currencies transactions; and other net income amounted to RMB12.147 billion, representing a year-on-year increase of 12.82%, mainly due to a year-on-year increase of 23.85% in income generated from operating leasing business of CMB Financial Leasing, which amounted to RMB10.880 billion.

In terms of business segments, the net non-interest income from retail finance amounted to RMB57.561 billion, representing a year-on-year decrease of 4.11% and accounting for 46.27 % of the Group's net non-interest income; the net non-interest income from wholesale finance amounted to RMB50.599 billion, representing a year-on-year decrease of 2.01% and accounting for 40.67% of the Group's net non-interest income; the net non-interest income from other businesses amounted to RMB16.249 billion, representing a year-on-year increase of 9.47% and accounting for 13.06% of the Group's net non-interest income.

(in millions of RMB, except for percentages)	2023	2022	Changes +/-%
Fee and commission income(note)	**92,834**	103,372	-10.19
Fees and commissions from wealth management	**28,466**	30,903	-7.89
Fees and commissions from asset management	**11,474**	12,457	-7.89
Bank card fees	**19,525**	21,399	-8.76
Settlement and clearing fees	**15,492**	15,051	2.93
Commissions from credit commitment and loan business	**4,997**	5,753	-13.14
Commissions from custody businesses	**5,328**	5,791	-8.00
Others	**7,552**	12,018	-37.16
Fee and commission expense	**(8,726)**	(9,097)	-4.08
Net fee and commission income	**84,108**	94,275	-10.78
Other net non-interest income	**40,301**	32,230	25.04
Other net income	**37,825**	29,705	27.34
Net investment income	**19,700**	18,013	9.37
Net profit/(loss) from fair value change	**1,846**	(2,675)	N/A
Net exchange gain	**4,132**	3,600	14.78
Other net income	**12,147**	10,767	12.82
Share of profits of joint ventures and associates	**2,476**	2,525	-1.94
Total net non-interest income	**124,409**	126,505	-1.66

Note: Fees and commissions from wealth management include income from agency distribution of funds, income from agency distribution of insurance policies, income from agency distribution of trust schemes, income from agency distribution of wealth management products, income from securities brokerage and income from agency distribution of precious metals. Fees and commissions from asset management mainly include the income from the issuance and management of various asset management products such as funds, wealth management and asset management plans of our subsidiaries, namely China Merchants Fund, CMB International Capital, CMB Wealth Management and CIGNA & CMAM. Commissions from custody businesses include income from basic asset custody services and value-added services. Others mainly include income from underwriting of bonds and equity, income from service fees from securitisation of credit assets, income from consultancy and advisory services and income from other intermediate businesses.

3.2.7 Operating expenses

During the reporting period, the Group's operating expenses amounted to RMB120.991 billion, representing a year-on-year decrease of 0.88%, among which staff costs amounted to RMB70.348 billion, representing a year-on-year decrease of 0.44%. Other operating expenses amounted to RMB50.643 billion[3], representing a year-on-year decrease of 1.48%. The cost-to-income ratio of the Group was 32.97%, representing an increase of 0.08 percentage point as compared with the corresponding period of the previous year. The Group has maintained the scale of input in Fintech construction and key strategic businesses, reduced traditional costs with technological innovation, strengthened the management and control of input-output monitoring, and improved the efficiency of the resource usage. Furthermore, the Group adhered to cost management. Through various measures, the Group has further cut back on venue operating costs and daily expenses, and refined the allocation of expenses and resources so as to continuously promote the optimisation of cost structure.

The following table sets forth, for the periods indicated, the principal components of the operating expenses of the Group.

(in millions of RMB)	2023	2022
Staff costs	70,348	70,657
Depreciation, amortisation and rental expenses	16,359	15,720
Other general and administrative expenses	31,321	32,319
Allowances for insurance claims	–	360
Taxes and surcharges	2,963	3,005
Total operating expenses	120,991	122,061

3.2.8 Expected credit losses

During the reporting period, the expected credit losses of the Group were RMB41.278 billion, representing a year-on-year decrease of 27.26%.

The following table sets forth, for the periods indicated, the principal components of expected credit losses of the Group.

(in millions of RMB)	2023	2022
Loans and advances to customers	46,635	45,157
Financial investments	(218)	3,879
Amounts due from banks and other financial institutions	(2,935)	(3,284)
Expected credit losses relating to financial guarantees and loan commitments	(2,761)	7,112
Others	557	3,887
Total expected credit losses	41,278	56,751

According to the Recognition and Measurement Standards for Financial Instruments, the Group conducted impairment accounting for credit risk exposures on- and off-balance sheet and recognised the allowances for credit risk losses by using the expected credit loss model and the risk quantification parameters such as the probability of customer defaults and the loss given defaults, after taking into consideration the adjustments in macro perceptiveness. During the reporting period, the expected credit losses of loans and advances to customers of the Group were RMB46.635 billion, representing a year-on-year increase of RMB1.478 billion; the total expected credit losses relating to financial investment, amounts due from banks and other financial institutions and financial guarantees and loan commitments amounted to RMB-5.914 billion, representing a year-on-year decrease of RMB13.621 billion, which was due to, on the one hand, the change in the scale of assets, on the other hand, the relative stability of the asset quality, and the decrease in the risk of individual customers and asset collection, reversing the amount provided in the previous period. The expected credit losses relating to others amounted to RMB557 million, representing a year-on-year decrease of RMB3.330 billion, mainly due to the relatively large allowances for credit risk losses of assets such as lease receivable, fees receivable and other receivables in the corresponding period of the previous year.

[3] Other operating expenses include depreciation, amortisation, leases, taxes and surcharges, allowances for insurance claims and various other administrative expenses.

3.3 Analysis of Balance Sheet

3.3.1 Assets

As at the end of the reporting period, the total assets of the Group amounted to RMB11,028.483 billion, up by 8.77% from the end of the previous year, which was mainly attributable to the increase in loans and advances to customers and bond investments of the Group.

The following table sets forth, as at the dates indicated, the components of the total assets of the Group.

(in millions of RMB, except for percentages)	31 December 2023 Amount	31 December 2023 Percentage of the total amount (%)	31 December 2022 Amount	31 December 2022 Percentage of the total amount (%)
Total loans and advances to customers	6,508,865	59.02	6,051,459	59.69
Allowances for impairment losses on loans(1)	(266,805)	(2.42)	(254,913)	(2.51)
Net loans and advances to customers	6,242,060	56.60	5,796,546	57.18
Investment securities and other financial assets	3,209,473	29.10	2,787,066	27.49
Cash, precious metals and balances with the central bank(2)	684,821	6.21	605,068	5.97
Inter-bank transactions(2)	558,381	5.06	630,302	6.22
Goodwill	9,954	0.09	9,999	0.10
Other assets(3)	323,794	2.94	309,931	3.04
Total assets	11,028,483	100.00	10,138,912	100.00

Notes:

(1) The allowances for impairment losses on loans represent the allowance for impairment losses on loans and advances to customers measured at amortised cost.

(2) "Inter-bank transactions" include deposits and placements with banks and other financial institutions and amounts held under resale agreements. According to the relevant provisions of the Interim Measures for the Administration of Gold Leasing Business (Yin Ban Fa [2022] No. 88) issued by the General Office of the People's Bank of China in July 2022, since 2023, for the gold leasing business carried out between the Group and financial institutions, the lease-out side was adjusted from "precious metals" to "placements with banks and other financial institutions", and the comparative figures are re-presented accordingly.

(3) "Other assets" include fixed assets, right-of-use assets, intangible assets, investment properties, deferred tax assets, interest receivable and other assets.

3.3.1.1 Loans and advances to customers

As at the end of the reporting period, total loans and advances to customers of the Group amounted to RMB6,508.865 billion, representing an increase of 7.56% as compared with the end of the previous year; total loans and advances to customers accounted for 59.02% of the total assets, representing a decrease of 0.67 percentage point as compared with the end of the previous year. For details of the loans and advances to customers of the Group, please refer to 3.4 "Analysis of Loan Quality" in this chapter.

3.3.1.2 Investment securities and other financial assets

The Group's investment securities and other financial assets consist of listed and unlisted financial instruments denominated in RMB and foreign currencies.

The following table sets forth, as at the dates indicated, the components of investment securities and other financial assets of the Group by line items.

(in millions of RMB, except for percentages)	31 December 2023 Amount	31 December 2023 Percentage of the total amount (%)	31 December 2022 Amount	31 December 2022 Percentage of the total amount (%)
Derivative financial assets	18,733	0.58	18,671	0.67
Financial investments at fair value through profit or loss	526,145	16.40	423,467	15.19
– Bond investments	274,687	8.57	215,081	7.72
– Others(note)	251,458	7.83	208,386	7.47
Debt investments at amortised cost	1,728,620	53.86	1,536,397	55.13
– Bond investments	1,680,262	52.36	1,452,499	52.12
– Non-standardised asset investments	87,069	2.71	126,698	4.55
– Others	679	0.02	648	0.02
– Less: allowances for impairment losses	(39,390)	(1.23)	(43,448)	(1.56)
Debt investments at fair value through other comprehensive income	889,736	27.72	771,271	27.67
Equity investments designated at fair value through other comprehensive income	19,649	0.61	13,416	0.48
Investments in joint ventures and associates	26,590	0.83	23,844	0.86
Total investment securities and other financial assets	3,209,473	100.00	2,787,066	100.00

Note: Including equity investments, fund investments, wealth management products, long position in precious metal contracts and others.

Derivative financial instruments

As at the end of the reporting period, the major categories and amount of derivative financial instruments held by the Group are indicated in the following table. For details, please refer to Note 60(f) to the financial statements.

(in millions of RMB)	31 December 2023 Notional amount	31 December 2023 Fair value Assets	31 December 2023 Fair value Liabilities	31 December 2022 Notional amount	31 December 2022 Fair value Assets	31 December 2022 Fair value Liabilities
Interest rate derivatives	1,819,231	5,433	(5,476)	1,543,237	6,428	(6,109)
Currency derivatives	1,431,262	11,815	(10,667)	874,230	11,376	(11,671)
Other derivatives	136,759	1,485	(1,300)	92,258	867	(856)
Total	3,387,252	18,733	(17,443)	2,509,725	18,671	(18,636)

The above table shows the notional amount and fair value of the Group's derivative financial instruments by their remaining maturity on each balance sheet date. The notional amount refers only to the transaction volumes that have not yet been due or completed on the balance sheet date, and does not represent the value at risk.

During the reporting period, the fluctuation of the RMB exchange rate increased and the interest-rate derivatives market showed a wide range-bound feature. As an integrated market maker in the interbank RMB foreign exchange market and a quote provider for derivatives in the local currency market, the Group was committed to providing liquidity to the market and maintaining the stability of the market. Meanwhile, by continuously leveraging its professional strengths in financial market derivative transactions, the Group kept up its effort in publicising the "exchange rate risk-neutral" concept, helping customers carry out hedging transactions to improve their risk resistance capabilities and reduce financial costs, and facilitating the high-quality development of the real economy.

Financial investments at fair value through profit or loss

As at the end of the reporting period, the balance of the financial investments at fair value through profit or loss of the Group amounted to RMB526.145 billion, with bond and fund investments etc. being the major categories. The investments were primarily made by the Group based on assessments of, among other factors, macro economy, monetary and fiscal policies, industrial policies and market supply and demand, so as to obtain investment return by capturing trading opportunities in the market. During the reporting period, funding was stable in general and bond yields trended downward amid fluctuations. The Group actively expanded its bond investments while strengthening market timing, achieving favourable returns. For details, please refer to Note 23(a) to the financial statements.

Debt investments at amortised cost

As at the end of the reporting period, the balance of the Group's debt investments at amortised cost amounted to RMB1,728.620 billion. Among them, the bond investments mainly involved bonds issued by government and policy banks. This type of investment was held on a long-term basis for the strategic allocation of assets and liabilities of the Group, based on the requirements of interest rate risk management of banking book and liquidity management, while taking into account returns and risks. For details, please refer to Note 23(b) to the financial statements.

Debt investments at fair value through other comprehensive income

As at the end of the reporting period, the balance of debt investments at fair value through other comprehensive income of the Group amounted to RMB889.736 billion, with interest rate bonds such as government bonds and policy bank bonds and medium-to-high rating quality credit bonds being the major categories. This type of investment was primarily based on the Group's research and analysis on the bond market, with the purpose of obtaining investment return by capturing investment and allocation opportunities in the market and constantly optimising asset allocation structure. For details, please refer to Note 23(c) to the financial statements.

Equity investments designated at fair value through other comprehensive income

As at the end of the reporting period, the balance of equity investments designated at fair value through other comprehensive income of the Group amounted to RMB19.649 billion. Such investments were mainly non-trading equity investments held by the Group in the investees over whom the Group had no control, joint control or significant influence. For details, please refer to Note 23(d) to the financial statements.

The composition of the Group's total bond investments classified by the issuing entities

(in millions of RMB)	31 December 2023	31 December 2022
Official authorities	1,944,820	1,600,274
Policy banks	503,459	494,628
Commercial banks and other financial institutions	252,828	232,923
Others	143,578	111,026
Total bond investments	2,844,685	2,438,851

Note: "Official authorities" include the Ministry of Finance of the PRC, local governments and the central bank, etc.; "Others" mainly refer to enterprises.

Investments in joint ventures and associates

As at the end of the reporting period, the Group's investments in joint ventures and associates amounted to RMB26.590 billion, up 11.52% from the end of the previous year. As at the end of the reporting period, the balance of allowances for impairment losses on investments in joint ventures and associates of the Group was zero. For details, please refer to Note 25 and Note 26 to the financial statements.

3.3.1.3 Goodwill

In compliance with the International Financial Reporting Standards, at the end of the reporting period, the Group conducted an impairment test on the goodwill arising from the acquisition of CMB Wing Lung Bank, China Merchants Fund and other companies and determined that allowances for impairment losses were not necessary for the reporting period. As at the end of the reporting period, the Group had a balance of allowances for impairment losses on goodwill of RMB579 million and the carrying value of goodwill was RMB9.954 billion.

3.3.2 Liabilities

As at the end of the reporting period, the total liabilities of the Group amounted to RMB9,942.754 billion, representing an increase of 8.25% as compared with the end of the previous year, which was primarily attributable to the steady growth in deposits from customers.

The following table sets forth, as at the dates indicated, the components of the total liabilities of the Group.

	31 December 2023		31 December 2022	
(in millions of RMB, except for percentages)	Amount	Percentage of the total amount (%)	Amount	Percentage of the total amount (%)
Deposits from customers	8,155,438	82.02	7,535,742	82.05
Inter-bank transactions(1)	888,408	8.94	957,657	10.42
Borrowings from the central bank	377,189	3.79	129,438	1.41
Financial liabilities at fair value through profit or loss and derivative financial liabilities(1)	61,401	0.62	67,780	0.74
Debt securities issued	174,764	1.76	222,288	2.42
Others(2)	285,554	2.87	271,769	2.96
Total liabilities	9,942,754	100.00	9,184,674	100.00

Notes:

(1) "Inter-bank transactions" include deposits and placements with banks and other financial institutions and amounts sold under repurchase agreements. According to the relevant provisions of the Interim Measures for the Administration of Gold Leasing Business (Yin Ban Fa [2022] No. 88) issued by the General Office of the People's Bank of China in July 2022, since 2023, for the gold leasing business carried out between the Group and financial institutions, the lease-in side was adjusted from "financial liabilities at fair value through profit or loss" to "placements from banks and other financial institutions", and the comparative figures are re-presented accordingly.

(2) "Others" include salaries and welfare payable, taxes payable, contract liabilities, lease liabilities, expected liabilities, deferred income tax liabilities, interest payable and other liabilities.

Deposits from customers

As at the end of the reporting period, total deposits from customers of the Group amounted to RMB8,155.438 billion, representing an increase of 8.22% as compared with the end of the previous year, accounting for 82.02% of the total liabilities of the Group, which was the major funding source of the Group.

The following table sets forth, as at the dates indicated, the deposits from customers of the Group by product type and customer type.

	31 December 2023		31 December 2022	
(in millions of RMB, except for percentages)	Amount	Percentage of the total amount (%)	Amount	Percentage of the total amount (%)
Corporate customer deposits				
Demand	2,644,685	32.43	2,762,671	36.66
Time	2,015,837	24.72	1,668,882	22.15
Subtotal	4,660,522	57.15	4,431,553	58.81
Deposits from retail customers				
Demand	1,829,612	22.43	1,983,364	26.32
Time	1,665,304	20.42	1,120,825	14.87
Subtotal	3,494,916	42.85	3,104,189	41.19
Total deposits from customers	8,155,438	100.00	7,535,742	100.00

In 2023, the percentage of daily average balance of the demand deposits to that of the deposits from customers of the Group was 57.08%, representing a year-on-year decrease of 4.55 percentage points. Among these, the daily average balance of demand deposits from corporate customers accounted for 57.31% of that of the corporate customer deposits, representing a year-on-year decrease of 2.67 percentage points; the daily average balance of demand deposits from retail customers accounted for 56.74% of that of the deposits from retail customers, representing a year-on-year decrease of 7.69 percentage points. Affected by the decline in the risk appetite of customers and insufficient liquidity activities of enterprises, customers' demand for investment in time deposit products increased, leading to a decrease in the proportion of demand deposits.

3.3.3 Shareholders' equity

As at the end of the reporting period, the Group's equity attributable to shareholders of the Bank was RMB1,076.370 billion, representing an increase of 13.84% as compared with the end of the previous year, among which retained profits amounted to RMB568.372 billion, representing an increase of 15.30% as compared with the end of the previous year; investment revaluation reserve amounted to RMB13.656 billion, representing an increase of 15.58% as compared with the end of the previous year, mainly due to an increase in the valuation of financial assets at fair value through other comprehensive income as compared to the end of the previous year; exchange difference on translation of financial statements of foreign operations amounted to RMB2.934 billion, representing an increase of RMB925 million as compared with the end of the previous year, mainly due to the fluctuations in RMB exchange rate.

3.4 Analysis of Loan Quality

3.4.1 Distribution of loans by 5-tier loan classification

The following table sets forth the 5-tier loan classification of the Group as at the dates indicated.

	31 December 2023		31 December 2022	
(in millions of RMB, except for percentages)	Amount	Percentage of the total amount (%)	Amount	Percentage of the total amount (%)
Normal	6,375,958	97.95	5,919,985	97.83
Special mention	71,328	1.10	73,470	1.21
Substandard	16,576	0.26	22,770	0.38
Doubtful	21,554	0.33	23,737	0.39
Loss	23,449	0.36	11,497	0.19
Total loans and advances to customers	6,508,865	100.00	6,051,459	100.00
Non-performing loans	61,579	0.95	58,004	0.96

Note: Under the 5-tier loan classification system, non-performing loans of the Group include substandard loans, doubtful loans and loss loans.

During the reporting period, the Group insisted on strict classification of asset risks to truly reflect the asset quality according to the new regulations on risk classification of financial assets. Affected by the unwinding of risks among some high-debt real estate customers and risks associated with retail banking business, the balance of non-performing loans of the Group increased as compared with the end of the previous year. As at the end of the reporting period, the balance of the Group's non-performing loans amounted to RMB61.579 billion, representing an increase of RMB3.575 billion as compared with the end of the previous year, with a non-performing loan ratio of 0.95%, representing a decrease of 0.01 percentage point as compared with the end of the previous year.

3.4.2 Distribution of loans and non-performing loans by product type

(in millions of RMB, except for percentages)	31 December 2023				31 December 2022			
	Loans and advances to customers	Percentage of the total loans (%)	Non-performing loans	Non-Performing loan ratio (%)(1)	Loans and advances to customers	Percentage of the total loans (%)	Non-performing loans	Non-Performing loan ratio (%)(1)
Corporate loans	2,599,855	39.94	30,992	1.19	2,375,616	39.26	29,961	1.26
Working capital loans	1,021,305	15.69	8,068	0.79	821,269	13.57	9,562	1.16
Fixed asset loans	838,449	12.88	14,915	1.78	864,880	14.29	14,123	1.63
Trade finance	334,150	5.13	119	0.04	289,605	4.79	330	0.11
Others(2)	405,951	6.24	7,890	1.94	399,862	6.61	5,946	1.49
Discounted bills(3)	471,127	7.24	–	–	514,054	8.49	–	–
Retail loans	3,437,883	52.82	30,587	0.89	3,161,789	52.25	28,043	0.89
Micro-finance loans	751,297	11.54	4,592	0.61	631,038	10.43	4,031	0.64
Residential mortgage loans	1,385,486	21.29	5,122	0.37	1,389,208	22.96	4,904	0.35
Credit card loans	935,910	14.38	16,383	1.75	884,519	14.62	15,650	1.77
Consumer loans	301,538	4.63	3,285	1.09	202,225	3.34	2,191	1.08
Others(4)	63,652	0.98	1,205	1.89	54,799	0.90	1,267	2.31
Total loans and advances to customers	6,508,865	100.00	61,579	0.95	6,051,459	100.00	58,004	0.96

Notes:

(1) Represents the percentage of the non-performing loans in a certain category to the total loans of that category.

(2) Primarily consists of other corporate loans such as financial leasing, M&A loans and corporate mortgage loans.

(3) Discounted bills will be transferred to corporate loans for accounting purposes once overdue.

(4) Primarily consists of commercial housing loans, automobile loans, house decoration loans, education loans and other personal loans secured by monetary assets.

With regard to corporate loans, the Group focused on the national macroeconomic policies, implemented the value creation bank strategy on a comprehensive scale, accelerated the transformation of business models, promoted optimisation of the structure of customers, continuously strengthened the origination and investment of high-quality assets, thereby maintaining stable asset quality. As at the end of the reporting period, the balance of the Group's corporate loans amounted to RMB2,599.855 billion, representing an increase of 9.44% as compared to the end of the previous year, with a proportion of corporate loans of 39.94%. As affected by significant risk exposure of some high-debt real estate customers and individual corporate customers with poor operation and management, the amount of non-performing corporate loans reached RMB30.992 billion, representing an increase of RMB1.031 billion as compared with the end of the previous year; and the non-performing loan ratio of corporate loans was 1.19%, down by 0.07 percentage point as compared with the end of the previous year.

With regard to retail loans, the Group actively carried forward the innovation of products and business models, accelerated the origination of high-quality assets, and continuously increased credit support for small- and micro-sized customers. The Group gave priority to customers with rigid and improving housing demands, and maintained an overall stability in residential mortgage loans. Furthermore, the Group adhered to its "stable and low-volatility" operational strategy by focusing on value-based customer acquisition, optimising asset structure, and steadily developing its credit card business. As at the end of the reporting period, the balance of the Group's retail loans amounted to RMB3,437.883 billion, representing an increase of 8.73% as compared to the end of the previous year, with a proportion of retail loans of 52.82%, of which micro-finance loans amounted to RMB751.297 billion, representing an increase of 19.06% as compared with the end of the previous year. As at the end of the reporting period, the balance of non-performing retail loans amounted to RMB30.587 billion, representing an increase of RMB2.544 billion as compared with the end of the previous year. The non-performing ratio of retail loans was 0.89%, which remained at the same level as compared to the end of the previous year, of which the balance of non-performing credit card loans amounted to RMB16.383 billion, representing an increase of RMB733 million as compared with the end of the previous year; and the non-performing loan ratio of credit card loans was 1.75%, down by 0.02 percentage point as compared with the end of the previous year.

3.4.3 Distribution of loans and non-performing loans by industry

(in millions of RMB, except for percentages)	31 December 2023				31 December 2022			
	Loans and advances to customers	Percentage of the total loans (%)	Non-performing loans	Non-Performing loan ratio (%)(1)	Loans and advances to customers	Percentage of the total loans (%)	Non-performing loans	Non-Performing loan ratio (%)(1)
Corporate loans	2,599,855	39.94	30,992	1.19	2,375,616	39.26	29,961	1.26
Transportation, storage and postal services	513,264	7.89	1,739	0.34	492,248	8.14	948	0.19
Property development	326,667	5.02	17,183	5.26	375,980	6.21	15,348	4.08
Manufacturing	577,026	8.87	3,063	0.53	465,712	7.70	4,781	1.03
Production and supply of electric power, heat, gas and water	272,223	4.18	443	0.16	212,893	3.52	468	0.22
Leasing and commercial services	192,670	2.96	1,470	0.76	161,750	2.67	1,784	1.10
Wholesale and retail	197,739	3.04	1,330	0.67	180,709	2.99	1,836	1.02
Finance	133,664	2.05	387	0.29	112,114	1.85	440	0.39
Construction	111,200	1.71	333	0.30	105,770	1.75	435	0.41
Information transmission, software and IT service	103,717	1.59	760	0.73	89,858	1.48	406	0.45
Water conservancy, environment and public utilities	43,232	0.66	101	0.23	64,996	1.07	100	0.15
Mining	47,271	0.73	567	1.20	40,495	0.67	521	1.29
Others(2)	81,182	1.24	3,616	4.45	73,091	1.21	2,894	3.96
Discounted bills	471,127	7.24	–	–	514,054	8.49	–	–
Retail loans	3,437,883	52.82	30,587	0.89	3,161,789	52.25	28,043	0.89
Total loans and advances to customers	6,508,865	100.00	61,579	0.95	6,051,459	100.00	58,004	0.96

Notes:

(1) Represents the percentage of the non-performing loans in a certain category to the total loans of that category.

(2) Primarily consists of agriculture, forestry, animal husbandry, fishery, accommodation and catering, health and social work, etc.

The Group continued to improve the quality and efficiency of its services for the real economy, focused on the development of key finance sectors, including sci-tech finance, green finance, inclusive finance, retirement finance and digital finance, etc., improved the capabilities of customer operation, further increased the effort of loan extension, and steadily promoted the structural adjustment of asset business. As at the end of the reporting period, the balance of the Group's loans extended to the manufacturing industry amounted to RMB577.026 billion, representing an increase of 23.90% as compared with the end of the previous year, accounting for 8.87% of the total loans and advances to customers, with the proportion by 1.17 percentage points as compared with the end of the previous year. Furthermore, the Group closely tracked changes in internal and external situations, and continuously prevented and defused risks in key areas such as real estate and local government financing platforms. During the reporting period, the non-performing loan ratios of the Group in terms of property development, information transmission, software and IT service as well as transportation, storage and postal services all increased due to the risk exposure of high-debt real estate enterprises and individual corporate customers with poor operation and management.

3.4.4 Distribution of loans and non-performing loans by region

(in millions of RMB, except for percentages)	31 December 2023				31 December 2022			
	Loans and advances to customers	Percentage of the total loans (%)	Non-performing loans	Non-Performing loan ratio (%)(1)	Loans and advances to customers	Percentage of the total loans (%)	Non-performing loans	Non-Performing loan ratio (%)(1)
Head Office(2)	973,646	14.96	18,011	1.85	942,006	15.57	17,811	1.89
Yangtze River Delta	1,441,147	22.14	10,489	0.73	1,338,769	22.12	10,532	0.79
Bohai Rim	930,205	14.29	5,745	0.62	828,311	13.69	5,118	0.62
Pearl River Delta and Western Taiwan Straits Economic Zone	1,186,286	18.23	7,941	0.67	1,087,410	17.97	4,673	0.43
North-eastern China	168,929	2.60	1,862	1.10	169,566	2.80	2,020	1.19
Central China	686,673	10.55	6,514	0.95	641,554	10.60	8,048	1.25
Western China	686,701	10.55	5,820	0.85	633,129	10.46	5,468	0.86
Overseas	80,336	1.23	851	1.06	78,567	1.30	544	0.69
Subsidiaries	354,942	5.45	4,346	1.22	332,147	5.49	3,790	1.14
Total loans and advances to customers	6,508,865	100.00	61,579	0.95	6,051,459	100.00	58,004	0.96

Notes:

(1) Represents the percentage of the non-performing loans in a certain category to the total loans of that category.

(2) The Head Office includes Credit Card Centre.

The Group seized the development opportunities brought by national strategies of coordinated regional development, focused on advantageous industries within the region, strengthened the coordination of branches in key regions, promoted business synergy within the region, and accelerated the development of branches in key regions. Furthermore, the Group closely monitored market changes, conducted continuous research on regional credit policies, and implemented differentiated operational management strategies.

3.4.5 Distribution of loans and non-performing loans by type of guarantees

(in millions of RMB, except for percentages)	31 December 2023				31 December 2022			
	Loans and advances to customers	Percentage of the total loans (%)	Non-performing loans	Non-Performing loan ratio (%)(Note)	Loans and advances to customers	Percentage of the total loans (%)	Non-performing loans	Non-Performing loan ratio (%)(Note)
Credit loans	2,592,093	39.82	24,147	0.93	2,219,635	36.68	21,662	0.98
Guaranteed loans	822,059	12.63	18,728	2.28	836,550	13.82	16,698	2.00
Collateralised loans	2,244,129	34.48	14,091	0.63	2,132,337	35.24	14,246	0.67
Pledged loans	379,457	5.83	4,613	1.22	348,883	5.77	5,398	1.55
Discounted bills	471,127	7.24	–	–	514,054	8.49	–	–
Total loans and advances to customers	6,508,865	100.00	61,579	0.95	6,051,459	100.00	58,004	0.96

Note: Represents the percentage of the non-performing loans in a certain category to the total loans of that category.

As at the end of the reporting period, the Group's collateralised loans and pledged loans increased by 5.74% as compared with the end of the previous year; the guaranteed loans decreased by 1.73% as compared with the end of the previous year, and the credit loans increased by 16.78% as compared with the end of the previous year. Among them, the non-performing loan ratios of credit loans as well as collateralised loans and pledged loans all decreased as compared with the end of the previous year, while the non-performing loan ratio of guaranteed loans increased as compared with the end of the previous year.

3.4.6 Loans to the top ten single borrowers

(in millions of RMB, except for percentages)

Top ten borrowers	Industry	Loans as at 31 December 2023	Percentage of net capital (under the Advanced Measurement Approach) (%)	Percentage of total loans (%)
A	Finance	**22,280**	1.89	0.34
B	Transportation, storage and postal services	**18,876**	1.60	0.29
C	Transportation, storage and postal services	**15,363**	1.30	0.24
D	Transportation, storage and postal services	**14,548**	1.23	0.22
E	Transportation, storage and postal services	**13,276**	1.12	0.20
F	Transportation, storage and postal services	**10,645**	0.90	0.17
G	Transportation, storage and postal services	**9,528**	0.81	0.15
H	Property development	**9,359**	0.79	0.14
I	Manufacturing	**9,205**	0.78	0.14
J	Transportation, storage and postal services	**7,624**	0.64	0.12
Total		130,704	11.06	2.01

As at the end of the reporting period, the total loan of the Group's largest single borrower amounted to RMB22.280 billion, representing 1.89% of the Group's net capital under the Advanced Measurement Approach. The loan of the Group's top ten single borrowers totalled RMB130.704 billion, representing 11.06% of the Group's net capital under the Advanced Measurement Approach, 11.42% of the Group's net capital under the Weighted Approach, and 2.01% of the Group's total loans, respectively.

3.4.7 Distribution of loans by overdue term

(in millions of RMB, except for percentages)	31 December 2023		31 December 2022	
	Loans and advances to customers	Percentage of the total loans (%)	Loans and advances to customers	Percentage of the total loans (%)
Overdue within 3 months	**36,161**	**0.56**	37,207	0.61
Overdue from 3 months up to 1 year	**23,074**	**0.35**	26,669	0.44
Overdue from 1 year up to 3 years	**17,671**	**0.27**	9,810	0.16
Overdue more than 3 years	**5,077**	**0.08**	4,599	0.08
Total overdue loans	**81,983**	**1.26**	78,285	1.29
Total loans and advances to customers	**6,508,865**	**100.00**	6,051,459	100.00

As at the end of the reporting period, overdue loans of the Group amounted to RMB81.983 billion, up by RMB3.698 billion from the end of the previous year and accounting for 1.26% of its total loans, representing a decrease of 0.03 percentage point as compared with the end of the previous year. Of the overdue loans, collateralised loans and pledged loans accounted for 28.81%; guaranteed loans accounted for 23.18%; and credit loans accounted for 48.01% (the majority of which were overdue loans of credit cards). The Group adopted prudent asset classification criteria for overdue loans, and the ratio of non-performing loans to the loans overdue for more than 90 days was 1.34, and the Company's ratio of non-performing loans to the loans overdue for more than 60 days was 1.19.

3.4.8 Restructured loans

(in millions of RMB, except for percentages)	31 December 2023		31 December 2022	
	Loan balance	Percentage of total loans and advances (%)	Loan balance	Percentage of total loans and advances (%)
Restructured loans(note)	13,007	0.20	12,076	0.20
Of which: restructured loans overdue more than 90 days	6,673	0.10	5,207	0.09

Note: Represents the restructured non-performing loans.

The Group imposed strict and prudent management and control over loan restructuring. As at the end of the reporting period, the percentage of the Group's restructured loans to total loans was 0.20%, remained at the same level as compared with the end of the previous year.

3.4.9 Repossessed assets and impairment allowances

As at the end of the reporting period, the balance of repossessed assets (other than financial instruments) of the Group amounted to RMB556 million. After deducting the impairment allowances of RMB139 million, the net carrying value amounted to RMB417 million. The balance of repossessed financial instruments amounted to RMB5.404 billion.

3.4.10 Changes in the allowances for impairment losses on loans

The following table sets forth the changes in the allowances for impairment losses on loans of the Group.

(in millions of RMB)	2023	2022
Balance as at the end of the previous year	261,476	246,104
Charge for the period	46,635	45,157
Recovery of loans previously written off	8,819	8,972
Write-offs/disposal for the period	(47,922)	(39,087)
Foreign exchange rate and other movements	526	330
Balance as at the end of the period	269,534	261,476

The Group continued to adopt a consistent and prudent policy in respect of making allowances. As at the end of the reporting period, the balance of allowances for impairment losses on loans of the Group amounted to RMB269.534 billion[4], representing an increase of RMB8.058 billion as compared with the end of the previous year. The allowance coverage ratio was 437.70%, representing a decrease of 13.09 percentage points as compared with the end of the previous year; the allowance-to-loan ratio was 4.14%, representing a decrease of 0.18 percentage point as compared with the end of the previous year.

[4] The allowances for impairment losses on loans include the allowance for impairment losses on loans and advances measured at amortised cost and on loans and advances measured at fair value through other comprehensive income.

3.5 Analysis of Capital Adequacy

3.5.1 Capital adequacy ratio

As at the end of the reporting period, the core Tier 1 capital adequacy ratio, the Tier 1 capital adequacy ratio and the capital adequacy ratio of the Group under the Advanced Measurement Approach were 13.73%, 16.01% and 17.88% respectively, representing an increase of 0.05, 0.26 and 0.11 percentage point respectively, as compared with the end of the previous year.

The Group

(in millions of RMB, except for percentages)	31 December 2023	31 December 2022	Increase/decrease at the end of the current year as compared with the end of the previous year (%)
Capital adequacy ratios under the Advanced Measurement Approach[(1)]			
Net core Tier 1 capital	**907,308**	799,352	13.51
Net Tier 1 capital	**1,057,754**	919,798	15.00
Net capital	**1,181,487**	1,037,942	13.83
Risk-weighted assets (without taking into consideration the floor requirements during the parallel run period)	**5,919,504**	5,491,072	7.80
Of which: Credit risk weighted assets	**5,226,757**	4,823,836	8.35
Market risk weighted assets	**86,751**	89,200	-2.75
Operational risk weighted assets	**605,996**	578,036	4.84
Risk-weighted assets (taking into consideration the floor requirements during the parallel run period)	**6,608,021**	5,841,685	13.12
Core Tier 1 capital adequacy ratio	**13.73%**	13.68%	Increased by 0.05 percentage point
Tier 1 capital adequacy ratio	**16.01%**	15.75%	Increased by 0.26 percentage point
Capital adequacy ratio	**17.88%**	17.77%	Increased by 0.11 percentage point
Information on leverage ratio[(2)]			
Balance of adjusted on- and off-balance sheet assets	**12,806,260**	11,569,842	10.69
Leverage ratio	**8.26%**	7.95%	Increased by 0.31 percentage point

Notes:

(1) The "Advanced Measurement Approach" refers to the advanced measurement approach set out in the "Capital Rules for Commercial Banks (Provisional)" issued on 7 June 2012 (same as below). In accordance with the requirements of the Advanced Measurement Approach, the scope of entities for calculating the capital adequacy ratio of the Group shall include China Merchants Bank and its subsidiaries. The scope of entities for calculating the capital adequacy ratio of the Company shall include all the domestic and overseas branches and sub-branches of China Merchants Bank. As at the end of the reporting period, the Group's subsidiaries for calculating its capital adequacy ratio included CMB Wing Lung Bank, CMB International Capital, CMB Financial Leasing, CMB Wealth Management, China Merchants Fund, CIGNA & CMAM and CMB Europe S.A.. During the parallel run period when the Advanced Measurement Approach for capital measurement is implemented, a commercial bank shall use both the Advanced Measurement Approach and other approaches to calculate capital adequacy ratios, and comply with the capital floor requirements. The capital floor adjustment coefficients shall be 95%, 90% and 80% respectively in the first year, the second year, and the third year (i.e. 2017) and subsequent years during the parallel run period.

(2) The leverage ratio shall be calculated based on the "Measures for Management of the Leverage Ratio of Commercial Banks (Revised)" promulgated on 12 February 2015. The leverage ratio of the Group was 7.93%, 7.70% and 7.96% respectively as at the end of the third quarter, the end of the half year and the end of the first quarter of 2023.

As at the end of the reporting period, the core Tier 1 capital adequacy ratio, the Tier 1 capital adequacy ratio and the capital adequacy ratio of the Company under the Advanced Measurement Approach were 13.32%, 15.70% and 17.62% respectively, representing an increase of 0.09, 0.28 and 0.11 percentage point respectively, as compared with the end of the previous year.

The Company

(in millions of RMB, except for percentages)	31 December 2023	31 December 2022	Increase/decrease at the end of the current year as compared with the end of the previous year (%)
Capital adequacy ratios under the Advanced Measurement Approach			
Net core Tier 1 capital	**801,565**	701,033	14.34
Net Tier 1 capital	**944,349**	817,387	15.53
Net capital	**1,059,697**	927,881	14.21
Risk-weighted assets (without taking into consideration the floor requirements during the parallel run period)	**5,295,085**	4,925,532	7.50
Of which: Credit risk weighted assets	**4,673,703**	4,330,955	7.91
Market risk weighted assets	**67,143**	69,000	-2.69
Operational risk weighted assets	**554,239**	525,577	5.45
Risk-weighted assets (taking into consideration the floor requirements during the parallel run period)	**6,015,774**	5,299,237	13.52
Core Tier 1 capital adequacy ratio	**13.32%**	13.23%	Increased by 0.09 percentage point
Tier 1 capital adequacy ratio	**15.70%**	15.42%	Increased by 0.28 percentage point
Capital adequacy ratio	**17.62%**	17.51%	Increased by 0.11 percentage point

As at the end of the reporting period, the core Tier 1 capital adequacy ratio, the Tier 1 capital adequacy ratio and the capital adequacy ratio of the Group under the Weighted Approach were 11.86%, 13.82% and 14.96% respectively, representing an increase of 0.34, 0.57 and 0.28 percentage point respectively as compared with the end of the previous year.

The Group

(in millions of RMB, except for percentages)	31 December 2023	31 December 2022	Increase/decrease at the end of the current year as compared with the end of the previous year (%)
Capital adequacy ratios under the Weighted Approach(note)			
Net core Tier 1 capital	**907,308**	799,352	13.51
Net Tier 1 capital	**1,057,754**	919,798	15.00
Net capital	**1,144,901**	1,018,678	12.39
Risk-weighted assets	**7,652,723**	6,941,350	10.25
Core Tier 1 capital adequacy ratio	**11.86%**	11.52%	Increased by 0.34 percentage point
Tier 1 capital adequacy ratio	**13.82%**	13.25%	Increased by 0.57 percentage point
Capital adequacy ratio	**14.96%**	14.68%	Increased by 0.28 percentage point

Note: The "Weighted Approach" refers to the Weighted Approach for credit risk, the Standardised Measurement Approach for market risk and the Basic Indicator Approach for operational risk in accordance with the relevant provisions of the "Capital Rules for Commercial Banks (Provisional)" issued on 7 June 2012. Same as below.

As at the end of the reporting period, the core Tier 1 capital adequacy ratio, the Tier 1 capital adequacy ratio and the capital adequacy ratio of the Company under the Weighted Approach were 11.38%, 13.40% and 14.52% respectively, representing an increase of 0.41, 0.61 and 0.30 percentage point respectively as compared with the end of the previous year.

The Company

(in millions of RMB, except for percentages)	31 December 2023	31 December 2022	Increase/decrease at the end of the current year as compared with the end of the previous year (%)
Capital adequacy ratios under the Weighted Approach			
Net core Tier 1 capital	801,565	701,033	14.34
Net Tier 1 capital	944,349	817,387	15.53
Net capital	1,023,111	908,572	12.61
Risk-weighted assets	7,046,274	6,390,196	10.27
Core Tier 1 capital adequacy ratio	11.38%	10.97%	Increased by 0.41 percentage point
Tier 1 capital adequacy ratio	13.40%	12.79%	Increased by 0.61 percentage point
Capital adequacy ratio	14.52%	14.22%	Increased by 0.30 percentage point

3.5.2 Balance of credit risk exposures

During the reporting period, the credit risk of the Company under the Internal Ratings-Based approach (IRB approach) was classified into six types of risk exposures: sovereign, financial institution, corporate, retail, shareholding and others. As at the end of the reporting period, the balances of various risk exposures were as follows.

(in millions of RMB)	Type of risk exposure	31 December 2023 Legal person	31 December 2023 Group
Portion covered by the IRB approach	Financial institution	1,159,243	1,159,243
	Corporate	2,553,072	2,553,072
	Retail	4,014,718	4,014,718
	Of which: Residential mortgage	1,379,581	1,379,581
	Qualified revolving retail	1,921,846	1,921,846
	Other retail	713,291	713,291
Portion not covered by the IRB approach	On-balance sheet	4,608,970	5,178,480
	Off-balance sheet	232,634	253,314
	Counterparty	38,019	38,998

3.5.3 Measurement of market risk capital

The Group uses mixed approaches to calculate its market risk capital requirement. Specifically, it uses the Internal Model-based Approach to calculate the general market risk capital requirement of the Company (excluding overseas branches), and uses the Standardised Measurement Approach to calculate the general market risk capital requirement of overseas branches and subsidiaries of the Company as well as the specific market risk capital requirement of the Company and its subsidiaries. As at the end of the reporting period, the market risk-weighted assets of the Group were RMB86.751 billion, and the market risk capital requirement was RMB6.940 billion, of which the general market risk capital requirement calculated under the Internal Model-based Approach was RMB4.528 billion, and the market risk capital requirement calculated under the Standardised Measurement Approach was RMB2.412 billion.

The Group's market risk capital requirement under the Internal Model-based Approach was calculated using the market risk value based on 250 days of historical market data, a confidence coefficient of 99% and a holding period of 10 days. The following table sets forth the market risk value indicators of the Group as at the end of the reporting period.

No. (in millions of RMB)	Item	31 December 2023 Distressed market risk value during the reporting period	General market risk value during the reporting period
1	Average value	857	541
2	Maximum value	1,060	911
3	Minimum value	703	302
4	Value at the end of the period	809	334

3.6 Results of Operating Segments

The major business segments of the Group include retail finance and wholesale finance. The following table summarises the operating results of each business segment of the Group for the periods indicated.

Items	2023		2022	
(in millions of RMB)	Profit before tax by business segments	Net operating income	Profit before tax by business segments	Net operating income
Retail finance	99,913	194,315	94,178	191,415
Wholesale finance	72,765	134,625	67,149	142,094
Other businesses	3,940	10,138	3,786	11,231
Total	176,618	339,078	165,113	344,740

During the reporting period, profit before tax of retail finance business of the Group amounted to RMB99.913 billion, up by 6.09% year-on-year, accounting for 56.57% of the profit before tax of the Group, representing a year-on-year decrease of 0.47 percentage point; net operating income amounted to RMB194.315 billion, up by 1.52% year-on-year, accounting for 57.31% of the net operating income of the Group, representing a year-on-year increase of 1.79 percentage points. During the reporting period, the cost-to-income ratio of retail finance business of the Group was 31.96%, representing a year-on-year increase of 0.01 percentage point.

For the detailed figures of the Group's business and geographical segments, please refer to Note 56 to the financial statements.

3.7 Other Financial Disclosures under the Regulatory Requirements

3.7.1 Balance of off-balance sheet items that may have a material effect on the financial position and operating results and the related information

The Group's off-balance sheet items include derivative financial instruments, commitments and contingent liabilities. Commitments and contingent liabilities include credit commitments, leasing commitments, capital commitments, securities underwriting commitments, bonds redemption commitments, outstanding litigations and disputes and other contingent liabilities, among which the credit commitments are the primary component. As at the end of the reporting period, the balance of credit commitments of the Group was RMB2,817.969 billion. For details of the contingent liabilities and commitments, please refer to Note 58(a) to the financial statements.

3.7.2 Outstanding overdue debts

As at the end of the reporting period, the Group did not have any outstanding overdue debts.

3.8 Implementation of Development Strategies

During the reporting period, the Company focused on the strategic objective of "value creation bank", and adhered to the priority of stability, while pursuing progress amid stability. The Company accelerated to improve its capabilities in wealth management, Fintech and risk management, maintaining stable operating results and further enhancing market competitiveness, so as to take solid steps on the path of high-quality development.

1. Dynamically balanced development of "Quality, Profitability and Scale"

Focusing on the value creation chain of "volume growth – revenue growth – profit growth – value growth", the Company adhered to the principle of "takes quality as the foundation and profitability as priority, while maintaining moderate scale and reasonable structure", maintained stable asset quality, leading position in risk compensation capacity, steady profit growth, and a relatively high level of ROAA and ROAE during the reporting period; the business scale grew steadily, and the customer base, assets and liabilities increased in quantity and maintained in good quality. In light of the operational structure with obvious advantages, retail finance business contributed to more than 55% in terms of both net operating income and profit; indicators such as proportion of demand deposits, proportion of net non-interest income and others maintained a relatively good level; and customer structure and asset structure were continuously optimised.

2. Balanced and coordinated development of our four major sectors

During the reporting period, the Company continued to promote the development of four major sectors, namely "retail finance, corporate finance, investment banking and financial markets, wealth management and asset management", to form a business pattern of balanced and coordinated development with distinctive features, strengthened and enhanced the capital-heavy business, and optimised and expanded the capital-light business.

The systematic advantages of the Company's retail finance sector were further highlighted. Focusing on the original needs of customers in "deposit, loan, and remittance (存貸匯)", the Company constantly improved the service level through the methodology of "people + digitalisation" services. As at the end of the reporting period, the Company's retail customers reached 197 million in total, representing an increase of 7.07% as compared with the end of the previous year. As of the end of the reporting period, the balance of total assets under management (AUM) from retail customers amounted to RMB13.32 trillion, representing an increase of 9.88% as compared with the end of the previous year. The balance of deposits from retail customers amounted to RMB3,314.318 billion, representing an increase of 12.13% as compared with the end of the previous year. The balance of retail loans amounted to RMB3,373.633 billion, representing an increase of 8.49% as compared with the end of the previous year. Due to continued improvement of the debit and credit card integrated customer acquisition and operating efficiency, 65.72% of our credit card customers held both our debit cards and credit cards as of the end of the reporting period, up by 1.62 percentage points as compared with the end of the previous year.

The featured advantages of the Company's corporate finance sector were continuously strengthened. Focusing on the needs of the nation and the capabilities of CMB, the Company built featured finance services, including sci-tech finance, green finance, inclusive finance and intelligent manufacturing finance, upgraded the customer acquisition and service model, and continued to expand the breadth and depth of customer services. As at the end of the reporting period, the total number of corporate customers served by the Company reached 2,820,600, representing an increase of 11.66% as compared with the end of the previous year. The balance of deposits from corporate customers amounted to RMB4,557.243 billion, representing an increase of 5.52% as compared with the end of the previous year; and the balance of loans to corporate customers amounted to RMB2,321.585 billion, representing an increase of 10.70% as compared with the end of the previous year. Among them, the growth rate of loans in key areas such as sci-tech finance, green finance, inclusive finance and manufacturing finance was significantly higher than the overall growth rate of the loans of the Company. As at the end of the reporting period, the balance of loans extended to the sci-tech enterprises[5] was RMB428.477 billion, representing an increase of 44.95% as compared with the end of the previous year; the balance of green loans amounted to RMB447.765 billion, representing an increase of 26.00% as compared with the end of the previous year; the balance of SME inclusive finance loans was RMB804.279 billion, representing an increase of 18.56% as compared with the end of the previous year; and the balance of loans extended to the manufacturing industry amounted to RMB555.102 billion, representing an increase of 25.06% as compared with the end of the previous year.

The leading advantages of the Company's investment banking and financial markets sector were continuously consolidated. The Company accelerated the transformation of its investment banking business to become a "fund originator", and continuously improved its business capabilities in terms of bond underwriting and M&A financing. As at the end of the reporting period, the balance of the aggregate financing products to corporate customers (FPA) contributed by the investment banking business increased by 14.91% as compared with the beginning of the year. The self-operated investment and research systems of the financial markets business were continuously improved, and the advantages of tradings on behalf of customers were further consolidated. During the reporting period, the Company provided hedging services to 6,285 companies with a total transaction volume of USD64.783 billion in derivatives from corporate customers. With the on-going improvement of the integrated operation capability of bill business, the Company continued to enhance its bill transaction business. During the reporting period, the number of customers of bill business of the Company was 159,700 with a year-on-year increase of 11.38% and the volume of commercial acceptance bill discounting ranked first in the market (data from the Commercial Bank Bill Business Association).

The Company's capabilities of wealth management and asset management were constantly enhanced. The Company continued to promote the development of extensive wealth management business. On the client side, as of the end of the reporting period, the number of customers holding our wealth management products reached 51,379,500, representing an increase of 19.13% as compared with the end of the previous year, and the number of private banking customers exceeded 140,000. On the product side, the Company carefully selected diversified products in the whole market for customers, and enhanced the exploration of high-quality products. On the service side, the Company further promoted the "CMB TREE Asset Allocation Service System". The number of customers[6] who conducted asset allocation under the system reached 9,114,500, representing an increase of 12.15% as compared with the end of the previous year. The Company continued to build the service ecosystem with partners and accompanied customers throughout their investment journey. As at the end of the reporting period, 152 asset management institutions have been introduced to the "Zhao Cai Hao (招財號)", an open platform of wealth management business of the Company. The Group's asset management subsidiaries continued to strengthen the six major capabilities of investment research, asset origination, risk management, technology support, business innovation and talent team. As at the end of the reporting period, the scale of assets management business amounted to RMB4.48 trillion. The Company accelerated the exploration of the service model of asset custody business of "service + technology + collaboration". As at the end of the reporting period, the total asset under custody of the Company reached RMB21.12 trillion, ranking first in the industry (data from the Custody Business Professional Committee under China Banking Association).

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5 Represents loans granted to sci-tech enterprises such as "specialised, competitive, distinguished, and innovative (專精特新)" enterprises, high-tech enterprises and technology-based SMEs by the Company.

6 Refers to the Golden card and Golden Sunflower card holders who have two or more types of wealth management products out of the four types of wealth management products, namely, trade-ready management, protection-based management, conservative investment and aggressive investment.

3. Promoting the construction of digital finance and pressing ahead towards "Smart CMB (智慧招行)"

The Company promoted the construction of digital finance around the transformation direction of "online, data-based, intelligent, platform-based and ecological operation", thereby shifting from "Online CMB" towards "Smart CMB". During the reporting period, the Company's information technology input amounted to RMB14.126 billion. The ratio of information technology input to the Company's net operating income reached 4.60%. The Company attached great importance to the construction of digital talent pool. As of the end of reporting period, the number of R&D personnel of the Group reached 10,650, accounting for 9.14% of the total number of employees of the Group. Focusing on the five major development directions of digital operation and management, cutting-edge technology capabilities, bank-to-business ecosystem, bank-to-consumer ecosystem, innovation and incubation, the Company continuously promoted the construction of new capabilities and the exploration of new models of Fintech Innovation Project Fund. During the reporting period, 558 new projects were launched, and 612 new projects were put into operation. As of the end of reporting period, the number of the Bank's Fintech innovation projects launched and put into operation reached an aggregate of 3,800 and 3,062, respectively.

In terms of retail customer service, the Company accelerated the transformation and upgrading from "online retail (線上零售)" to "digital and intelligent retail (數智零售)", constructed the intelligent wealth engine and intelligent customer service engine, and consolidated our digital capabilities. CMB APP further integrated artificial intelligence, intelligent customer service and remote consultancy capabilities to launch the brand new intelligent wealth assistant "Xiao Zhao (小招)", which provided one-stop wealth management services such as financial analysis, product selection strategies, market views and yield analysis, as well as personalised and customised advisory services. As of the end of reporting period, the monthly active users (MAU) of the CMB APP and the CMB Life APP reached 117 million. During the reporting period, the micro-finance loans granted through online approval accounted for 66.74% of the micro-finance loans granted through all channels, representing a year-on-year increase of 7.13 percentage points. With the upgrading of "Wealth Alpha+" platform in respect of wealth management business, the Company realised digital and intelligent operation of the whole process in investment research, product selection and post-investment management, and deepened the empowerment to improve the professionalism of key positions.

In terms of wholesale customer service, digital channel has become an important portal of customer acquisition. Based on online operation, the Company used digital tools to improve the quality and efficiency of services of relationship managers, and facilitated the digital transformation as well as integrated transformation of business and finance of enterprises with products such as Treasury Management Cloud (財資管理雲). During the reporting period, the Company achieved list-based high-quality customer acquisition of 112,600 customers, representing a year-on-year increase of 28.85%; the volume of service delivered via Enterprise WeChat exceeded 17 million times. As at the end of the reporting period, the percentage of financing business conducted online was 92.28%, representing an increase of 10.14 percentage points as compared with the end of the previous year, and the percentage of foreign exchange business conducted online was 75.34%, representing an increase of 9.85 percentage points as compared with the end of the previous year. As at the end of the reporting period, Treasury Management Cloud (財資管理雲) accumulatively served 477,600 corporate customers, representing an increase of 62.15% as compared with the end of the previous year.

In terms of risk management, the Company constructed the intelligent risk control engine, and comprehensively utilised internal and external data to continuously enhance its digital risk control capability and efficiency. During the reporting period, the intelligent pre-warning coverage rate of on- and off-balance sheet "all businesses"[7] reached 100%. "Libra (天秤)" guarded transaction security, effectively helping customers block telecommunications fraud, and the percentage of fraud and account takeover amounts by non-cardholders was lowered to 0.1 in ten millionths. The corporate loans newly granted through the online risk control platform amounted to RMB303.560 billion, representing a year-on-year increase of 53.58%. By applying digital processes, the Company reduced the average time taken for the granting of an inclusive finance mortgage loan from one month to 2.7 days.

[7] Covering on- and off-balance sheet businesses such as proprietary credit extension business, asset management business, agency distribution business and other cooperative businesses.

In terms of operation management, the Company used data to drive operation decisions, so as to improve the efficiency and accuracy of management decisions. During the reporting period, the Company built a strategic operation decision-making analysis platform for retail business lines, and developed a mobile business intelligence, a unified data reviewing portal for the Head Office and branches, and a business scenario-based data ecosystem to improve the efficiency of operation analysis for all positions, all businesses and all scenarios. The Company promoted the construction of a digital platform of customer relationship management (CRM) system for wholesale business lines, which linked the whole chain of operation and management of the Head Office, branches and sub-branches, significantly improving the digital operation and management level of corporate business. The Company built a risk portal for risk business lines, integrated various risk data inside and outside the Bank, and built a rich database, model library, knowledge base and application functions to provide effective data and decision-making support for credit officers. The Company realised comprehensive operation monitoring and intelligent reasoning analysis for the Head Office, branches and sub-branches via "Zi Zhai Tong (資債通)" portal of the finance and accounting business line, the closed-loop management of all online pricing process via the product pricing management system, and integrated the New Capital Rules into the internal management system via the capital management system, which significantly improved the efficiency of resource allocation and stimulated the enthusiasm of frontline operations through digital tools. The Company built a digital platform for smart finance, realising online and intelligent management of all financial processes, and building a leading financial management system in the domestic banking industry.

In terms of internal operation, the Company relieved its staff from repetitive, time-consuming work by leveraging technology and consolidated experience with data to construct the intelligent operation engine and achieve a high-quality balance of experience, efficiency, risk and cost. During the reporting period, "Kaiyang Portal (開陽門戶)", a new generation of open operation service platform, completed the intelligent transformation and application of over 400 operation processes, and the processing efficiency of key businesses increased by 27%. By leveraging the intelligent application in scenarios such as the intelligent customer service, intelligent process, quality inspection and the Conch RPA (Robot Process Automation), our staff were relieved from repetitive, time-consuming work equivalent to a workload of over 17,000 full-time individuals.

In terms of digital infrastructure, the Company has entered into a more stable, agile and resilient "post-cloud era". The technology middle office strengthened component governance and accelerated the establishment and promotion of low-threshold development platform. The data middle office pushed forward the import of external data and enterprise-level data governance and application. As of the end of the reporting period, the overall availability[8] of the cloud services exceeded 99.999%, while the "Project of Full-scale Cloud Deployment of CMB Banking System" winning the first prize of Fintech Development Award of the People's Bank of China. The system supported on-demand application expansion with minute-level flexibility, which could adjust the flexible allocation of resources according to business needs and strategies to achieve the optimal use of resources. The technology middle office had launched over 5,100 components, among which 1,254 components passed the quality certification of the Bank, representing an increase of 146.85% as compared with the end of the previous year. The Company launched 5,646 applications on the low-code development platform, of which the business personnel accounted for more than 53% of all developers. The data middle office introduced nearly 400 data sources, and the big data services covered 60% of the employees in the Bank.

The Company grasped the definite opportunities of the large language model, and actively carried out the construction and application of the large language model. On the one hand, the Company actively strengthened the construction of large models, introduced large models with hundreds of billions of parameters, used its own corpus to optimise, train and adapt to bank-wise application scenarios, and actively followed up the technological development of open-source large models. The Company also self-developed the large models with tens of billions of parameters in professional scenarios. On the other hand, we actively explored the application of large models in retail business, wholesale business, middle office and back office. At the same time, the Company established the large model experience platform, connecting to various mainstream large models in China.

[8] Availability refers to the proportion of normal working conditions in a given period of time. The overall availability of the cloud platform is the arithmetic average of the availability of each important system running on the cloud platform.

4. To continue building a fortress-style overall risk and compliance management system

During the reporting period, the Company continued to promote the "Six All" risk management system covering "all risks, all branches and subsidiaries, all customers, all assets, all processes, and all factors", optimised the centralised system of credit granting and limit management of customers granted with large credit facility, further enhanced centralised customer management, established a domestic branch-based risk profile and classification system, and enhanced the risk management for subsidiaries and overseas institutions. The Company actively prevented and mitigated risks in key areas, effectively and steadily disposed a number of real estate projects associated with risk, promoted the prudent and differentiated management of local government financing business, steadily carried out the business of small- and medium-sized financial institutions, and continued to promote the collection of non-performing loans. The Company promoted the dynamic rebalancing of asset business, optimised the "one branch, one policy", list-based operation for the asset business, and optimised research policies on industrial clusters, advantageous industries and regional economies. The Company comprehensively reinforced the internal control and compliance management, strengthened the promotion of risk and compliance culture, strengthened the construction of inspection and supervision team at branches, continued to strengthen the sanction and compliance management, and continuously deepened the money laundering risk management.

5. To accelerate the construction of advantages in key regions

During the reporting period, the Company proactively responded to the nation's major regional development strategy and industrial cluster development strategy, and accelerated the release of development potential of the key branches among the Yangtze River Delta, the Pearl River Delta, Chengdu-Chongqing Region and the Western Taiwan Straits Economic Zone in combination with the regional layout and business structure of the Company's branches so as to adapt to local economic development. The Company carried out the "deep and intensive cultivation" centring on regional advantageous and characteristic industries as well as customer needs, strengthened its core competitiveness and enhanced the operating efficiency of branches in key regions by "promoting featured services of CMB in key regions, developing region-based strategies within CMB" to develop new growth engines for high-quality development. The development strategy of key regions has achieved initial results. As at the end of the reporting period, the growth rates of core deposits, AUM and corporate loans of 17 branches of the Company in key regions were higher than the average level of the Bank. As at the end of the reporting period, the balance of corporate loans of the above 17 branches in the key regions amounted to RMB867.679 billion, representing an increase of RMB124.941 billion as compared with the end of the previous year, accounting for 37.37% of the total corporate loans of the Company. The increased loans accounted for 55.66% of the total incremental corporate loans of the Company.

6. To comprehensively improve the level of refined management

During the reporting period, the Company insisted on building a refined and standardised management system to improve the efficiency, effectiveness, and efficacy of value creation. By further reforming in organisational structure, the Company steadily promoted the reform of operational system of branches, and adjusted and optimised the structure and management model of Head Office departments, so the organisational structure became more aligned with value creation bank. The Company also strengthened talent management, promoted the development of talents across different organisational level, upgraded talent exchange program, enhanced the application of the "Six Can-do" mechanism (六能機制), and comprehensively strengthened the code of conduct of employees. The Company optimised the management of asset and liability, upgraded the asset and liability management system and the performance management system focusing on value creation, and actively promoted the preparation for implementation of the New Capital Rules. The Company upgraded its service management, explored the construction of an "extensive consumer protection" working pattern, strengthened the protection of consumer rights, focused on the traceability and rectification of key and difficult issues, created new service standards for China Merchants Bank, and constantly improved service quality and efficiency. Therefore, the number of customer complaints was reduced by 35% year-on-year. The Company implemented strict financial management, adhered to careful planning, and strengthened the closed-loop management of the whole process of costs and expenses.

3.9 Key Business Concerns in Operation

3.9.1 Net interest margin

During the reporting period, the Group's net interest margin was 2.15%, representing a decrease of 25 basis points year-on-year; the Company's net interest margin was 2.20%, representing a decrease of 24 basis points year-on-year. Such decrease in net interest margin was mainly due to the reasons below. On the asset side, firstly, due to the continued downturn of the LPR (Loan Prime Rate) and the insufficient effective credit demand, the pricing of newly granted loans declined year-on-year, which led to the year-on-year decrease in the average yield of loans; secondly, residents' consumption and their willingness to purchase houses are pending for further recovery and the growth of loans which had relatively high yields, such as credit card loans and residential mortgage loans, remained sluggish. On the liability side, corporate funds were insufficiently allocated to demand deposit products, and the growth of low-cost corporate demand deposits such as corporate settlement funds deposits was restricted. Coupled with shift of residents' investment to time deposits due to the disturbance in the capital market, customers' demand for wealth-enhancing features in deposits was on the rise, and the proportion of demand deposits declined, with an increase in cost ratio of liabilities. In order to maintain a relatively stable net interest margin, the Group further strengthened the management of its asset and liability portfolio during the reporting period. On the asset side, the Group persistently focused on loan granting while increasing asset allocation in bonds to improve the efficiency of capital utilisation. On the liability side, the Group focused on driving growth in low-cost core deposits. The average cost rate of customer deposits denominated in RMB of the Company during the reporting period was 1.56%, representing a year-on-year decrease of 4 basis points.

Looking forward to 2024, The Group will actively take measures to maintain the net interest margin at a relatively outstanding level in the industry. On the asset side, the Group will continue to prioritise category asset allocation to promote the stable growth of credit scale and enhance the effort of retail loan extension, while reinforcing the loan risk pricing management. At the same time, the Group will strengthen its capability in forward-looking prediction of market interest rates, and flexibly allocate investment assets to improve overall allocation efficiency. On the liability side, the Group will insist on focusing on the growth of low-cost core deposits, strengthen the limit control of high-cost deposits. Meanwhile, the Group will flexibly arrange market-oriented financing and reduce the overall cost of liabilities according to the trend of market interest rates.

3.9.2 Net non-interest income

During the reporting period, faced with challenges such as insufficient effective demand and the continued downturn in the capital market, the Group implemented high-quality development requirements, focused on customer needs, made efforts to support the real economy, and continuously improved the quality and efficiency of intermediary business services. In light of the impact of short-term adverse factors, the Group actively built differentiated competitiveness in an effort to explore growth points in segmented areas. During the reporting period, the Group realised net non-interest income of RMB124.409 billion, representing a decrease of 1.66% year-on-year, accounting for 36.69% of net operating income, representing a decrease of 0.01 percentage point year-on-year. Among the Group's net non-interest income, net fee and commission income was RMB84.108 billion, representing a decrease of 10.78% year-on-year, accounting for 67.61% of the net non-interest income; other net non-interest income was RMB40.301 billion, representing an increase of 25.04% year-on-year. During the reporting period, the Group's revenue contributed by extensive wealth management was RMB45.268 billion[9], representing a decrease of 7.90% as compared with the previous year.

[9] The income from extensive wealth management includes the fee and commission income from wealth management, asset management and custody business.

The major items under the Group's net fee and commission income during the reporting period are analysed as follows. **Fee and commission income from wealth management** amounted to RMB28.466 billion, representing a year-on-year decrease of 7.89%, of which income from agency distribution of insurance policies amounted to RMB13.585 billion, representing a year-on-year increase of 9.33%. The growth rate narrowed compared with that in the first three quarters due to fee reduction in the bancassurance channel. Income from agency distribution of wealth management products was RMB5.424 billion, representing a year-on-year decrease of 18.37%, mainly due to the changes in scale and structure of wealth management products. Income from agency distribution of funds amounted to RMB5.179 billion, representing a year-on-year decrease of 21.52%, which was mainly due to the downward trend amid volatility of the capital market, resulting in year-on-year decrease in the holding and sales of equity funds with higher fees. Income from agency distribution of trust schemes amounted to RMB3.206 billion, representing a year-on-year decrease of 19.43%, which was mainly due to the decrease in the holding of agency distribution of trust. Income from securities brokerage was RMB731 million, representing a year-on-year decrease of 19.05%, which was mainly affected by the market conditions and trading activity of Hong Kong's capital market. **Fee and commission income from asset management** amounted to RMB11.474 billion, representing a year-on-year decrease of 7.89%, which was mainly due to the year-on-year decrease in the daily average scale of products under the management of CMB Wealth Management. **Commission income from custody business** was RMB5.328 billion, representing a year-on-year decrease of 8.00%, which was mainly due to the decrease in income from equity mutual funds and wealth management custody. **Income from bank card fees** amounted to RMB19.525 billion, representing a year-on-year decrease of 8.76%, which was mainly due to the decrease in fee income from offline transaction of credit cards. **Income from settlement and clearing fees** amounted to RMB15.492 billion, representing a year-on-year increase of 2.93%, mainly due to the increase in e-payment income.

Looking forward to 2024, the Group will promote the high-quality growth of net non-interest income through the following measures: the first is to continuously promote the development of extensive wealth management business, attaching great importance to both expanding the customer base and tapping the potential of the existing wealth management customer groups. By putting in more efforts in strengthening product innovation and tapping the asset allocation potential of key customers, the Group will pay close attention to the opportunities amid the market recovery, optimise the structure of insurance, funds, wealth management and other products, and enhance the contribution of fee and commission income from wealth management by emphasising on both volume and pricing; the second is to seize the opportunity of consumption recovery, continue to upgrade and improve basic transaction services such as credit cards and e-payments, vigorously carry out promotion of card binding and card activation operations, improve refined operational capabilities by leveraging on the power of Fintech and tap the potential of transaction to increase revenue; the third is to strengthen market research and judgement and professional capacity building, closely keep up with the needs of enterprises, make arrangements in advance, and improve the comprehensive service system, so as to increase the contribution of corporate finance, investment banking and financial market segments to net non-interest income.

3.9.3 Risk management and control in the real estate sector

During the reporting period, the Group followed the national policy guidance and regulatory requirements, and adhered to the overall strategy with "clear positioning, stable scale, improved onboarding, focused regions, adjusted structure and strict management". Under the premise of controllable risks, the Group seized structural opportunities, focused on high-quality enterprises and high-quality regions, and selected high-quality businesses and projects that can be covered by project cash flow, especially high-quality commodity residential projects, government-subsidised (rental) housing projects and operating property projects, so as to support the stable and healthy development of the real estate market. At the same time, the Group unified the risk appetite of on- and off-balance sheet businesses, implemented centralised risk management of customers granted with large credit facility, strictly examined cash flows, and continuously strengthened post-investment and post-loan management.

As at the end of the reporting period, the Group's total balance of real estate related businesses which were subject to credit risks, such as the actual and contingent credit, proprietary bond investments, and proprietary investment of non-standardised assets, amounted to RMB398.967 billion, representing a decrease of 13.89% as compared with the end of the previous year. The total balance of the businesses for which the Group did not assume credit risks, such as wealth management fund financing, entrusted loans, agency distribution of trust schemes under the active management by cooperative institutions, and debt financing instruments with the Group as the lead underwriter amounted to RMB249.448 billion, representing a decrease of 16.95% as compared with the end of the previous year. As at the end of the reporting period, the Company's balance of loans granted to the real estate industry was RMB290.742 billion, representing a decrease of RMB42.973 billion as compared with the end of the previous year, accounting for 4.71% of the Company's total loans and advances to customers, representing a decrease of 1.12 percentage points as compared with the end of the previous year. As at the end of the reporting period, the customer and regional structure of the Company in respect of real estate related loans have remained sound, among which the balance of loans granted to customers featuring high credit-rating accounted for over 70%; in terms of regions where the projects were located, over 85% of the Company's balance of loans for real estate development was located in the urban areas of first-tier and second-tier cities. As at the end of the reporting period, the Company's non-performing loan ratio of real estate loans was 5.01%, representing an increase of 1.02 percentage points as compared with the end of the previous year.

In the future, the Group will continue to firmly implement relevant national policies on the real estate industry, support rigid and improving housing demands, meet the reasonable financing needs of real estate enterprises of different ownerships with fair and equal treatment, enhance the support for non-state-owned real estate enterprises, improve the service level to the "three major projects" such as government-subsidised housing, and the development of the housing rental market. At the same time, the Group reasonably identified project risks of subsidiaries and the holding companies of the groups, further strengthened centralised risk management and post-investment and post-loan management, resolutely implemented the requirements for closed management of real estate loans, and effectively managed and controlled risk of projects. In accordance with the principles of compliance with laws and regulations, controllable risks and business sustainability, the Company promoted risk mitigation of real estate enterprises, maintained the overall stability of the quality of real estate assets, endeavoured to provide financial support to the steady and healthy development of the real estate market, and facilitated the construction of the new development model of real estate industry.

3.9.4 Deposits from customers

As at the end of the reporting period, the balance of deposits from customers of the Company was RMB7,871.561 billion, representing an increase of RMB597.048 billion or a growth rate of 8.21% as compared with the end of the previous year. The growth rate of deposits from customers of the Company declined compared with the previous year, with the main reasons as follows: firstly, the growth rate of M2 declined, which was recorded as 9.7% in 2023, representing a decrease of 2.1 percentage points as compared with the previous year, and the increase in deposits from financial institutions was less than that of the previous year; secondly, economic recovery has not met the expectations. Enterprises experienced slower recovery than expected, and the liquidity activities of enterprises remained at low level, with lack of willingness for investment and financing, thus generating less demand deposits. At the same time, disturbance in the capital market and the demand for deposits from customers, especially demand for medium- and long-term time deposits increased, resulting in an increase in the proportion of time deposits of the Company. Facing the challenges of changes in the external environment, the Company coped with the pressure of slowdown in deposit growth by taking various measures such as strengthening customer-centric management, enhancing customer base expansion, reinforcing deposit classification management and cost control. During the reporting period, the Company's average daily balance of core deposits[10] was RMB6,615.946 billion, representing an increase of RMB758.195 billion or a growth rate of 12.94% as compared with the previous year, accounting for 86.63% of the average daily balance of customer deposits, representing a decrease of 0.87 percentage point as compared with the previous year. The average daily balance of demand deposits was RMB4,430.730 billion, representing an increase of RMB268.196 billion or a growth rate of 6.44% as compared with the previous year, accounting for 58.02% of the average daily balance of customer deposits, representing a decrease of 4.16 percentage points as compared with the previous year. As at the end of the reporting period, the balance of structured deposits of the Company amounted to RMB262.934 billion, representing an increase of RMB20.170 billion as compared with the end of the previous year, accounting for 3.34% of the balance of deposits from customers, which remained at the same level compared to that at the end of the previous year.

[10] The core deposits represent the internal management indicator for the Company's deposits, excluding large-denomination certificates of deposit, structured deposits and other high-cost deposits.

Looking forward to 2024, the general keynote of the macro-economy is to adhere to the principle of making progress amid stability, promoting stability through progress, establishing the new before abolishing the old, and continuing to consolidate the foundation of seeking progress while maintaining stability. The proactive fiscal policy and prudent monetary policy will continue to exert influence, and the macro-economy will further recover. The external environment for the growth of deposits among commercial banks is expected to experience marginal improvement, but the trend of shifting towards time deposits is likely to continue, with increasingly fierce market competition. It is expected that the Company will continue to face pressures in both scale growth and cost control. In order to maintain the high-quality growth of deposits, the Company will take the following measures. Firstly, the Company will return to the origin of customers and consolidate the foundation for deposit growth through customer base expansion. Secondly, the Company will adhere to the promotion strategy of focusing on core deposits and expand stable and low-cost deposits through settlement services, wealth management, product innovation and other means. Thirdly, the Company will use classified management to strengthen the control of the scale and proportion of high-cost deposits to ensure that the deposit cost ratio remains at a satisfactory level throughout the year.

3.9.5 Assets allocation

The Company continued to build the capability of asset origination and took various measures to promote the steady growth of loans while appropriately increasing the allocation of interest rate bonds and quality credit bonds in light of interest rate trends. As at the end of the reporting period, the Company's total loans and advances to customers amounted to RMB6,166.345 billion, representing an increase of 7.79% as compared with the end of the previous year, accounting for 59.77% of the total assets of the Company, representing a decrease of 0.38 percentage point as compared with the end of the previous year. Among them, retail loans were RMB3,373.633 billion, representing an increase of 8.49% as compared with the end of the previous year, accounting for 54.71% of the loans and advances to customers of the Company, representing an increase of 0.35 percentage point as compared with the end of the previous year. The growth of residential mortgage loans was relatively weak due to the adjustment and transformation of the real estate market. The Company promoted steady growth in retail loans by increasing the granting of high-quality micro-finance loans and consumer loans. Corporate loans amounted to RMB2,321.585 billion, representing an increase of 10.70% as compared with the end of the previous year, accounting for 37.65% of the loans and advances to customers of the Company, representing an increase of 0.99 percentage point as compared with the end of the previous year. The Company continued to promote the expansion of customer base in key areas, fully met customers' credit financing needs, and continued to enhance the service support to the real economy. As at the end of the reporting period, the Company's bonds investment amounted to RMB2,588.035 billion, representing an increase of 15.94% as compared with the end of the previous year, accounting for 25.08% of the total assets of the Company, representing an increase of 1.61 percentage points as compared with the end of the previous year.

Looking forward to 2024, the Company will consistently strengthen the effective asset origination, improve the service quality and efficiency to the real economy, and continuously optimise the business strategy in combination with the changes in the New Capital Rules to promote the high-quality growth of loans. In 2024, the Company plans to increase its loans and advances to customers by approximately 8%. In terms of retail loans, the Company will keep up with the changes in the real estate market and push forward the steady growth of residential mortgage loans in accordance with regional characteristics while constantly enriching personal financial products, continuously promoting the steady growth of micro-finance loans and consumer loans under the premise of enhanced risk control and management. In terms of corporate loans, the Company will closely follow the national strategy, focus on key sectors including sci-tech finance, green finance, inclusive finance, retirement finance and digital finance, continue to promote customer expansion and optimise the corporate credit structure to effectively support the real economy. In terms of bonds investment, the Company will, taking into account the risks and returns, study and evaluate the trend of interest rates in domestic and foreign currencies in a forward-looking manner, maintain a dynamic and flexible asset allocation tactics, and rationalise the pace of increase in investment assets.

3.9.6 The formation and disposal of non-performing assets

During the reporting period, the Company formed new non-performing loans of RMB60.997 billion, representing a year-on-year decrease of RMB1.978 billion; the formation ratio of non-performing loans was 1.03%, representing a year-on-year decrease of 0.12 percentage point. From the perspective of major business categories, the amount of newly formed non-performing corporate loans was RMB13.124 billion, representing a year-on-year decrease of RMB4.714 billion. The amount of newly formed non-performing retail loans (excluding credit cards) was RMB9.163 billion, representing a year-on-year increase of RMB848 million. The amount of newly formed non-performing credit cards loans was RMB38.710 billion, representing a year-on-year increase of RMB1.888 billion. From the perspective of regions, the formation of the Company's non-performing loans was mainly concentrated in the Head Office (credit card loans), the Yangtze River Delta and the Pearl River Delta regions. From the perspective of industries, the formation of the Company's non-performing corporate loans was mainly distributed in the real estate industry, accommodation and catering industry, transportation, storage and postal services. From the perspective of customer base, the formation of the Company's non-performing corporate loans was concentrated in medium-sized enterprises according to national standards.

The Company always adhered to value customer selection, optimised the asset portfolio allocation, made adequate risk compensation and maintained strong risk resistance ability. As of the end of the reporting period, the balance of the Company's allowances for impairment losses on loans was RMB261.402 billion, representing an increase of RMB7.989 billion as compared with the end of the previous year. The allowance coverage ratio was 456.73%, representing a decrease of 10.70 percentage points as compared with the end of the previous year. The allowance-to-loan ratio was 4.24%, representing a decrease of 0.19 percentage point as compared with the end of the previous year. During the reporting period, the credit cost ratio was 0.72%, representing a year-on-year decrease of 0.07 percentage point.

During the reporting period, the Company played an active role in the disposal of non-performing loans, taking various approaches to reduce and dispose of risk assets. During the reporting period, the disposal of non-performing loans by the Company amounted to RMB58.113 billion, of which RMB22.652 billion was written off, RMB22.589 billion was securitised, RMB11.204 billion was recovered by cash collection, and RMB1.668 billion was disposed of by other means such as repossession, transfer, restructuring, upward migration and remission.

In 2024, the Company will keep a close eye on the changes in the macro situation, continue to enhance the industry understanding, continue to improve the credit policies, implement the "one branch, one policy", list-based operation for the asset business and fully promote the optimisation of customer base structure and investment in quality assets. The Company will carry out risk management and control in key areas, strengthen the management of special-mentioned loans and overdue loans, strictly classify assets, make adequate allowances, and effectively prevent and dispose of potential risks; actively dispose of non-performing assets in multiple ways, persistently dispose of risk assets to maintain overall stability of asset quality.

3.9.7 Asset quality in key areas

During the reporting period, the Company strengthened risk control over residential mortgage loans, consumer financing business, micro-finance loans, industries under list-based management and other key areas, and the asset quality was generally stable. In 2024, the Company will actively respond to the changes in the external macro-economic situation and continue to strengthen the investigation, research and judgement on the risk situation in the key areas for better risk prevention and control. For details of the quality of real estate assets, please refer to 3.9.3 "Risk management and control in the real estate sector" in this chapter.

The following table sets out the asset quality of the Company's loans and advances by product type as of the date indicated.

(In millions of RMB, except for percentages)	31 December 2023						
	Balance of loans and advances	Balance of non-performing loans	Non-performing loan ratio (%)	Balance of special-mentioned loans	Percentage of special-mentioned loans (%)	Balance of overdue loans	Percentage of overdue loans (%)
Corporate loans	2,321,585	26,694	1.15	18,071	0.78	25,862	1.11
Discounted bills	471,127	–	–	12	–	–	–
Retail loans	3,373,633	30,539	0.91	48,739	1.44	47,706	1.41
Micro-finance loans	749,773	4,592	0.61	2,648	0.35	5,211	0.70
Residential mortgage loans	1,376,814	5,113	0.37	13,107	0.95	7,466	0.54
Credit card loans	935,777	16,381	1.75	31,373	3.35	29,905	3.20
Consumer loans	301,538	3,285	1.09	1,539	0.51	3,946	1.31
Others(Note)	9,731	1,168	12.00	72	0.74	1,178	12.11
Total loans and advances to customers	6,166,345	57,233	0.93	66,822	1.08	73,568	1.19

(In millions of RMB, except for percentages)	31 December 2022						
	Balance of loans and advances	Balance of non-performing loans	Non-performing loan ratio (%)	Balance of special-mentioned loans	Percentage of special-mentioned loans (%)	Balance of overdue loans	Percentage of overdue loans (%)
Corporate loans	2,097,114	26,205	1.25	21,515	1.03	25,852	1.23
Discounted bills	513,857	–	–	8	–	–	–
Retail loans	3,109,737	28,009	0.90	44,097	1.42	46,731	1.50
Micro-finance loans	629,628	4,027	0.64	2,515	0.40	4,567	0.73
Residential mortgage loans	1,379,812	4,898	0.35	10,409	0.75	6,956	0.50
Credit card loans	884,394	15,648	1.77	30,201	3.41	31,408	3.55
Consumer loans	202,225	2,191	1.08	862	0.43	2,544	1.26
Others(Note)	13,678	1,245	9.10	110	0.80	1,256	9.18
Total loans and advances to customers	5,720,708	54,214	0.95	65,620	1.15	72,583	1.27

Note: Primarily consists of commercial housing loans, automobile loans, house decoration loans, education loans and other personal loans secured by monetary assets.

Risk control over residential mortgage loans

The Company actively implemented the national and regional policy requirements, adhered to the implementation of city-specific policy, actively responded to the new situation where the supply-demand relationship in the real estate market has changed significantly, and supported customers with rigid and improving housing demands, so as to steadily conduct residential mortgage loan business. During the reporting period, the Company further concentrated its residential mortgage loan business to cities in which the housing prices were relatively stable, and the amount of residential mortgage loans newly granted by the Company in the first-tier and second-tier cities accounted for 90.25% of the total amount of residential mortgage loans newly granted by the Company, representing an increase of 2.13 percentage points year-on-year. The closing balance of residential mortgage loans in the first-tier and second-tier cities accounted for 87.04% of the closing balance of the Company's residential mortgage loans, representing an increase of 0.54 percentage point as compared with the end of the previous year.

As of the end of the reporting period, the non-performing loan ratio of the Company's residential mortgage loans was 0.37%, representing an increase of 0.02 percentage point as compared with the end of the previous year. The special-mentioned loan ratio was 0.95%, representing an increase of 0.20 percentage point as compared with the end of the previous year. The overdue loan ratio was 0.54%, representing an increase of 0.04 percentage point as compared with the end of the previous year. The Company had always been regularly monitoring and revaluating the value of the existing collaterals and adjusting the value of mortgaged assets in a timely manner. As of the end of the reporting period, the weighted average loan-to-value ratio of residential mortgage loans was 32.93%, representing an increase of 0.34 percentage point as compared with the end of the previous year, and the collaterals were sufficient and stable. Therefore, the overall risk of residential mortgage loans was controllable.

With the adjustment on the interest rates for the existing residential mortgage loans, the interest spread between the newly-granted and existing residential mortgage loans has narrowed, which to some extent eased the trend of prepayment. However, due to the decline in the current returns on market investment, it is expected that the prepayment of residential mortgage loans in 2024 will remain at a high level in recent years. The Company will continue to strictly control the onboarding of residential mortgage loan business. In terms of customer selection, the Company will offer priority support to customers with rigid and improving housing demands, and in terms of location, the Company will offer priority support to quality residential projects located in core districts to ensure the healthy development of the residential mortgage loan business from the origin. In the future, under the general trend that the government will support the smooth development of the real estate market, the Company will strive to maintain a relatively outstanding level of quality of residential mortgage loan assets in the industry.

Risk control over consumer credit business

During the reporting period, the market demands steadily recovered, and the consumer market was gradually recovering. The Company insisted on focusing on the acquisition of value customers, further exploring the upgraded consumption scenarios and the comprehensive consumption scenarios of individuals or families encouraged by national policies, and developing the consumer credit business in a steady manner. Thanks to the continuous optimisation of the customer base and the asset structure and the application of various risk management strategies, the consumer credit business maintained stable growth while the risk was generally stable.

As of the end of the reporting period, the non-performing loan amount of the Company's consumer credit business (including credit cards) was RMB19.666 billion, representing an increase of RMB1.827 billion as compared with the end of the previous year; the non-performing loan ratio was 1.59%, representing a decrease of 0.05 percentage point as compared with the end of the previous year. The special-mentioned loan ratio was 2.66%, representing a decrease of 0.20 percentage point as compared with the end of the previous year and the overdue loan ratio was 2.74%, representing a decrease of 0.38 percentage point as compared with the end of the previous year.

In the future, the Company will continue to improve the refined risk management and control strategy for consumer credit business. On the one hand, the Company will continuously optimise the customer base and asset structure by strictly reviewing the credit risks of customers and focusing on the customers with good credit record and stable income source to strictly prevent the risk of "joint debts"; on the other hand, the Company will continuously increase the access to data sources, so as to enhance the accuracy of risk identification of customer base, and at the same time rely on big data quantitative risk control technology to closely monitor the changes in risks of customer base, make risk pre-warning in a timely manner, actively dispose of non-performing asset, and strive to maintain a relatively outstanding level of quality of consumer credit business assets in the industry.

Control over the risks relating to micro-finance loan business

The Company adhered to the implementation of the national strategy of vigorously supporting the development of small- and micro-sized enterprises, accelerated the pace of retail micro-finance asset origination and loan extension, promoted the high-quality development of micro-finance loan business, while relying on Fintech to explore product and service innovation so as to further improve the quality and efficiency of financial services for small- and micro-sized customers.

As of the end of the reporting period, the non-performing loan ratio of the Company's retail micro-finance loans was 0.61%, representing a decrease of 0.03 percentage point as compared with the end of the previous year, the special-mentioned loan ratio was 0.35%, representing a decrease of 0.05 percentage point as compared with the end of the previous year and the overdue loan ratio was 0.70%, representing a decrease of 0.03 percentage point as compared with the end of the previous year.

In the future, the Company will continue to guard the risk bottom line, pay close attention to changes in the market situation, and improve the capabilities to analyse and judge the risk situation. The Company will continuously strengthen its quantitative risk control capabilities, improve the risk quantitative system in response to changes in the risks of small- and micro-sized customers, enrich the risk monitoring data dimensions, identify the risks earlier, give warnings earlier, expose the risks earlier and dispose the risks earlier, so as to maintain a relatively outstanding level of quality of micro-finance loan assets in the industry.

Control over the risks relating to industries under list-based management[11]

During the reporting period, the Company implemented differentiated management for customers in the 14 industries under list-based management that are significantly affected by supply-side structural reforms, overcapacity or the "carbon peak and carbon neutrality" policies. In particular, for the whitelist customers and strategic customers of the Head Office level and branch level such as leading enterprises in the industry and regional advantageous enterprises, the Company strengthened its policy preference and provided priority support through various resources, products and services. For other customers with relatively stable risks and fair business conditions, on the basis of solid customer maintenance and operation as well as consolidation of the overall customer base, the Company realised the dynamic optimisation of customer structure and asset structure through supporting the superior, phasing out the inferior and concentrating the structure of customer base on listed companies, core enterprises of group companies and mid-tier customers with sound performances.

As of the end of the reporting period, the Company's full-calibre business financing exposure in industries under list-based management was RMB234.160 billion[12], representing a decrease of RMB8.672 billion as compared with the beginning of the year, mainly extended to strategic customers of the Head Office level and branch level and whitelist customers. The non-performing loan ratio of the industries under list-based management was 0.91%, representing a decrease of 0.39 percentage point as compared with the beginning of the year. Affected by the risk exposure and the continuous decline of business scale of individual existing risk customers, the non-performing loan ratio of the industries such as metal ore mining, steel trading and basic chemical industries increased as compared with the beginning of the year, while the non-performing loan ratios of other industries remained at the same level or decreased compared with the beginning of the year.

In view of the fact that the Company's basic customer groups of the industries under list-based management are mainly strategic customers of the Head Office level and branch level and whitelist customers with relatively strong capabilities to resist external risks, it is expected that the risks in this field will be generally controllable in 2024. In the future, the Company will dynamically adjust credit policies in relevant fields according to national industrial policies, financial supervision policies and actual market condition.

11 In 2023, the Company renamed industries under classified management as industries under list-based management, and the scope of the industry was adjusted. In 2023, the industries under list-based management include 14 industries including glass manufacturing, textile and chemical fiber, synthetic material manufacturing, steel trade, iron and steel (long process), metal ore mining and processing, fertilizer manufacturing, basic chemical, coal chemical, coal trade, coal, non-ferrous metal smelting and calendaring (excluding electrolysis of aluminium), financial leasing and commercial leasing.

12 The statistical calibre of the industries under list-based management has been changed, and the figures at the beginning of the year have been adjusted in accordance with the same statistical calibre.

3.9.8 Capital management

The Company kept on optimising its business structure and strengthening capital management. The Company met various capital requirements of the supervisory and management bodies of the banking industry in China during the reporting period with sufficient capital buffer.

The Company adhered to the principle of prudence and stability and maintained the steady growth of risk-weighted assets under the premise of controllable risk. As of the end of the reporting period, the growth rate of risk-weighted assets under the Advanced Measurement Approach of the Company (having taken into consideration the bottom-line requirements of the parallel run period) was 13.52%. Under the Advanced Measurement Approach, the ratio of risk-weighted assets (having taken into consideration the bottom-line requirements of the parallel run period) to total assets was 58.31%. During the reporting period, the risk-adjusted return on capital (RAROC, before tax) under the Advanced Measurement Approach was 27.47%, significantly higher than the cost of capital. As of the end of the reporting period, the Company's core tier one capital adequacy ratio under the Advanced Measurement Approach and the Weighted Approach increased as compared with the end of the previous year, maintaining an endogenous growth of capital.

During the reporting period, the Company redeemed RMB20 billion of Tier 2 capital bonds and issued RMB30 billion of undated additional Tier 1 capital bonds for the purpose of replenishing the additional Tier 1 capital of the Company. Please refer to the relevant announcements issued by the Company on Shanghai Stock Exchange, Hong Kong Exchanges and Clearing Limited and the Company's website for details. The Company will keep on improving the level of shareholder returns by improving the efficiency of capital utilisation, optimising the asset-liability structure and other ways.

The Company adheres to the development strategy of marketisation, branding and internationalisation, continuously advances the innovation and development of asset securitisation business and continuously enriches capital management tools. During the reporting period, the Company issued eight asset securitisation projects through the inter-bank market with a total scale of RMB2.961 billion. The underlying assets were non-performing loans.

In September 2023, the list of domestic systemically important banks in 2023 was released. The Company was still in the third group of the list and still needed to meet additional regulatory requirements such as the additional capital adequacy ratio of 0.75% and the additional leverage ratio of 0.375%. At present, the Company's capital adequacy ratio, leverage ratio, liquidity and other operating indicators at all levels are maintained at a high level, which can meet additional regulatory requirements.

In November 2023, the National Financial Regulatory Administration (NFRA) released the Rules on Capital Management of Commercial Bank (hereinafter referred to as the "New Capital Rules"), which took effect on 1 January 2024. Under the New Capital Rules, the capital occupation of the credit business will decrease in general, and the capital occupation of the financial market business will increase slightly. As for the Company, the New Capital Rules will lead to increase and decrease in the capital occupation for different businesses. The Company will optimise and adjust its business structure and operating strategies in a timely manner.

In the future, the Company will, under the guidance of the New Capital Rules and the strategic objective of building a value creation bank, and following the business concept of the value creation chain of "volume growth – revenue growth – profit growth – value growth", continue to optimise the capital allocation tactics, strengthen the asset-liability portfolio management, improve the capital return management mechanism, promote the dynamically balanced development of "Quality, Profitability and Scale", so as to constantly enhance the capability of endogenous growth of capital and ensure the smooth operation of the capital adequacy ratio.

3.10 Business Operation

3.10.1 Retail finance business

Business overview

During the reporting period, the profit before tax from the retail finance business of the Company amounted to RMB97.292 billion, representing an increase of 4.95% as compared with the previous year. The net operating income from the retail finance business amounted to RMB190.146 billion, representing an increase of 0.89% as compared with the previous year and accounting for 61.86% of the net operating income of the Company. The net interest income from the retail finance business amounted to RMB133.766 billion, representing an increase of 3.42% as compared with the previous year and accounting for 70.35% of the net operating income from retail finance; the net non-interest income from the retail finance business amounted to RMB56.380 billion, representing a decrease of 4.66% as compared with the previous year while accounting for 29.65% of the net operating income from retail finance and 56.56% of the net non-interest income of the Company. During the reporting period, the fee and commission income from retail wealth management business of the Company was RMB27.007 billion, representing a decrease of 8.71% as compared with the previous year and accounting for 48.80% of the net fee and commission income from retail finance; the Company recorded a fee income of RMB19.394 billion from retail bank card business, representing a decrease of 8.80% as compared with the previous year.

During the reporting period, by adhering to its core value of "being customer-centric and creating value for customers", the Company continued to consolidate its systematic strengths in retail finance by expanding its capital-light businesses such as wealth management and strengthening its capital-heavy business, and continued to enhance its value creation capability, thereby promoting the high-quality development of its retail business. Through building the "people + digitalisation" omni-channel service system, strengthening the ecological construction of financial scenarios, and continuously optimising the core retail finance products, the Company provided more customers with better retail finance services to actively satisfy the needs of people's livelihood. During the reporting period, the retail business of the Company maintained a good momentum of development.

Retail customers and total assets under management for retail customers

During the reporting period, in the face of the complex and volatile external situation and the increasingly fierce competition from the banks and other financial institutions, the Company proactively promoted the strategic deployment in key regions to explore growth potential, and further propelled business integration to strengthen its ability to expand group finance service. The Company intensified the customer base operation, returned to the original needs of customers in "deposit, loan, and remittance (存貸匯)" banking services, made full use of Fintech to push forward the innovation of retail products and refined operation, and diversified the categories and offerings of products and deepened asset allocation services catering for customers' needs. During the reporting period, the number of retail customers and the balance of the total assets under management (AUM) from retail customers of the Company maintained stable growth.

As of the end of the reporting period, the Company had 197 million retail customers (including debit and credit card customers), representing an increase of 7.07% as compared with the end of the previous year, among which the number of customers in the level of Golden Sunflower and above (those with minimum daily average total assets of RMB500,000 for each month) reached 4,640,600, representing an increase of 12.00% as compared with the end of the previous year.

As of the end of the reporting period, the balance of total assets under management for retail customers of the Company amounted to RMB13,321.131 billion, representing an increase of 9.88% as compared with the end of the previous year. Among them, the balance of total assets under management for the customers in the level of Golden Sunflower and above amounted to RMB10,819.744 billion, representing an increase of 9.66% as compared with the end of the previous year. As of the end of the reporting period, the balance of deposits from retail customers of the Company amounted to RMB3,314.318 billion, representing an increase of 12.13% as compared with the end of the previous year. During the reporting period, the demand deposits accounted for 58.16% of the daily average balance of deposits from retail customers of the Company.

Wealth management

As of the end of the reporting period, the Company's balance of retail wealth management products amounted to RMB3,499.766 billion, representing an increase of 11.51% as compared with the end of the previous year, mainly due to the increased allocations towards stable long-term products by the Company in line with customers' needs, resulting in an increased growth rate in the scale of wealth management products under management as compared with the previous year. During the reporting period, the agency distribution of non-money-market mutual funds of the Company totalled RMB296.809 billion, representing a decrease of 11.42% year-on-year. The decrease was mainly due to further decline in customer risk appetite as the capital market remained under pressure. However, the sales of more stable bond fund products recovered on a quarter-to-quarter basis in the second half of the year. During the reporting period, the Company achieved the agency distribution of insurance premiums of RMB96.826 billion, representing an increase of 33.76% year-on-year. The increase was mainly due to the fact that the Company further seized market opportunities and increased its efforts in the allocation of regular insurance, which drove an overall increase in premiums. During the reporting period, the Company recorded RMB84.647 billion in agency distribution of trust schemes, representing a decrease of 24.77% as compared with the corresponding period of the previous year, which was mainly due to the fact that the Company actively adjusted its business direction under the policy background of "reform of trust business classification", and other policy backgrounds.

During the reporting period, the Company recorded a fee and commission income from retail wealth management business of RMB27.007 billion, among which income from agency distribution of insurance policies amounted to RMB12.743 billion, income from agency distribution of funds amounted to RMB5.457 billion, income from agency distribution of wealth management products amounted to RMB5.291 billion, income from agency distribution of trust schemes amounted to RMB3.175 billion, and other income amounted to RMB341 million. For details of the reasons of changes in fee and commission income from wealth management, please refer to 3.9.2 "Net non-interest income" in this chapter.

During the reporting period, in the light of customers' demands for stable-performing products, the Company strengthened its capability of offering professional wealth management services, built an omni-channel service system based on "people + digitalisation", and helped customers achieve asset preservation and appreciation.

First, the Company stepped up efforts in upgrading payment settlement customers to wealth management customers for the purpose of increasing the number of customers holding our wealth products. The Company insisted on the scenario construction of payment settlement service and continuously improved customers' service experience in various scenarios to promote the upgrade of customers' needs from payment settlement towards wealth management. As of the end of the reporting period, the Company had 51,379,500 customers holding our wealth products, representing an increase of 19.13% as compared with the end of the previous year.

Second, the Company increased its offering of stable products in response to changes in customers' risk appetite. In terms of wealth management products, the Company integrated the advantageous resources of its partners, offered stable products as its core offering, and captured periodic investment opportunities. In terms of fund products, the Company increased its offering of short-term debt and "fixed income+" products and thus improve customers' experience in comprehensive income. In terms of insurance products, the Company has continued to enrich its product offerings to cover major insured types such as pension, health, accident and property, so as to satisfy customers' needs for insurance. Furthermore, the Company continued to broaden its product categories and cooperation channels, and further explored customers' asset allocation needs, providing customers of various channels and types with appropriate business strategies and products.

Third, the Company constantly optimised the "CMB TREE Asset Allocation Service System" to guide customers to make scientific asset allocation. In terms of customer service, the Company integrated its online and offline customer services to form a service model centring on asset allocation and continuous review on re-balancing service to build a virtuous operation cycle. In terms of capability enhancement, the Company provided its front-line team with systematic training to improve its abilities in communication and interaction with customers, professional market analysis and judgement, and asset allocation services, so as to help customers form a correct investment philosophy. As of the end of the reporting period, the Company had 9,114,500 customers who conducted asset allocation under such system, representing an increase of 12.15% as compared with the end of the previous year.

Fourth, the Company constantly iterated the open platform capabilities to enhance the customer's experience with wealth management product held with the Company. The Company further optimised the service capabilities of "Zhao Cai Hao (招財號)", an open platform of wealth management business on CMB APP, improved the operation and organisation mechanism, and provided customers with better wealth services. As of the end of the reporting period, "Zhao Cai Hao (招財號)" on CMB APP has onboarded in total 152 asset management institutions with industrial representativeness. During the reporting period, "Zhao Cai Hao (招財號)" provided professional investment guidance and companion for customers on their investment journey by offering wealth information, online interactions and organisation of events, etc.

Private banking

As of the end of the reporting period, the Company had 148,842 private banking customers (retail customers of the Company with minimum total daily average assets of RMB10 million per month), representing an increase of 10.42% as compared with the end of the previous year.

During the reporting period, the Company continued to enhance the core competence of the private banking business, continuously improved and upgraded the comprehensive service system of "individual, family, enterprise and society (人家企社)"[13] in light of customers' changing diverse demands under this system, and promoted the steady quality development of its private banking business in a prudent manner.

Firstly, the Company diversified its products and services following the principle of "being customer-centric". It focused on satisfying customers' demand for stable products based on a clear understanding of the changes in their actual needs. Thus, the Company selected outperforming asset management institutions in the entire market with the aim of continuously enriching its products portfolio, and developed specific accompanying service for customers throughout their whole investment journey. Meanwhile, the Company integrated the resources of the group members and third-party partners to deliver a "financial + non-financial" service ecosystem for customers and the enterprises behind them.

Secondly, the Company managed to achieve service upgrade via technology-driven innovation. In particular, it improved the exclusive APP for private banking customers to increase the proportion of online transactions, build an ecosystem of private equity institutions and upgrade the digital comprehensive financial services. Benefiting from the development of a digital wealth management and asset allocation system, the Company upgraded the "one-to-one" advisory asset allocation services with digital tools. It also sought to create an operation model driven by advanced technology to accurately analyse and deeply understand customers' needs based on digital means.

Thirdly, the Company continued to fulfill its social responsibility under the philosophy of wealth for common good. Under the main theme of common prosperity, the Company identified the connection between customer service and social welfare by actively responding to the needs of customers to participate in public charity and practice ESG ideals, and promoted the implementation of charitable projects through charitable trusts and other tools. With the release of the 2023 Charity Research Report among High-Net-Worth Individuals in China 《2023 年中國高淨值人群慈善調研報告》 and the establishment of a philanthropy exchange platform named "Goodwill Hall (議善廳)", the Company has contributed to the dissemination of charity beliefs.

Fourthly, the Company adhered to sound operation by upholding the bottom line of risk prevention. With effective risk prediction, the Company continued to improve segmented and classified management of products available for sale, and properly matched the products with the risk-return preferences of customers, so as to empower its business development.

Credit cards

As of the end of the reporting period, the Company had issued an aggregate of 97.1181 million active credit cards, representing a decrease of 5.44% as compared with the end of the previous year, and there were 69.7404 million active credit card users, representing a decrease of 0.37% as compared with the end of the previous year, mainly due to the decrease in newly-acquired customers as the Company placed more emphasis on high-quality customer acquisition. During the reporting period, the credit card transactions of the Company amounted to RMB4,814.967 billion, representing a decrease of 0.44% as compared with the corresponding period of the previous year. Interest income from credit cards amounted to RMB63.515 billion, representing a decrease of 0.72% as compared with the corresponding period of the previous year. Non-interest income from credit cards amounted to RMB27.228 billion, representing a decrease of 3.02% as compared with the corresponding period of the previous year. For details of the scale and quality of the credit card loans of the Company, please refer to 3.9.7 "Asset quality in key areas" in this chapter.

In terms of risk management, the Company continued to optimise its customer structure and asset portfolio under the guidance of the operation strategy focusing on "stability and low volatility". Additionally, the Company has further studied regional strategies with forward-looking judgement, and continued to iterate various types of quantitative models to enhance its risk decision-making capability, while continuously upgrading the post-loan digital operations to improve operational efficiency and collection effects. During the reporting period, the risk indicators for its credit card business declined, indicating enhanced risk-resistant capabilities. As of the end of the reporting period, the balance of non-performing credit card loans was RMB16.381 billion, representing a non-performing loan ratio of credit card loans of 1.75% with a decrease of 0.02 percentage point from the end of the previous year. In view of the current complicated external environment, the Company will prudently arrange various strategic deployments in the next stage, continue to optimise its strategy on customer structure and asset portfolio, coordinate regional business development based on specific local policies, explore various ways of restructuring the balance between risk and growth under the new situation, and continue to promote high quality development of its credit card business.

[13] The term "individual, family, enterprise and society" specifically refers to the needs of individuals, families, enterprises and the society.

In terms of business development, the Company adhered to the value-oriented and innovation-driven approach to promote service and product upgrades. Firstly, the transformation of customer acquisition strategies has facilitated the Company's high-quality customers acquisition efforts. Additionally, it has constantly enriched its card product portfolio by launching green and low-carbon themed credit card in practicing the ESG concept, and joined hands with Meituan and Mango TV to launch co-branded cards in satisfying the needs of young customers for online shopping and entertainment. Particularly for female customers, the Company launched, among others, the Hello Kitty pink graffiti card and "Free Life (自由人生)" platinum credit card (Pink Version), enabling the Company to further strengthen the connection with its customers. Secondly, the Company applied a combination of measures to boost consumption, seizing the consumption hotspots of festivals and holidays and e-commerce promotions to enhance the efficiency of marketing operations. Furthermore, it capitalised on the recovery of overseas transactions by launching the themed marketing campaign of "Extraordinary Overseas Tours (非常境外遊)". Thirdly, the Company continued to focus on the operation of instalment assets and enhance the operating efficiency of bill instalments and consumption instalments. Meanwhile, it innovated the post-loan procedure for automobile instalment loans and enhanced service quality and efficiency through online solutions. Fourthly, it deepened the digital transformation based on the credit card core system 3.0, upgrading business procedures and functions, creating the "people + digitalisation" omni-channel service system and promoting the digital and intelligent transformation of customer service. In addition, the Company has further deepened the operation of the CMB Life APP. For details of the CMB Life APP, please refer to 3.10.3 "Distribution channels" in this chapter.

Retail loans

As of the end of the reporting period, the balance of retail loans of the Company amounted to RMB3,373.633 billion, representing an increase of 8.49% as compared with the end of the previous year and accounting for 54.71% of the Company's total loans and advances to customers, up by 0.35 percentage point as compared with the end of the previous year. Among them, the balance of the Company's retail loans (excluding credit card loans) reached RMB2,437.856 billion, representing an increase of 9.55% as compared with the end of the previous year, accounting for 39.53% of total loans and advances to customers of the Company and representing an increase of 0.63 percentage point as compared with the end of the previous year.

As to business development, during the reporting period, the Company actively implemented the requirements of national policies, adhered to the implementation of city-specific policy, proactively adapted to the major changes in the supply and demand relationship in the real estate market, and supported rigid and improving housing demands of housebuyers, thus achieving a healthy development of the residential mortgage loan business. Furthermore, while maintaining proper risk control management and stable asset quality, the Company proactively adjusted its business structure and increased the granting of micro-finance loans and consumer loans. With respect to micro-finance loans, the Company strictly implemented various regulatory requirements, enriched its product portfolio and enhanced policy adaptation to meet the diversified needs of micro-finance loan customers, and expanded the coverage of micro-finance loan customers, so as to constantly improve the quality and efficiency of micro-finance services. With respect to the consumer loan business, the Company insisted on selecting high-quality customers and continued to build on its big data risk control capabilities. The Company carried out segmented management of customer groups with different needs, stroke a balance between returns and risks, and reduced operating costs. As of the end of the reporting period, the Company recorded a balance of residential mortgage loans of RMB1,376.814 billion, representing a decrease of 0.22% as compared with the end of the previous year. The balance of retail micro-finance loans amounted to RMB749.773 billion, representing an increase of 19.08% as compared with the end of the previous year. The balance of consumer loans amounted to RMB301.538 billion, up by 49.11% as compared with the end of the previous year. As of the end of the reporting period, the Company had 15.5772 million retail loan (excluding credit card loans) customers, representing an increase of 28.31% as compared with the end of the previous year. The expansion of customer base was mainly attributable to the light model of customer acquisition through online platform.

In terms of risk management, the Company kept intensifying its risk control capabilities. First, the Company strengthened the monitoring and prediction of market risk situations, and adjusted its risk management and control strategies in a timely manner in line with changes in market conditions; second, the Company prioritised the development of areas with better economic development and market potential, while adhering to the selection of high-quality customer groups and preference for customers with good credit records and stable repayment sources as the main business targets and selecting premium property development projects in core zones as collaterals; third, the Company continued to strengthen its big data quantitative risk control capabilities and enhance the digital level of risk management by leveraging Fintech, actively expanded access to data sources, continuously enriched data tags, rapidly iterated the strategic model, deepening the application of quantitative risk control tools in the whole process of pre-lending, lending and post-lending so as to accurately identify and control risks. With the above initiatives, the non-performance loan ratio of retail loans of the Company remained stable. As of the end of the reporting period, the balance of the Company's retail special-mentioned loans (excluding credit card loans) amounted to RMB17.366 billion, special-mentioned loan ratio was 0.71%, representing an increase of 0.09 percentage point as compared with the end of the previous year. As of the end of the reporting period, the balance of non-performing retail loans (excluding credit card loans) amounted to RMB14.158 billion, with the non-performing loan ratio of 0.58%, representing an increase of 0.02 percentage point as compared with the end of the previous year. Excluding credit card loans, the mortgage and pledged loans accounted for 57.98% of the Company's new non-performing retail loans formed during the reporting period, the loan-to-value ratio of the above-mentioned mortgage and pledged loans as at the end of the reporting period was 35.12%. Given that the vast majority of such new non-performing retail loans were fully secured by collaterals, the risk was within a controllable range.

3.10.2 Wholesale finance

Business overview

During the reporting period, the Company achieved profit before tax from wholesale finance of RMB69.648 billion, representing an increase of 11.63% as compared with the corresponding period of the previous year. The net operating income from wholesale finance of the Company was RMB119.481 billion, representing a decrease of 6.55% as compared with the corresponding period of the previous year, and accounting for 38.87% of the net operating income of the Company. Among them, net interest income of wholesale finance business amounted to RMB81.058 billion, representing a decrease of 6.33% as compared with the corresponding period of the previous year, and accounting for 67.84% of the net operating income of wholesale finance business; the net non-interest income of wholesale finance business amounted to RMB38.423 billion, representing a decrease of 7.00% as compared with the corresponding period of the previous year, and accounting for 32.16% of the net operating income of wholesale finance business, and 38.55% of the net non-interest income of the Company.

During the reporting period, the Company captured opportunities arising from the transformation of economic growth momentum and the change of accelerated transformation and upgrading of industries, so as to proactively strategising its business layout. The Company focused on the development of key finance sectors, including sci-tech finance, green finance, inclusive finance, retirement finance and digital finance, etc., and continued to develop its distinctive advantages and upgraded business models, so as to push forward the optimisation and adjustment of the customer structure and business structure of wholesale finance, and enhance the quality and efficiency of serving the real economy.

The Company provided three-dimensional, all-round and multi-level financing support to corporate clients with its perspective of integrating investment banking and commercial banking based on its commitment to serving customers' needs at all times. As of the end of the reporting period, the Company's balance of aggregate financing products to corporate customers (FPA) was RMB5,517.537 billion[14], representing an increase of RMB429.410 billion over the beginning of the year. Among them, the balance of traditional financing[15] was RMB3,149.757 billion, representing an increase of RMB351.513 billion over the beginning of the year; the balance of non-traditional financing[16] was RMB2,367.780 billion, representing an increase of RMB77.897 billion over the beginning of the year. The balance of non-traditional financing accounted for 42.91% of the balance of FPA, representing a decrease of 2.09 percentage points over the beginning of the year.

14 Since the scope of financing wealth management and matching transactions included in FPA were adjusted in this period, the same-calibre adjustment was made to the data at the beginning of the period, with the opening balance of the adjusted FPA of RMB5,088.127 billion, of which amount of traditional financing amounted to RMB2,798.244 billion and amount of non-traditional financing amounted to RMB2,289.883 billion.

15 Traditional financing comprises general corporate loans and commercial bills discounting (including transfer-out of outstanding bills), acceptance, letters of credit, financial guarantees and non-financial guarantees.

16 The eight compositions of non-traditional financing include: asset operation, proprietary non-standardised corporate investments, financing wealth management, debt financing instruments with the Company as the lead underwriter, matching transactions, financial leasing, cross-border coordination financing and leading syndicated loans.

Wholesale customers

The Company has established a corporate customer service system with segmentation and classification-based management for strategic customers, institutional customers, financial institution customers, cross-border customers and basic customers. During the reporting period, the Company kept on focusing on the industry specialised operation for strategic customers of the Head Office level and branch level, acquisition of high-quality corporate customers and in-depth operations of existing customers. As of the end of the reporting period, the total number of corporate customers of the Company came in at 2,820,600, representing an increase of 11.66% as compared with the end of the previous year. The number of newly acquired corporate customers during the reporting period was 481,900, contributing daily average deposits of RMB172.744 billion.

In terms of strategic customers, the Company optimised and upgraded its strategic customer service model by enhancing industry understanding, improving capability of the industry-specialised service for strategic customers, deepening industry chain and investment chain operations for strategic customers and leading to the innovation of the industrial service model. As of the end of the reporting period, the Company had 321[17] strategic customers of the Head Office level, with a daily average balance of deposits of RMB1,071.146 billion, representing an increase of 2.50% on the same calibre as compared with the previous year, and the balance of loans was RMB1,118.486 billion, representing an increase of 8.00% as compared with the beginning of the year. As of the end of the reporting period, the number of strategic customers of the Company of the branch level was 7,013[18]. The daily average balance of deposits was RMB774.371 billion, representing an increase of 6.01% on the same calibre as compared with the previous year, and the balance of loans was RMB407.267 billion, representing an increase of 14.55% as compared with the beginning of the year.

With regard to its institutional customers, the Company continued to optimise its product systems and user experience focusing on scenarios including government and industry funds, local government special bonds, income and expense management of fiscal funds, tax payment and refund as well as convenient civil services, aiming to provide differentiated services for all levels and types of institutional customers, and further tap into the full potential of institutional customers through the service chain. In terms of serving national government institutions, the Company was recognised as excellent agency for all the three agency qualifications in the 2023 Central Fiscal Agency Service Assessment, and continued to strengthen the multi-dimensional cooperation in terms of policies, qualifications, systems, data and other aspects, and to build a distinctive brand with digital services. In terms of serving local governments and competent authorities, the Company provided customers with a package of solutions encompassing intelligence, financing and technology service system, and established its reputation in the market for its integrated services. As of the end of the reporting period, the Company had 50,600 institutional customers, with an average daily deposit balance of RMB1,077.397 billion.

With regard to its financial institution customers, the Company comprehensively deepened its customer operation by constantly improving its operation system for financial institution customers, enhanced its capabilities of the industry specialised operation through classified operations for specific industries, and joined hands with the financial institution customers to serve the customers, which facilitated acquisition and operation of corporate customers and retail customers. At the same time, the Company cooperated with policy banks to carry out sub-loans services and implemented the decisions and arrangements related to the national inclusive finance development.

With regard to cross-border customers, the Company overcame multiple challenges at home and abroad and continued to build distinctive advantages in cross-border finance. Focusing on the acquisition and operation of customers and strengthening its strategic organisation and professional empowerment, the Company recorded stable growth in the cross-border business, aiming to become the "principal bank for settlement" and "first bank to inquire" for customers of cross-border transactions business. As of the end of the reporting period, according to the latest statistical calibre of the State Administration of Foreign Exchange, the Company had 75,601 corporate customers in respect of international balance of payments, representing an increase of 14.03% on the same calibre as compared with the previous year.

17 The number of strategic customers of the Head Office level is that of the group number as the strategic customers of the Head Office level served by the Company. There was an adjustment to the list of strategic customers of the Head Office level in 2023, and the same-calibre adjustment was made to the 2022 data.

18 The number of strategic customers of the branch level is the corporate legal entity number of strategic customers of the branch level served by the Company. There was an adjustment to the list of strategic customers of the branch level in 2023, and the same-calibre adjustment was made to the 2022 data.

With regard to basic customers, the Company continued to explore the "people + digitalisation" service model by optimising the centralised operation mechanism, empowering the middle office of the Head Office and branches and improving the comprehensive capability of its frontline teams. The Company also enhanced the effectiveness and experience of customer services through standardisation of offline processes, online operation of customer services and digitalised customer operation and customer contact. The Company used intelligent technologies to build big data customer profiles and customer potential identification models, improve customer service processes, establish a closed loop of service and operation covering all processes and the full-life cycle of services and operations, and enhance the breadth and efficiency of services. During the reporting period, the Company served 37.0604 million times for corporate customers through various online channels. During the reporting period, the Company had 1,197,800 corporate customers for withholding transactions, representing a year-on-year increase of 11.36%. The transaction amount was RMB2.17 trillion, representing a year-on-year increase of 7.96%.

Corporate customer deposits

During the reporting period, the Company continued to take advantage of the business opportunities arising from capital diversion in the key sectors of the capital market, enhanced the fund origination for trade settlement based on the enterprise's operation scenarios, proactively expanded low-cost deposits. As of the end of the reporting period, corporate customer deposit balance was RMB4,557.243 billion, representing an increase of 5.52% as compared with the end of the previous year. The daily average balance was RMB4,532.794 billion, representing an increase of 6.42% as compared with the previous year. Demand deposits accounted for 57.92% of the average daily balance of corporate customers' deposits, representing a decrease of 2.63 percentage points as compared with the previous year. During the reporting period, the average cost rate of corporate customer deposits was 1.75%, representing an increase of 3 basis points as compared with the previous year.

Corporate loans

As of the end of the reporting period, the Company's total corporate loans amounted to RMB2,321.585 billion, representing an increase of 10.70% as compared with the end of the previous year, accounting for 37.65% of the Company's total loans and advances, representing an increase of 0.99 percentage point as compared with the end of the previous year. Among them, the balance of medium- and long-term domestic corporate loans amounted to RMB1,425.673 billion, representing an increase of 7.44% as compared with the end of the previous year, accounting for 63.76% of the total domestic corporate loans, representing a decrease of 1.94 percentage points as compared with the end of the previous year. The non-performing loan ratio of the corporate loans was 1.15%, representing a decrease of 0.10 percentage point as compared with the end of the previous year.

As of the end of the reporting period, the balance of loans to domestic national-standard large enterprises was RMB1,021.981 billion, representing an increase of 9.71% as compared with the end of the previous year, accounting for 45.70% of the domestic corporate loans, representing a decrease of 0.43 percentage point as compared with the end of the previous year, and the non-performing loan ratio was 0.84%, representing a decrease of 0.06 percentage point as compared with the end of the previous year. The balance of loans to domestic national-standard medium-sized enterprises was RMB579.121 billion, representing an increase of 4.16% as compared with the end of the previous year, accounting for 25.90% of the domestic corporate loans, representing a decrease of 1.63 percentage points as compared with the end of the previous year, and the non-performing loan ratio was 1.91%, representing a decrease of 0.15 percentage point as compared with the end of the previous year. The balance of domestic national-standard small- and micro-sized enterprise loans was RMB484.632 billion, representing an increase of 25.27% as compared with the end of the previous year, accounting for 21.67% of the domestic corporate loans, representing an increase of 2.51 percentage points as compared with the end of the previous year, and the non-performing loan ratio was 0.74%, representing a decrease of 0.26 percentage point as compared with the end of the previous year. The balance of domestic loans to enterprises in other national-standard classifications[19] was RMB150.439 billion, representing an increase of 3.66% as compared with the end of the previous year, accounting for 6.73% of the domestic corporate loans, representing a decrease of 0.46 percentage point as compared with the end of the previous year, and the non-performing loan ratio was 1.75%, representing an increase of 0.37 percentage point as compared with the end of the previous year.

19 Such loans include loans made by domestic institutions to overseas and offshore customers, domestic non-enterprise customers and self-employed businesses.

During the reporting period, the Company continued to optimise its loan structure and maintained greater support for loan granting in sci-tech innovation, green economy, inclusive economy for small- and micro-sized enterprises, manufacturing industry and other sectors in response to national policy guidance, and steadily and orderly promoted the development of real estate business. For the key regulatory areas such as local government financing platforms, the loan granting control was strictly implemented in accordance with the regulatory guidance. As of the end of the reporting period, the balance of the corporate loans extended to the manufacturing industry was RMB555.102 billion, representing an increase of RMB111.250 billion as compared with the end of the previous year, accounting for 23.91% of the total corporate loans, representing an increase of 2.75 percentage points as compared with the end of the previous year. The balance of green loans was RMB447.765 billion, representing an increase of RMB92.408 billion as compared with the end of the previous year, accounting for 19.29% of the total corporate loans, representing an increase of 2.34 percentage points as compared with the end of the previous year. The balance of loans to strategic emerging industries was RMB375.097 billion, representing an increase of RMB72.774 billion as compared with the end of the previous year, accounting for 16.16% of the total corporate loans, representing an increase of 1.74 percentage points as compared with the end of the previous year. For loans in key areas such as real estate, please refer to Chapter 3.9. For the details of green finance business, please refer to Chapter 4.2.1.

Sci-tech finance business

The Company has launched the sci-tech finance service brand, offering integrated service solutions for sci-tech enterprises catering for their five core needs, namely “bank financing, treasury management, capital connection, cross-border development, and talent retention and employment”. The Company innovatively launched the exclusive financing product “Sci-Tech Loan (科創貸)”, established “six specialised (六個專門)” working mechanism to serve sci-tech enterprises covering teams, products, policies, institutions, assessments and processes, expanded the layout of key branches for sci-tech finance, thereby increasing the number of key branches to 11, and carried out the bulk acquisition and operation of sci-tech enterprise customers through major channels. As of the end of the reporting period, the number of sci-tech enterprise customers of the Company reached 140,800, representing an increase of 42.51% as compared with the end of the previous year; and the balance of loans extended to sci-tech enterprises amounted to RMB428.477 billion, representing an increase of 44.95% as compared with the end of the previous year.

Inclusive finance business

During the reporting period, the Company implemented the policy guidance of providing financial support for small- and micro-sized enterprises, and steadily improved the quality and efficiency of its financial services for the real economy while maintaining stable asset quality and strengthening compliance management. As of the end of the reporting period, the balance of loans granted by the Company to inclusive small- and micro-sized enterprises amounted to RMB804.279 billion, representing an increase of RMB125.930 billion or 18.56% as compared with the end of the previous year, 10.77 percentage points higher than the overall loan growth rate of the Company. The number of inclusive small- and micro-sized enterprises with loan balance was 1,004,500, representing an increase of 13,800 as compared with the end of the previous year. During the reporting period, the Company has newly issued inclusive loans of RMB602.821 billion for inclusive small- and micro-sized enterprises, with an average interest rate of 4.48%, down by 67 basis points year-on-year.

With regard to its supply chain and scenario-based finance, the Company innovated and upgraded the supply chain finance 3.0 service system by launching the new products such as “CMB Chain Easy Loan (招鏈易貸)” and the “Distribution Easy Loan (經銷易貸)”, which further improved the supply chain product system and effectively enhanced the efficiency of product operation and customer experience. Leveraging the advantage of “One Entire Bank for One Customer (全行服務一家)”, the Company provided exclusive credit support to customers in key industries such as automobile, green energy, medical security and healthcare, communication, power and equipment manufacturing under the “product + customer group” scenario-based business model. During the reporting period, the business volume of the Company’s supply chain financing amounted to RMB818.733 billion, representing an increase of 23.68% as compared with the end of the previous year. The Company served 6,556 core enterprises, and 39,490 upstream and downstream customers.

Retirement finance business

During the reporting period, the Company actively practiced the concept of "finance for the people" and "finance to serve the real economy", and regarded the retirement finance business as a strategic business with continuously increased input of resources. With the aim of building its distinctive advantages in retirement finance, the Company made overall planning in respect of top-level design of retirement finance, integrating retirement finance with non-financial service scenarios and building a four-in-one innovative service model integrating "products + services + channels + technology" to provide customers with all-round, one-stop, personalised and comprehensive solutions for retirement finance. Following the national development strategy of accelerating the formation of a multi-level and multi-pillar pension insurance system and leveraging its advantages as a fully licenced financial institution, the Company promoted its retirement finance business into a new stage of high-quality development.

In terms of the first pillar, the Company offered convenient online services for insured persons such as social security inquiry, qualification certification, annual report review and other services. As of the end of the reporting period, the Company has issued a total of 62,586,200 electronic social security cards.

In terms of the second pillar, the Company strengthened the construction of core capability with distinctive services and formed its differentiated competitive advantages. As of the end of the reporting period, the number of enterprise annuity accounts under management reached 2,224,800.

In terms of the third pillar, a total of 5,356,200 individual pension fund accounts had been opened as of the end of the reporting period.

At the same time, the custody service has covered in depth the three-pillar pension insurance system. As of the end of the reporting period, the pension funds under custody amounted to RMB1.05 trillion, realising an increase in both market share and scale.

Bill business

During the reporting period, the Company further deepened the transformation of comprehensive services for bill customers, continuously improved the experience of bill customers, and continued to enhance the direct discounting and inter-bank discounting linkage capabilities and bill transaction capabilities, and actively responded to the changes in the external markets. During the reporting period, the number of customers of bill business of the Company was 159,690 with a year-on-year increase of 11.38%, among which 122,800 were micro-, small- and middle-sized customers, accounting for 76.90% of the total. The volume of direct bill discounting business was RMB1,895.076 billion during the reporting period, representing a year-on-year increase of 24.78%, still ranking second in the market (data from the China Banking Association), of which the volume of commercial acceptance bill discounting business was RMB234.208 billion, ranking first in the market (data from the Commercial Bank Bill Business Association). As of the end of the reporting period, the Company's bill discounting balance was RMB471.127 billion, representing a decrease of 8.32% as compared with the end of the previous year, mainly due to the active adjustment and optimisation of the Company's asset allocation due to the decrease in interest rate in the bill market.

The Company keeps on improving the bill investment and research integration mechanism and the band trading strategy and flow management, optimises the mechanism of Head Office and branch cooperation, and continues to enhance its trading capabilities. During the reporting period, the discounted bills transferred to other financial institutions (buy-out) amounted to RMB1,851.516 billion, representing a year-on-year increase of 27.62%, ranking second in the market (data from the China Banking Association).

The Company keeps on implementing the rediscounting policy of the People's Bank of China, supports enterprise financing through rediscounting, and improves the quality and efficiency of serving the real economy. During the reporting period, the business volume of bill rediscounting amounted to RMB260.061 billion, representing a year-on-year increase of 25.84%. As of the end of the reporting period, the Company's rediscounting balance was RMB101.161 billion, representing an increase of 22.66% as compared with the end of the previous year, ranking first in the market (data from the China Banking Association).

Transaction banking business

During the reporting period, the Company, in response to the "Digital China (數字中國)" campaign, not only accelerated its own digital transformation, but also focused on the three business scenarios of corporate treasury management, sales and procurement. The Company enhanced products innovation and deepened ecological connection, so as to forge its two major advantages of "digital treasury management" and "digital integration of business and finance". By actively integrating with and empowering the digital transformation of enterprises, the Company explored new growth points for the corporate banking business. During the reporting period, the Company officially launched the "Enterprise Digital Intelligent Finance (企業數智金融)" brand, establishing three major service systems, namely "Online Finance (線上金融)", " Treasury Management Cloud (財資管理雲)" and "Scenario-based Finance (場景金融)", to provide enterprises with intelligent solutions for their efficient operation, cost reduction and efficiency enhancement.

Relying on Fintech, the Company accelerated the online migration of whole-process of corporate banking business and enhanced the convenience and efficiency of "Online Finance (線上金融)" services. During the reporting period, the online operation of the financing business of the Company was further enhanced. Based on digital risk control technology, the Company continued to upgrade its "Flash Series (閃電系列)" of domestic trade finance products to improve the efficiency of short-term financing for enterprises. Furthermore, the Company continued to upgrade the "people + digitalisation" whole-process companion model and explored the introduction of artificial intelligence technology to create a "digital product manager (數字產品經理)", forming a service system of instant response to customer needs for multiple scenarios to improve service efficiency and enhance customer experience. During the reporting period, the letters and certificates issuance business transactions of the Company amounted to RMB488.285 billion, representing a year-on-year increase of 20.49%; the domestic trade financing business volume amounted to RMB1,204.238 billion, representing a year-on-year increase of 29.48%.

Based on the demand for upgrading treasury management under the multi-entity, cross-region and even global business model gradually adopted by enterprises during their business expansion, the Company took the Treasury Management Cloud as the digital service platform for enterprises, and developed the "Single Account Version, Standard Version, Professional Version and Treasury Version (單戶版、標準版、專業版、司庫版)" to completely cover and precisely meet the needs of treasury management and intelligent analysis and decision-making for various enterprises and users at different stages of development, with different size of business, under different management modes and with different roles, thus to assist enterprises in improving their efficiency in allocating financial resources. At the same time, the Company actively responded to the needs of large enterprises to accelerate the construction of treasury systems, built up the core functions of the Treasury Management Cloud and innovatively launched the "consulting + finance + technology (諮詢+金融+科技)" treasury service model, so as to deepen the cooperation with large conglomerates. As of the end of the reporting period, the number of customers of Treasury Management Cloud services reached 477,600, representing an increase of 62.15% as compared with the end of the previous year.

The Company also actively explored the comprehensive digital services for enterprises under the scenario of "integration of business and finance", and developed the "Payment Centre (付款中心)" for procurement scenarios based on the whole procurement service process, providing enterprises with full-cycle digital payment service in respect of integration of business and finance. As for the corporate sales scenarios, the Company relied on the "Corporate Cashier (企業收銀台)" to offer a omni-channel and whole-process unified sales collection service, assisting enterprises with digital upgrade of sales management. The Company developed and further promoted the digital intelligent finance solutions for various industries such as automobile, consumption, pharmaceutical, infrastructure and energy, and created branded services such as "Automobile Cashier (汽車收銀台)" to contribute to the digital transformation of the real economy. During the reporting period, the customers of corporate collection products reached 87,100, representing a year-on-year increase of 38.92%. The transaction amount of corporate collection products was RMB6.28 trillion, representing a year-on-year increase of 47.76%.

Also, the Company continued to innovate the "Cloud-based H2H Connection" model to expand the breadth and depth of the connection between its digital platforms such as the Treasury Management Cloud and the digital systems of enterprises, which facilitated rapid access to the financial services of the Company by customers of mainstream SaaS office platforms. As of the end of the reporting period, the number of customers of the Cloud-based H2H Connection service reached 169,800, representing an increase of 31.93% as compared with the end of the previous year.

Cross-border finance business

During the reporting period, the Company focused on the target customer group of cross-border business, improved product service system, aiming to become the "principal bank for settlement" for customers of cross-border transactions and the "global principal bank" for core customers by implementing operation and management and solidifying foundational capacity building. During the reporting period, the Company recorded USD356.887 billion[20] of international balance of payments for corporate customers, representing an increase of 4.90% based on the same calibre as compared with the previous year. In particular, the balance of payments for corporate customers under trade in goods amounted to USD173.814 billion, representing a year-on-year increase of 9.92%.

Centring on customer group acquisition and operation, the Company made solid progress in customer group construction. The Company established its marketing strategy led by segmentation-based management and supplemented by classification-based management and regional division, thereby consolidating the basic customer groups of trade in goods and consolidating our strengths in serving customers of trade in services and capital account. At the same time, the Company extended its service coverage by leveraging the strengths in providing integrated services at home and abroad to three major customer groups and scenarios, namely the global operation of Chinese enterprises, the foreign invested companies "bringing in" and the overseas capital market.

The Company has fully developed the comprehensive digital and facilitated service system for the cross-border finance business and formed differentiated competitive advantages. In addition, it continued to improve its online service capability for the basic products, carried out the digital transformation of international trade finance business, launched the global cash management service system, deepened the segmentation and classification-based service mechanism in respect of international documents, efficiently operated the international business section of CMB U-Bank and the CMB Corporate APP, and developed a one-stop service platform for its cross-border finance business. During the reporting period, 107,206 customers visited the international business section of CMB U-Bank, representing a year-on-year increase of 98%. The total number of online transactions was 1.5 million, among which, the online replacement rate for key products was over 86%.

The Company reinforced proactive management of risks in key areas and built the solid "first line of defence" for risk management of cross-border business. It also continued to strengthen the closed-loop risk management for products covering the full-life cycle, enhanced risk monitoring in key areas, further optimised the anti-money laundering process, and improved the ability to prevent sanction risks.

Investment banking business

During the reporting period, the Company accelerated the transformation of its investment banking business by building an all-round service system for corporate investment banking and stepping up its role change from a loan provider to a fund originator.

With respect to its bond underwriting business, the Company strove to serve real economy-based enterprises in direct financing and asset revitalisation, with dedication in green finance and sci-tech finance. During the reporting period, the debt financing instruments with the Company as the lead underwriter amounted to RMB591.813 billion, representing a year-on-year decrease of 5.28%, ranked third among its industry peers (based on the data from the National Association of Financial Market Institutional Investors). In particular, the Company ranked first by the size of perpetual bonds and sci-tech innovation notes, second by the size of green bonds and third by the size of asset-backed notes (ABN) among its industry peers.

With respect to its M&A financing business, the Company actively served the industrial integration of real economy-based enterprises and built up the ability to provide systematic services in the capital market throughout the full-life cycle for enterprises. During the reporting period, the Company's M&A financing business volume amounted to RMB193.348 billion, representing a year-on-year increase of 3.71%, ranking first in both book runner and lead arranger in the Asia Pacific M&A syndicate ranking published by Bloomberg.

With respect to its corporate wealth management business, the Company actively responded to fluctuations in the fixed income market, and continued to improve the product system, thereby enhancing customer service experience. During the reporting period, the Company's average daily balance of corporate wealth management products was RMB306.759 billion, representing a year-on-year decrease of 20.32% due to the redemption of bank wealth management products at the beginning of the year, with the reduction narrowed down by 6.41 percentage points from the middle of the year.

With respect to its market transactions (matching services) business, the Company, in collaboration with licenced financial institutions, provided a diverse range of funding services in addition to bank credit, while focusing on the needs of customers. During the reporting period, the Company's market transaction (matching services) amounted to RMB371.405 billion, representing a year-on-year increase of 14.54%.

[20] The data for 2023 is based on the latest calibre of the State Administration of Foreign Exchange.

Financial institution business

With respect to financial institution liability business, during the reporting period, the daily average balance of financial institution deposits of the Company amounted to RMB565.449 billion, representing a year-on-year decrease of 14.79%. The decrease was mainly due to corrections in the equity market, the contraction of the overall bank wealth management market, business restructuring of the trust industry, as well as the Company's refined management and control over the interest-bearing costs and its initiative to reduce high-priced deposits.

With respect to its depository service, the Company's security and future margin depository services were in stable operation. The Company partnered with 106 securities companies in third-party depository services and 16,618,000 customers were secured at the end of the reporting period, representing an increase of 7.39% as compared with the end of the previous year. Also, the Company entered into cooperation with 144 futures companies on fund transfer, securing 423,200 customers at the end of the reporting period, representing an increase of 17.13% as compared with the end of the previous year.

Asset Management Business

As of the end of the reporting period, the total asset management business of CMB Wealth Management, China Merchants Fund, CIGNA & CMAM, and CMB International Capital all being subsidiaries of the Company, amounted to RMB4.48 trillion[21], representing an increase of 1.59% as compared with the end of the previous year. Among them, the balance of wealth management products under management by CMB Wealth Management amounted to RMB2.55 trillion, representing a decrease of 4.49% as compared with the end of the previous year; the scale of asset management business of China Merchants Fund amounted to RMB1.55 trillion, representing an increase of 4.73% as compared with the end of the previous year; the scale of asset management business of CIGNA & CMAM amounted to RMB267.593 billion, representing an increase of 62.44% as compared with the end of the previous year; the scale of asset management business of CMB International Capital amounted to RMB113.466 billion, representing an increase of 8.77% as compared with the end of the previous year.

During the reporting period, CMB Wealth Management promoted the efficient operation of the value cycle chain in accordance with the business strategy of "stabilising scale, adjusting structure and enhancing capacity". **In terms of improving its investment and research capabilities**, it continued to build on its capabilities in terms of asset allocation and multi-strategy investment, while promoting the integration of investment and research, maintaining a reasonable staff arrangement in the investment and research system and continuous improvement in the conversion efficiency of investment and research results. **In terms of increasing its efforts on product innovation**, 20 investment strategies highlighting quality asset allocation have been implemented based on market demands, which were well accepted by the channels and customers. **In terms of enhancing investor experience**, CMB Wealth Management increased the business hours for wealth management products to 24 hours, extending the daily cut-off time for redemption application of cash management products from 15:30 to 24:00, winning favourable recognition from customers. **In terms of improving risk management,** CMB Wealth Management strove to build a comprehensive risk and compliance management system in line with the rules of wealth management and investment following the principle of prudent and sound risk management.

During the reporting period, following the "high-quality development" requirements of mutual funds, China Merchants Fund stabilised performance, expanded growth, improved capabilities, and upheld to the bottom line, and recorded steady progress under the adverse environment prevailing in the fund market. As of the end of the reporting period, the total size of non-money-market mutual funds amounted to RMB575.568 billion, representing an increase of 2.62% as compared with the end of the previous year. **In terms of improving the investment and research capability**, the organisation of industry chain research teams was optimised, the building of a digital investment and research platform was well on track while investment and research capabilities continued to grow. **In terms of product layout,** it insisted on deploying equity products amid the adverse environment, and launched as the industry pioneer the first hybrid valuation product, the shareholder return ETF of Central state-owned enterprises, the manager concession products and the first green bond index product, so as to satisfy the needs of investors through business model innovation. **In terms of customer operations,** China Merchants Fund actively promoted channel and customer base expansion, maintained steady operation of fund investment advisory business, took advantage of the opportunity arising from pension business development, further engaged in customer accompany and investor education, satisfied customers' needs and realised stable growth in business scale. **In terms of basic management,** it strengthened value orientation, optimised human resource management, accelerated to promote the digital transformation, and tightened risk control compliance and operational assurance management to help boost the quality and efficiency of various businesses. No major risk compliance incidents occurred during the reporting period.

21 The total volume of asset management business of China Merchants Fund and CMB International Capital both included the data of their respective subsidiaries.

During the reporting period, CIGNA & CMAM was positioned as a professional and stable long-term capital management institution, adhered to the "customer-centric" value orientation, fully integrated into the Group's strategic layout, and strove to become an asset management institution with core competitiveness. **With regard to the insurance fund fiduciary business,** it viewed enhancement of fiduciary investment returns as the core objective and survival foundation to improve the market competitiveness of insurance products. As of the end of the reporting period, the scale of insurance funds under entrusted management was RMB144.963 billion, representing an increase of 33.15% as compared with the end of the previous year. **In terms of product creation,** CIGNA & CMAM adopted the approach of "upholding fundamental principles and breaking new ground (守正創新)" and conquered challenges to actively seek for new business growth points. During the year, it obtained the issuance qualification under the insurance asset support scheme, and has basically acquired the issuance and management capability for all types of insurance asset management products. Meanwhile, it steadily improved itself in handling the portfolio asset management products, and as of the end of the reporting period, it ranked among the top of the industry in terms of alternative insurance asset management products business. **In terms of operation and risk management,** it proceeded with high-quality ground work, established an efficient operation and management system, continued to improve the comprehensive risk management system, and accelerated the construction of digital infrastructure, with steady progress achieved.

During the reporting period, CMB International Capital closely aligned with the Bank's strategic goal of building a value creation bank by making active business coordination with the Bank and strengthening the linkage mechanism of investment banking and commercial banking to jointly propel high quality development. Notwithstanding the weak capital market in Hong Kong, CMB International Capital completed a total of 30 Hong Kong IPO projects during the reporting period, maintaining its leading position in terms of Hong Kong IPO underwriting business. According to the statistics of Bloomberg in respect of the market share of IPO underwriting in Hong Kong, CMB International Capital ranked third among all the investment banks and first among the investment banks with Chinese banking background as of the end of the reporting period. **In respect of domestic asset management business,** CMB International Capital has focused on the private equity investments business as the core business to consolidate its position in the industry. During the reporting period, four investment projects were successfully listed domestically and overseas by CMB International Capital. Additionally, it ranked the fifth for three consecutive years in the "Zero2IPO Group Top 100 Private Equity Investment Institutions in China (清科中國私募股權投資機構百強榜)" and was considered one of the top tier companies in private equity investment industry with the best performance among the banking PE institutions. **In respect of overseas asset management business,** three investment projects with respect to CMB International Capital's private equity products completed their listing domestically or overseas during the reporting period, and two listed projects were successfully delisted through sound trading strategies. Meanwhile, CMB International Capital has made great efforts to develop monetary mutual funds business. During the reporting period, the issuance of USD money market funds by CMB International Capital was approved by the Hong Kong Securities and Futures Commission, which made the product become the Group's first mutual funds product approved overseas.

Assets custody business

As of the end of the reporting period, the balance of assets under custody of the Company was RMB21.12 trillion, representing an increase of 5.28% as compared with the end of the previous year. The total scale of custody ranked first in the industry (data from the Custody Business Professional Committee under China Banking Association).

Through perseverance with high quality development, the Company aimed to become the first choice of customers in respect of custody banks with core competitiveness. During the reporting period, the Company's custody business reached a new stage of development. The custody customer acquisition capability and comprehensive service capability was continuously improved, and the custody brand influence was constantly enhanced.

Firstly, the Company continued to optimise its business structure, with significant effect in high-quality development. As of the end of the reporting period, the Company's asset management products[22] accounted for 72.02% of its incremental custody size, surpassing the average proportion of the industry by 3.30 percentage points. Among them, the scales of custody of four key businesses, including mutual funds, insurance, pension and cross-border business, increased by 15.07% as compared with the end of previous year, 2.84 percentage points higher than the average increase of the industry.

22 According to the statistical calibre of the Custody Business Professional Committee under China Banking Association, the custody of asset management products includes custody of securities investments funds, customer asset management of fund companies, customer asset management of securities companies, bank wealth management, trust property, private equity investment funds, insurance assets, pension funds, QDII products, QFI products, futures, etc.

Secondly, the Company continued to consolidate its business strengths in various segments, delivering breakthroughs in key products. As of the end of the reporting period, the scale of pension products under the Company's custody totalled to RMB1.05 trillion, a new breakthrough exceeding one trillion. Additionally, the Company continued to rank first in terms of number of public REITs under its custody (data from WIND). During the reporting period, the newly offered mutual funds under the custody by the Company ranked the first in terms of number and scale (data from WIND). During the reporting period, the Company effectively took the market opportunity to finalise the custody of the first batch of cross-border QDII semi-conductor ETF and the first fixed-income QDII-FOF fund.

Thirdly, the Company made active efforts in propelling digitalisation, aiming to enhance customers experience through technology empowerment. The Company kept on raising digital service capabilities, and developed a number of service platforms such as online customer service digital platform, "custody + bank and enterprise" reconciliation platform, "custody + treasury management" cloud platform and "custody + investment" cloud platform to broaden the boundaries of custody service.

Financial markets business

During the reporting period, the Company continued to build on its investment and research capabilities for proprietary investment and service capabilities for trading on behalf of customers, tightened up risk management, and strengthened Fintech application. While serving the real economy, the Company achieved high-quality development in various businesses.

In terms of investment transactions, the Company adhered to prudent operation, actively studied and made judgement on the economic fundamentals of the PRC and the major overseas economies, the trend of inflation and the direction of monetary policy, continued to strengthen macro policy research and market analysis, improved proprietary investments research and analysis framework, strengthened indicator tracking and monitoring, optimised the portfolio structure, and enhanced investments returns. Furthermore, the Company continued to actively provide liquidity to the market in the capacity as a market maker, and continued to strengthen the comprehensive capability of market making and to enhance its quotation and trading services. Also, it closely followed the guidance of national economic strategies, focused on the national industrial structure adjustment, increased its credit bond investment in "specialised, competitive, distinguished and innovative (專精特新)" enterprises and corporate clients in area of new growth engines, thereby assisting the development of strategic emerging industries. During the reporting period, the transaction volume of RMB bond investments amounted to RMB2.79 trillion, representing a year-on-year increase of 21.57%.

In terms of business of tradings on behalf of customers, the Company continued to advocate the concept of neutral management of exchange rate risk to corporate customers, and helped the enterprises to fully understand and manage exchange rate risk in a scientific manner. Also, to fulfill customer needs, the Company provided solutions against financial market risks such as exchange rate and interest rate risks faced by enterprises tailored to their main business scenarios. During the reporting period, the Company provided hedging services to 6,285 companies with a total transaction volume of derivatives to corporate customers amounting to USD64.783 billion.

In terms of digital transformation, the Company continued to promote the in-depth integration of technology and business, and continued to deepen the application of digital technology in its financial markets business. In terms of digital investment and research, the Company has initially studied and developed a multi-factor trading strategy covering bonds, foreign exchange and precious metals, formed a multi-dimensional investment decision-making system covering fundamental, policy and sentiment perspectives and achieved positive progress in the development of its self-developed digital trading platform. The monitoring signals of its self-developed bond investment credit risk management system were increasingly diversified, which effectively improved the foresight and effectiveness of risk identification. The Company accelerated the building of online platforms for business of tradings on behalf of customers, diversified online products, and enhanced the convenience of corporate business processing. During the reporting period, the Company provided online derivative trading services to 5,287 corporate clients, with a total transaction volume of USD22.661 billion.

During the reporting period, the Company continued to actively perform its duties as a market maker, and successfully completed the first batch of standardised interest rate swap trading through National Interbank Funding Centre, and once again received the "Northbound Top Market Maker" award from Bond Connect Company Limited.

3.10.3 Distribution channel

The Company provides products and services via multiple online and offline distribution channels.

Offline channels

The Company's business is mainly in the market of China, and its distribution network is mainly distributed in major central cities in the Chinese mainland and some international financial centres such as China's Hong Kong, New York, London, Singapore, Luxembourg and Sydney. As of the end of the reporting period, the Company has 143 branches and 1,781 sub-branches in China, two branch-level specialised institutions (a credit card centre and a global markets centre), 2,226 self-service banks, 5,281 cash self-service devices and 7,603 visual counters. The Company has a Hong Kong branch in Hong Kong, China, a representative office in Chinese Taipei, a New York branch and a representative office in the United States, a London branch in the UK, a Singapore branch in Singapore, a Luxembourg branch and a Sydney branch in Australia.

Online channels

Major online channels for retail

CMB APP

During the reporting period, the Company continued to deepen its core financial scenario services around extensive wealth management, focusing on the "people + digitalisation" service model, and continuously improving the customer experience of the CMB APP. It also innovatively launched customised wealth products based on users' needs and professional services to further improve the self-service model of online wealth management. The reach of account management services has been expanded revolving around the purpose of becoming customers' principal bank of main accounts, thus improving the account management experience.

As of the end of the reporting period, the cumulative number of users of CMB APP amounted to 207 million. During the reporting period, the maximum number of daily active users of CMB APP reached 21,638,200. The number of monthly active users was 75,054,300 as of the end of the reporting period.

CMB Life APP for Credit Card

During the reporting period, the Company continued to further enhance the customer service and mobilisation capabilities of the CMB Life APP. Focusing on high-frequency consumption scenarios and connecting with quality partners, the Company enriched the online service ecosystem. Also, the Company enhanced interaction efficiency and customer experience with upgraded search, recommendation and other intelligent service capabilities. Furthermore, a series of marketing campaigns such as "618 Save Money to Spend (618 會省才敢花)", "Exceptional Hainan (非常海南)", "Cashback (筆筆返現)" and "Welcome to the New Year with Credit Cards (禮迎新年，刷卡有鯉)" were launched, to build up and continuously improve the ability to mobilise large-scale online and offline customers.

As of the end of the reporting period, the cumulative number of users of CMB Life APP amounted to 144 million. During the reporting period, the maximum number of daily active users of CMB Life APP reached 6,792,300 and the number of monthly active users was 41,975,500 as of the end of the period. In terms of user engagement, CMB Life APP was in the front rank among other credit card APPs in the banking industry.

Network Operation Service

The Company's Network Operation Service Centre provides real-time, comprehensive, prompt, and professional services to its customers via telephone, network, video, etc. and applies intelligent technology to link such services with the processing interface of the CMB APP directly, making the services more convenient.

The Company continued to enrich the service mode and provided a more intuitive service experience by means of images, videos, the same-screen services and other modes to solve complex operational issues. The Company optimised the response speed and processing efficiency in handling "business that are urgent, complicated, distressing and waiting for help" by intelligent dispatch, which made the issues solved in a more efficient manner. The Company further intensified the customised service and warm service for elderly customers to duly fulfill its social responsibilities. During the reporting period, the remote online omni-channel manual service connection rate was 97.26%, the remote online omni-channel manual service response rate within 20 seconds was 92.52%, and the remote online omni-channel customer satisfaction rate was 99.10%. With "people + digitalisation" as the core driving force, the Company fully leverage on Fintech, continued to enhance the service level of intelligent robots, and provided the most suitable solutions for customers through intelligent dispatch.

Smart Service System

In terms of debit card intelligent service system, during the reporting period, the Company continued to optimise the intelligent service network of the CMB APP, and further integrated its artificial intelligence, intelligent customer service and remote consultancy service capabilities to launch the brand new intelligent wealth assistant "Xiao Zhao (小招)" with effective conversation and interaction features, which made it capable of providing customers with one-stop wealth management service such as financial analysis, product selection strategy and yield analysis, etc., supporting for troubleshooting consultation for various business scenarios. Furthermore, "Xiao Zhao (小招)" can be also linked with remote relationship managers to provide customers with customised consultancy services.

In terms of credit card intelligent service system, during the reporting period, the Company continued to push forward the digital and intelligent transformation of customer service for credit card business and improve development of intelligent service management system, so as to enhance comprehensive customer service capabilities. On the one hand, the Company managed to build a new-generation customer contact centre to enhance customer interaction experience and operational efficiency through continuous promotion of service channel synergy and digital services. On the other hand, CMB Life APP "Xiao Zhao (小招)" assistant, through real-time prediction of users' needs, offered new accompanying service with the service image of "Xiao Zhao Miao (小招喵) "as the core, reshaping intelligent services and interaction patterns.

Major wholesale online channels

During the reporting period, the Company focused on the enterprises' demands for digital transformation, adopted "Treasury Management Cloud +" as the main interface to deliver the "Enterprise Digital Intelligent Finance (企業數智金融)" scenario-based services, and transformed the comprehensive customer-oriented product services towards scenario-based turnkey (整車交付) solutions. Firstly, the Company built the Treasury Management Cloud (Single Account Version) to explore a batch operation model comprising online marketing, online delivery and online operation of digital products for corporate customers, making the treasury management services accessible to large conglomerates as well as individual start-up enterprises, so as to take the leading position in digital services. Secondly, with the two major service channels of CMB Corporate U-Bank and CMB Corporate APP, the Company continued to upgrade its channel service capability. During the reporting period, the Company launched the upgraded 6.0 version of the Mobile Treasury on CMB Corporate APP catering to the core needs of legal persons, executives and other key personnel of enterprises, and provided them with convenient treasury management service via the mobile terminals. Thirdly, highlighting core financial scenarios such as cross-border, Special Service Section for Specific Scenario, financing and wealth management, the Company built "Treasury Management Cloud + Special Service Section for Specific Scenario (財資管理雲+場景專區服務)" based on customers' perspective. As of the end of the reporting period, the Company had 2,713,700 wholesale customers on the online channels, representing an increase of 13.43% as compared with the end of previous year. The coverage rate of wholesale customers on the online channels was 96.21%, representing an increase of 1.50 percentage points as compared with the end of previous year. The Company had 1,696,900 monthly active customers of wholesale online channels, representing a year-on-year increase of 11.68%; the total number of wholesale online channel transactions handled by the Company reached 412 million, representing a year-on-year increase of 26.38%; and the total value of wholesale online channel transactions amounted to RMB210.22 trillion, representing a year-on-year increase of 20.37%.

3.10.4 Overseas branches

Hong Kong Branch

Established in 2002, the Hong Kong Branch of the Company is the first branch duly established overseas by the Company, which can engage in comprehensive commercial banking businesses. With regard to corporate banking business, the Hong Kong Branch provides diversified corporate banking products and services, such as deposit-taking, settlement, trade financing, bilateral loans, syndicated loans, cross-border M&A comprehensive solutions, asset management and asset custody, and engages in transaction of funds, bond trading and foreign exchange trading with financial institutions, and conducts funds clearing and asset transfer with financial institution customers. With respect to retail banking, the Hong Kong Branch can provide personal banking services and private wealth management services for customers. Featured products include "Hong Kong All-in-one Card" and "Hong Kong Bank-Securities Express".

During the reporting period, the Hong Kong Branch optimised its business structure, focused on customer group construction, continuously innovated and developed featured businesses while expanding and strengthening its traditional banking business, and increased investment in quality assets by capitalising on the interest rate hike, enhanced compliance and risk management, and achieved stable growth in efficiency while maintaining good control over asset quality. During the reporting period, the Hong Kong Branch achieved a net operating income of HKD3.552 billion.

New York Branch

Established in 2008, the New York Branch of the Company is the first branch of Chinese banks approved in the U.S. since the implementation of U.S. Foreign Bank Supervision Enhancement Act in 1991. The New York Branch is located in the global financial centre and is committed to establishing a cross-border financial platform characterised by coordination between China and the U.S., so as to offer diversified and all-round banking services for the companies in China and the U.S. Such services and products mainly include: deposit-taking, settlement, foreign exchange transactions, international documents, trade financing, bilateral loans, syndicated loans, working capital financing, M&A financing, privatisation financing, fund financing, etc. At the same time, the New York Branch actively builds a global service network for private banking customers and provides high-quality non-financial value-added services for high-net-worth private banking customers.

During the reporting period, the New York Branch achieved notable results regarding customer base expansion, origination of quality asset, and digital transformation. During the reporting period, the New York Branch achieved a net operating income of USD91.7710 million.

Singapore Branch

Established in 2013, the Singapore Branch of the Company is positioned as a significant cross-border finance platform in Southeast Asia. Based in Singapore and expanding to Southeast Asia, the Singapore Branch takes cross-border finance and wealth management as its core businesses. In terms of cross-border finance business, the Singapore branch strives to provide all-round one-stop solutions to the Chinese companies "going global" and the foreign companies "brought in" located in Singapore and other Southeast Asian countries. The main services and products of the Singapore Branch include: deposit-taking, settlement, foreign exchange transactions, trade financing, syndicated loans, M&A financing and delisting financing. In terms of wealth management business, the Private Banking (Singapore) Centre provided private banking products and value-added services with integrated investment and financing services, such as cash management, asset allocation and wealth inheritance to high-net-worth customers.

During the reporting period, the Singapore Branch has practiced the strategy of "building a value creation bank" and broadened the range of its customer services focusing on strategic customers "going global", while assisting the branch's characteristic operation with regional advantages, to create value in diversified businesses. During the reporting period, the Singapore Branch achieved a net operating income of USD22.4820 million.

Luxembourg Branch

The Luxembourg Branch of the Company, established in 2015, is positioned as an important cross-border financial platform in the continental Europe, providing comprehensive cross-border one-stop financial solutions to Chinese companies "going global" and the companies "brought in" located in Europe. Its main services and products include: deposit-taking, lending, project financing, trade financing, M&A financing, M&A consulting, bond underwriting and asset management. The branch is also committed to building a business platform in Europe by combining the advantages of the Bank and European characteristics.

During the reporting period, the Luxembourg Branch clarified its strategic orientation, optimised its customer structure, and cemented its business roots. During the reporting period, the Luxembourg Branch achieved a net operating income of EUR36.8897 million.

London Branch

Established in 2016, the London Branch of the Company is the first branch approved to be established in the United Kingdom among all Chinese joint-stock commercial banks, providing comprehensive cross-border one-stop financial solutions to Chinese companies "going global" and leading companies "brought in" located in the UK. The main services and products of the London Branch include: deposit-taking, settlement, foreign exchange transactions, trade financing, bilateral loans, syndicated loans and M&A financing. At the same time, the London Branch actively builds a global service network for private banking customers and provides high-quality non-financial value-added services for high-net worth private banking customers.

During the reporting period, the London Branch adhered to a value-oriented strategy by emphasising on origination of quality asset and building a value-based customer group, deepening business restructuring and optimising customer structure, and solidifying the foundations of risk and compliance management, therefore achieving steady progress in its overall business operations amid stability. During the reporting period, the London Branch achieved a net operating income of USD19.6287 million.

Sydney Branch

The Sydney Branch of the Company was established in 2017 and is the first branch approved to be established in Australia among all Chinese joint-stock commercial banks. Based on the overall requirement of "steady growth, improved quality and efficiency, enhanced foundation, featured business and risk prevention", the Sydney Branch adheres to the high-quality development path guided by our values and managed to get a foothold in businesses derived from China-Australia economic, trade and investment exchanges. The Sydney Branch focuses on the needs of the strategic customers and top-tiered customers of Australia and New Zealand, creating value for customers through providing two-way cross-border financial services. The main services and products of the Sydney Branch include: settlement, foreign exchange transactions, trade financing, M&A financing and commitment business, project financing, syndicated loans and fund financing. At the same time, the branch actively builds a global service network for private banking customers and provides high-quality non-financial value-added services for high-net-worth private banking customers.

During the reporting period, the Sydney Branch promoted the balanced business development with origination of high-quality asset. During the reporting period, the Sydney Branch achieved a net operating income of AUD58.3127 million.

3.10.5 Major subsidiaries

The Company exercises the rights of shareholders in compliance with the law, keeps on strengthening the comprehensive control over the corporate governance, capital management, risk management, financial management and other aspects of its subsidiaries, and capitalises on the synergy of comprehensive operation to enhance the Group's capabilities of providing comprehensive financial services to customers while achieving their own high-quality growth.

CMB Wing Lung Bank

Founded in 1933, CMB Wing Lung Bank has a registered capital of HKD1.161 billion, and it is a wholly-owned subsidiary of the Company in Hong Kong. CMB Wing Lung Bank provides customers with diversified banking products and services, including retail and private banking, corporate banking and other banking businesses. CMB Wing Lung Bank also provides asset management and insurance brokerage services through its subsidiaries..

As of the end of the reporting period, the total assets of CMB Wing Lung Group amounted to HKD426.640 billion. Total equity attributable to shareholders amounted to HKD46.392 billion. During the reporting period, CMB Wing Lung Group realised a net profit attributable to shareholders of HKD1.605 billion. For detailed financial information on CMB Wing Lung Group, please refer to the 2023 annual results of CMB Wing Lung Bank, which is published on the website of CMB Wing Lung Bank (www.cmbwinglungbank.com).

CMB Financial Leasing

CMB Financial Leasing is a wholly-owned subsidiary established by the Company in 2008 with a registered capital of RMB12 billion. It meets the needs of lessees to purchase equipment, promote sales, revitalise assets, balance tax burden and improve financial structure through 10 major financial solutions relating to aviation, shipping, energy, infrastructure, equipment manufacturing, environment, health, culture and tourism, public transportation and logistics, intelligent interconnect and integrated circuit and leasing industry, etc.

As of the end of the reporting period, the total assets of CMB Financial Leasing were RMB290.794 billion and the net assets were RMB33.111 billion. During the reporting period, the net profit was RMB3.675 billion.

CMB International Capital

Established in 1993, CMB International Capital is a wholly-owned subsidiary of the Company in Hong Kong with a registered capital of HKD4.129 billion. At present, the business scope of CMB International Capital and its subsidiaries mainly covers corporate finance, asset management, wealth management, global market business and structured finance.

As of the end of the reporting period, the total assets of CMB International Capital amounted to HKD69.714 billion, and its net assets amounted to HKD13.146 billion. During the reporting period, it realised a net profit of HKD1.152 billion.

CMB Wealth Management

CMB Wealth Management was officially opened in 2019, and its business scope includes issuing wealth management products, providing wealth management advisory and consulting services and other businesses approved by regulatory authorities. As of the end of the reporting period, the registered capital of CMB Wealth Management was approximately RMB5.556 billion. The Company and JPMorgan Asset Management (Asia Pacific) Limited hold 90% and 10% of its shares respectively.

As of the end of the reporting period, CMB Wealth Management had total assets of RMB21.062 billion and net assets of RMB20.135 billion. During the reporting period, the net profit was RMB3.190 billion.

China Merchants Fund

Established in 2002, China Merchants Fund has a registered capital of RMB1.31 billion. As of the end of the reporting period, the Company and China Merchants Securities Co., Ltd. held 55% and 45% of China Merchants Fund's shares, respectively. The business scope of China Merchants Fund covers fund establishment, fund management and other operations approved by the CSRC.

As of the end of the reporting period, the total assets of China Merchants Fund amounted to RMB14.151 billion, and its net assets amounted to RMB9.325 billion. It realised a net profit of RMB1.753 billion during the reporting period.

CIGNA & CMAM

CIGNA & CMAM was established in 2020 with a registered capital of RMB500 million, and it is an indirectly owned subsidiary of the Company, which is owned as to 87.3458% and 12.6542% by CIGNA & CMB Life Insurance, a joint venture of the Company, and CMB International Capital, a subsidiary of the Company, respectively. The business scope of CIGNA & CMAM includes entrusted management of client's funds, issuance of insurance asset management products and asset management related consultation business.

As of the end of the reporting period, CIGNA & CMAM had total assets of RMB920 million, with net assets of RMB713 million and a net profit of RMB108 million during the reporting period.

CMB Europe S.A.

CMB Europe S.A. was approved to be established in 2021 with a registered capital of EUR100 million (the Company made an additional capital injection of EUR50 million to CMB Europe S.A. in June 2023). It is a wholly-owned subsidiary of the Company in Europe and the regional headquarter of the Company in continental Europe. CMB Europe S.A. will be fully integrated into the Company's extensive wealth management system and leverage its full licence advantage to provide its customers with diversified financial products and services such as cross-border financing, M&A finance, private banking, investment management, financial markets, bond underwriting, trade financing, and operates and allocates the global assets of enterprises and individuals.

As of the end of the reporting period, CMB Europe S.A. had total assets of EUR118 million and net assets of EUR92 million.

3.10.6 Major joint ventures[23]

CIGNA & CMB Life Insurance

CIGNA & CMB Life Insurance, a joint venture of the Company, was established in 2003 with a registered capital of RMB2.8 billion. As of the end of the reporting period, the Company held 50% shares in CIGNA & CMB Life Insurance and Cigna Health and Life Insurance Company held the other 50% shares. CIGNA & CMB Life Insurance is mainly engaged in insurance businesses such as life insurance, health insurance, accident injury insurance and the reinsurance of the above insurances.

As of the end of the reporting period, the total assets of CIGNA & CMB Life Insurance amounted to RMB165.340 billion, and its net assets amounted to RMB9.855 billion. During the reporting period, CIGNA & CMB Life Insurance realised a net profit of RMB429 million.

23 The major joint ventures of the Company include CIGNA & CMB Life Insurance and Merchants Union Consumer Finance, and their financial data have been adjusted in accordance with the accounting policies of the Group, where necessary.

Merchants Union Consumer Finance

Merchants Union Consumer Finance, a joint venture of the Company, was established in 2015 with a registered capital of RMB10.0 billion. As of the end of the reporting period, the Company held 50% shares in Merchants Union Consumer Finance and China United Network Communications Limited held the other 50% shares. Upon the approval from regulatory authorities, Merchants Union Consumer Finance completed the registration of the change of its Chinese name from "招聯消費金融有限公司" to "招聯消費金融股份有限公司" in July 2023. Merchants Union Consumer Finance is mainly engaged in the granting of personal consumer loans.

As of the end of the reporting period, the total assets of Merchants Union Consumer Finance amounted to RMB176.421 billion and the net assets were RMB20.367 billion. It realised a net profit of RMB3.600 billion during the reporting period.

3.11 Risk Management

The Company adhered to a solid and prudent risk culture and risk appetite, and was dedicated to building a fortress-style overall risk and compliance management system. The Risk and Compliance Management Committee of the Head Office is responsible for reviewing and determining the most significant bank-wide risk management policies under the framework of risk appetite, strategies, policies and authorisations approved by the Board of Directors.

During the reporting period, the Company maintained strategic determination, and continued to increase its support to the real economy. The Company prevented and mitigated risks, consolidated management foundation, improved digital risk control capabilities, and continued to promote the construction of a fortress-style risk and compliance management system.

3.11.1 Credit risk management

Credit risk refers to the risk arising from a bank's borrowers or counterparties failing to perform their obligations as agreed. The Company adhered to the concept of balanced returns and risks and the prudent business strategy in which risks can be ultimately covered by capital, pursued the dynamically balanced development of "Quality, Profitability and Scale", implemented a unified credit risk preference, optimised the full-life cycle credit risk management process, continuously upgraded credit risk management tools, reinforced the construction of three lines of defence and strengthened risk management capability, so as to prevent and reduce credit risk loss.

During the reporting period, the Company closely monitored the macroeconomic situation, actively responded to the changes, rigorously upheld the bottom line and took a number of initiatives to ensure stable asset quality. Firstly, the Company has strengthened the risk management of domestic and overseas branches and subsidiaries, established a branch-based risk profile rating system, put in place the framework and principles for risk management in subsidiaries, and further consolidated the risk management foundation. Secondly, the Company improved the risk management system, tightened risk management for its off-balance sheet business in strict accordance with regulatory requirements, optimised administrative measures such as the centralised system of credit granting and credit facility management over group customers, and consolidated the foundation of the risk management system for extensive wealth management. Thirdly, the Company carried out strict management in key risk areas, especially strengthening the closed-loop management in the real estate sector. The Company conducted risk screening targeting key industries and key customer groups and enhanced differentiated and refined risk management capabilities. Fourthly, based on the current situation with a long-term perspective, and revolving around the strategy of "dynamic rebalancing" of industries, regions and customer bases, the Company strengthened research on key industries relying on industry self-organisation, built on its professional capabilities, improved policy adaptability and promoted the implementation of "one branch, one policy" principle of list-based customer management for assets business, so as to optimise the asset origination and support the high-quality development of the real economy. Fifthly, the Company enhanced its efforts in disposal of non-performing loans, focused on key risk items, implemented different measures based on different categories, expanded the channels for disposal of non-performing assets, and improved the quality and efficiency of settlement, collection and disposal. Sixthly, the Company enhanced the application of Fintech, optimised the risk management system, enhanced the risk measurement capability and promoted the digital transformation of risk management.

For more information about the Company's credit risk management, please refer to Note 60(a) to the financial statements.

3.11.2 Management of large risk exposure

In accordance with the Rules on Large Exposure of Commercial Banks 《商業銀行大額風險暴露管理辦法》, large exposure refers to the credit risk exposure (including various credit risk exposures in the banking book and trading book) to a single customer or a group of related customers of a commercial bank that exceeds 2.5% of its net Tier 1 capital. The Company has incorporated large risk exposure management into its overall risk management system, continued to improve customer credit management requirements, continued to streamline risk exposure measurement rules, dynamically monitored changes in large risk exposures by way of Fintech, and reported regularly on large risk exposure indicators and related management work to regulatory authorities, so as to effectively control customer concentration risks. As of the end of the reporting period, other than customers with regulatory exemption, single non-financial institution customers, group non-financial institution customers, single financial institution customers and group financial institution customers of the Company that reached the standards of large risk exposure were all in compliance with the regulatory requirements.

3.11.3 Country risk management

Country risks represent the risks of political, economic, social changes and incidents in a country or region that may cause debtors in that country or region to be unable or unwilling to fulfill their obligations to banks, or incur losses to commercial presences of the Company in that country or region, or other losses to the Company in that country or region.

The Company strictly implemented relevant regulatory requirements and followed the principles of soundness and prudence, established a country risk management system compatible with strategic objectives, risk profile and complexity, and incorporated country risk management into its overall risk management system so as to promptly identify, measure, evaluate, monitor, report, control and mitigate country risks, assess the country risk ratings in a regular manner and implement limit management, while guiding business to tilt in favour of relatively-low-risk countries or regions. Major matters involving country risk management strategies and policies were submitted to the Board of Directors for consideration and approval.

During the reporting period, the global geopolitical conflict continued. In the face of increasingly complex and volatile international political and economic situation, the Company dynamically updated the country risk rating according to the risk changes, tightened the monitoring and limit control of country risk and strictly restricted the growth of business in high-risk countries. At of the end of the reporting period, the Company's country risk exposure was mainly concentrated in relatively-low-risk countries or regions. The country risk would not have a significant impact on the Company's business operation.

3.11.4 Market risk management

The Company's market risk arises from trading book and banking book, and the interest rate risk and exchange rate risk are the major market risks faced by the Company.

Interest rate risk management

Trading book

The Company uses volume indicators, market risk value indicators (VaR, covering interest rate risk factors of various currencies and durations relating to trading book business), interest rate stress testing loss indicators, interest rate-sensitive indicators and accumulative loss indicators, to measure, monitor and manage the interest rate risk of trading book. The interest rate risk factors used for risk measurement cover all businesses under the trading book, and are comprised of around 200 interest rate indicators or bond yield curves. VaR includes general VaR and stressed VaR, which are both calculated using the historical simulation method and adopt a confidence coefficient of 99%, an observation period of 250 days and a holding period of 10 days. The interest rate stress testing scenarios include the parallel move, steep move and twisted change of interest rates at various degrees and various unfavourable market scenarios designed on the characteristics of investment portfolios. Among them, the extreme interest rate scenario may move up to 300 basis points and cover the extremely unfavourable conditions of the market. Major interest rate sensibility indicator reflects the duration of bonds and the change in the market value of bonds and interest rate derivatives PV01 (when an interest rate fluctuates unfavourably by 1 basis point). As for routine risk management, the annual scope of authorisation and the market risk limits for the interest rate risk businesses under the trading book are set in accordance with the risk appetite, operation plan and risk prediction of the Board of Directors at the beginning of the year for which the Market Risk Management Department is responsible for routine monitoring and continuous reporting.

During the reporting period, the Sino-US interest rate spread inverted under the weight of continued interest rate hikes by the US Federal Reserve, with the RMB interest rate demonstrating an overall downward trend, while the U.S. dollar interest rate fluctuated with an upward trend and remained at high levels. The scope of investment in the Company's trading books mainly covered RMB bonds. The Company generally adopted a prudent trading strategy and prudent risk control measures to ensure that all interest rate risk indicators of the trading book remained within the target range.

Banking book

In accordance with external regulatory requirements and internal banking book interest rate risk management policies, the Company has established and continuously improved the banking book interest rate risk management system, clarified the interest rate risk governance structure and established the management process of interest rate risk identification, measurement, monitoring, control and reporting. The Company mainly adopts the re-pricing gap analysis, duration analysis, benchmark-correlated analysis, scenario simulation and other methods to measure and analyse the interest rate risk of banking book on a monthly basis. The re-pricing gap analysis mainly monitors the distribution of re-pricing duration and mismatch of assets and liabilities; the duration analysis monitors the duration of major product types and the change in the duration gap of assets and liabilities of the Bank as a whole; the benchmark-correlated analysis assesses the benchmark risk existing between different pricing benchmark interest rate curves, as well as between the different duration points on each of such curves based on the benchmark-correlated coefficients calculated using our internal models; the scenario simulation is the major approach for the Company to conduct interest rate risk analysis and measurement, which comprises a number of ordinary scenarios and stress scenarios, including the interest rate benchmark impact, the parallel move and the change in the shape of yield curves, the extreme changes in interest rates in history, and the most possible changes in interest rates in the future as judged by experts and other scenarios. The net interest income (NII) for the future one year and the changes in economic value of equity (EVE) indicator are calculated through simulation of the scenario of changes in interest rates. The NII fluctuation ratio and the EVE fluctuation ratio of certain scenarios are included into the interest rate risk limit system of the Bank. In addition, the internal limit indicator system is included into the standardised measurement indicators set out in the Guidelines on the Management of Interest Rate Risk of Banking Book of Commercial Banks (Revised).

Adhering to a neutral and prudent interest rate risk preference, the Company pays close attention to changes in the external environment and internal interest rate risk exposure structure, predicts and analyses interest rate trends based on macro-quantitative models and experts' research and judgement, prospectively deploys active interest rate risk management strategies and adjusts them flexibly. During the reporting period, the Company constantly monitored and analysed various interest rate risks, especially the gap risk in the context of the LPR downturn and the benchmark risk caused by inconsistent changes of deposit and loan interest rates, and adjusted the structure of assets and liabilities on the balance sheet and hedged interest rate derivatives off the balance sheet to manage risks. As of the end of the reporting period, the Company's on- and off-balance-sheet management measures were carried out as planned, the interest rate risk level was controlled within the annual interest rate risk control target range, and various indicators including the stress test results were kept within the limits and warning values. The banking book interest rate risk was generally controllable.

Exchange rate risk management

Trading book

The Company uses risk exposure indicator, market risk value indicator (VaR, covering foreign exchange rate risk factors of various currencies related to transactions on the trading book), the exchange loss indicator under stress test, option-sensitive indicator and accumulated loss indicator to conduct risk measurement and monitoring management. As for risk measurement, the selected exchange rate risk factor is applied on spot prices, forward prices and volatilities in all transaction currencies under the trading book. Market value risk indicators comprise general market value at risk and stress market value at risk, and are calculated using historical simulation based on a confidence coefficient of 99%, an observation period of 250 days and a holding period of 10 days. Exchange rate stress test scenarios cover 5%, 10%, 15% or more adverse changes in every transaction currency against RMB, and changed volatility of foreign exchange options. Major option-sensitive indicators include Delta, Gamma, Vega and other indicators. For routine management, we set annual limits on authority associated with exchange rate risks under the trading book and relevant market exposure at the beginning of the year according to the risk appetite, business planning and risk forecast of the Board of Directors, and delegated the Market Risk Management Department to perform routine monitoring and on-going reporting.

During the reporting period, RMB generally demonstrated a trend of "initially appreciation followed by a depreciation", with an accumulated depreciation once by as much as over 5.5% against the U.S. dollar. The depreciation of RMB narrowed to approximately 2.0% towards the end of the year as the US Federal Reserve suspended interest rate hikes resulting in decline of foreign exchange rate. The Company's trading book mainly obtained the spread income through the foreign exchange business on behalf of customers, and implemented rigorous internal control and management through a well-established and efficient management system, and closely monitored changes of limit indicators such as sensitivity index and stop-loss indicator. All exchange rate risk indicators of the Company's trading book were within the target range as of the end of the reporting period.

Banking book

The Company mainly uses foreign exchange exposure analysis, scenario simulation analysis, stress test, and other methods for measurement and analysis of exchange rate risk of its banking book. The foreign exchange exposure measurement uses the short-sided method, the correlation approach and the aggregation approach; scenario simulation and stress test analysis are two important exchange rate risk management tools of the Company for managing foreign exchange rate risk, covering the standard scenario, historical scenario, forward scenario and stress scenario, which include scenarios such as spot and forward exchange rate fluctuations and historical extreme exchange rate fluctuations of various currencies, each scenario could simulate the impact on the Company's profit or loss. The effects of certain scenario simulation on the profit and loss and its percentage to net capital as a limit indicator are taken as reference in the routine management. The Company conducts back-testing and assessment on relevant model parameters on a regular basis to verify the effectiveness of measurement models.

The Company regularly measures and analyses foreign exchange exposure of banking book and scenario simulation results, monitors and reports exchange rate risk on a monthly basis under its quota limit framework, and adjusts its foreign exchange exposure accordingly based on the trend of foreign exchange movements, so as to mitigate the relevant foreign exchange risk of banking book. The Audit Department of the Company is responsible for auditing of our exchange rate risk.

During the reporting period, the Company paid close attention to exchange rate movements, took initiative to analyse the impact of exchange rate changes in light of the macroeconomic conditions at home and abroad, and proposed a balance sheet optimisation program as a scientific reference for the management's decision-making. During the reporting period, the Company increased its efforts to monitor and analyse foreign exchange exposure and imposed a stringent control over the scale of foreign exchange risk exposure. The Company was prudent about the exchange rate risk. As of the end of the reporting period, the scale of foreign exchange exposure of the Company's banking book was at a relatively low level. The exchange rate risk of the Company was generally stable with all the core limit indicators, general scenarios and stress testing results satisfying the regulatory limit requirement.

For more information about the Company's market risk management, please refer to Note 60(b) to the financial statements.

3.11.5 Operational risk management

Operational risk refers to the risk of loss arising from inappropriate or problematic internal procedures, incompetent personnel or IT systems, or external events. In view of the various aspects and wide range of operational risks, the Company's operational risk management will, based on the principles of cost-revenue matching and input-output balance, vigorously strengthen the establishment of operational risk management system, implement internal control system, continue to carry out various businesses steadily and reduce or prevent operational risk losses with a certain level of cost. In the process of operational risk management, within the risk limits set by the Board of Directors, the Company will, through measures such as further improving the risk management mechanism, strengthening risk prevention and control in key areas, conducting in-depth risk monitoring and pre-warning, improving assessment and evaluation mechanism, and cultivating operational risk prevention culture, further improve operational risk management capabilities and effectiveness, and prevent and reduce operational risk losses.

During the reporting period, by striving for the goal of preventing losses arising from systematic operational risk and major operational risk, the Company continued to improve its operational risk management system. Firstly, the Company carried out the implementation of the new Basel III operational risk standards at the group level, took the contents of the Basel III reform plan as a benchmark, and further improved the level of operational risk management. Secondly, the Company strengthened risk prevention and control in key areas, carried out special investigation on agency clearing and settlement and other businesses and put forward management measures and suggestions. Thirdly, the Company kept improving the operational risk management system, carried out system platform reconstruction and development and data migration, launched the new operational risk portal system within the Group in a comprehensive manner, continued to strengthen the construction and application of system tools and accelerated the digitalisation process of the operational risk management. Fourthly, the Company strengthened the second line of defence of information technology risk and business continuity management, and carried out informational technology process inspection, external events analysis and organised business continuity risk assessment. Fifthly, the Company arranged for the Head Office, branches and subsidiaries to carry out centralised training for operational risk management and organising corresponding examination for the personnel holding relevant positions of operational risk management throughout the Bank, and issuing newsletters on operational risk management, so as to enhance the awareness of operational risk prevention at the Head Office, branches and subsidiaries.

3.11.6 Liquidity risk management

Liquidity risk refers to the risk that the Company is unable to obtain sufficient funds at a reasonable cost in a timely manner to grow its assets, pay maturing debts and perform other payment obligations. The liquidity risk management of the Company is based on the principles of prudence, foresight and comprehensiveness, which is more appropriate for the current development stage of the Company. The current liquidity risk management policies and systems of the Company have satisfied the regulatory requirements and its own management needs.

Based on the principle of separating policy-making, strategy implementation and supervision of liquidity risk management, the Company has established a liquidity risk management governance structure under which the roles, responsibilities and reporting lines of the Board of Directors, the Risk and Capital Management Committee, the Board of Supervisors, senior management, special committees and relevant departments are segregated to ensure the effectiveness of liquidity risk management.

During the reporting period, the central bank kept on adopting a prudent monetary policy, and the inter-bank market maintained reasonable and sufficient liquidity. Based on the analysis of macroeconomic and market trends, the Company dynamically quantified and forecasted the future risk situation, and proactively laid out the asset liability management strategy to achieve the balance between risk and yield. Firstly, the Company constantly promoted the steady growth of customer deposits with multiple measures adopted to enhance the origination and support of assets, constantly optimised the asset-liability structure, realising the smooth operation of assets and liabilities. Secondly, the Company strengthened forward-looking forecasts of liquidity indicators, flexibly carried out active liability management of treasury based on the operation of deposit and loan business and indicators, expanded diversified financing channels, stabilised the sources of long-term liabilities through bond issuance and other means. Thirdly, the Company strengthened the management of monetary market trading strategies to maintain sufficient liquidity reserves, actively conducted open market transactions and played the role of a primary dealer. Fourthly, the Company strengthened liquidity risk monitoring and management for business lines, overseas branches and subsidiaries with reasonable control of maturity mismatches. Fifthly, the Company continued to carry out emergency management, tested and improved the liquidity emergency plan and effectively improved the ability to respond to liquidity risk events through regular liquidity risk emergency drills.

As of the end of the reporting period, all liquidity indicators of the Company met the regulatory requirements and the Company had sufficient funding sources to meet the needs of sustainable and healthy development of its business. In accordance with the requirements of the PBOC, the Company's RMB statutory deposit reserve ratio was 7%, and the foreign exchange statutory deposit reserve ratio was 4%. The Company's liquidity indicators operated well. Deposits maintained steady growth. Liquidity reserves were sufficient and overall liquidity was at a safe level.

For more information about the Company's liquidity risk management, please refer to Note 60(c) to the financial statements.

3.11.7 Reputational risk management

Reputational risk refers to the risk that the Company might be negatively evaluated by relevant stakeholders, the public and the media due to behaviours of the Company and its employees or external incidents, which is detrimental to the brand value and normal operation of the Company, or, to the extent, be exposed to the risks involving market and social stability. Reputational risk management is an important part of the corporate governance and the overall risk management system of the Company, covering all activities, operations and businesses undertaken by the Company and its subsidiaries. The Company has established and formulated the reputational risk management rules and system by taking the initiatives to effectively prevent the reputational risk and coping with any incidents in relation to reputation, so as to reduce loss and negative impact to the greatest extent.

During the reporting period, the Company strictly fulfilled the requirements of the Rules on Reputational Risk Management of Banking and Insurance Institutions, further developed the reputational risk management system following the management principles of forward-looking, full-coverage, matching and effectiveness, and enhanced its capability of managing reputational risk. Firstly, by implementing the requirements of "stability", the Company adhered to the reputational risk management concept of prevention comes first and strengthened inspection, early warning and prompting to reduce potential reputational risks at source. Secondly, the Company enhanced the precision and frequency of public opinion events, aiming to realise early intervention in public opinion and to stop the fermentation of reputational risk events. Thirdly, the Company established a mechanism to analyse the causes of problems at source on the basis of proper handling of public opinion, and promoted the improvement of operation and management by virtue of such public opinion. Fourthly, the Company strengthened empowerment and improved the reputational risk management abilities of branches and subsidiaries through online training, case promotion, emergency drills and other means.

3.11.8 Compliance risk management

Compliance risk refers to the risk of being subject to legal sanctions, regulatory punishments, material financial losses, and reputational loss as a result of the failure to observe the laws, rules and standards. The Company set up three lines of defence for compliance risk management comprising business lines, compliance management department and auditing department through the establishment of a reticulate management structure comprising the Risk and Capital Management Committee under the Board of Directors, the risk and compliance management committee, heads of compliance, compliance officers as well as compliance supervisors of the Head Office and its branches, thereby forming a compliance management organisational system with sound organisation, clearly-defined rights and responsibilities, reasonable work allocation and mutual coordination and collaboration. Meanwhile, through system management, compliance risk assessment and monitoring, construction of compliance culture, management of employees behavior and system building, the Company continuously improved compliance risk management techniques and optimised management procedures and established a complete and effective compliance risk management system to achieve effective control of compliance risks.

During the reporting period, the Company strictly complied with relevant laws and regulations and continued to consolidate its "fortress-style" internal control and compliance management system through various measures. The Company effectively identified, evaluated and prevented the compliance risk of new products, new businesses and major projects, continued to strengthen the interpretation and conveyance of the new regulations, and carried out the internalisation of external regulations in a timely manner. The Company further promoted compliance culture, and carried out "Compliance for 2023" culture promotion activity. The Company tightened up supervision, inspection, rectification and accountability procedures by setting up inspection and supervision teams in the Legal Compliance Department of branches and assigning additional inspectors. The Company empowered digital transformation of internal control and compliance management with technology, laying a solid foundation for the high-quality development of the Company.

3.11.9 Money laundering risk management

Money laundering risk refers to the risk that the Company may be exposed to because of being used by the three types of activities, namely "money laundering", "terrorist financing" and "proliferation financing" in the course of conducting business and managing operations. The Company has established a relatively sound money laundering risk management mechanism, including a money laundering risk management structure with clear responsibilities assumed by the Board of Directors, the Board of Supervisors, senior management, functional departments, branches and subsidiaries, an anti-money laundering system with comprehensive coverage, an effectively operated risk assessment and dynamic monitoring mechanism, scientific and reasonable anti-money laundering data governance, targeted management of customers and businesses associated with high risks, advanced and efficient IT system support, independent inspection and auditing, as well as continuous anti-money laundering training and promotion, so as to provide compliance guarantee for the Company's stable operations.

During the reporting period, the Company proactively fulfilled its anti-money laundering obligations and constantly improved the quality and effectiveness of its money laundering risk management. The Company optimised the money laundering risk management policies and procedures, and improved the anti-money laundering mechanism in strict compliance with the laws and regulations and regulatory requirements in relation to anti-money laundering. The Company continued to strengthen the money laundering risk management for customers and products, focusing on the identification, assessment and management of customers and products associated with high risk. The Company improved the tools for monitoring suspicious transactions and endeavoured to enhance the quality and efficiency of suspicious transaction monitoring and analysis. The Company continued to increase technology input in key anti-money laundering fields, and continued to promote the implementation of the Group's anti-money laundering system in the overseas branches and subsidiaries, so as to safeguard the unified implementation of the Group's anti-money laundering policies in the overseas branches and subsidiaries.

3.12 Outlook and Coping Tactics

In 2023, against the backdrop of economic recovery, while facing the pressure of weakening expectations, insufficient demand and declining interest rate spreads, China's banking industry adhered to carrying out sound operations, actively implementing macroeconomic control policies, increasing efforts to serve the real economy, maintaining a rapid growth of asset scale, while the net operating income was under pressure. China's banking industry also focused on mitigating risks in key areas, maintaining stable asset quality, while holding the bottom line to avoid systemic financial risks.

Looking forward to 2024, the economic growth of the Europe and the U.S. may slow down slightly as compared with 2023. Among which, the U.S. economy will still remain resilient, leading to a possible marginal fall in the inflation, and the end of interest rate hike cycle of the U.S. dollar with limited rate cuts.

On the domestic front, the economic growth momentum is expected to improve and stabilise in 2024. The growth rate of fixed assets investment is expected to further increase, consumption will be steadily restored, and the momentum will return to the potential level. The export is expected to grow moderately. Macroeconomic policies will intensify counter-cyclical and cross-cyclical adjustments. Fiscal policies will be moderately strengthened and improved in terms of quality and efficiency. Monetary policies will be flexible, appropriate, accurate and effective. The innovation and coordination of policy tools will be strengthened to stabilise expectations, growth and employment, thereby bringing development opportunities to the banking industry.

According to the current policies and economic expectations analysis, the Company plans to increase loans and advances to customers by 8% approximately and customer deposits by around 10% in 2024.

In 2024, challenges and opportunities in the external environment coexist. The Company will maintain its strategic development focus, while accurately identifying changes, scientifically making response, and proactively seeking transformation. The Company will continue to promote the strategy of building a value creation bank with adherence to the development goal of creating greater value for customers, employees, shareholders, partners and the society, insist on the development philosophy which "takes quality as the foundation and profitability as priority, while maintaining moderate scale and reasonable structure" as well as differentiated and characteristic development path, accelerate the establishment of a new high-quality development model driven by strict management and securing growth while upholding fundamental principles and breaking new ground (守正創新), so as to strive for a world-class value creation bank, and make contribution to the development of financial industry with Chinese characteristics.

The first is to enhance the quality and efficiency of serving the real economy and to firmly adhere to the direction for high-quality development. By adapting to the shift in China's economic growth momentum and the acceleration of modern industrial system formation, the Company will boost its support for key areas and weak areas in the real economy. Focusing on the sci-tech finance, green finance, inclusive finance, retirement finance and digital finance, the Company will accelerate the systematic deployment and enhance the market competitiveness to achieve volume growth and quality improvement. Based on China's national strategy to promote coordinated development of regional economies, the Company will promote the enhancement of service quality and efficiency of branches in key regions. In the course of serving the demand of the real economy and people's livelihood, the Company will continue to optimise its customer structure, business structure and asset structure.

The second is to push forward balanced and coordinated development of the four major business segments and to forge advantages in high-quality development. Adhering to the positioning of retail finance as the "comprehensive platform of the wealth ecosystem, ballast stone of asset business, driving force of the flywheel effect and pilot of value creation", the Company will consolidate and expand the advantages of retail finance systemisation, and play the strategic main role of retail finance to a further extent. The Company will continue to develop featured financial services of corporate banking business, upgrade customer operation and service models, thereby enhancing differentiated competitive advantages. The Company will promote the improvement of capabilities of investment banking and financial market business and reinforce specialised, systematic and ecological services, while stepping up transformation and upgrading of the wealth management and asset management segment to accelerate the shaping of Malik growth curve.

The third is to consolidate a fortress-style overall risk and compliance management system to strengthen the guarantee for high quality development. The Company will continuously improve mechanism construction, constantly consolidate the "Six All" comprehensive risk management system, strengthen forward-looking judgement of risks, and smoothly operate the prompt response mechanism from risk identification to risk disposal. The Company will also strengthen the prevention and mitigation of risks in key areas and weak areas such as real estate, local debts as well as small- and medium-sized financial institutions. The Company will enhance management empowerment, and carry out differentiated empowerment based on the actual risk management situation of its domestic and overseas branches and subsidiaries. The Company will also intensify internal control compliance management, make increasing efforts to develop compliance culture and improve its management capability in respect of sanction and money laundering risks.

The fourth is to uphold fundamental principles and break new ground (守正創新) and to enhance the momentum for high-quality development. Focusing on the needs of the nation and the needs of customers, with technology and talents as the engine, the Company will promote the generation, implementation and upgrading of more innovative achievements. The Company will continue to build a "Digital CMB", and accelerate the transition from "Online CMB" to "Smart CMB". Focusing on "technology + products", "people + digitalisation" and "AI + finance", the Company will accelerate the promotion of product innovation, business innovation, model innovation and management innovation, consolidate the existing advantages and create new advantages in more segments, so as to achieve differentiated and featured development.

The fifth is to strengthen strict management and build on the capability for high-quality development. The Company will establish and improve a standardised, refined, empowering, systematic and scientific management system to create an intensive development mode, so as to provide guarantee for the construction of a world-class commercial bank with first-class management standards. The Company will carry forward strict and standardised management culture adhering to the principle of "all business activities must be governed by policies, all policies must be implemented with inspections, and all inspections must be followed by accountability investigations", so as to strengthen management standardisation. By attaining to the broad and great while addressing the delicate and minute, thorough consideration and pursuit of excellence, the Company will strengthen its management of cost, assets and liabilities as well as subsidiaries, so as to enhance management refinement. By improving working style and transforming management concept, the Company will enhance its support and assistance to the frontline, so as to enhance management empowerment. By establishing systematic thinking and improving comprehensive policy implementation capability, the Company will balance its multiple objectives, so as to enhance systematic management. The Company will incorporate long-term principle, strategy orientation, problem orientation and objective orientation into all aspects of operation management, so as to enhance scientific management level.

Resolutely implementing ESG philosophy to make the beautiful world sustainable

Environmental, Social and Governance (ESG)

4.1 ESG Review

The Company adheres to the concept of social responsibility of "originating from society and repaying society", takes "being committed to sustainable finance, promoting sustainable value and contributing to sustainable development" as the sustainable development goal, integrates the concept of Environmental, Social and Governance (ESG) into the daily operation and management of the Company, constantly improves the sustainable development management mechanism, fully communicates with stakeholders, effectively fulfills corporate social responsibility and continuously promotes high-quality financial development.

In 2023, the Company's MSCI ESG rating remained grade A. In 2023, the Company achieved the social contribution value of RMB17.04 per share[24] (calculated on the Group's statistical calibre), and the total amount of external donations of the Company was RMB115 million.

For further information on the ESG of the Company, please refer to China Merchants Bank Co., Ltd. Sustainability Report 2023 published on the websites of the Shanghai Stock Exchange, Hong Kong Exchanges and Clearing Limited and the Company.

4.2 Environmental Information

The Company keeps on promoting green finance and green operation and building a green home. During the reporting period, the Company did not have any environmental violations.

4.2.1 Green finance

The Company actively integrated itself into the national green development strategy. During the reporting period, the Company released the "CMB Green Finance" brand, which is in line with the green development of the Company, with an aim to realise green value creation. In addition, it published the "Sustainable Finance Report under 'Dual Carbon' Goal" (《"雙碳"背景下的可持續金融報告》) to provide guidance on implementing the green finance business strategy. Moreover, the Company incorporated green finance concept into the main direction of the Company's financial development, with a view to building a green financial service system to help achieve the "dual carbon" goal in China. During the reporting period, the Company further increased the provision of green financial services focusing on green deposits, green credits, ESG bonds, green wealth management, green investment, green consumption and others.

In terms of green deposit and green credit, the Company launched innovative green deposit products, while increasing the funds allocation to the green sector, with a focus on energy conservation and environmental protection, clean production, clean energy, ecological environment, green upgrade of infrastructure, green services and other sectors. During the reporting period, the Company's green deposits[25] amount was RMB917 million with a closing balance of RMB420 million. As of the end of the reporting period, the Company's balance of green loans was RMB447.765 billion, representing an increase of 26.00% as compared with the end of the previous year. During the reporting period, the Company granted RMB370 million of carbon emission reduction-linked loans. During the reporting period, CMB Financial Leasing, a subsidiary of the Company, granted loans of RMB54.721 billion in green leasing, accounting for 49.67% of the total loans granted by CMB Financial Leasing, with a closing balance for green leasing of RMB121.500 billion, representing an increase of 15.31% as compared with the end of the previous year.

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24 Social contribution value per share = basic earnings per share + (taxes paid + employee expenses + interest expenses + total external donations)/total share capital of ordinary shares at the end of the period.

25 Green deposit is a green finance product that raises funds for sustainable projects of green economy, helping drive the economic transition to low carbon, climate change adapted and sustainable development.

With respect to ESG bonds, during the reporting period, the Company issued the world's first floating-rate blue bond overseas with an issuing scale of USD400 million. The proceeds raised will be applied to support sustainable water resources management and offshore wind power projects, contributing to water ecological protection, marine renewable energy and marine economic construction. As of the end of the reporting period, the balance of the Company's existing domestic green bonds amounted to RMB15.000 billion, and the balance of existing overseas ESG bonds amounted to USD1.900 billion. During the reporting period, the Company served as leading underwriter for 41 green bonds and underwrote RMB27.073 billion in those bonds. During the reporting period, CMB International Capital, a subsidiary of the Company, assisted 11 enterprises to issue 11 green bonds, with a fundraising scale of USD5.980 billion.

In terms of green wealth management, as of the end of the reporting period, the Company had a total of 7 existing ESG-themed wealth management products from its agency distribution, with a balance of RMB3.718 billion. CMB Wealth Management, a subsidiary of the Company, issued 4 ESG-concept wealth management products in total, with an existing fund size of RMB1.730 billion.

In terms of green investment, the Company's subsidiaries effectively practised the ESG investment philosophy. CMB Wealth Management prioritised the investment in green finance products such as green finance bonds, green enterprise bonds, green debt financing instruments and green asset-backed securities, with a balance of green bonds investment of RMB29.286 billion as of the end of the reporting period. China Merchants Fund insisted on taking social responsibility, ESG guidelines and "dual carbon" strategy as the main direction of product deployment, and constantly improved the product spectrum of ESG funds. During the reporting period, it focused on the issuance of China Merchants Social Responsibility Mixed Fund and China Merchants CFETS Green Bond Index Fund, the first green bond index product in the industry. As of the end of the report period, China Merchants Fund had a total of 10 existing ESG-related products, with an existing fund size of RMB9.321 billion, representing an increase of 154.53% as compared with the end of the previous year. CMB International Capital actively promoted the transformation, upgrading and sustainable development of the green industry, and invested in 8 green finance industry projects with an amount of totalling RMB735 million during the reporting period.

In terms of promoting green consumption, the Company strengthened proactive marketing to customers in environmental-friendly and green properties, advanced the granting of green micro-finance loans, and proactively explored green consumption business innovation. During the reporting period, the Company issued the green and low-carbon themed credit card which is integrated with a number of exclusive rights and interests regarding environmental protection. The Company also increased its financial support to new energy vehicles, created the "e-second car purchase" green finance product, simplified the application process for new energy vehicle instalments, pioneered the dedicated service model for new energy business, and worked with new energy vehicle shops to provide customers with one-stop services from shop entry to vehicle delivery and vehicle registration, so as to facilitate green consumption.

4.2.2 Green operation

The Company continued to promote the establishment of smart service system. By strengthening smart service capabilities, enriching online services, and optimising service points, the Company provided convenient digital financial services to hundred-million customers to effectively reduce the frequency of customers going to physical outlets for business, thereby decreasing carbon emissions from customer travel. The Company encouraged credit card customers to accept electronic bills and continued to upgrade and optimise reconciliation across various online channels, as well as guided customers to check their accounts quickly through self-service channels. As of the end of the reporting period, with the proportion of credit card electronic bill reaching 99.57%, the Company saved more than 1.893 billion pieces of paper in billing during the reporting period.

The Company adhered to the concept of "green operation", striving to reduce the impact of operation on the environment. During the reporting period, starting with sorting out our carbon footprint to identify carbon emission sources, the Company conducted a comprehensive inventory of all carbon emission sources of over 1,900 organisations across the Bank over the past three years benchmarking against general international standards, and grasped the energy management mechanism and consumption of each organisation. The Company assessed the potential for carbon emission reduction based on the results of the inventory, so as to formulate carbon emission reduction measures. From the perspectives of energy management, water resources management, paper management, waste management and other dimensions, the Company implemented various emission reduction measures according to local conditions, and effectively promoted the green transformation of its operations.

In terms of energy management, as of the end of the reporting period, the online energy management platform achieved automatic collection and real-time monitoring of the power energy consumption data of 54 Head Office and branch office buildings and 172 sub-branch offices. Through a series of energy-saving measures and continuous refinement of management, the energy consumption per square metre of the Head Office Tower was 118.98kwh/(㎡•a) in 2023, which was reduced to below the constraint value as published in the "Guangdong Province Standard for Energy Consumption of Public Buildings", and successfully passed the assessment of "Three-Star Green Property Management Project" in Shenzhen. The Pinghu Data Centre in Shenzhen and Zhangjiang Data Centre in Shanghai reduced power consumption by about 10.82 million kWh a year through various measures such as AI controlled tuning of the chilled water system, use of natural cooling sources, highly airtight cold and hot aisles, intelligent speed-regulated operation of precision air conditioners, and intelligent lighting.

In terms of water resources management, the Company earnestly carried out water conservation publicity campaign and water conservation sign posting; completed direct drinking fountain renovation in the break room and removed barrelled water; reduced the use of bottled water during meetings and receptions; installed additional air-conditioning condensate recycling equipment with the processed air-conditioning condensate as a source of water for the atrium pool; adopted infrared-detecting human-sensor faucets and water-saving toilets; and used high-pressure scrubbers and sweeping robots to sweep the floor of the plaza and lobbies to enhance the efficiency of water resource utilisation.

In terms of paper management, the Company actively carried out daily paper-saving publicity campaign, advocated double-sided printing, adopted shared printers monitoring and other measures to reduce paper-wasting behaviours; reduced the consumption of all kinds of materials for meetings, such as disposable paper cups and tissues; and used big data and cloud storage instead of paper archives, and reduced the use of paper documents through system module construction. During the reporting period, through continuously promoting straight-through business processes and digitalisation of counter service agreements, the Company saved approximately 69.96 million pieces of paper, achieving energy saving and carbon emission reduction of 181.90 tonnes.

In terms of waste management, the Company has set up various treatment methods for different types of wastes to ensure that wastes are treated in a timely and scientific manner. During the reporting period, the Company standardised the garbage storage sites on the office floors of the Head Office Tower to achieve full-process compliance management of garbage classification at the Head Office Tower; advocated the "Clean Your Plate" campaign and promoted the "Against Food Waste" work. During the reporting period, food waste for the five restaurants at the Head Office decreased by 9.81% year-on-year.

4.3 Social Responsibility Information

4.3.1 Serving the real economy

In promoting coordinated regional development, the Company took the initiative to serve the national major strategies for regional development by relying on the "One Entire Bank for One Customer (全行服務一家)" cross-regional synergy mechanism, improving the credit policy for industries with regional advantages, strengthening coordinated regional exchanges, and establishing green channels for major projects, so as to enhance the efficiency of services for key customers and projects in key regions, and to promote the economic development of key regions such as Beijing-Tianjin-Hebei region, the Yangtze River Delta region, the Chengdu-Chongqing Economic Circle, and the Guangdong-Hong Kong-Macao Greater Bay Area.

The Company took Fintech as the main direction of serving the real economy, further focusing on serving sci-tech enterprises and making significant achievements in Fintech. As of the end of the reporting period, the balance of the loans extended to the manufacturing industry of the Company was RMB555.102 billion, representing an increase of RMB111.250 billion as compared with the end of the previous year, accounting for 23.91% of the total corporate loans, representing an increase of 2.75 percentage points as compared with the end of the previous year. The balance of loans to strategic emerging industries was RMB375.097 billion, representing an increase of RMB72.774 billion as compared with the end of the previous year, accounting for 16.16% of the total corporate loans, representing an increase of 1.74 percentage points as compared with the end of the previous year. As of the end of the reporting period, the Company served 140,800 customers of sci-tech enterprises, with the balance of loans to sci-tech enterprises amounting to RMB428.477 billion, representing an increase of 44.95% as compared with the end of the previous year.

The Company continued to optimise the top-level design for inclusive finance development, constructed a long-term mechanism for inclusive finance development and reinforced its financial support for private small- and micro-sized enterprises. As of the end of the reporting period, the balance of the Company's inclusive small- and micro-sized enterprises loans was RMB804.279 billion, representing an increase of 18.56% as compared with the end of the previous year; and the number of inclusive small- and micro-enterprises with loan balance was 1,004,500, representing an increase of 13,800 as compared with the end of the previous year.

The Company actively supported the comprehensive promotion of rural revitalisation by increasing its grants in agriculture-related loans to promote the integrated development of urban and rural areas. As of the end of the reporting period, the balance of the Company's agriculture-related loans amounted to RMB269.282 billion, representing an increase of 15.43% as compared with the end of the previous year, of which the balance of inclusive agriculture-related loans amounted to RMB17.821 billion, representing an increase of 29.73% as compared with the end of the previous year.

CMB Wealth Management, a subsidiary of the Company, continuously directed the capital flows towards the real economy, especially to support the financing of enterprises in scientific and technological innovation, infrastructure and energy fields that are in line with economic transformation and upgrading. As of the end of the reporting period, the business balance of CMB Wealth Management's wealth management investment assets supporting the real economy amounted to RMB1.88 trillion.

CMB International Capital, a subsidiary of the Company, made full use of its differentiated professional advantages to provide corporate clients with comprehensive financial services such as sponsoring and underwriting of listing in Hong Kong, placing and rights issue of listed companies, bond issuance, asset management and financial advisory, contributing to the high-quality development of the real economy.

CMB Financial Leasing, a subsidiary of the Company, fully implemented the integration of industry and finance, cooperated with a number of shipyards and local shipbuilding enterprises under the three major state-owned shipbuilding groups in China, namely China Merchants Industry Holdings Co., Ltd., China State Shipbuilding Corporation Limited and COSCO SHIPPING Heavy Industry Co., Ltd., and built a total of more than 100 ships, with a balance of assets of approximately RMB18.0 billion, actively supporting the development of shipbuilding enterprises in China.

4.3.2 Support the improvement of people's livelihood

The Company is committed to helping solve the shortcomings in education, housing, old-age care, medical care and other areas of people's livelihood, and investing financial resources in key areas that people attach great importance to.

In the field of education, the Company will continuously provide agency settlement services for students with locally-granted student loan from China Development Bank for 5 years from 2022, including online account opening, loan issuance, identity verification for renewal application, loan repayment, etc., so as to build a full-process, full-cycle, omni-channel service system for the locally-granted student loan project of China Development Bank. During the reporting period, the Company granted national student loans exceeding RMB10 billion to over a million students.

In the field of housing, the Company actively cooperated with various provinces and cities on the contribution to the housing provident fund for flexible employment personnel, assisted in the establishment of the contribution and loan system, information system and business process applicable to flexible employment personnel, aiming to benefit more people with housing provident fund system. As at the end of the reporting period, the Company cooperated with 22 housing provident fund centres on the contribution to the housing provident fund for flexible employment personnel. At the same time, the Company actively built AI intelligent customer service, intelligent approval platform, business fund management and other digital products and services, helping local housing provident fund centres to improve their digital and intelligent level of operation, service and management, and providing 7×24 uninterrupted services to employees who make contributions to housing provident fund. As at the end of the reporting period, the Company engaged in digital cooperation with 96 housing provident fund centres. As one of the banks cooperating with the Ministry of Housing and Urban-Rural Development on the National Housing Provident Fund Mini Programme, the Company served 6.12 million users during the reporting period.

In the field of medical security, the Company promoted the application of medical insurance code and upgraded the service experiences, such as the QR code display by long-pressing the CMB APP icon, inquiries for designated medical institutions and designated pharmacies and account transaction notification. As the first batch of cooperative banks for the medical insurance API interface, the Company completed the development and launch of new functions to enhance online service capability of medical insurance for the convenience of the public. As at the end of the reporting period, a total of 24.9681 million electronic medical insurance vouchers were activated, serving 14.2350 million insured persons.

Please refer to section 3.10.2 "Retirement finance business" of this report for details of retirement finance business.

4.3.3 Accessibility to financial services

The Company continuously iterated and upgraded the "people + digitalisation" service model, improved the customer service system and focused on meeting the financial and non-financial needs of people in areas where offline outlets are unable to cover by further promoting the service capacity construction of online tools, such as CMB APP and CMB Life APP.

The Company adopted "control over total number of branches and optimisation of existing branches" as the strategy and policy of its domestic branches layout. During the reporting period, the number of business outlets increased by 25. The Company has now 1,924 domestic business outlets, including 128 business outlets in rural and county areas and 134 community and small-sized sub-branches. Meanwhile, more than 70 existing business outlets were relocated for optimisation to further stimulate the vitality of existing outlets, expand the service coverage of outlets and improve financial service capabilities.

The Company paid attention to the needs of the elderly, disabled and other special groups. All domestic business outlets supported barrier-free services and deployed convenient service facilities, providing services for special groups by setting up ramps for the disabled, barrier-free access telephone signs, one-click call buttons, wheelchairs for the disabled and other measures.

For elderly customers, the Company provided convenient and caring services, and introduced a personalised service menu and service process in 95555 hotline to help them quickly access to manual service lines for the elderly. During the reporting period, the Company provided elderly customers with 252,300 telephone and text quick-access services, with a dedicated telephone line access rate of 97.23% and a customer satisfaction rate of 98.63%. The Company provided one-to-one same-screen operation guidance service for elderly customers in the CMB APP "Elder Version" to make service more intuitive and convenient. As at the end of the reporting period, the customers using the CMB APP "Elder Version" reached 1.0925 million.

For customers with disabilities, the Company provided sign language service in visible counter service. The customers with disabilities can input passwords by themselves, then the special customer service personnel will verify information and provide business consultation and handling service in sign language.

For customers working as Meituan food delivery riders, the Company, together with Meituan Financial Service Platform, created an exclusive bank card product for riders of Meituan to enhance riders' sense of achievement. The Company optimised the account opening process and customer information inquiry interface, and launched the "New Citizen Financial Service" to enable riders to quickly search for convenient entries such as payment of utilities fees, and conveniently access to wealth management, loan, insurance and other services.

4.3.4 Information security and privacy protection

The Information Security Management Committee of the Company is responsible for the overall planning and organisation of network security and data security across the Bank. The Information Security Management Committee has set up a data security team led by the Information Technology Department at the Head Office, which is composed of the leaders in charge of data security and data security administrators from over 40 departments at the Head Office, to oversee and implement various key areas of data security. The Information Technology Department at the Head Office, as a leading management department for network security, is responsible for the Group's network security management under the leadership of the Information Security Management Committee. The Information Technology Department at the Head Office, the Risk Management Department at the Head Office and audit departments at all levels assume the responsibilities of the first, second and third lines of defence for network and data security management.

For retail customers, the Company attaches great importance to customer privacy protection and data security management, and actively implements national laws and regulations such as the Personal Information Protection Law of the People's Republic of China to make every effort to protect customer information security. In terms of the acquisition and use of personal information, the Company adheres to the principles of legal compliance, minimum necessity, openness and transparency, honesty and good faith, quality assurance and safety protection, and further improves the security protection system covering the whole life cycle of personal information processing, as well as the treatment mechanisms for supervision and inspection of personal information protection, personal information complaint channels and others, and effectively implements the tiered and classified authorisation management of users, strictly controlling the scope of authorisation for personal information inquiry, strengthening the safety impact assessment and management on the use of personal information, standardising the approval management of personal information use. The Company regularly evaluated the privacy compliance of CMB APP for individual customers to ensure that the "Privacy Policy for Retail Business and APP Users of CMB " and business practices are in compliance with relevant laws and regulations. At the same time, the Privacy Policy is published on the relevant service pages of official website and the CMB APP, through which the customer is clearly informed of the type of information collected and the use of the information. In addition, the Company conducts internal control and compliance inspection, strengthens the publicity and education on personal information protection, and carries out emergency drills on personal information security incidents, so as to enhance the awareness of personal information protection of customers and employees, strictly prevent the risk of data leakage, and gradually improve the management of customer information protection.

For corporate customers, the Company has formulated the "Management Measures for Users of Wholesale Customer Relationship Management System", which requires users of wholesale customer relationship management system (CRM) to properly use customer-related information in the system, strictly abide by relevant national laws and regulations and the information security management system in the industry, and strictly prohibit the disclosure to unrelated personnel; strictly control sensitive information such as customer contact information, account balance, account transaction, customer marketing trajectory, and authorise the use of sensitive information on demand according to different levels and classifications. In the event of data leakage that results in severe consequences, the relevant parties will be punished according to the internal regulations, while direct supervisors will be held accountable. The Company has formulated the "Operating Procedures for Outsourcing of Online Business for Corporate Customers", which requires suppliers to safeguard the security of customer information. The Company will promptly terminate cooperation when customer information is unsafe or customer rights are affected.

During the reporting period, the Company did not have any major incident of internet security, information security or privacy leakage.

4.3.5 Consumer rights protection

The Company attaches great importance to the protection of consumer rights, fulfills requirements of various laws and regulations, financial policies and regulatory bodies for the protection of consumer rights, constantly strengthens the construction of the consumer rights protection system and mechanism, improves the complaint handling mechanism, increases the promotion and guidance of financial knowledge, increases trainings on consumer rights protection, and exerts itself to build the work pattern of "comprehensive consumer rights protection" to promote the high-quality development of consumer rights protection.

During the reporting period, the Board of Directors and Related Party Transactions Management and Consumer Rights Protection Committee of the Company organised and held meetings to consider 17 issues of consumer rights protection, conducted one on-site investigation, reviewed reports on the development of consumer rights protection and the management of complaints, reviewed the annual work plan of consumer rights protection, supervised the management in implementing regulatory requirements, and continuously consolidated the management foundation of consumer rights protection. The management incorporated the guidance on the implementation of consumer rights protection work into the regular performance of duties, took the lead in listening to customer complaints and promoted the traceability and rectification of problems; reviewed the Bank's problem and complaint analysis reports monthly and held special meetings regularly to continuously promote the Company to include consumer rights protection into corporate governance, corporate culture construction and business development strategies.

During the reporting period, the Company further improved the internal assessment mechanism for the consumer rights protection, built a "one horizontal aspect and four vertical aspects" assessment system for the consumer rights protection, which will be included in the comprehensive performance assessment of business organisation horizontally and included in the assessment of the company, retail, operation, consumer rights protection and other lines vertically, so as to carry out comprehensive, objective and fair evaluation on the consumer rights protection of all business departments and branches across the Bank, and give full play to the pulling effect of evaluation.

During the reporting period, the Company incorporated the concept of consumer rights protection into the design stage of products and services. Throughout the year, a total of 144,500 consumer rights protection reviews were completed, with a coverage rate of products and services of 100% and an adoption rate of consumer rights protection suggestions of 99.47%. The Company identified and corrected the potential issues that may harm consumer rights in financial products and services timely before their launch, and effectively played the role in risk prevention.

During the reporting period, the Company firmly carried out financial knowledge promotion and guidance activities, increased the relevance of education and publicity, and improved the financial literacy of consumers through daily and centralised promotion activities. The Company innovated working methods and reached "massive" consumer groups through its own promotional channels with over a hundred million monthly active users. During the reporting period, the Company carried out 18,300 online and offline promotion and guidance activities across the Bank, reaching consumers for 555 million times.

During the reporting period, the Company advanced its digital transformation of consumer rights protection, introduced big data and artificial intelligence technologies to optimise the complaint monitoring system, developed multi-dimensional data analysis reports, improved the ability to trace and rectify complaint and the ability to improve business value; revised and issued the "Management Measures for Customer Complaint of China Merchants Bank (Seventh Edition)" (《招商銀行客戶投訴管理辦法(第七版)》), further improved the diversified mechanism for resolving disputes and continuously enhanced the efficiency of consumer complaint resolution.

During the reporting period, the Company received a total of 160,334[26] complaints from regulatory authorities transfer, 95555 customer complaints channel, Credit Card Centre as well as other channels within the whole bank, of which 45.98% of the complaints were related to debit card business, 18.73% were related to loan business, 18.19% were related to credit card business, 5.16% were related to agency businesses, and 11.94% were related to payment and settlement, foreign exchange, precious metals, personal financial information and other business.

26 All of the above data excludes complaints in the account management, negotiated repayment, credit reporting and billing standards.

The distribution by region is shown in the table below.

Region	Number of complaints	Region	Number of complaints	Region	Number of complaints	Region	Number of complaints
Shanghai[(1)]	38,847	Qingdao	2,847	Dongguan	1,388	Wuxi	762
Shenzhen[(2)]	29,396	Chongqing	2,676	Ningbo	1,343	Hohhot	750
Beijing	13,943	Chengdu	2,557	Xiamen	1,268	Nanning	712
Wuhan	7,093	Harbin	2,322	Foshan	1,227	Nantong	552
Guangzhou	5,231	Hefei	2,292	Kunming	1,221	Guiyang	520
Nanjing	4,927	Changsha	2,065	Taiyuan	1,169	Yinchuan	439
Hangzhou	4,509	Nanchang	2,054	Changchun	1,067	Haikou	391
Xi'an	4,353	Suzhou	2,012	Yantai	1,041	Quanzhou	374
Tianjin	3,755	Zhengzhou	1,997	Urumqi	1,014	Wenzhou	315
Shenyang	3,130	Dalian	1,905	Shijiazhuang	978	Tangshan	279
Jinan	3,036	Fuzhou	1,494	Lanzhou	916	Xining	167

Notes:

(1) Including complaints from credit card users.

(2) Including complaints from Head Office departments.

4.3.6 Human resources development

In terms of recruitment management, the Company does not judge candidates on the basis of factors unrelated to their personal qualities and working abilities, such as gender, age, ethnicity, nationality, religion, family status, and stipulates that discriminatory descriptions such as image, gender, birthplace and marital and childbearing status are strictly prohibited in external recruitment announcements.

In terms of remuneration management, the Company adheres to the principle of gender equality in remuneration and benefits, and sticks to the notion that gender is not a factor affecting remuneration and benefits. The total annual remuneration of employees includes regular remuneration, contingent remuneration and benefits. The Company adjusts the salary standard of different posts according to the market situation and provides employees with competitive remuneration.

In terms of career development paths, the Company has constantly improved a dual-channel development system for employees with management capabilities or professionalism, which has changed the single and narrow management staff promotion channel.

In terms of performance assessment and evaluation, the Company has established a "performance + ability" two-dimensional performance assessment system covering all employees, and formed a full-process performance management system covering goal-setting, process guidance, performance appraisal and results communication through reasonable use of 360-degree evaluation and other assessment tools, which can evaluate employee performance scientifically and comprehensively.

In terms of employee training, the Company innovated a training system with different levels and types of trainings, adopting diversified training methods through a combination of online and offline training to meet the needs of employees at different levels for professional development and to promote professional ability building across the Bank. In terms of new employee training, during the reporting period, a new employee empowerment platform was built, 11 mandatory courses for new employees were introduced, and new employees were organised to go to the subsidiaries for field studies so as to deepen their understanding of the Company's strategy. In terms of professional ability training for employees, the Company promoted the mechanism of "work permit", expanded the list of professional qualification certification beyond the Bank, enhanced the professional ability of the training team, optimised various talent development programmes, and strengthened the reserve and cultivation of international talents. In terms of training for management staff, the Company formulated training programmes for senior management and middle-level and front-line management staff targeting on different levels and classifications of management staff, covering leadership enhancement, digital innovation and so on.

4.3.7 Rural revitalisation

The Company continued to promote targeted rural revitalisation assistance programme, and formulated the "CMB 2023 Rural Revitalisation Work Plan" (《招商銀行 2023 年鄉村振興幫扶工作計劃》) by focusing on the general approach of "pavement for education, healthcare security, industrial support, human settlements construction", which defines the objectives, targets of the assistance and work measures, exploring new assistance ways with the times and consolidating and expanding the results in poverty alleviation.

The Company focused on industry, education, medical treatment, ecology, talent and other areas that are related to people's well-being. In line with the development plan of Wuding and Yongren counties in Yunnan, the Company focused on creating a new supporting model incorporating "products + platforms + cooperatives + farmers" and special brands such as "Sunny Yongren" and "Luowu Hometown" to help the development of characteristic agricultural products industry. The Company also helped improving local educational conditions, actively recruiting a team of distinguished teachers and increasing the level of education development. The Company increased the investment in medical infrastructure in the two counties, and established a sound medical service system; carried out the rural construction featuring "beauty of environment, production, life and culture" in seven villages; and organised various trainings to promote the construction of a talent pool for rural revitalisation and development in the two counties through talent assistance. During the reporting period, 65 projects were implemented in Wuding and Yongren counties in Yunnan, with a direct investment of RMB54.5800 million.

4.4 Governance Information

The Company continues to promote the improvement of the corporate governance mechanism, improve the corporate governance level and adhere to the concept of stable business development and prudent risk management. The Company proactively steps up efforts to support the real economy, serves the national strategies, fulfills social responsibilities, and serves the transformation and upgrading of the national economy and the people's aspirations for a better life with its own high-quality development. The core of the Company's corporate governance mechanism is to adhere to the leadership of the Party, and integrate the leadership of the Party into all aspects of corporate governance. The key to the Company's corporate governance mechanism is to adhere to the principle of president assuming full responsibility under the leadership of the Board of Directors, the market-based talent selection and employment mechanism, and the remuneration incentive mechanism. The Company has established a complete system of discussion and management authorisation, whereby the president is responsible to the Board of Directors and the Board of Directors is accountable to the Shareholders' General Meeting. The Company's shareholding structure is reasonable and the shareholders' behaviours are regulated. The Shareholders' General Meeting, the Board of Directors, the Board of Supervisors and the senior management maintain separate roles and responsibilities, clear division of labour and close collaboration among them as well as checks and balances on the other, which provides a fundamental guarantee for the long-term, healthy and sustainable development of the Company.

During the reporting period, the Board of Directors of the Company proactively performed its relevant duties in inclusive finance, green finance, data governance, human resources, consumer rights protection and social responsibilities. The Board of Directors officially renamed the "Strategy Committee of the Board of Directors" to the "Strategy and Sustainable Development Committee of the Board of Directors" to strengthen its role in coordinating the fulfillment of ESG responsibilities. During the reporting period, the Board of Directors and its relevant special committees reviewed the "2022 Sustainable Development Report", the "China Merchants Bank's '14th Five-Year' Strategic Plan (Revised Edition)", the "Inclusive Finance Development for 2022 and Work Plan for 2023", the "Human Resources Management and Talent Strategy Implementation Report for 2022", the "Data Governance Work Summary for 2022 and Work Plan for 2023", the "Employee Behaviour Evaluation Report for 2022", the "Report on the Development of Internet Loans for 2022 and Work Plan for 2023", the "Report on the Protection of Consumer Rights and Interests for 2022", the "2022 Consumer Complaint Analysis Report", the full text and summary of 2022 Annual Report, the full text and summary of 2023 Interim Report, and other relevant proposals to ensure the implementation of development strategy, inclusive finance, green finance, human capital, and consumer rights protection across the Bank. The Bank continued to deepen the practice of sustainable development, and worked together with stakeholders to achieve high-quality development in pursuit of higher quality, more efficiency, fairness, sustainability and security.

During the reporting period, the Board of Supervisors of the Company studied and reviewed the "China Merchants Bank's '14th Five-Year' Strategic Plan (Revised Edition)", the "Inclusive Finance Development for 2022 and Work Plan for 2023", the "Data Governance Work Summary for 2022 and Work Plan for 2023", the "Employee Behaviour Evaluation Report for 2022", the "Report on the Development of Internet Loans for 2022 and Work Plan for 2023", the "Report on the Protection of Consumer Rights and Interests for 2022", the "2022 Consumer Complaint Analysis Report", the "2022 Sustainable Development Report", the full text and summary of 2022 Annual Report, the full text and summary of 2023 Interim Report, and other proposals to supervise key areas including inclusive finance, green finance, data governance, consumer rights protection and social responsibilities, while focusing on the Board of Directors and senior management's duty performance on the aforesaid issues, effectively fulfilling its supervisory responsibilities.

For more details on corporate governance, please refer to Chapter V.

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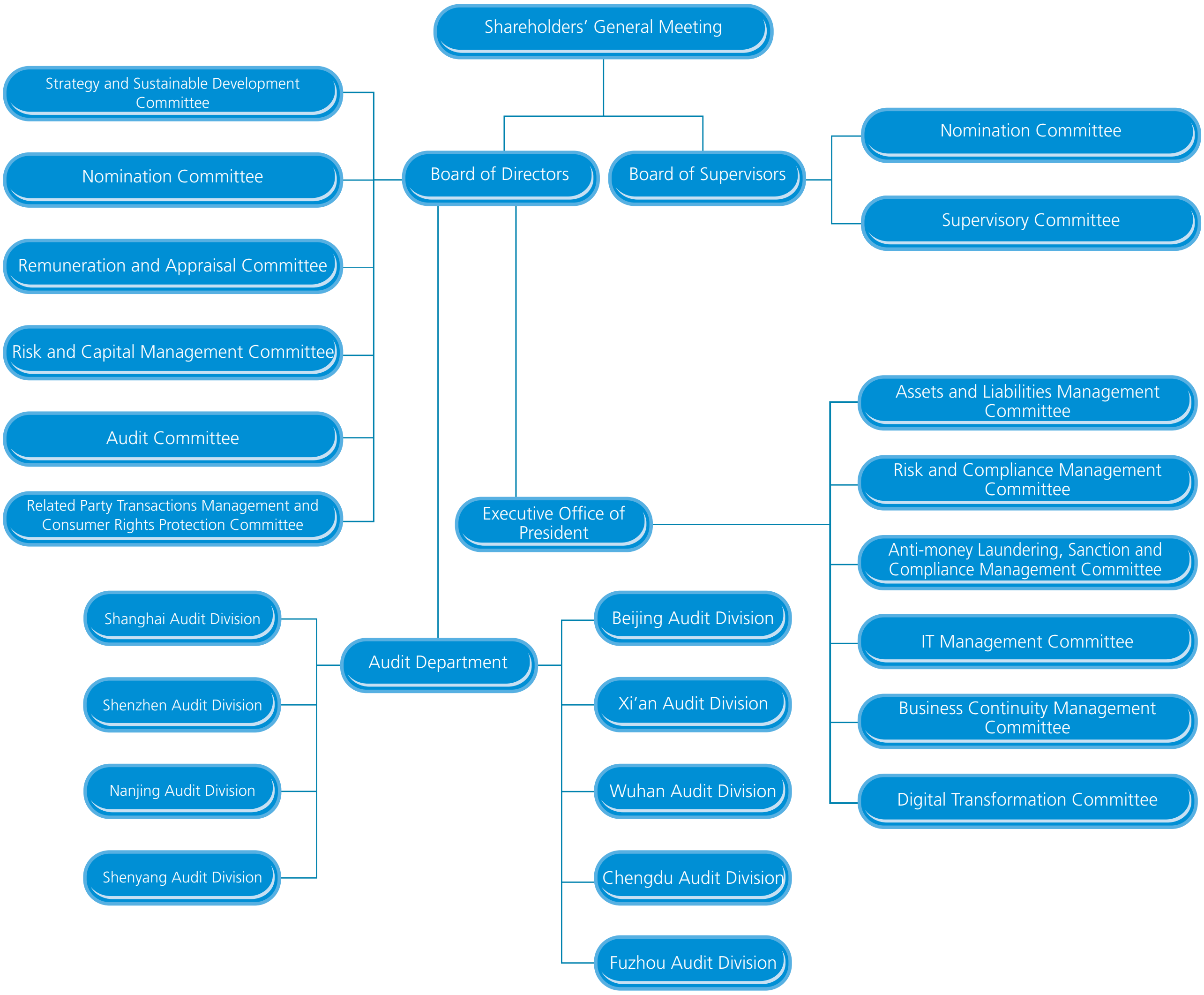
Corporate Governance

5.1 Corporate Governance Structure



5.2 Overview of Corporate Governance

During the reporting period, the Company convened 1 Shareholders' General Meeting, reviewed 10 proposals and heard 6 reports, as further described in "Information about Shareholders' General Meetings".

During the reporting period, the Company convened 19 meetings of the Board of Directors, reviewed 99 proposals and heard 23 reports; convened 41 meetings of special committees under the Board of Directors, reviewed 133 proposals and heard 41 reports; convened 1 meeting between Independent Non-Executive Directors and the Chairman, at which 1 report was heard. During the reporting period, the Twelfth Session of the Board of Directors of the Company convened the 11th meeting (17 January), the 12th meeting (16 February), the 13th meeting (3 March), the 14th meeting (22 March), the 15th meeting (24 March), the 16th meeting (26 April), the 17th meeting (28 April), the 18th meeting (31 May), the 19th meeting (19 June), the 20th meeting (30 June), the 21st meeting (4 August), the 22nd meeting (23 August), the 23rd meeting (25 August), the 24th meeting (19 September), the 25th meeting (26 September), the 26th meeting (19 October), the 27th meeting (27 October), the 28th meeting (1 December) and the 29th meeting (28 December), with priority giving to reviewing the Company's annual financial report, profit appropriation plan, strategic implementation evaluation report, comprehensive risk report, risk preference implementation report, capital adequacy report, human resources management and talent strategy implementation report, work report of the Board of Directors, performance of duties evaluation report of the Board of Directors and its members, work report of the President, the report on development of inclusive finance and its work plan, data governance work summary and work plan, related party transactions management report, consumer rights protection report, sustainable development report and other relevant proposals.

During the reporting period, the Company convened 16 meetings of the Board of Supervisors, at which 47 proposals were reviewed and 25 reports were heard; and 10 meetings of the special committees under the Board of Supervisors, at which 15 proposals were reviewed.

Having conducted thorough self-inspection, the Company was not aware of any material non-compliance of its corporate governance practice with laws, administrative regulations and the requirements of the CSRC regarding the corporate governance of listed companies during the reporting period.

For details of the proposals reviewed by the meetings of the Board of Directors and the Board of Supervisors, please refer to the disclosure documents including the announcements on resolutions published by the Company on the websites of Shanghai Stock Exchange, Hong Kong Exchanges and Clearing Limited and the Company.

5.3 Information about Shareholders' General Meetings

During the reporting period, the Company convened one Shareholders' General Meeting, namely the 2022 Annual General Meeting held in Shenzhen on 27 June 2023. The notice, convening, holding and voting procedures of the meeting were all in compliance with the relevant provisions of the Company Law of the People's Republic of China, the Articles of Association of China Merchants Bank Co., Ltd. and the Hong Kong Listing Rules. The meeting reviewed and approved 10 proposals, including the 2022 Work Report of the Board of Directors, the 2022 Work Report of the Board of Supervisors, the 2022 Annual Report (including the audited financial report), the 2022 Financial Statement Report, the 2022 Profit Appropriation Plan (including the declaration of the final dividends), the appointment of accounting firm for the year 2023, the Related Party Transactions Report for 2022, Capital Management Plan for 2023-2027, the election of Mr. Huang Jian as the Non-Executive Director of the Twelfth Session of the Board of Directors of China Merchants Bank and the election of Mr. Zhu Jiangtao as the Executive Director of the Twelfth Session of the Board of Directors of China Merchants Bank. For the relevant details of the proposals reviewed at the meeting, please refer to the 2022 Annual General Meeting documents, meeting circulars and the announcement of meeting resolutions and other disclosure documents published by the Company on the websites of Shanghai Stock Exchange, Hong Kong Exchanges and Clearing Limited and the Company.

5.4 Directors, Supervisors and Senior Management

Name	Gender	Date of Birth (Y/M)	Title	Term of office	Shareholding at the beginning of the period (share)	Shareholding at the end of the period (share)	Total remuneration before tax received from the Company during the reporting period (RMB in ten thousand)	Whether or not received remuneration from the Company's related parties during the reporting period
Miao Jianmin	Male	1965.1	Chairman Non-Executive Director	2020.9-2025.6 2020.9-2025.6	–	–	–	Yes
Sun Yunfei	Male	1965.8	Non-Executive Director	2022.10-2025.6	–	–	–	Yes
Wang Liang	Male	1965.12	Executive Director President and Chief Executive Officer	2019.8-2025.6 2022.6-2025.6	300,000	300,000	345.32	No
Zhou Song	Male	1972.4	Non-Executive Director	2018.10-2025.6	–	–	–	Yes
Zhang Jian	Male	1964.10	Non-Executive Director	2016.11-2025.6	–	–	–	Yes
Chen Dong	Male	1974.12	Non-Executive Director	2022.10-2025.6	–	–	–	Yes
Zhu Jiangtao	Male	1972.12	Executive Director Executive Vice President Chief Risk Officer	2023.8-2025.6 2021.9-2025.6 2020.7-2025.6	198,800	198,800	282.08	No
Wong See Hong	Male	1953.6	Independent Non-Executive Director	2017.2- (Note 1)	–	–	50.00	No
Li Menggang	Male	1967.4	Independent Non-Executive Director	2018.11- (Note 2)	–	–	50.00	No
Liu Qiao	Male	1970.5	Independent Non-Executive Director	2018.11- (Note 2)	–	–	50.00	No

Name	Gender	Date of Birth (Y/M)	Title	Term of office	Shareholding at the beginning of the period (share)	Shareholding at the end of the period (share)	Total remuneration before tax received from the Company during the reporting period (RMB in ten thousand)	Whether or not received remuneration from the Company's related parties during the reporting period
Tian Hongqi	Male	1957.5	Independent Non-Executive Director	2019.8-2025.6	–	–	50.00	No
Li Chaoxian	Male	1958.9	Independent Non-Executive Director	2021.8-2025.6	–	–	50.00	No
Shi Yongdong	Male	1968.11	Independent Non-Executive Director	2021.8-2025.6	–	–	50.00	No
Luo Sheng	Male	1970.9	Shareholder Supervisor	2022.6-2025.6	–	–	–	Yes
Wu Heng	Male	1976.8	Shareholder Supervisor	2016.6-2025.6	–	–	–	Yes
Xu Zhengjun	Male	1955.9	External Supervisor	2019.6-2025.6	–	–	40.00	No
Cai Hongping	Male	1954.12	External Supervisor	2022.6-2025.6	–	–	40.00	No
Zhang Xiang	Male	1963.12	External Supervisor	2022.6-2025.6	–	–	40.00	No
Cai Jin	Female	1970.7	Employee Supervisor	2021.12- (Note 3)	133,150	169,550	162.69	No
Cao Jian	Male	1970.10	Employee Supervisor	2023.3-2025.6	127,000	158,400	129.42	No
Yang Sheng	Male	1972.8	Employee Supervisor	2023.6-2025.6	157,700	197,700	96.66	No
Wang Yungui	Male	1963.6	Executive Vice President	2019.6-2025.6	210,000	210,000	286.89	No
Zhao Weipeng	Male	1972.3	Secretary of the Party Discipline Committee	2023.8-present	–	56,800	112.28	No
Zhong Desheng	Male	1967.7	Executive Vice President	2023.10-2025.6	177,300	177,300	262.59	No
Wang Xiaoqing	Male	1971.10	Executive Vice President	2023.7-2025.6	–	62,000	123.17	No
Wang Ying	Female	1972.11	Executive Vice President	2023.11-2025.6	200,000	230,000	241.46	No
Peng Jiawen	Male	1969.5	Executive Vice President	2023.11-2025.6	167,700	221,900	240.52	No
			Chief Financial Officer	2023.2-2025.6				
			Secretary of the Board of Directors	2023.6-2025.6				
Lei Caihua	Male	1974.9	Executive Assistant President	2023.11-present	197,700	264,400	14.91	No
Xu Mingjie	Male	1968.9	Executive Assistant President	2023.11-present	160,000	200,000	14.85	No
Jiang Chaoyang	Male	1967.12	Chief Information Officer	2019.11-present	198,100	232,400	276.78	No
Hu Jianhua	Male	1962.11	Former Non-Executive Director	2022.10-2024.1	–	–	–	Yes
Hong Xiaoyuan	Male	1963.3	Former Non-Executive Director	2007.6-2024.1	–	–	–	Yes
Su Min	Female	1968.2	Former Non-Executive Director	2014.9-2023.3	–	–	–	Yes
Xiong Liangjun	Male	1963.2	Former Chairman of the Board of Supervisors, Employee Supervisor	2021.8-2023.6	240,000	240,000	187.04	No
Peng Bihong	Male	1963.10	Former Shareholder Supervisor	2019.6-2024.1	–	–	–	Yes

Name	Gender	Date of Birth (Y/M)	Title	Term of office	Shareholding at the beginning of the period (share)	Shareholding at the end of the period (share)	Total remuneration before tax received from the Company during the reporting period (RMB in ten thousand)	Whether or not received remuneration from the Company's related parties during the reporting period
Wang Wanqing	Male	1964.9	Former Employee Supervisor	2018.7-2023.3	183,000	191,800	59.35	No
Wang Jianzhong	Male	1962.10	Former Executive Vice President	2019.4-2023.2	240,200	240,200	55.57	No
Shi Shunhua	Male	1962.12	Former Executive Vice President	2019.4-2023.2	245,000	245,000	55.23	No
Li Delin	Male	1974.12	Former Executive Vice President	2021.3-2023.7	204,400	204,400	168.89	No
Xiong Kai	Male	1971.4	Former Secretary of the Party Discipline Committee	2021.7-2023.7	225,600	225,600	187.14	No

Notes:

(1) Mr. Wong See Hong has tendered his resignation as an Independent Non-Executive Director to the Board of Directors of the Company due to expiry of his term of office. In accordance with the relevant laws and regulations and the relevant requirements of the Articles of Association of the Company, the resignation of Mr. Wong See Hong will become effective upon the election of a new Independent Non-Executive Director at the Shareholders' General Meeting of the Company followed by the approval of the qualifications of the new Independent Non-Executive Director by the National Financial Regulatory Administration (NFRA) to fill the vacancy.

(2) According to the *Management Measures for the Independent Directors of Listed Companies*, the term of office of Independent Directors shall not exceed six years. Therefore, the actual term of office of the Independent Directors, Mr. Li Menggang and Mr. Liu Qiao, will expire earlier than the expiration time of the Twelfth Session of the Board of Directors of the Company.

(3) Ms. Cai Jin has tendered her resignation as an Employee Supervisor to the Board of Supervisors of the Company due to her age. In accordance with the relevant laws and regulations and the relevant requirements of the Articles of Association of the Company, the resignation of Ms. Cai Jin will become effective upon the election of a new Employee Supervisor by the Employee Representative Meeting of the Company to fill the vacancy.

(4) The remuneration received by the Directors, Supervisors and senior management who were newly appointed or resigned during the reporting period was calculated based on the length of their terms of office as the Directors, Supervisors and senior management of the Company during the reporting period.

(5) The aggregate pre-tax remuneration of full-time Executive Directors, Chairman of the Board of Supervisors and senior management of the Company is still being verified. The remaining part will be disclosed separately upon the completion of confirmation and payment.

(6) As at the end of the reporting period, the spouse of Mr. Zhou Song held 23,282 A Shares in the Company; the spouse of Mr. Yang Sheng held 143,300 A Shares in the Company; and Ms. Cai Jin held 169,550 shares in the Company, which consisted of 165,000 A Shares and 4,550 H Shares. The shares held by others listed in the above table were all A Shares. The changes in the shareholding of the people listed in the above table during the reporting period were all resulting from shareholding increase.

(7) None of the people listed in the above table has been punished by the securities regulator(s) over the past three years.

(8) None of the people listed in the above table holds any share options of the Company or has been granted any of its restricted shares.

5.4.1 New appointment and resignation of Directors, Supervisors and senior management

Directors

In March 2023, Ms. Su Min ceased to be a Non-Executive Director of the Company due to reaching the retirement age.

In June 2023, according to the resolutions passed at the 2022 Annual General Meeting of the Company, Mr. Zhu Jiangtao was elected as the Executive Director of the Company, whose qualification as the Director was approved by the National Financial Regulatory Administration (NFRA) in August 2023, and Mr. Huang Jian was elected as the Non-Executive Director of the Company, and his qualification as the Director is subject to the approval of the National Financial Regulatory Administration (NFRA).

In January 2024, Mr. Hu Jianhua and Mr. Hong Xiaoyuan ceased to be Non-Executive Directors of the Company due to their age.

Supervisors

In March 2023, Mr. Cao Jian was elected as the Employee Supervisor of the Company by the Employee Representative Meeting of the Company. Mr. Wang Wanqing ceased to be the Employee Supervisor of the Company due to his age.

In June 2023, Mr. Yang Sheng was elected as the Employee Supervisor of the Company by the Employee Representative Meeting of the Company. Mr. Xiong Liangjun ceased to be the Chairman of the Board of Supervisors and Employee Supervisor of the Company due to his age.

In January 2024, Mr. Peng Bihong ceased to be the Shareholder Supervisor of the Company due to change of work arrangement.

Senior management

In January 2023, Mr. Zhong Desheng and Mr. Wang Xiaoqing were appointed as Executive Vice Presidents of the Company at the 11th meeting of the Twelfth Session of the Board of Directors of the Company, and their qualifications as the Executive Vice Presidents were approved by the National Financial Regulatory Administration (NFRA) in October and July 2023, respectively.

In February 2023, Mr. Wang Jianzhong and Mr. Shi Shunhua ceased to be the Executive Vice Presidents of the Company due to reaching the retirement age.

In February 2023, Mr. Peng Jiawen was appointed as the Chief Financial Officer of the Company at the 12th meeting of the Twelfth Session of the Board of Directors of the Company. Mr. Wang Liang ceased to concurrently serve as the Chief Financial Officer of the Company due to the change in assignment in the Bank.

In February 2023, the qualifications of Ms. Wang Ying and Mr. Peng Jiawen as the Executive Assistant Presidents were approved by the former CBIRC.

In April 2023, Mr. Peng Jiawen was appointed as the Secretary of the Board of Directors of the Company at the 17th meeting of the Twelfth Session of the Board of Directors of the Company. Mr. Wang Liang ceased to concurrently serve as the Secretary of the Board of the Company due to the change in assignment in the Bank. In June 2023, the qualification of Mr. Peng Jiawen as the Secretary of the Board of Directors was approved by the National Financial Regulatory Administration (NFRA).

In July 2023, Mr. Li Delin ceased to be the Executive Vice President of the Company due to change of work arrangement.

In July 2023, Mr. Xiong Kai ceased to be the Secretary of the Party Discipline Committee of the Company due to change of work arrangement.

In August 2023, Mr. Zhao Weipeng was appointed as the Secretary of the Party Discipline Committee.

In September 2023, Ms. Wang Ying and Mr. Peng Jiawen were appointed as the Executive Vice Presidents of the Company at the 24th meeting of the Twelfth Session of the Board of Directors of the Company. In November 2023, their qualifications as the Executive Vice Presidents were approved by the National Financial Regulatory Administration (NFRA), respectively.

In November 2023, the qualifications of Mr. Lei Caihua and Mr. Xu Mingjie as the Executive Assistant Presidents were approved by the National Financial Regulatory Administration (NFRA), respectively.

For details of the new appointments and resignations on Directors, Supervisors and senior management, please refer to the relevant announcements published by the Company on the websites of Shanghai Stock Exchange, Hong Kong Exchanges and Clearing Limited and the Company.

5.4.2 Changes in information of Directors and Supervisors

1. Mr. Wang Liang concurrently serves as the Chairman of CMB International Capital Holdings Corporation Limited, and ceased to concurrently serve as the Chief Financial Officer and the Secretary of the Board of Directors of the Company.

2. Mr. Zhou Song serves as the Chief Accountant of China National Petroleum Corporation, and ceased to serve as the Chief Accountant of China Merchants Group Ltd..

3. Mr. Zhang Jian concurrently serves as the Non-Executive Director of China Merchants Securities Co., Ltd. (a company listed on the Shanghai Stock Exchange and Hong Kong Stock Exchange) and the Vice Chairman of China Merchants Capital Investment Co., Ltd..

4. Mr. Li Menggang serves as the Director of the China Centre for Industrial Security Research, and ceased to concurrently serve as the Vice President and the Deputy Director of the Expert Committee of China Human Resource Development Association and the Director of the Human Capital Institute.

5. Ms. Cai Jin serves as the Inspector of the Head Office of the Company and ceased to serve as the Director of the Labour Union of the Head Office of the Company.

5.4.3 Current positions held by Directors and Supervisors in the shareholders' companies

Name	Name of company	Major title	Term of office
Miao Jianmin	China Merchants Group Ltd.	Chairman	From July 2020 up to now
Sun Yunfei	China COSCO Shipping Corporation Limited	Deputy General Manager and Chief Accountant	From August 2018 up to now
Zhou Song	China Merchants Group Ltd.	Chief Accountant	From October 2018 to December 2023
Zhang Jian	China Merchants Group Ltd.	Chief Digital Officer and Director of Digital Centre	From January 2019 up to now
	China Merchants Financial Holdings Co., Ltd.	Deputy General Manager	From September 2022 up to now
Chen Dong	China COSCO Shipping Corporation Limited	General Manager of Financial Management Headquarter	From September 2016 up to now
Luo Sheng	Dajia Insurance Group Co., Ltd.	Deputy General Manager	From September 2020 up to now
Wu Heng	SAIC Motor Corporation Limited	General Manager of Finance Affairs Department	From August 2019 up to now

5.4.4 Biography and positions of Directors, Supervisors and senior management

Directors

Mr. Miao Jianmin is the Chairman and Non-Executive Director of the Company. Mr. Miao obtained a doctoral degree in Economics from Central University of Finance and Economics and is a senior economist. He is an alternate member of the nineteenth and twentieth Central Committee of the Communist Party of China. Mr. Miao is Chairman of China Merchants Group Ltd. and concurrently serves as Chairman of China Merchants Financial Holdings Co., Ltd. (招商局金融控股有限公司) and Chairman of China Merchants Life Insurance Company Limited. Mr. Miao was an Executive Director and the Deputy General Manager of China Insurance (Group) Limited Company in Hong Kong, the Vice Chairman and President of China Life Insurance (Group) Company, the Chairman of The People's Insurance Company (Group) of China Limited (a company listed on the Hong Kong Stock Exchange) and the Chairman of PICC Property and Casualty Company Limited (a company listed on the Hong Kong Stock Exchange).

Mr. Sun Yunfei is a Non-Executive Director of the Company. He is a senior economist (researcher level) with a master's degree in Business Administration from the School of Management of Fudan University. He currently serves as the Deputy General Manager and Chief Accountant of China COSCO Shipping Corporation Limited. He served as the Deputy Chief of the Economic Planning and Statistics Division, the Director of the Planning Department and the Deputy Chief Accountant of Hudong Shipyard (滬東造船廠), Chief Accountant of Hudong Shipbuilding (Group) Co., Ltd. (滬東造船(集團)有限公司), Director and Chief Financial Officer of Hudong-Zhonghua Shipbuilding (Group) Co., Ltd., Deputy Chief Accountant and Chief Accountant at China State Shipbuilding Corporation, Deputy General Manager of China State Shipbuilding Corporation, etc.

Mr. Wang Liang is an Executive Director, President and Chief Executive Officer of the Company. Mr. Wang obtained a master's degree in Economics from Renmin University of China. He is a senior economist. He joined the Company in June 1995 and successively served as the Assistant General Manager, Deputy General Manager and General Manager of Beijing Branch of the Bank. He successively served as the Executive Assistant President, Executive Vice President and First Executive Vice President of the Company since June 2012, and started to preside over overall business of the Company since 18 April 2022. He has been the President of the Bank since 15 June 2022. He concurrently serves as the Company's authorised representative in charge of matters in relation to listing in Hong Kong, the Chairman of CMB International Capital Holdings Corporation Limited, the Chairman of CMB International Capital Corporation Limited, Chairman of CMB Wing Lung Bank, Vice Chairman of Merchants Union Consumer Finance Company Limited, Director of China Merchants Financial Holdings Co., Ltd., Vice President of the Payment & Clearing Association of China, a Director of the Fourth Session of the Professional Committee for Intermediate Business of China Banking Association and Executive Director of the Sixth Session of the Financial Accounting Society of China, and a Deputy of the 14th Guangdong Provincial People's Congress. He had served as the Chief Financial Officer, Secretary of the Board of Directors, and Company Secretary of the Company.

Mr. Zhou Song is a Non-Executive Director of the Company. Mr. Zhou obtained a master's degree of World Economics from Wuhan University. Mr. Zhou is the Chief Accountant of China National Petroleum Corporation, and concurrently a Director of China Merchants Financial Holdings Co., Ltd., the Chairman of Shenzhen China Merchants Ping An Asset Management Co., Ltd. (深圳市招商平安資產管理有限責任公司), the Chairman of China Merchants Group Finance Co., Ltd. (招商局集團財務有限公司), the Chairman of China Merchants Investment Development Co., Ltd. (招商局投資發展有限公司), the Chairman of the Board of Supervisors of China Merchants Shekou Industrial Zone Holdings Co., Ltd. (a company listed on Shenzhen Stock Exchange) and the Chairman of China Merchants Innovative Investment Management Co., Ltd.. He was the Deputy General Manager of the Planning and Finance Department of the Head Office of China Merchants Bank, the Deputy General Manager of Wuhan Branch, the Deputy General Manager (in charge of work) and General Manager of the Planning and Finance Department of the Head Office, the Employee Supervisor of China Merchants Bank, the Business Director and General Manager of the Assets and Liabilities Management Department of the Head Office, the President of the General Office of the Financial Institution Business and concurrently the General Manager of the Assets Management Department of the Head Office and the Business Director of the Head Office, the President of the General Office of Investment Banking and Financial Market Business and concurrently the General Manager of the Assets Management Department of the Head Office, the Business Director of the Head Office, and the Chief Accountant of China Merchants Group Ltd..

Mr. Zhang Jian is a Non-Executive Director of the Company. Mr. Zhang obtained a bachelor's degree in Economics and Management from the Department of Economics of Nanjing University and a master's degree in Econometrics from the Business School of Nanjing University, and is a senior economist. He is the Chief Digital Officer of China Merchants Group Ltd., the Director of the Digital Centre, the Deputy General Manager of China Merchants Financial Holdings Co., Ltd. and a Director of China Merchants Finance Holdings Company Limited. He concurrently serves as the Non-Executive Director of China Merchants Securities Co., Ltd. (a company listed on the Shanghai Stock

Exchange and Hong Kong Stock Exchange), the Chairman of China Merchants Financial Leasing Co., Ltd. (招商局融資租賃有限公司) and the Vice Chairman of China Merchants Capital Investment Co., Ltd.. He served as a General Manager of Finance Department of China Merchants Group Ltd., a Deputy General Manager of China Merchants Finance Holdings Company Limited, a Deputy Director (Executive) of the Executive Committee of the China Merchants Financial Group/Platform, a Director of China Merchants Life Insurance Company Limited, and the Non-Executive Director and Chairman of the Board of Directors of China Merchants China Direct Investments Limited (a company listed on the Hong Kong Stock Exchange).

Mr. Chen Dong is a Non-Executive Director of the Company. He is a senior accountant with a master's degree in Economics from Shanghai University of Finance and Economics. He currently serves as the General Manager of the Financial Management Division of China COSCO Shipping Corporation Limited. He concurrently serves as a Director of COSCO SHIPPING Specialized Carriers Co., Ltd. (a company listed on the Shanghai Stock Exchange), COSCO SHIPPING International (Hong Kong) Co., Ltd. (a company listed on the Hong Kong Stock Exchange) and COSCO SHIPPING Ports Limited (a company listed on the Hong Kong Stock Exchange). He served as Assistant Director and Deputy General Manager of the Finance and Accounting Department of China Shipping Development Co., Ltd. Tanker Company, Deputy Director of Risk Control Centre of Enterprise Management Department, Deputy Director of Risk Control Department of Accounting and Finance Department, Deputy Director of Finance Department, Senior Manager of Finance and Tax Management Office of Finance Department, Assistant General Manager and Deputy General Manager of Finance Department of China Shipping (Group) Company and Deputy General Manager of the Financial Management Division of China COSCO Shipping Corporation Limited, etc.

Mr. Zhu Jiangtao is an Executive Director, Executive Vice President and Chief Risk Officer of the Company. Mr. Zhu holds a master's degree in Economics. He is a senior economist. He joined the Company in January 2003. He successively served as Assistant General Manager and Deputy General Manager of Guangzhou Branch, General Manager of Chongqing Branch, General Manager of Credit Risk Management Department of the Company, General Manager of Risk Management Department of the Company between December 2007 and July 2020. He served as Chief Risk Officer of the Company from July 2020. He has been Executive Vice President of the Company since September 2021.

Mr. Wong See Hong is an Independent Non-Executive Director of the Company. Mr. Wong obtained a bachelor's degree in Business Administration from the National University of Singapore, a master's degree in Investment Management from Hong Kong University of Science and Technology, and a doctorate degree in Transformational Leadership (DTL) from Bethel Bible Seminary. He is an Independent Director of The Frasers Hospitality Assets Management Pte., Ltd. (新加坡輝盛國際資產管理有限公司), Frasers Property Limited (a company listed on the Singapore Stock Exchange) and EC World Asset Management Private Limited and a member of the Financial Management Commission of the Hong Kong Administration Society (香港管理學會財務管理委員會). He previously served as the Deputy Chief Executive of BOCHK, the head, Managing Director and President for the Southeast Asia region, and the head of the Financial Market Department in Asia (亞洲區金融市場部主管) of ABN AMRO Bank, a Director of Bank of China Group Insurance Company Limited, the Chairman of the Board of BOC Group Trustee Company Limited, the Chairman of BOCI-Prudential MPF (中銀保誠強積金), the Chairman of BOCHK Asset Management Limited, a member of the Board of Directors of the Civil Servants Institute of Prime Minister's Office Singapore (新加坡總理辦公室公務員學院), and a member of the Client Consulting Commission (客戶諮詢委員會) of Thomson Reuters.

Mr. Li Menggang is an Independent Non-Executive Director of the Company. Mr. Li obtained a doctoral degree in Economics and a post-doctoral degree in both Transportation and Communication Engineering and Theoretical Economics from Beijing Jiaotong University. He has been serving as a professor and doctoral supervisor at Beijing Jiaotong University, the Dean of the National Academy of Economic Security (NAES) of Beijing Jiaotong University, the Director of the China Centre for Industrial Security Research, the Director of Beijing Laboratory of National Economic Security Pre-Warning Project and the Chief Expert of Major Bidding Projects of the National Social Science Fund. He concurrently serves as the Vice President of Guanghua Engineering Science and Technology Award Foundation (光華工程科技獎勵基金會). He served as an Independent Director of Sichuan Golden Summit (Group) Joint-stock Co., Ltd. (a company listed on Shanghai Stock Exchange), an Independent Non-Executive Director of Yuxing InfoTech Investment Holdings Limited (a company listed on the Hong Kong Stock Exchange), the Chairman of the Professional Committee of the Logistics Informatisation and Industrial Security System of the Institute of Electrical and Electronics Engineers (IEEE), an Independent Director of Hunan Copote Science & Technology Co., Ltd. (a company listed on Shanghai Stock Exchange), an Independent Director of Daqin Railway Co., Ltd. (a company listed on Shanghai Stock Exchange), and an Independent Director of Huadian Power International Corporation Limited (a company listed on the Hong Kong Stock Exchange and Shanghai Stock Exchange), the Deputy Director of the Independent Board Committee of China Association for Public Companies, the Vice President and the Deputy Director of the Expert Committee of China Human Resource Development Association and the Director of the Human Capital Institute.

Mr. Liu Qiao is an Independent Non-Executive Director of the Company. Mr. Liu obtained a bachelor's degree of science in Economics and Mathematics from Renmin University of China, a master's degree in Economics from the Institute of Finance of People's Bank of China and a Ph.D. in Economics from University of California, Los Angeles in the United States and is a distinguished professor (特聘教授) of Changjiang Scholars Program. He has been serving as the Dean at the Guanghua School of Management of Peking University, professor of Finance and Economics and doctoral supervisor. He is also a member of Think Tank Committee of All-China Federation of Industry and Commerce (全國工商聯智庫委員會), the Economic Research Centre of Chinese Kuomintang Revolutionary Committee, the expert panel of the Shenzhen Stock Exchange and the Listing Committee of ChiNext of Shenzhen Stock Exchange; an advisor of the post-doctoral stations of the CSRC, the Shenzhen Stock Exchange, the China Financial Futures Exchange and China Minsheng Banking Corp., Ltd. etc., the Vice Chairman of the China Enterprise Reform and Development Society (中國企業改革與發展研究會), and an Independent Director of Beijing Capital Group Company Limited (a company listed on Shanghai Stock Exchange). Mr. Liu served as an assistant professor at School of Economics and Finance of the University of Hong Kong, a consultant of the Asia-Pacific Corporate Finance & Strategy Practice of McKinsey & Company, an assistant professor and associate professor (with tenure) at the Faculty of Business and Economics of the University of Hong Kong, an Independent Non-Executive Director of Zensun Enterprises Limited (formerly known as the ZH International Holdings Limited, a company listed on the Hong Kong Stock Exchange), and Independent Non-Executive Director of CSC Financial Co., Ltd, a company listed on the Hong Kong Stock Exchange and Shanghai Stock Exchange.

Mr. Tian Hongqi is an Independent Non-Executive Director of the Company. Mr. Tian obtained a bachelor's degree in Finance and Accounting from the Faculty of Water Transportation Management of Shanghai Maritime University, and is a senior accountant. He concurrently serves as the Independent Director of Nanjing Tanker Corporation (招商局南京油運股份有限公司, a company listed on Shanghai Stock Exchange). He previously served as the Chief Financial Officer and Chief Information Officer of COSCO SHIPPING Bulk Co., Ltd., the General Manager of the Finance Department of COSCO Container Lines Co., Ltd., the Director and the General Manager of the Financial Department of COSCO Japan, the Chief Financial Officer of COSCO Holdings (Singapore) Pte. Ltd. (中遠控股(新加坡)有限公司), the General Manager of the Finance Department of the COSCO Container Transportation Operation Headquarter (中遠集裝箱運輸經營總部), and the Deputy Director of the Finance Department of COSCO.

Mr. Li Chaoxian is an Independent Non-Executive Director of the Company. Mr. Li obtained a doctoral degree in Industrial Economics and a master's degree in Statistics from Renmin University of China, respectively. He is currently a professor and doctoral supervisor of Beijing Technology and Business University, and concurrently serves as an Independent Director of China World Trade Centre Company Limited (a company listed on Shanghai Stock Exchange). He served as the Deputy Director and Director of the Finance Department of Beijing Business School, Deputy Dean and Dean of the School of Economics of Beijing Technology and Business University, Chief of the Academic Affairs Office of Beijing Technology and Business University, Vice President of Beijing Technology and Business University, and an Independent Director of Beijing HuaDaJianYe Engineering Management Co., Ltd. (北京華達建業工程管理股份有限公司) (a company listed on the National Equities Exchange and Quotations).

Mr. Shi Yongdong is an Independent Non-Executive Director of the Company. Mr. Shi obtained a doctoral degree in Economics from Dongbei University of Finance and Economics and a master's degree in Applied Mathematics from Jilin University. He is a leading talent of the national high-level special support plan, one of the Cultural Masters and the Four First-Batch Talents, and the chief expert of the major projects under the National Social Science Fund of China. He is currently the Dean, Professor and Doctoral Supervisor of the School of Finance and Technology of Dongbei University of Finance and Economics, and concurrently serves as a council member of China Finance Society, a standing council member of the Chinese Finance Annual Meeting (中國金融學年會) and the Chinese Financial Projects Annual Meeting (中國金融工程學年會), and a standing council member of the International Symposium on Financial Systems Engineering and Risk Management (金融系統工程與風險管理國際年會). He served as the Deputy Dean of the School of Finance, the Director of the Applied Finance Research Centre, Chief of the scientific research department and the Dean of the School of Applied Finance and Behavioural Sciences in Dongbei University of Finance and Economics, an Independent Director of Dalian Huarui Heavy Industry Group Co., Ltd. (a company listed on Shenzhen Stock Exchange), and an Independent Director of Bank of Anshan Co., Ltd..

Supervisors

Mr. Luo Sheng is a Shareholder Supervisor of the Company. He graduated from the Business School of Nankai University majoring in corporate governance with a doctoral degree. Mr. Luo is currently the Deputy General Manager of Dajia Insurance Group Co., Ltd. and a Director of both Dajia Life Insurance Co., Ltd. and Gemdale Corporation (a company listed on Shanghai Stock Exchange). He successively served as the principal staff member of the Regulation Division under the Policy and Regulation Department, the principal staff member of the Market Analysis Division under the Development and Reform Department, the Deputy Director and Director of the Corporate Governance Division under the Development and Reform Department as well as the deputy director of the Regulation Department of the China Insurance Regulatory Commission. He has also served as an Executive Director, the Executive Vice President, Secretary to the Board of Directors, and General Manager of Shanghai Branch of China Insurance Information Technology Management Co., Ltd., and the Deputy Director of the Development and Reform Department of China Insurance Regulatory Commission, etc. He served as the Non-Executive Director of the Eleventh Session of the Board of the Company from June 2019 to June 2022.

Mr. Wu Heng is a Shareholder Supervisor of the Company and a postgraduate from the Department of Accounting of Shanghai University of Finance and Economics. Mr. Wu obtained a master's degree in Management and is a senior accountant. He is the General Manager of Finance Affairs Department of SAIC Motor Corporation Limited (a company listed on Shanghai Stock Exchange), and concurrently serves as the General Manager of SAIC Motor Financial Holding Management Co., Ltd., a Non-executive Director of Bank of Chongqing Co., Ltd. (a company listed on the Hong Kong Stock Exchange and Shanghai Stock Exchange) and a Director of Wuhan Kotei Informatics Co., Ltd. (a company listed on Shenzhen Stock Exchange). He consecutively served as a Deputy Manager and Manager of Planning and Finance Department as well as a Manager of Fixed Income Department of Shanghai Automotive Group Finance Company, Ltd. from March 2000 to March 2005. He consecutively served as a Section Chief, Assistant to Executive Controller and the Manager of Accounting Section of Finance Department of SAIC Motor Corporation Limited from March 2005 to April 2009, the Chief Financial Officer of Huayu Automotive Systems Co., Ltd. (a company listed on Shanghai Stock Exchange) from April 2009 to May 2015, and concurrently serving as the Director and General Manager of Huayu Automotive Systems (Shanghai) Co., Ltd. (華域汽車系統(上海)有限公司) during the period from May 2014 to May 2015, and the Deputy General Manager of the Finance Affairs Department of SAIC Motor Corporation Limited from May 2015 to August 2019.

Mr. Xu Zhengjun is an External Supervisor of the Company. Mr. Xu obtained a master's degree in Maritime Transportation Management from Shanghai Maritime University and is a senior political engineer. He is currently an Independent Director of China Merchants Life Insurance Company Limited, and concurrently the Director of Shanghai Dongsheng Public Welfare Foundation. He previously served as the Section Chief and the Department Head of Shanghai Ocean Shipping Co., Ltd., the General Manager of the crew company and land property company of COSCO Container Lines Co., Ltd., the Assistant to General Manager of COSCO Container Lines Co., Ltd., the General Manager of Shanghai Ocean Shipping Co., Ltd., the Secretary of the Disciplinary Committee of COSCO Container Lines Co., Ltd., the General Manager of COSCO (HK) Industry & Trade Holdings Ltd., the Vice Chairman of Shenzhen Guangju Energy Co., Ltd. (a company listed on Shenzhen Stock Exchange), the Vice President and General Counsel of COSCO (Hong Kong) Group Limited and the Director of True Smart International Limited, the General Manager and Executive Director of COSCO International Holdings Limited, the Chairman of the Corporate Governance Committee of COSCO International and the Independent Director of Sinotrans Shipping Limited.

Mr. Cai Hongping is an External Supervisor of the Company. He obtained a bachelor's degree in Journalism from Fudan University. He is the Chairman of AGIC Capital and concurrently serves as an Independent Director of China Eastern Airlines Corporation Ltd. (a company listed on Shanghai Stock Exchange and the Hong Kong Stock Exchange), Shanghai Pudong Development Bank Co., Ltd. (a company listed on Shanghai Stock Exchange), BYD Company Limited (a company listed on Shenzhen Stock Exchange and the Hong Kong Stock Exchange) and China Southern Airlines Company Limited (a company listed on Shanghai Stock Exchange and the Hong Kong Stock Exchange), and was an Independent Director of China Oceanwide Holdings Limited (a company listed on the Hong Kong Stock Exchange) and COSCO SHIPPING Development Co., Ltd. (a company listed on Shanghai Stock Exchange and the Hong Kong Stock Exchange). From 1996 to 1997, Mr. Cai Hongping served as the Senior Vice President and Managing Director of Peregrine Investments Holdings Limited. He served as the Chairman of China of BNP Paribas Capital (Asia Pacific) Limited from 1998 to 2005 and served as the Chairman of UBS AG in Asia from 2006 to 2010, and served as the Executive Chairman of Investment Banking Asia Pacific of Deutsche Bank from 2010 to 2015.

Mr. Zhang Xiang is an External Supervisor of the Company. He obtained a doctoral degree in Mechanical Engineering from the University of California, Berkeley and a master's degree from the Department of Physics of Nanjing University. He is an elected member of the US National Academy of Engineering, a foreign member of the Chinese Academy of Sciences, an elected member of the Academia Sinica and the President of the University of Hong Kong. Mr. Zhang was the inaugural Ernest S. Kuh Endowed Chair Professor at the University of California, Berkeley, and the Director of the US National Science Foundation Nano-scale Science and Engineering Centre. He was an assistant professor at Pennsylvania State University in 1996, an associate professor and professor at the University of California, Los Angeles from 1999 to 2004, an associate professor and professor at the Mechanical Engineering Department and the Institute of Applied Science and Technology of the University of California, Berkeley from 2004 to 2018 and a director of Materials Science Division at the Lawrence Berkeley National Laboratory from 2014 to 2016.

Ms. Cai Jin is an Employee Supervisor of the Company. Ms. Cai obtained a bachelor's degree in Finance from Hunan University of Finance and Economics. She is an economist. She currently serves as the Inspector of the Head Office of the Company. In August 1992, she started her career in Shashi Branch of Industrial and Commercial Bank of China in Hubei Province. She joined the Company in May 1995. She successively served as the Assistant General Manager of the Human Resources Department, the Deputy General Manager of the Banking Department of the Head Office, the Deputy General Manager of the Asset Custody Department of the Head Office and the Director of the Labour Union of the Head Office of the Company from April 2010 to January 2024.

Mr. Cao Jian is an Employee Supervisor of the Company. Mr. Cao obtained a master's degree in International Finance from the Graduate School of the Financial Research Institute of the People's Bank of China. He is a non-practicing member of Chinese Institute of Certified Public Accountants. He currently serves as the General Manager of the Audit Department of the Company, and concurrently serves as the Supervisor of CMB Wealth Management and a Member of the Professional Committee under the Board of Supervisors of China Association for Public Companies. He joined the Company in August 2003 and successively served as the Assistant General Manager and Deputy General Manager of the Audit Department of the Company. From November 2021 to March 2023, he served as the General Manager of the Shenzhen division of the Audit Department of the Company.

Mr. Yang Sheng is an Employee Supervisor. Mr. Yang has obtained a master's degree in Economics from Renmin University of China and is a senior economist. He is currently the Director of the General Office of Head Office of the Company. He joined the Company in July 1998 and successively served as the Assistant General Manager, the Deputy General Manager and the General Manager of the Human Resources Department of the Head Office of the Company from September 2016 to November 2022.

Senior management

Mr. Wang Liang, please refer to Mr. Wang Liang's biography under the heading of "Directors" above.

Mr. Wang Yungui is an Executive Vice President of the Company. Mr. Wang obtained a master's degree from the Party School of the Central Committee of the Communist Party of China and is a senior economist. He successively served as the General Manager of the Department of Education and the General Manager of the Human Resources Department of the Industrial and Commercial Bank of China from July 2008 to December 2016, and served as the Secretary of the Disciplinary Committee of China Development Bank from December 2016 to March 2019. He has served as an Executive Vice President of the Company since June 2019.

Mr. Zhao Weipeng is the Secretary of the Party Discipline Commission of the Company. Mr. Zhao holds a master's degree in Management and is a senior accountant and a non-practicing member of Chinese Institute of Certified Public Accountants. He successively served as the Manager of Finance Department of China Merchants Shipping and Enterprises Company Limited, the Manager of Planning and Finance Department of Hong Kong Ming Wah Shipping Company Limited, the Chief Financial Officer, Deputy General Manager, Secretary of the Party Discipline Commission, and Deputy Secretary to the Party Committee of China Merchants Zhangzhou Development Zone Company Limited, Secretary of the Party Discipline Commission, Deputy Secretary to the Party Committee and Executive Deputy Director of the Management Committee of Zhangzhou China Merchants Economic and Technological Development Zone, Secretary to the Party Committee and General Manager of China Merchants Taipingwan Development & Investment Company Limited, Deputy General Manager (General Manager Level) of Finance Department (Property Rights Department) of China Merchants Group Ltd., Secretary to the Party committee and General Manager of China Merchants Group Finance Co., Ltd.. He has been the Secretary of the Party Discipline Commission of the Company since August 2023.

Mr. Zhu Jiangtao, please refer to Mr. Zhu Jiangtao's biography under the heading of "Directors" above.

Mr. Zhong Desheng is an Executive Vice President of the Company. He obtained a master's degree in the History of Foreign Economic Thoughts from Huazhong University of Science and Technology and is a senior economist. He joined the Company in July 1993 and successively served as an Assistant General Manager and Deputy General Manager of Wuhan Branch, the General Manager of International Business Department of the Head Office, the General Manager of Trade Finance Department of the Head Office and the General Manager of Offshore Finance Centre of the Head Office, the General Manager of Guangzhou Branch, the President of the General Office of Corporate Finance of the Head Office, the General Manager of the Strategic Customers Department and the Executive Assistant President of the Company. He has served as an Executive Vice President of the Company since October 2023, and he concurrently serves as the Chairman of CMB Financial Leasing.

Mr. Wang Xiaoqing is an Executive Vice President of the Company. He obtained a doctoral degree in Political Economics from Fudan University and is an economist. He worked at PICC Asset Management Company Limited from March 2005 to March 2020, and successively served as the Deputy General Manager of Risk Management Department, the Deputy General Manager and General Manager of Portfolio Management Department, Assistant President and Vice President. In March 2020, he joined the Company and successively served as the General Manager and the Chairman of CMFM and the Executive Assistant President of the Company. He has served as an Executive Vice President of the Company since July 2023, and concurrently serves as the General Manager of Shenzhen Branch, the Chairman of CMFM, CIGNA & CMB Life Insurance and CIGNA & CMAM.

Ms. Wang Ying is an Executive Vice President of the Company. She obtained a master's degree in Political Economics from Nanjing University and is an economist. She joined the Company in January 1997, successively served as the Assistant General Manager and Deputy General Manager of Beijing Branch, General Manager of Tianjin Branch, General Manager of Shenzhen Branch and the Executive Assistant President of the Company, and has been serving as an Executive Vice President of the Company since November 2023.

Mr. Peng Jiawen is an Executive Vice President, the Chief Financial Officer and the Secretary of the Board of Directors of the Company. He obtained a bachelor's degree in National Economic Planning from Zhongnan University of Economics and Law and is a senior economist. He joined the Company in September 2001, and successively served as an Assistant General Manager and Deputy General Manager of the Planning and Finance Department of the Head Office, Deputy General Manager and General Manager of the Overall Retail Management Department of the Head Office, Deputy General Manager and Vice President of the General Office of Retail Finance of the Head Office and concurrently General Manager of Retail Credit Business Department of the Head Office, General Manager of Zhengzhou Branch, General Manager of Asset and Liabilities Management Department of the Head Office and the Executive Assistant President of the Company. He has served as an Executive Vice President of the Company since November 2023, and concurrently serves as the Chief Financial Officer and the Secretary of the Board of Directors of the Company.

Mr. Lei Caihua is an Executive Assistant President of the Company. He obtained a bachelor's degree in Investment Economics from Huazhong University of Science and Technology, a master's degree in National Economics from Zhongnan University of Economics and Law, and is an economist. He joined the Company in July 1995, and successively served as the Deputy General Manager of Corporate Banking Department and concurrently the General Manager of SME Finance Department of the Head Office, General Manager of Corporate Finance Product Department of the Head Office, General Manager of Strategic Customers Department of the Head Office, General Manager of Small Enterprise Finance Department of the Head Office, the General Manager of Chongqing Branch, Head of Topology Bank Preparatory Team, and the General Manager of Shanghai Branch. Since November 2023, he has served as an Executive Assistant President of the Company, and concurrently serves as the General Manager of Shanghai Branch.

Mr. Xu Mingjie is an Executive Assistant President of the Company. He obtained a bachelor's degree in Engineering from Xi'an Jiaotong University, a bachelor's degree in Economics from Shanghai University of International Business and Economics, and is a chartered certified accountant. He joined the Company in September 1995, and successively served as the Assistant General Manager of Corporate Finance Product Department of the Head Office, Assistant General Manager of Investment Banking Department of the Head Office, Deputy General Manager of Investment Banking Department of the Head Office, General Manager of Credit Approval Department of the Head Office and General Manager of Risk Management Department of the Head Office. Since November 2023, he has served as an Executive Assistant President of the Company, and concurrently serves as the General Manager of Beijing Branch.

Mr. Jiang Chaoyang is the Chief Information Officer (CIO) of the Company. He obtained a master's degree in Management Sciences from Shanghai Jiao Tong University and is a senior economist. He joined the Company in November 2013, successively served as the General Manager of Strategic Customers Department of the Head Office, General Manager of Retail Network Banking Department of the Head Office, Deputy General Manager and General Manager of Wealth Management Department of the Head Office, and has been serving as the Chief Information Officer (CIO) of the Company since November 2019.

Joint company secretaries

Mr. Peng Jiawen, please refer to Mr. Peng Jiawen's biography under the heading of "Senior management" above.

Ms. Ho Wing Tsz Wendy is a joint company secretary of the Company. Ms. Ho obtained an MBA degree from the Hong Kong Polytechnic University. She is a Chartered Secretary, a Chartered Governance Professional and a Fellow of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom and is a council member, the Chairlady of the Professional Development Committee of The Hong Kong Chartered Governance Institute and is a holder of the Practitioner's Endorsement issued by The Hong Kong Chartered Governance Institute. Ms. Ho is an Executive Director of Corporate Services of Tricor Services Limited, and her professional practice area covers business consulting, corporate services for private, offshore and listed companies. Ms. Ho has over 25 years of experience in the corporate secretarial and compliance service field and is currently the company secretary or joint company secretary of a few listed companies on the Hong Kong Stock Exchange.

5.4.5 Remuneration policy and evaluation and incentive system for Directors, Supervisors and senior management

The Company offers remuneration to Independent Directors and External Supervisors according to the "Resolution in Respect of Adjustment to Remuneration of Independent Directors" and the "Resolution in Respect of Adjustment to Remuneration of External Supervisors" considered and passed at the 2016 First Extraordinary General Meeting, in which the relevant Directors have abstained from the discussion of their remuneration; offers remuneration to Executive Directors, Chairman of Board of Supervisors and other senior management according to the "Policies on Remunerations of Senior Management of China Merchants Bank Co., Ltd.". The remuneration consists of basic remuneration and performance-based remuneration, which shall be provided by way of deferred payment in accordance with regulatory requirements. At the same time, the Company has established a mechanism related to performance-based remuneration deduction. The Company offers remuneration to Employee Supervisors (excluding Chairman of Board of Supervisors) in accordance with the policies on remunerations of employees of the Company. All of the Directors and Supervisors nominated by shareholders of the Company do not receive any remuneration from the Company. For details of the remuneration of the Directors and Supervisors and the five highest paid individuals of the Company, please refer to Notes 11 and 12 to the financial statements.

The Board of Directors of the Company evaluates the performance of the senior management according to the "Policies on Remunerations of Senior Management of China Merchants Bank Co., Ltd." and the "Assessment Standards of the H-Share Appreciation Rights Incentive Scheme for the Senior Management". According to the "Measures on Evaluation of Performance of Directors and Supervisors of China Merchants Bank", the Board of Supervisors evaluates the annual duty performance of the Directors and Supervisors through monitoring their duty performance in the ordinary course, conducting duty performance interviews, reviewing and evaluating their annual duty performance records (including but not limited to, attendance of meetings, participation of researches, provision of recommendations and the term of office in the Company), the "Duty Performance Self-Evaluation Questionnaire" completed by each Director and Supervisor, and then reports the same to the Shareholders' General Meeting and regulatory authorities. According to the "Measures on Evaluation of Duty Performance of Senior Management of China Merchants Bank", the Board of Supervisors evaluates the annual duty performance of senior management through monitoring their duty performance in the ordinary course and accessing to their duty performance information (including but not limited to, major speeches and major meeting minutes) and work reports, and then reports the same to the Shareholders' General Meeting and regulatory authorities.

5.4.6 Securities transactions of Directors, Supervisors and relevant employees

The Company has adopted the Model Code set out in Appendix C3 to the Hong Kong Listing Rules as the code of conduct for Directors and Supervisors of the Company in respect of their dealings in the Company's securities. According to the enquiry, to the knowledge of the Company, the rest of the Directors and all Supervisors of the Company have been in compliance with the Model Code and the guidelines set by the Company during the reporting period.

The Company has also set guidelines on the trading of the Company's securities by Directors, Supervisors and relevant employees, and the contents of the guidelines are no less exacting than the Model Code.

5.4.7 Interests and short positions of Directors, Supervisors and Chief Executives under Hong Kong laws and regulations

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

Name	Position	Class of shares	Long/short position	Capacity	No. of Shares (shares)	Percentage of the relevant class of shares in issue (%)	Percentage of the total issued ordinary shares (%)
Wang Liang	Executive Director, President and Chief Executive Officer	A Share	Long position	Beneficial owner	300,000	0.00145	0.00119
Zhou Song	Non-Executive Director	A Share	Long position	Interest of spouse	23,282	0.00011	0.00009
Zhu Jiangtao	Executive Director, Vice President, Chief Risk Officer	A Share	Long position	Beneficial owner	198,800	0.00096	0.00079
Cai Jin	Employee Supervisor	A Share	Long position	Beneficial owner	165,000	0.00080	0.00065
		H Share	Long position	Beneficial owner	4,550	0.00010	0.00002
Cao Jian	Employee Supervisor	A Share	Long position	Beneficial owner	158,400	0.00077	0.00063
Yang Sheng	Employee Supervisor	A Share	Long position	Beneficial owner	197,700	0.00096	0.00078
		A Share	Long position	Interest of spouse	143,300	0.00069	0.00057

5.5 Board of Directors

The Board of Directors is an independent policy-making body of the Company, responsible for executing resolutions passed by the Shareholders' General Meetings; formulating the Company's major principles and policies, including development strategy, risk preference, internal control and internal auditing systems, and remuneration regulations; deciding on the Company's operating plans, investment and financing proposals; preparing annual financial budgets, final accounts and profit appropriation plans; and appointing and assessing members of senior management. The Company adopts a system in which the President assumes full responsibility under the leadership of the Board of Directors. The senior management team has discretionary powers in terms of operation and makes daily decisions on operation management within the scope of authorisation by the Board of Directors, and the Board of Directors would not intervene in any specific matters in the Company's daily operation and management.

The Board of Directors of the Company facilitates scientific and reasonable decision-making through the establishment of a diversified directorship structure, and continues to improve the decision-making and operational efficiency through promoting the effective operation of special committees. The Board of Directors focuses on key issues, directions and strategies, and continues to strengthen the corporate philosophy of balanced, healthy and sustainable development. The Board of Directors ensures the Company to achieve dynamically balanced development in "Quality, Profitability and Scale" through effective management of its strategy, risks, capital, remuneration, internal control, related party transactions and protection of consumer rights, etc., thus providing a solid basis for the Company to enhance its operation and management capabilities.

5.5.1 Composition of the Board of Directors and diversity policy

As at the end of the reporting period, the Board of Directors of the Company has fifteen members, including seven Non-Executive Directors, two Executive Directors, and six Independent Non-Executive Directors. All the seven Non-Executive Directors are seasoned management personnel such as the Chairman of the Board of Directors, General Manager, Deputy General Manager or Chief Financial Officer of large state-owned enterprises. They have extensive experience in corporate management, finance and accounting fields. The two Executive Directors have been engaged in financial management for a long time with extensive professional experience. Among the six Independent Non-Executive Directors, there are renowned experts in accounting and finance, university professors and financial experts with international vision, and they all have in-depth knowledge about the development of the banking industry at home and abroad. One Independent Non-Executive Director from Hong Kong is proficient in International Financial Reporting Standards and the requirements of Hong Kong capital market.

The Company attaches great importance to maintaining the diversity characteristic of the members of the Board of Directors, and completed the revision of the Articles of Association of the Company during the year to incorporate the diversity policy into the Articles of Association of the Company. Among them, the new responsibilities of the Nomination Committee under the Board of Directors are to "promote the diversity of the members of the Board of Directors, including but not limited to gender, age, culture, educational background and professional experience, and regularly review the diversity implementation". The diversified director structure of the Company has brought broad vision and high-level professional experience to the Board of Directors, and also maintained the independent elements within the Board of Directors to ensure that the Board of Directors of the Company effectively make independent judgements and scientific decisions when studying and deliberating major issues.

In March 2023, the Board of Directors of the Company received a letter of resignation from Ms. Su Min, the former Non-Executive Director of the Company, and the Company does not have any other female Directors for the time being following the resignation of Ms. Su Min. Pursuant to the Rule 13.92 of the Hong Kong Listing Rules, the Hong Kong Stock Exchange does not consider diversity is achieved for a single gender board. The Board of Directors of the Company attached high importance to promote the diversity of the Board members, including gender diversity, actively identified potential female Director candidates, and considered and approved the Resolution on Nomination of Ms. Li Jian as an Independent Director in August 2023, and considered and approved the Resolution on Nomination of Ms. Shi Dai as a Non-Executive Director and the Resolution on Nomination of Ms. Liu Hui as a Non-Executive Director in March 2024. The above Director candidates are subject to election at Shareholders' General Meeting of the Company and the approval of their qualifications for serving as Directors by the National Financial Regulatory Administration (NFRA) before their terms of office officially become effective. The Company intends to complete the election of female Director candidates at the Shareholders' General Meeting in the first half of 2024, and the Board of Directors is expected to have three female Directors upon the approval of the qualifications of the relevant candidates for serving as Directors by the National Financial Regulatory Administration (NFRA). The Board of Directors of the Company acknowledges that a diversified Board structure will bring wide-ranging ideas and insights to the Board of Directors and its special committees, contribute to improving the quality of decision-making by the Board of Directors and its special committees as well as the corporate governance level, while providing a strong guarantee for the high-quality development of the Company. The Company will continue to promote the diversified composition of the Board of Directors.

The Nomination Committee under the Board of Directors shall evaluate the structure, number of members, composition and diversity implementation and effectiveness of the Board of Directors (including multiple aspects such as gender, skills, knowledge and experience) at least once a year according to the operating activities, asset size and equity structure of the Company, and advise on any changes to the Board of Directors to coordinate with the Company's strategy. To ensure that the Board of Directors maintains gender diversity in the long run, the Company will seek to identify potential female Director candidates whose skills, knowledge, experience, and other attributes satisfy the relevant requirements based on its own operating management and the structure of the Board of Directors, establishing and maintaining communication channels with potential Director candidates to enable timely selection when needed.

The list of Directors of the Company is set out in "Directors, Supervisors and Senior Management" in this report. To comply with the Hong Kong Listing Rules, the Independent Non-Executive Directors have been clearly identified in all the corporate communication documents of the Company which disclose their names.

5.5.2 Appointment, re-election and removal of Directors

In accordance with the Articles of Association of the Company, the Directors of the Company shall be elected or replaced by the shareholders at the Shareholders' General Meetings, and the term of office for the Directors shall be three years commencing from the date on which the approval from the PRC banking regulatory authority is obtained. A Director is eligible for re-election upon the expiry of his/her current term of office. The term of office for a Director shall not be terminated without any justification at a Shareholders' General Meeting before expiry of his/her term.

A Director may be removed by an ordinary resolution at a Shareholders' General Meeting before the expiry of his/her term of office in accordance with relevant laws and regulations (however, any claim made in accordance with contract shall not be affected).

The term of office for the Independent Non-Executive Directors of the Company shall be the same as that for other Directors of the Company. The term of office for the Independent Non-Executive Directors of the Company complies with the relevant laws and the requirements of the governing authority.

The procedures for appointment, re-election and removal of Directors, candidates' qualification and other requirements of the Company are set out in the Articles of Association and the implementation rules of the Nomination Committee under the Board of Directors of the Company. The Nomination Committee under the Board of Directors of the Company shall carefully consider the qualifications and experience of every candidate for a Director and recommend suitable candidates to the Board of Directors. Upon passing the candidate nomination proposal, the Board of Directors shall propose election of the related candidates at a Shareholders' General Meeting and submit the relevant proposal at a Shareholders' General Meeting for consideration and approval.

5.5.3 Responsibilities of Directors

As of the end of the reporting period, all incumbent Directors of the Company cautiously, earnestly and diligently exercised their rights under the Articles of Association of the Company and the domestic and overseas regulatory rules, devoted sufficient time and attention to the business of the Company, ensured that the business practices of the Company were fully compliant with the requirements of the laws and administrative regulations and economic policies of the country, gave all shareholders fair treatment, readily reviewed the business operation and management of the Company, and fulfilled the responsibilities stipulated under the laws and administrative regulations, departmental regulations and other duties of diligence stipulated under the Articles of Association of the Company. All Directors of the Company were aware of their joint and individual responsibilities towards shareholders. During the year, the average attendance rate of Directors at meetings of the Board of Directors and the special committees under the Board of Directors was 91.01%.

The Independent Non-Executive Directors of the Company have presented their professional opinions on the resolutions reviewed by the Board of Directors, including offering independent written opinions on significant matters such as the profit appropriation plan, nomination and election of Directors, engagement of accounting firms and related party transactions. In addition, the Independent Non-Executive Directors of the Company also gave full play to their professional advantages in the relevant special committees under the Board of Directors, and provided professional and independent opinions regarding corporate governance and operation management of the Company, thereby providing effective guarantee on the scientific decision-making of the Board of Directors.

The Board of Directors of the Company reviewed its work during the reporting period, believing that it has effectively performed its duties and safeguarded the rights and interests of the Company and its shareholders. The Company is of the opinion that all the Directors have devoted sufficient time to perform their duties.

The Company attached great importance to the continuous training of Directors, so as to ensure that they have a proper understanding of the operations and businesses of the Company, and that they are fully aware of their responsibilities under the relevant laws, regulations and systems, the regulatory requirements of the PRC banking regulatory authorities, the CSRC, Shanghai Stock Exchange and the Hong Kong Stock Exchange and the requirements of the Articles of Association of the Company. The Company has renewed the "Insurance for Liabilities of Directors, Supervisors and Senior Management" for all of its Directors.

During the reporting period, the Board of Supervisors of the Company made an appraisal on the annual duty performance of the Directors, and the annual duty performance and cross-appraisal of the Independent Non-Executive Directors, and reported the appraisal results to the Shareholders' General Meeting.

5.5.4 Chairman of the Board of Directors and the President

The positions of Chairman of the Board of Directors and the President of the Company have been held by different persons and their duties have been clearly defined in accordance with the requirements of the Hong Kong Listing Rules. Mr. Miao Jianmin serves as the Chairman of the Company and is responsible for leading the Board of Directors, ensuring that all the Directors are kept updated on issues arising at board meetings, managing the operation of the Board of Directors, and ensuring that all major issues are discussed by the Board of Directors in a constructive and timely manner. In order to enable the Board of Directors to discuss all major and relevant matters in time, the Chairman of the Board of Directors worked together with senior management to ensure that the Directors duly receive appropriate, complete and reliable information for their reference and review. Mr. Wang Liang serves as the President and is responsible for the business operation of the Company and implementation of its strategies and business plans.

5.5.5 Attendance of Directors at relevant meetings

The following table sets forth the records of attendance of each Director at the meetings convened by the Board of Directors and the special committees under the Board of Directors and at the Shareholders' General Meeting during the reporting period. All Directors performed due diligence in their duties, capitalised on opportunities, tackled challenges and used their professional specialties and extensive experience to contribute their intelligence and strength to the operation and development of the Company. The Company has adopted the constructive opinions and suggestions raised by each of the Directors in aspects including strategy guideline, wealth management, Fintech, risk control and management, internal control and compliance, anti-money laundering, green finance development, inclusive finance development, ESG development, related party transactions management, protection of consumer rights and improvement of incentive and restrictive mechanisms, and no objection has been raised by any of the Directors on the matters reviewed.

		Special committees under the Board of Directors						
Directors	Board of Directors	Strategy and Sustainable Development Committee	Nomination Committee	Remuneration and Appraisal Committee	Risk and Capital Management Committee	Audit Committee	Related Party Transactions Management and Consumer Rights Protection Committee	Shareholders' General Meeting
	Actual times of attendance/Required times of attendance							
Non-Executive Directors								
Miao Jianmin	18/19	6/6	7/7	/	/	/	/	0/1
Sun Yunfei	19/19	6/6	/	/	/	/	/	1/1
Zhou Song	19/19	6/6	/	/	/	8/8	/	1/1
Zhang Jian	19/19	/	/	/	9/9	/	/	1/1
Chen Dong	19/19	/	/	7/7	6/9	/	/	1/1
Hu Jianhua (resigned)	16/19	5/6	/	/	/	/	/	1/1
Hong Xiaoyuan (resigned)	16/19	/	/	7/7	3/9	/	/	1/1
Su Min (resigned)	4/5	/	/	/	/	/	1/1	/
Executive Directors								
Wang Liang	19/19	5/6	7/7	/	7/7	/	/	1/1
Zhu Jiangtao	8/8	/	/	/	2/2	/	2/2	/
Independent Non-Executive Directors								
Wong See Hong	19/19	/	7/7	/	/	8/8	4/4	1/1
Li Menggang	19/19	/	7/7	7/7	/	8/8	/	1/1
Liu Qiao	19/19	/	7/7	7/7	9/9	/	/	1/1
Tian Hongqi	19/19	/	/	/	/	8/8	4/4	1/1
Li Chaoxian	19/19	6/6	/	7/7	/	/	4/4	1/1
Shi Yongdong	19/19	/	/	/	9/9	8/8	/	1/1

Note: During the reporting period, the Board of Directors of the Company held a total of 19 meetings, of which 6 were on-site meetings and thirteen were meetings convened in the form of written resolutions; the special committees under the Board of Directors held a total of 41 meetings, of which 19 were on-site meetings and 22 were meetings convened in the form of written resolutions.

5.5.6 Performance of duties by Independent Non-Executive Directors

The Board of Directors of the Company currently has six Independent Non-Executive Directors, which meets the requirement that at least one third of the total Directors of the Company shall be Independent Directors. The qualification, number and proportion of Independent Non-Executive Directors are in compliance with the relevant requirements of the PRC banking regulatory authorities, the CSRC, Shanghai Stock Exchange and the Hong Kong Listing Rules. All the six Independent Non-Executive Directors of the Company are not involved in the circumstances set out in Rule 3.13 of the Hong Kong Listing Rules which would cause doubt on their independence. The Company has received from the Independent Non-Executive Directors their respective annual confirmation of independence. Therefore, the Company is of the opinion that all the Independent Non-Executive Directors have complied with the requirement of independence. The majority of members of the Nomination Committee, the Remuneration and Appraisal Committee, the Audit Committee and the Related Party Transactions Management and Consumer Rights Protection Committee under the Board of Directors of the Company are Independent Non-Executive Directors, and all of such committees are chaired by an Independent Non-Executive Director. During the reporting period, the six Independent Non-Executive Directors maintained communication with the Company through attendance at the meetings, special research and investigations and conferences. They effectively performed their roles as Independent Non-Executive Directors by diligently attending the meetings held by the Board of Directors and its various special committees, actively expressing their opinions and suggestions and attending to the interests and requests of minority shareholders. For details of the attendance of Independent Non-Executive Directors at the meetings convened by the Board of Directors and its special committees, please refer to "Attendance of Directors at relevant meetings" in this report.

During the reporting period, the Independent Non-Executive Directors of the Company expressed their independent opinions on significant matters such as the profit appropriation plan, nomination and election of Directors and senior management, engagement of accounting firms and related party transactions. They made no objection to the resolutions of the Board of Directors and others of the Company during the year.

Pursuant to the Corporate Governance Code, the Company has established a mechanism within the governance framework to ensure that the Board of Directors has access to independent views and opinions, and the implementation and effectiveness of the mechanism have been reviewed on an annual basis. According to the "Rules Governing Independent Directors' Work on Annual Reports" of the Company, the Independent Non-Executive Directors of the Company listened to the reports on the operation of the Company in 2023, believing that such reports had fully and objectively reflected the operation of the Company as well as the progress of significant matters in 2023. They recognised and were satisfied with the work performed and the results achieved in 2023. They also reviewed the unaudited financial statements of the Company, and discussed with the certified public accountants in charge of annual audit in respect of major matters and formed their written opinions; they reviewed the procedures for convening board meetings in the year, the decision-making procedures for matters on the agenda and the adequacy of information about such meetings; they reviewed the continuing connected transactions of the Company and made confirmations as required by the Hong Kong Listing Rules.

5.5.7 Corporate governance functions

During the reporting period, the Board of Directors has performed the following duties on corporate governance:

1. Formulate and evaluate the policies and practices on corporate governance of the Company and make certain amendments as it deems necessary, so as to ensure the validity of those policies and practices;
2. Evaluate and supervise the trainings and the improvement of professional competence of Directors and senior management;
3. Evaluate and supervise the policies and practices of the Company for compliance with laws and regulatory requirements;
4. Formulate, evaluate and supervise the Code of Conduct and the Compliance Handbook applicable to the Directors and employees of the Company;
5. Review the compliance of the Company with the Code of Corporate Governance and the disclosures in the Report of Corporate Governance;
6. Manage, control, monitor and assess the risks of the Company and evaluate the internal control status of the Company. The Board of Directors is of the opinion that the risk management and internal control systems of the Company are effective.

5.5.8 Statement made by the Directors about their responsibility for the financial statements

The senior management of the Company provided the Board of Directors with adequate explanation and sufficient information to enable the Board of Directors to make informed assessment on the financial and other information submitted to it for approval. The Directors of the Company acknowledged their responsibility for preparing the financial statements for the year ended 31 December 2023 to present a true view of the operating results of the Company. So far as the Directors are aware, there is no material uncertainty related to events or conditions that might have a significant adverse effect on the Company's ability of sustainable operation.

5.5.9 Special committees under the Board of Directors

There are six special committees under the Board of Directors of the Company, namely the Strategy and Sustainable Development Committee, the Nomination Committee, the Remuneration and Appraisal Committee, the Risk and Capital Management Committee, the Audit Committee and the Related Party Transactions Management and Consumer Rights Protection Committee.

In 2023, all the special committees under the Board of Directors of the Company gave full play to their professional advantages and earnestly performed various duties, actively offering advices to the Board of Directors on strategic guidance, Fintech, risk management, internal control and compliance, inclusive finance, green finance, related party transactions management, consumer rights protection, incentive and restrictive mechanisms and construction of the Board of Directors. During the year, these committees held a total of 41 meetings to study and review 174 significant issues, and reported their review opinions and advices to the Board of Directors by submitting meeting minutes and giving presentations on-site at the meetings, hence fully performing their respective functions in assisting the Board of Directors to make scientific decisions.

The composition and duties of the six special committees under the Board of Directors of the Company and their work in 2023 are summarised as follows.

Strategy and Sustainable Development Committee

As of the end of the reporting period, the members of the Strategy and Sustainable Development Committee included Non-Executive Directors Miao Jianmin (Chairman), Hu Jianhua, Sun Yunfei, Zhou Song, Wang Liang (Executive Director) and Li Chaoxian (Independent Non-Executive Director). The Strategy and Sustainable Development Committee is mainly responsible for formulating the operation and management goals and the medium- and long-term development strategies of the Company, as well as supervising and examining the implementation of its annual operation plan, investment plan, data governance and ESG development strategy.

Main authorities and duties:

1. Formulate the operational goals and the medium- and long-term development strategies of the Company, and make an overall assessment on strategic risks;
2. Consider material investment and financing plans and make proposals to the Board of Directors;
3. Supervise and review the implementation of the annual operational and investment plans;
4. Evaluate and monitor the implementation of the Board resolutions;
5. Make recommendations and proposals on important issues for discussion and determination by the Board of Directors;
6. Formulate data governance strategy and major issues related to data governance;
7. Review the ESG development strategy and basic management system, review the ESG-related work report, regularly evaluate the implementation of the ESG development strategy and promote the implementation of other ESG-related work required by the regulators;
8. Any other task delegated by the Board of Directors.

In 2023, the Strategy and Sustainable Development Committee under the Board of Directors of the Company convened six meetings, namely, the Strategy and Sustainable Development Committee under the Twelfth Session of the Board of Directors convened its 4th meeting (14 February), the 5th meeting (8 March), the 6th meeting (24 March), the 7th meeting (18 August), the 8th meeting (16 October) and 9th meeting (29 December). The Strategy and Sustainable Development Committee focused on the Company's sustainable development report, inclusive financial development and annual work plan, human resources management and talent strategy implementation report, the use of Fintech innovation project funds, annual financial budget and final account report, annual profit appropriation plan, implementation of business plan, revised the "14th Five-Year" Strategic Plan (2021~2025), Financial Innovation Award Selection Program, and Administrative Measures for Fintech Innovation Project Fund, redefined the strategic vision of "building the best value creation bank with innovation-driven development, leading model and distinguished features", with the building of a value creation bank as the strategic goal, managing to maximise the comprehensive value of customers, employees, shareholders, partners and the society, aiming to become the best bank in customer service, the best bank in employee development, the best bank in shareholders' return, the most trusted bank by partners and the most socially responsible bank, while adjusting and optimising the value-oriented appraisal and evaluation system as well as incentive mechanism. In addition, in order to push forward the Company's major operation and management matters, the Strategy and Sustainable Development Committee under the Board of Directors also considered the resolutions on the issuance of capital bonds, the selection of site and land use for the construction of a new data centre, and the increase of the working capital of the Luxembourg Branch.

Nomination Committee

As of the end of the reporting period, the majority of members of the Nomination Committee were Independent Non-Executive Directors, and the committee was chaired by an Independent Non-Executive Director. The members of the Nomination Committee include Wong See Hong (Chairman), Li Menggang and Liu Qiao (all being Independent Non-Executive Directors), Miao Jianmin (a Non-Executive Director) and Wang Liang (an Executive Director). The Nomination Committee is mainly responsible for formulating the procedures and standards for election of the Directors and senior management, conducting preliminary verification on the qualification for appointment of the Directors and senior management and making proposals to the Board of Directors and promoting the diversity of its Board members.

Main authorities and duties:

1. Study the standards and procedures for selection of Directors and senior management, and make recommendations to the Board of Directors;
2. Promote the diversity of the Board members, including but not limited to gender, age, culture, educational background and professional experience, and review the implementation of diversity on a regular basis;
3. Review the structure, size and composition of the Board of Directors (including their expertise, knowledge and experience) on regular basis and make recommendations on any proposed changes to the Board of Directors to implement the strategies of the Company according to the Company's business operation, asset scale and shareholding structure of the Company;
4. Conduct extensive searches for qualified candidates for Directors and senior management;
5. Conduct preliminary examination on the candidates for Directors and senior management and make recommendations to the Board of Directors;
6. Any other task delegated by the Board of Directors.

In 2023, the Nomination Committee under the Board of Directors of the Company convened seven meetings, namely, the Nomination Committee under the Twelfth Session of the Board of Directors convened its 1st meeting (13 January), the 2nd meeting (14 February), the 3rd meeting (16 March), the 4th meeting (25 April), the 5th meeting (29 May), the 6th meeting (21 August) and the 7th meeting (18 September), at which the resolutions on the nomination of Mr. Huang Jian, Mr. Zhu Jiangtao and Ms. Li Jian as a Non-Executive Director, an Executive Director and an Independent Director, respectively, and the resolutions on the nomination of Mr. Zhong Desheng, Mr. Wang Xiaoqing, Ms. Wang Ying and Mr. Peng Jiawen as Executive Vice Presidents were successively considered and approved. In addition, the Nomination Committee under the Board of Directors considered and approved the resolutions on the appointment of the Chief Financial Officer and the Secretary of the Board of Directors, and regularly reviewed the members, structure and diversity implementation of the Board of Directors and its special committees, ensuring that the structure of the Board composition is in compliance with the relevant regulatory requirements.

The specific process for the nomination and election of Directors of the Company is as follows: qualified nomination body recommends candidates for directorship to the Company, the Nomination Committee under the Board of Directors conducts a preliminary review of the qualifications and conditions of the candidates for directorship and proposes the qualified candidates to the Board of Directors for consideration, and upon consideration and approval by the Board of Directors, proposes the candidates for directorship to the Shareholders' General Meeting in a written proposal (for details, please refer to the section of "Board of Directors" set out in the Articles of Association of the Company). In the selection process of candidates for directorship, the Nomination Committee under the Board of Directors takes full consideration of the compliance of the candidates with laws, regulations and other relevant requirements, independence, cultural and educational background or professional experience, as well as the structure, number, composition and diversity of the Board of Directors, and will make recommendations on any proposed changes to the Board of Directors in line with the Company's strategy.

Remuneration and Appraisal Committee

As of the end of the reporting period, the majority of members of the Remuneration and Appraisal Committee were Independent Non-Executive Directors, and the committee was chaired by an Independent Non-Executive Director. The members of the Remuneration and Appraisal Committee currently include Li Menggang (Chairman), Liu Qiao, Li Chaoxian (all being Independent Non-Executive Directors), Hong Xiaoyuan and Chen Dong (both being Non-Executive Directors). The Remuneration and Appraisal Committee is mainly responsible for reviewing the remuneration management system and policies of the Company, formulating the remuneration package for the Directors and senior management, making proposals to the Board of Directors and supervising the implementation of such proposals.

Main authorities and duties:

1. Study the standards for assessment of Directors and senior management and make assessments and put forward proposals depending on the actual conditions of the Company;
2. Study and review the remuneration policies and proposals in respect of directors and senior management of the Bank, make recommendations to the Board of Directors and supervise the implementation of such proposals;
3. Review the regulations and policies in respect of remuneration of the Bank;
4. Any other task delegated by the Board of Directors.

In 2023, the Remuneration and Appraisal Committee under the Board of Directors of the Company convened seven meetings, namely the Remuneration and Appraisal Committee under the Twelfth Session of the Board of Directors convened its 5th meeting (16 February), the 6th meeting (21 April), the 7th meeting (21 August), the 8th meeting (25 September), the 9th meeting (16 October), the 10th meeting (20 November) and the 11th meeting (23 November). The Remuneration and Appraisal Committee under the Board of Directors implements the medium- and long-term strategic objectives formulated by the Board of Directors, and further optimises the appraisal policy and incentive plan, guides management staff and employees to "base on the long-term development and grasp the present opportunities", regularly reviews the performance-based remuneration recovery and deduction throughout the Bank. The Committee deliberated and passed the proposals on the remuneration of new senior management, the annual performance-based remuneration recovery and deduction and other proposals. According to the provisions of the H-share Appreciation Rights Scheme, the granted appreciation rights have been subject to effective appraisal and grant price adjustment, ensuring the continuous operation of the Company's medium- and long-term incentive mechanism.

Risk and Capital Management Committee

As of the end of the reporting period, the members of the Risk and Capital Management Committee were Hong Xiaoyuan (Chairman), Zhang Jian, Chen Dong (all being Non-Executive Directors), Zhu Jiangtao (an Executive Director), Liu Qiao and Shi Yongdong (both being Independent Non-Executive Directors). The Risk and Capital Management Committee is mainly responsible for supervising the status of risk control by the senior management of the Company in relation to various major risks, making regular assessment on the risk policies, risk-withstanding ability and capital management status of the Company and submitting proposals on perfecting the management of risks and capital of the Company.

Main authorities and duties:

1. Supervise the status of risk control by the senior management of the Company in relation to credit risk, market risk, operational risk, liquidity risk, strategic risk, compliance risk, reputational risk, country risk and other risks;
2. Make regular assessment on the risk policies, management status, risk-withstanding ability and capital status of the Bank;
3. Perform relevant duties under the Advanced Measurement Approach for Capital Measurement pursuant to the authorisation given by the Board of Directors;
4. Submit opinions and proposals on perfecting the management of risks and capital;
5. Arrange and instruct risk prevention works in accordance with the authorisation of the Board of Directors;
6. Evaluate, supervise and govern the risk management policies and practices of relevant overseas entities of the Company, including those in the United States, in accordance with overseas regulatory requirements;
7. Any other task delegated by the Board of Directors.

In 2023, the Risk and Capital Management Committee under the Board of Directors of the Company convened nine meetings, namely the Risk and Capital Management Committee under the Twelfth Session of the Board of Directors convened its 5th meeting (13 March), the 6th meeting (16 March), the 7th meeting (24 May), the 8th meeting (15 June), the 9th meeting (31 July), the 10th meeting (15 August), the 11th meeting (19 September), the 12th meeting (23 November) and the 13th meeting (22 December). The Risk and Capital Management Committee implemented the prudent risk management concept, adhered to the risk preference targets established by the Board of Directors, constantly strengthened the comprehensive risk management function by holding quarterly meetings, and actively implemented the objective requirements of the Board of Directors to "outperform the market and outperform the industry". The Risk and Capital Management Committee paid high attention to the risks and impacts associated with real estate, agency distribution of relevant products to private banking clients, financial asset management and local government businesses, and has carefully listened to special reports and actively advanced the risk mitigation works; adhered to long-term and reasonable capital planning by consistently enhancing the risk compensation capability, and regularly reviewing reports on the internal assessment on capital adequacy, capital adequacy ratio, and capital management planning; paid close attention to the international pattern and the changes in economic and financial situations, regularly reviewed reports on compliance with anti-money laundering and sanctions, risk assessment of money laundering and terrorist financing and compliance work of institutions in the United States, and effectively enhanced compliance management efforts and other various works.

Audit Committee

As of the end of the reporting period, the majority of members of the Audit Committee were Independent Non-Executive Directors, and the committee was chaired by an Independent Non-Executive Director. The members of the Audit Committee are Tian Hongqi (Chairman), Wong See Hong, Li Menggang, Shi Yongdong (all being Independent Non-Executive Directors) and Zhou Song (a Non-Executive Director). None of the above persons has ever served as a partner of the incumbent auditors of the Company. The Audit Committee is mainly responsible for examining the accounting policies and financial position of the Company; and is responsible for the annual audit work of the Company, proposing the appointment or replacement of external auditors and examining the status of the internal audit and internal control of the Company.

Main authorities and duties:

1. Audit the financial information and disclosure of such information, and is responsible for the annual audit work, including issue of a conclusive report on the truthfulness, accuracy, completeness and timeliness of the information contained in the audited financial statements;
2. Examine the accounting policies, financial reporting procedures and financial position;
3. Propose to engage or replace an accounting firm for regular audit of financial reports, and supervise and evaluate its audit work;
4. Monitor the internal audit system and its implementation, and evaluate the work procedures and work effectiveness of the internal audit department;
5. Coordinate the communications between internal auditors and external auditors;
6. Examine the internal control system and put forward suggestions on the improvement of internal control;
7. Review and supervise the mechanism for employees to whistle blow any misconduct in respect of financial statements, internal control or otherwise, so as to ensure that the Bank always handles the whistle blowing issues in a fair and independent manner and takes appropriate actions;
8. Any other task delegated by the Board of Directors.

In 2023, the Audit Committee under the Board of Directors of the Company convened eight meetings, namely, the Audit Committee under the Twelfth Session of the Board of Directors convened its 4th meeting and the meeting for Independent Directors' work on annual reports (9 March), the 5th meeting (20 March), the 6th meeting (24 April), the 7th meeting (18 May), the 8th meeting (11 July), the 9th meeting (21 August), the 10th meeting (18 September) and the 11th meeting (24 October). The Audit Committee, based on the quarterly meeting mechanism and by means of the regular report and internal and external audit work report, reviewed and approved the annual report, interim report and quarterly report, and supervised and verified the authenticity, accuracy, completeness and timeliness of the financial report information. The Company reviewed and passed the annual, interim and quarterly internal audit plan and work report, the annual internal control assessment report, the engagement of accounting firms and other proposals, reviewed the external auditor's audit plan, audit results, management recommendations and other reports, timely targeted the problems found in internal audit, strengthened the rectification and accountability of internal self-inspection and regulatory concerns, promoted the formation of an effective communication mechanism between internal audit and external audit by continuously strengthening the communication with internal and external audit. As the term of the external auditor will expire in 2024, the Audit Committee has considered the resolutions on the proposed change of accounting firms, the "Administrative Measures on the Selection and Appointment of Accounting Firms by China Merchants Bank", the procurement plan and bidding documents of the project for the selection and appointment of the accounting firm for 2024, and the proposal for the determination of the selection and engagement of the accounting firm for 2024, which fully played an important role in supervising operation and management, revealing risks and problems and improving management level and effectively fulfilled relevant responsibilities.

According to "Work Procedures on Annual Reports for Audit Committee under the Board of Directors" adopted by the Company, the Audit Committee under the Board of Directors of the Company performed the following duties in preparing and reviewing the annual report for 2023:

1. The Audit Committee considered and discussed the accounting firm's audit plan for 2023 and the unaudited financial statements of the Company;
2. In the course of annual audit and after the issue of a preliminary audit opinion by the auditors in charge of annual audit, the Audit Committee heard the report on the operation of the Company for 2023, exchanged opinions on the significant matters and audit progress with the auditors in charge of annual audit, reviewed the financial statements of the Company, and then formed written opinions on the above issues;
3. Before the convening of the annual meeting of the Board of Directors, the Audit Committee reviewed and prepared a resolution on the Company's Annual Report for 2023 which was submitted to the Board of Directors for consideration and approval. Moreover, the Audit Committee reviewed and submitted to the Board of Directors the conclusion report prepared by the auditors in charge of annual audit in respect of the audit work of the Company in 2023.

Related Party Transactions Management and Consumer Rights Protection Committee

As of the end of the reporting period, the majority of members of the Related Party Transactions Management and Consumer Rights Protection Committee were Independent Non-Executive Directors, and the committee was chaired by an Independent Non-Executive Director. The members of the Related Party Transactions Management and Consumer Rights Protection Committee are Li Chaoxian (Chairman), Wong See Hong and Tian Hongqi (all being Independent Non-Executive Directors) and Zhu Jiangtao (an Executive Director). The Related Party Transactions Management and Consumer Rights Protection Committee is mainly responsible for inspection, supervision and review of related party transactions of the Company and protection of the legitimate rights and interests of consumers.

Main authorities and duties:

1. Identify related parties according to relevant laws and regulations;
2. Inspect, supervise and review the major related party transactions and continuing connected transactions, and control the risks associated with related party transactions;
3. Review the administrative measures on related party transactions of the Company, and monitor the establishment and improvement of the related party transactions management system of the Company;
4. Review the announcements on related party transactions of the Company;
5. Review the strategies, policies and objectives of the consumer rights protection work of the Company;
6. Listen to the report on the consumer rights protection work of the Company and consider the relevant resolution, and make recommendations to the Board of Directors on related work;
7. Supervise and evaluate the comprehensiveness, timeliness and effectiveness of the consumer rights protection work of the Company, the duty performance of senior management in the protection of consumer rights, and the information disclosure of consumer rights protection work;
8. Any other task delegated by the Board of Directors.

In 2023, the Related Party Transactions Management and Consumer Rights Protection Committee of the Company convened four meetings, namely, the Related Party Transactions Management and Consumer Rights Protection Committee under the Twelfth Session of the Board of Directors convened its 4th meeting (9 March), the 5th meeting (6 June), the 6th meeting (13 October) and the 7th meeting (25 December). The Related Party Transactions Management and Consumer Rights Protection Committee focused on reviewing the fairness of related party transactions, assisting the Board of Directors to ensure the legality and compliance of related party transactions management, implementing the relevant responsibilities of consumer rights protection according to regulatory requirements and deliberated and passed the Related Party Transactions Report for 2022, the List of Related Parties in 2023 and other proposals, reviewed and approved the related party transactions between the Company and Gemdale Corporation, MUCFC, CMB Financial Leasing and other related parties, reviewed and approved the "Work Report on Consumer Rights Protection for 2022", the "2022 Consumer Complaint Analysis Report" and other resolutions, reviewed the regulatory notification document on consumer rights protection and the Company's main consumer rights protection system.

5.6 Board of Supervisors

The Board of Supervisors is a supervisory body of the Company and is accountable to the Shareholders' General Meetings, and effectively oversees the strategic management, financial activities, internal control, risk management, legal operation, corporate governance, as well as the duty performance of the Board of Directors and senior management with an aim to protect the legitimate rights and interests of the Company, its shareholders, employees, creditors and other stakeholders.

5.6.1 Composition of the Board of Supervisors

As of the end of the reporting period, the Board of Supervisors of the Company consists of nine members, including three Shareholder Supervisors, three Employee Supervisors and three External Supervisors. The proportion of Employee Supervisors and External Supervisors in the members of the Board of Supervisors each meets the regulatory requirements. The three Shareholder Supervisors are from large state-owned enterprises where they serve important posts and have extensive experiences in business management and professional knowledge in finance and accounting; the three Employee Supervisors have long participated in banking operation and management, and thus accumulated rich professional experience in finance; and the three External Supervisors have professional expertise and rich practical experience in corporate governance, investment management, applied science and other areas. Members of the Board of Supervisors of the Company have professional ethics and professional competence required for their performance of duties which ensures the effective supervision by the Board of Supervisors.

A Nomination Committee and a Supervisory Committee are established under the Board of Supervisors.

5.6.2 How the Board of Supervisors performs its supervisory duties

The Board of Supervisors performs its supervisory duties primarily by: holding regular meetings of Board of Supervisors and its related special committees, attending Shareholders' General Meetings, board meetings and its special committee meetings, attending major meetings on operation and management held by the senior management, reviewing various documents of the Company, reviewing work reports and specific reports of the senior management, conducting opinion exchanges and discussions, carrying out special investigations and surveys at branches of the Company and having talks with Directors and the senior management over their duty performance during the year, communicating with external auditors regularly, etc. By doing so, the Board of Supervisors comprehensively monitors the development strategy, operation and management status, risk management status and internal control and compliance status of the Company as well as duty performance of the Directors and the senior management, and puts forward constructive and targeted operation and management advice and supervision opinions.

5.6.3 Duty performance of the Board of Supervisors during the reporting period

During the reporting period, the Board of Supervisors convened a total of 16 meetings, of which three were on-site meetings and 13 were meetings convened in the form of written resolutions. 47 proposals regarding development strategies, business operation, financial activities, internal control, risk management, related party transactions, consolidation management, corporate governance, data governance, social responsibilities, anti-money laundering work, consumer rights protection, evaluation of the duty performance of Directors, Supervisors and senior management and audit on the resignation of senior management were considered, and 25 special reports involving implementation of risk appetite, disposal of non-performing assets, capital adequacy ratio, equity management, internal audit, prevention and control of crimes, green finance, were delivered or reviewed at those meetings.

During the reporting period, the Company convened one Shareholders' General Meeting and six on-site board meetings. Supervisors attended the Shareholders' General Meeting and were present at all the on-site board meetings and supervised the legitimacy and compliance of convening the Shareholders' General Meeting and the board meetings, voting procedures, the Directors' attendance at those meetings, expression of opinions and voting details.

During the reporting period, all the three External Supervisors were able to perform their supervisory duties independently. The External Supervisors discharged their supervisory duties by attending Shareholders' General Meetings, meetings of the Board of Supervisors, and special committee meetings of the Board of Supervisors, participating in meetings of the Board of Directors or any of its related special committees, proactively familiarising themselves with the operation and management and the implementation of strategies of the Company, and actively participating in studies and reviews on significant matters. During the adjournment of the meetings of the Board of Directors and the Board of Supervisors, the External Supervisors reviewed various documents and reports of the Company, and exchange opinions with the Board of Directors and senior management in respect of the problems concerned in a timely manner, thereby playing an active role in enabling the Board of Supervisors to perform their supervisory duties.

During the reporting period, the Board of Supervisors of the Company had no objection to each of the supervisory matters.

5.6.4 Operation of the special committees under the Board of Supervisors

The Nomination Committee and the Supervisory Committee are established under the Board of Supervisors, and as at the end of the reporting period, each consisting of four Supervisors, and both committees were chaired by External Supervisors.

The Nomination Committee under the Board of Supervisors

As at the end of the reporting period, the members of the Nomination Committee under the Board of Supervisors included Cai Hongping (Chairman), Peng Bihong, Zhang Xiang and Cai Jin. The major duties of the Nomination Committee are as follows: to make proposals to the Board of Supervisors on the size and composition of the Board of Supervisors; to study the standards and procedures for the election of Supervisors and deliver relevant proposals to the Board of Supervisors; to conduct extensive searches for qualified candidates for Supervisors; to undertake preliminary examination on the qualifications of the candidates for Supervisors nominated by Shareholders and provide relevant recommendations; to supervise the procedures for election of Directors; to evaluate the duty performance of the Directors, Supervisors and senior management, and submit reports to the Board of Supervisors; to supervise whether the remuneration management system and its implementation among the whole Bank and the remuneration package for its senior management are scientific and reasonable.

During the reporting period, the Nomination Committee under the Board of Supervisors held a total of two meetings, at which it reviewed and considered the report of the Board of Supervisors on the duty performance of the Directors, Supervisors and the senior management in 2022, and reviewed and approved the "Measures on Evaluation of Duty Performance of Senior Management of China Merchants Bank". In addition, the Nomination Committee under the Board of Supervisors also supervised the final accounts of total staff costs for 2022 and the performance-based remuneration recovery and deduction for 2022.

The Supervisory Committee under the Board of Supervisors

As at the end of the reporting period, the members of the Supervisory Committee under the Board of Supervisors included Xu Zhengjun (Chairman), Luo Sheng, Wu Heng and Cao Jian. The major duties of the Supervisory Committee are as follows: to formulate the supervisory plans for performance of supervisory duties by the Board of Supervisors; to formulate the supervisory plans for financial activities of the Company and conduct relevant examinations; to supervise the adoption by the Board of Directors of prudent business philosophy and value standards and its formulation of suitable development strategies in line with the actual situations of the Company; to conduct supervision and assessment on the important financial decisions of the Board of Directors and the senior management and their implementations, the establishment and improvement of the internal control governance structure and the overall risk management governance structure and the division of duties of relevant parties and their duty performance; to formulate the specific plans for reviewing the operation decisions, internal control and risk management of the Company under the authorisation of the Board of Supervisors when necessary; to formulate the plans for conducting resignation audit on Directors, President and other senior management when necessary.

During the reporting period, the Supervisory Committee under the Board of Supervisors convened a total of eight meetings, at which it reviewed and considered the work plan of the Board of Supervisors for 2023 and the audit on the resignation of senior management, amendments to the "Measures for the Audit on the Resignation of Senior Management of China Merchants Bank" and other issues. In addition, members of the Supervisory Committee under the Board of Supervisors were also present at various on-site meetings convened by the Risk and Capital Management Committee and Audit Committee under the Board of Directors. They also reviewed the consideration and discussion of the above special committee on the financial decisions, risk management, capital management, internal control compliance, internal and external audit and other aspects of the Company, and offered comments and suggestions on some of the issues.

5.6.5 Independent opinions from the Board of Supervisors

During the reporting period, the Board of Supervisors has proactively and effectively carried out supervision on the financial activities, internal control, risk management, lawful operation as well as the duty performance of the Board of Directors and the senior management of the Company pursuant to the Company Law of the People's Republic of China, the Articles of Association of the Company and the supervisory duties delegated by relevant supervisory authorities.

Independent opinions on relevant matters from the Board of Supervisors are as follows:

Lawful Operation

During the reporting period, the business activities of the Company complied with the Company Law of the People's Republic of China, Law of the People's Republic of China on Commercial Banks and the Articles of Association of the Company, the internal control system was improved, and the decision-making procedures were lawful and valid. None of the Directors and senior management of the Company were found to have non-disclosed behaviours relating to the violation of relevant laws, regulations or the Articles of Association of the Company or causing detriment to the interests of the Company and shareholders when performing their duties.

Authenticity of Financial Statements

Deloitte Touche Tohmatsu Certified Public Accountants LLP and Deloitte Touche Tohmatsu separately audited the 2023 annual financial report prepared in accordance with the PRC Generally Accepted Accounting Principles and International Financial Reporting Standards and have separately issued standard auditing reports with unqualified opinions. The financial reports truthfully, objectively and accurately reflect the financial status and operating results of the Company.

Use of Proceeds

During the reporting period, the use of proceeds of the Company was consistent with such usages as committed in the Prospectus of the Company.

Purchase and Disposal of Assets

During the reporting period, the Company was not aware of any insider trading in its acquisition and sale of assets which would damage shareholders' interests or cause loss in the assets of the Company.

Related Party Transactions

In terms of the related party transactions to be disclosed during the reporting period, the Board of Supervisors was not aware of any conduct in contravention of the Arm's Length Principle or were detrimental to the interests of the Company and its shareholders.

Implementation of Resolutions Passed at Shareholders' General Meeting(s)

The Board of Supervisors lodged no objections to the reports and proposals submitted by the Board of Directors to the Shareholders' General Meeting in 2023, supervised the implementation of the resolutions of the Shareholder's General Meeting(s), and concluded that the Board of Directors had duly implemented relevant resolutions passed at the Shareholders' General Meeting(s).

Internal Control

The Board of Supervisors had reviewed the "Report on Assessment of Internal Control of China Merchants Bank Co., Ltd. for 2023", and concurred with the Board of Directors' representations regarding the completeness, reasonableness and effectiveness of the internal control system of the Company as well as its implementation.

5.7 Investigations/Surveys and Trainings Conducted by Directors and Supervisors during the Reporting Period

During the reporting period, the Board of Directors and the Board of Supervisors of the Company organised four investigations/surveys, through which the duty performance, decision-making ability and effectiveness of supervision of our Directors and Supervisors continued to improve.

During the reporting period, the Board of Directors of the Company organised three investigations/surveys for the Directors, during which the Directors visited some of the province-level and city-level branches to have deep understanding of the operation and management of the branches and sub-branches, reviewed reports of the branches on operation and management, risk management and control, internal control management, cost management and protection of consumers' rights and interests and put forward targeted opinions and suggestions. The Board of Supervisors of the Company conducted one collective investigation, involving three branches and sub-branches. The investigation was carried out based on the problem-oriented approach. By having deep understanding of problems in operation faced by the branches, the Board of Supervisors provided advices to the branches on-site, actively coordinated with the Head Office to respond to the demands of branches, and provided guidance and supervisory opinions to the branches in terms of adhering to the guidance of Party building, deepening the implementation of strategies, fulfilling social responsibilities and strengthening the operational management and risk management. Through the supervisory mechanism, the Board of Supervisors provided feedback to the senior management and the Head Office on the demands and suggestions of the branches, and promoted the resolution of relevant issues at the system and mechanism level, thus effectively improving the quality and efficiency of the investigation of the Board of Supervisors.

During the reporting period, all Directors and Supervisors of the Company participated in the training of "Anti-Money Laundering and Sanctions Compliance" according to the requirements on duty performance, systematically studied the external situation of anti-money laundering, risk trends of money laundering, the use of anti-money laundering technology and new regulations on anti-money laundering, continuously enhancing the ability of the Board of Directors and the Board of Supervisors to fulfill their duties in the areas of anti-money laundering and sanctions compliance. The Non-Executive Directors and all Supervisors of the Company reviewed the report on "Sustainable Information Disclosure and Governance Practices of Commercial Banks", to have an in-depth understanding of the risks of climate changes, trends in sustainable information disclosure and the low-carbon transition practices of industry peers, thereby enhancing their own ESG governance capabilities. The Company conducted confidentiality training for all Directors and Supervisors to strengthen the sense of confidentiality of Directors and Supervisors in their daily work and to implement confidentiality management requirements. The new Directors and Supervisors of the Company attended the initial training for Directors and Supervisors held by Shanghai Stock Exchange, during which they had systematic study on the concept of regulation of listed companies, highlights of management of changes in shareholdings, corporate governance and duty performance to be discharged by Supervisors, regulatory cases, etc. In addition, the Directors and Supervisors of the Company studied the course of "Interpretation on the Reform of the Independent Director System of Public Companies" delivered by China Association for Public Companies, so as to keep abreast of the update on the reform of the independent director system in a timely manner.

The aforesaid investigation and training would be conducive to promoting the improvement of duty performance by the Directors and Supervisors of the Company, ensuring that the Directors and Supervisors get the full picture of the information required for their duty performance and continuing to make contributions to the Board of Directors and the Board of Supervisors of the Company.

5.8 Company Secretary under Hong Kong Listing Rules

Mr. Peng Jiawen and Ms. Ho Wing Tsz Wendy of Tricor Services Limited, an external services provider, were the joint company secretaries of the Company under the Hong Kong Listing Rules. Mr. Peng Jiawen is the major contact person of the Company on internal issues.

During the reporting period, Mr. Peng Jiawen and Ms. Ho Wing Tsz Wendy attended the relevant professional trainings for not less than 15 hours in compliance with the requirements of Rule 3.29 of the Hong Kong Listing Rules.

5.9 Major Amendments to the Articles of Association

To further improve the corporate governance system and reflect its concept of compliance and prudent operation, sustainable operation and quality development in a full, accurate and comprehensive manner, the Company, according to the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China and other laws and regulations and the latest regulatory requirements of domestic and overseas regulatory authorities, has made all-around review and revision on the Articles of Association of the Company. The amended Articles of Association had been approved by the PRC banking regulatory authorities during the reporting period. For details, please refer to the announcement dated 24 April 2023 published by the Company on the websites of Shanghai Stock Exchange, Hong Kong Exchanges and Clearing Limited and the Company.

5.10 Communication with Shareholders

The Company attaches great importance to communication with its shareholders, and has established an effective communication mechanism with investors. The Board of Directors has always adhered to strict compliance with regulatory requirements, performed the obligation to disclose information in compliance with the law, and constantly improved the quality of the disclosed information of the Company. The Company provided communication channels for investors through the Company's official website, investors' mailbox, hotline and "SSE E-interaction" platform, and in the form of shareholders' meetings, investor briefings, results road shows, investor research, securities analyst research, etc., which fully satisfied the needs of our investors and analysts at home and abroad to communicate with the Company.

The Board of Directors of the Company has reviewed and inspected the implementation of shareholder communication policies such as investor relations management and information disclosure during the reporting period of the Company, and believes that the above work of the Company is positive and effective. As of the end of the reporting period, the price-to-book ratio of the Company's A shares and H shares remained among the top in the domestic banking industry. The Company has obtained the highest rating of A in the annual information disclosure evaluation of listed companies on Shanghai Stock Exchange for the tenth consecutive year.

Investor relations

During the reporting period, the Company held one on-site annual general meeting, held one annual results press conference, one interim results exchange meeting and two quarterly results exchange meetings in the form of on-site meeting + video livestreaming; more than 4,000 investors, analysts and media reporters at home and abroad participated in the annual results press conference in person or online. At the press conference, the Chairman and senior management made in-depth presentations on the results achieved by the Company in constantly realising the "Malik Curve" for transformation and development, maintaining dynamically balanced development of "Quality, Profitability and Scale", building the three major capabilities of "wealth management, Fintech and risk management", and consolidating the "fortress-style" balance sheet, and elaborated on the meaning of "value creation bank". At the same time, they gave detailed answers to other market and media concerns such as the impact of the real estate risk, credit demand and net interest margin outlook and other matters. The Company released the records of investor exchanges on its official website in a timely manner after the meeting. During the reporting period, the Company completely resumed offline road show activities, with senior management leading the team to conduct overseas road shows in Europe, the United States, Singapore, the Middle East and Hong Kong, China, as well as to conduct domestic road shows in Shenzhen, Shanghai and Beijing, so as to provide an in-depth introduction of the Company's performance highlights, long-term strategy and investment value to domestic and overseas investment institutions.

During the reporting period, the Company participated in investment strategy meetings held by a total of 48 investment banks and securities companies. The Company received 102 online researches of securities analysts and investors and met with more than 1,200 institutional investors. The Company also answered hundreds of phone calls from our investors and processed hundreds of messages from our investors on the Company's official website, investors' mailbox, and "SSE E-interaction" platform.

The Company has recorded the above-mentioned investor reception and communication activities in accordance with relevant regulatory requirements, and has properly kept the relevant documents.

Information disclosure

As a company listed on both Shanghai Stock Exchange and the Hong Kong Stock Exchange, the Company has established a relatively sound system of information disclosure management in accordance with the domestic and overseas regulatory rules, which provides systematic safeguards and a basis for coordinating the Group's information disclosure work. The "Management System for Information Disclosure of China Merchants Bank Co., Ltd." and the "Management System for Inside Information and Insiders of China Merchants Bank Co., Ltd." specify the internal control procedures and management measures for the disclosure of relevant material information, including inside information. Meanwhile, the Company has also established a series of targeted operation mechanisms and workflows based on specific work requirements to ensure that internal and external information is circulated in an efficient, orderly and confidential manner, so as to guarantee the compliant operation of information disclosure to the greatest extent.

During the reporting period, the Company strictly complied with statutory obligations of information disclosure, and disclosed all major information in a truthful, accurate, complete, timely and fair manner. At the same time, the Company attached importance to enhancing proactiveness and transparency in information disclosure in the light of investors' needs and further strengthened the disclosure of information of concern to investors and hot market issues in periodic reports. In accordance with regulatory rules and internal rules and systems, the Company effectively managed inside information and insiders, and organised the registration of insiders and other related work in a timely manner. In order to enhance the reading experience of investors, the Company produced a short video named "CMB Remaining Hopeful Despite Adversity in 2022 " for the annual report, which achieved good communication effects.

Investor inquiries

Office of the Board of Directors of China Merchants Bank

Address: 7088 Shennan Boulevard, Futian District, Shenzhen, Guangdong Province, China

Tel: +86 755 8319 8888 (Transfer to the investor relations management team of the Office of the Board of Directors)

Fax: +86 755 8319 5109

Investors may login onto the page of "CMB Info – Investor Relations – Contact Us" on the Company's official website (www.cmbchina.com) and click the URL link "Email" thereon to leave a message for us.

5.11 Shareholders' Rights

Convening of extraordinary Shareholders' General Meetings

An extraordinary Shareholders' General Meeting shall be convened by the Board of Directors upon request in writing by shareholders individually or jointly holding more than 10% of the Company's voting shares at such meeting. The Board of Directors shall, in accordance with the laws, administrative regulations and the Articles of Association of the Company, provide a written reply of approval or disapproval for convening an extraordinary Shareholders' General Meeting within 10 days upon receiving the request. If the Board of Directors agrees to convene an extraordinary Shareholders' General Meeting, a notice of such meeting shall be issued within 5 days upon the approval for a resolution from the Board of Directors.

If the Board of Directors does not agree to convene an extraordinary Shareholders' General Meeting or fails to make a reply within 10 days upon receiving the request, the proposers are entitled to propose to the Board of Supervisors in writing to convene an extraordinary Shareholders' General Meeting. If the Board of Supervisors agrees to convene an extraordinary Shareholders' General Meeting, a notice of such meeting shall be issued within 5 days upon receiving the request. If the Board of Supervisors fails to give such notice of the meeting within the specified timeframe, the shareholders individually or jointly holding more than 10% of the Company's voting shares for more than 90 consecutive days may convene and preside over an extraordinary Shareholders' General Meeting on their own.

Making interim proposals at the Shareholders' General Meetings

If the Company convenes a Shareholders' General Meeting, shareholders individually or jointly holding more than 3% of the total voting shares of the Company may submit interim proposals in writing to the Company at least 15 working days before the convening of the Shareholders' General Meeting and submit the same to the convenor. The convenor shall issue a supplemental notice of the Shareholders' General Meeting within 2 working days upon receiving the interim proposals, and announce the contents of such proposals.

Please refer to section 1.1.4 in Chapter I "Company Information" for the relevant contact details of making interim proposals to the Shareholders' General Meetings.

Convening of extraordinary board meeting

An extraordinary board meeting may be held if it is requisitioned by shareholders representing more than 10% of the voting rights. The Chairman shall convene the extraordinary board meeting within 10 days upon receiving such proposal requisitioned by shareholders representing more than 10% of the voting rights.

Making inquiries and suggestions to the Board of Directors

Shareholders are entitled to inquire the information on the Company in accordance with the provisions of the Articles of Association of the Company upon the submission of written documents certifying the class and quantity of shares of the Company held by the shareholders, on condition that the identity of whom has been verified by the Company. For shareholders who need to inquire relevant information on the Company or have any inquiries about their shareholdings in the Company, please refer to sections 1.1.4 and 1.1.9 in Chapter I "Company Information" for details of the relevant contacts.

Shareholders are entitled to supervise the operation of the Company and put forward suggestions or inquiries on it, please refer to Chapter V "Investor Inquiries" for details of the relevant contacts.

Special provisions on rights of holders of preference shares

In the event of any of the following circumstances, the Company shall notify the preference shareholders of the convening of a Shareholders' General Meeting and follow the procedures for notifying the ordinary shareholders set forth in the Articles of Association of the Company. The preference shareholders of the Company shall be entitled to attend the Shareholders' General Meeting and the classified voting with ordinary shareholders on the following matters: (1) amendments to the Articles of Association in relation to preference shares; (2) reduction of the registered capital of the Company by more than 10% at one time or in the aggregate; (3) merger, division, dissolution or change of corporate form of the Company; (4) issuance of preference shares; and (5) other circumstances as specified by laws, administrative regulations or the Articles of Association.

If the Company fails to pay dividends on preference shares as agreed for a total of three fiscal years or two consecutive fiscal years, the voting rights of the preference shareholders shall be restored, and the preference shareholders shall have the right to attend the Shareholders' General Meeting and vote with ordinary shareholders from the day following the date on which the Shareholders' General Meeting resolves not to distribute the dividends of the preference shares as agreed for that year. The voting rights of the aforesaid preference shareholders shall remain in effect until such time as the Company pays the dividends in full for that year.

Other rights

The ordinary shareholders of the Company are entitled to receive distributable profits and other forms of profit appropriation based on their shareholdings. The preference shareholders of the Company are entitled to preferential profit appropriation.

Other rights conferred by laws, administrative regulations and the Articles of Association of the Company.

5.12 Profit Appropriation

5.12.1 The profit appropriation plan for 2023

Ten percent of the audited net profit of the Company for 2023 of RMB137.521 billion, equivalent to RMB13.752 billion, was allocated to the statutory surplus reserve, while 1.5% of the balance of the end-of-period assets with the Company bearing risks and losses, equivalent to RMB7.787 billion, was appropriated to the general reserve. 2.5% of the Company's mutual fund custody fee income for 2023, equivalent to RMB68 million, was appropriated to the risk reserve for the mutual fund custody business. Based on the total share capital of A Shares and H Shares on the record date for implementation of the profit appropriation, the Company proposed to declare a cash dividend of RMB1.972 (tax included) for every share to all shareholders of the Company whose names appear on the register, denominated and declared in Renminbi, payable in Renminbi for holders of A Shares and in Hong Kong Dollars for holders of H Shares. The actual appropriations amount in HKD would be calculated based on the average RMB/HKD benchmark rate to be released by the People's Bank of China for the previous week (including the day of the Shareholders' General Meeting) before the date of the Shareholders' General Meeting. The retained profits will be carried forward to the next year. In 2023, the Company did not transfer any capital reserve into share capital. The above profit appropriation plan is subject to consideration and approval at the 2023 Annual General Meeting of the Company.

For the other information on the closing date for registration, the period for closure of register of members and the profit appropriation plan for the shareholders who are entitled to attend the Company's 2023 Annual General Meeting and those who are entitled to receive the final dividends for 2023, the Company will make further announcement(s) at appropriate times. The Company expects that the distribution of final dividends to the H Shareholders will be completed by 30 August 2024.

5.12.2 Profit appropriation of the Company for the last three years

Year	Number of bonus shares for every share held (No. of shares)	Cash dividend for every share held (inclusive of tax, in RMB)	Number of shares issued on capitalisation of surplus reserve for every share held (No. of shares)	Total cash dividends (inclusive of tax, in millions of RMB)	Net profit attributable to holders of ordinary shares in the consolidated financial statements for the year (in millions of RMB)	Proportion of cash dividend to net profit attributable to holders of ordinary shares in the consolidated financial statements (%)
2021	–	1.522	–	38,385	116,309	33.00
2022	–	1.738	–	43,832	132,775	33.01
2023(Note)	–	1.972	–	49,734	142,044	35.01

Note: The profit appropriation plan for 2023 is subject to consideration and approval at the 2023 Annual General Meeting of the Company.

5.12.3 The formulation and implementation of the Company's cash dividend policies

1. As specified in the Articles of Association of China Merchants Bank Co., Ltd., the profit appropriation policies of the ordinary shares of the Company are:

    (1) Profit appropriation of the Company shall focus on reasonable returns on investment of shareholders, and such policies shall maintain continuity and stability.

    (2) The Company may distribute dividends in cash, shares or a combination of cash and shares, and it shall distribute dividends mainly in cash. Subject to compliance with prevailing laws, regulations and the requirements of relevant regulatory authority on the capital adequacy ratio, as well as the requirements of general working capital, business development and the need for substantial investment, merger and acquisition plans of the Company, the cash dividend to be distributed by the Company to shareholders of ordinary shares each year in principle shall not be less than 30% of the net profit after taxation attributable to shareholders of ordinary shares audited in accordance with the PRC accounting standards for that year. The Company may pay interim cash dividend. Unless another resolution is passed at the Shareholders' General Meeting, the Board of Directors shall be authorised by the shareholders at a Shareholders' General Meeting to approve the interim profit appropriation plan.

    (3) If the Company generated profits in the previous accounting year but the Board of Directors did not make any cash profit appropriation plan after the end of the previous accounting year, the Company shall state the reasons for not distributing the profit and the usage of the profit retained in the periodic report and the Independent Directors shall give an independent opinion in such regard.

    (4) If the Board of Directors considers that the price of the shares of the Company does not match the size of the share capital of the Company or where the Board of Directors considers necessary, the Board of Directors may propose a profit appropriation plan in the form of shares and implement the same upon consideration and approval at a Shareholders' General Meeting, provided that the above-mentioned cash profit appropriation requirements are satisfied.

    (5) The Company shall pay cash dividends and other amounts to holders of domestic shares listed domestically and such sums shall be calculated, declared and paid in Renminbi. The Company shall pay cash dividends and other amounts to holders of H Shares and such sums shall be calculated and declared in Renminbi and paid in Hong Kong Dollars. The foreign currencies required by the Company for payment of cash dividends and other sums to shareholders of overseas listed foreign shares shall be handled according to the relevant requirements of foreign exchange administration of the State.

    (6) Where appropriation of the Company's fund by a shareholder, which is in violation of relevant rules, has been identified, the Company shall make a deduction against the cash dividend to be paid to such shareholder, and such amount shall be used as the reimbursement of the funds appropriated.

    (7) The Company shall disclose the implementation progress of the cash dividend policy and other relevant matters in its periodic reports in accordance with the applicable requirements.

2. During the reporting period, the profit appropriation plan of the Company for 2022 was implemented in strict accordance with the relevant provisions of the Articles of Association of China Merchants Bank Co., Ltd. It was considered and approved by the 15th meeting of the Twelfth Session of the Board of Directors of the Company and submitted for consideration and approval at the 2022 Annual General Meeting. The minority shareholders were afforded opportunities to fully express their views and requests. The criteria and proportion of cash dividends were clear and specific, and the Board of Directors of the Company has implemented the profit appropriation plan. The profit appropriation plan of the Company and its implementation have provided adequate protection for the legitimate rights and interests of minority investors. The profit appropriation plan of the Company for 2023 will also be implemented in strict accordance with the relevant provisions of the Articles of Association of China Merchants Bank Co., Ltd.. It will be considered and approved by the 31st meeting of the Twelfth Session of the Board of Directors of the Company and submitted for consideration and approval at the 2023 Annual General Meeting of the Company.

5.13 Taxes and Tax Deductions

The shareholders of the Company paid relevant taxes according to the following regulations and the tax laws updated from time to time, enjoyed possible tax deductions as the case may be, and shall consult with its professional tax and legal consultants for specific payment affairs. The laws, regulations, and rules cited as follows are relevant provisions promulgated as of 31 December 2023.

A-share shareholders

For natural person shareholders and securities investment fund shareholders holding the Company's A shares, according to relevant provisions of the Notice on the Issues Concerning the Implementation of the Policies for Differentiated Individual Income Tax Imposed upon the Dividends and Bonuses from Listed Companies (關於實施上市公司股息紅利差別化個人所得稅政策有關問題的通知) (Cai Shui [2012] No.85) and the Notice on the Issues Concerning the Policies for Differentiated Individual Income Tax Imposed upon the Dividends and Bonuses from Listed Companies (關於上市公司股息紅利差別化個人所得稅政策有關問題的通知) (Cai Shui [2015] No.101), if the holding period is within one month (including one month), the full amount of dividends and bonuses shall be included in the taxable income, and the actual tax burden is 20%; if the holding period is from 1 month to 1 year (including 1 year), 50% of the dividends and bonuses shall be included in the taxable income, and the actual tax burden is 10%; if the holding period exceeds one year, the dividends and bonuses shall be temporarily exempted from individual income tax.

For qualified foreign institutional investor (QFII) shareholders who hold the Company's A shares, the Company shall, in accordance with the provisions as set forth in the Notice on the Issues Concerning Chinese Resident Enterprises' Withholding of Enterprise Income Tax for Payment of Dividends, Bonuses, and Interest to QFII (關於中國居民企業向 QFII 支付股息、紅利、利息代扣代繳企業所得稅有關問題的通知) (Guo Shui Han [2009] No.47), the Company shall withhold and pay the enterprise income tax at the tax rate of 10%. If qualified foreign institutional investor (QFII) shareholders are involved in enjoying tax treaty (arrangement) treatment, the withholding of enterprise income tax shall be implemented in accordance with the Announcement of the State Administration of Taxation on Administrative Measures for Non-resident Taxpayers to be Entitled to Benefits under Tax Treaty (國家稅務總局關於發佈〈非居民納稅人享受協定待遇管理辦法〉的公告) (State Administration of Taxation Announcement No.35 of 2019) and the Notice on the Issues Concerning Chinese Resident Enterprises' Withholding of Enterprise Income Tax for Payment of Dividends, Bonuses, and Interest to QFII (關於中國居民企業向 QFII 支付股息、紅利、利息代扣代繳企業所得稅有關問題的通知) (Guo Shui Han [2009] No.47).

For investors (including enterprises and individuals) of The Stock Exchange of Hong Kong Limited (SEHK) investing in the Company's A shares listed on Shanghai Stock Exchange (referred to as Northbound Trading). According to the Notice on the Tax Policies Related to the Pilot Program of the Shanghai-Hong Kong Stock Connect (關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知) (Cai Shui [2014] No. 81), the dividends and bonuses shall be distributed in RMB by the Company through China Securities Depository and Clearing Corporation Limited Shanghai Branch to the account of the nominal holder of A shares. The Company will withhold income tax at the tax rate of 10% and apply to the competent taxation authority for withholding declaration. For Northbound Trading investors who are tax residents of other countries or regions and the income tax rate for dividends and bonuses is lower than 10% as stipulated in the tax treaty signed between its domicile country or region and China, the withholding of enterprise income tax shall be implemented in accordance with the Announcement of the State Administration of Taxation on Administrative Measures for Non-resident Taxpayers to Enjoy Treaty Benefits under Tax Treaty (State Administration of Taxation Announcement No.35 of 2019) and the Notice on the Tax Policies Related to the Pilot Program of the Shanghai-Hong Kong Stock Connect (Cai Shui [2014] No. 81).

For other A-share shareholders (including institutional investors) who are resident enterprises under the Law of the People's Republic of China on Enterprise Income Tax, the income tax shall be declared and paid by themselves.

H-share shareholders

According to relevant provisions of the Notice on Matters Concerning the Levy and Administration of Individual Income Tax after the Repeal of Guo Shui Fa [1993] No. 045 (關於國稅發[1993]045 號文件廢止後有關個人所得稅徵管問題的通知) (Guo Shui Han [2011] No. 348) and the Notice on the Issues Concerning Chinese Resident Enterprises' Withholding of Enterprise Income Tax for Distribution of Dividends to H-share Shareholders Who Are Foreign Non-resident Enterprises (關於中國居民企業向境外 H 股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知) (Guo Shui Han [2008] No.897), the Company withholds dividend income tax at the tax rate of 10% for individual and enterprise shareholders of the Company's H shares. However, if otherwise set forth in relevant tax laws, regulations, and treaties, the Company shall handle specifically in accordance with the collection and administration requirements of the taxation authorities.

For investors investing in the Company's H shares through Southbound Trading, according to the relevant requirements of the Notice on the Tax Policies Related to the Pilot Program of the Shanghai-Hong Kong Stock Connect (Cai Shui [2014] No. 81) and the Notice on the Tax Policies Related to the Pilot Program of the Shenzhen-Hong Kong Stock Connect (Cai Shui [2016] No. 127), the Company shall withhold individual income tax at the tax rate of 20% for dividends received by individual investors in the Chinese mainland from investing in the Company's H shares through Southbound Trading; dividends received by securities investment funds in the Chinese mainland from investing in the Company's H shares through Southbound Trading shall be taxed as individual investors; the Company will not withhold income tax on dividends for corporate investors in the Chinese mainland, and the tax payable shall be declared and paid by the relevant enterprises themselves.

Shareholders of domestic preferred shares

The individual income tax payment matters related to the dividends of domestic preferred shares obtained by individuals through non-public issuance shall be handled in accordance with relevant taxation laws and regulations of China.

According to the Law of the People's Republic of China on Enterprise Income Tax and the Regulations for Implementation of the Law on Enterprise Income Tax, the dividend income of domestic preferred shares among eligible resident enterprises shall be tax-free income. The dividend income of domestic preferred shares obtained by non-resident enterprises shall be tax-deductible, and the enterprise income tax shall be levied at the tax rate of 10%.

5.14 Information on Employees

As of 31 December 2023, the Group had a total of 116,529 employees[27] (including dispatched employees).

The classification of the Group's employees by gender is: 49,864 males and 66,665 females, with a relatively balanced gender ratio.

The classification of the Group's employees by profession is: 19,746 employees in corporate finance, 52,834 employees in retail finance, 6,844 employees in risk management, 17,377 employees in operation and management, 10,650 employees in research and development, 983 employees in administrative and logistics support and 8,095 employees in comprehensive management.

The classification of the Group's employees by educational background is: 28,352 employees with master's degrees and above, 74,849 employees with bachelor's degrees and 13,328 employees with junior college degrees or below.

The distribution of the Group's employees by regions is: 29,066 employees in the Yangtze River Delta, 14,471 employees in the Bohai Rim, 36,176 employees in the Pearl River Delta and the Western Taiwan Straits Economic Zone, 5,217 employees in the Northeast, 12,361 employees in the Central, 16,029 employees in the West and 3,209 employees outside the Chinese mainland.

The classification of the Group's employees in research and development by educational background is: 5,087 employees with master's degrees or above, 5,453 employees with bachelor's degrees and 110 employees with junior college degrees or below. The age structure is as follows: 5,424 employees aged 30 and below, 4,263 employees aged 30-40 (excluding 30, but including 40), 813 employees aged 40-50 (excluding 40, but including 50) and 150 employees aged 50-60 (excluding 50, but including 60).

The Company is committed to eliminating gender discrimination in recruitment. In terms of remuneration management, the Company adheres to the principle of gender equality in remuneration and benefits, and provides employees with equal training and career development opportunities. For details, please refer to 4.3.6 "Human resources development" in this report. The Company will continue to take steps to promote diversity among employees at all levels.

Staff remuneration policy and training

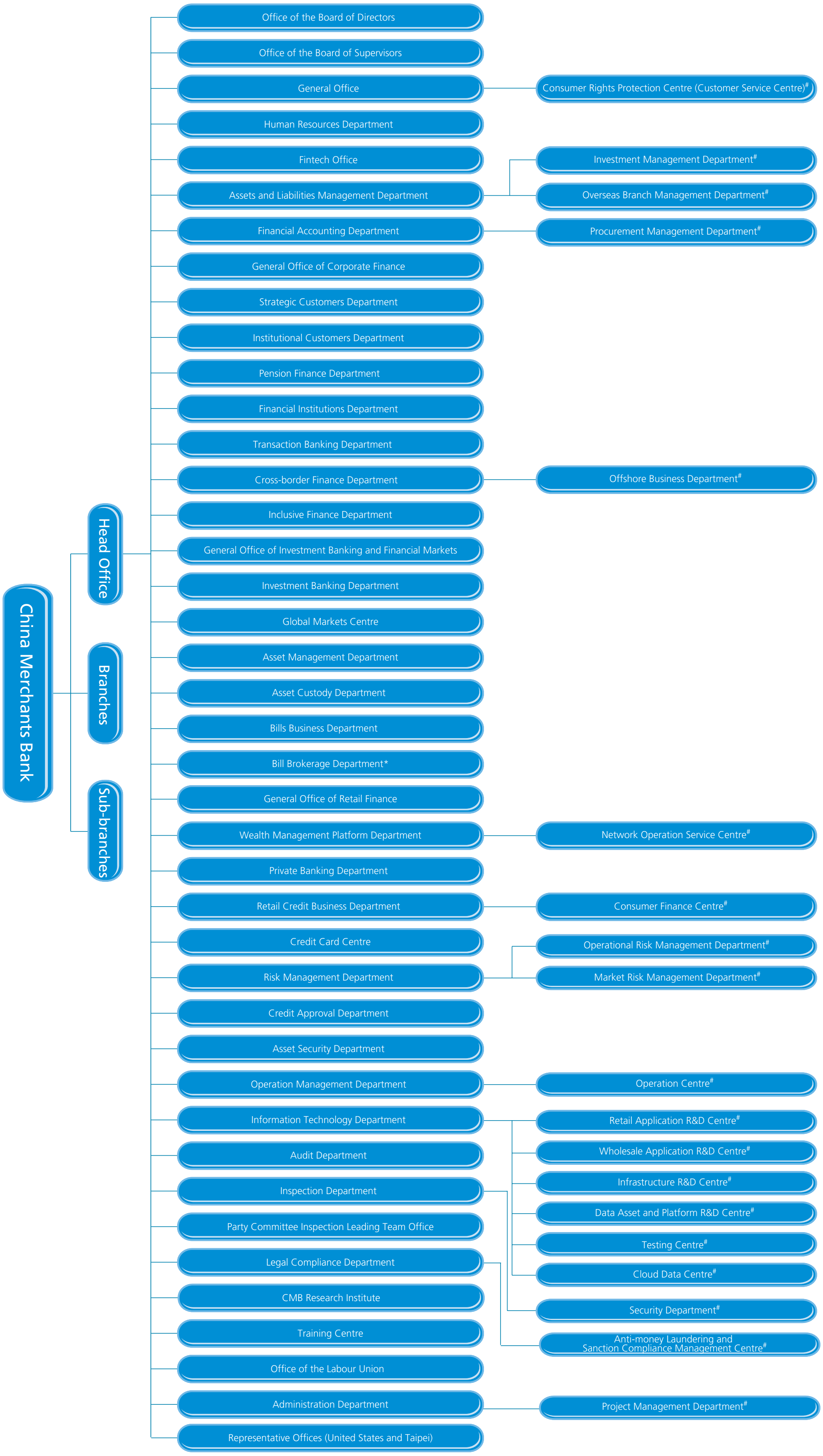
The Company's remuneration policy is in line with its cultural concepts, operation targets and corporate values. It aims to "improve its market-based remuneration incentive and restrictive mechanisms, serve its strategic and business development and fully mobilise the enthusiasm of its teams". The remuneration policy adheres to the remuneration management principles featuring "value guidance, performance base, Six Can-do mechanism and risk control" and reflects the remuneration concept of "get more pay for more work in a flexible way". At the same time, in order to mitigate various operating and management risks, the Company has established a mechanism related to remuneration deferred payment and performance-based remuneration recovery and deduction in accordance with regulatory requirements and operational management needs. During the reporting period, the Company implemented the performance-based remuneration recovery and deduction against 4,415 people, with the performance-based remuneration recovery and deduction amount of RMB43.29 million.

The Company has established a multi-level, professional and digital talent training system, and adopts a diversified training method that combines online and offline training. The contents of training mainly focus on knowledge of its business and products, professional ethics and risk compliance, cultural values and leadership, covering employees' needs for career growth at different levels.

For details of the Company's human resources development, please refer to section 4.3.6 "Human resources development" in this report.

27 Including employees of the Company, CMB Wing Lung Bank and its subsidiaries, CMB Financial Leasing, CMB International Capital and its subsidiaries, CMB Wealth Management, China Merchants Fund and its subsidiaries, CIGNA & CMB Life Insurance, CIGNA & CMAM, MUCFC, CMB Network Technology and CMB YunChuang.

5.15 Organisational Structure of the Company as at the End of the Reporting Period



Note : #secondary department
*independent secondary department

5.16 Head Office and Branches and Representative Offices

Region	Name of branch	Business address	No. of branches	Asset scale (in millions of RMB)
Head Office	Head Office	7088 Shennan Boulevard, Futian District, Shenzhen	1	3,182,493
	Credit Card Centre	686 Lai'an Road, Pudong New Area, Shanghai	1	893,692
	Global Markets Centre	Floor 6, Building 2, No. 1088, Lujiazui Ring Road, Pudong New Area, Shanghai	1	977,988
Yangtze River Delta	Shanghai Branch	1088 Lujiazui Ring Road, Pudong New Area, Shanghai	102	442,813
	Shanghai Pilot Free Trade Zone Branch	56 Bohang Road, Pudong New Area, Shanghai	4	10,477
	Nanjing Branch	199 Lushan Road, Jianye District, Nanjing	85	281,062
	Hangzhou Branch	300 Fuchun Road, Shangcheng District, Hangzhou	78	279,521
	Ningbo Branch	342 Min' an East Road, Yinzhou District, Ningbo	34	105,030
	Suzhou Branch	36 Wansheng Street, Industrial Park, Suzhou	34	156,045
	Wuxi Branch	6-107, 6-108 1st Financial Street, Binhu District, Wuxi	20	71,093
	Wenzhou Branch	464 Fudong Road, Lucheng District, Wenzhou	15	39,404
	Nantong Branch	111 Gongnong Road, Nantong	18	38,327
Bohai Rim	Beijing Branch	156 Fuxingmen Nei Dajie, Xicheng District, Beijing	129	515,074
	Qingdao Branch	65 Hai'er Road, Laoshan District, Qingdao	54	77,123
	Tianjin Branch	255 Guangdong Road and 9 Qianjin Road, Hexi District, Tianjin	44	106,417
	Jinan Branch	7000 Jingshi Road, High-tech Zone, Jinan	64	136,831
	Yantai Branch	117 Changjiang Road, Economic & Technological Development Area, Yantai	17	32,305
	Shijiazhuang Branch	172 Zhonghua South Street, Qiaoxi District, Shijiazhuang	20	36,123
	Tangshan Branch	45 Beixinxi Road, Lubei District, Tangshan	11	12,987
Pearl River Delta and the Western Taiwan Straits Economic Zone	Guangzhou Branch	5 Huasui Road, Tianhe District, Guangzhou	74	267,947
	Shenzhen Branch	2016 Shennan Boulevard, Futian District, Shenzhen	121	551,106
	Fuzhou Branch	316 Jiangbinzhong Boulevard, Taijiang District, Fuzhou	41	82,835
	Xiamen Branch	18 Lingshiguan Road, Siming District, Xiamen	33	80,627
	Quanzhou Branch	China SCE•International Finance Centre (中駿•國金中心), South of Eastern Section of Baozhou Road, Fengze District, Quanzhou	17	32,445
	Dongguan Branch	200 Hongfu Road, Nancheng District, Dongguan	29	74,215
	Foshan Branch	12 Denghu Road East, Nanhai District, Foshan	36	84,347
Northeast	Shenyang Branch	12 Shiyiwei Road, Heping District, Shenyang	51	50,799
	Dalian Branch	17 Renmin Road, Zhongshan District, Dalian	35	44,465
	Harbin Branch	3 Zhongyang Avenue, Daoli District, Harbin	40	46,617
	Changchun Branch	9999 Renmin Avenue, Nanguan District, Changchun	23	26,806

Region	Name of branch	Business address	No. of branches	Asset scale (in millions of RMB)
Central	Wuhan Branch	188 Yunxia Road, Jianghan District, Wuhan	99	210,665
	Nanchang Branch	1111 Huizhan Road, Honggutan New District, Nanchang	51	98,245
	Changsha Branch	39 Chazishan East Road, Yuelu District, Changsha	50	97,834
	Hefei Branch	169 Funan Road, Hefei	42	97,690
	Zhengzhou Branch	96 Nongye Road East, Zhengzhou	53	101,307
	Taiyuan Branch	265 Nan Zhong Huan Road, Xiaodian District, Taiyuan	23	37,794
	Haikou Branch	1 Shimao Road North, Haikou	10	34,585
West	Chengdu Branch	1, the 3rd section of Renmin Road South, Wuhou District, Chengdu	59	121,684
	Lanzhou Branch	9 Qingyang Road, Chengguan District, Lanzhou	25	43,304
	Xi'an Branch	1 Gaoxin No.2 Road, Gaoxin District, Xi'an	69	141,213
	Chongqing Branch	88 Xingguang Road, New North District, Chongqing	53	130,442
	Urumchi Branch	2 Huanghe Road, Urumchi	18	34,294
	Kunming Branch	1 Chongren Street, Wuhua District, Kunming	56	74,485
	Hohhot Branch	9 Chilechuan Avenue, Saihan District, Hohhot	24	33,349
	Nanning Branch	No.136-5 Minzu Avenue, Qingxiu District, Nanning	20	40,499
	Guiyang Branch	West 2nd Tower, International Finance Centre, Guanshanhu District, Guiyang	18	34,433
	Yinchuan Branch	138 Beijingzhong Road, Jinfeng District, Yinchuan	15	16,982
	Xining Branch	79 Haiyan Road, Chengxi District, Xining	10	10,570
Overseas	Hong Kong Branch	31/F, Three Exchange Square, 8 Connaught Place, Central, Hong Kong	1	108,116
	USA Representative Office	535 Madison Avenue, 18th Floor, New York, U.S.A	1	/
	New York Branch	535 Madison Avenue, 18th Floor, New York, U.S.A	1	61,224
	Singapore Branch	1 Raffles Place, Tower 2, #32-61, Singapore	1	14,799
	Taipei Representative Office	333, Section 1, Jilong Road, Xinyi District, Taipei	1	/
	Luxembourg Branch	20 Boulevard Royal, L-2449, Luxembourg	1	13,476
	London Branch	18/F, 20 Fenchurch Street, London, UK	1	10,936
	Sydney Branch	L39, GPT, 1 Farrer Place, Sydney, NSW	1	12,283
Total	/	/	**1,935**	**10,317,223**

5.17 Internal Control

During the reporting period, the Company continued to conduct educational program in respect of compliance, case study and code of conduct while constantly strengthening employees' awareness of risks, compliance, policies and the big picture, actively carried out the culture publicity activity of "Compliance 2023". By organising various compliance publicity activities such as the compliance image publicity video exhibition, writing competition on compliance, selection for excellent compliance teaching, online learning of "compliance short video", etc., the Company further enhanced the compliance awareness and red-line mentality of all management staff and employees, and deeply cultivated the compliance culture of "observing laws and disciplines", providing long-term compliance guarantee for the healthy development of various businesses. Meanwhile, the Company further strengthened the internal supervision and inspection work, organised the Head Office departments and domestic branches to prepare annual inspection plans based on the weak management areas and problem-prone aspects while supervising the implementation of these plans, and promoted the establishment of inspection and supervision teams at all domestic branches to ensure that the management of branches can proactively, comprehensively and effectively grasp the problems and deficiencies in risk management and internal control of their respective branches. In addition, the Company fully implemented the rectification work of the problems found in the internal and external inspection and effectively guaranteed the compliance operation and stable development of the Company's businesses.

During the reporting period, the Company organised evaluation campaigns on the status of internal control of the whole Bank in 2023. As reviewed by the Board of Directors of the Company, no significant defects in terms of completeness, reasonableness and effectiveness were found in the Company's internal control system. For details, please refer to the "Report of Evaluation on Internal Control of China Merchants Bank Co., Ltd. in 2023", and the "Auditors' Report on Internal Control of China Merchants Bank Co., Ltd. in 2023" issued by Deloitte Touche Tohmatsu Certified Public Accountants LLP with standard unqualified opinions.

5.18 Internal Audit

The Company implements an independent and vertical internal audit system. The Board of Directors shall take the ultimate responsibility for the independence and effectiveness of the internal audit, review and approve the internal audit charter, audit organisation system, medium- and long-term audit plan and annual audit plan, appoint the head of the Audit Department, provide necessary guarantees for the independent and objective implementation of internal audit and assess the independence and effectiveness of internal audit. The Head Office has set up an Audit Department to undertake specific internal audit responsibilities, accept the leadership of the Head Office Party Committee, be responsible for and report to the Board of Directors and its Audit Committee and accept the guidance of the Board of Supervisors. The Head Office Audit Department has nine audit divisions to strengthen the audit, inspection and rectification follow-up of regional branches and institutions. The Head Office Audit Department has set up nine teams to increase support and guidance to the audit division and four corresponding audit teams to strengthen the audit of Head Office departments, overseas institutions, credit card business, etc.

During the reporting period, the Company further strengthened internal control, risk management, and internal audit. The Company focused on the implementation of national economic and financial policies, followed the key points of strategy, risk and supervision, adhered to the value and problem orientation, carried out audit inspection around serving the real economy, green finance, inclusive finance and other aspects, prevented risks, promoted rectification, consolidated the foundation, promoted the construction of digital audit, and effectively promoted the steady development of bank-wide operation and management.

5.19 Compliance with the Corporate Governance Code

The Company has applied the principles set out in the Corporate Governance Code set out in Appendix C1 to the Hong Kong Listing Rules to its corporate governance structure and practices, and the application of such principles is set out in this report. During the reporting period, the Company had complied with the principles and code provisions of the Corporate Governance Code and adhered to the majority of the recommended best practices thereunder.

Focusing on the core needs of customers, accompanying customers to grow together

Important Events

6.1 Principal Business Activities

The Company is engaged in banking and related financial services.

6.2 Financial Highlights

Details are set out in Chapter II Summary of Accounting Data and Financial Indicators.

6.3 Reserve Available for Distribution

For details of changes in the reserve available for distribution of the Company, please refer to the "Statement of Changes in Equity" in the financial statements.

6.4 Fixed Assets

Changes in fixed assets of the Company as at the end of the reporting period are detailed in Note 28 to the financial statements.

6.5 Purchase, Sale or Repurchase of Listed Securities of the Company

Neither the Company nor its subsidiaries had purchased, sold or repurchased any of the Company's listed securities during the reporting period.

6.6 Pre-emptive Rights

There is no provision for pre-emptive rights under the Articles of Association of the Company and the shareholders of the Company have not been granted any pre-emptive rights.

6.7 Retirement and Welfare

Details about retirement welfare provided by the Company to its employees are detailed in Note 39 to the financial statements.

6.8 Principal Customers

As at the end of the reporting period, the net operating income contributed by the top 5 customers of the Company did not exceed 30% of the total net operating income of the Company.

6.9 Compliance with Laws and Regulations

During the reporting period, the Company has complied in all material aspects with the relevant laws and regulations that would have a material impact on the operations of the Company.

6.10 Directors' Interests in the Businesses Competing with Those of the Company

During the reporting period, none of the Directors of the Company has any interests in the businesses which compete or are likely to compete, either directly or indirectly, with those of the Company.

6.11 Financial, Business and Kinship Relations among Directors, Supervisors and Senior Management

Save as disclosed herein, the Company is not aware that there has been any financial, business, kinship or other material or connected relations among the Directors, Supervisors and senior management of the Company.

6.12 Contractual Rights and Service Contracts of Directors and Supervisors

During the reporting period, the Directors and Supervisors of the Company have no material interests in contracts of significance to which the Company or any of its subsidiaries was a party. None of the Directors and Supervisors of the Company has entered into any service contract with the Company which is not terminable by the Company within one year without payment of compensation (excluding statutory compensation).

6.13 Disciplinary Actions Imposed on the Company, Directors, Supervisors or Senior Management

During the reporting period, the Company was not subject to criminal investigations for suspected crimes. The Company, its Directors, Supervisors and senior management members were not subject to criminal punishment, or subject to investigations by the CSRC or administrative punishment by the CSRC for suspected violations of laws and regulations, or subject to administrative punishments by other competent authorities that have major impact on the operation of the Company. None of the Directors, Supervisors and senior management members of the Company was subject to compulsory measures in accordance with the law for suspected crimes, or subject to detention by the disciplinary inspection and supervision authorities for suspected serious violations of laws and regulations or duty-related crimes that affected the performance of their duties, or subject to compulsory measures taken by other competent authorities for suspected violations of laws and regulations that affected the performance of their duties.

6.14 Explanation on the Integrity of the Company

During the reporting period, there were no circumstances where the Company failed to fulfill any obligation under effective court judgements or repay any due debt of a significant amount.

6.15 Undertakings

In the course of the rights issue of A shares and H shares in 2013, each of China Merchants Group Ltd., China Merchants Steam Navigation Co., Ltd. (招商局輪船股份有限公司) (now renamed as China Merchants Steam Navigation Co., Ltd. (招商局輪船有限公司)) and China Ocean Shipping (Group) Company (now renamed as China Ocean Shipping Company Limited) had undertaken that they would not seek for related party transactions on terms more favourable than those given to other shareholders; they would repay the principal and interest of the loans granted by the Company on time; they would not interfere with the daily operations of the Company. Upon expiration of the lock-up period of the allocated shares, they would not transfer their allocated shares until they obtain the approval from the regulatory authorities on the share transfer and the shareholder qualification of transferees; and upon obtaining the approval from the Board of Directors and the Shareholders' General Meeting of the Company, they would continue to support the reasonable capital needs of the Company; they would not impose unreasonable performance indicators on the Company. For details, please refer to the A Share Rights Issue Prospectus dated 22 August 2013 on the websites of Shanghai Stock Exchange, Hong Kong Exchanges and Clearing Limited and the Company. So far as the Company is aware, as at the end of the reporting period, the above shareholders had not violated the aforesaid undertakings.

According to the relevant requirements of the CSRC, the Company considered and approved the "Resolution Regarding the Dilution of Current Returns by the Non-public Issuance of Preference Shares and the Remedial Measures" at its 2016 Annual General Meeting, and formulated the remedial measures in respect of the dilution of current returns of the holders of ordinary shares which may be caused by the non-public issuance of preference shares. Meanwhile, the Directors and senior management of the Company also undertook to earnestly implement the remedial measures. For details, please refer to the documents of the 2016 Annual General Meeting of the Company published on the website of the Shanghai Stock Exchange, Hong Kong Exchanges and Clearing Limited and the Company. So far as the Company is aware, as at the end of the reporting period, neither the Company nor its Directors and senior management had breached any of the aforesaid undertakings.

6.16 Significant Connected Transactions[28]

6.16.1 Overview of connected transactions

Pursuant to Chapter 14A of the Hong Kong Listing Rules, a majority of continuing connected transactions of the Company met de minimis exemption and the non-exempt continuing connected transactions fulfilled the relevant reporting and announcement required by the Hong Kong Listing Rules.

6.16.2 Non-exempt continuing connected transactions

As at the end of the reporting period, the Company and China Merchants Securities Co., Ltd. held 55% and 45% of the equity interest in CMFM, respectively. Therefore, in accordance with the Hong Kong Listing Rules, CMFM and its associates ("CMFM Group") are connected parties of the Company, and the fund agency distribution service provided by the Company to CMFM Group constituted non-exempt continuing connected transactions of the Company under the Hong Kong Listing Rules.

On 28 December 2022, the Company entered into a Business Co-operation Agreement with CMFM on normal commercial principles after arm's length negotiation for a term commencing on 1 January 2023 and expiring on 31 December 2025. CMFM Group shall calculate fees based on the rates specified in the fund offering documents and/or the offering prospectuses, and shall pay agency service fees to the Company according to the agreement. Meanwhile, the Company has announced the annual caps of RMB1.5 billion, RMB1.8 billion and RMB2.2 billion for the continuing connected transactions with CMFM Group for 2023, 2024 and 2025, respectively as approved by the Board of Directors. The annual caps for the service fees were not more than 5% of the relevant percentage ratios calculated in accordance with Rule 14.07 of the Hong Kong Listing Rules. Therefore, these transactions would only be subject to the reporting, announcement and annual review requirements under the Hong Kong Listing Rules, and exempt from the independent shareholders' approval requirement. For details, please refer to the relevant announcement of the Company dated 28 December 2022.

During the reporting period, the continuing connected transactions between the Company and CMFM Group amounted to RMB1,016 million.

28 Both "connected transactions" and "connected parties" in this section are terms used in Hong Kong Listing Rules.

6.16.3 Confirmation from the Independent Non-Executive Directors and auditors

The Independent Non-Executive Directors of the Company have reviewed the above-mentioned non-exempt continuing connected transactions between the Company and CMFM Group and confirmed that:

1. The transactions were entered into in the ordinary and usual course of business of the Company;
2. The terms of the transactions are fair and reasonable, and are in the interest of the Company and its shareholders as a whole;
3. The transactions were entered into on normal commercial terms or better terms;
4. The transactions were conducted in accordance with the terms of relevant agreements.

Furthermore, pursuant to rule 14A.56 of the Hong Kong Listing Rules, the Company has engaged Deloitte Touche Tohmatsu to perform relevant assurance procedures on the continuing connected transactions of the Group in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 (Revised) "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The Board of Directors confirmed that the auditor has reported the results of its performing procedures to the Board of Directors.

Regarding the disclosed continuing connected transactions, nothing of these transactions has come to the attention of the auditor as to the circumstances described under rule 14A.56 of the Hong Kong Listing Rules. Deloitte Touche Tohmatsu has issued an assurance letter in respect of the findings of the above continuing connected transactions.

6.16.4 Significant transactions with related parties

The significant transactions between the Company and related parties are set out in note 61 to the financial statements. These transactions were entered into between the Company and its related parties in its ordinary course of business on normal commercial terms and with the principle of fairness, including borrowings, investments, deposits, securities trading, agency services, custody and other fiduciary operations as well as off-balance sheet transactions, and those which constituted connected transactions under the Hong Kong Listing Rules were in compliance with the applicable requirements thereof.

6.17 Material Litigations and Arbitrations

Several litigations were filed during the daily operation of the Company, most of which were filed proactively for the purpose of recovering non-performing loans. As at the end of the reporting period, there were 288 pending on final judgement cases (including litigations and arbitrations) in which the Company was involved, with an aggregate principal and interest of RMB3,307 million. The Company believes that none of the above litigation and arbitration cases would have a material adverse impact on the financial position or operating results of the Company.

6.18 Material Contracts and Their Performance

Significant events in respect of holding in custody, contracting, hiring or leasing of assets

During the reporting period, the Company did not have any material contract signed in connection with holding in custody, contracting, hiring or leasing of any assets of other companies outside the normal scope of banking businesses, or vice versa.

Significant guarantees

Guarantee business falls within the Company's ordinary course of business. During the reporting period, save for the financial guarantees entered into in our normal business scope approved by the PRC banking regulatory authorities, the Company did not have any other significant discloseable guarantees, nor was the Company a party to any guarantee contract in violation of the resolution procedures of external guarantees as required by laws, administrative regulations and the CSRC.

6.19 Use of Funds by Related Parties

During the reporting period, no related parties used any funds of the Company for non-operating purposes, and none of them used the funds of the Company through, among others, any related party transactions not entered into on an arm's length basis. Deloitte Touche Tohmatsu Certified Public Accountants LLP, being the auditor of the Company, has issued a special audit opinion in this regard.

6.20 Engagement of Accounting Firms

Upon the approval at the 2022 Annual General Meeting of the Company, the Company engaged Deloitte Touche Tohmatsu Certified Public Accountants LLP as the domestic accounting firm of the Company and its domestic subsidiaries for 2023, and engaged Deloitte Touche Tohmatsu et al., the overseas related member organisations of Deloitte Touche Tohmatsu Certified Public Accountants LLP as the international accounting firms of the Company and its overseas subsidiaries for 2023. The term of each of the engagements is one year. The above-mentioned accounting firms have been engaged as auditors of the Company since 2016. Wu Lingzhi and Sun Weiqi are the certified public accountants who signed the audit report on the Company's financial statements for 2023 prepared in accordance with the PRC Generally Accepted Accounting Principles, who have been serving as the public accountants signing the financial statements of the Company since 2021 and 2022, respectively. Upon completion of the annual audit work for the year 2023 of the Company, Deloitte Touche Tohmatsu Certified Public Accountants LLP and its overseas related member organisations Deloitte Touche Tohmatsu et al., have been providing audit services for the Company for eight consecutive years.

The financial statements of the Company for 2023 prepared under the PRC Generally Accepted Accounting Principles and the internal control of the Company as at the year end of 2023 were audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP, and the financial statements for 2023 prepared under International Financial Reporting Standards were audited by Deloitte Touche Tohmatsu. The total audit fees of the Group amounted to approximately RMB33.75 million, among which the audit fees for internal control were approximately RMB1.59 million. The Company paid the total non-audit fees of approximately RMB18.74 million to Deloitte Touche Tohmatsu Certified Public Accountants LLP and Deloitte Touche Tohmatsu for 2023. Deloitte Touche Tohmatsu Certified Public Accountants LLP and Deloitte Touche Tohmatsu confirmed that the provision of such non-audit services would not compromise their audit independence.

6.21 Explanation of Changes of Accounting Policies and Accounting Estimates

For details of the changes of accounting policies and accounting estimates of the Company during the reporting period, please refer to Note 3 "Application of new and amendments to IFRSs" to the financial statements.

6.22 Review of Annual Results

Deloitte Touche Tohmatsu Certified Public Accountants LLP and Deloitte Touche Tohmatsu, both being the external auditors of the Company, have audited the financial statements of the Company prepared in accordance with the PRC Generally Accepted Accounting Principles and the International Financial Reporting Standards, respectively, and each has issued an unqualified audit report. The Audit Committee under the Board of Directors of the Company has reviewed the Company's annual report for 2023.

6.23 Annual General Meeting

For the convening of its 2023 Annual General Meeting, the Company will make further announcement.

6.24 Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existing during the reporting period.

6.25 Permitted Indemnity Provision

The Company has maintained appropriate insurance coverage for the liabilities of the Directors, Supervisors and senior management in respect of legal actions against its Directors, Supervisors and senior management arising out of corporate activities.

6.26 Publication of Annual Report

The Company prepared its annual report in both English and Chinese versions in accordance with the International Financial Reporting Standards and the Hong Kong Listing Rules, which are available on the websites of Hong Kong Exchanges and Clearing Limited and the Company. In the event of any discrepancies in interpretation between the English and Chinese versions, the Chinese version shall prevail.

The Company also prepared its annual report in Chinese version in accordance with the PRC Generally Accepted Accounting Principles and the preparation rules for annual reports, which is available on the websites of Shanghai Stock Exchange and the Company.

Improving the elderly care service system to promote stable happiness of the elderly

Changes in Shares and Information on Shareholders

7.1 Changes in Ordinary Shares of the Company During the Reporting Period

		31 December 2022		Changes in the No. of shares during the reporting period	31 December 2023	
		No. of shares (share)	Percentage (%)	(share)	**No. of shares (share)**	**Percentage (%)**
1.	Shares subject to trading restrictions on sales	–	–	–	**–**	**–**
2.	Shares not subject to trading restrictions on sales	25,219,845,601	100.00	–	**25,219,845,601**	**100.00**
	(1) Ordinary shares in RMB (A Shares)	20,628,944,429	81.80	–	**20,628,944,429**	**81.80**
	(2) Foreign shares listed domestically	–	–	–	**–**	**–**
	(3) Foreign shares listed overseas (H Shares)	4,590,901,172	18.20	–	**4,590,901,172**	**18.20**
	(4) Others	–	–	–	**–**	**–**
3.	Total shares	25,219,845,601	100.00	–	**25,219,845,601**	**100.00**

As at the end of the reporting period, the Company had a total of 676,450 shareholders of ordinary shares, including 647,881 holders of A Shares and 28,569 holders of H Shares. Neither the holders of A Shares nor the holders of H Shares are subject to trading restrictions on sales.

As at the end of the previous month prior to the disclosure date of this report (i.e., 29 February 2024), the Company had a total of 608,227 holders of ordinary shares, including 579,752 holders of A Shares and 28,475 holders of H Shares. Neither the holders of A Shares nor the holders of H Shares are subject to trading restrictions on sales.

Based on the publicly available information and to the knowledge of the Directors, as at the end of the reporting period, the Company had maintained the public float in compliance with the requirement of the Hong Kong Listing Rules.

7.2 Top Ten Holders of Ordinary Shares and Top Ten Holders of Ordinary Shares Whose Shareholdings Are Not Subject to Trading Restrictions on Sales

Serial No.	Name of shareholders	Type of shareholders	Shares held at the end of the period (share)	Percentage of the total share capital (%)	Type of shares	Changes in the reporting period (share)	Number of shares held subject to trading restrictions on sales (share)	Number of shares pledged, marked or frozen (share)
1	HKSCC Nominees Ltd.	Overseas legal person	4,554,053,841	18.06	H Shares not subject to trading restrictions on sales	796,918	–	Unknown
2	China Merchants Steam Navigation Co., Ltd.	State-owned legal person	3,289,470,337	13.04	A Shares not subject to trading restrictions on sales	–	–	–
3	China Ocean Shipping Company Limited	State-owned legal person	1,574,729,111	6.24	A Shares not subject to trading restrictions on sales	–	–	–
4	Shenzhen Yan Qing Investment and Development Company Ltd.	State-owned legal person	1,258,542,349	4.99	A Shares not subject to trading restrictions on sales	–	–	–
5	China Merchants Financial Holdings Co., Ltd.	State-owned legal person	1,147,377,415	4.55	A Shares not subject to trading restrictions on sales	–	–	–
6	Hexie Health Insurance Co., Ltd. – Traditional – Ordinary insurance products	Domestic legal person	1,130,991,537	4.48	A Shares not subject to trading restrictions on sales	–	–	–
7	Hong Kong Securities Clearing Company Limited	Overseas legal person	1,060,494,391	4.20	A Shares not subject to trading restrictions on sales	-446,296,795	–	–
8	Shenzhen Chu Yuan Investment and Development Company Ltd.	State-owned legal person	944,013,171	3.74	A Shares not subject to trading restrictions on sales	–	–	–
9	Dajia Life Insurance Co., Ltd. – Universal products	Domestic legal person	776,574,735	3.08	A Shares not subject to trading restrictions on sales	-28,333,100	–	–
10	COSCO Shipping (Guangzhou) Co., Ltd.	State-owned legal person	696,450,214	2.76	A Shares not subject to trading restrictions on sales	–	–	–

Notes:

(1) Shares held by HKSCC Nominees Ltd. are the total shares in the accounts of holders of H Shares of China Merchants Bank trading on the transaction platform of HKSCC Nominees Ltd. Hong Kong Securities Clearing Company Limited is an institution designated by others to hold shares on behalf of them as a nominal holder, and the shares held by it are the shares of China Merchants Bank acquired by investors through Northbound Trading.

(2) As at the end of the reporting period, among the aforesaid top ten shareholders, HKSCC Nominees Ltd. is a subsidiary of Hong Kong Securities Clearing Company Limited; China Merchants Steam Navigation Co., Ltd., Shenzhen Yan Qing Investment and Development Company Ltd., China Merchants Financial Holdings Co., Ltd. and Shenzhen Chu Yuan Investment and Development Company Ltd. are all subsidiaries of China Merchants Group Ltd.; and China Ocean Shipping Company Limited and COSCO Shipping (Guangzhou) Co., Ltd. are both subsidiaries of China COSCO Shipping Corporation Limited. The Company is not aware of any affiliated relationship or action in concert among other shareholders.

(3) There were no cases of proxy, trustee nor waiver of voting rights for the above holders of A Shares.

(4) During the reporting period, the above holders of A Shares did not participate in the margin trading and short selling business. The number of outstanding A Shares of the Company lent out through securities lending by the above holders of A Shares at the beginning and the end of the reporting period was zero.

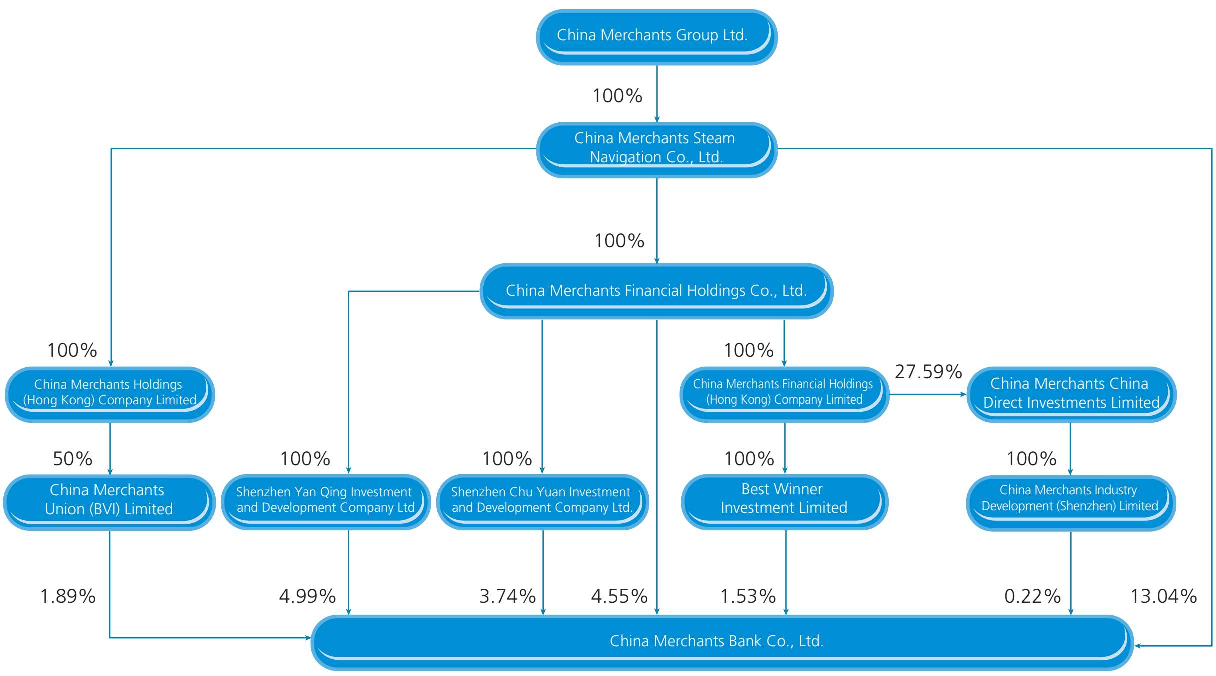
7.3 Information on Substantial Ordinary Shareholders

7.3.1 Information on the Company's largest shareholder

As at the end of the reporting period, China Merchants Group Ltd., through its subsidiaries, namely China Merchants Steam Navigation Co., Ltd., China Merchants Financial Holdings Co. Ltd., Shenzhen Yan Qing Investment and Development Company Ltd., Shenzhen Chu Yuan Investment and Development Company Ltd., China Merchants Union (BVI) Limited, Best Winner Investment Limited and China Merchants Industry Development (Shenzhen) Limited, indirectly held an aggregate of 29.97% shares in the Company. There was no pledge of the shares of the Company. Specifically, China Merchants Steam Navigation Co., Ltd. directly held 13.04% shares in the Company, and is the largest shareholder of the Company with a registered capital of RMB17 billion as at the end of the reporting period, and its legal representative is Miao Jianmin. China Merchants Steam Navigation Co., Ltd. mainly engages in passenger and cargo shipping businesses; dockyard, warehouse and vehicle transportation; investment and management of tugboat and barge transportation business; repair, construction and trading of ships and offshore oil drilling equipment; sale, purchase and supply of various transportation equipment, spare parts and materials; ship and passenger/goods shipping agency; construction of water and land-based construction projects; and businesses such as investment and management of finance, insurance, trust, securities and futures industries.

As at the end of the reporting period, China Merchants Group Ltd. directly holds 100% equity interests in China Merchants Steam Navigation Co., Ltd. and is the controlling shareholder of the Company's largest shareholder, with a registered capital of RMB16.9 billion. Its legal representative is Miao Jianmin. China Merchants Group Ltd. is a central enterprise under the direct control of State-owned Assets Supervision and Administration Commission of the State Council. Its predecessor, China Merchants Steam Navigation Company, was founded in 1872, when China was in its late Qing Dynasty and was undergoing the Westernisation Movement. It was one of the enterprises which played a significant role in promoting the modernisation of China's national industries and commerce at that time. Nowadays, it has developed into a diversified conglomerate, with its businesses focusing on three core industries, namely integrated transportation, featured finance and comprehensive development of cities and industrial zones. It is realising the transformation from three main businesses to three major platforms of industrial operation, financial services, investment and capital operation.

The Company did not have any controlling shareholder and de facto controller. As at the end of the reporting period, the equity relationship among the Company, its largest shareholder and the controlling shareholder of its largest shareholder is illustrated as follows (in this report, any discrepancies between the total shown and the sum of the amounts listed are due to rounding):



Note: China Merchants Financial Holdings (Hong Kong) Company Limited was renamed from CMF Holdings Limited.

7.3.2 Information on other shareholders holding more than 5% shares of the Company

As at the end of the reporting period, China COSCO Shipping Corporation Limited indirectly held an aggregate of 9.97% shares in the Company through its holding subsidiaries, namely China Ocean Shipping Company Limited, COSCO Shipping (Guangzhou) Co., Ltd., Guangzhou Haining Maritime Technology Consulting Co., Ltd. (廣州海寧海務技術諮詢有限公司), COSCO Shipping (Shanghai) Co., Ltd. (中遠海運(上海)有限公司), COSCO Shipping Investment Holdings Co., Limited (中遠海運投資控股有限公司) and Guangzhou Tri-Dynas Oil & Shipping Co., Ltd. (廣州市三鼎油品運輸有限公司). There was no pledge of the shares of the Company. Specifically, China Ocean Shipping Company Limited held 6.24% shares in the Company. China Ocean Shipping (Group) Company (the predecessor of China Ocean Shipping Company Limited) was established on 22 October 1983. The registered capital of China Ocean Shipping Company Limited was RMB16.191 billion as at the end of the reporting period. Its legal representative is Wan Min. The scope of its businesses includes: international shipping; ancillary business in international maritime transportation; acceptance of space booking, voyage charter and time charter from cargo owners at home and abroad; leasing, construction, trading and maintenance of vessels and containers and manufacture of related facilities; ship escrowing business; provision of ship materials, spare parts and communications services relating to shipping business at home and abroad; management of enterprises engaging in vessel and cargo agency business and seafarer assignment business.

China COSCO Shipping Corporation Limited held 100% equity interests in China Ocean Shipping Company Limited and is its controlling shareholder. Its de facto controller is the State-owned Assets Supervision and Administration Commission of the State Council. China COSCO Shipping Corporation Limited was established on 5 February 2016, with a registered capital of RMB11.0 billion as at the end of the reporting period. Its legal representative is Wan Min. The scope of its businesses includes: international shipping; ancillary business in international maritime transportation; imports and exports of goods and technology; marine, land, aviation international freight forwarding business; ship leasing; sales of ships, containers and steel products; offshore engineering equipment design; terminal and port investment; communication equipment sales, information and technical services; warehousing (except hazardous chemicals); engaged in technology development, technology transfer, technical consulting, technical services and equity investment funds in the field of shipping and spare parts.

7.3.3 Other substantial shareholders under the regulatory calibre

1. As at the end of the reporting period, Dajia Life Insurance Co., Ltd. held 3.08% shares in the Company, and has appointed a Supervisor in the Company. There was no pledge of the shares of the Company. The controlling shareholder of Dajia Life Insurance Co., Ltd. is Dajia Insurance Group Co., Ltd.. Dajia Insurance Group Co., Ltd. was established on 25 June 2019, with a registered capital of RMB20.36 billion as at the end of the reporting period, and its legal representative is He Xiaofeng. Its controlling shareholder and de facto controller is China Insurance Security Fund Co., Ltd..

2. As at the end of the reporting period, China Communications Construction Group Ltd. through its holding subsidiaries, namely China Communications Construction Company Limited, CCCC Capital Holdings Limited, CCCC Guangzhou Dredging Co., Ltd., CCCC Fourth Harbour Engineering Co., Ltd., CCCC Shanghai Dredging Co., Ltd., Zhen Hua (Shenzhen) Engineering Co., Ltd. and CCCC Third Harbour Consultants Co., Ltd., indirectly held an aggregate of 1.68% shares in the Company. As at the end of the reporting period, China Communications Construction Group has appointed a Supervisor in the Company. There was no pledge of the shares of the Company. China Communications Construction Group Ltd. was established on 8 December 2005, with a registered capital of RMB7.274 billion as at the end of the reporting period, and its legal representative is Wang Tongzhou. Its de facto controller is the State-owned Assets Supervision and Administration Commission of the State Council.

3. As at the end of the reporting period, SAIC Motor Corporation Limited held 1.23% shares in the Company and has appointed a Supervisor in the Company. There was no pledge of the shares of the Company. SAIC Motor Corporation Limited was established on 16 April 1984, with a registered capital of RMB11.683 billion as at the end of the reporting period, and its legal representative is Chen Hong. Its de facto controller is the State-owned Assets Supervision and Administration Commission of Shanghai.

7.3.4 Substantial shareholders' interests and short positions in the Company under Hong Kong laws and regulations

As at 31 December 2023, substantial shareholders had interests and short positions in the shares of the Company under Hong Kong laws and regulations as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO (in this report, any discrepancies between the total shown and the sum of the amounts listed are due to rounding) as follows:

Name of substantial shareholder	Class of shares	Long/short position	Capacity	No. of shares (shares)	Notes	Percentage of the relevant class of shares in issue (%)	Percentage of the total issued ordinary shares (%)
China Merchants Group Ltd.	A	Long	Interest of controlled corporation	6,697,550,412			
		Long	Others	55,196,540			
				6,752,746,952	1	32.73	26.78
	H	Long	Interest of controlled corporation	806,680,423	1	17.57	3.20
China Merchants Steam Navigation Co., Ltd.	A	Long	Beneficial owner	3,289,470,337			
		Long	Interest of controlled corporation	3,408,080,075			
		Long	Other	55,196,540			
				6,752,746,952	1	32.73	26.78
	H	Long	Interest of controlled corporation	806,680,423	1	17.57	3.20
China Merchants Financial Holdings Co., Ltd. *(former name: China Merchants Finance Investment Holdings Co., Ltd.)*	A	Long	Beneficial owner	1,147,377,415			
		Long	Interest of controlled corporation	2,260,702,660			
		Long	Other	55,196,540			
				3,463,276,615	1	16.79	13.73
	H	Long	Interest of controlled corporation	328,776,923	1	7.16	1.30
China Merchants Financial Holdings (Hong Kong) Company Limited *(former name: CMF Holdings Limited)*	A	Long	Interest of controlled corporation	58,147,140	1	0.28	0.23
	H	Long	Interest of controlled corporation	328,776,923	1	7.16	1.30
Best Winner Investment Limited	A	Long	Beneficial owner	58,147,140	1	0.28	0.23
	H	Long	Beneficial owner	328,776,923	1	7.16	1.30
Shenzhen Yan Qing Investment and Development Company Ltd.	A	Long	Beneficial owner	1,258,542,349	1	6.10	4.99
China Ocean Shipping Company Limited	A	Long	Beneficial owner	1,574,729,111		7.63	6.24
Hexie Health Insurance Co. Ltd.	A	Long	Beneficial owner	1,130,991,537	2	5.48	4.48
Pagoda Tree Investment Company Limited (中國華馨投資有限公司)	H	Long	Interest of controlled corporation	477,903,500	3	10.41	1.89
Compass Investment Company Limited	H	Long	Interest of controlled corporation	477,903,500	3	10.41	1.89

Name of substantial shareholder	Class of shares	Long/short position	Capacity	No. of shares (shares)	Notes	Percentage of the relevant class of shares in issue (%)	Percentage of the total issued ordinary shares (%)
CNIC Corporation Limited	H	Long	Interest of controlled corporation	477,903,500	3	10.41	1.89
Verise Holdings Company Limited	H	Long	Interest of controlled corporation	477,903,500	3	10.41	1.89
China Merchants Union (BVI) Limited	H	Long	Beneficial Owner	477,903,500	3	10.41	1.89
JPMorgan Chase & Co.	H	Long	Interest of controlled corporation	42,214,647			
		Long	Investment manager	164,968,770			
		Long	Person having a security interest in shares	14,530,768			
		Long	Trustee	180			
		Long	Approved lending agent	86,536,612			
				308,250,977	4	6.71	1.22
		Short	Interest of controlled corporation	37,148,259			
		Short	Investment manager	320,853			
				37,469,112	4	0.82	0.15
BlackRock, Inc.	H	Long	Interest of controlled corporation	271,479,387	5	5.91	1.08
		Short	Interest of controlled corporation	752,500	5	0.02	0.003

Notes:

(1) For details of China Merchants Group Ltd. and its subsidiaries' interests in the Company, please refer to section 7.3.1 "Information on the Company's largest shareholder" in this report.

(2) New China Asset Management Co., Ltd. is the trustee of all the A shares in the Company held by Hexie Health Insurance Co., Ltd., by virtue of which New China Asset Management Co., Ltd. was deemed to hold interests in all the A shares in the Company held by Hexie Health Insurance Co., Ltd..

(3) Pagoda Tree Investment Company Limited was deemed to hold interests in the 477,903,500 H shares in the Company held by China Merchants Union (BVI) Limited by virtue of its wholly owned subsidiary Compass Investment Company Limited:

(3.1) China Merchants Union (BVI) Limited held 477,903,500 H shares (long position) in the Company. Verise Holdings Company Limited was deemed to hold interests in the 477,903,500 H shares in the Company held by China Merchants Union (BVI) Limited by virtue of holding 50% interest in China Merchants Union (BVI) Limited.

(3.2) Verise Holdings Company Limited was wholly-owned by CNIC Corporation Limited. Therefore, CNIC Corporation Limited was deemed to hold interests in the 477,903,500 H shares in the Company which was deemed to be held by Verise Holdings Company Limited.

(3.3) Compass Investment Company Limited was deemed to hold interests in the 477,903,500 H shares in the Company which was deemed to be held by CNIC Corporation Limited by virtue of holding 90% interest in CNIC Corporation Limited.

The 477,903,500 H shares referred to in (3) and (3.1) to (3.3) above represented the same shares.

(4) JPMorgan Chase & Co. was deemed to hold a total of 308,250,977 H shares (long position) and 37,469,112 H shares (short position) in the Company by virtue of its control over a number of companies. The equity interests and short positions of JPMorgan Chase & Co. in the Company included a lending pool of 86,536,612 H shares. Besides, 13,513,059 H shares (long position) and 18,661,133 H shares (short position) were held through derivatives as follows:

2,868,500 H shares (long position) and 4,922,000 H shares (short position)	– through physically settled listed derivatives
29,500 H shares (long position) and 782,722 H shares (short position)	– through cash settled listed derivatives
2,945,279 H shares (long position) and 7,517,347 H shares (short position)	– through physically settled unlisted derivatives
7,669,780 H shares (long position) and 5,439,064 H shares (short position)	– through cash settled unlisted derivatives

(5) BlackRock, Inc. was deemed to hold a total of 271,479,387 H shares (long position) and 752,500 H shares (short position) in the Company by virtue of its control over a number of companies. The equity interests of BlackRock, Inc. in the Company included 2,411,500 H shares (long position) and 752,500 H shares (short position) which were held through cash settled unlisted derivatives.

Save as disclosed above, the Company is not aware of any other person (other than the Directors, Supervisors and Chief Executives (as defined in the Hong Kong Listing Rules) of the Company) who has any interests or short positions in the shares of the Company as at 31 December 2023 as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

7.4 Issuance and Listing of Securities

During the reporting period, the Company did not issue any new ordinary shares. The Company did not have any internal staff shares. Save for the disclosure related to "Preference Shares" in this chapter, no equity-linked agreements of the Company were entered into during the reporting period or subsisted at the end of the reporting period.

For issuance of bonds of the Company and its subsidiaries, please refer to Note 43 to the financial statements.

During the reporting period, the use of proceeds of the Company was consistent with such usages as committed in the Prospectus of the Company.

7.5 Preference Shares

7.5.1 Issuance and listing of preference shares

Pursuant to the approvals by the regulatory authorities, the Company made a non-public issuance of 275,000,000 domestic preference shares on 22 December 2017. The issuance price is RMB100 each and the coupon dividend rate per annum is 4.81% (including tax). The domestic preference shares of the issuance have been listed and traded on the integrated business platform of Shanghai Stock Exchange since 12 January 2018 (abbreviated name of shares: "Zhao Yin You 1 (招銀優1)"; stock code: 360028; number of listed shares: 275,000,000). The total proceeds from the issuance of the domestic preference shares amounted to RMB27.5 billion and, after deduction of the expenses relating to the issuance, has fully been used to replenish the Company's additional Tier 1 Capital. On 18 December 2022, five years after the issuance of the domestic preference shares, the Company adjusted the coupon dividend rate per annum to 3.62% (including tax) in accordance with market rules. For details, please refer to the relevant announcements published by the Company on the websites of the Shanghai Stock Exchange, Hong Kong Exchanges and Clearing Limited and the Company, respectively.

7.5.2 Number of shareholders of preference shares and their shareholdings

As at the end of the reporting period, the Company had a total of 22 holders of preference shares (or their nominees), and all of them were domestic shareholders of preference shares. As at the end of the previous month before the disclosure date of this report (i.e., 29 February 2024), the Company had a total of 22 holders of preference shares (or their nominees), and all of them were domestic shareholders of preference shares.

As at the end of the reporting period, the shareholdings of the Company's top ten holders of domestic preference shares were as follows:

Serial No.	Name of shareholders	Type of shareholders	Type of shares	Shares held at the end of the period (share)	Percentage of shareholdings (%)	Changes (share)	Number of shares subject to trading restrictions on sales (share)	Number of shares pledged, marked or frozen (share)
1	China Mobile Communications Group Co., Ltd.	State-owned legal person	Domestic preference share	106,000,000	38.55	–	–	–
2	Suyin Wealth Management Co., Ltd. - No. 1 Hengyuan Rongda (恒源融達) of Suyin Wealth Management	Others	Domestic preference share	23,000,000	8.36	23,000,000	–	–
3	China National Tobacco (Henan Province) Company	State-owned legal person	Domestic preference share	20,000,000	7.27	–	–	–
	Ping An Property & Casualty Insurance Company of China, Ltd. – traditional – ordinary insurance products	Others	Domestic preference share	20,000,000	7.27	–	–	–
5	BOC Asset – Bank of China – Bank of China Limited, Shenzhen Branch	Others	Domestic preference share	15,900,000	5.78	-9,100,000	–	–
6	China National Tobacco (Anhui Province) Company	State-owned legal person	Domestic preference share	15,000,000	5.45	–	–	–
	China National Tobacco (Sichuan Province) Company	State-owned legal person	Domestic preference share	15,000,000	5.45	–	–	–
8	Everbright Securities Asset Management – China Everbright Bank – Xinyou (鑫優) No. 2 Collective Asset Management Scheme of Everbright Securities Asset Management	Others	Domestic preference share	9,000,000	3.27	–	–	–
9	BOCI Securities – Bank of China – BOCI Securities China Hong – Hui Zhong No. 32 Collective Asset Management Scheme	Others	Domestic preference share	8,600,000	3.13	8,600,000	–	–
10	CCB Capital – "Qianyuan – Private (乾元－私享)", an open private banking RMB wealth management product (daily calculated) of China Construction Bank – Anxin Private (安鑫私享) No.2 Special Asset Management Scheme of CCB Capital	Others	Domestic preference share	8,570,000	3.12	-31,430,000	–	–

Notes:

(1) The shareholdings of holders of domestic preference shares are presented under separate account according to the register of members of preference shares of the Company.

(2) China National Tobacco (Henan Province) Company, China National Tobacco (Anhui Province) Company and China National Tobacco (Sichuan Province) Company are all subsidiaries of China National Tobacco Corporation; there exists an affiliated relationship between "BOC Asset – Bank of China – Bank of China Limited, Shenzhen Branch" and "BOCI Securities – Bank of China – BOCI Securities China Hong – Hui Zhong No. 32 Collective Asset Management Scheme". Save for the above, the Company is not aware of any affiliated relationship or action in concert among the above holders of preference shares or between the above holders of preference shares and the Company's top ten holders of ordinary shares.

(3) "Percentage of shareholdings" represents the percentage of the number of domestic preference shares held by the holders of preference shares to the total number of domestic preference shares.

7.5.3 Dividend distribution of preference shares

Dividend distribution of domestic preference shares

In accordance with the relevant requirements under the "Resolution Regarding the Plan for the Non-public Issuance of Domestic Preference Shares of the Company", which was considered and approved at the 2016 Annual General Meeting, the first class meeting of the holders of A Shares for 2017 and the first class meeting of the holders of H Shares for 2017, the Company fully paid the dividends for domestic preference shares on 18 December 2023, which was in compliance with the relevant distribution conditions and distribution procedures.

The dividends for domestic preference shares of the Company are paid once a year in cash. The domestic preference shares adopt non-cumulative dividend payment method. After the dividends are distributed to the holders of domestic preference shares in accordance with the agreed dividend rate, these shareholders will not participate in the remaining profit appropriation with the ordinary shareholders. Pursuant to the terms of dividends payment for domestic preference shares, based on the coupon dividend rate of 3.62% for domestic preference shares, the cash dividends per preference share paid were RMB3.62 (including tax), and based on 275 million of domestic preference shares in issue, the total amount of the dividends paid was RMB995.5 million (including tax).

For the details of dividend distribution for domestic preference shares, please refer to the relevant announcement published by the Company on the websites of Shanghai Stock Exchange, Hong Kong Exchanges and Clearing Limited and the Company on 6 December 2023.

7.5.4 Repurchase or conversion of preference shares

During the reporting period, there were no repurchases or conversions of preference shares of the Company.

7.5.5 Restored voting rights of preference shares

During the reporting period, the voting rights of the Company's preference shares in issue had not been restored.

7.5.6 Accounting policies for preference shares and the reason of adoption

The Company made accounting judgements on the preference shares issued and outstanding of the Company in accordance with the requirements of the relevant accounting principles, including the "International Financial Reporting Standard 9 – Financial Instruments" and the "International Accounting Standard 32 – Financial Instruments: Presentation" issued by the International Accounting Standards Board. As the preference shares issued and outstanding of the Company carry no obligation to deliver cash and cash equivalents, nor have they any contractual obligations to deliver a variable number of its own equity instruments for settlement, they were therefore measured as equity instruments.

Financial Statements

Independent Auditor's Report

Deloitte. 德勤

To the shareholders of China Merchants Bank Co., Ltd.

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

Opinion

We have audited the consolidated financial statements of China Merchants Bank Co., Ltd. (the "Bank") and its subsidiaries (collectively referred to as the "Group") set out on pages 160 to 303, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information and other explanatory information.

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

Basis for Opinion

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

Key Audit Matters

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

Key Audit Matters *(continued)*

Key audit matter	How our audit addressed the key audit matter
Expected credit loss allowances of loans and advances to customers at amortised cost, debt investments at amortised cost, and financial guarantees and loan commitments	
We identified expected credit loss ("ECL") allowance of loans and advances to customers at amortised cost, debt investments at amortised cost and financial guarantees and loan commitments as a key audit matter due to the materiality of these items' balance and significant management judgement and estimates involved in deriving the ECL estimates. As at 31 December 2023, as set out in Note 22(a), the Group reported loans and advances to customers at amortised cost of RMB5,924,766 million and expected credit loss allowances of RMB267,620 million; in Note 23(b), the Group reported debt investments at amortised cost of RMB1,788,806 million and expected credit loss allowances of RMB39,782 million; in Note 42, the Group reported the expected credit loss allowances of financial guarantees and loan commitments of RMB17,404 million. Key judgements and estimates in respect of the measurement of ECLs include: the significant management judgement and estimates of model design and its application; the identification of a significant increase in credit risk (SICR); the identification of credit impairment events; the determination of inputs used in the ECL model, as well as the determination of the forward-looking information to incorporate.	Our audit procedures in relation to the expected credit loss allowances of loans and advances to customers at amortised cost, debt investments at amortised cost and financial guarantees and loan commitments included the following: We understood management's process and tested the design and operating effectiveness of key controls across the processes relevant to the ECL estimation of the Group. These controls included the development, validation and review of the ECL model; the controls over the model data input, including manual input controls and automated transmission controls; the automated controls over the ECL model calculation process; the controls over the identification of SICR indicators and credit impairment events. We assessed whether the ECL model applied by the Group has covered all the exposures that should be taken into consideration. In respect of different portfolios of loans and advances to customers at amortised cost, debt investments at amortised cost and financial guarantees and loan commitments, we involved our internal modelling specialist to assist us in assessing the appropriateness of the Group's methodology of ECL modelling. We reviewed relevant documents and evaluated the appropriateness and application of the ECL model.

Key Audit Matters *(continued)*

Key audit matter	How our audit addressed the key audit matter
Expected credit loss allowances of loans and advances to customers at amortised cost, debt investments at amortised cost, and financial guarantees and loan commitments	
Principal accounting policies and significant accounting estimates and judgement applied in determining the expected credit loss allowances of loans and advances to customers at amortised cost, debt investments at amortised cost and financial guarantees and loan commitments are set out in Notes 4(5) and 5(4) to the consolidated financial statements.	With the support of our internal modelling specialist, we assessed the key definitions and application of parameters and assumptions in the ECL model. This included assessing stage determination, probability of default, loss given default, exposure at default and forward-looking information. We selected samples to check whether the calculation in the ECL model is consistent with the methodology. We selected samples to conduct credit reviews in order to assess the appropriateness of the significant judgements made by the management regarding the occurrence of SICR and credit impairment events, and whether the identification of such events are proper and timely. In addition, we selected samples and tested their data input into the ECL model to evaluate the completeness and accuracy of the data input. For loans and advances at amortised cost and debt investments at amortised cost at stage 3, we selected samples to test the reasonableness of future cash flows from the borrowers estimated by the Group, including the expected recoverable amount of collateral, to assess whether there were material misstatements in credit loss allowances.

Key Audit Matters *(continued)*

Key audit matter	How our audit addressed the key audit matter
Consolidation of structured entities	
We identified consolidation of structured entities as a key audit matter since significant judgement is applied by management to determine whether or not the Group has control over certain structured entities. The structured entities of the Group include wealth management products, asset management schemes, trust beneficiary rights, assets-backed securities and funds, as disclosed in Note 64 to the consolidated financial statements. As described in Note 4(1), the consolidation of structured entities is determined based on control. Control is achieved when the investor has power over the investee, the investor is exposed, or has rights, to variable returns from its involvement with the investee; and the investor has the ability to use its power to affect its returns. When performing the assessment on whether the Group has control over the structured entities, the Group considers several factors including, the scope of its decision-making authority over the structured entities, the rights held by other parties, the remuneration for managing the structured entities and the Group's exposure to variability of returns from interests that it holds in the structured entities.	Our audit procedures in relation to consolidation of structured entities included the following: We understood and tested the design and operating effectiveness of key controls over the management process in determining the consolidation scope for interests in structured entities as well as understood the purpose for setting up the structured entities. We reviewed the relevant contract terms, on a sample basis, and assessed the power of the Group over the structured entities, the rights of the Group to variable returns of the structured entities and the ability of the Group to use its power to affect its return, and evaluated management judgement on whether the Group has control over the structured entities and the conclusion about whether or not the consolidation criteria are met.

Other Information

The directors of the Bank are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements *(continued)*

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Bank.
- Conclude on the appropriateness of the directors of the Bank'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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Shi Chung Fai.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

25 March 2024

Consolidated Statement of Profit or Loss

For the year ended 31 December 2023

(Expressed in millions of Renminbi unless otherwise stated)

	Notes	2023	2022
Interest income	6	**375,610**	353,380
Interest expense	7	**(160,941)**	(135,145)
Net interest income		**214,669**	218,235
Fee and commission income	8	**92,834**	103,372
Fee and commission expense		**(8,726)**	(9,097)
Net fee and commission income		**84,108**	94,275
Other net income	9	**37,825**	29,705
– Disposal of financial instruments at amortised cost		**967**	170
Operating income		**336,602**	342,215
Operating expenses	10	**(120,991)**	(122,061)
Operating profit before impairment losses and taxation		**215,611**	220,154
Expected credit losses	14	**(41,278)**	(56,751)
Impairment losses on other assets		**(191)**	(815)
Share of profits of joint ventures	25	**1,860**	1,710
Share of profits of associates	26	**616**	815
Profit before taxation		**176,618**	165,113
Income tax	15	**(28,612)**	(25,819)
Profit for the year		**148,006**	139,294
Attributable to:			
Equity holders of the Bank		**146,602**	138,012
Non-controlling interests		**1,404**	1,282
Earnings per share			
Basic and diluted (RMB Yuan)	17	**5.63**	5.26

The notes form part of these consolidated financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2023

(Expressed in millions of Renminbi unless otherwise stated)

	Note	2023	2022
Profit for the year		**148,006**	139,294
Other comprehensive income for the year after tax			
Items that may be reclassified subsequently to profit or loss		**2,373**	1,285
– Share of other comprehensive income/(expense) from equity-accounted investees		**202**	(1,155)
– Net fair value gain/(loss) on debt instruments measured at fair value through other comprehensive income		**3,337**	(5,617)
– Net changes in expected credit losses of debt instruments measured at fair value through other comprehensive income		**(2,045)**	3,471
– Net movement in cash flow hedge reserve		**(59)**	112
– Exchange difference on translation of financial statements of foreign operations		**983**	4,429
– Other		**(45)**	45
Items that will not be reclassified to profit or loss		**358**	38
– Net fair value gain on equity instruments designated at fair value through other comprehensive income		**354**	48
– Remeasurement of defined benefit scheme		**4**	(10)
Other comprehensive income for the year, net of tax	16	**2,731**	1,323
Attributable to:			
Equity holders of the Bank		**2,658**	1,053
Non-controlling interests		**73**	270
Total comprehensive income for the year		**150,737**	140,617
Attributable to:			
Equity holders of the Bank		**149,260**	139,065
Non-controlling interests		**1,477**	1,552

The notes form part of these consolidated financial statements.

Consolidated Statement of Financial Position

At 31 December 2023

(Expressed in millions of Renminbi unless otherwise stated)

	Notes	2023	2022
Assets			
Cash		**14,931**	15,209
Precious metals		**2,321**	2,329
Balances with central banks	18	**667,871**	587,818
Balances with banks and other financial institutions	19	**100,769**	91,346
Placements with banks and other financial institutions	20	**287,694**	264,209
Amounts held under resale agreements	21	**172,246**	276,676
Loans and advances to customers	22	**6,252,755**	5,807,154
Financial investments at fair value through profit or loss	23(a)	**526,145**	423,467
Derivative financial assets	60(f)	**18,733**	18,671
Debt investments at amortised cost	23(b)	**1,749,024**	1,555,457
Debt investments at fair value through other comprehensive income	23(c)	**899,102**	780,349
Equity investments designated at fair value through other comprehensive income	23(d)	**19,649**	13,416
Interests in joint ventures	25	**15,707**	14,247
Interests in associates	26	**10,883**	9,597
Investment properties	27	**1,160**	1,268
Property and equipment	28	**115,348**	99,919
Right-of-use assets	29(a)	**17,041**	17,553
Intangible assets	30	**2,709**	3,402
Goodwill	31	**9,954**	9,999
Deferred tax assets	32	**90,557**	90,848
Other assets	33	**53,884**	55,978
Total assets		**11,028,483**	10,138,912

The notes form part of these consolidated financial statements.

	Notes	2023	2022
Liabilities			
Borrowing from central banks		**378,621**	129,745
Deposits from banks and other financial institutions	34	**508,378**	645,674
Placements from banks and other financial institutions	35	**247,299**	207,027
Financial liabilities at fair value through profit or loss	36	**43,958**	49,144
Derivative financial liabilities	60(f)	**17,443**	18,636
Amounts sold under repurchase agreements	37	**135,078**	107,093
Deposits from customers	38	**8,240,498**	7,590,579
Salaries and welfare payable	39(a)	**28,679**	23,866
Tax payable	40	**13,597**	19,458
Contract liabilities	41	**5,486**	6,679
Lease liabilities	29(b)	**12,675**	13,013
Provisions	42	**19,662**	22,491
Debt securities issued	43	**176,578**	223,821
Deferred tax liabilities	32	**1,607**	1,510
Other liabilities	44	**113,195**	125,938
Total liabilities		**9,942,754**	9,184,674
Equity			
Share capital	45	**25,220**	25,220
Other equity instruments	46	**150,446**	120,446
– Preference shares	46(a)	**27,468**	27,468
– Perpetual bonds	46(b)	**122,978**	92,978
Capital reserve	47	**65,432**	65,435
Investment revaluation reserve	48	**13,656**	11,815
Hedging reserve	49	**92**	151
Surplus reserve	50	**108,737**	94,985
General reserve	51	**141,481**	132,471
Retained earnings		**518,638**	449,139
Proposed profit appropriation	52(b)	**49,734**	43,832
Exchange reserve	53	**2,934**	2,009
Total equity attributable to shareholders of the Bank		**1,076,370**	945,503
Non-controlling interests		**9,359**	8,735
– Non-controlling interest		**6,521**	5,948
– Perpetual debt capital	62(a)	**2,838**	2,787
Total equity		**1,085,729**	954,238
Total equity and liabilities		**11,028,483**	10,138,912

The notes form part of these consolidated financial statements.

Approved and authorised for issue by the Board of Directors on 25 March 2024.

Miao Jianmin
Director

Wang Liang
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2023

(Expressed in millions of Renminbi unless otherwise stated)

		2023														
		Total equity attributable to equity holders of the Bank												Non-controlling interests		
			Other equity instruments													
	Notes	Share capital	Preference shares	Perpetual bonds	Capital reserve	Investment revaluation reserve	Hedging reserve	Surplus reserve	General reserve	Retained earnings	Proposed profit appropriation	Exchange reserve	Subtotal	Non-controlling interest	Perpetual debt capital	Total
At 1 January 2023		25,220	27,468	92,978	65,435	11,815	151	94,985	132,471	449,139	43,832	2,009	945,503	5,948	2,787	954,238
Changes in equity for the year		–	–	30,000	(3)	1,841	(59)	13,752	9,010	69,499	5,902	925	130,867	573	51	131,491
(a) Net profit for the year		–	–	–	–	–	–	–	–	146,602	–	–	146,602	1,222	182	148,006
(b) Other comprehensive income for the year	16	–	–	–	–	1,792	(59)	–	–	–	–	925	2,658	22	51	2,731
Total comprehensive income for the year		–	–	–	–	1,792	(59)	–	–	146,602	–	925	149,260	1,244	233	150,737
(c) Capital movement from equity holders		–	–	30,000	(3)	–	–	–	–	–	–	–	29,997	(383)	–	29,614
(i) Decrease in non-controlling interests		–	–	–	–	–	–	–	–	–	–	–	–	(383)	–	(383)
(ii) Issue of perpetual bonds	46(b)	–	–	30,000	(3)	–	–	–	–	–	–	–	29,997	–	–	29,997
(d) Profit appropriations		–	–	–	–	–	–	13,752	9,010	(77,054)	5,902	–	(48,390)	(288)	(182)	(48,860)
(i) Appropriations to statutory surplus reserve	50	–	–	–	–	–	–	13,752	–	(13,752)	–	–	–	–	–	–
(ii) Appropriations to general reserve	51	–	–	–	–	–	–	–	9,010	(9,010)	–	–	–	–	–	–
(iii) Dividends paid for the year 2022	52(a)	–	–	–	–	–	–	–	–	–	(43,832)	–	(43,832)	(288)	–	(44,120)
(iv) Distribution to perpetual debt capital	62	–	–	–	–	–	–	–	–	–	–	–	–	–	(182)	(182)
(v) Proposed dividends for the year 2023	52(b)	–	–	–	–	–	–	–	–	(49,734)	49,734	–	–	–	–	–
(vi) Dividends to preference shares		–	–	–	–	–	–	–	–	(996)	–	–	(996)	–	–	(996)
(vii) Distribution to perpetual bonds		–	–	–	–	–	–	–	–	(3,562)	–	–	(3,562)	–	–	(3,562)
(e) Transfers within equity upon disposal of equity instruments designated at fair value through other comprehensive income		–	–	–	–	49	–	–	–	(49)	–	–	–	–	–	–
At 31 December 2023		25,220	27,468	122,978	65,432	13,656	92	108,737	141,481	518,638	49,734	2,934	1,076,370	6,521	2,838	1,085,729

The notes form part of these consolidated financial statements.

		2022														
		Total equity attributable to equity holders of the Bank												Non-controlling interests		
			Other equity instruments													
	Notes	Share capital	Preference shares	Perpetual bonds	Capital reserve	Investment revaluation reserve	Hedging reserve	Surplus reserve	General reserve	Retained earnings	Proposed profit appropriation	Exchange reserve	Subtotal	Non-controlling interest	Perpetual debt capital	Total
At 1 January 2022		25,220	34,065	92,978	67,523	15,047	39	82,137	115,288	390,207	38,385	(2,144)	858,745	3,300	3,636	865,681
Changes in equity for the year		–	(6,597)	–	(2,088)	(3,232)	112	12,848	17,183	58,932	5,447	4,153	86,758	2,648	(849)	88,557
(a) Net profit for the year		–	–	–	–	–	–	–	–	138,012	–	–	138,012	1,080	202	139,294
(b) Other comprehensive income for the year	16	–	–	–	–	(3,212)	112	–	–	–	–	4,153	1,053	15	255	1,323
Total comprehensive income for the year		–	–	–	–	(3,212)	112	–	–	138,012	–	4,153	139,065	1,095	457	140,617
(c) Capital movement from equity holders		–	(6,597)	–	(2,088)	–	–	–	–	–	–	–	(8,685)	1,832	(1,104)	(7,957)
(i) Capital invested by non-controlling shareholders		–	–	–	(1,489)	–	–	–	–	–	–	–	(1,489)	1,842	–	353
(ii) Decrease in non-controlling interests		–	–	–	–	–	–	–	–	–	–	–	–	(10)	–	(10)
(iii) Redemption of preference shares		–	(6,597)	–	(599)	–	–	–	–	–	–	–	(7,196)	–	–	(7,196)
(iv) Redemption of perpetual debt capital	62(a)	–	–	–	–	–	–	–	–	–	–	–	–	–	(1,104)	(1,104)
(d) Profit appropriations		–	–	–	–	–	–	12,848	17,183	(79,100)	5,447	–	(43,622)	(279)	(202)	(44,103)
(i) Appropriations to statutory surplus reserve	50	–	–	–	–	–	–	12,848	–	(12,848)	–	–	–	–	–	–
(ii) Appropriations to general reserve	51	–	–	–	–	–	–	–	17,183	(17,183)	–	–	–	–	–	–
(iii) Dividends paid for the year 2021	52(a)	–	–	–	–	–	–	–	–	–	(38,385)	–	(38,385)	(279)	–	(38,664)
(iv) Distribution to perpetual debt capital	62	–	–	–	–	–	–	–	–	–	–	–	–	–	(202)	(202)
(v) Proposed dividends for the year 2022	52(b)	–	–	–	–	–	–	–	–	(43,832)	43,832	–	–	–	–	–
(vi) Dividends to preference shares		–	–	–	–	–	–	–	–	(1,675)	–	–	(1,675)	–	–	(1,675)
(vii) Distribution to perpetual bonds		–	–	–	–	–	–	–	–	(3,562)	–	–	(3,562)	–	–	(3,562)
(e) Transfers within equity upon disposal of equity instruments designated at fair value through other comprehensive income		–	–	–	–	(20)	–	–	–	20	–	–	–	–	–	–
At 31 December 2022		25,220	27,468	92,978	65,435	11,815	151	94,985	132,471	449,139	43,832	2,009	945,503	5,948	2,787	954,238

The notes form part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2023
(Expressed in millions of Renminbi unless otherwise stated)

	2023	2022
Operating activities		
Profit before taxation	**176,618**	165,113
Adjustments for:		
– Impairment losses on loans and advances	**46,635**	45,157
– Impairment losses on investments and other	**(5,166)**	12,409
– Unwinding of discount on loans and advances	**(257)**	(386)
– Depreciation of property and equipment and investment properties	**11,008**	10,279
– Depreciation of right-of-use assets	**4,205**	4,151
– Amortisation of other assets	**1,170**	1,193
– Net gains on debt securities and equity investments	**(18,149)**	(14,722)
– Interest income on investments	**(80,836)**	(65,808)
– Interest expense on issued debt securities	**7,781**	9,662
– Share of profits of associates	**(616)**	(815)
– Share of profits of joint ventures	**(1,860)**	(1,710)
– Net gains on disposal of properties and equipment and other assets	**(168)**	(282)
– Interest expense on lease liabilities	**480**	510
Changes in:		
Balances with central banks	**(5,004)**	(48,851)
Loans and advances to customers	**(482,711)**	(508,891)
Other assets	**817**	63,611
Deposits from customers	**619,696**	1,188,664
Amounts due to banks and other financial institutions	**(69,249)**	(135,569)
Amounts due from banks and other financial institutions with original maturity over 3 months	**(13,744)**	(46,825)
Borrowing from central banks	**247,751**	(30,073)
Other liabilities	**(45,862)**	(39,251)
Cash generated from operating activities before income tax payment	**392,539**	607,566
Income tax paid	**(34,786)**	(37,423)
Net cash generated from operating activities	**357,753**	570,143
Investing activities		
Proceeds from disposals and redemptions of investments	**1,954,061**	1,334,013
Investment income received	**97,963**	79,122
Proceeds from the disposals of property and equipment and other assets	**4,950**	6,750
Proceeds from the disposals of subsidiaries, associates or joint ventures	**154**	463
Payment for the purchases of investments	**(2,282,035)**	(1,898,898)
Payment for the acquisition of subsidiaries, associates or joint ventures	**(39)**	(484)
Payment for the purchases of property and equipment and other assets	**(30,161)**	(34,892)
Net cash used in investing activities	**(255,107)**	(513,926)

The notes form part of these consolidated financial statements.

	Notes	2023	2022
Financing activities			
Proceeds from the issuance of negotiable interbank certificates of deposit	55(b)	**68,608**	78,666
Proceeds from the issuance of certificates of deposit and other debt securities	55(b)	**66,504**	20,287
Proceeds from the issuance of debt securities	55(b)	**25,201**	21,481
Proceeds from the issuance of perpetual bonds		**29,997**	–
Proceeds from non-controlling interests of subsidiaries		**–**	2,667
Proceeds from other financing activities	55(b)	**17,303**	10,796
Repayment of negotiable interbank certificates of deposit	55(b)	**(112,584)**	(250,996)
Repayment of certificates of deposit and other debt securities	55(b)	**(48,267)**	(16,504)
Repayment of debt securities	55(b)	**(51,146)**	(78,735)
Payment for lease liabilities	55(b)	**(5,053)**	(4,932)
Payment for redemption of preference shares		**–**	(7,196)
Payment for redemption of perpetual debt capital		**–**	(1,104)
Distribution paid on perpetual debt capital	55(b)	**(182)**	(202)
Payment for dividends distribution	55(b)	**(44,120)**	(38,664)
Distribution paid on preference shares	55(b)	**(996)**	(1,675)
Distribution paid on perpetual bonds	55(b)	**(3,562)**	(3,562)
Interest paid on financing activities	55(b)	**(7,482)**	(12,400)
Payment for other financing activities	55(b)	**(7,210)**	(14,959)
Net cash used in financing activities		**(72,989)**	(297,032)
Net increase/(decrease) in cash and cash equivalents		**29,657**	(240,815)
Cash and cash equivalents as at 1 January		**567,198**	801,754
Effect of foreign exchange rate changes		**2,164**	6,259
Cash and cash equivalents as at 31 December	55(a)	**599,019**	567,198
Cash flows from operating activities include:			
Interest received		**293,467**	285,050
Interest paid		**121,178**	108,496

The notes form part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(Expressed in millions of Renminbi unless otherwise stated)

1. Organisation and principal activities

(1) Organisation

China Merchants Bank Co., Ltd. (the "Bank") is a commercial bank incorporated in Shenzhen, the People's Republic of China (the "PRC"). With the approval of the China Securities Regulatory Commission (the "CSRC") of the PRC, the A-Shares of the Bank were listed on Shanghai Stock Exchange on 9 April 2002. On 22 September 2006, the Bank's H-Shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "HKEx").

As at 31 December 2023, apart from the Head Office, the Bank had 51 branches in the Chinese mainland, Hong Kong, New York, Singapore, Luxembourg, London and Sydney. In addition, the Bank has two representative offices in New York and Taipei.

(2) Principal activities

The principal activities of the Bank and its subsidiaries (the "Group") are providing corporate and personal banking services, conducting treasury business, providing asset management and other financial services.

2. Basis of preparation of consolidated financial statements

(1) Statement of compliance and basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") and its interpretations promulgated by the International Accounting Standards Board ("IASB"), and the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

(2) Basis of measurement

These consolidated financial statements are presented in Renminbi ("RMB") and unless otherwise stated, rounded to the nearest million. RMB is the functional currency of the domestic operations of the Group. The functional currencies of overseas branches and subsidiaries are determined in accordance with the primary economic environment in which they operate, and are translated into RMB for the preparation of these financial statements according to Note 4(15).

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair values at the end of each reporting period and the measurement principles as explained below.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*, leasing transactions that are within the scope of IFRS 16 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

2. Basis of preparation of consolidated financial statements *(continued)*

(2) Basis of measurement *(continued)*

Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3 inputs are unobservable inputs for the asset or liability.

The preparation of the financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have significant effect on the consolidated financial statements and estimates with a significant risk of material adjustment in the future periods are discussed in Note 5.

3. Application of new and amendments to IFRSs

Standards and amendments to IFRSs effective in current year applied by the Group

IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	Insurance Contracts
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12	International Tax Reform-Pillar Two model Rules

IFRS 17 Insurance Contracts and its amendments

IFRS 17 Insurance Contracts and its amendments ("New Insurance Contract Standard") establishes the principles of recognition, measurement, presentation and disclosure of insurance contracts and replaces IFRS 4 Insurance Contracts.

The definition of insurance contract has been elaborated in the New Insurance Contract Standard which specified the combination and separation of insurance contract, introduced the concept of insurance contract group and refined the measurement model of insurance contract. It also made an adjustment to the principle of revenue recognition for insurance services and refined the measurement methods of contract service margins. The New Insurance Contract Standard outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach. The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees. The adoption of IFRS 17 has had no material impact on the financial position and financial performance of the Group.

3. Application of new and amendments to IFRSs *(continued)*

Standards and amendments to IFRSs effective in current year applied by the Group *(continued)*

Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities Arising from a Single Transaction

The amendments mainly relate to the scope of exemption for the initial recognition of deferred income tax in the International Accounting Standards IAS 12 – Income Taxes, and clarifies that the individual transaction 1) that is not arising from business combination; 2) that affects neither the accounting profit nor taxable profits (or deductible losses) at the time of transaction; and 3) that the equivalent taxable temporary differences and deductible temporary differences are generated due to the initially recognised assets and liabilities is not applicable to the regulations on the exemptions from initially recognised deferred tax liabilities and deferred tax assets.With this amendment, the Group has been required to recognise one deferred tax asset (to the extent that taxable income is likely to be obtained to offset the deductible temporary difference) and one deferred tax liability for all deductible and taxable temporary differences relating to right-of-use assets and lease liabilities. The adoption of the amendments to IAS 12 has had no material impact on the financial position and financial performance of the Group.

Amendments to IAS 12 – International Tax Reform-Pillar Two model Rules

IAS 12 is amended to add the exception to recognising and disclosing information about deferred tax assets and liabilities that are related to tax law enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development (the "Pillar Two legislation"). The amendments require that entities apply the amendments immediately upon issuance and retrospectively. The amendments also require that entities to disclose separately its current tax expense/income related to Pillar Two income taxes in periods which the Pillar Two legislation is in effect, and the qualitative and quantitative information about its exposure to Pillar Two income taxes in periods in which the Pillar Two legislation is enacted or substantially enacted but not yet in effect in annual reporting periods beginning on or after 1 January 2023. The adoption of the amendments to IAS 12 has had no material impact on the financial position and financial performance of the Group for the current and prior year.

The adoption of the above other amendments to IFRSs has had no material impact on the financial position and financial performance of the Group for the current and prior year or on the disclosures set out in these consolidated financial statements.

Amendments to IFRSs that are issued but not yet effective and have not been adopted by the Group

		Effective for annual period beginning on or after
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to IAS 1	Non-current Liabilities with Covenants	1 January 2024
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements	1 January 2024
Amendments to IAS 21	Lack of Exchangeability	1 January 2025
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	the date to be determined

The amendments to IFRSs mentioned above are not expected to have material impact on the consolidated financial statements in the foreseeable future.

4. Material accounting policy information

(1) Business combination

Financial statements include financial statements of the Bank and its subsidiaries. Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. If the intra-group transaction indicates that the relevant assets have impairment losses, the losses shall be recognised in full.

When necessary, adjustments are made by the Group to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Bank, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity, separately from equity attributable to the equity holders of the Bank. Non-controlling interests in the results of the Group are presented in the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the net profit or loss and total comprehensive income for the year between non-controlling interests and the equity holders of the Bank.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 4(5)) or, when appropriate, the cost on initial recognition of an investment in a joint venture (see Note 4(2)) or, an associate (see Note 4(3)).

Business combinations or asset acquisitions

Optional concentration test

The Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities or assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities or assets is determined not to be a business and no further assessment is needed.

Asset acquisitions

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to financial assets/financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

4. Material accounting policy information *(continued)*

(1) Business combination *(continued)*

Business combinations or asset acquisitions *(continued)*

Business combination

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair value of the assets transferred by the Group, liabilities incurred or assumed by the Group, and any equity interests issued by the Group. Acquisition related costs are recognised in the consolidated statement of profit or loss as incurred.

At the acquisition date, irrespective of non-controlling interests, the identifiable assets acquired and liabilities and contingent liabilities assumed are recognised at their fair values; except that deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits*, respectively.

Non-controlling interests that represent ownership interests in the acquiree, and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are initially recognised at either fair value or the non-controlling interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

(2) Joint ventures

A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligation for its liabilities.

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

When judging whether there is a joint control, the Group usually considers the following cases:

– whether any party within the joint arrangement cannot control the relevant activities of the joint ventures;

– whether the decisions about the joint ventures' relevant activities require the unanimous consent of the parties sharing control.

The consolidated statement of profit or loss includes the Group's share of the results of joint ventures for the year and the consolidated statement of financial position includes the Group's share of the net assets of the joint ventures.

Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair value of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the joint ventures' net assets. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investments, is recognised immediately in profit or loss in the period in which investment is acquired.

The consolidated statement of profit or loss includes post-tax results of the joint ventures for the year, including any impairment loss on goodwill relating to the investment in the joint ventures recognised for the year (see Notes 4(4) and 4(10)).

When the Group's share of losses exceeds its interest in the joint ventures, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint ventures. For these purposes, the Group's interest in the joint ventures is the carrying amount of the investment under equity method together with the Group's interests that in substance form part of the Group's net investment in the joint ventures.

Unrealised profits and losses resulting from transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

When the Group ceases to have joint control over a joint venture and has no significant influence on it, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in the consolidated statement of profit or loss, previous other comprehensive income would be reclassified to profit or loss. Any interest retained in that former investee at the date when joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 4(5)).

4. Material accounting policy information *(continued)*

(3) Associates

Associate is an entity in which the Group has significant influence, but not control, or joint 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 of those policies.

When judging whether there is any significant influence, the Group usually considers the following cases:

– representation on the Board of Directors or equivalent governing body of the investee;

– participation in policy-making processes;

– material transactions between the entity and its investee.

Investments in associates are accounted for in the consolidated financial statements under the equity method. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair value of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the associates' net assets. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investments, is recognised immediately in profit or loss in the period in which investment is acquired.

The consolidated statement of profit or loss includes the Group's post-tax results of the associates for the year, including any impairment loss on goodwill relating to the investment in the associates recognised for the year (see Notes 4(4) and 4(10)).

When the Group's share of losses exceeds its interest in the associates, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associates. For these purposes, the Group's interest in the associates is the carrying amount of the investment under equity method together with the Group's interests that in substance form part of the Group's net investment in the associates.

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

When the Group ceases to have significant influence over an associate entity, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in the consolidated statement of profit or loss, previous other comprehensive income would be reclassified to profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 4(5)).

(4) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest based on the fair value of net assets acquired in the acquiree and the fair value of the Group's previously held equity interests in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment. Goodwill arising on a business combination is allocated to each cash-generating unit ("CGU") or group of CGUs, that is expected to benefit from the synergies of the combination and tested at least annually for impairment (see Note 4(10)).

On disposal of a CGU during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

4. Material accounting policy information *(continued)*

(5) Financial instruments

Initial recognition

A financial instrument is any contract that gives rise to a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

All regular way purchases or sales of financial assets are recognised or derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

At initial recognition, financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15 *Revenue from Contracts with Customers*. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. When determining the effective interest rate, the Group estimates the future cash flow on the basis of considering all contract terms of financial assets or financial liabilities, but does not consider the expected credit loss.

Classification and measurement of financial assets

The Group classifies its financial assets into the following measurement categories at initial recognition: financial assets at amortised cost, financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding ("SPPI").

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss ("FVTPL"), except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment, which is not held for trading, in other comprehensive income ("OCI").

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

In addition, the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

4. Material accounting policy information *(continued)*

(5) Financial instruments *(continued)*

Classification and measurement of financial assets *(continued)*

Financial assets at amortised cost

Financial assets measured at amortised cost are subsequently measured with the effective interest method, and the gains or losses arising from amortisation or impairment are recognised in profit or loss. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

Debt instruments classified as at FVTOCI

Subsequent changes in the carrying amounts for debt instruments classified as at FVTOCI as a result of interest income calculated using the effective interest method, foreign exchange gains and losses are recognised in profit or loss. All other changes in the carrying amount of debt instruments are recognised in OCI and accumulated under the heading of investment revaluation reserve. Impairment allowances are recognised in profit or loss with corresponding adjustment to OCI without reducing the carrying amounts of debt instruments. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if debt instruments had been measured at amortised cost. When debt instruments are derecognised, the cumulative gains or losses previously recognised in investment revaluation reserve are reclassified to profit or loss.

Equity instruments designated as at FVTOCI

At the date of initial application/initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments which are not held for trading as at FVTOCI. Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in OCI and accumulated in the investment revaluation reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained earnings.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other net income" line item in profit or loss.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL. Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes fair value gains or losses, any dividend or interest earned on the financial asset, and is included in "other net income".

4. Material accounting policy information *(continued)*

(5) Financial instruments *(continued)*

Impairment under ECL model

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets which are subject to impairment under IFRS 9 *Financial Instruments*, including financial assets at amortised cost, debt instrument assets at fair value through other comprehensive income, leases receivable, loan commitments and financial guarantee contracts. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

The Group assesses the ECL of financial assets with forward-looking information. 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. In contrast, lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. Assessment are done based on the factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

For the above financial instruments that apply the ECL model, except for the purchased or originated credit-impaired financial assets, an assessment of whether credit risk has increased significantly since initial recognition is performed at each reporting period by the Group to determine whether to recognise lifetime ECL. When the credit risk of these financial instruments does not increase significantly after the initial recognition, the Group recognises a loss allowance for the financial instrument at an amount equal to 12-month ECL; in the event of a significant increase in credit risk, the Group recognises a loss allowance at an amount equal to lifetime ECL. The Group recognises the loss allowance of receivables that result from transactions that are within the scope of IFRS 15 *Revenue from contracts with customers* at an amount equal to lifetime ECL.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. The assessment of whether the credit risk has increased significantly is detailed in Note 60(a).

Credit-impaired financial assets

The Group defines whether there is credit impairment based on the internal evaluation results of the credit risk management system for relevant financial assets. The Group considers that financial assets have been credit impaired when its loan classification is substandard, doubtful or loss or is more than 90 days overdue.

4. Material accounting policy information *(continued)*

(5) Financial instruments *(continued)*

Impairment under ECL model *(continued)*

Measurement and recognition of ECL

ECL is measured based on the probability of default, loss given default and the exposure at default. The measurement and recognition of ECL are detailed in Note 60(a).

Generally, ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with IFRS 16 *Leases*.

For a financial guarantee contract, the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed. Accordingly, the expected credit losses is the present value of the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

For undrawn loan commitments, ECL is the present value of the difference between the contractual cash flows that are due to the Group:

- if the holder of the loan commitments draws down the loan, and
- the cash flows that the Group expects to receive if the loan is drawn down.

The loss allowance for loan commitments and financial guarantee contracts is recognised in profit or loss and accumulated in provisions. As for debt instruments measured at FVTOCI, the loss allowance is recognised in OCI and accumulated in the investment revaluation reserve without reducing the carrying amounts of these financial assets. The loss allowance for other financial assets which are subject to impairment under IFRS 9 *Financial Instruments* is recognised in profit or loss through a loss allowance account.

Classification and measurement of financial liabilities

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) held for trading (including derivatives belonging to financial liabilities) or (ii) designated as at FVTPL. Except for hedging accounting, financial liabilities measured at FVTPL are subsequently measured at fair value and all changes in fair value are recognised in profit or loss.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 *Financial Instruments* permits the entire combined contract to be designated as at FVTPL.

4. Material accounting policy information *(continued)*

(5) Financial instruments *(continued)*

Classification and measurement of financial liabilities *(continued)*

Other financial liabilities

Except for financial liabilities at FVTPL, financial liabilities formed by the transfer of financial assets that do not meet the conditions for derecognition or by continued involvement in transferred financial assets and financial liabilities, financial guarantee contract and loan commitment, other financial liabilities are classified as financial liabilities at amortised cost, which are subsequently measured at amortised cost and the gains or losses arising from derecognition or amortisation are included in profit or loss.

Hedge accounting

The Group designates certain derivatives as hedging instruments for fair value hedge and cash flow hedge. The Group documents the relationship between the hedging instruments and hedged items, along with its risk management objective and its strategy for undertaking the hedge, at the inception of a hedging relationship. The Group also requires documentation of the assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items attributable to the hedged risks.

Fair value hedge

The gains or losses on the hedging instrument are recognised in consolidated statement of profit or loss. When the hedging for the risk exposure relates to an non-trading equity instrument designated as at FVTOCI, the gains or losses on the hedging instrument are recognised in other comprehensive income.

The carrying amount of the hedged item not already measured at fair value is adjusted for the gain or loss attributable to the risk being hedged and is taken to consolidated statement of profit or loss. The adjustment to the carrying amount of the hedged item is based on a recalculated effective interest rate at the date that amortisation begins and shall be amortised to consolidated statement of profit or loss if the hedged item is a financial instrument measured at amortised cost. Amortisation begins as soon as an adjustment exists but no later than when the hedged item ceases to be adjusted for hedging gains and losses. If the hedged item is debt instruments measured at FVTOCI, the amounts previously recorded as cumulative adjustments of hedging gains or losses are amortised in similar method and recognised in the consolidated statement of profit or loss. The carrying amount of the hedged item is not adjusted.

Cash flow hedge

The effective portions of changes in the fair value of derivatives that are designated and qualified as cash flow hedge are recognised in other comprehensive income and accumulated separately in hedging reserve. Any gain or loss relating to an ineffective portion is recognised immediately in the consolidated statement of profit or loss.

For cash flow hedge of a recognised asset or liability, the associated cumulative gain or loss is reclassified from hedging reserve to the consolidated statement of profit or loss in the same period during which the hedged cash flows affect profit and loss. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss at that time remains in hedging reserve until the forecast transaction is ultimately recognised in the consolidated statements of profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss is immediately reclassified to the consolidated statement of profit or loss.

4. Material accounting policy information *(continued)*

(5) Financial instruments *(continued)*

Hedge accounting *(continued)*

Hedge effectiveness testing

The Group has elected to adopt the general hedge accounting in IFRS 9 *Financial Instruments*. This requires the Group to ensure that hedge accounting relationships are aligned with its risk management objectives and strategy and to apply a more qualitative and forward-looking approach to assessing hedge effectiveness.

For hedge effectiveness assessment, the Group considers whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

Specific items

Cash equivalents

Cash equivalents comprise investments that are short term, highly liquid, readily convertible into known amounts of cash and subject to insignificant risk of changes in value, and unrestricted balances with the central banks, banks and other financial institutions, and amounts held under resale agreements, with original maturity of 3 months or less.

Balances and placements with banks and other financial institutions

Banks refer to those institutions approved by the People's Bank of China ("PBOC") and other authorities. Other financial institutions represent finance companies, insurance companies, investment trust companies and leasing companies which are registered with the National Administration of Financial Regulation ("NAFR") and under the supervision of the NAFR and securities firms and investment fund companies which are registered with and under the supervision of other regulatory authorities. Balances and placements with banks and other financial institutions are measured at amortised cost.

Resale and repurchase agreements

Amounts for purchase of financial assets under resale agreements are accounted for under "amounts held under resale agreements". Amounts from sale of financial assets under repurchase agreements are accounted for under "amounts sold under repurchase agreements".

The difference between the purchase and resale consideration or sale and repurchase consideration is amortised over the period of the transaction using the effective interest method and is included in interest income or expense (as appropriate).

4. Material accounting policy information *(continued)*

(5) Financial instruments *(continued)*

Specific items *(continued)*

Financial investments

Equity investments are accounted for as financial assets at fair value through profit or loss or equity investments designated at fair value through other comprehensive income. Debt investments are classified as financial assets at fair value through profit or loss, debt investments at amortised cost, debt investments at fair value through other comprehensive income in accordance with the entity's business model, contractual cash flow characteristics and the fair value option.

Loans and advances to customers

Loans and advances directly granted by the Group to customers and finance leases receivables are accounted for as loans and advances to customers.

Loans and advances to customers are classified as loans and advances to customers at fair value through profit or loss (loans and advances to customers at FVTPL), loans and advances to customers at amortised cost, loans and advances to customers at fair value through other comprehensive income (loans and advances to customers at FVTOCI) in accordance with the entity's business model, contractual cash flow characteristics and the fair value option.

Derivative financial instruments

The Group's derivative financial instruments mainly include forward, foreign currency swaps, interest rate swaps and option contracts undertaken in response to customers' needs or for the Group's own risk management purposes. The Group enters into derivative contracts with other banks and financial institutions that can conduct such business to hedge against risks arising from derivative transactions undertaken for customers.

Derivative financial instruments are stated at fair value. Except for the gains or losses arising from the effective hedging portion of those derivatives in cash flow hedge and the gains or losses on the hedging instrument that hedges an non-trading equity instrument designated as at FVTOCI are recognised in other comprehensive income, all other gains or losses are recognised in the consolidated statement of profit or loss.

Embedded derivatives

Derivatives embedded in hybrid contracts that contain financial asset hosts within the scope of IFRS 9 *Financial Instruments* are not separated. The entire hybrid contract is classified and subsequently measured in its entirety as either amortised cost or fair value as appropriate. Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of IFRS 9 *Financial Instruments* are treated as separate derivatives with the same terms when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the hybrid contracts are not measured at FVTPL. Separated embedded derivatives are measured at fair value, with all changes in fair value recognised in profit or loss unless they form part of a qualifying cash flow hedging relationship.

4. Material accounting policy information *(continued)*

(5) Financial instruments *(continued)*

Specific items *(continued)*

Equity instruments

The consideration received from the issuance of equity instruments net of transaction costs is recognised in shareholders' equity. Consideration and transaction costs paid by the Group for repurchasing self-issued equity instruments are deducted from shareholders' equity.

A financial instrument is an equity instrument if, and only if, both conditions (i) and (ii) below are met:

(i) the financial instrument includes no contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; and

(ii) if the financial instrument will or may be settled in the Group's own equity instruments, it is a non-derivative instrument that includes no contractual obligations for the Group to deliver a variable number of its own equity instruments; or a derivative that will be settled only by the Group exchanging a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

At initial recognition, the Group classifies the perpetual bonds and perpetual debt capitals issued or their components as financial liabilities or equity instruments based on their contractual terms and their economic substance after considering the definition of financial liabilities and equity instruments.

For perpetual bonds and perpetual debt capitals issued that classified as equity instruments, any distribution of interests during the instruments' duration is treated as profit appropriation. When the perpetual bonds and perpetual debt capitals are redeemed, the redeemed amount is charged to equity. Relevant transaction expenses are deducted from equity.

At initial recognition of preference shares, the Group classifies the preference shares issued or their components as financial liabilities or equity instruments based on their contractual terms and their economic substance after considering the definition of financial liabilities and equity instruments.

When the Group classifies preference shares issued as an equity instrument, fees, commissions and other transaction costs of preference shares issuance are deducted from equity. The dividends on preference shares are recognised as profit distribution at the time of declaration.

Derecognition of financial instruments

(a) Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset; or
- has retained its rights to receive cash flows from the asset but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; and either the Group has transferred substantially all the risks and rewards of ownership of the financial asset; or the Group has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset or has retained its rights to receive cash flows from the asset but has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset and liability are recognised to the extent of the Group's continuing involvement in the asset.

When the Group's continuing involvement takes the form of guaranteeing the transferred asset, the extent of the Group's continuing involvement at the time of transfer is the lower of (i) the amount of the asset and (ii) the guarantee amount (the maximum amount that the Group could be required to repay in the consideration received). When the Group continues to recognise an asset to the extent of its continuing involvement, the Group also recognises an relevant liability as the sum of the guarantee amount and the fair value of the guarantee contract (usually the consideration received for the provision of security).

The Group writes off a financial asset (if any) when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

4. Material accounting policy information *(continued)*

(5) Financial instruments *(continued)*

Derecognition of financial instruments *(continued)*

(b) Securitisation

As part of its operational activities, the Group securitises credit assets, generally through the sale of these assets to structured entities which issue securities to investors. Interests in the securitised financial assets may be retained in the form of senior or junior tranches, or other residual interests (retained interests).

When applying the accounting policies on securitised financial assets, the Group has considered both the degree of transfer of risks and rewards on the transferred financial assets and the degree of control exercised by the Group over the transferred financial assets:

- when the Group transfers substantially all the risks and rewards of ownership of the financial assets, the Group shall derecognise the financial assets;
- when the Group retains substantially all the risks and rewards of ownership of the financial assets, the Group shall continue to recognise the financial assets; and
- when the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial assets, the Group would determine whether it has retained control of the financial assets. If the Group has not retained control, it shall derecognise the financial assets and recognise separately as assets or liabilities any rights and obligations created or retained in the transfer. If the Group has retained control, it shall continue to recognise the financial assets to the extent of its continuing involvement in the financial assets.

When a securitisation of financial assets does not qualify for derecognition, the relevant financial assets are not derecognised, and the consideration collected from third parties are recorded as a financial liability.

When the securitisation results in derecognition or partial derecognition of financial assets, the Group allocates the carrying amount of the transferred financial assets between the financial assets derecognised and the retained interests based on their relative fair values at the date of transfer. Gains or losses on securitisation, which is the difference between the consideration received and the allocated carrying amount of the financial assets derecognised, are recorded in "other net income". The retained interests continue to be recognised on the same basis before the securitisation.

(c) Sales of assets on condition of repurchase

Derecognition of financial assets sold on condition of repurchase is determined by the economic substance of the transaction. If a financial asset is sold under an agreement to repurchase the same or substantially the same asset at a fixed price or at the sale price plus a reasonable return, the Group will not derecognise the asset. If a financial asset is sold together with an option to repurchase the financial asset at its fair value at the time of repurchase (in case of transferor sells such financial asset), the Group will derecognise the financial asset.

(d) Financial liabilities

A financial liability (or part of it) is derecognised when the obligation under the liability (or part of it) is discharged, cancelled or expired.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is presented in the consolidated statement of financial position when, and only when, the Group currently has there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

4. Material accounting policy information *(continued)*

(6) Property, equipment, investment property and depreciation

Property, equipment and investment property, are stated at cost or deemed cost less accumulated depreciations and accumulated impairment losses. These also include land held under operating leases and buildings thereon, where the fair value of the leasehold interest in the land and buildings cannot be measured separately at the inception of the lease and the building is not clearly held under an operating lease.

Depreciation is calculated to write off the cost of property, equipment and investment property over the following estimated useful lives, after taking into account an estimated residual value on a straight-line basis:

Land and buildings	20 years
Investment properties	20 years
Computer equipment	3 years
Leasehold improvements (leased property)	the estimated useful lives
Leasehold improvements (self-owned property)	the estimated useful lives
Aircraft, vessels and professional equipment	no more than 25 years
Other	3 – 5 years

Construction in progress represents property under construction and is stated at cost less impairment losses. Cost comprises the direct and indirect cost of construction. Construction in progress is transferred to an appropriate class of property or other asset when the asset is ready for its intended use. No depreciation is provided for construction in progress.

Subsequent expenditure relating to a property, equipment and investment property is capitalised only when it is probable that future economic benefits associated with the property and equipment will flow to the Group. All other expenditure is recognised in the consolidated statement of profit or loss as an expense as incurred.

Profits or losses on disposal of property, equipment and investment property are determined as the difference between the net disposal proceeds and the carrying amount of the property, equipment and investment property, and are accounted for in the consolidated statement of profit or loss as they arise.

(7) Repossessed assets

In the recovery of impaired loans and advances, the Group may take possession of assets held as collateral through court proceedings or voluntary delivery of possession by the borrowers. Repossessed assets other than equity instrument are reported in "other assets".

Repossessed assets of equity instruments are detailed in Note 4(5).

(8) Intangible assets

Intangible assets are stated at cost less accumulated amortisation (only intangible assets with finite useful lives) and accumulated impairment losses (see Note 4(10)). Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives.

Intangible assets are not amortised while their useful lives are assessed to be indefinite. The Group does not have intangible assets with useful lives assessed to be indefinite as at the end of the reporting period.

The amortisation period of intangible assets is as follows:

Software and Other	Core deposit
2 – 20 years	28 years

Both the periods and method of amortisation are reviewed annually.

4. Material accounting policy information *(continued)*

(9) Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 *Leases* at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

(a) Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

(b) Short-term leases and leases of low-value assets

The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (lease term of 12 months or less and do not contain a purchase option) and leases of low value assets (the value of assets is equivalent to below RMB35,000).

Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

(c) Right-of-use assets

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

The right-of-use asset is initially measured at cost. This cost includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the lessee; and
- whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

After the commencement date, the right-of-use assets are measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The Group recognises the depreciation of right-of-use assets as an operating expense on a straight-line basis. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers the ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset.

Accounting policy for any identified right-of-use asset impairment loss are disclosed in Note 4(10).

(d) Leasehold land and building

For payments of a property interest which includes both leasehold land and building elements, the entire property is presented as property and equipment of the Group when the payments cannot be allocated reliably between the leasehold land and building elements, except for those that are classified and accounted for as investment properties.

4. Material accounting policy information *(continued)*

(9) Leases *(continued)*

As a lessee *(continued)*

(e) Lease liabilities

Lease liability is presented as a separate line in the consolidated statement of financial position.

Except for short-term leases and leases of low-value asset, lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date using lessee's incremental borrowing rate as the discount rate.

Lease payments refer to the payment made by the lessee to the lessor in connection with the right to use the leased assets during the lease term. Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options;
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease; and
- the amount expected to be payable by the lessee under remaining value guarantees.

After the beginning date of the lease term, the Group calculates the interest expense of the lease liability in each period of the lease term at a fixed periodic interest rate, and recognised it in the current profit and loss or related asset costs.

After the commencement date, the Group remeasures the lease liability according to the present value calculated by the revised lease payment amount and the revised discount rate and makes a corresponding adjustment to the related right-of-use asset whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate; or
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed remaining value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate. But if the change in lease payments results from a change in floating interest rates, the lessee shall use a revised discount rate that reflects changes in the interest rate.

As a lessor

Leases for which the Group is a lessor are classified as finance or operating leases. When the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Where the Group is a lessor under finance leases, an amount representing the net investment in the lease is included in the consolidated statement of financial position as "loans and advances to customers". Unrecognised finance income under finance leases are amortised using the effective interest method over the lease term. Accounting policy for impairment losses are disclosed in Note 4(5).

When the Group is a lessor of an operating lease, income derived from operating lease is recognised in the consolidated statement of profit or loss using the straight-line method over the lease term. If initial direct costs incurred in respect of the assets leased out are material, the costs are initially capitalised and subsequently amortised in profit or loss over the lease term on the same basis as the lease income. Contingent lease income is charged to profit or loss in the accounting period in which it is incurred.

When a contract includes lease and non-lease components, the Group applies IFRS 15 *Revenue from Contracts with Customers* to allocate the consideration under the contract to each component.

4. Material accounting policy information *(continued)*

(9) Leases *(continued)*

As a buyer-lessor in a sale and leaseback transactions

For a transfer of asset that does not meet the requirements of IFRS 15 *Revenue from Contracts with Customers* to account for a sale of asset, the Group acting as a buyer-lessor does not recognise the transferred asset and recognises loan and advance to customers at an amount that equals the transfer proceed within the scope of IFRS 9 *Financial Instruments*.

(10) Impairment on tangible and intangible assets other than impairment under ECL model

The carrying amount of tangible and intangible assets including property and equipment, right-of-use assets, intangible assets, investment properties, interests in joint ventures, interests in associates, goodwill and other non-current assets are reviewed periodically in order to assess whether the recoverable amount has declined below the carrying amount. When such a decline has occurred, the carrying amount is reduced to the recoverable amount. The amount of impairment loss is recognised in the consolidated statement of profit or loss. The recoverable amount of an asset is the greater of its fair value less disposal expense and present value of future expected cash flows. In assessing value in use, the estimated future cash flows are discounted to their present values.

Internal and external sources of information are reviewed at the end of the reporting period to identify any indications that other assets may be impaired.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated by the Group at the end of the reporting period whether or not there is any indication of impairment.

– Calculation of recoverable amount

The recoverable amount of an asset or a CGU is the greater of its fair value less disposal expense and the present value of future cash flows. In assessing value in use, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Impairment losses recognised

An impairment loss is recognised in the consolidated statement of profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

(11) Precious metals

Precious metals that are not related to the Group's trading activities are initially measured at acquisition cost and subsequently measured at the lower of cost and net realisable value. Precious metals that are related to the Group's trading activities are initially recognised at fair value, with changes in fair value arising from remeasurement recognised directly in the consolidated statement of profit or loss in the period in which they arise.

4. Material accounting policy information *(continued)*

(12) Financial guarantee issued, provisions and contingent liabilities

Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the holder) for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. The provision of financial guarantees issued is recognised in the consolidated statement of financial position in accordance with accounting policy set out in Note 4(5).

Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is highly probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote.

(13) Income recognition

Revenue is the inflow of economic benefits that the Group has formed in its daily activities that will result in an increase in shareholders' equity and have nothing to do with the capital invested by shareholders.

Net interest income

Interest income and expense for all financial instruments except for those classified as at FVTPL are recognised in "Interest income" and "Interest expense" in the profit or loss account using the effective interest method. Interest on financial instruments measured as at FVTPL is included within the fair value movement during the period, which is recognised in "Other net income".

Dividend income

Dividend income from investments is recognised when the dividend is declared and approved by the investee.

Rental income

Income derived from operating leases is recognised in the consolidated statement of profit or loss using the straight-line method over the lease term.

4. Material accounting policy information *(continued)*

(13) Income recognition *(continued)*

Fee and commission income

Under IFRS 15 *Revenue from Contracts with Customers*, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same. For contracts that contain more than one performance obligation, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis, except for the allocation of discounts and variable consideration.

The stand-alone selling price of the distinct goods or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised goods or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

For contracts that contain variable consideration, the Group estimates the amount of consideration to which it will be entitled using either (a) the expected value method or (b) the most likely amount, depending on which method better predicts the amount of consideration to which the Group will be entitled.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved. At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

For each performance obligation identified, the Group determines at contract inception whether it satisfies the performance obligation over time or satisfies the performance obligation at a point in time. Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time.

If the revenue is recognised over time, the Group recognises revenue in accordance with the progress towards complete satisfaction of a performance obligation. The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depicts the Group's performance in transferring control of goods or services.

4. Material accounting policy information *(continued)*

(13) Income recognition *(continued)*

Fee and commission income *(continued)*

If revenue is recognised at a point in time, the Group recognises the revenue when the customer obtains control of the distinct good or service. To determine the point in time at which a customer obtains control of a promised service, the following indicators of the transfer of control should also be considered. They include, but are not limited to:

- the Group has a present right to payment for the goods or services;
- the Group has transferred physical possession of the goods;
- the customer has the significant risks and rewards of ownership of the goods;
- the customer has accepted the goods or services.

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it can control the goods or service before transferring it to customers. The Group is an agent if its performance obligation is to arrange for the provision of the specified goods or service by another party. In this case, the Group does not control the specified goods or service provided by another party before that goods or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

(14) Taxation

Current income tax and movements in deferred tax balances are recognised in the consolidated statement of profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax assets also arise from unused tax losses and unused tax credits. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates of expected returns of the assets or the repayment of the liabilities. Deferred tax assets and liabilities are not discounted.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced by the extent that it is no longer probable that the related tax benefit will be realised.

4. Material accounting policy information *(continued)*

(14) Taxation *(continued)*

The Group shall recognise a deferred tax asset for all deductible temporary differences associated with investments in subsidiaries and interests in associates and joint ventures that both of the following conditions are satisfied: the temporary differences are likely to be reversed in the foreseeable future; and it is probably to obtain the taxable income used to offset the deductible temporary difference in the future. The Group shall recognise a deferred tax liability for all taxable temporary differences associated with investments in subsidiaries and interests in associates and joint ventures, except where both of the following conditions are satisfied: the investor is able to control the timing of the reversal of the temporary difference; and it is probable that the temporary difference will not reverse in the foreseeable future.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(15) Foreign currencies translations

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value is determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on transactions entered into as part of the effective portion of a hedge on certain foreign currency risks; or
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purposes of presenting these consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into currency units using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in exchange reserve (and attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation, all of the exchange differences accumulated in exchange reserve in respect of that operation attributable to the owners of the Bank are reclassified to the consolidated statement of profit or loss.

4. Material accounting policy information *(continued)*

(16) Employee benefits

Salaries and staff welfare

Salaries, bonuses and other benefits are accrued in the period in which the associated services are rendered by employees.

Post-employment benefits

The Group participates in a number of defined contribution retirement benefit schemes managed by different provincial governments or independent insurance companies. Obligation for contributions to these schemes are jointly borne by the Group and the staff, and contributions paid by the Group are recognised as an expense in the consolidated statement of profit or loss as incurred.

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in other comprehensive income. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in personnel expenses in the consolidated statement of profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Share-based payment

The Group offers H share appreciation rights to its employee, namely H Share Appreciation Rights Scheme for the Senior Management ("the Scheme"), which is settled in cash. Cash-settled share-based payments are measured at the fair value of the liabilities incurred by the Group, which are determined based on the shares. The Group recognises the services for the period as related costs or expenses, with a corresponding increase in liability, at an amount equal to the fair value of the liability based on the best estimate of the outcome of vesting at the end of each reporting period within the vesting period. Until the liability is settled, the Group remeasures the fair value of the liability at each reporting period end and at the date of settlement, with any changes in fair value recognised in profit or loss for the period.

The fair value of the H share appreciation rights is using Black-Scholes model, taking into account the terms and condition upon which the H share appreciation rights were granted.

4. Material accounting policy information *(continued)*

(17) Related parties

For the purposes of these consolidated financial statements, parties are considered to be related to the Group if the Group has the ability, directly, indirectly or jointly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to control, common control or common significant influence (except that the Group and the party are subject to common significant influence of the other party). Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the Group or of any entity that is a related party of the Group.

(18) Segmental reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations. Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they meet most of these criteria.

(19) Fiduciary activities

The Group acts in a fiduciary capacity in entrusted loan and entrusted investment business. Assets held by the Group and the related undertakings to return such assets to customers are excluded from the consolidated statement of financial position as the risks and rewards of the assets reside with the customers. The Group only charges a relevant commission.

(20) Dividends or profit distributions

Dividends or profit distributions are recognised as a liability in the year in which they are approved and declared.

(21) General reserve

The general reserve is an integral part of equity. According to the relevant regulations, in addition to the impairment allowances, the Bank maintains a general reserve to make up for unidentified potential losses. In principle, the balance of general reserve shall not be less than 1.5% of the ending balance of risk assets. In addition, the general reserve includes 2.5% of the income of mutual fund custody businesses. The general reserve of the Group also includes the general reserve maintained by the subsidiaries of the Group according to the applicable laws and regulations of their industry or region.

5. Significant accounting estimates and judgements

In determining the carrying amounts of some assets and liabilities, the Group makes assumptions for the effects of uncertain future events on the assets and liabilities at the end of the reporting period. These estimates involve assumptions about cash flows and the discount rates used. The Group's estimates and assumptions are based on historical experience and expectations of future events and are reviewed periodically. In addition to the assumptions and estimations of future events, judgements are also made during the process of applying the Group's accounting policies.

(1) Control over structured entity

Where the Group acts as asset manager of structured entities, the Group makes judgement on whether it is the principal or an agent to assess whether the Group controls the structured entities and should consolidate them. When performing this assessment, the Group considers several factors including, among others, the scope of its decision-making authority over the structured entities, the rights held by other parties, the remuneration to which it is entitled in accordance with the related agreements for the assets management services, the Group's exposure to variability of returns from interests that it holds in the structured entities.

(2) Classification of financial assets

Business model assessment: Classification and measurement of financial assets of the Group involves significant judgement on business model. The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. Specific considerations include how the performance of the assets is evaluated and measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated.

(3) Derecognition of financial assets transferred

In its normal course of business, the Group transfers its financial assets through various types of transactions including regular way sales and transfers, securitisation, financial assets sold under repurchase agreements. The Group applies significant judgement and estimate in assessing whether it has transferred these financial assets and qualified for a full derecognition.

Where the Group enters into structured transactions by which it transfers financial assets to structured entities, the Group analyses whether the substance of the relationship between the Group and these structured entities indicates that it controls these structured entities and the Group needs to consolidate them. This will determine whether the following derecognition analysis should be conducted at the consolidated level or at the entity level from which the financial assets are transferred.

The Group analyses the contractual rights and obligations in connection with such transfers to determine whether derecognition criteria are met based on the following considerations:

- whether it has transferred the rights to receive contractual cash flows from the financial assets or the transfer qualifies for the "pass through" of those cash flows to independent third parties;
- the extent to which the associated risks and rewards of ownership of the financial assets are transferred. Significant judgement and estimate is applied in the Group's estimation with regard to the cash flows before and after the transfers and other factors that affect the outcomes of the Group's assessment on the extent that risks and rewards are transferred.

5. Significant accounting estimates and judgements *(continued)*

(4) Impairment under ECL model

- Significant increase in credit risk: ECL is measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. In assessing whether the credit risk of an asset has significantly increased, the Group takes into account qualitative and quantitative reasonable and supportable forward-looking information. Refer to Note 60(a)(ii) for more details.

- Establishing groups of assets with similar credit risk characteristics: When ECLs are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics. Refer to Note 60(a)(v) for details of the characteristics considered in this judgement. The Group monitors the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. This is required in order to ensure that should credit risk characteristics change there is appropriate re-segmentation of the assets. This may result in new portfolios being created or assets moving to an existing portfolio that better reflects the similar credit risk characteristics of that group of assets.

- Models and assumptions used: The Group uses various models and assumptions in estimating ECL. Judgement is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk. Refer to Note 60(a)(iii) for more details.

- Forward-looking information: When measuring ECL the Group uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. Refer to Note 60(a)(iv) for more details.

- Probability of Default ("PD"): PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions. Refer to Note 60(a) (iii) for more details.

- Loss Given Default ("LGD"): LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements. Refer to Note 60(a)(iii) for more details.

(5) Fair value of financial instruments

For a number of financial instruments, no quoted prices in an active market exist. The fair value for these financial instruments are established by using valuation techniques. These techniques include using recent arm's length market transactions, reference to the current fair value of similar instruments, discounted cash flow analysis or option pricing models. The Group has established a process to ensure that valuation techniques are constructed by qualified personnel and are validated and reviewed by personnel independent of the business unit that constructed the valuation techniques. Valuation techniques are certified before being implemented for valuation and are calibrated to ensure that outputs reflect actual market conditions. Valuation models established by the Group make the maximum use of market inputs and rely as little as possible on the Group's specific data. However, it should be noted that some inputs, such as credit and counterparty risk and risk correlations, require management estimates. Management estimates and assumptions are reviewed periodically and adjusted if necessary. If the fair value is measured using third party information such as broker quotes or pricing services, the valuation team will evaluate the evidence obtained from third party to support the conclusion that the relevant valuation meets the requirements of IFRS, including the category of the relevant valuation at the appropriate level in the fair value hierarchy.

(6) Income taxes

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reviewed periodically to take into account all changes in tax legislations. Deferred tax assets are recognised for tax losses not yet used and temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilised, management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

5. Significant accounting estimates and judgements *(continued)*

(7) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis and when circumstances indicate that the carrying value may be impaired. This requires an estimation of the recoverable amount of the CGU or group of CGUs to which the goodwill is allocated. Estimating the recoverable amount requires the Group to make an estimate of the expected future cash flows from CGU or group of CGUs and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash flows or upward revision of discount rate, a material impairment loss or further impairment loss may arise.

6. Interest income

	2023	2022
Loans and advances to customers	**268,240**	265,601
– Corporate loans	**94,526**	86,754
– Retail loans	**166,104**	168,174
– Discounted bills	**7,610**	10,673
Balances with central banks	**9,977**	8,482
Balances with banks and other financial institutions	**2,101**	1,242
Placements with banks and other financial institutions	**10,596**	7,760
Amounts held under resale agreements	**3,860**	4,487
Financial investments	**80,836**	65,808
– Debt investments at FVTOCI	**26,201**	19,654
– Debt investments at amortised cost	**54,635**	46,154
Total	**375,610**	353,380

Note: For the year ended 31 December 2023, included in the above is the interest income of RMB10,577 million accrued on loans and advances to customers at fair value through other comprehensive income (2022: RMB12,668 million).

7. Interest expense

	2023	2022
Deposits from customers	**128,809**	105,836
Borrowing from central banks	**4,005**	2,828
Deposits from banks and other financial institutions	**8,307**	9,782
Placements from banks and other financial institutions	**8,931**	4,567
Amounts sold under repurchase agreements	**2,628**	1,960
Debt securities issued	**7,781**	9,662
Lease liabilities	**480**	510
Total	**160,941**	135,145

8. Fee and commission income

	2023	2022
Commissions from wealth management	**28,466**	30,903
Commissions from asset management	**11,474**	12,457
Bank cards fees	**19,525**	21,399
Clearing and settlement fees	**15,492**	15,051
Commissions from credit commitment and lending business	**4,997**	5,753
Commissions on custodian business	**5,328**	5,791
Other	**7,552**	12,018
Total	**92,834**	103,372

9. Other net income

	2023	2022
Net gain/(loss) from fair value change	**1,846**	(2,675)
– financial instruments at fair value through profit or loss	**1,797**	(2,204)
– derivatives instruments	**104**	(120)
– precious metals	**(55)**	(351)
Net investment income	**19,700**	18,013
– financial instruments at FVTPL	**14,523**	12,443
– gain on disposal of financial assets at amortised cost	**967**	170
– gain on disposal of debt instruments at FVTOCI	**3,661**	5,161
– of which: gain on disposal of bills	**1,551**	3,291
– dividend income from equity investments designated at FVTOCI	**317**	153
– other	**232**	86
Foreign exchange gain	**4,132**	3,600
Other income	**11,418**	9,702
– rental income	**11,352**	9,181
– insurance income	**66**	521
Other	**729**	1,065
Total	**37,825**	29,705

10. Operating expenses

	2023	2022
Staff costs	**70,348**	70,657
– Salaries and bonuses	**55,477**	55,647
– Social insurance and corporate supplemental insurance	**7,349**	8,421
– Other	**7,522**	6,589
Tax and surcharges	**2,963**	3,005
Depreciation of property and equipment and investment properties	**11,008**	10,279
Amortisation of intangible assets	**930**	1,061
Depreciation of right-of-use assets	**4,205**	4,151
Short-term leases expense and leases of low-value assets expense	**216**	229
Charge for insurance claims	**–**	360
Other general and administrative expenses (note)	**31,321**	32,319
Total	**120,991**	122,061

Note: Auditors' remuneration amounting to RMB34 million for the year ended 31 December 2023 (2022: RMB31 million) is included in other general and administrative expenses.

11. Directors' and supervisors' emoluments

The emoluments of the Directors and Supervisors during the year were as follows:

	2023				
	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
Executive directors					
Wang Liang	–	3,453	–	–	3,453
Zhu Jiangtao (ii)	–	2,821	–	–	2,821
Subtotal	–	6,274	–	–	6,274
The executive director's emoluments shown above were for their services in connection with the management of the affairs of the Bank and the Group.					
Non-executive directors					
Miao Jianmin	–	–	–	–	–
Hu Jianhua (iii)	–	–	–	–	–
Sun Yunfei	–	–	–	–	–
Zhou Song	–	–	–	–	–
Hong Xiaoyuan (iii)	–	–	–	–	–
Zhang Jian	–	–	–	–	–
Chen Dong	–	–	–	–	–
Subtotal	–	–	–	–	–
The non-executive directors shown above did not receive remuneration from the Bank.					
Independent non-executive directors and supervisors					
Wong See Hong	500	–	–	–	500
Li Menggang	500	–	–	–	500
Liu Qiao	500	–	–	–	500
Tian Hongqi	500	–	–	–	500
Li Chaoxian	500	–	–	–	500
Shi Yongdong	500	–	–	–	500
Luo Sheng	–	–	–	–	–
Peng Bihong (iv)	–	–	–	–	–
Wu Heng	–	–	–	–	–
Xu Zhengjun	400	–	–	–	400
Cai Hongping	400	–	–	–	400
Zhang Xiang	400	–	–	–	400
Cai Jin	–	1,627	–	–	1,627
Cao Jian (v)	–	1,294	–	–	1,294
Yang Sheng (vi)	–	967	–	–	967
Subtotal	4,200	3,888	–	–	8,088
The independent non-executive directors' and supervisors' emoluments shown above were for their services as directors or supervisors of the Bank.					
Former executive, non-executive directors and supervisors					
Su Min (vii)	–	–	–	–	–
Xiong Liangjun (vi)	–	1,870	–	–	1,870
Wang Wanqing (v)	–	593	–	–	593
Subtotal	–	2,463	–	–	2,463
The former executive, non-executive directors' and supervisors' emoluments shown above were for their services as directors or supervisors of the Bank.					
Total	4,200	12,625	–	–	16,825

11. Directors' and supervisors' emoluments *(continued)*

Notes:

(i) The total remuneration before tax for the full-time directors, supervisors and executive officers of the Group is not yet finalised. Details of their remaining compensation will be disclosed separately when their total remuneration is confirmed.

(ii) In June 2023, according to the relevant resolution passed at the 2022 Annual General Meeting of the Bank, Mr. Zhu Jiangtao was elected as the Executive Director of the Bank, whose qualification as the Director was approved by the NAFR in August 2023. The emolument of Mr. Zhu Jiangtao shown above included the portion for his services before his qualification as the Director was approved by the NAFR during the year.

(iii) In January 2024, Mr. Hu Jianhua and Mr. Hong Xiaoyuan ceased to be Non-Executive Directors of the Bank due to their age.

(iv) In January 2024, Mr. Peng Bihong ceased to be the Shareholder Supervisor of the Bank due to change of work arrangement.

(v) In March 2023, Mr. Cao Jian was elected as the Employee Supervisor of the Bank at the employee representative meeting of the Bank. Mr. Wang Wanqing ceased to be the Employee Supervisor of the Bank due to his age.

(vi) In June 2023, Mr. Yang Sheng was elected as the Employee Supervisor of the Bank at the employee representative meeting of the Bank. At the same time, Mr. Xiong Liangjun ceased to be the Chairman of the Board of Supervisors and Employee Supervisor of the Bank due to his age.

(vii) In March 2023, Ms. Su Min retired and resigned as the Non-Executive Director of the Bank.

(viii) As of 31 December 2023, the Group had offered 10 phases of H share appreciation rights under the Scheme. Details of the Scheme are set out in Note 39 (a)(iii).

11. Directors' and supervisors' emoluments *(continued)*

	2022				
	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000 (i)	Retirement scheme contributions RMB'000 (i)	Total RMB'000
Executive director					
Wang Liang	–	3,625	2,580	220	6,425
Subtotal	–	3,625	2,580	220	6,425
The executive director's emoluments shown above were for his services in connection with the management of the affairs of the Bank and the Group.					
Non-executive directors					
Miao Jianmin	–	–	–	–	–
Hu Jianhua (ii)	–	–	–	–	–
Sun Yunfei (ii)	–	–	–	–	–
Zhou Song	–	–	–	–	–
Hong Xiaoyuan	–	–	–	–	–
Zhang Jian	–	–	–	–	–
Su Min	–	–	–	–	–
Chen Dong (ii)	–	–	–	–	–
Subtotal	–	–	–	–	–
The non-executive directors shown above did not receive remuneration from the Bank.					
Independent non-executive directors and supervisors					
Wong See Hong	500	–	–	–	500
Li Menggang	500	–	–	–	500
Liu Qiao	500	–	–	–	500
Tian Hongqi	500	–	–	–	500
Li Chaoxian	500	–	–	–	500
Shi Yongdong	500	–	–	–	500
Xiong Liangjun	–	3,317	2,098	211	5,626
Luo Sheng (iii)	–	–	–	–	–
Peng Bihong	–	–	–	–	–
Wu Heng	–	–	–	–	–
Xu Zhengjun	400	–	–	–	400
Cai Hongping (iii)	202	–	–	–	202
Zhang Xiang (iii)	202	–	–	–	202
Wang Wanqing	–	2,650	–	–	2,650
Cai Jin	–	1,548	–	–	1,548
Subtotal	3,804	7,515	2,098	211	13,628
The independent non-executive directors' and supervisors' emoluments shown above were for their services as directors or supervisors of the Bank.					
Former executive, non-executive directors and supervisors					
Fu Gangfeng (iv)	–	–	–	–	–
Tian Huiyu (v)	–	–	–	–	–
Wang Daxiong (v)	–	–	–	–	–
Luo Sheng (v)	–	–	–	–	–
Guo Xikun (vi)	–	–	–	–	–
Ding Huiping (vi)	167	–	–	–	167
Han Zirong (vi)	167	–	–	–	167
Subtotal	334	–	–	–	334
The former executive, non-executive directors' and supervisors' emoluments shown above were for their services as directors or supervisors of the Bank.					
Total	4,138	11,140	4,678	431	20,387

11. Directors' and supervisors' emoluments *(continued)*

Notes:

(i) On 27 September 2023, the Board of Directors approved the discretionary bonuses of the Bank's directors, supervisors and executive officers for 2022.

(ii) In June 2022, according to the relevant resolutions passed at the 2021 Annual General Meeting of the Bank, Mr. Hu Jianhua, Mr. Sun Yunfei and Mr. Chen Dong were elected as Non-Executive Directors of the Bank, whose qualifications as the Directors were approved by the former China Banking and Insurance Regulatory Commission (the "former CBIRC") in October 2022.

(iii) In June 2022, according to the relevant resolutions passed at the 2021 Annual General Meeting of the Bank, Mr. Luo Sheng was elected as the Shareholder Supervisor of the Bank, and Mr. Cai Hongping and Mr. Zhang Xiang were elected as External Supervisors of the Bank.

(iv) In November 2022, Mr. Fu Gangfeng ceased to be the Vice Chairman and Non-Executive Director of the Bank due to change of work arrangement.

(v) In June 2022, Mr. Wang Daxiong and Mr. Luo Sheng ceased to be Non-Executive Directors of the Bank after the end of the 2021 Annual General Meeting due to the expiry of their terms of office, and Mr. Tian Huiyu ceased to be an Executive Director of the Bank after the end of the 2021 Annual General Meeting.

(vi) In June 2022, Mr. Guo Xikun ceased to be the Shareholder Supervisor of the Bank due to the expiry of his terms of office, and Mr. Ding Huiping and Mr. Han Zirong ceased to serve as External Supervisors of the Bank due to the expiry of their terms of office.

(vii) As of 31 December 2022, the Group had offered 10 phases of H share appreciation rights under the Scheme. Details of the Scheme are set out in Note 39 (a)(iii).

During the years of 2023 and 2022, no emoluments were paid by the Group to any of the persons who are directors or supervisors as an inducement to join or upon joining the Group or as compensation for loss of office.

During the years of 2023 and 2022, there was no arrangement under which a director or a supervisor waived or agreed to waive any remuneration.

12. Five highest paid individuals

During the year ended 31 December 2023, the five highest paid individuals included five persons in total. During the year ended 31 December 2022, the five highest paid individuals included six persons in total, two of them were with the same emoluments and being the third highest paid individuals, and two of them were with the same emoluments and being the fourth highest paid individuals. Of these highest paid individuals, two (2022: two) were directors or supervisors of the Bank whose emoluments were included in Note 11 above. The aggregate emolument of the remaining three (2022: four) highest paid individuals who were neither directors nor supervisors of the Bank is as follows:

	2023 **RMB'000**	2022 RMB'000
Salaries and other emoluments	**8,263**	11,764
Discretionary bonuses	**–**	7,455
Contributions to defined contribution retirement schemes	**–**	842
Total	**8,263**	20,061

These highest paid individuals who were neither directors nor supervisors of the Bank whose emoluments fell within the following bands is set out below:

	2023	2022
HKD		
2,500,001 – 3,000,000	**1**	–
3,000,001 – 3,500,000	**2**	4
3,500,001 – 4,000,000	**–**	–
4,000,001 – 4,500,000	**–**	–
4,500,001 – 5,000,000	**–**	–

During the years of 2023 and 2022, no emoluments were paid by the Group to any of the persons who are five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

13. Loans to directors, supervisors and executive officers

Loans to directors, supervisors and executive officers of the Group are as follows:

	2023	2022
Aggregate amount of relevant loans made by the Group outstanding at year end	**35**	34
Maximum aggregate amount of relevant loans made by the Group outstanding during the year	**50**	47

14. Expected credit losses

	2023	2022
Loans and advances to customers	**46,635**	45,157
– Loans and advances at amortised cost (Note 22(c)(i))	**50,470**	40,175
– Loans and advances at FVTOCI (Note 22(c)(ii))	**(3,835)**	4,982
Amounts due from banks and other financial institutions	**(2,935)**	(3,284)
Financial investments	**(218)**	3,879
– Debt investments at amortised cost (Note 23(b)(iii))	**(1,227)**	4,234
– Debt investments at FVTOCI (Note 23(c)(ii))	**1,009**	(355)
Financial guarantees and loan commitments	**(2,761)**	7,112
Other	**557**	3,887
Total	**41,278**	56,751

15. Income tax

(a) Income tax in the consolidated statement of profit or loss represents:

	2023	2022
Current income tax expense	**28,695**	34,276
– Chinese mainland	**27,366**	33,133
– Hong Kong	**1,155**	973
– Overseas	**174**	170
Deferred taxation	**(83)**	(8,457)
Total	**28,612**	25,819

(b) A reconciliation of income tax expense in the consolidated statement of profit or loss and that calculated at the applicable statutory tax rate is as follows:

	2023	2022
Profit before taxation	**176,618**	165,113
Tax at the PRC statutory income tax rate of 25% (2022: 25%)	**44,154**	41,278
Tax effects of the following items:	**(15,542)**	(15,459)
– Effects of non-taxable income	**(18,872)**	(17,114)
– Effects of costs, expenses and losses not deductible for tax purpose	**4,551**	2,548
– Effects of different applicable rates in other jurisdictions	**(260)**	(215)
– Tax effect of perpetual bond/perpetual debt capital interest expense	**(937)**	(942)
– Other	**(24)**	264
Income tax expense	**28,612**	25,819

Note: Taxation for Hong Kong and overseas operations are charged at the applicable rates of tax prevailing in relevant regions.

16. Other comprehensive income

(a) Income tax effects relating to each component of other comprehensive income

	2023			2022		
	Before-tax amount	Tax benefit/ (expense)	Net-of-tax amount	Before-tax amount	Tax benefit/ (expense)	Net-of-tax amount
Items that may be reclassified subsequently to profit or loss	2,766	(393)	2,373	732	553	1,285
– Net fair value gain/(loss) on debt instruments measured at FVTOCI	4,470	(1,133)	3,337	(7,353)	1,736	(5,617)
– Net changes in expected credit losses of debt instruments measured at FVTOCI	(2,775)	730	(2,045)	4,631	(1,160)	3,471
– Net movement in cash flow hedge reserve	(69)	10	(59)	135	(23)	112
– Share of other comprehensive income/(expense) from equity-accounted investees	202	–	202	(1,155)	–	(1,155)
– Exchange difference on translation of financial statements of foreign operations	983	–	983	4,429	–	4,429
– Other	(45)	–	(45)	45	–	45
Items that will not be reclassified to profit or loss	440	(82)	358	40	(2)	38
– Net fair value gain on equity instruments designated at FVTOCI	435	(81)	354	52	(4)	48
– Remeasurement of defined benefit scheme	5	(1)	4	(12)	2	(10)
Other comprehensive income	3,206	(475)	2,731	772	551	1,323

(b) Movements relating to components of other comprehensive income are as follows:

	2023	2022
Net fair value gain/(loss) on debt instruments measured at FVTOCI		
Changes in fair value recognised during the year	6,083	(1,746)
Reclassification adjustments for amounts transferred to profit or loss upon disposal	(2,746)	(3,871)
Net movement in investment revaluation reserve during the year recognised in other comprehensive income	3,337	(5,617)
Net changes in expected credit losses of debt instruments measured at FVTOCI		
Changes in expected credit losses recognised during the year	(2,045)	3,471
Net movement in investment revaluation reserve during the year recognised in other comprehensive income	(2,045)	3,471
Net fair value gain on equity instruments designated at FVTOCI		
Changes in fair value recognised during the year	354	48
Net movement in investment revaluation reserve during the year recognised in other comprehensive income	354	48
Net movement in cash flow hedge reserve		
Effective portion of changes in fair value of hedging instruments	(58)	112
Reclassification adjustment for realised gain to profit or loss	(1)	–
Net movement in hedging reserve during the year recognised in other comprehensive income	(59)	112

17. Earnings per share

The calculation of basic earnings per share is based on the net profit attributable to ordinary shareholders of the Bank and the weighted average number of shares in issue for the year.

	2023	2022
Net profit attributable to equity holders of the Bank	**146,602**	138,012
Less: Net profit attributable to preference shareholders of the Bank	**(996)**	(1,675)
Net profit attributable to holders of perpetual bonds	**(3,562)**	(3,562)
Net profit attributable to ordinary shareholders of the Bank	**142,044**	132,775
Weighted average number of shares in issue (in million shares)	**25,220**	25,220
Basic and diluted earnings per share (in RMB Yuan)	**5.63**	5.26

Note:

The Bank issued non-cumulative preference shares in 2017 and non-cumulative perpetual bonds in 2020, 2021 and 2023. For the purpose of calculating basic earnings per share, dividends on non-cumulative preference shares and interests on non-cumulative perpetual bonds declared during the year should be deducted from the amounts attributable to equity holders of the Bank.

The conversion feature of preference shares is considered to be contingently issuable ordinary shares. The triggering events of conversion did not occur as of 31 December 2023 and 2022. Therefore the conversion feature of preference shares has no effect on the diluted earnings per share calculation for both years.

18. Balances with central banks

	2023	2022
Statutory deposit reserve (note (i))	**536,637**	534,232
Surplus deposit reserve (note (ii))	**125,878**	50,846
Other deposits with central banks (note (iii))	**5,054**	2,455
Interest receivable	**302**	285
Total	**667,871**	587,818

Notes:

(i) The Group places statutory deposit reserves with the PBOC and overseas central banks where it has operations. The statutory deposit reserves are not available for the Group's daily operations. The statutory deposit reserve funds of the Bank's institutions located in the Chinese mainland are calculated at 7% and 4% of eligible RMB deposits and foreign currency deposits respectively as at 31 December 2023 (31 December 2022: 7.5% and 6% of eligible RMB deposits and foreign currency deposits respectively). Eligible deposits include deposits from government authorities and other organisations, retail deposits, corporate deposits, and net credit balances of entrusted business and RMB deposits placed by financial institutions outside the Chinese mainland. The amounts of statutory deposit reserves placed with the central banks of overseas countries are determined by local jurisdictions.

(ii) Surplus deposit reserve maintained with the PBOC and central banks outside the Chinese mainland are mainly for clearing and settlement purposes.

(iii) Other deposits with central banks primarily represent fiscal deposits and foreign exchange reserve placed with the PBOC.

19. Balances with banks and other financial institutions

	2023	2022
Principal (a)	100,757	91,587
Impairment allowances (a)(b)	(223)	(509)
Subtotal	100,534	91,078
Interest receivable	235	268
Total	100,769	91,346

(a) Analysed by nature of counterparties

	2023	2022
In the Chinese mainland	62,381	57,809
– Banks	57,387	54,808
– Other financial institutions	4,994	3,001
Outside the Chinese mainland	38,376	33,778
– Banks	37,872	33,390
– Other financial institutions	504	388
Total	100,757	91,587
Less: Impairment allowances	(223)	(509)
– Banks	(196)	(490)
– Other financial institutions	(27)	(19)
Net carrying amount	100,534	91,078

(b) Movements of allowances for impairment losses are as follows:

	2023	2022
Balance as at the beginning of the year	509	378
(Release)/charge for the year (note 14)	(287)	120
Exchange difference	1	11
Balance as at the end of the year	223	509

20. Placements with banks and other financial institutions

	2023	2022
Principal (a)	**286,247**	265,415
Impairment allowances (a)(c)	**(519)**	(2,658)
Subtotal	**285,728**	262,757
Interest receivable	**1,966**	1,452
Total	**287,694**	264,209

Note: Pursuant to the relevant provisions in the "Interim Measures for the Administration of Gold Leasing Business" (Yin Ban Fa [2022] No. 88) issued by the General Office of the PBOC in July 2022, with respect to the gold leasing business of the Group with financial institutions since 2023, gold leased out by the Group to other financial institutions is presented under "placements with banks and other financial institutions", a change from "precious metal" in prior years. The comparative figures are re-presented accordingly.

(a) Analysed by nature of counterparties

	2023	2022
In the Chinese mainland	**214,881**	203,014
– Banks	**42,041**	65,651
– Other financial institutions	**172,840**	137,363
Outside the Chinese mainland	**71,366**	62,401
– Banks	**70,625**	61,880
– Other financial institutions	**741**	521
Total	**286,247**	265,415
Less: Impairment allowances	**(519)**	(2,658)
– Banks	**(92)**	(163)
– Other financial institutions	**(427)**	(2,495)
Net carrying amount	**285,728**	262,757

(b) Analysed by remaining maturity

	2023	2022
Maturing		
– Within one month (inclusive)	**107,390**	90,001
– Between one month and one year (inclusive)	**175,523**	158,086
– Over one year	**2,815**	14,670
Total	**285,728**	262,757

(c) Movements of allowances for impairment losses are as follows:

	2023	2022
Balance as at the beginning of the year	**2,658**	2,860
Release for the year (note 14)	**(2,143)**	(235)
Exchange difference	**4**	33
Balance as at the end of the year	**519**	2,658

21. Amounts held under resale agreements

	2023	2022
Principal (a)	**172,708**	277,561
Impairment allowances (a)(d)	**(589)**	(1,094)
Subtotal	**172,119**	276,467
Interest receivable	**127**	209
Total	**172,246**	276,676

(a) Analysed by nature of counterparties

	2023	2022
In the Chinese mainland	**172,334**	277,382
– Banks	**9,961**	42,077
– Other financial institutions	**162,373**	235,305
Outside the Chinese mainland	**374**	179
– Banks	**88**	–
– Other financial institutions	**286**	179
Total	**172,708**	277,561
Less: Impairment allowances	**(589)**	(1,094)
– Banks	**(148)**	(216)
– Other financial institutions	**(441)**	(878)
Net carrying amount	**172,119**	276,467

(b) Analysed by remaining maturity

	2023	2022
Maturing		
– Within one month (inclusive)	**172,119**	268,890
– Between one month and one year (inclusive)	**–**	7,577
Total	**172,119**	276,467

(c) Analysed by underlying assets

	2023	2022
Bonds	**164,702**	256,129
Bills	**7,417**	20,338
Total	**172,119**	276,467

(d) Movements of allowances for impairment losses are as follows:

	2023	2022
Balance as at the beginning of the year	**1,094**	4,263
Release for the year (note 14)	**(505)**	(3,169)
Balance as at the end of the year	**589**	1,094

22. Loans and advances to customers

(a) Loans and advances to customers

	2023	2022
Gross amount of loans and advances to customers at amortised cost (i)	**5,913,324**	5,432,112
Interest receivable	**11,442**	11,326
Subtotal	**5,924,766**	5,443,438
Less: Loss allowances of loans and advances to customers at amortised cost (i)	**(266,805)**	(254,913)
Loss allowances of interest receivable	**(815)**	(846)
Subtotal	**(267,620)**	(255,759)
Loans and advances to customers at amortised cost	**5,657,146**	5,187,679
Loans and advances to customers at FVTOCI (ii)	**525,179**	614,481
Loans and advances to customers at FVTPL (iii)	**70,430**	4,994
Total	**6,252,755**	5,807,154

(i) Loans and advances to customers at amortised cost

	2023	2022
Corporate loans and advances	**2,475,432**	2,270,323
Retail loans and advances	**3,437,883**	3,161,789
Discounted bills	**9**	–
Gross amount of loans and advances to customers at amortised cost	**5,913,324**	5,432,112
Less: Loss allowances	**(266,805)**	(254,913)
– Stage 1 (12-month ECL)	**(165,866)**	(159,932)
– Stage 2 (Lifetime ECL – not credit-impaired)	**(47,729)**	(44,898)
– Stage 3 (Lifetime ECL – credit-impaired)	**(53,210)**	(50,083)
Net amount of loans and advances to customers at amortised cost	**5,646,519**	5,177,199

(ii) Loans and advances to customers at FVTOCI

	2023	2022
Corporate loans and advances	**120,762**	100,430
Discounted bills	**404,417**	514,051
Loans and advances to customers at FVTOCI	**525,179**	614,481
Loss allowances	**(2,729)**	(6,563)
– Stage 1 (12-month ECL)	**(2,726)**	(6,311)
– Stage 2 (Lifetime ECL – not credit-impaired)	**(3)**	(252)
– Stage 3 (Lifetime ECL – credit-impaired)	**–**	–

No loss allowance is recognised in the consolidated statement of financial position for loans and advances to customers at FVTOCI as the carrying amount is at fair value.

(iii) Loans and advances to customers at FVTPL

	2023	2022
Corporate loans and advances	**3,661**	4,863
Discounted bills	**66,701**	3
Interest receivable	**68**	128
Total	**70,430**	4,994

22. Loans and advances to customers *(continued)*

(b) Analysis of loans and advances to customers

(i) Analysed by industry sector and category:

Operations in the Chinese mainland

	2023	2022
Manufacturing	557,691	445,218
Transportation, storage and postal services	477,016	461,434
Property development	303,707	349,682
Production and supply of electric power, heating power, gas and water	259,864	203,870
Wholesale and retail	187,737	171,786
Leasing and commercial services	186,463	158,320
Construction	110,577	103,998
Telecommunications, software and IT services	95,394	78,950
Finance	88,296	75,593
Water, environment and public utilities management	42,813	64,886
Mining	42,326	34,421
Other	76,400	67,677
Subtotal of corporate loans and advances	2,428,284	2,215,835
Discounted bills	471,127	514,054
Residential mortgage	1,376,815	1,379,825
Credit cards	935,777	884,395
Micro-finance loans	750,019	629,857
Consumer loans	301,538	202,225
Other	7,806	11,374
Subtotal of retail loans and advances	3,371,955	3,107,676
Gross amount of loans and advances to customers	6,271,366	5,837,565

Operations outside the Chinese mainland

	2023	2022
Finance	45,368	36,521
Transportation, storage and postal services	36,248	30,814
Property development	22,960	26,298
Manufacturing	19,335	20,494
Production and supply of electric power, heating power, gas and water	12,359	9,023
Wholesale and retail	10,002	8,923
Telecommunications, software and IT services	8,323	10,908
Leasing and commercial services	6,207	3,430
Mining	4,945	6,074
Construction	623	1,772
Water, environment and public utilities management	419	110
Other	4,782	5,414
Subtotal of corporate loans and advances	171,571	159,781
Residential mortgage	8,671	9,383
Credit cards	133	124
Micro-finance loans	1,278	1,181
Other	55,846	43,425
Subtotal of retail loans and advances	65,928	54,113
Gross amount of loans and advances to customers	237,499	213,894

As at 31 December 2023, over 90% of the Group's loans and advances to customers were conducted in the Chinese mainland (31 December 2022: over 90%).

22. Loans and advances to customers *(continued)*

(b) Analysis of loans and advances to customers *(continued)*

(ii) Analysed by type of guarantees:

	2023	2022
Credit loans	**2,592,093**	2,219,635
Guaranteed loans	**822,059**	836,550
Collateralised loans	**2,244,129**	2,132,337
Pledged loans	**379,457**	348,883
Subtotal	**6,037,738**	5,537,405
Discounted bills	**471,127**	514,054
Gross amount of loans and advances to customers	**6,508,865**	6,051,459

(iii) Analysed by overdue term:

	2023				
	Overdue within 3 months	Overdue from 3 months up to 1 year	Overdue from 1 year up to 3 years	Overdue more than 3 years	Total overdue loans
Credit loans	**20,486**	**13,310**	**3,905**	**1,661**	**39,362**
Guaranteed loans	**6,971**	**4,360**	**7,053**	**618**	**19,002**
Collateralised loans	**6,133**	**4,638**	**5,157**	**1,549**	**17,477**
Pledged loans	**2,571**	**766**	**1,556**	**1,249**	**6,142**
Gross amount of loans and advances to customers	**36,161**	**23,074**	**17,671**	**5,077**	**81,983**

	2022				
	Overdue within 3 months	Overdue from 3 months up to 1 year	Overdue from 1 year up to 3 years	Overdue more than 3 years	Total overdue loans
Credit loans	22,260	12,382	2,365	880	37,887
Guaranteed loans	6,533	7,537	3,581	762	18,413
Collateralised loans	5,180	6,177	2,913	1,696	15,966
Pledged loans	3,234	573	951	1,261	6,019
Gross amount of loans and advances to customers	37,207	26,669	9,810	4,599	78,285

Note: Loans are classified as overdue when the principal or interest is overdue more than one day.

Among the above-mentioned overdue loans and advances to customers, collateralised loans and pledged loans that are overdue but not impaired at the reporting date are as follows:

	2023	2022
Collateralised loans that are overdue but not impaired	**5,448**	4,198
Pledged loans that are overdue but not impaired	**2,565**	1,819
Total	**8,013**	6,017

22. Loans and advances to customers *(continued)*

(b) Analysis of loans and advances to customers *(continued)*

(iv) Analysed by ECL

	2023			
	– Stage 1 (12-month ECL)	– Stage 2 (Lifetime ECL – not credit-impaired)	– Stage 3 (Lifetime ECL – credit-impaired)	Total
Loans and advances measured at amortised cost	**5,686,659**	**165,105**	**61,560**	**5,913,324**
Less: Loss allowances of loans and advances to customers at amortised cost	**(165,866)**	**(47,729)**	**(53,210)**	**(266,805)**
Net amount of loans and advances to customers at amortised cost	**5,520,793**	**117,376**	**8,350**	**5,646,519**
Loans and advances to customers at FVTOCI	**524,624**	**555**	**–**	**525,179**
Loss allowances of loans and advances to customers at FVTOCI	**(2,726)**	**(3)**	**–**	**(2,729)**

	2022			
	– Stage 1 (12-month ECL)	– Stage 2 (Lifetime ECL – not credit-impaired)	– Stage 3 (Lifetime ECL – credit-impaired)	Total
Loans and advances measured at amortised cost	5,217,868	156,240	58,004	5,432,112
Less: Loss allowances of loans and advances to customers at amortised cost	(159,932)	(44,898)	(50,083)	(254,913)
Net amount of loans and advances to customers at amortised cost	5,057,936	111,342	7,921	5,177,199
Loans and advances to customers at FVTOCI	612,660	1,821	–	614,481
Loss allowances of loans and advances to customers at FVTOCI	(6,311)	(252)	–	(6,563)

22. Loans and advances to customers *(continued)*

(c) Movements of allowance for expected credit loss

(i) Reconciliation of allowance for expected credit loss for loans and advances to customers measured at amortised cost:

	2023			
	– Stage 1 (12-month ECL)	– Stage 2 (Lifetime ECL – not credit-impaired)	– Stage 3 (Lifetime ECL – credit-impaired)	Total
Balance as at the beginning of the year	159,932	44,898	50,083	254,913
Transfer to				
– Stage 1	7,480	(7,309)	(171)	–
– Stage 2	(5,807)	6,382	(575)	–
– Stage 3	(1,625)	(14,547)	16,172	–
Charge for the year (note 14)	5,274	18,214	26,982	50,470
Write-offs/disposals	–	–	(47,922)	(47,922)
Recovery of loans and advances written off	–	–	8,819	8,819
Exchange and other differences	612	91	(178)	525
Balance as at the end of the year	165,866	47,729	53,210	266,805

	2022			
	– Stage 1 (12-month ECL)	– Stage 2 (Lifetime ECL – not credit-impaired)	– Stage 3 (Lifetime ECL – credit-impaired)	Total
Balance as at the beginning of the year	169,347	32,007	43,169	244,523
Transfer to				
– Stage 1	3,039	(2,965)	(74)	–
– Stage 2	(7,699)	7,879	(180)	–
– Stage 3	(3,693)	(4,681)	8,374	–
(Release)/charge for the year (note 14)	(1,694)	12,653	29,216	40,175
Write-offs/disposals	–	(71)	(39,016)	(39,087)
Recovery of loans and advances written off	–	–	8,972	8,972
Exchange and other differences	632	76	(378)	330
Balance as at the end of the year	159,932	44,898	50,083	254,913

(ii) Reconciliation of allowance for expected credit loss for loans and advances to customers measured at FVTOCI:

	2023	2022
Balance as at the beginning of the year	6,563	1,581
(Release)/charge for the year (note 14)	(3,835)	4,982
Exchange difference	1	–
Balance as at the end of the year	2,729	6,563

22. Loans and advances to customers *(continued)*

(d) Finance leases receivable

The table below provides an analysis of finance leases receivable included in loans and advances to customers for leases of assets in which the Group is a lessor:

	2023	2022
Total minimum leases receivable		
Within 1 year (inclusive)	**15,305**	13,323
Over 1 year but within 2 years (inclusive)	**8,010**	11,035
Over 2 years but within 3 years (inclusive)	**7,573**	6,074
Over 3 years but within 4 years (inclusive)	**4,755**	6,089
Over 4 years but within 5 years (inclusive)	**3,729**	3,860
Over 5 years	**19,145**	17,448
Subtotal	**58,517**	57,829
Unearned finance income	**(10,491)**	(9,665)
Present value of minimum leases receivable	**48,026**	48,164
Less: Impairment allowances	**(2,629)**	(3,671)
– Stage 1 (12-month ECL)	**(661)**	(1,308)
– Stage 2 (Lifetime ECL – not credit-impaired)	**(1,368)**	(1,646)
– Stage 3 (Lifetime ECL – credit-impaired)	**(600)**	(717)
Net carrying amount of finance leases receivable	**45,397**	44,493

23. Financial investments

	Notes	2023	2022
Financial investments at fair value through profit or loss	23(a)	**526,145**	423,467
Debt investments at amortised cost	23(b)	**1,749,024**	1,555,457
Debt investments at FVTOCI	23(c)	**899,102**	780,349
Equity investments designated at FVTOCI	23(d)	**19,649**	13,416
Total		**3,193,920**	2,772,689

(a) Financial investments at fair value through profit or loss

	Notes	2023	2022
Financial investments measured at FVTPL	(i)	**513,266**	411,591
Financial assets designated at fair value through profit or loss	(ii)	**12,879**	11,876
Total		**526,145**	423,467

23. Financial investments *(continued)*

(a) Financial investments at fair value through profit or loss *(continued)*

(i) Financial investments measured at FVTPL

Financial investments held for trading

	2023	2022
Bonds:		
Classified by issuer	**251,189**	182,416
– Government bonds	**128,894**	81,781
– Bonds issued by policy banks	**20,502**	21,871
– Bonds issued by commercial banks and other financial institutions	**40,591**	35,999
– Other debt securities	**61,202**	42,765
Classified by listing	**251,189**	182,416
– Listed in the Chinese mainland	**236,106**	167,998
– Listed outside the Chinese mainland	**12,787**	12,215
– Unlisted	**2,296**	2,203
Other investments:		
Classified by underlying assets	**4,347**	1,971
– Equity investments	**257**	17
– Fund investments	**1,440**	814
– Wealth management products	**1,046**	1,032
– Long position in precious metal contracts	**1,604**	108
Classified by listing	**4,347**	1,971
– Listed outside the Chinese mainland	**1,604**	134
– Unlisted	**2,743**	1,837
Total financial investments held for trading	**255,536**	184,387

23. Financial investments *(continued)*

(a) Financial investments at fair value through profit or loss *(continued)*

(i) Financial investments measured at FVTPL *(continued)*

Other financial investments measured at FVTPL

	2023	2022
Bonds:		
Classified by issuer	**10,619**	20,789
– Bonds issued by policy banks	**740**	–
– Bonds issued by commercial banks and other financial institutions	**3,781**	14,039
– Other debt securities	**6,098**	6,750
Classified by listing	**10,619**	20,789
– Listed in the Chinese mainland	**7,483**	18,216
– Listed outside the Chinese mainland	**2,777**	1,872
– Unlisted	**359**	701
Other investments:		
Classified by underlying assets	**247,111**	206,415
– Equity investments	**4,228**	4,362
– Fund investments	**240,864**	199,725
– Wealth management products	**1,683**	1,511
– Other	**336**	817
Classified by listing	**247,111**	206,415
– Listed in the Chinese mainland	**990**	330
– Listed outside the Chinese mainland	**972**	653
– Unlisted	**245,149**	205,432
Total other financial investments measured at FVTPL	**257,730**	227,204
Total financial investments measured at FVTPL	**513,266**	411,591

(ii) Financial investments designated at fair value through profit or loss

	2023	2022
Bonds:		
Classified by issuer	**12,879**	11,876
– Government bonds	**228**	218
– Bonds issued by policy banks	**4,492**	4,559
– Bonds issued by commercial banks and other financial institutions	**7,327**	6,370
– Other debt securities	**832**	729
Classified by listing	**12,879**	11,876
– Listed in the Chinese mainland	**12,637**	11,656
– Listed outside the Chinese mainland	**242**	220

23. Financial investments *(continued)*

(b) Debt investments at amortised cost

	2023	2022
Debt investments at amortised cost (i)(ii)	**1,768,010**	1,579,845
Interest receivable	**20,796**	19,294
Subtotal	**1,788,806**	1,599,139
Impairment losses of principal (i)(ii)(iii)	**(39,390)**	(43,448)
Impairment losses of interest receivable	**(392)**	(234)
Subtotal	**(39,782)**	(43,682)
Total	**1,749,024**	1,555,457

(i) Debt investments at amortised cost:

	2023	2022
Bonds:		
Classified by issuer	**1,680,262**	1,452,499
– Government bonds	**1,179,073**	993,624
– Bonds issued by policy banks	**442,206**	394,126
– Bonds issued by commercial banks and other financial institutions	**51,732**	56,913
– Other debt securities	**7,251**	7,836
Classified by listing	**1,680,262**	1,452,499
– Listed in the Chinese mainland	**1,607,814**	1,395,184
– Listed outside the Chinese mainland	**41,533**	33,319
– Unlisted	**30,915**	23,996
Fair value for the listed bonds	**1,708,448**	1,457,373
Other investments:		
Classified by underlying assets	**87,748**	127,346
– Non-standard assets – Loans and advances to customers	**73,709**	108,616
– Non-standard assets – Creditor's beneficiary rights to other commercial banks	**3,738**	5,500
– Non-standard assets – Other	**9,622**	12,582
– Other	**679**	648
Classified by listing	**87,748**	127,346
– Unlisted	**87,748**	127,346
Total	**1,768,010**	1,579,845
Less: Loss allowances	**(39,390)**	(43,448)
Stage 1 (12-month ECL)	**(13,193)**	(10,120)
Stage 2 (Lifetime ECL – not credit-impaired)	**(486)**	(960)
Stage 3 (Lifetime ECL – credit-impaired)	**(25,711)**	(32,368)
Net debt investments at amortised cost	**1,728,620**	1,536,397

23. Financial investments *(continued)*

(b) Debt investments at amortised cost *(continued)*

(ii) Analysed by stage of ECL:

	2023			
	– Stage 1 (12-month ECL)	– Stage 2 (Lifetime ECL – not credit-impaired)	– Stage 3 (Lifetime ECL – credit-impaired)	Total
Debt investments at amortised cost	1,738,945	1,517	27,548	1,768,010
Less: Loss allowances of debt investments at amortised cost	(13,193)	(486)	(25,711)	(39,390)
Net debt investments at amortised cost	1,725,752	1,031	1,837	1,728,620

	2022			
	– Stage 1 (12-month ECL)	– Stage 2 (Lifetime ECL – not credit-impaired)	– Stage 3 (Lifetime ECL – credit-impaired)	Total
Debt investments at amortised cost	1,543,652	2,073	34,120	1,579,845
Less: Loss allowances of debt investments at amortised cost	(10,120)	(960)	(32,368)	(43,448)
Net debt investments at amortised cost	1,533,532	1,113	1,752	1,536,397

(iii) Movements of allowances for expected credit loss

	2023			
	– Stage 1 (12-month ECL)	– Stage 2 (Lifetime ECL – not credit-impaired)	– Stage 3 (Lifetime ECL – credit-impaired)	Total
Balance as at the beginning of the year	10,120	960	32,368	43,448
Transfer to:				
– Stage 1	–	–	–	–
– Stage 2	(37)	37	–	–
– Stage 3	–	(484)	484	–
Charge/(release) for the year (note 14)	3,111	(25)	(4,313)	(1,227)
Write-offs/disposals	(5)	(1)	(2,904)	(2,910)
Recovery of debt previously written off	–	–	66	66
Exchange difference	4	(1)	10	13
Balance as at the end of the year	13,193	486	25,711	39,390

23. Financial investments *(continued)*

(b) Debt investments at amortised cost *(continued)*

(iii) Movements of allowances for expected credit loss *(continued)*

	2022			
	– Stage 1 (12-month ECL)	– Stage 2 (Lifetime ECL – not credit-impaired)	– Stage 3 (Lifetime ECL – credit-impaired)	Total
Balance as at the beginning of the year	14,974	712	24,021	39,707
Transfer to:				
– Stage 1	–	–	–	–
– Stage 2	(27)	27	–	–
– Stage 3	(153)	(298)	451	–
(Release)/charge for the year (note 14)	(4,674)	518	8,390	4,234
Write-offs/disposals	–	–	(531)	(531)
Recovery of debt previously written off	–	–	28	28
Exchange difference	–	1	9	10
Balance as at the end of the year	10,120	960	32,368	43,448

(c) Debt investments at FVTOCI

	2023	2022
Debt investments at FVTOCI (i)	**889,736**	771,271
Interest receivable	**9,366**	9,078
Total	**899,102**	780,349
Impairment losses of debt investments at FVTOCI (ii)	**(6,812)**	(6,540)
Impairment losses of interest receivable	**(148)**	(80)
Total	**(6,960)**	(6,620)

No impairment allowances are recognised in the consolidated statement of financial position for debt investments at FVTOCI as the carrying amount is at fair value.

(i) Debt investments at FVTOCI:

	2023	2022
Bonds:		
Classified by issuer	**889,736**	771,271
– Government bonds	**636,625**	524,651
– Bonds issued by policy banks	**35,519**	74,072
– Bonds issued by commercial banks and other financial institutions	**149,397**	119,602
– Other debt securities	**68,195**	52,946
Classified by listing	**889,736**	771,271
– Listed in the Chinese mainland	**676,653**	611,110
– Listed outside the Chinese mainland	**105,084**	90,148
– Unlisted	**107,999**	70,013

23. Financial investments *(continued)*

(c) Debt investments at FVTOCI *(continued)*

(ii) Movements of allowances for expected credit loss

	2023	2022
Balance as at the beginning of the year	**6,540**	6,622
Charge/(release) for the year (note 14)	**1,009**	(355)
Write-offs/disposals	**(807)**	–
Exchange difference	**70**	273
Balance as at the end of the year	**6,812**	6,540

(d) Equity investments designated at FVTOCI

	2023	2022
Repossessed equity instruments	**2,857**	3,266
Other	**16,792**	10,150
Total	**19,649**	13,416
Classified by listing		
– Listed in the Chinese mainland	**926**	1,412
– Listed outside the Chinese mainland	**9,515**	2,744
– Unlisted	**9,208**	9,260
Total	**19,649**	13,416

During the year ended 31 December 2023, the Group disposed part of the equity investments designated at FVTOCI. The fair value of the equity investments disposed at the date of derecognition was RMB1,226 million (2022: RMB2,879 million). The cumulative net of tax loss of RMB49 million (2022: cumulative net of tax gain of RMB20 million) was transferred from investment revaluation reserve to retained earnings on disposal.

24. Particulars of principal subsidiaries of the bank

The following list contains particulars of subsidiaries which principally affect the financial results, assets or liabilities of the Group. Unless otherwise stated, the class of all shares held is ordinary. All of these companies are subsidiaries as defined under Note 4(1) and have been included in the scope of the consolidated financial statements of the Group.

Name of company	Place of incorporation and operation	Particulars of the issued and paid up capital (in millions)	% of ownership held by the Bank	Principal activities	Economic nature	Legal representative
CMB International Capital Holdings Corporation Limited (note (i))	Hong Kong	HKD4,129	100%	Investment bank and investment management	Limited liability	Wang Liang
CMB Financial Leasing Company Limited (note (ii))	Shanghai	RMB12,000	100%	Finance leasing	Limited liability	Zhong Desheng
CMB Wing Lung Bank Limited (note (iii))	Hong Kong	HKD1,161	100%	Banking	Limited liability	Wang Liang
China Merchants Fund Management Co., Ltd. (note (iv))	Shenzhen	RMB1,310	55%	Fund management	Limited liability	Wang Xiaoqing
CMB Wealth Management Co., Ltd (note (v))	Shenzhen	RMB5,556	90%	Asset management	Limited liability	Chen Yisong
China Merchants Europe S.A. (note (vi))	Luxembourg	EUR100	100%	Banking	Limited liability	Xue Fei
Cigna & CMB Asset Management Company Limited (note (vii))	Beijing	RMB500	(note (vii))	Asset management	Limited liability	Wang Xiaoqing

24. Particulars of principal subsidiaries of the bank *(continued)*

Notes:

(i) CMB International Capital Holdings Corporation Limited ("CMBIC"), formerly known as Jiangnan Finance Company Limited and CMB International Capital Corporation Limited, is the Bank's wholly-owned subsidiary approved for setting up by the PBOC through its Yin Fu [1998] No. 405. In 2014, the Bank made an additional capital contribution of HKD750 million in CMBIC. The capital of CMBIC increased to HKD1,000 million, and the Bank's shareholding percentage remained unchanged. The Board of Directors passed "The Resolution regarding the Capital Increase and Restructuring of CMBIC" which agreed that the Bank made capital contribution of USD400 million (or its equivalent) to CMBIC on 28 July 2015. The capital contribution was completed on 20 January 2016.

(ii) CMB Financial Leasing Company Limited ("CMBFL") is a wholly-owned subsidiary of the Bank approved for setting up by the former CBIRC through its Yin Jian Fu [2008] No. 110 and commenced its operation in April 2008. In 2014, the Bank made an additional capital contribution of RMB2,000 million in CMBFL. The capital of CMBFL increased to RMB6,000 million and the Bank's shareholding percentage remained unchanged. In August 2021, CMBFL converted RMB6,000 million of its retained earnings into share capital, and the capital of CMBFL increased to RMB12,000 million. The Bank's shareholding percentage remained unchanged.

(iii) CMB Wing Lung Bank Limited ("CMB WLB") was formerly known as Wing Lung Bank Limited. On 30 September 2008, the Bank acquired a 53.12% equity interests in CMB WLB. CMB WLB became a wholly owned subsidiary of the Bank on 15 January 2009. CMB WLB had withdrawn from listing on the HKEx as of 16 January 2009.

(iv) In 2012, the Bank acquired 21.60% equity interests in China Merchants Fund Management Co., Ltd. ("CMFM"), its former associate, from ING Asset Management B.V. at a consideration of EUR63,567,567.57. Following the settlement of the above consideration in cash, the Bank's shareholding in CMFM increased from 33.40% to 55.00% in 2013. As a result, the Bank obtained the control over CMFM, which became the Bank's subsidiary on 28 November 2013. In December 2017, the Bank made an additional capital contribution of RMB605 million in CMFM, and other shareholders of CMFM also made capital contribution of RMB495 million proportionally. The capital of CMFM increased to RMB1,310 million, and the Bank's shareholding percentage remained unchanged.

(v) CMB Wealth Management Co., Ltd. ("CMBWM") is a wholly-owned subsidiary of the Bank, approved for setting up by the former CBIRC with Yin Bao Jian Fu [2019] No. 981. It was formally established on 1 November 2019. In accordance with the approval of former CBIRC (Yin Bao Jian Fu [2021] No. 920)", JPMorgan Asset Management (Asia Pacific) Limited (" JPMorgan Asset Management ") has subscribed for a 10% stake in CMBWM in 2022 with an investment of RMB2,667 million. After the completion of capital injection, CMBWM's registered capital has been increased to approximately RMB5,556 million from RMB5,000 million and the Bank's and JPMorgan Asset Management's shareholdings are 90% and 10% respectively. The legal representative of CMBWM was changed from Chen Yisong to Wu Jianbing on 22 January 2024.

(vi) China Merchants Europe S.A. ("CMB Europe S.A.") is a wholly-owned subsidiary of the Bank approved by the former CBIRC with Yin Jian Fu [2016] No. 460. The Bank received an approval from the European Central Bank (ECB) for the establishment of CMB Europe S.A. in Luxembourg in May 2021. In June 2023, the Bank made an additional capital contribution of EUR 50 million in CMB Europe S.A. The capital of CMB Europe S.A. increased to EUR 100 million, and the Bank's shareholding percentage remained unchanged.

(vii) Cigna & CMB Asset Management Company Limited ("CIGNA & CMAM") was registered and established on 18 October 2020 with the approval for setting up by the former CBIRC with Yin Bao Jian Fu [2020] No. 708. CIGNA & CMAM is an indirectly controlled subsidiary of the Bank, with 87.3458% held by CIGNA & CMB Life Insurance Co., Ltd., a joint venture of the Bank, and 12.6542% held by CMBIC, a subsidiary of the Bank.

25. Interests in joint ventures

	2023	2022
Share of net assets	**15,707**	14,247
Share of profits for the year	**1,860**	1,710
Share of other comprehensive income/(expense) for the year	**31**	(997)

Details of the Group's interests in major joint ventures are as follows:

Name of joint ventures	Economic nature	Place of incorporation and operation	Particulars of issued and paid up capital (in millions)	Group's effective interest	Percentage of ownership held by the Bank	Principal activity
CIGNA & CMB Life Insurance Co., Ltd. (note(i))	Limited liability	Shenzhen	RMB2,800	50.00%	50.00%	Life insurance business
Merchants Union Consumer Finance Company Limited (note(ii))	Joint stock limited company	Shenzhen	RMB10,000	50.00%	50.00%	Consumer finance

Notes:

(i) The Group holds 50.00% equity interests in CIGNA & CMB Life Insurance Co., Ltd., ("CIGNA & CMB Life") and Cigna Health and Life Insurance Company ("CHLIC") holds the other 50.00% equity interests. The Bank and CHLIC share the joint venture's risk, profits and losses based on their shareholding proportionally. The Bank's investment in CIGNA & CMB Life is accounted for as an investment in a joint venture.

(ii) CMB WLB, one of the Group's wholly-owned subsidiaries, and China United Network Communications Limited ("CUNC"), a subsidiary of China Unicom Limited, jointly set up Merchants Union Consumer Finance Company Limited ("MUCFC"). Former CBIRC approved the operation of MUCFC on 3 March 2015. CMB WLB and CUNC each held 50% equity interests in MUCFC and share the risks, profits and losses proportionally based on their shareholdings. In December 2017, the Bank and CUNC made a capital contribution of RMB600 million in MUCFC respectively. After the capital injection, the capital of MUCFC increased to RMB2,859 million, with the Bank's shareholding percentage becoming 15%, CMB WLB's shareholding percentage becoming 35%, and the Group's total shareholding percentage remained at 50%. In December 2018, the Bank made another capital contribution of RMB1,000 million in MUCFC, and CUNC made the same amount of capital injection. After that, the share capital of MUCFC has reached RMB3,869 million. The Bank and CMB WLB then held 24.15% and 25.85% of equity interests in MUCFC, respectively, and the Group's total shareholding percentage remained at 50%.

In July 2021, CMB WLB transferred all its shares of MUCFC to the Bank. After the transfer, the Bank and CUNC each held 50% of equity interests in MUCFC, and the Group's total shareholding percentage remained unchanged. In October 2021, MUCFC converted RMB1,331 million of its capital reserve and RMB4,800 million of its retained earnings into share capital, and the share capital of MUCFC increased to RMB10,000 million after the conversion.

In July 2023, MUCFC completed the registration of the change of its Chinese name from "招聯消費金融有限公司" to "招聯消費金融股份有限公司".

25. Interests in joint ventures *(continued)*

Summarised financial information with necessary adjustments in accordance with the Group's accounting policies of the joint ventures which are individually material to the Group is as follows:

(i) CIGNA & CMB Life:

	Assets	Liabilities	Equity	Revenue	Net profit	Other comprehensive income/ (expense)	Total comprehensive income/ (expense)	Cash and cash equivalents	Depreciation and amortisation	Income tax
2023										
CIGNA & CMB Life	**165,340**	**155,485**	**9,855**	**40,661**	**429**	**63**	**492**	**2,590**	**149**	**(944)**
Group's effective interest	**82,359**	**77,743**	**4,616**	**20,331**	**167**	**31**	**198**	**1,295**	**75**	**(472)**
2022										
CIGNA & CMB Life	130,758	121,145	9,613	31,841	730	(1,996)	(1,266)	1,071	147	(475)
Group's effective interest	65,116	60,573	4,543	15,921	336	(997)	(661)	536	74	(238)

(ii) MUCFC:

	Assets	Liabilities	Equity	Revenue	Net profit	Total comprehensive income	Cash and cash equivalents	Depreciation and amortisation	Income tax
2023									
MUCFC	**176,421**	**156,054**	**20,367**	**19,602**	**3,600**	**3,600**	**4,170**	**44**	**533**
Group's effective interest	**88,211**	**78,027**	**10,184**	**9,801**	**1,800**	**1,800**	**2,085**	**22**	**267**
2022									
MUCFC	164,346	147,279	17,067	17,501	3,329	3,329	5,425	47	500
Group's effective interest	82,174	73,640	8,534	8,751	1,665	1,665	2,713	24	250

Summarised financial information of the joint ventures that are not individually material to the Group is as follows:

	Net loss	Other comprehensive expense	Total comprehensive expense
2023			
Other joint ventures	**(1,197)**	**–**	**(1,197)**
Group's effective interest	**(107)**	**–**	**(107)**
2022			
Other joint ventures	(2,874)	–	(2,874)
Group's effective interest	(291)	–	(291)

26. Interests in associates

	2023	2022
Share of net assets	**10,883**	9,597
Share of profits for the year	**616**	815
Share of other comprehensive income/(expense) for the year	**171**	(158)

Details of the Group's interest in major associate are as follows:

	Economic nature	Place of incorporation and operation	Particulars of issued and paid up capital (in millions)	Group's effective interest	Percentage of ownership held by the Bank	Principal activity
Bank of Taizhou Co., Ltd. (Note)	Joint stock limited company	Taizhou	RMB 1,800	24.8559%	24.8559%	Commercial Bank

Note: The Bank, which originally held a 10% stake in Bank of Taizhou, acquired a total of 14.8559% stake from Ping An Trust Co., Ltd. and Ping An Life Insurance Company of China, Ltd. at a total consideration of RMB3,121 million on 31 May 2021. Upon the completion of the transaction, the Bank held 24.8559% stake of Bank of Taizhou. The Bank can exercise significant influence on Bank of Taizhou and therefore this investment is included in interests in associates.

Summarised financial information of the associate which is individually material to the Group is as follows:

	Assets	Liabilities	Equity	Revenue	Net profit	Other comprehensive income	Total comprehensive income	Cash and cash equivalents	Depreciation and amortisation	Income tax
2023										
Bank of Taizhou Co., Ltd.	**402,413**	**369,702**	**32,711**	**12,552**	**4,639**	**184**	**4,823**	**9,561**	**522**	**1,099**
Group's effective interest	**98,881**	**91,893**	**6,988**	**3,120**	**1,052**	**46**	**1,098**	**2,376**	**130**	**273**
2022										
Bank of Taizhou Co., Ltd.	372,578	343,254	29,324	11,034	4,445	(138)	4,307	20,368	522	1,196
Group's effective interest	91,509	85,319	6,190	2,743	1,004	(35)	969	5,063	130	297

Summarised financial information of the associates that are not individually material to the Group is as follows:

	Net loss	Other comprehensive income/(expense)	Total comprehensive expense
2023			
Other associates	**(5,308)**	**781**	**(4,527)**
Group's effective interest	**(436)**	**125**	**(311)**
2022			
Other associates	(11,527)	(737)	(12,264)
Group's effective interest	(189)	(123)	(312)

27. Investment properties

	2023	2022
Cost:		
At 1 January	3,301	3,135
Transfers (out)/in	(159)	13
Disposals	(79)	–
Exchange difference	34	153
At 31 December	3,097	3,301
Accumulated depreciation:		
At 1 January	2,033	1,763
Depreciation	140	132
Transfers (out)/in	(204)	33
Disposals	(57)	–
Exchange difference	25	105
At 31 December	1,937	2,033
Net carrying amount:		
At 31 December	1,160	1,268
At 1 January	1,268	1,372

As at 31 December 2023, no impairment allowance was considered necessary for investment properties by the Group (31 December 2022: Nil).

Investment properties of the Group mainly represent the leased properties of CMB WLB and the Bank that have been leased out under operating leases. The fair value of the Group's investment properties is determined by the market approach and the method of capitalisation of net rental income. As at 31 December 2023, the fair value of these properties was RMB4,432 million (31 December 2022: RMB5,534 million).

The Group's total future minimum leases receivable under non-cancellable operating leases are as follows:

	2023	2022
Within 1 year (inclusive)	227	289
1 year to 2 years (inclusive)	196	240
2 year to 3 years (inclusive)	165	184
3 year to 4 years (inclusive)	136	153
4 year to 5 years (inclusive)	79	102
Over 5 years	225	275
Total	1,028	1,243

The fair value hierarchy of the investment properties of the Group are listed as follows:

	Level 1	Level 2	Level 3	Fair Value as at 31 December 2023
Located in the Chinese mainland	–	2,036	–	2,036
Located overseas	–	–	2,396	2,396
Total	–	2,036	2,396	4,432

	Level 1	Level 2	Level 3	Fair Value as at 31 December 2022
Located in the Chinese mainland	–	3,140	–	3,140
Located overseas	–	–	2,394	2,394
Total	–	3,140	2,394	5,534

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

28. Property and equipment

	Land and buildings	Construction in progress	Computer equipment	Leasehold improvements	Aircraft, vessels and professional equipment	Other	Total
Cost:							
At 1 January 2023	30,501	3,787	18,516	11,678	85,741	5,478	155,701
Additions	40	2,879	1,145	775	24,689	360	29,888
Reclassification and transfers	2,445	(2,686)	28	380	–	(8)	159
Disposals	(15)	–	(2,374)	(82)	(6,983)	(625)	(10,079)
Exchange difference	55	–	23	16	1,356	5	1,455
At 31 December 2023	33,026	3,980	17,338	12,767	104,803	5,210	177,124
Accumulated depreciation:							
At 1 January 2023	14,339	–	14,791	8,045	13,111	4,344	54,630
Depreciation	1,408	–	2,064	934	5,921	541	10,868
Reclassification and transfers	204	–	24	–	–	(24)	204
Disposals	(10)	–	(2,319)	(40)	(2,400)	(595)	(5,364)
Exchange difference	43	–	22	7	183	4	259
At 31 December 2023	15,984	–	14,582	8,946	16,815	4,270	60,597
Impairment loss:							
At 1 January 2023	20	–	–	–	1,132	–	1,152
Charge	–	–	–	–	183	–	183
Disposals	–	–	–	–	(175)	–	(175)
Exchange difference	–	–	–	–	19	–	19
At 31 December 2023	20	–	–	–	1,159	–	1,179
Net carrying amount:							
At 31 December 2023	17,022	3,980	2,756	3,821	86,829	940	115,348
At 1 January 2023	16,142	3,787	3,725	3,633	71,498	1,134	99,919

28. Property and equipment *(continued)*

	Land and buildings	Construction in progress	Computer equipment	Leasehold improvements	Aircraft, vessels and professional equipment	Other	Total
Cost:							
At 1 January 2022	28,876	3,502	16,860	10,925	61,327	5,909	127,399
Additions	24	1,910	1,898	649	26,872	357	31,710
Reclassification and transfers	1,490	(1,625)	162	122	–	(162)	(13)
Disposals	(150)	–	(517)	(100)	(7,912)	(643)	(9,322)
Exchange difference	261	–	113	82	5,454	17	5,927
At 31 December 2022	30,501	3,787	18,516	11,678	85,741	5,478	155,701
Accumulated depreciation:							
At 1 January 2022	12,998	–	12,924	7,028	9,051	4,465	46,466
Depreciation	1,286	–	2,174	1,103	5,027	557	10,147
Reclassification and transfers	(33)	–	113	–	–	(113)	(33)
Disposals	(87)	–	(497)	(70)	(1,653)	(578)	(2,885)
Exchange difference	175	–	77	(16)	686	13	935
At 31 December 2022	14,339	–	14,791	8,045	13,111	4,344	54,630
Impairment loss:							
At 1 January 2022	20	–	–	–	498	–	518
Charge	–	–	–	–	778	–	778
Disposals	–	–	–	–	(194)	–	(194)
Exchange difference	–	–	–	–	50	–	50
At 31 December 2022	20	–	–	–	1,132	–	1,152
Net carrying amount:							
At 31 December 2022	16,142	3,787	3,725	3,633	71,498	1,134	99,919
At 1 January 2022	15,858	3,502	3,936	3,897	51,778	1,444	80,415

(a) As at 31 December 2023, the process of obtaining the registration certificate for the Group's properties with an aggregate net carrying value of RMB2,476 million (31 December 2022: RMB1,108 million) was still in progress. Management is of the view that the aforesaid matter would neither affect the rights of the Group to these assets nor have any significant impact on the business operation of the Group.

(b) As at 31 December 2023, the Group had no significant unused property and equipment (31 December 2022: None).

(c) As at 31 December 2023, the carrying value of mortgaged aircraft and vessels for placements from banks and other financial institutions of the CMBFL was RMB24,508 million (31 December 2022: RMB24,512 million).

(d) The Group's total future minimum lease receivables under non-cancellable operating leases are as follows:

	2023	2022
Within 1 year (inclusive)	**10,711**	11,306
1 year to 2 years (inclusive)	**8,993**	9,601
2 year to 3 years (inclusive)	**7,906**	8,134
3 year to 4 years (inclusive)	**6,808**	7,087
4 year to 5 years (inclusive)	**6,363**	6,151
Over 5 years	**21,954**	19,876
Total	**62,735**	62,155

29. Lease contracts

(a) Right-of-use assets

	Land use rights	Buildings	Computer equipment	Motor vehicles and other	Total
Cost:					
At 1 January 2023	6,000	23,926	10	11	29,947
Additions	–	4,161	–	2	4,163
Decrease	–	(3,055)	–	(2)	(3,057)
Exchange difference	2	12	–	–	14
At 31 December 2023	6,002	25,044	10	11	31,067
Accumulated depreciation:					
At 1 January 2023	1,375	10,953	5	2	12,335
Depreciation (note 10)	182	4,018	3	2	4,205
Decrease	–	(2,584)	–	(1)	(2,585)
Exchange difference	–	12	–	–	12
At 31 December 2023	1,557	12,399	8	3	13,967
Impairment loss:					
At 1 January 2023	59	–	–	–	59
At 31 December 2023	59	–	–	–	59
Net carrying amount:					
At 31 December 2023	4,386	12,645	2	8	17,041
At 1 January 2023	4,566	12,973	5	9	17,553

	Land use rights	Buildings	Computer equipment	Motor vehicles and other	Total
Cost:					
At 1 January 2022	5,985	23,070	7	16	29,078
Additions	–	3,656	4	7	3,667
Decrease	–	(2,848)	(1)	(12)	(2,861)
Exchange difference	15	48	–	–	63
At 31 December 2022	6,000	23,926	10	11	29,947
Accumulated depreciation:					
At 1 January 2022	1,190	9,414	3	9	10,616
Depreciation (note 10)	181	3,965	3	2	4,151
Decrease	–	(2,458)	(1)	(9)	(2,468)
Exchange difference	4	32	–	–	36
At 31 December 2022	1,375	10,953	5	2	12,335
Impairment loss:					
At 1 January 2022	59	–	–	–	59
At 31 December 2022	59	–	–	–	59
Net carrying amount:					
At 31 December 2022	4,566	12,973	5	9	17,553
At 1 January 2022	4,736	13,656	4	7	18,403

The Group mainly leases land use rights and buildings for its operations. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group reassesses whether it is reasonably certain to exercise an extension option, or not to exercise a termination option, upon the occurrence of either a significant event or a significant change in circumstances that is within the control of the lessee.

29. Lease contracts *(continued)*

(b) Lease liabilities

Analysis of the Group's lease liabilities by remaining maturity is as follows:

	2023	2022
Within 1 month (inclusive)	**454**	503
1 month to 3 months (inclusive)	**578**	591
3 months to 1 year (inclusive)	**2,804**	3,091
1 year to 2 years (inclusive)	**3,085**	3,038
2 years to 5 years (inclusive)	**4,672**	4,612
Over 5 years	**1,082**	1,178
Total	**12,675**	13,013

Interest expense on lease liabilities is set out in note 7.

(c) Short-term leases and leases of low-value assets

Short-term lease expense and leases of low-value assets expense are disclosed in note 10. The Group entered into short-term leases for buildings, computer equipment, motor vehicles and other.

(d)

During the year of 2023, total cash outflow of the Group's leases amounted to RMB5,053 million (2022: RMB4,932 million).

(e)

As at 31 December 2023 and 2022, the leases committed but not yet commenced were not significant.

30. Intangible assets

	Software and other	Core deposits	Total
Cost/appraisal value:			
At 1 January 2023	10,393	1,181	11,574
Additions	253	–	253
Disposals	(73)	–	(73)
Exchange difference	4	22	26
At 31 December 2023	10,577	1,203	11,780
Accumulated amortisation:			
At 1 January 2023	7,572	600	8,172
Charge for the year (note 10)	888	42	930
Disposals	(46)	–	(46)
Exchange difference	4	11	15
At 31 December 2023	8,418	653	9,071
Net carrying amount:			
At 31 December 2023	2,159	550	2,709
At 1 January 2023	2,821	581	3,402

	Software and other	Core deposits	Total
Cost/appraisal value:			
At 1 January 2022	10,045	1,083	11,128
Additions	347	–	347
Disposals	(13)	–	(13)
Exchange difference	14	98	112
At 31 December 2022	10,393	1,181	11,574
Accumulated amortisation:			
At 1 January 2022	6,550	512	7,062
Charge for the year (note 10)	1,021	40	1,061
Disposals	(10)	–	(10)
Exchange difference	11	48	59
At 31 December 2022	7,572	600	8,172
Net carrying amount:			
At 31 December 2022	2,821	581	3,402
At 1 January 2022	3,495	571	4,066

31. Goodwill

	As at 31 December 2022	Addition during the year	Decrease during the year	As at 31 December 2023
CMB WLB (note (i))	10,177	–	–	10,177
CMFM (note (ii))	355	–	–	355
CMI (note (iii))	45	–	(45)	–
Zhaoyin Internet (note (iv))	1	–	–	1
Total	10,578	–	(45)	10,533
Less: Impairment allowances – CMB WLB	(579)	–	–	(579)
Net carrying amount	9,999	–	(45)	9,954

Notes:

(i) On 30 September 2008, the Bank acquired a 53.12% equity interests in CMB WLB. On the acquisition date, the fair value of CMB WLB's identifiable net assets was RMB12,898 million, of which the Bank accounted for RMB6,851 million. A sum of RMB10,177 million, being the excess of acquisition cost over the fair value of the identifiable net assets, was recognised as goodwill. The details about CMB WLB are set out in Note 24.

(ii) On 28 November 2013, the Bank acquired a 55.00% equity interests in CMFM. On the acquisition date, the fair value of CMFM's identifiable net assets was RMB752 million, of which the Bank accounted for RMB414 million. A sum of RMB355 million, being the excess of acquisition cost of RMB769 million over the fair value of the identifiable net assets, was recognised as goodwill. The details about CMFM are set out in Note 24.

(iii) On 30 December 2022, CMB Wing Lung Insurance Company Limited ("CMB WLI"), a subsidiary of CMB WLB, issued shares to purchase the business of China Merchants Insurance Company Limited ("CMI"). On the acquisition date, the fair value of CMI 's identifiable net assets was RMB357 million. A sum of RMB45 million, being the excess of acquisition cost of RMB402 million over the fair value of the identifiable net assets, was recognised as goodwill. On 29 June 2023, CMI injected capital into CMB WLI. The Group's shareholding of CMB WLI changed to 45% and lost control of CMB WLI. The Group converted it into an associate and derecognised the goodwill of RMB45 million.

(iv) On 1 April 2015, CMBIC acquired the 100% equity interests in Zhaoyin Internet Technology (Shenzhen) Corporation Limited ("Zhaoyin Internet"). On the acquisition date, the fair value of Zhaoyin Internet's identifiable net assets was RMB3 million. A sum of RMB1 million, being the excess of acquisition cost over the fair value of the identifiable net assets, was recognised as goodwill.

Impairment test for goodwill

The recoverable amounts of the CGUs are determined based on value in use calculations. These calculations use cash flow projections based on financial forecasts approved by management covering a 5-year period. Cash flows beyond the 5-year period are extrapolated using a steady growth rate. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

In assessing the impairment of goodwill, the Group assumed that the terminal growth rate is comparable to the forecast long-term economic growth rate issued by authoritative institutions. The discount rate adopted by the Group is the before-tax rate and reflects the specific risk associated with the CGU. A pre-tax discount rates of CMB WLB and CMFM adopted by the Group are 10% and 9% (2022: 11% and 10%). The Group believes any reasonably possible change in the key assumptions on which recoverable amounts are based would not cause the carrying amounts of the CGUs to exceed their recoverable amounts.

32. Deferred tax assets and deferred tax liabilities

	2023	2022
Deferred tax assets	**90,557**	90,848
Deferred tax liabilities	**(1,607)**	(1,510)
Net amount	**88,950**	89,338

(a) Deferred tax assets/(liabilities) and related temporary differences are attributable to the following items:

	2023		2022	
	Deductible/ (taxable) temporary difference	Deferred tax	Deductible/ (taxable) temporary difference	Deferred tax
Deferred tax assets before offsetting qualifying amounts				
Impairment allowances on loans and advances to customers and other assets at amortised cost	**297,564**	**74,251**	302,062	75,278
Financial assets at FVTOCI	**1,605**	**264**	2,170	359
Financial instruments at FVTPL	**451**	**113**	1,839	461
Lease liabilities	**12,543**	**3,135**	12,624	3,156
Salaries and welfare payable and other	**84,873**	**20,538**	75,077	18,146
Total	**397,036**	**98,301**	393,772	97,400
Deferred tax liabilities before offsetting qualifying amounts				
Financial assets at FVTOCI	**(9,985)**	**(2,496)**	(5,487)	(1,371)
Financial instruments at FVTPL	**(1,904)**	**(476)**	(894)	(224)
Right-of-use assets	**(12,317)**	**(3,133)**	(12,641)	(3,160)
Other	**(19,476)**	**(3,246)**	(19,669)	(3,307)
Total	**(43,682)**	**(9,351)**	(38,691)	(8,062)

	2023	2022
Deferred tax assets before offsetting qualifying amounts	**98,301**	97,400
Offsetting amounts	**(7,744)**	(6,552)
Deferred tax assets after offsetting qualifying amounts	**90,557**	90,848
Deferred tax liabilities before offsetting qualifying amounts	**(9,351)**	(8,062)
Offsetting amounts	**7,744**	6,552
Deferred tax liabilities after offsetting qualifying amounts	**(1,607)**	(1,510)

32. Deferred tax assets and deferred tax liabilities *(continued)*

(b) Movements of deferred tax

	Impairment allowances on loans and advances to customers and other assets at amortised cost	Financial assets at FVTOCI	Financial instruments at FVTPL	Other	Total
At 1 January 2023	75,278	(1,012)	237	14,835	89,338
Recognised in profit or loss	(1,045)	(730)	(592)	2,450	83
Recognised in other comprehensive income	–	(493)	–	9	(484)
Exchange difference	18	3	(8)	–	13
At 31 December 2023	74,251	(2,232)	(363)	17,294	88,950

	Impairment allowances on loans and advances to customers and other assets at amortised cost	Financial assets at FVTOCI	Financial instruments at FVTPL	Other	Total
At 1 January 2022	71,191	(2,764)	(4)	11,863	80,286
Recognised in profit or loss	4,061	1,160	243	2,993	8,457
Recognised in other comprehensive income	–	578	–	(21)	557
Exchange difference	26	14	(2)	–	38
At 31 December 2022	75,278	(1,012)	237	14,835	89,338

Note: No deferred tax liability has been recognised in respect of temporary differences associated with investments in subsidiaries because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not be reversed in the foreseeable future.

33. Other assets

	2023	2022
Amounts pending for settlement	**13,842**	15,387
Continuing involvement assets	**5,274**	5,274
Interest receivable	**4,526**	4,154
Prepaid lease payments	**203**	209
Repossessed assets (a)	**417**	456
Guarantee deposits	**563**	465
Receivable from reinsurers	**–**	329
Prepayment for leasehold improvement and other miscellaneous items	**7,436**	7,569
Premium receivables	**–**	196
Post-employment benefits: defined benefit plan (note 39(b))	**50**	50
Other	**21,573**	21,889
Total	**53,884**	55,978

(a) Repossessed assets

	2023	2022
Land and buildings	**551**	606
Other repossessed assets	**5**	6
Total	**556**	612
Less: Impairment allowances	**(139)**	(156)
Net repossessed assets	**417**	456

Note: In 2023, the Group disposed of repossessed assets with a total carrying value of RMB56 million (2022: RMB44 million).

34. Deposits from banks and other financial institutions

	2023	2022
Principal (a)	**507,460**	644,618
Interest payable	**918**	1,056
Total	**508,378**	645,674

(a) Analysed by nature of counterparties

	2023	2022
In the Chinese mainland	**496,795**	633,178
– Banks	**32,286**	103,250
– Other financial institutions	**464,509**	529,928
Outside the Chinese mainland	**10,665**	11,440
– Banks	**9,884**	10,779
– Other financial institutions	**781**	661
Total	**507,460**	644,618

35. Placements from banks and other financial institutions

	2023	2022
Principal (a)	**246,085**	206,015
Interest payable	**1,214**	1,012
Total	**247,299**	207,027

Note: Pursuant to the relevant provisions in the "Interim Measures for the Administration of Gold Leasing Business" (Yin Ban Fa [2022] No. 88) issued by the General Office of the PBOC in July 2022, with respect to the gold leasing business of the Group with financial institutions since 2023, gold leased in by the Group from other financial institutions is presented under "placements from banks and other financial institutions", a change from "financial liabilities at fair value through profit or loss" in prior years. The comparative figures are re-presented accordingly.

(a) Analysed by nature of counterparties

	2023	2022
In the Chinese mainland	**157,360**	136,235
– Banks	**155,595**	135,636
– Other financial institutions	**1,765**	599
Outside the Chinese mainland	**88,725**	69,780
– Banks	**88,512**	69,571
– Other financial institutions	**213**	209
Total	**246,085**	206,015

36. Financial liabilities at fair value through profit or loss

	2023	2022
Financial liabilities held for trading (a)	**16,128**	18,247
Financial liabilities designated at fair value through profit or loss (b)	**27,830**	30,897
Total	**43,958**	49,144

(a) Financial liabilities held for trading

	2023	2022
Financial liabilities related to precious metal	**15,748**	17,634
Short position on bonds	**380**	613
Total	**16,128**	18,247

(b) Financial liabilities designated at fair value through profit or loss

	2023	2022
In the Chinese mainland	**21,865**	22,047
– Other	**21,865**	22,047
Outside the Chinese mainland	**5,965**	8,850
– Certificates of deposit issued	**212**	383
– Debt securities issued	**5,179**	7,709
– Other	**574**	758
Total	**27,830**	30,897

As at 31 December 2023 and 2022, the difference between the fair values of the Group's financial liabilities designated at fair value through profit or loss and the contractual payable amount at maturity is not significant. The amounts of changes in the fair value of these liabilities that are attributable to changes in credit risk of the Group are not significant during the years ended 31 December 2023 and 2022 and as at 31 December 2023 and 2022.

37. Amounts sold under repurchase agreements

	2023	2022
Principal (a)(b)	**134,863**	107,024
Interest payable	**215**	69
Total	**135,078**	107,093

(a) Analysed by nature of counterparties

	2023	2022
In the Chinese mainland	**117,668**	103,452
– Banks	**108,366**	103,446
– Other financial institutions	**9,302**	6
Outside the Chinese mainland	**17,195**	3,572
– Banks	**10,316**	2,801
– Other financial institutions	**6,879**	771
Total	**134,863**	107,024

(b) Analysed by underlying assets

	2023	2022
Debt securities	**117,032**	95,999
– Government bonds	**84,438**	73,335
– Bonds issued by policy banks	**17,266**	15,330
– Bonds issued by commercial banks and other financial institutions	**6,592**	3,476
– Other debt securities	**8,736**	3,858
Discounted bills	**17,831**	11,025
Total	**134,863**	107,024

38. Deposits From Customers

	2023	2022
Principal (a)	**8,155,438**	7,535,742
Interest payable	**85,060**	54,837
Total	**8,240,498**	7,590,579

(a) Analysed by nature of counterparties

	2023	2022
Corporate customers	**4,660,522**	4,431,553
– Demand deposits	**2,644,685**	2,762,671
– Time deposits	**2,015,837**	1,668,882
Retail customers	**3,494,916**	3,104,189
– Demand deposits	**1,829,612**	1,983,364
– Time deposits	**1,665,304**	1,120,825
Total	**8,155,438**	7,535,742

(b) The deposits taken from customers as collateral or for the purpose of guarantees are as follows:

	2023	2022
Guarantee for acceptance bills	**240,613**	199,384
Guarantee for loans	**10,792**	6,888
Guarantee for issuing letters of credit	**23,843**	29,366
Deposit for letters of guarantee	**47,694**	44,732
Other	**27,788**	42,490
Total	**350,730**	322,860

39. Staff welfare scheme

(a) Salaries and welfare payable

	2023				
	Beginning balance	Charge/ (Decrease) for the year	Payment/ transfers in the year	Decrease for the year arising from disposal of subsidiaries	Ending balance
Short-term employee benefits (i)	23,075	61,371	(56,099)	(33)	28,314
Post-employment benefits – defined contribution plans (ii)	765	5,540	(5,944)	–	361
Other long-term employee benefits (iii) – cash settled share-based transactions	26	(18)	(4)	–	4
Total	23,866	66,893	(62,047)	(33)	28,679

	2022				
	Beginning balance	Charge for the year arising from combination	Charge/ (Decrease) for the year	Payment/ transfers in the year	Ending balance
Short-term employee benefits (i)	18,065	151	58,583	(53,724)	23,075
Post-employment benefits – defined contribution plans (ii)	1,629	–	5,110	(5,974)	765
Other long-term employee benefits (iii) – cash settled share-based transactions	67	–	(41)	–	26
Total	19,761	151	63,652	(59,698)	23,866

39. Staff welfare scheme *(continued)*

(a) Salaries and welfare payable *(continued)*

(i) Short-term employee benefits

	2023				
	Beginning balance	Charge for the year	Payment/ transfers in the year	Decrease for the year arising from disposal of subsidiaries	Ending balance
Salaries and bonus	18,888	52,040	(47,303)	(33)	23,592
Welfare expense	17	2,883	(2,885)	–	15
Social insurance	371	1,809	(1,818)	–	362
– Medical insurance	353	1,679	(1,687)	–	345
– Injury insurance	6	41	(41)	–	6
– Maternity insurance	12	89	(90)	–	11
Housing reserve	157	2,602	(2,618)	–	141
Labour union and employee education expenses	3,642	2,037	(1,475)	–	4,204
Total	23,075	61,371	(56,099)	(33)	28,314

	2022				
	Beginning balance	Charge for the year arising from combination	Charge for the year	Payment/ transfers in the year	Ending balance
Salaries and bonus	14,318	151	48,682	(44,263)	18,888
Welfare expense	19	–	2,310	(2,312)	17
Social insurance	530	–	3,311	(3,470)	371
– Medical insurance	515	–	3,192	(3,354)	353
– Injury insurance	6	–	34	(34)	6
– Maternity insurance	9	–	85	(82)	12
Housing reserve	166	–	2,309	(2,318)	157
Labour union and employee education expenses	3,032	–	1,971	(1,361)	3,642
Total	18,065	151	58,583	(53,724)	23,075

39. Staff welfare scheme *(continued)*

(a) Salaries and welfare payable *(continued)*

(ii) Post-employment benefits-defined contribution plans

	2023			
	Beginning balance	Charge for the year	Payment/ transfers in the year	Ending balance
Basic retirement insurance	151	3,465	(3,437)	179
Supplementary pension	591	1,996	(2,426)	161
Unemployment insurance	23	79	(81)	21
Total	765	5,540	(5,944)	361

	2022			
	Beginning balance	Charge for the year	Payment/ transfers in the year	Ending balance
Basic retirement insurance	157	2,821	(2,827)	151
Supplementary pension	1,450	2,221	(3,080)	591
Unemployment insurance	22	68	(67)	23
Total	1,629	5,110	(5,974)	765

In accordance with the regulations in the PRC, the Group participates in statutory pension schemes organised by the municipal and provincial governments for its employees (endowment insurance). During the year ended 31 December 2023, the Group's contributions to these pension schemes are determined by local governments and vary at a range of 14% to 16% (2022: 14% to 16%) of the staff salaries and bonuses.

In addition to the above statutory pension schemes, the Group has established a supplementary defined contribution plan for its employees (annuity insurance) in accordance with relevant annuity policies for corporate entities in the PRC. During the year ended 31 December 2023, the Group's annual contributions to this plan are determined based on 0% to 8.33% of the staff salaries and bonuses (2022: 0% to 8.33%).

For its employees outside the Chinese mainland, the Group participates in defined contribution retirement schemes at funding rates determined in accordance with the local practices and regulations.

39. Staff welfare scheme *(continued)*

(a) Salaries and welfare payable *(continued)*

(iii) Other long-term employee benefits

The Group has offered 10 phases of H share appreciation rights under the Scheme, the remaining ninth to tenth phases have not been exercised as of 31 December 2023. The share appreciation rights of the Scheme vest after 3 years from the grant date and are then exercisable within a period of 7 years. Each of the share appreciation right is linked to one H share.

(1) All share appreciation rights shall be settled in cash. The terms and conditions of the Scheme are listed below:

	Number of unexercised share appreciation rights at the end of 2023 (in millions)	Exercise conditions	Contract period of share appreciation rights
Share appreciation rights granted on 24 Aug 2016 (Phase IX)	0.210	3 years after the grant date	10 years
Share appreciation rights granted on 25 Aug 2017 (Phase X)	0.240	3 years after the grant date	10 years

(2) The number and weighted average exercise prices of share appreciation rights are as follows:

	2023		2022	
	Weighted average exercise price (HKD)	**Number of share appreciation rights (in million)**	Weighted average exercise price (HKD)	Number of share appreciation rights (in million)
Outstanding as at the beginning of the year	**15.91**	**0.61**	16.21	1.76
Exercised during the year	**12.81**	**(0.16)**	–	–
Forfeited during the year	**–**	**–**	13.65	(1.15)
Outstanding at the end of the year	**15.11**	**0.45**	15.91	0.61
Exercisable at the end of the year	**15.11**	**0.45**	15.25	0.55

The share appreciation rights outstanding at 31 December 2023 had a weighted average exercise price of HKD15.11 (2022: HKD15.91) and a weighted average remaining contractual life of 3.12 years (2022: 3.70 years).

Pursuant to the requirements set out in the Scheme, if there are any dividends distributed, capital reserve converted into shares, share split or dilution, adjustments to the exercise price will be applied.

39. Staff welfare scheme *(continued)*

(a) Salaries and welfare payable *(continued)*

(iii) Other long-term employee benefits *(continued)*

(3) Fair value of share appreciation rights and assumptions

The fair value of services received in return for share appreciation rights granted are measured by reference to the fair value of share appreciation rights granted. The estimate of the fair value of the share appreciation rights granted is measured based on the Black-Scholes model. The contractual life of the rights is used as an input to the model.

	2023	
	Phase IX	**Phase X**
Fair value at measurement date (in RMB Yuan)	**12.74**	**6.34**
Share price (in HKD)	**25.80**	**25.80**
Exercise price (in HKD)	**9.49**	**20.03**
Expected volatility	**35.40%**	**35.40%**
Share appreciation rights remaining life (year)	**2.58**	**3.58**
Expected dividends yield	**4.45%**	**4.45%**
Risk-free interest rate	**1.43%**	**1.43%**

	2022		
	Phase VIII	Phase IX	Phase X
Fair value at measurement date (in RMB Yuan)	24.94	25.27	17.75
Share price (in HKD)	43.30	43.30	43.30
Exercise price (in HKD)	12.81	11.38	21.92
Expected volatility	48.34%	48.34%	48.34%
Share appreciation rights remaining life (year)	2.50	3.58	4.58
Expected dividends yield	2.93%	2.93%	2.93%
Risk-free interest rate	1.43%	1.43%	1.43%

The expected volatility is based on the historical volatility (calculated based on the weighted average remaining life of the share appreciation rights) and adjusted for any expected changes to future volatility based on publicly available information. Expected dividend yield is based on historical dividend yields. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share appreciation rights were granted under service conditions. The conditions have not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share appreciation rights granted.

(4) The number of share appreciation rights granted:

	2023			
	Phase IX (in thousands)	**Phase X (in thousands)**	**Total (in thousands)**	**Accumulated Exercised/ Forfeited (in thousands)**
Wang Liang	**210**	**240**	**450**	**360**
Total	**210**	**240**	**450**	**360**

	2022				
	Phase VIII (in thousands)	Phase IX (in thousands)	Phase X (in thousands)	Total (in thousands)	Accumulated Exercised/ Forfeited (in thousands)
Tian Huiyu	–	–	–	–	1,230
Wang Liang	157	210	240	607	203
Total	157	210	240	607	1,433

Note: In 2023, senior management had exercised 0.16 million shares of appreciation rights (2022: None) and the weighted average exercise price was HKD12.81 (2022: None).

39. Staff welfare scheme *(continued)*

(b) Post-employment benefits – defined benefit plan

The Group's subsidiary CMB WLB operates a defined benefit plan (the "plan") for the staff, which includes a defined benefit scheme and a defined benefit pension scheme. Contributions to the plan are determined based on periodic valuations by qualified actuaries on the assets and liabilities of the plan. The plan provides benefits based on members' final salary. The costs are solely funded by CMB WLB.

The latest actuarial valuation of the plan as at 31 December 2023 was performed by Towers Watson Hong Kong Limited, a professional actuarial firm in accordance with IAS 19 *Employee Benefits*. The present values of the defined benefit obligation and current service cost of the plan are calculated based on the projected unit credit method. At the valuation date, the plan had a funding level of 123% (2022: 121%).

The amounts recognised in the consolidated statement of financial position as at 31 December 2023 and 2022 are analysed as follows:

	2023	2022
Fair value of the plan assets	**267**	285
Present value of the funded defined benefit obligation	**(217)**	(235)
Net asset recognised in the consolidated statement of financial position	**50**	50

A portion of the above asset is expected to be recovered after more than one year. However, it is not practicable to segregate this amount from the amounts receivable in the next twelve months, as future contributions will also relate to future services rendered and future changes in actuarial assumptions and market conditions. No contribution to the plan is expected to be paid in 2024.

There was no plan amendment, curtailment or settlement impact for the years ended 31 December 2023 and 2022.

The amounts recognised in the consolidated statement of profit or loss are as follows:

	2023	2022
Current service cost	**(8)**	(9)
Net interest income	**1**	1
Net expense for the year included in retirement benefit costs	**(7)**	(8)

The actual gain on the plan assets for the year ended 31 December 2023 was RMB9 million (2022: loss of RMB42 million).

The movements in the defined benefit obligation during the year are as follows:

	2023	2022
Present value of obligation at 1 January	**235**	284
Current service cost	**8**	9
Interest cost	**8**	4
Actual benefits paid	**(33)**	(49)
Actuarial gains or losses due to liability experience	**(1)**	(4)
Actuarial gains or losses due to financial assumption changes	**(4)**	(31)
Actuarial gains or losses due to demographic assumption changes	**–**	–
Exchange difference	**4**	22
Actual obligation at 31 December	**217**	235

The movements in the fair value of the plan assets during the year are as follows:

	2023	2022
Fair value of the plan assets at 1 January	**285**	349
Interest income	**9**	5
Expected return on plan assets	**–**	(47)
Actual benefits paid	**(33)**	(49)
Exchange difference	**6**	27
Fair value of the plan assets at 31 December	**267**	285

39. Staff welfare scheme *(continued)*

(b) Post-employment benefits – defined benefit plan *(continued)*

The major categories of the plan assets are as follows:

	2023		2022	
	Amount	%	Amount	%
Equities	**145**	**54.3**	153	53.7
Bonds	**52**	**19.5**	50	17.5
Cash	**70**	**26.2**	82	28.8
Total	**267**	**100.0**	285	100.0

As at 31 December 2023, deposit with the Bank included in the amount of the plan assets was RMB61 million (2022: RMB58 million).

The principal actuarial assumptions adopted in the valuation are as follows:

	2023 %	2022 %
Discount rate		
– Defined benefit scheme	**3.1**	3.3
– Defined benefit pension scheme	**4.1**	4.6
Long-term average rate of salary increase for the plan	**4.5**	5.0
Pension increase rate for the defined benefit pension plan	**–**	–

In 2023 and 2022, there were no significant change in the amount of retirement benefit plan liabilities due to changes in the above-mentioned actuarial assumptions.

40. Tax payable

	2023	2022
Corporate income tax	**7,301**	13,392
Value added tax	**4,035**	4,141
Other	**2,261**	1,925
Total	**13,597**	19,458

41. Contract liabilities

	2023	2022
Credit card points	**4,132**	5,319
Other deferred fee and commission income	**1,354**	1,360
Total	**5,486**	6,679

42. Provisions

	2023	2022
Expected credit loss on provisions	**17,404**	20,217
Other	**2,258**	2,274
Total	**19,662**	22,491

The expected credit loss for loan commitments and financial guarantee contracts by stages are as follows:

	2023	2022
Expected credit loss provisions	**17,404**	20,217
Stage 1 (12-month ECL)	**15,200**	12,082
Stage 2 (Lifetime ECL – not credit-impaired)	**1,341**	7,569
Stage 3 (Lifetime ECL – credit-impaired)	**863**	566

43. Debt securities issued

	Notes	2023	2022
Subordinated bonds issued	(a)	–	19,994
Debt securities issued	(b)	**119,193**	120,971
Negotiable interbank certificates of deposit issued		**21,443**	65,719
Certificates of deposit and other debt securities issued (note)		**34,128**	15,604
Interest payable		**1,814**	1,533
Total		**176,578**	223,821

Note: Other debt securities issued are notes issued by overseas subsidiaries of the Bank.

(a) Subordinated bonds issued

As at the end of the reporting period, subordinated bonds issued by the Bank were as follows:

Debt type	Term to maturity	Date of issuance	Annual interest rate (%)	Nominal value (in million)	Beginning balance (RMB in million)	Issue during the year (RMB in million)	Discount or premium amortisation (RMB in million)	Repayment during the year (RMB in million)	Ending balance (RMB in million)
Fixed rate bond	120 months	15 Nov 2018	4.65	RMB20,000	19,994	–	6	(20,000)	–
Total					19,994	–	6	(20,000)	–

(b) Debt securities issued

As at the end of the reporting period, debt securities issued by the Bank were as follows:

Debt type	Term to maturity	Date of issuance	Annual interest rate (%)	Nominal value (in million)	Beginning balance (RMB in million)	Issue during the year (RMB in million)	Discount or premium amortisation (RMB in million)	Exchange difference (RMB in million)	Repayment during the year (RMB in million)	Ending balance (RMB in million)
Medium term note	36 months	25 Sep 2020	3M LIBOR+0.85	USD400	2,780	–	2	142	(2,924)	–
Medium term note	36 months	25 Sep 2020	0.95	USD300	2,087	–	3	103	(2,193)	–
Fixed rate bond	36 months	6 Nov 2020	3.48	RMB10,000	9,999	–	1	–	(10,000)	–
Fixed rate bond	36 months	11 Mar 2021	3.40	RMB10,000	9,998	–	1	–	–	9,999
Fixed rate bond	36 months	3 Jun 2021	3.18	RMB20,000	19,995	–	2	–	–	19,997
Fixed rate bond	36 months	24 Aug 2021	2.90	RMB10,000	9,998	–	–	–	–	9,998
Medium term note	60 months	1 Sep 2021	1.25	USD300	2,089	–	(1)	42	–	2,130
Medium term note	24 months	1 Sep 2021	SOFR+0.50	USD300	2,087	–	5	87	(2,179)	–
Medium term note	36 months	2 Mar 2022	2.00	USD400	2,798	–	4	45	–	2,847
Fixed rate bond	36 months	11 May 2022	2.65	RMB5,000	4,999	–	–	–	–	4,999
Fixed rate bond	36 months	1 Sep 2022	2.40	RMB10,000	9,997	–	1	–	–	9,998
Fixed rate bond	36 months	27 Mar 2023	2.77	RMB5,000	–	5,000	(1)	–	–	4,999
Medium term note	36 months	13 Jun 2023	SOFR+0.65	USD400	–	2,850	–	(4)	–	2,846
Total					76,827	7,850	17	415	(17,296)	67,813

Libor represents London InterBank Offered Rate. SOFR represents Secured Overnight Financing Rate.

Note: Financial bonds issued by the Bank that were held by CMB WLB amounted to a total of 354 million RMB equivalent as of 31 December 2023 (31 December 2022: 555 million RMB equivalent).

43. Debt securities issued *(continued)*

(b) Debt securities issued *(continued)*

As at the end of the reporting period, debt securities issued by CMBFL and its subsidiary were as follows:

Debt type	Term to maturity	Date of issuance	Annual interest rate (%)	Nominal value (in million)	Beginning balance (RMB in million)	Issue during the year (RMB in million)	Discount or premium amortisation (RMB in million)	Exchange difference (RMB in million)	Repayment during the year (RMB in million)	Ending balance (RMB in million)
Fixed rate bond	60 months	13 Mar 2019	4.00	RMB500	500	–	–	–	–	500
Fixed rate bond	60 months	3 Jul 2019	3.00	USD900	6,265	–	11	106	–	6,382
Fixed rate bond	120 months	3 Jul 2019	3.63	USD100	694	–	1	11	–	706
Fixed rate bond	120 months	14 Jul 2020	4.25	RMB2,000	1,994	–	1	–	–	1,995
Fixed rate bond	60 months	12 Aug 2020	1.88	USD800	5,571	–	5	94	–	5,670
Fixed rate bond	120 months	12 Aug 2020	2.75	USD400	2,771	–	3	47	–	2,821
Fixed rate bond	36 months	17 Nov 2020	3.85	RMB4,000	3,997	–	3	–	(4,000)	–
Fixed rate bond	36 months	26 Jan 2021	3.60	RMB4,000	3,996	–	4	–	–	4,000
Fixed rate bond	60 months	4 Feb 2021	2.00	USD400	2,785	–	2	47	–	2,834
Fixed rate bond	120 months	4 Feb 2021	2.88	USD400	2,765	–	3	47	–	2,815
Fixed rate bond	36 months	22 Mar 2021	3.58	RMB2,000	1,998	–	2	–	–	2,000
Fixed rate bond	60 months	24 Mar 2021	2.00	USD20	138	–	–	3	–	141
Fixed rate bond	36 months	16 Sep 2021	1.25	USD600	4,179	–	5	71	–	4,255
Fixed rate bond	60 months	16 Sep 2021	1.75	USD300	2,081	–	4	35	–	2,120
Fixed rate bond	36 months	16 Sep 2021	0.50	EUR100	741	–	1	47	–	789
Fixed rate bond	24 months	22 Dec 2021	0.50	EUR30	222	–	–	14	(236)	–
Floating rate bond	12 months	2 Mar 2022	SOFR+0.80	USD115	802	–	–	(10)	(792)	–
Floating rate bond	12 months	6 May 2022	SOFR+0.85	USD45	314	–	–	(3)	(311)	–
Floating rate bond	12 months	6 May 2022	SOFR+1.00	USD75	523	–	–	(5)	(518)	–
Floating rate bond	12 months	13 Jun 2022	SOFR+0.95	USD120	837	–	–	20	(857)	–
Fixed rate bond	12 months	14 Sep 2022	1.95	EUR80	592	–	1	31	(624)	–
Floating rate bond	6 months	20 Oct 2022	SOFR+0.75	USD50	349	–	–	(5)	(344)	–
Fixed rate bond	12 months	25 Nov 2022	3.21	RMB300	300	–	–	–	(300)	–
Floating rate bond	12 months	14 Dec 2022	SOFR+0.83	USD45	314	–	–	9	(323)	–
Floating rate bond	60 months	16 Dec 2022	SOFR+1.40	USD100	698	–	–	11	–	709
Fixed rate bond	12 months	16 Dec 2022	2.90	EUR57	421	–	1	21	(443)	–
Fixed rate bond	24 months	17 Feb 2023	3.50	RMB500	–	500	(1)	–	–	499
Floating rate bond	12 months	28 Feb 2023	SOFR+0.75	USD60	–	416	–	10	–	426
Floating rate bond	6 months	28 Feb 2023	SOFR+0.75	USD145	–	1,006	–	51	(1,057)	–
Floating rate bond	6 months	2 Mar 2023	SOFR+0.75	USD200	–	1,382	–	71	(1,453)	–
Floating rate bond	6 months	15 Mar 2023	SOFR+0.75	USD80	–	552	–	31	(583)	–
Fixed rate bond	6 months	16 May 2023	4.40	HKD750	–	667	–	30	(697)	–
Floating rate bond	24 months	31 May 2023	SOFR+1.00	USD75	–	533	–	(1)	–	532
Floating rate bond	36 months	13 Jun 2023	SOFR+1.05	USD103	–	737	(2)	(6)	–	729
Floating rate bond	6 months	27 Jun 2023	SOFR+0.70	USD50	–	361	–	(4)	(357)	–
Fixed rate bond	18 months	10 Jul 2023	3.05	RMB700	–	700	–	–	–	700
Floating rate bond	24 months	16 Aug 2023	SOFR+0.95	USD100	–	729	(1)	(20)	–	708
Floating rate bond	60 months	18 Aug 2023	SOFR+1.30	USD50	–	364	(2)	(9)	–	353
Floating rate bond	36 months	23 Aug 2023	SOFR+1.00	USD300	–	2,188	(7)	(59)	–	2,122
Floating rate bond	24 months	25 Aug 2023	SOFR+0.95	USD100	–	729	(1)	(19)	–	709
Floating rate bond	6 months	27 Oct 2023	SOFR+0.70	USD20	–	146	–	(4)	–	142
Floating rate bond	12 months	27 Oct 2023	SOFR+0.75	USD22	–	161	–	(5)	–	156
Fixed rate bond	36 months	16 Nov 2023	2.80	RMB2,500	–	2,500	(6)	–	–	2,494
Fixed rate bond	36 months	27 Nov 2023	3.35	RMB350	–	350	(2)	–	–	348
Floating rate bond	36 months	30 Nov 2023	SOFR+1.10	USD50	–	357	–	(2)	–	355
Fixed rate bond	36 months	5 Dec 2023	2.90	RMB4,000	–	4,000	(10)	–	–	3,990
Total					45,847	18,378	15	655	(12,895)	52,000

Note: Financial bonds issued by CMBFL that were held by the Bank amounted to a total of 600 million RMB equivalent as of 31 December 2023 (31 December 2022: 1,370 million RMB equivalent). Financial bonds issued by CMB International Leasing Management Limited (CMBILM), a wholly-owned subsidiary of CMBFL, that were separately held by the Bank, CMB WLB and CMBIC amounted to a total of 3,212 million RMB equivalent, 563 million RMB equivalent and 70 million RMB equivalent as of 31 December 2023 (31 December 2022: 2,268 million RMB equivalent, 1,602 million RMB equivalent and Nil).

43. Debt securities issued *(continued)*

(b) Debt securities issued *(continued)*

As at the end of the reporting period, debt securities issued by CMBIC's subsidiary was as follows:

Debt type	Term to maturity	Date of issuance	Annual interest rate (%)	Nominal value (in million)	Beginning balance (RMB in million)	Issue during the year (RMB in million)	Discount or premium amortisation (RMB in million)	Exchange difference (RMB in million)	Repayment during the year (RMB in million)	Ending balance (RMB in million)
Fixed rate bond	36 months	2 June 2021	1.38	USD600	4,166	–	19	69	–	4,254
Total					4,166	–	19	69	–	4,254

Note: Financial bond issued by Legend Fortune Limited, a wholly-owned subsidiary of CMBIC, that was held by CMB WLB amounted to a total of 75 million RMB equivalent as of 31 December 2023 (31 December 2022: 74 million RMB equivalent).

44. Other liabilities

	2023	2022
Clearing and settlement accounts	**20,845**	31,534
Salary risk allowances (note)	**48,950**	45,500
Continuing involvement liability	**5,274**	5,274
Insurance liabilities	**–**	2,902
Collecting on behalf of customers	**665**	827
Cheques and remittances returned	**7**	39
Other payable	**37,454**	39,862
Total	**113,195**	125,938

Note: Salary risk allowances are specific funds withheld from the employees' annual remunerations of which the payments are delayed for the purpose of risk management. The allocation of the funds is based on performance assessment and risk management results, taking into account the short term and long term benefit. In the event of a decline in the asset quality, a sharp deterioration of risk profiles and profitability, the occurrence of legal case, or a significant regulatory violation identified by any regulatory authorities, the relevant employees will be restricted from the allocation of these allowances.

45. Share capital

By type of shares:

	2023 and 2022 No. of shares (in million)
– A Shares	20,629
– H Shares	4,591
Total	25,220

All H Shares are ordinary shares and rank pari passu with the A Shares. There is no restriction on these shares.

	Capital	
	No. of shares (in million)	Amount
At 31 December 2023 and 2022	25,220	25,220

46. Other equity instruments

(a) Preference Shares

	Issuance date	Accounting classification	Dividend rate	Issue price	No. (millions of shares)	Amount (RMB in million)	Due date	Conversion conditions	Con-version
Domestic Preference Shares (note (i))	22 Dec 2017	Equity instruments	3.62%	RMB100/Share	275	27,468	Perpetual existence	Note (ii)	None
Total					275	27,468			

The changes of Preference Shares issued were as follows:

		1 January 2023		Increase/decrease		31 December 2023	
	Issuance date	No. (millions of shares)	Amount (RMB in million)	No. (millions of shares)	Amount (RMB in million)	No. (millions of shares)	Amount (RMB in million)
Domestic Preference Shares (note (i))	22 Dec 2017	275	27,468	–	–	**275**	**27,468**
Total		275	27,468	–	–	**275**	**27,468**

Notes:

(i) Pursuant to the approvals by the relevant regulatory authorities in China, the Bank issued non-cumulative Domestic Preference Shares in the aggregate nominal value of RMB27,500 million on 22 December 2017. Each Domestic Preference Share has a nominal value of RMB100 and 275 million Domestic Preference Shares were issued in total. The dividend rate is initially at 4.81% and subject to reset per agreement subsequently, but not exceeds 16.68%. On 18 December 2022, five years after the issuance of the Domestic Preference Shares, the Bank adjusted the dividend rate per annum to 3.62% in accordance with market rules.

(ii) Domestic Preference Shares have clauses that state certain events would trigger mandatory conversion, those clauses are as follows:

(1) Upon the occurrence of any additional Tier-1 Capital Instrument Trigger Event, that is, the Core Tier-1 Capital Adequacy Ratio drops to 5.125% or below, the Bank shall have the right to convert, without the consent of the holders of Preference Shares, all or part of the Preference Shares then issued and outstanding into Ordinary A Shares based on the total nominal value of the Preference Shares in order to restore the Core Tier-1 Capital Adequacy Ratio of the Bank to above 5.125%. In the case of partial conversion, the Preference Shares shall be converted on a pro rata basis and on identical conditions.

(2) Upon the occurrence of a Tier-2 Capital Trigger Event, the Bank shall have the right to convert, without the consent of the holders of Preference Shares, all or part of the Preference Shares then issued and outstanding into Ordinary A Shares based on the total nominal value of the Preference Shares. A Tier-2 Capital Trigger Event refers the earlier of the following events: 1) NAFR having concluded that without a conversion or write-off, the Bank would become non-viable, and 2) the relevant authorities having concluded that without a public sector injection of capital or equivalent support, the Bank would become non-viable.

Upon the occurrence of the above mandatory conversion events, the Bank shall report to the NAFR for review and determination. The Bank shall fulfill the relevant information disclosure requirements of the Securities Law, the CSRC and Hong Kong's relevant laws and regulations such as making provisional reports or announcements in accordance with relevant regulatory requirements.

Dividends on the Domestic Preference Shares shall be paid in cash. Save for such dividend at the agreed dividend rate, the holders of the above Preference Shares are not entitled to share the remaining profits of the Bank with the ordinary shareholders. Dividend is non-cumulative. The Bank has the right to cancel any dividend on Preference Shares, and such cancellation shall not be deemed as a default. After the cancellation of all or part of the dividend to preference shareholders, the Bank shall not make any ordinary shares distribution, until the Preference Shares dividend is resumed in full. As the dividends on the Domestic Preference Shares are non-cumulative, the Bank will not distribute the dividends that were cancelled in prior years to Preference Shares holders.

The Domestic Preference Shares have no maturity date. However, after the fifth anniversary of the issuance date, subject to the satisfaction of the redemption conditions and having obtained the prior approval of the NAFR, the Domestic Preference Shares may be redeemed in whole or in part at the discretion of the Bank, but the Bank does not have the obligation to redeem the Preference Shares. The holders of Preference Shares do not have the right to demand the Bank to redeem the Preference Shares and shall not expect that Preference Shares will be redeemed.

After deducting the issuance expenses from the Preference Shares above, the total net proceeds of RMB27,468 million have been included in additional Tier 1 capital of the Bank.

46. Other equity instruments *(continued)*

(b) Perpetual Bonds

	Issuance date	Accounting classification	Interest rate	Issue price	No. (millions of units)	Amount (RMB in million)	Due date	Conversion conditions	Conversion
Domestic Perpetual Bonds (note (i))	9 Jul 2020	Equity instruments	3.95%	RMB100/Unit	500	49,989	Perpetual existence	None	None
Domestic Perpetual Bonds (note (ii))	7 Dec 2021	Equity instruments	3.69%	RMB100/Unit	430	42,989	Perpetual existence	None	None
Domestic Perpetual Bonds (note (iii))	1 Dec 2023	Equity instruments	3.41%	RMB100/Unit	300	30,000	Perpetual existence	None	None
Total					1,230	122,978			

The changes of Perpetual Bonds issued were as follows:

		1 January 2023		Increase		31 December 2023	
	Issuance date	No. (millions of units)	Amount (RMB in million)	No. (millions of units)	Amount (RMB in million)	No. (millions of units)	Amount (RMB in million)
Domestic Perpetual Bonds (note (i))	9 Jul 2020	500	49,989	–	–	**500**	**49,989**
Domestic Perpetual Bonds (note (ii))	7 Dec 2021	430	42,989	–	–	**430**	**42,989**
Domestic Perpetual Bonds (note (iii))	1 Dec 2023	–	–	300	30,000	**300**	**30,000**
Total		930	92,978	300	30,000	**1,230**	**122,978**

Notes:

(i) With the approval of the relevant regulatory authorities in China, the Bank issued RMB50,000 million of 2020 China Merchants Bank Co., Ltd. Undated Additional Tier-1 Capital Bonds (Series 1) (the "Perpetual Bonds 2020") in the national inter-bank bond market on 9 July 2020. The unit face value is RMB100. The coupon rate adjusted period is every 5 years from the issuance of the Perpetual Bonds 2020. In any coupon rate adjusted period, the coupon rate of the Perpetual Bonds will remain at a prescribed fixed rate. The Perpetual Bonds 2020 will continue to be outstanding so long as the Bank continues to operate.

(ii) With the approval of the relevant regulatory authorities in China, the Bank issued RMB43,000 million of 2021 China Merchants Bank Co., Ltd. Undated Additional Tier-1 Capital Bonds (the "Perpetual Bonds 2021") in the national inter-bank bond market on 7 December 2021. The unit face value is RMB100. The coupon rate adjusted period is every 5 years from the issuance of the Perpetual Bonds 2021. In any coupon rate adjusted period, the coupon rate of the Perpetual Bonds will remain at a prescribed fixed rate. The Perpetual Bonds 2021 will continue to be outstanding so long as the Bank continues to operate.

(iii) With the approval of the relevant regulatory authorities in China, the Bank issued RMB30,000 million of 2023 China Merchants Bank Co., Ltd. Undated Additional Tier-1 Capital Bonds (the "Perpetual Bonds 2023, together with Perpetual Bonds 2020 and Perpetual Bonds 2021, Perpetual Bonds") in the national inter-bank bond market on 1 December 2023. The unit face value is RMB100. The coupon rate adjusted period is every 5 years from the issuance of the Perpetual Bonds 2023. In any coupon rate adjusted period, the coupon rate of the Perpetual Bonds will remain at a prescribed fixed rate. The Perpetual Bonds 2023 will continue to be outstanding so long as the Bank continues to operate.

From the fifth anniversary since the issuance of the Perpetual Bonds, the Bank has the right to redeem in whole or in part the Perpetual Bonds on the annual interest payment date (including the interest payment date on the fifth year since the issuance date) subject to the approval of the NAFR and the satisfaction of the redemption preconditions. If, after the issuance, the Perpetual Bonds no longer qualify as additional Tier 1 capital as a result of an unforeseeable change to relevant provisions of supervisory regulation, the Bank has the right to redeem the whole but not part of the Perpetual Bonds. The investors do not have the right to sell back the Perpetual Bonds to the Bank.

The claims in respect of the Perpetual Bonds will be subordinated to the claims of depositors, general creditors, and subordinated debts that rank senior to the Perpetual Bonds, and will rank in priority to all classes of shares held by the Bank's shareholders and rank pari passu with the claims in respect of any other additional Tier-1 capital instruments of the Bank that rank pari passu with the Perpetual Bonds.

The coupon rate will be reset on each benchmark rate reset date (i.e. the date of every five years from the issuance date). The adjusted coupon rate will be determined based on the benchmark interest rate at adjustment date plus the fixed spread as determined at the time of issuance. The Perpetual Bonds do not contain interest rate step-up mechanism or any other redemption incentives. The Bank has the right to cancel, in whole or in part, distributions on the Perpetual Bonds and any such cancellation will not constitute an event of default. The bond interests are non-cumulative, and any cancelled distribution is not carried to the following year. The Bank will fully consider the interests of bondholders when exercising this right. The Bank can use the cancelled bond interest for the current period at its discretion to repay other due debts. Cancellation of any distributions to the Perpetual Bonds, no matter in whole or in part, will not impose any other restriction on the Bank, except in relation to dividend distributions to ordinary shares.

46. Other equity instruments *(continued)*

(b) Perpetual Bonds *(continued)*

Notes: *(continued)*

Upon the occurrence of a Non-Viability Trigger Event, the Bank has the right to write off in whole or in part, without the need for the consent of the bond holders, the principal amount of the Perpetual Bonds. A Non-Viability Trigger Event refers to the earlier of the following events: (i) NAFR having concluded that without a write-off, the Bank would become non-viable; (ii) the relevant authorities having concluded that without a public sector injection of capital or equivalent support, the Bank would become non-viable. The write-off will not be restored.

After deducting the issuance expenses, the funds raised by the bonds issuances have been used to supplement additional Tier 1 capital of the Bank in accordance with applicable laws and the approval of the relevant authorities.

(c) Relative Information Attributed to Equity Instrument Holders

	2023	2022
Equity attributed to shareholders of the Bank	**1,076,370**	945,503
– Equity attributed to ordinary shareholders of the Bank	**925,924**	825,057
– Equity attributed to other equity instrument holders of the Bank	**150,446**	120,446
Including: Net profit	**4,558**	5,237
Total comprehensive income	**4,558**	5,237
Distributions in current year	**(4,558)**	(5,237)
Cumulative undistributed dividends	**–**	–
Equity attributed to non-controlling interests	**9,359**	8,735
– Equity attributed to non-controlling holders of ordinary shares	**6,521**	5,948
– Equity attributed to non-controlling holders of perpetual debt capital (note 62(a))	**2,838**	2,787

47. Capital reserve

Capital reserve primarily represents share premium of the Bank.

	2023	2022
At 1 January	**65,435**	67,523
Decrease	**(3)**	(2,088)
At 31 December	**65,432**	65,435

48. Investment revaluation reserve

	2023	2022
Debt instruments measured at FVTOCI: investment revaluation reserve	**10,596**	9,319
Fair value gain on equity instruments designated at FVTOCI	**3,009**	2,606
Remeasurement of defined benefit scheme	**82**	78
Share of other comprehensive expense of equity-accounted investees	**(31)**	(233)
Other	**–**	45
Total	**13,656**	11,815

49. Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges. Subsequent recognition of the hedged cash flow is accounted for in accordance with the accounting policy adopted for cash flow hedge in Note 4(5).

50. Surplus reserve

Statutory surplus reserve is calculated according to the requirements of the Accounting Standards for Business Enterprises and other relevant regulations issued by the Ministry of Finance ("MOF") and is provided at 10% of the audited profit after tax of the Bank.

	2023	2022
At 1 January	94,985	82,137
Appropriation for the year	13,752	12,848
At 31 December	108,737	94,985

51. General reserve

The general reserve is an integral part of equity. According to the relevant regulations, in addition to the impairment allowances, the Bank maintains a general reserve to make up for unidentified potential losses. In principle, the balance of general reserve shall not be less than 1.5% of the ending balance of risk assets. In addition, the general reserve includes 2.5% of the income of mutual fund custody businesses. The general reserve of the Group also includes the general reserve maintained by the subsidiaries of the Group according to the applicable laws and regulations of their industry or region.

	2023	2022
At 1 January	132,471	115,288
Appropriation for the year	9,010	17,183
At 31 December	141,481	132,471

52. Profit appropriations

(a) Dividends approved/declared by shareholders

	2023	2022
Ordinary share dividends in 2022, approved and declared: RMB1.738 per share	43,832	–
Ordinary share dividends in 2021, approved and declared: RMB1.522 per share	–	38,385

(b) Proposed profit appropriations

	2023	2022
Statutory surplus reserve	13,752	12,848
General reserve	9,010	17,183
Dividends		
– cash dividend: RMB1.972 per share (2022: RMB1.738 per share)	49,734	43,832
Total	72,496	73,863

2023 final dividends is proposed in accordance with the resolution passed at the meeting of the Board of Directors held on 25 March 2024 and will be submitted to the 2023 Annual General Meeting for approval.

53. Exchange reserve

Exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations outside the Chinese mainland.

54. The bank's statement of financial position and changes in the bank's equity

	2023	2022
Assets		
Cash	**14,499**	14,787
Precious metals	**2,245**	2,251
Balances with central banks	**666,550**	585,338
Balances with banks and other financial institutions	**55,168**	47,791
Placements with banks and other financial institutions	**261,190**	247,973
Amounts held under resale agreements	**169,450**	276,292
Loans and advances to customers	**5,916,313**	5,482,692
Financial assets at fair value through profit or loss	**465,708**	369,391
Derivative financial assets	**18,014**	17,859
Debt investments at amortised cost	**1,707,032**	1,533,546
Debt investments at fair value through other comprehensive income	**783,051**	675,484
Equity investments designated at fair value through other comprehensive income	**10,956**	10,724
Investments in subsidiaries	**54,731**	50,767
Interests in joint ventures	**15,111**	13,341
Interests in associates	**6,991**	6,190
Investment properties	**836**	907
Property and equipment	**26,690**	26,541
Right-of-use assets	**16,321**	16,764
Intangible assets	**1,720**	2,422
Deferred tax assets	**87,177**	88,056
Other assets	**37,470**	41,440
Total assets	**10,317,223**	9,510,556
Liabilities		
Borrowing from central banks	**378,504**	129,745
Deposits from banks and other financial institutions	**484,620**	621,621
Placements from banks and other financial institutions	**71,077**	57,489
Financial liabilities at fair value through profit or loss	**21,281**	25,865
Derivative financial liabilities	**16,653**	18,207
Amounts sold under repurchase agreements	**114,008**	95,970
Deposits from customers	**7,953,958**	7,327,974
Salaries and welfare payable	**23,911**	19,136
Tax payable	**11,904**	17,221
Contract liabilities	**5,466**	6,653
Lease liabilities	**12,039**	12,285
Provisions	**19,530**	22,410
Debt securities issued	**107,858**	172,402
Other liabilities	**89,220**	96,680
Total liabilities	**9,310,029**	8,623,658
Equity		
Share capital	**25,220**	25,220
Other equity instruments	**150,446**	120,446
Capital reserve	**76,079**	76,082
Investment revaluation reserve	**14,354**	13,144
Hedging reserve	**11**	–
Surplus reserve	**108,737**	94,985
General reserve	**129,085**	121,230
Retained earnings	**453,168**	391,579
Proposed profit appropriation	**49,734**	43,832
Exchange reserve	**360**	380
Total equity	**1,007,194**	886,898
Total equity and liabilities	**10,317,223**	9,510,556

54. The bank's statement of financial position and changes in the bank's equity *(continued)*

		Other equity instruments										
	Share capital	Preference shares	Perpetual bonds	Capital reserve	Investment revaluation reserve	Hedging reserve	Surplus reserve	General reserve	Retained earnings	Proposed profit appropriation	Exchange reserve	Total
At 1 January 2023	25,220	27,468	92,978	76,082	13,144	–	94,985	121,230	391,579	43,832	380	886,898
Changes in equity for the year	–	–	30,000	(3)	1,210	11	13,752	7,855	61,589	5,902	(20)	120,296
Net profit for the year	–	–	–	–	–	–	–	–	137,521	–	–	137,521
Other comprehensive income for the year	–	–	–	–	1,177	11	–	–	–	–	(20)	1,168
Total comprehensive income for the year	–	–	–	–	1,177	11	–	–	137,521	–	(20)	138,689
Issue of perpetual bonds	–	–	30,000	(3)	–	–	–	–	–	–	–	29,997
Profit appropriations	–	–	–	–	–	–	13,752	7,855	(75,899)	5,902	–	(48,390)
Appropriation to statutory surplus reserve	–	–	–	–	–	–	13,752	–	(13,752)	–	–	–
Appropriation to general reserve	–	–	–	–	–	–	–	7,855	(7,855)	–	–	–
Dividends paid for the year 2022	–	–	–	–	–	–	–	–	–	(43,832)	–	(43,832)
Proposed dividends for the year 2023	–	–	–	–	–	–	–	–	(49,734)	49,734	–	–
Dividends to preference shares	–	–	–	–	–	–	–	–	(996)	–	–	(996)
Distribution to perpetual bonds	–	–	–	–	–	–	–	–	(3,562)	–	–	(3,562)
Transfers within equity upon disposal of equity instruments designated at FVTOCI	–	–	–	–	33	–	–	–	(33)	–	–	–
At 31 December 2023	25,220	27,468	122,978	76,079	14,354	11	108,737	129,085	453,168	49,734	360	1,007,194

		Other equity instruments									
	Share capital	Preference shares	Perpetual bonds	Capital reserve	Investment revaluation reserve	Surplus reserve	General reserve	Retained earnings	Proposed profit appropriation	Exchange reserve	Total
At 1 January 2022	25,220	34,065	92,978	76,681	14,866	82,137	105,941	340,271	38,385	144	810,688
Changes in equity for the year	–	(6,597)	–	(599)	(1,722)	12,848	15,289	51,308	5,447	236	76,210
Net profit for the year	–	–	–	–	–	–	–	128,484	–	–	128,484
Other comprehensive income for the year	–	–	–	–	(1,692)	–	–	–	–	236	(1,456)
Total comprehensive income for the year	–	–	–	–	(1,692)	–	–	128,484	–	236	127,028
Redemption of preference shares	–	(6,597)	–	(599)	–	–	–	–	–	–	(7,196)
Profit appropriations	–	–	–	–	–	12,848	15,289	(77,206)	5,447	–	(43,622)
Appropriation to statutory surplus reserve	–	–	–	–	–	12,848	–	(12,848)	–	–	–
Appropriation to general reserve	–	–	–	–	–	–	15,289	(15,289)	–	–	–
Dividends paid for the year 2021	–	–	–	–	–	–	–	–	(38,385)	–	(38,385)
Proposed dividends for the year 2022	–	–	–	–	–	–	–	(43,832)	43,832	–	–
Dividends to preference shares	–	–	–	–	–	–	–	(1,675)	–	–	(1,675)
Distribution to perpetual bonds	–	–	–	–	–	–	–	(3,562)	–	–	(3,562)
Transfers within equity upon disposal of equity instruments designated at FVTOCI	–	–	–	–	(30)	–	–	30	–	–	–
At 31 December 2022	25,220	27,468	92,978	76,082	13,144	94,985	121,230	391,579	43,832	380	886,898

55. Notes to consolidated cash flow statement

(a) Analysis of the balances of cash and cash equivalents (including assets with original maturity within 3 months):

	2023	2022
Cash and Balances with central banks	**140,809**	66,055
Balance with banks and other financial institutions	**84,593**	81,928
Placements with banks and other financial institutions	**105,953**	93,704
Amounts held under resale agreements	**171,542**	275,051
Debt securities investments and discounted bills	**96,122**	50,460
Total	**599,019**	567,198

(b) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were classified in the Group's consolidated cash flows statement as cash flows from financing activities.

	Negotiable interbank certificates of deposit	Certificates of deposit issued (Note)	Debt securities issued (Note)	Interest payable on bonds	Dividend payable	Other financial liabilities	Lease liabilities	Total
At 1 January 2023	65,719	15,987	148,674	1,533	26	22,719	13,013	267,671
Cash changes:								
Proceeds from the issue	68,608	66,504	25,201	–	–	17,303	–	177,616
Repayment	(112,584)	(48,267)	(51,146)	–	–	(7,210)	(5,053)	(224,260)
Interest/dividend paid	(2,086)	–	–	(5,396)	(48,860)	–	–	(56,342)
Non-cash changes:								
Additions of lease liabilities	–	–	–	–	–	–	4,235	4,235
Accrued interest	–	–	–	5,677	–	–	480	6,157
Dividend declared	–	–	–	–	48,860	–	–	48,860
Discount or premium amortisation	1,786	265	53	–	–	–	–	2,104
Fair value adjustments	–	3	191	–	–	(236)	–	(42)
Exchange difference	–	(152)	1,399	–	–	40	–	1,287
At 31 December 2023	21,443	34,340	124,372	1,814	26	32,616	12,675	227,286

	Negotiable interbank certificates of deposit	Certificates of deposit issued (Note)	Debt securities issued (Note)	Interest payable on bonds	Dividend payable	Other financial liabilities	Lease liabilities	Total
At 1 January 2022	240,284	11,092	201,142	2,104	26	26,650	13,812	495,110
Cash changes:								
Proceeds from the issue	78,666	20,287	21,481	–	–	10,796	–	131,230
Repayment	(250,996)	(16,504)	(78,735)	–	–	(14,959)	(4,932)	(366,126)
Interest/dividend paid	(5,714)	–	–	(6,686)	(44,103)	–	–	(56,503)
Non-cash changes:								
Additions of lease liabilities	–	–	–	–	–	–	3,623	3,623
Accrued interest	–	–	–	6,115	–	–	510	6,625
Dividend declared	–	–	–	–	44,103	–	–	44,103
Discount or premium amortisation	3,479	31	37	–	–	–	–	3,547
Fair value adjustments	–	(26)	(544)	–	–	(9)	–	(579)
Exchange difference	–	1,107	5,293	–	–	241	–	6,641
At 31 December 2022	65,719	15,987	148,674	1,533	26	22,719	13,013	267,671

Note: Including financial liabilities designated at fair value through profit or loss.

(c) Significant non-cash transactions

There were no significant non-cash transactions during the years ended 31 December 2023 and 2022.

56. Operating segments

The Group's principal activities are providing corporate and personal banking services, conducting treasury business, providing asset management and other financial services.

The Group manages its businesses by divisions, which are organised by both business lines and geography.

(1) Wholesale finance business

The financial services for corporate clients, government agencies, and financial institutions include: loan and deposit service, settlement and cash management service, trade finance and offshore business, investment banking business, inter-bank business such as placement and repurchase, asset custody business, financial market business, and other services.

(2) Retail finance business

The financial services provided to retail customers include: loan and deposit service, bank card service, wealth management services, private banking and other services.

(3) Other Business

Other business covers investment properties, subsidiaries except for CMB WLB and CMBFL, associates and joint ventures. None of these segments meet any of the quantitative thresholds so far for segment division.

For the purpose of operating segment analysis, external net interest income/expense represents the net interest income earned or expense incurred on banking services provided to external parties. Internal net interest income/expense represents the assumed profit or loss by the internal funds transfer pricing mechanism which has taken into account the structure and market returns of the assets and liabilities portfolio. Cost allocation is based on direct costs attributable to each reporting segment and apportion according to the relevant factors.

The accounting policies of the operating segments are the same as the Group's accounting policies as stated in Note 4. Operating segment income represents income generated from external customers, inter-segment transactions are offset. No customer contributed 10% or more to the Group's revenue for 2023 and 2022. Internal transactions are conducted at fair value.

56. Operating segments *(continued)*

(a) Segment results, assets and liabilities

	Wholesale finance business		Retail finance business		Other business		Total	
	2023	2022	**2023**	2022	**2023**	2022	**2023**	2022
External net interest income	**23,074**	28,165	**129,075**	140,443	**62,520**	49,627	**214,669**	218,235
Internal net interest income/(expense)	**60,952**	62,294	**7,679**	(9,054)	**(68,631)**	(53,240)	**–**	–
Net interest income	**84,026**	90,459	**136,754**	131,389	**(6,111)**	(3,613)	**214,669**	218,235
Net fee and commission income	**16,710**	25,540	**56,419**	57,279	**10,979**	11,456	**84,108**	94,275
Other net income	**33,889**	26,095	**1,142**	2,747	**2,794**	863	**37,825**	29,705
Operating income	**134,625**	142,094	**194,315**	191,415	**7,662**	8,706	**336,602**	342,215
Operating expenses								
– Property and equipment and investment properties depreciation	**(7,798)**	(7,103)	**(2,771)**	(2,942)	**(439)**	(234)	**(11,008)**	(10,279)
– Right-of-use assets depreciation	**(1,610)**	(1,676)	**(2,312)**	(2,250)	**(283)**	(225)	**(4,205)**	(4,151)
– Other	**(41,812)**	(43,495)	**(58,860)**	(58,079)	**(5,106)**	(6,057)	**(105,778)**	(107,631)
Reportable segment profit before impairment losses	**83,405**	89,820	**130,372**	128,144	**1,834**	2,190	**215,611**	220,154
Expected credit losses and impairment losses on other assets	**(10,640)**	(22,671)	**(30,459)**	(33,966)	**(370)**	(929)	**(41,469)**	(57,566)
Share of profits of associates and joint ventures	**–**	–	**–**	–	**2,476**	2,525	**2,476**	2,525
Reportable segment profit before taxation	**72,765**	67,149	**99,913**	94,178	**3,940**	3,786	**176,618**	165,113
Capital expenditure (note)	**26,630**	28,884	**2,809**	2,660	**702**	513	**30,141**	32,057

	Wholesale finance business		Retail finance business		Other business		Total	
	31 December 2023	31 December 2022	**31 December 2023**	31 December 2022	**31 December 2023**	31 December 2022	**31 December 2023**	31 December 2022
Reportable segment assets	**6,236,513**	5,633,640	**3,358,721**	3,081,290	**1,325,116**	1,314,820	**10,920,350**	10,029,750
Of which: Interest in associates and joint ventures	**–**	–	**–**	–	**26,590**	23,844	**26,590**	23,844
Reportable segment liabilities	**5,671,256**	5,495,463	**3,562,087**	3,157,321	**628,708**	446,949	**9,862,051**	9,099,733

Note: Capital expenditure represents the amount incurred for acquiring segment assets which are expected to be used for more than one year.

56. Operating segments *(continued)*

(b) Reconciliations of reportable segment revenue, profit or loss, assets, liabilities and other material items

	2023	2022
Operating income for reportable segments	**336,602**	342,215
Total profit before income tax for reportable segments	**176,618**	165,113

	31 December 2023	31 December 2022
Assets		
Total assets for reportable segments	**10,920,350**	10,029,750
Goodwill	**9,954**	9,999
Intangible assets	**550**	581
Deferred tax assets	**90,557**	90,848
Other unallocated assets	**7,072**	7,734
Consolidated total assets	**11,028,483**	10,138,912
Liabilities		
Total liabilities for reportable segments	**9,862,051**	9,099,733
Tax payable	**13,597**	19,458
Deferred tax liabilities	**1,607**	1,510
Other unallocated liabilities	**65,499**	63,973
Consolidated total liabilities	**9,942,754**	9,184,674

56. Operating segments *(continued)*

(c) Geographical segments

The Group operates principally in the PRC with branches located in major provinces, autonomous regions and municipalities directly under the central government in the Chinese mainland. The Group also has branches operating in Hong Kong, New York, Singapore, Luxembourg, London and Sydney, subsidiaries operating in Hong Kong, Shenzhen, Shanghai, Beijing and Luxembourg and representative offices in New York and Taipei.

In presenting information on the basis of geographical segments, operating income is allocated based on the location of the branches and subsidiaries that generate the revenue. Segment assets and non-current assets are allocated based on the location of the underlying assets.

To support the Bank's operations and management's assessments, the geographical segments are defined as follows:

– "Headquarter" refers to the Group headquarter, credit card centres and fund operation centres;

– "Yangtze River Delta region" refers to branches in Shanghai municipality, Zhejiang province and Jiangsu province;

– "Bohai Rim region" refers to branches in Beijing municipality, Tianjin municipality, Shandong province and Hebei province;

– "Pearl River Delta and West Coast region" refers to branches in Guangdong province and Fujian province;

– "Northeast region" refers to branches in Liaoning province, Heilongjiang province and Jilin province;

– "Central region" refers to branches in Henan province, Anhui province, Hunan province, Hubei province, Jiangxi province, Shanxi province and Hainan province;

– "Western region" refers to branches in Sichuan province, Chongqing municipality, Guizhou province, Yunnan province, Shaanxi province, Gansu province, Ningxia Hui Autonomous region, Xinjiang Uyghur autonomous region, Guangxi Zhuang autonomous region, Inner Mongolia autonomous region, Qinghai province and Tibet autonomous region;

– "Overseas" refers to overseas branches in Hong Kong, New York, Singapore, Luxembourg, London, Sydney and representative offices in New York and Taipei; and

– "Subsidiaries" refers to subsidiaries wholly owned or controlled by the Group, including CMB WLB, CMBIC, CMBFL, CMFM, CMBWM, CMB Europe S.A. and CIGNA & CMAM.

	Total assets		Total liabilities		Non-current assets		Profit before tax		Operating income	
Geographical information	31 December 2023	31 December 2022	31 December 2023	31 December 2022	31 December 2023	31 December 2022	2023	2022	2023	2022
Headquarter	**4,985,615**	4,580,315	**4,107,566**	3,841,548	**54,625**	52,166	**77,737**	51,396	**135,401**	140,083
Yangtze River Delta region	**1,417,890**	1,304,806	**1,404,463**	1,283,400	**5,995**	5,774	**21,578**	22,939	**45,485**	45,768
Bohai Rim region	**916,860**	827,394	**902,114**	811,449	**4,187**	4,354	**18,801**	19,759	**33,583**	34,105
Pearl River Delta and West Coast region	**1,166,744**	1,083,521	**1,156,219**	1,063,334	**4,125**	4,232	**18,491**	26,479	**34,947**	37,583
Northeast region	**168,687**	170,632	**166,551**	166,486	**1,440**	1,505	**2,808**	4,075	**6,444**	6,485
Central region	**676,618**	636,801	**670,811**	628,361	**3,299**	3,602	**9,358**	10,740	**19,953**	20,989
Western region	**681,255**	632,766	**674,635**	623,631	**3,051**	3,497	**8,554**	11,755	**20,579**	20,931
Overseas	**213,303**	194,412	**217,502**	193,651	**618**	707	**2,438**	2,046	**4,474**	3,557
Subsidiaries	**801,511**	708,265	**642,893**	572,814	**95,462**	80,148	**16,853**	15,924	**35,736**	32,714
Total	**11,028,483**	10,138,912	**9,942,754**	9,184,674	**172,802**	155,985	**176,618**	165,113	**336,602**	342,215

Note: Non-current assets include interests in joint ventures, interests in associates, property and equipment, investment properties, right-of-use assets, intangible assets and goodwill.

57. Assets pledged as security

The following assets have been pledged as collateral for borrowing from central banks and liabilities under repurchase or placement arrangements:

	2023	2022
Borrowing from central banks	377,189	129,438
Placements from banks and other financial institutions	9,099	8,620
Amounts sold under repurchase agreements	134,863	107,024
Total	521,151	245,082
Assets pledged		
– Financial assets at fair value through profit or loss	98,223	24,093
– Debt investments at amortised cost	333,718	99,199
– Debt investments at fair value through other comprehensive income	41,743	25,267
– Loans and advances to customers	130,616	105,531
Total	604,300	254,090

The transactions under repurchase or placement agreements are conducted under terms that are usual and customary to standard borrowing and placing activities.

58. Contingent liabilities and commitments

(a) Credit commitments

At any given time the Group has outstanding commitments to extend credit. These commitments take the form of approved loans and credit card limits.

The Group provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. Acceptances comprise undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be settled simultaneously with the reimbursement from the customers.

The contractual amounts of commitments and contingent liabilities are set out in the following table by category. The amounts reflected in the table for commitments assume that amounts are fully advanced. The amounts reflected in the table for guarantees and letters of credit represent the maximum potential loss that would be recognised at the end of the reporting period if counterparties default.

	2023			
	– Stage 1 (12-month ECL)	– Stage 2 (Lifetime ECL – not credit-impaired)	– Stage 3 (Lifetime ECL – credit-impaired)	Total
Irrevocable guarantees	320,170	3,940	278	324,388
Of which: Financial guarantees	44,570	1,104	3	45,677
Non-financing letters of guarantees	275,600	2,836	275	278,711
Irrevocable letters of credit	227,114	1,505	–	228,619
Bills of acceptances	485,393	2,294	500	488,187
Irrevocable loan commitments	171,198	2,285	95	173,578
– with an original maturity within 1 year (inclusive)	23,559	1	–	23,560
– with an original maturity over 1 year	147,639	2,284	95	150,018
Credit card unused commitments	1,509,253	6,400	21	1,515,674
Other	87,367	156	–	87,523
Total	2,800,495	16,580	894	2,817,969

58. Contingent liabilities and commitments *(continued)*

(a) Credit commitments *(continued)*

	2022			
	– Stage 1 (12-month ECL)	– Stage 2 (Lifetime ECL – not credit-impaired)	– Stage 3 (Lifetime ECL – credit-impaired)	Total
Irrevocable guarantees	245,003	9,818	272	255,093
Of which: Financial guarantees	44,805	7,341	3	52,149
Non-financing letters of guarantees	200,198	2,477	269	202,944
Irrevocable letters of credit	231,849	1,344	–	233,193
Bills of acceptances	427,150	3,733	500	431,383
Irrevocable loan commitments	155,775	1,607	–	157,382
– with an original maturity within 1 year (inclusive)	22,638	4	–	22,642
– with an original maturity over 1 year	133,137	1,603	–	134,740
Credit card unused commitments	1,406,911	9,613	85	1,416,609
Other	81,225	245	–	81,470
Total	2,547,913	26,360	857	2,575,130

As at 31 December 2023, the Group's irrevocable letters of credit included sight letters of credit of RMB22,254 million (31 December 2022: RMB22,525 million), usance letters of credit of RMB9,361 million (31 December 2022: RMB6,965 million), and other commitments of RMB197,004 million (31 December 2021: RMB203,703 million).

Irrevocable loan commitments include credit limits granted to offshore customers by overseas branches, subsidiaries and onshore and offshore syndicated loans etc.

Apart from the irrevocable loan commitments, the Group had loan commitments of RMB5,878,801 million at 31 December 2023 (31 December 2022: RMB5,159,127 million) which are unconditionally cancellable by the Group or automatically cancellable due to deterioration in the creditworthiness of the borrower as stipulated in respective lending agreements. The Group will not assume any risks on the unused credit limits for these loan customers. As a result, such balances are not included in the above contingent liabilities and commitments.

	2023	2022
Credit risk weighted amounts of contingent liabilities and commitments	**650,343**	595,977

The Group calculated the credit risk weighted amount of its contingent liabilities and commitments in accordance with the requirements of the Administrative Measures on Capital of Commercial Banks (Provisional) issued by the former CBIRC. The amount within the scope approved by the former CBIRC in April 2014 is calculated using the Internal Ratings-Based Approach, and the Weighted Approach is used for those items that are not eligible for the Internal Ratings-Based Approach.

58. Contingent liabilities and commitments *(continued)*

(b) Capital commitments

The authorised capital commitments of the Group were as follows:

	2023	2022
Contracted for	219	370
Authorised but not contracted for	191	189
Total	410	559

The lease commitments of the Group as a lessor are detailed in note 58(e).

(c) Outstanding litigations

At 31 December 2023, the Bank or other group entities was a defendant in certain outstanding litigations with total gross claims of RMB3,205 million (2022: RMB1,910 million). The Group considers that no material losses would be incurred by the Group as a result of these outstanding litigations and therefore no provision has been made in the consolidated financial statements.

(d) Redemption obligations

As an underwriting agent of PRC government bonds, the Group has the responsibility to make advances to bond holders if the holders decide to early redeem the bonds held. The redemption price for the bonds at any time before their maturity date is based on the nominal value plus any interest unpaid and accrued up to the redemption date. Accrued interest payables to the bond holders are calculated in accordance with relevant requirements set by the MOF or the PBOC. The redemption price may be different from the fair value of similar instruments traded at the redemption date.

The redemption obligations below represent the nominal value of government bonds underwritten and sold by the Group, but not yet matured at the end of the reporting period:

	2023	2022
Redemption obligations	29,144	27,401

The Group expects that the amount of redemption before the maturity date of these government bonds through the Group will not be material.

(e) Lease commitments

Operating lease commitments and financial lease commitments where the Group is a lessor at the end of the reporting period are as follows:

	2023	2022
Operating lease commitments	25,816	30,519
Financial lease commitments	12,859	8,025
Total	38,675	38,544

59. Transactions on behalf of customers

(a) Entrusted lending business

The Group's entrusted lending business refers to activities where principals such as government departments, business entities and individuals provide capital for loan advances through the Group to their specified targets on their behalf in accordance with specific terms and conditions, with the help of the Group in monitoring loan usage and seeking loan recovery. The entrusted lending business does not expose the Group to any credit risk. As instructed by these principals, the Group holds and manages underlying assets and liabilities only in the capacity of an agent, and charges handling fees for related services.

Entrusted lending are not assets of the Group and are not recognised in the consolidated statement of financial position. Income received and receivable for providing these services are recognised in the consolidated statement of profit or loss as fee and commission income.

At the end of the reporting period, the entrusted assets and liabilities were as follows:

	2023	2022
Entrusted loans	**221,292**	231,266
Entrusted funds	**(221,292)**	(231,266)

(b) Wealth management services

The Group's wealth management services to customers mainly represent sales of wealth management products to corporate and personal banking customers by the Bank and CMBWM. The funds obtained from wealth management services are invested in investment products, including government bonds, policy bank bonds, short term corporate debt instruments and trust loans. The Group initiated the launch of wealth management products. The investment risk associated with these products is borne by the customers who invest in these products. The Group does not consolidate these wealth management products. The Group earns commission which represents the charges on customers in relation to the provision of custody, sales and management services.

The wealth management products and funds obtained are not assets and liabilities of the Group and are not recognised in the consolidated statement of financial position. The funds received from customer for wealth management business that yet to be invested are recorded under other liabilities.

At the end of the reporting period, funds received from customers under unconsolidated wealth management services were RMB2,403,038 million as at 31 December 2023 (31 December 2022: RMB2,552,408 million).

(c) Entrusted management of insurance funds

The entrusted management of insurance funds mainly refers to the business that the Group carries out investment activities on funds entrusted by insurance companies according to the regulatory policies and the investment guidelines from insurance companies, and charges fees for providing such services.

At the end of the reporting period, the balances of entrusted funds were as follows:

	2023	2022
Entrusted management of insurance funds	**144,963**	108,868

60. Risk management

(a) Credit risk

Credit risk represents the potential losses that may arise from the failure of a counterparty or a debtor to meet its obligation or commitment to the Group. Credit risk increases when all counterparties are concentrated in a single industry or a geographical region, as different counterparties in the same region or industry may be affected by the same economic factors, which may eventually affect their repayment abilities.

The Group designs its organisation framework, credit policies and processes with an objective to identify, evaluate and manage its credit risk effectively. The Risk and Capital Management Committee, set up and appointed by the Board of Directors is responsible for supervising and evaluating the set-up, organisational structure, work process and effectiveness of various risk management functions.

With respect to daily operations, the Risk Management Department, as directed by the Risk and Capital Management Committee, participates in, coordinates and monitors the work of other risk management functions, including each business unit and the Legal and Compliance Department. The Group manages credit risk throughout the entire credit process including pre-lending evaluations, credit approval and post-lending monitoring. The Group has also further optimised the foundation related to the implementation of ECL measures during the year in accordance with the Implementation Rules on Expected Credit Loss Approach of Commercial Banks (Yin Bao Jian Gui [2022] No. 10).

With respect to the credit risk management of wholesale financial business, the Group formulates credit policy guidelines, enhances the standards on credit acceptance and management requirements for corporate, interbank and institutional clients, and implements limits in key risk areas to improve the quality of credit exposure.

With respect to credit risk management of retail financial business, the Group mainly relies on the credit assessment of applicants as the basis for loan approval, which takes into consideration the income level, credit history, and repayment ability of the applicant. The Group monitors post-lending conditions by focusing on borrowers' repayment ability, the status of collateral and any changes to collateral value. Once a loan becomes overdue, the Group starts the collection process according to standard retail loans collection procedures.

To mitigate risks, the Group requests customers to provide collateral and guarantees when necessary. Certain guidelines have been set for the acceptability of specific types of collateral or risks mitigating measures. Collateral portfolio and legal covenants are reviewed regularly to ensure that they remain sufficient for the given risks and be consistent with market practices.

In respect of asset quality classification, the Group adopts a risk based asset quality classification methodology. Currently, the Group categorises its loans on a ten-grade loan classification basis to refine internal risk classification management (normal (grades 1-5), special mention (grades 1-2), substandard, doubtful and loss).

The risks involved in contingent liabilities and commitments are essentially the same as the credit risk involved in loans and advances to customers. These transactions are, therefore, subject to the same credit application, post-lending monitoring and collateral requirements as for customers applying for loans.

Concentration of credit risk: when certain number of customers carry out the same business activities, locate in the same geographical region or their industries share similar economic characteristics, their ability to meet their obligations may be affected by the same economic factors. The level of concentration of credit risk reflects the sensitivity of the Group's operating result to a specific industry or geographical region. To prevent concentration of credit risk, the Group has formulated a limit management policy to monitor and analyse its loan portfolio.

Analysis of loans and advances by industry and loan portfolio are presented in Note 22.

60. Risk management *(continued)*

(a) Credit risk *(continued)*

(i) Internal credit risk rating

The Group classifies credit risk based on probability of default. The internal credit risk rating is based on the forecasted default risk, taking into consideration qualitative and quantitative factors. For customers of wholesale business, such factors include net profit growth rate, sales growth rate, industry, etc. For customers of retail business, such factors include maturity, ageing, collateral ratio, etc.

(ii) Significant increase in credit risk

As describe in Note 4(5), the Group recognises lifetime ECL if there are significant increases in credit risk.

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument and other items at the reporting date with that at the date of initial recognition. In making this assessment, the Group considers an actual or expected significant deterioration in the financial instrument's internal credit risk rating (Note 60(a)(i)), as well as internal early warning signal, the result of 5-tier classification and overdue information. The Group regularly reviews whether the evaluation criteria are applicable to the current situation.

For wholesale business, credit risk is considered as significantly increased if any of the following conditions is met: the 5-tier classification is special mention; more than 30 days (inclusive) overdue; the internal credit risk rating of the customer has been downgraded to certain level; the early warning signal of the customer has reached a certain level; or the customer has other significant risk signals identified by the Group.

For retail and credit card business, credit risk is considered as significantly increased if any of the following conditions is met: the 5-tier classification is special mention; more than 30 days (inclusive) overdue; the customer or the debt has credit risk early warning signal; or the customer has other significant risk signals identified by the Group.

A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capability to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may not necessarily reduce the ability of the borrower to fulfill its contractual cash flow obligations.

For loan commitment and financial guarantee, the date when the commitment becomes irrevocable is considered as the initial recognition date.

The Group considers that a debt instrument is impaired and classified as stage 3 when the debt instrument is more than 90 days (inclusive) overdue or the 5-tier classification of this debt instrument is substandard, doubtful or loss (these three categories include debt instruments with more than 90 days (inclusive) overdue).

(iii) Measurement of ECL

The key inputs used for measuring ECL are:

- probability of default (PD): is an estimate of the likelihood of default over 12 months or lifetime horizon;
- loss given default (LGD): is the proportion of the loss arising on default to the exposure at default;
- exposure at default (EAD): is the risk exposure on a debt.

These figures are generally derived from internally developed statistical models and other historical data and they are adjusted to reflect forward-looking information.

60. Risk management *(continued)*

(a) Credit risk *(continued)*

(iv) Incorporation of forward-looking information

The Group divides financial assets into different asset groups based on their different risk characteristics. According to the risk characteristics of the asset group, the Group collects external data released by authoritative institutions and internal risk data without undue cost or effort for modelling. Apart from the common economic indicators such as Gross Domestic Product ("GDP"), Consumer Price Index ("CPI"), Producer Price Index and Broad Money Supply, various other categories of indicators such as industry index, interest and exchange rate, and survey index are also included. Based on statistical analysis and expert judgements, the Group sets up multiple forward-looking scenarios to predict macroeconomic indicators and risk parameters. The Group sets the forecasts issued by external authoritative institutions as the forecasts of economic indicators under the baseline scenario, with reference to the professionals of the Bank and the outputs of the models. For the forecasts of economic indicators under the remaining scenarios, the Group will refer to the actual historical data for analysis and forecast. Taking GDP (year-on-year growth rate) and CPI (month-on-month increase) as an example, the forecasts for the next year adopted by the Group for 2024 under the baseline scenario are 4.80% (2023: 4.80%) and 1.50% (2023: 2.80%) respectively.

Combined with quantitative measurement and expert judgement, the Group sets the weighting of multiple scenarios based on the principle of taking the baseline scenario as the main and the other scenarios as supplement. The weight of the baseline scenario of the Group as at 31 December 2023 is the highest. According to the sensitivity test results of the Group, when the weighting of the optimistic scenario increases by 10% and the weighting of the baseline scenario decreases by 10%, the ECL amount at 31 December 2023 will decrease by approximately 2.8% compared to the current result (at 31 December 2022: will decrease by approximately 3.1%). When the weighting of the pessimistic scenario increases by 10% and the weighting of the baseline scenario decreases by 10%, the ECL amount at 31 December 2023 will increase by approximately 5.6% compared to the current result (at 31 December 2022: will increase by approximately 5.2%).

The Group periodically forecasts macroeconomic indicators, and calculates the ECL based on a weighted 12-month expected credit loss (stage 1) or a weighted lifetime expected credit loss (stage 2 and stage 3).

(v) Groupings based on shared risk characteristics

The Group divides the primary business into wholesale business, retail business and credit card business. The models are divided based on shared risk characteristics, and the reference indicators include the 5-tier classification, business type and collateral type.

(vi) Maximum exposure

The Group's maximum exposure to credit risk without taking into account any collateral held or other credit enhancements is the carrying amount of the relevant financial instruments as disclosed in the consolidated statement of financial position and the contract amount of the off balance sheet items disclosed in Note 58(a). At 31 December 2023, the amount of the Group's maximum credit risk exposure was RMB13,537,727 million (31 December 2022: RMB12,440,947 million).

60. Risk management *(continued)*

(a) Credit risk *(continued)*

(vii) Renegotiated loans and advances to customers

The carrying amount of loans and advances that were credit impaired and the terms had been renegotiated was RMB13,007 million as at 31 December 2023 (31 December 2022: RMB12,076 million).

(viii) Non-performing loans

Under the 5-tier loan classification system, non-performing loans of the Group are divided into substandard loans, doubtful loans and loss loans. As at 31 December 2023, the Group had balance of non-performing loans of RMB61,579 million (31 December 2022: RMB58,004 million).

(ix) Credit quality of bond investments rating results

At the end of the reporting period, the analysis of the credit quality of bond investments by designated external credit assessment institution, Standard & Poor's, is as follows:

	2023	2022
Impaired gross amount of debt investments	**808**	398
Impairment allowances	**(499)**	(243)
Subtotal	**309**	155
Neither overdue nor impaired		
AAA	**2,577,388**	2,187,978
AA+ to AA-	**65,894**	53,526
A+ to A-	**132,191**	124,554
Lower than A-	**27,220**	33,429
Unrated	**41,184**	38,966
Impairment allowances	**(10,661)**	(5,958)
Subtotal	**2,833,216**	2,432,495
Total	**2,833,525**	2,432,650

Notes:

(i) Bonds issued by the governments and policy banks held by the Group amounted to RMB2,448,279 million as at 31 December 2023 (31 December 2022: RMB2,094,902 million).

(ii) The impairment allowances above is for debt investments at amortised cost only.

60. Risk management *(continued)*

(a) Credit risk *(continued)*

(x) Collateral

An estimate of the fair value of collateral and other credit enhancements held against financial assets that are overdue but not impaired is as follows:

	2023	2022
Estimate of the fair value of collateral and other credit enhancements held against following financial assets		
– Loans and advances to customers	**20,797**	25,148

(xi) Movements of loans and advances and debt investments measured at amortised cost

Loans and advances measured at amortised cost:

	2023			
	– Stage 1 (12-month ECL)	**– Stage 2 (Lifetime ECL – not credit-impaired)**	**– Stage 3 (Lifetime ECL – credit-impaired)**	**Total**
Balance as at the beginning of the year	**5,217,868**	**156,240**	**58,004**	**5,432,112**
Net changes for the year	**557,973**	**(27,551)**	**(1,288)**	**529,134**
Transfer to				
– Stage 1	**30,084**	**(29,822)**	**(262)**	**–**
– Stage 2	**(94,405)**	**95,148**	**(743)**	**–**
– Stage 3	**(24,861)**	**(28,910)**	**53,771**	**–**
Write-offs	**–**	**–**	**(47,922)**	**(47,922)**
Balance as at the end of the year	**5,686,659**	**165,105**	**61,560**	**5,913,324**

	2022			
	– Stage 1 (12-month ECL)	– Stage 2 (Lifetime ECL – not credit-impaired)	– Stage 3 (Lifetime ECL – credit-impaired)	Total
Balance as at the beginning of the year	4,912,836	111,354	50,862	5,075,052
Net changes for the year	425,054	(27,002)	(1,831)	396,221
Transfer to				
– Stage 1	18,758	(18,644)	(114)	–
– Stage 2	(103,532)	103,794	(262)	–
– Stage 3	(35,248)	(13,117)	48,365	–
Write-offs	–	(145)	(39,016)	(39,161)
Balance as at the end of the year	5,217,868	156,240	58,004	5,432,112

60. Risk management *(continued)*

(a) Credit risk *(continued)*

(xi) Movements of loans and advances and debt investments measured at amortised cost *(continued)*

Debt investments at amortised cost:

	2023			
	– Stage 1 (12-month ECL)	– Stage 2 (Lifetime ECL – not credit-impaired)	– Stage 3 (Lifetime ECL – credit-impaired)	Total
Balance as at the beginning of the year	**1,543,652**	**2,073**	**34,120**	**1,579,845**
Net changes for the year	**195,645**	**(238)**	**(4,323)**	**191,084**
Transfer to				
– Stage 1	**1**	**(1)**	**–**	**–**
– Stage 2	**(339)**	**339**	**–**	**–**
– Stage 3	**–**	**(655)**	**655**	**–**
Write-offs	**(14)**	**(1)**	**(2,904)**	**(2,919)**
Balance as at the end of the year	**1,738,945**	**1,517**	**27,548**	**1,768,010**

	2022			
	– Stage 1 (12-month ECL)	– Stage 2 (Lifetime ECL – not credit-impaired)	– Stage 3 (Lifetime ECL – credit-impaired)	Total
Balance as at the beginning of the year	1,183,320	1,962	24,077	1,209,359
Net changes for the year	361,916	(275)	9,395	371,036
Transfer to				
– Stage 1	3	(3)	–	–
– Stage 2	(1,276)	1,276	–	–
– Stage 3	(311)	(887)	1,198	–
Write-offs	–	–	(550)	(550)
Balance as at the end of the year	1,543,652	2,073	34,120	1,579,845

60. Risk management *(continued)*

(a) Credit risk *(continued)*

(xii) Credit quality of financial instruments

The staging analysis for loans and advances to customers and debt investments at amortised cost are disclosed in note 22, note 23(b) and note 60(a)(xi) respectively. The staging analysis for credit commitments and the expected credit loss allowances of financial guarantees and loan commitments are disclosed in notes 58(a) and 42 respectively. The staging analysis for other financial instruments is as follows:

	2023							
	Principal				Expected credit loss			
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL – not credit-impaired)	Stage 3 (Lifetime ECL – credit-impaired)	Total	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL – not credit-impaired)	Stage 3 (Lifetime ECL – credit-impaired)	Total
Balances with central banks	667,569	–	–	667,569	–	–	–	–
Balances with banks and other financial institutions	100,745	1	11	100,757	(211)	(1)	(11)	(223)
Placements with banks and other financial institutions	286,046	201	–	286,247	(518)	(1)	–	(519)
Amounts held under resale agreements	172,568	–	140	172,708	(449)	–	(140)	(589)
Debt investments at FVTOCI	889,105	390	241	889,736	(5,586)	(132)	(1,094)	(6,812)

	2022							
	Principal				Expected credit loss			
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL – not credit-impaired)	Stage 3 (Lifetime ECL – credit-impaired)	Total	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL – not credit-impaired)	Stage 3 (Lifetime ECL – credit-impaired)	Total
Balances with central banks	587,533	–	–	587,533	–	–	–	–
Balances with banks and other financial institutions	91,574	2	11	91,587	(497)	(1)	(11)	(509)
Placements with banks and other financial institutions	265,415	–	–	265,415	(2,658)	–	–	(2,658)
Amounts held under resale agreements	277,421	–	140	277,561	(954)	–	(140)	(1,094)
Debt investments at FVTOCI	767,905	3,211	155	771,271	(4,472)	(479)	(1,589)	(6,540)

Note: The balances disclosed above do not include interest receivable.

60. Risk management *(continued)*

(b) Market risk

Market risk refers to the risk of loss due to changes in observable market factors such as interest rates, exchange rates, commodity prices and stock prices, resulting in changes in the fair value or future cash flows of the Group's financial instruments. Interest rate and foreign exchange rate are the two major market risk factors relevant to the Group. The Group is exposed to market risk through the financial instruments under the trading book and banking book. The financial instruments and positions under the trading book are held for trading purposes or for the purposes of hedging the risks arising from the trading book position, and these financial instruments can be traded without any restriction. The financial instruments under the banking book are assets and liabilities held by the Group for determinable return with relative stable market value or for the purposes of hedging the risks, which include both the Group's on-balance sheet and off-balance sheet exposure.

(i) Foreign exchange risk

Foreign exchange risk arises from the holding of foreign currency assets, liabilities and equity items, and the foreign currency and foreign currency derivative positions, which expose the Group to potential losses in the event of unfavourable foreign exchange rate movement. The financial assets and liabilities of the Group are denominated in RMB, and the other currencies are mainly in USD and HKD. The Group segregates the policy setting, execution and supervision of foreign exchange risk management, and establishes a foreign currency risk management governance structure. This structure specifies the roles, responsibilities and reporting lines of the Board of Directors, the Board of Supervisors, senior management, designated committees and relevant departments of the Bank in the management of foreign exchange risk. The Group is prudent in its foreign exchange risk appetite, and would not voluntarily take foreign exchange risk, which suits the current development stage of the Group. The current foreign exchange risk management policies and procedures of the Group meet the regulatory requirements and the requirements of the Group.

(1) Trading book

The Group has established a market risk structure and system of the trading book, which covers exchange rate risk, to quantify the exchange rate risk of the trading book to facilitate centralised management. The structure, process and method of exchange rate risk management of trading book are consistent with that of the interest rate risk of trading book.

The Group adopts quantitative indicators such as exposure indicator, market value at risk indicator (VaR, covers interest rate, foreign exchange rate, and commodity risk factors), exchange rate scenario stress test loss index, exchange rate sensitivity index, and cumulative loss index in its management of foreign exchange risk. The management methods include delegation, setting limits, daily monitoring and continuous reporting, etc.

60. Risk management *(continued)*

(b) Market risk *(continued)*

(i) Foreign exchange risk *(continued)*

(2) Banking book

The Group's foreign exchange risk under the banking book is centrally managed by the Head Office. The Asset and Liability Management Department, as the treasurer of the Bank is in charge of the banking book foreign exchange risk management. The Internal Audit Department is responsible for auditing this. The treasurer is responsible for managing the foreign exchange risk under the banking book with a prudent approach and compliance with the regulatory requirements, and through approaches such as transaction limits and adjustment of plans.

The banking book foreign exchange risk of the Group arises from the mismatch of the non-RMB financial assets and liabilities. The Group stringently monitors its foreign exchange risk exposures to control it within an acceptable range.

The Group has adopted foreign exchange exposure analysis, scenario simulation analysis and stress testing for the measurement and analysis of foreign exchange risk. The Group regularly measures and analyses the foreign exchange risk exposure fluctuations, monitors and reports foreign exchange risk on a monthly basis under the limit control framework, and adjusts the foreign exchange exposures based on the trend of foreign exchange rate movements to mitigate the foreign exchange risk on its banking book.

The Group continues to strengthen banking book exchange rate risk monitoring and authorisation management of limits to ensure that risks are controlled within a reasonable range.

(3) Assets and liabilities by original currency are shown as follows:

	2023						
	In RMB Equivalent					Main original currency	
	RMB	USD	HKD	Other	Total	USD	HKD
Assets							
Cash and balances with central banks	632,195	45,869	1,373	3,063	682,500	6,468	1,512
Amounts due from banks and other financial institutions	425,397	116,308	3,919	12,757	558,381	16,400	4,316
Loans and advances to customers	5,938,668	133,774	147,467	22,151	6,242,060	18,862	162,431
Financial investments (including derivative financial assets)	2,883,787	244,690	40,754	13,652	3,182,883	34,502	44,888
Other assets (note (i))	216,402	117,867	16,161	12,229	362,659	16,620	17,802
Total	10,096,449	658,508	209,674	63,852	11,028,483	92,852	230,949
Liabilities							
Borrowing from central banks and amounts due to banks and other financial institutions	1,132,441	117,899	5,676	9,581	1,265,597	16,624	6,252
Deposits from customers	7,562,175	384,719	154,568	53,976	8,155,438	54,247	170,253
Financial liabilities at FVTPL (including derivative financial liabilities)	52,624	8,368	206	203	61,401	1,180	227
Debt securities issued	101,849	67,474	3,366	2,075	174,764	9,514	3,708
Other liabilities (note (i))	258,062	18,858	7,103	1,531	285,554	2,658	7,824
Total	9,107,151	597,318	170,919	67,366	9,942,754	84,223	188,264
Net position	989,298	61,190	38,755	(3,514)	1,085,729	8,629	42,685
Off-balance sheet position:							
Credit commitments (note (ii))	2,689,139	83,364	25,385	20,081	2,817,969	11,755	27,961
Derivatives (nominal amounts):							
– forward purchased	418,103	431,449	34,270	34,929	918,751	60,836	37,747
– forward sold	(386,228)	(440,704)	(13,642)	(22,002)	(862,576)	(62,141)	(15,026)
– net currency option position	(76,687)	67,549	357	(4,250)	(13,031)	9,525	393
Total	(44,812)	58,294	20,985	8,677	43,144	8,220	23,114

60. Risk management *(continued)*

(b) Market risk *(continued)*

(i) Foreign exchange risk *(continued)*

(3) Assets and liabilities by original currency are shown as follows: (continued)

	2022						
	In RMB Equivalent					Main original currency	
	RMB	USD	HKD	Other	Total	USD	HKD
Assets							
Cash and balances with central banks	555,828	41,978	2,766	2,170	602,742	6,039	3,103
Amounts due from banks and other financial institutions	491,188	100,870	22,244	16,000	630,302	14,511	24,951
Loans and advances to customers	5,466,679	148,993	157,628	23,246	5,796,546	21,433	176,812
Financial investments (including derivative financial assets)	2,534,659	188,200	31,130	9,233	2,763,222	27,073	34,920
Other assets (note (i))	244,335	94,908	3,313	3,544	346,100	13,653	3,716
Total	9,292,689	574,949	217,081	54,193	10,138,912	82,709	243,502
Liabilities							
Borrowing from central banks and amounts due to banks and other financial institutions	982,369	95,258	3,961	5,507	1,087,095	13,704	4,443
Deposits from customers	6,964,197	361,242	160,496	49,807	7,535,742	51,967	180,029
Financial liabilities at FVTPL (including derivative financial liabilities)	52,044	15,280	421	35	67,780	2,197	473
Debt securities issued	162,146	58,447	790	905	222,288	8,408	886
Other liabilities (note (i))	247,669	11,239	11,944	917	271,769	1,619	13,397
Total	8,408,425	541,466	177,612	57,171	9,184,674	77,895	199,228
Net position	884,264	33,483	39,469	(2,978)	954,238	4,814	44,274
Off-balance sheet position:							
Credit commitments (note (ii))	2,456,047	82,618	21,961	14,504	2,575,130	11,885	24,634
Derivatives (nominal amounts):							
– forward purchased	280,979	288,388	26,409	20,844	616,620	41,486	29,623
– forward sold	(253,696)	(294,290)	(19,462)	(14,878)	(582,326)	(42,335)	(21,831)
– net currency option position	29,143	(32,690)	(10)	41	(3,516)	(4,703)	(11)
Total	56,426	(38,592)	6,937	6,007	30,778	(5,552)	7,781

Notes:

(i) Interest receivable and interest payable of financial instruments are included in "other assets" and "other liabilities" respectively.

(ii) Credit commitments generally expire before they are drawn down, therefore the above net position does not represent the future cash outflows.

60. Risk management *(continued)*

(b) Market risk *(continued)*

(i) Foreign exchange risk *(continued)*

(4) Sensitivity analysis

Under the existing managed floating exchange rate regime, the Group uses sensitivity analysis to measure the potential effect of changes in foreign currency exchange rates on the Group's net profit and equity. The following table sets forth the results of the Group's foreign exchange risk sensitivity analysis on the assets and liabilities of all foreign currencies involved at 31 December 2023 and 31 December 2022.

	2023		2022	
Change in foreign currency exchange rate	**Down by 1%**	**Up by 1%**	Down by 1%	Up by 1%
(Decrease)/increase in net profit	**(101)**	**101**	(64)	64
(Decrease)/increase in equity	**(334)**	**334**	(284)	284

Actual changes in the Group's net profit and equity resulting from increases or decreases in foreign exchange rates may be different from the results of this sensitivity analysis.

(ii) Interest rate risk

Interest rate risk arises from unfavourable changes in interest rates and maturity profiles which may result in loss to the income and decline in market value of financial instruments and positions held by the Group.

(1) Trading book

According to the basic principles of risk management, the Group has built and continuously improved the market risk management system, and established the management process of market risk identification, measurement, monitoring, control and reporting, covering interest rate risk, exchange rate risk, commodity and other risks involved in the trading book business. Under the market risk preference formulated by the Board of Directors, the Group manages the trading book by clearly identifying, accurately measuring and effectively managing the trading book market risk, to ensure that the trading book risk exposure is within an acceptable range and achieves a reasonable balance of risk and return. The Group constantly improves the risk-adjusted return level to maximise the shareholders' value.

The trading book market risk governance organisation structure defines the responsibilities, division of labour and reporting lines of the Board of Directors, Risk and Capital Management Committee under the Board of Directors, senior management and relevant departments of the Bank, and safeguards the achievement of management objectives. The Market Risk Management Department is responsible for the Group's trading book market risk, and undertakes the task of risk policy formulation and management.

60. Risk management *(continued)*

(b) Market risk *(continued)*

(ii) Interest rate risk *(continued)*

(1) Trading book (continued)

According to the business practices and market risk governance organisation structure, the Group establishes the trading book market risk limits management system. A top level limit is set based on the risk appetite determined by the Board of Directors, and is transmitted from top to bottom level by level. Within the scope of their authorisation, management departments at all levels allocate and set limits according to risk characteristics, product types and trading strategies, etc. The business departments carry out the business according to the authorisation and limits requirements, and the supervisory and administrative departments at all levels continuously monitor and report according to the limits management regulations.

The trading book market risk management adopts the scale index, stop loss index, sensitivity index, value at risk index, stress test index and other risk measurement indices as the limits index, and sets the limit value by comprehensively considering the risk appetite, risk tolerance, business operation strategy, risk return, management conditions and other factors.

The Group uses valuation, sensitivity analysis, value-at-risk analysis, stress test and other measurement methods to identify and quantify risk factors in the interest rate market. The Group applies the market risk measurement model in its daily risk management and takes market risk measurement as the basis for business planning, resource allocation, financial market business operation and risk management.

(2) Banking book

According to the external regulatory requirements and the internal banking book interest rate risk management policy, the Group has built and continuously improved the banking book interest rate risk management system, established the management process of interest rate risk identification, measurement, monitoring, control and reporting, and covered all on- and off-balance sheet business of the Bank. The Group clearly identifies, accurately measures and effectively manages the interest rate risk of the banking book under the interest rate risk appetite of the banking book formulated by the Board of Directors to ensure that the net interest income (NII) and the economic value of shareholders' equity (EVE) increase steadily within the acceptable range of the banking book risk.

The Group's governance and management framework specifies the responsibilities, division of labor and reporting lines of the Board of Directors, senior management, designated committees and relevant departments to ensure the effectiveness of interest rate risk management. Interest rate risk of the banking book is managed by the Asset and Liability Management Department of the Head Office. Internal Audit Department of the Head Office is responsible for independent audit.

The preference of the Group in respect of the interest rate risk in the banking book is prudent. The Group establishes a banking book interest rate risk limit management system based on the actual business and the banking book interest rate risk governance structure. The quantitative index of risk appetite set by the Board of Directors is the highest level limit, which is transmitted through the limit level from top to bottom and level by level. Within the scope of their authorisation, all levels set limits and continuously monitor and report according to risk tolerance, business operation strategy and risk management objectives. The Group formulates interest rate risk management strategies and regularly tracks and reviews them based on risk measurement and monitoring results and in combination with macroeconomic and interest rate environment. The key measures for risk management of the Group include the adjustment in business volume, duration structure and interest rate structure of on-balance sheet asset and liability business and off-balance sheet derivative to offset risk exposure.

The Group has mainly adopted scenario simulation analysis, re-pricing exposure analysis and duration analysis for the regular measurement and analysis of interest rate risk under the banking book. Stress test is a form of scenario simulation used to assess the changes in net interest income at risk and economic value of equity indicators when there is an extreme fluctuation in interest rates. The Group measures and monitors the interest rate risk of banking book through the asset-liability management system, and the main models and parameter assumptions used in the measurement process are independently verified before being adopted and are regularly reviewed and verified after being adopted. The various indicators of interest rate risk during the reporting period showed that the interest rate risk of banking book of the Bank was generally stable and stay within the set limits.

60. Risk management *(continued)*

(b) Market risk *(continued)*

(ii) Interest rate risk *(continued)*

(3) The following tables indicate the expected next repricing dates (or maturity dates whichever are earlier) for assets and liabilities at the end of the reporting period.

	2023					
	Total	3 months or less (include overdue)	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	Non-interest bearing
Assets						
Cash and balances with central banks	682,500	658,781	–	–	–	23,719
Amounts due from banks and other financial institutions	558,381	418,055	133,899	6,414	13	–
Loans and advances to customers (note (i))	6,242,060	2,497,757	3,076,798	605,016	62,489	–
Financial investments (including derivative financial assets)	3,182,883	351,796	358,289	1,104,825	1,307,233	60,740
Other assets (note (ii))	362,659	–	–	–	–	362,659
Total assets	11,028,483	3,926,389	3,568,986	1,716,255	1,369,735	447,118
Liabilities						
Borrowing from central banks and amounts due to banks and other financial institutions	1,265,597	1,013,853	231,786	19,670	288	–
Deposits from customers	8,155,438	5,450,058	1,300,112	1,373,425	28,172	3,671
Financial liabilities at FVTPL (including derivative financial liabilities)	61,401	588	–	5,321	–	55,492
Lease liabilities	12,675	1,032	2,804	7,757	1,082	–
Debt securities issued	174,764	44,549	78,880	43,959	7,376	–
Other liabilities (note (ii))	272,879	187	–	2,889	–	269,803
Total liabilities	9,942,754	6,510,267	1,613,582	1,453,021	36,918	328,966
Asset-liability gap	1,085,729	(2,583,878)	1,955,404	263,234	1,332,817	118,152

60. Risk management *(continued)*

(b) Market risk *(continued)*

(ii) Interest rate risk *(continued)*

(3) The following tables indicate the expected next repricing dates (or maturity dates whichever are earlier) for assets and liabilities at the end of the reporting period. *(continued)*

	2022					
	Total	3 months or less (include overdue)	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	Non-interest bearing
Assets						
Cash and balances with central banks	602,742	575,932	–	–	–	26,810
Amounts due from banks and other financial institutions	630,302	516,942	99,288	14,059	13	–
Loans and advances to customers (note (i))	5,796,546	2,234,889	3,028,371	473,932	59,354	–
Financial investments (including derivative financial assets)	2,763,222	217,442	356,451	975,413	1,164,031	49,885
Other assets (note (ii))	346,100	–	–	–	–	346,100
Total assets	10,138,912	3,545,205	3,484,110	1,463,404	1,223,398	422,795
Liabilities						
Borrowing from central banks and amounts due to banks and other financial institutions	1,087,095	931,481	143,285	10,501	1,828	–
Deposits from customers	7,535,742	5,528,249	860,746	1,111,583	31,365	3,799
Financial liabilities at FVTPL (including derivative financial liabilities)	67,780	–	3,006	5,231	73	59,470
Lease liabilities	13,013	1,094	3,091	7,650	1,178	–
Debt securities issued	222,288	35,587	69,617	89,565	27,519	–
Other liabilities (note (ii))	258,756	203	–	2,752	–	255,801
Total liabilities	9,184,674	6,496,614	1,079,745	1,227,282	61,963	319,070
Asset-liability gap	954,238	(2,951,409)	2,404,365	236,122	1,161,435	103,725

Notes: (i) For loans and advances to customers, the "3 months or less" category includes overdue amounts as at 31 December 2023 and 31 December 2022 net of allowances for impairment losses. Overdue amounts represent loans of which the whole or part of the principals or interests were overdue.

(ii) Interest receivable and interest payable of financial instruments are included in "other assets" and "other liabilities" respectively.

(4) Sensitivity analysis

The Group uses sensitivity analysis to measure the potential effect of changes in interest rates on the Group's net interest income and equity. The following table sets forth the results of the Group's interest rate sensitivity analysis on the assets and liabilities as at 31 December 2023 and 31 December 2022.

	2023		2022	
Change in interest rates (in basis points)	Up by 25	Down by 25	Up by 25	Down by 25
(Decrease)/increase in net interest income	**(4,118)**	**4,118**	(4,412)	4,412
(Decrease)/increase in equity	**(9,319)**	**9,477**	(8,462)	8,586

The above-mentioned interest rate sensitivity analysis shows the changes in net interest income and equity in the next 12 months under the assumption of changes in interest rates in the above table. As the actual situation and assumptions may be different, the actual changes in the Group's net interest income and equity caused by the increase or decrease in interest rates may be different from the results of this sensitivity analysis.

60. Risk management *(continued)*

(c) Liquidity risk

Liquidity risk is the risk that the Group is not able to obtain sufficient funds at a reasonable cost and in a timely manner to deal with the appreciation of asset growth, to meet its maturity obligations, or to perform other payment obligations.

According to the liquidity risk management policy, the Group segregates the policy setting, execution and supervision of liquidity risk management, and puts in place a governance framework which defines the roles, responsibilities and reporting lines of the Board of Directors, the Board of Supervisors, senior management, designated committees and relevant departments to ensure the effectiveness of the liquidity risk management. The Board of Directors takes the ultimate responsibility for liquidity risk management, ensures the Group can effectively identify, measure, monitor and control liquidity risk and is responsible for determining liquidity risk level which the Group can tolerate. The Risk and Capital Management Committee under the Board of Directors shall perform its responsibilities in liquidity risk management according to the requirements of the Board of Directors. The Board of Supervisors is responsible for the supervision and evaluation of the performance of the Board of Directors and senior management in the liquidity risk management and reports to the general meeting of shareholders. The senior management is responsible for the liquidity risk management work and develops a timely understanding of changes in liquidity risks, and reports the same to the Board of Directors. The Asset and Liability Management Committee (ALCO) exercises specific liquidity risk management functions as required by the senior management. The Assets and Liabilities Management Department of the Head Office is a day-to-day working body of ALCO and responsible for various concrete management work including formulating policies and procedures relating to liquidity risk management and conducting qualitative and quantitative analysis of liquidity risk. The Internal Audit Department of the Head Office conducts comprehensive audit on the Group's liquidity risk management.

The Group is prudent in managing its liquidity risk, which suits its current development stage. The Group's existing liquidity risk management policies and systems meet regulatory requirements and suit its own management needs.

The Group's liquidity risk management is coordinated by Head Office with branches acting in concert. The Asset and Liability Management Department acting as the treasurer of the Group is in charge of daily liquidity risk management. According to a prudent basis under regulatory requirements, the treasurer is conducting centralised liquidity management through limits management, budget control, initiative debt management as well as internal fund transfer pricing.

The Group measures, monitors and identifies liquidity risk by short-term reserves as well as medium and long-term structures. It monitors the limit indicators closely at fixed intervals.

The Group regularly conducts stress testing to assess its liquidity risk resistance under extreme circumstances. Except for the annual stress testing required by the regulatory authorities, the Group conducts monthly stress testing on the liquidity risk of local and foreign currencies. The Group sets up liquidity contingency plans and conducts liquidity contingency drills to continuously improve its capability to handle any liquidity crisis.

60. Risk management *(continued)*

(c) Liquidity risk *(continued)*

Analysis of the Group's assets and liabilities by contractual remaining maturity is as follows:

	2023								
	Repayable on demand	Within 1 month	Over 1 month to 3 months	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	Indefinite	Overdue	Total
Cash and balances with central banks (note (i))	140,809	255	223	1,863	–	–	539,350	–	682,500
Amounts due from banks and other financial institutions	64,142	301,382	51,889	133,647	7,308	13	–	–	558,381
Loans and advances to customers	38,971	583,687	497,465	1,520,502	1,843,531	1,734,232	–	23,672	6,242,060
Financial investments and derivative financial assets (note (ii))	2,756	182,087	149,778	360,604	1,158,573	1,298,096	28,673	2,316	3,182,883
– Financial investments at FVTPL (including derivative financial assets)	2,756	138,053	59,690	140,317	159,012	36,026	9,024	–	544,878
– Debt investments at amortised cost	–	29,336	41,940	96,841	554,608	1,003,589	–	2,306	1,728,620
– Debt investments at FVTOCI	–	14,698	48,148	123,446	444,953	258,481	–	10	889,736
– Equity investments designated at FVTOCI	–	–	–	–	–	–	19,649	–	19,649
Other assets (note (iii))	33,120	11,473	15,382	21,518	15,266	5,155	256,260	4,485	362,659
Total assets	279,798	1,078,884	714,737	2,038,134	3,024,678	3,037,496	824,283	30,473	11,028,483
Borrowing from central banks and amounts due to banks and other financial institutions	449,682	366,937	157,079	243,626	41,428	6,845	–	–	1,265,597
Deposits from customers	4,474,297	432,094	542,828	1,301,368	1,375,860	28,991	–	–	8,155,438
Financial liabilities at FVTPL (including derivative financial liabilities)	8,577	7,753	4,731	8,601	12,077	19,662	–	–	61,401
Lease liabilities	–	454	578	2,804	7,757	1,082	–	–	12,675
Debt securities issued	–	9,901	25,288	82,023	50,176	7,376	–	–	174,764
Other liabilities (note (iii))	145,327	31,190	18,236	45,907	31,803	416	–	–	272,879
Total liabilities	5,077,883	848,329	748,740	1,684,329	1,519,101	64,372	–	–	9,942,754
(Short)/long position	(4,798,085)	230,555	(34,003)	353,805	1,505,577	2,973,124	824,283	30,473	1,085,729

60. Risk management *(continued)*

(c) Liquidity risk *(continued)*

	2022								
	Repayable on demand	Within 1 month	Over 1 month to 3 months	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	Indefinite	Overdue	Total
Cash and balances with central banks (note (i))	66,055	–	–	1,201	–	–	535,486	–	602,742
Amounts due from banks and other financial institutions	62,456	368,901	84,572	99,288	15,072	13	–	–	630,302
Loans and advances to customers	26,008	499,842	399,192	1,514,348	1,626,514	1,706,378	–	24,264	5,796,546
Financial investments and derivative financial assets (note (ii))	4,213	99,154	105,394	372,002	995,867	1,166,665	19,139	788	2,763,222
– Financial investments at FVTPL (including derivative financial assets)	4,213	79,576	42,022	99,531	158,992	52,081	5,723	–	442,138
– Debt investments at amortised cost	–	13,554	35,043	133,748	449,002	904,281	–	769	1,536,397
– Debt investments at FVTOCI	–	6,024	28,329	138,723	387,873	210,303	–	19	771,271
– Equity investments designated at FVTOCI	–	–	–	–	–	–	13,416	–	13,416
Other assets (note (iii))	36,461	10,932	15,526	18,475	15,859	5,798	238,895	4,154	346,100
Total assets	195,193	978,829	604,684	2,005,314	2,653,312	2,878,854	793,520	29,206	10,138,912
Borrowing from central banks and amounts due to banks and other financial institutions	515,446	269,349	125,671	149,389	20,817	6,423	–	–	1,087,095
Deposits from customers	4,746,035	384,557	393,284	861,631	1,115,153	35,082	–	–	7,535,742
Financial liabilities at FVTPL (including derivative financial liabilities)	12,950	7,416	4,271	11,555	11,457	20,131	–	–	67,780
Lease liabilities	–	503	591	3,091	7,650	1,178	–	–	13,013
Debt securities issued	–	3,939	27,886	73,379	89,565	27,519	–	–	222,288
Other liabilities (note (iii))	159,820	26,774	19,358	23,694	28,868	242	–	–	258,756
Total liabilities	5,434,251	692,538	571,061	1,122,739	1,273,510	90,575	–	–	9,184,674
(Short)/long position	(5,239,058)	286,291	33,623	882,575	1,379,802	2,788,279	793,520	29,206	954,238

Notes:

(i) For cash and balances with central banks, the amounts with indefinite maturities represent statutory deposit reserve and fiscal deposit balances.

(ii) For financial investments at FVTPL included in financial investments, their maturity dates do not represent the Group's intention to hold them to maturity.

(iii) Interest receivable and interest payable of financial instruments are included in "other assets" and "other liabilities" respectively.

60. Risk management *(continued)*

(c) Liquidity risk *(continued)*

The following table provides an analysis of the contractual undiscounted cash flow of the non-derivative financial assets, non-derivative financial liabilities, and loan commitments of the Group as at the end of the reporting period. The Group's actual cash flows on these instruments may vary significantly from this analysis.

	2023									
	Carrying amount	Total	Repayable on demand	Within 1 month	Over 1 month to 3 months	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	Indefinite	Overdue
Non-derivative financial assets										
Cash and balances with central banks	682,500	682,500	140,809	255	223	1,863	–	–	539,350	–
Amounts due from banks and other financial institutions	558,381	562,870	64,150	301,674	52,393	136,751	7,889	13	–	–
Loans and advances to customers	6,242,060	7,530,562	38,971	602,390	539,585	1,708,061	2,267,026	2,350,857	–	23,672
Financial investments	3,164,150	3,758,609	2,676	184,830	159,063	408,936	1,373,493	1,598,622	28,673	2,316
– Financial investments at FVTPL	526,145	530,575	2,676	134,391	56,151	134,875	156,588	36,870	9,024	–
– Debt investments at amortised cost	1,728,620	2,155,149	–	33,629	50,472	133,924	712,112	1,222,706	–	2,306
– Debt investments at FVTOCI	889,736	1,053,236	–	16,810	52,440	140,137	504,793	339,046	–	10
– Equity investments designated at FVTOCI	19,649	19,649	–	–	–	–	–	–	19,649	–
Other assets	90,873	90,873	31,314	11,445	15,314	20,884	1,975	427	5,029	4,485
Total	10,737,964	12,625,414	277,920	1,100,594	766,578	2,276,495	3,650,383	3,949,919	573,052	30,473

	2023									
	Carrying amount	Total	Repayable on demand	Within 1 month	Over 1 month to 3 months	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	Indefinite	Overdue
Non-derivative financial liabilities and lease liabilities										
Borrowing from central banks and amounts due to banks and other financial institutions	1,265,597	1,300,017	449,843	375,736	168,105	251,248	47,192	7,893	–	–
Deposits from customers	8,155,438	8,434,777	4,559,684	434,432	554,142	1,360,396	1,496,187	29,936	–	–
Financial liabilities at FVTPL	43,958	44,074	8,566	4,696	1,053	2,996	7,146	19,617	–	–
Lease liabilities	12,675	13,664	–	457	586	2,880	8,461	1,280	–	–
Debt securities issued	174,764	182,443	–	10,401	26,108	84,324	53,672	7,938	–	–
Other liabilities	175,135	175,135	50,536	30,287	18,080	44,377	31,439	416	–	–
Total	9,827,567	10,150,110	5,068,629	856,009	768,074	1,746,221	1,644,097	67,080	–	–
Gross loan commitments	–	1,689,252	1,689,252	–	–	–	–	–	–	–

60. Risk management *(continued)*

(c) Liquidity risk *(continued)*

	2022									
	Carrying amount	Total	Repayable on demand	Within 1 month	Over 1 month to 3 months	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	Indefinite	Overdue
Non-derivative financial assets										
Cash and balances with central banks	602,742	602,742	66,055	–	–	1,201	–	–	535,486	–
Amounts due from banks and other financial institutions	630,302	631,756	62,467	369,164	85,088	99,900	15,124	13	–	–
Loans and advances to customers	5,796,546	7,132,934	26,024	516,746	433,106	1,694,961	2,071,922	2,365,750	–	24,425
Financial investments	2,744,551	3,251,681	4,102	101,509	112,634	415,839	1,184,020	1,413,650	19,139	788
– Financial investments at FVTPL	423,467	439,231	4,102	76,314	38,048	96,166	161,826	57,052	5,723	–
– Debt investments at amortised cost	1,536,397	1,919,576	–	17,387	42,650	166,559	588,262	1,103,949	–	769
– Debt investments at FVTOCI	771,271	879,458	–	7,808	31,936	153,114	433,932	252,649	–	19
– Equity investments designated at FVTOCI	13,416	13,416	–	–	–	–	–	–	13,416	–
Other assets	88,792	88,792	35,078	10,381	15,434	17,310	1,534	605	4,296	4,154
Total	9,862,933	11,707,905	193,726	997,800	646,262	2,229,211	3,272,600	3,780,018	558,921	29,367

	2022									
	Carrying amount	Total	Repayable on demand	Within 1 month	Over 1 month to 3 months	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	Indefinite	Overdue
Non-derivative financial liabilities and lease liabilities										
Borrowing from central banks and amounts due to banks and other financial institutions	1,087,095	1,098,720	515,448	270,368	127,266	152,122	26,391	7,125	–	–
Deposits from customers	7,535,742	7,794,971	4,847,726	389,687	403,223	894,832	1,223,242	36,261	–	–
Financial liabilities at FVTPL	49,144	49,336	12,085	4,390	227	4,626	7,988	20,020	–	–
Lease liabilities	13,013	14,292	–	505	599	3,328	8,386	1,474	–	–
Debt securities issued	222,288	235,656	–	4,480	28,783	76,447	96,703	29,243	–	–
Other liabilities	162,436	162,436	62,796	27,724	11,623	28,897	31,154	242	–	–
Total	9,069,718	9,355,411	5,438,055	697,154	571,721	1,160,252	1,393,864	94,365	–	–
Gross loan commitments	–	1,573,991	1,573,991	–	–	–	–	–	–	–

Note: Interest receivable and interest payable of financial instruments are included in "other assets" and "other liabilities" respectively.

60. Risk management *(continued)*

(d) Operational risk

Operational risk arises from the loss due to deficiency in internal procedures, staffing or IT structure, as well as external events which have effect on operation, including legal risk but not strategy risk and reputation risk.

During the reporting period, through stepping up the identification, evaluation and monitoring of operational risk in key areas, and by focusing on process, policy, employee system, and existing problems of critical control segments, the Group further improves the risk management method, appraisal and assessment mechanism, and strengthens economic capital allocation mechanism with the goal of enhancing the ability and effectiveness of operational risk's management of the Group. All major indexes meet the requirements of the Group's risk preference.

In view of the challenges from internal and external operations and management, the Group will, based on its risk appetite, continue to upgrade its risk management capabilities and strengthen operational risk monitoring and controls, in order to prevent and reduce operational risk losses.

(e) Capital management

The objectives of the Group's capital management are to:

– Keep capital adequacy ratios at reasonable levels, satisfy capital-specific regulatory provisions and policy requirements on an ongoing basis, and maintain a solid capital base in support of its business expansion, social responsibility and strategic planning implementation to achieve a comprehensive, coordinated and sustainable growth;

– Comply with capital regulatory requirements, perform procedures to assess internal capital adequacy, openly disclose information related to capital management, fully cover all risks and ensure safe operation of the entire group;

– Put in place an economic capital-centred banking value management system by fully applying various risk-specific quantitative deliverables, enhance decision-making processes and management application regimes, strengthen capital restraint and capital incentive mechanisms, reinforce capabilities to facilitate customer pricing and decision-making, and increase capital deployment efficiency;

– Reasonably use all kinds of capital instruments, continue to upgrade capital strengths, improve capital structures, raise capital quality, lower capital costs, and create the best returns for shareholders.

The Group manages its capital structure and adjusts it based on the economic condition and the risk characteristics of its operations. To maintain or adjust its capital structure, the Group may modify its profit distribution policy, issue or repurchase shares, additional tier-1 capital instruments, eligible tier-2 capital instruments, and convertible debentures. The Group's management regularly monitors capital adequacy ratio under the approaches stipulated by regulators. The Group and the Bank submit required information to the NAFR every quarter.

60. Risk management *(continued)*

(e) Capital management *(continued)*

The Group's capital adequacy ratio calculation covers the Bank and its subsidiaries. The Bank's capital adequacy ratio calculation covers all branches of the Bank. As at 31 December 2023, the Group's subsidiaries that were within the capital adequacy ratio calculation included: CMB WLB, CMBIC, CMBFL, CMFM, CMBWM, CIGNA & CMAM and CMB Europe S.A.

Since 1 January 2013, the Group has calculated its capital adequacy ratio in accordance with the former CBIRC's Administrative Measures on the Capital of Commercial Banks (Provisional) and other relevant regulations. On 18 April 2014, former CBIRC approved the Bank to adopt the Advanced Measurement Approach. Within the approved scope, the Bank could calculate corporation and financial institutions risk exposure using the Foundation Internal Ratings-Based Approach, retail risk exposure using the Advanced Internal Ratings-Based Approach, market risk using the Internal Model-Based Approach, and operational risk using the Standardised Measurement Approach. At the same time, former CBIRC implemented a transition period for commercial banks that were approved to adopt the Advanced Measurement Approach. During the transition period, commercial banks should use both the Advanced Measurement Approach and other approaches to calculate capital adequacy ratios, and comply with the capital floor requirements.

The Group's capital management focuses on the capital adequacy ratio management. The capital adequacy ratio reflects the Group's capability of sound operations and risk resistance. The Group's capital adequacy ratio management's objective is to carefully determine capital adequacy ratio, as legally required by regulators, according to actual risk profiles and with reference to capital adequacy ratio levels of globally leading market peers and the Group's operating conditions.

The Group adopts the scenario simulation and stress testing methods to forecast, plan and manage its capital adequacy ratio with considerations of factors such as strategic development planning, business expansion status, and risk movement trends.

(f) Use of derivatives

Derivatives include forwards, swaps and option transactions undertaken by the Group in the foreign exchange and interest rate markets.

The Group enters into interest rate, foreign currency and other financial derivative transactions for treasury business and its assets and liabilities management purpose. The Group's derivatives can be divided into financial instruments that are held for fair value hedge and cash flow hedging purpose and that are at fair value through profit or loss.

The Group formulates appropriate hedging strategies and uses proper tools in light of the risk profile of interest rates or foreign exchange rates associated with its assets and liabilities, as well as its analysis and judgement regarding future movements of interest rates or foreign exchange rates.

The Group is exposed to foreign exchange risk when assets or liabilities are denominated in foreign currencies. Such risk can be offset through the use of foreign exchange forwards or foreign exchange options.

60. Risk management *(continued)*

(f) Use of derivatives *(continued)*

In cash flow hedges, the Group uses interest rate swaps as hedging instruments to hedge the interest rate risks arising from RMB loans and interbank assets or liabilities. In fair value hedge, the Group uses interest rate swaps as hedging instruments to hedge the interest rate risks arising from bond investments measured at fair value through other comprehensive income.

The following tables provide an analysis of the notional amounts and the corresponding fair values of derivatives of the Group by remaining maturities at the end of the reporting period. The notional amounts of the derivatives indicate the transaction volume that has not been delivered at the end of the reporting period, and do not represent the amounts at risk.

	2023						
	Notional amounts with remaining life					Fair value	
	Within 3 months	Between 3 months and 1 year	Between 1 year and 5 years	Over 5 years	Total	Assets	Liabilities
Derivatives at fair value through profit or loss							
Interest rate derivatives	323,413	805,040	676,727	1,791	1,806,971	5,328	(5,314)
Interest rate swaps	323,239	805,030	676,727	1,791	1,806,787	5,327	(5,314)
Bond futures	174	–	–	–	174	1	–
Interest rate options	–	10	–	–	10	–	–
Currency derivatives	664,819	717,287	39,675	1,199	1,422,980	11,692	(10,372)
Forwards	35,148	17,293	257	1,199	53,897	375	(480)
Foreign exchange swaps	426,525	394,675	30,310	–	851,510	8,853	(7,824)
Futures	1,949	3,503	–	–	5,452	–	–
Options	201,197	301,816	9,108	–	512,121	2,464	(2,068)
Other derivatives	135,119	1,553	52	35	136,759	1,485	(1,300)
Equity options purchased	63,675	293	–	35	64,003	1,110	–
Equity options written	63,675	293	–	–	63,968	–	(876)
Commodity trading swaps	7,769	327	52	–	8,148	375	(354)
Credit default swaps	–	640	–	–	640	–	(70)
Fair value hedge derivatives							
Interest rate derivatives	–	–	513	2,838	3,351	–	(123)
Interest rate swaps	–	–	513	2,838	3,351	–	(123)
Currency derivatives	–	753	7,529	–	8,282	123	(295)
Foreign exchange swaps	–	753	7,529	–	8,282	123	(295)
Cash flow hedge derivatives							
Interest rate derivatives	1,752	3,685	2,890	369	8,696	105	(38)
Interest rate swaps	1,752	3,685	2,890	369	8,696	105	(38)
Derivatives managed in conjunction with financial instruments designated at FVTPL							
Interest rate derivatives	213	–	–	–	213	–	(1)
Interest rate swaps	213	–	–	–	213	–	(1)
Total	1,125,316	1,528,318	727,386	6,232	3,387,252	18,733	(17,443)

60. Risk management *(continued)*

(f) Use of derivatives *(continued)*

	2022						
	Notional amounts with remaining life					Fair value	
	Within 3 months	Between 3 months and 1 year	Between 1 year and 5 years	Over 5 years	Total	Assets	Liabilities
Derivatives at fair value through profit or loss							
Interest rate derivatives	60,013	734,650	735,046	4,720	1,534,429	6,246	(6,062)
Interest rate swaps	60,013	734,241	735,046	4,720	1,534,020	6,246	(6,062)
Bond futures	–	409	–	–	409	–	–
Currency derivatives	513,568	329,319	27,320	1,198	871,405	11,348	(11,449)
Forwards	21,443	4,812	645	1,198	28,098	487	(328)
Foreign exchange swaps	347,432	226,332	17,724	–	591,488	9,263	(7,304)
Futures	1,043	81	–	–	1,124	–	–
Options	143,650	98,094	8,951	–	250,695	1,598	(3,817)
Other derivatives	91,064	520	640	34	92,258	867	(856)
Equity options purchased	42,889	57	–	34	42,980	554	–
Equity options written	42,909	57	–	–	42,966	–	(472)
Commodity trading swaps	5,266	406	–	–	5,672	313	(330)
Credit default swaps	–	–	640	–	640	–	(54)
Fair value hedge derivatives							
Currency derivatives	–	1,316	781	–	2,097	28	(153)
Foreign exchange swaps	–	1,316	781	–	2,097	28	(153)
Cash flow hedge derivatives							
Interest rate derivatives	2,393	100	1,804	709	5,006	182	–
Interest rate swaps	2,373	100	1,804	709	4,986	182	–
Interest rate options	20	–	–	–	20	–	–
Derivatives managed in conjunction with financial instruments designated at FVTPL							
Interest rate derivatives	–	3,085	717	–	3,802	–	(47)
Interest rate swaps	–	3,085	717	–	3,802	–	(47)
Currency derivatives	–	–	728	–	728	–	(69)
Foreign exchange swaps	–	–	728	–	728	–	(69)
Total	667,038	1,068,990	767,036	6,661	2,509,725	18,671	(18,636)

There was no ineffective portion of cash flow hedges during the years ended 31 December 2023 and 2022.

60. Risk management *(continued)*

(f) Use of derivatives *(continued)*

The credit risk weighted amounts in respect of these derivatives are as follows:

	2023	2022
Default risk weighted assets of counterparties	**2,586**	1,500
Interest rate derivatives	**88**	137
Currency derivatives	**2,375**	1,242
Other derivatives	**123**	121
Credit valuation adjustment risk weighted assets	**2,410**	2,187
Total	**4,996**	3,687

The Group has calculated the exposure of derivatives according to the Notice of the Measures on Default Risk Weighted Assets of Counterparties in Respect of Derivatives and the related requirements issued by the former CBIRC. These amounts have taken the effects of bilateral netting arrangements into account. The risk weighted amounts in respect of derivatives are calculated in accordance with the Administrative Measures on Capital of Commercial Banks (Provisional). The amounts within the scope approved by the former CBIRC in April 2014 are calculated using the Internal Ratings-Based Approach, and the Weighted Approach is adopted to calculate those amounts that are not eligible for the Internal Ratings-Based approach.

(g) Fair value information

(i) Methods of determining fair value of financial instruments

Several of the Group's accounting policies and disclosure requirements stipulate the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group has established a control framework to govern the measurement of fair values. This includes a valuation team that takes the responsibility for overseeing all significant fair value measurements including the three levels of fair values.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to determine fair value, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that such valuation meets the requirements of IFRSs, including the classification of levels in the fair value hierarchy.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in the fair value hierarchy based on the inputs used in the valuation techniques.

The level in which fair value measurement is categorised is determined by the level of the fair value hierarchy of the lowest level of input that is significant to the entire fair value measurement. The levels are defined as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly;
- Level 3 inputs are unobservable inputs for the asset or liability.

The Group recognises transfers among levels of the fair value hierarchy at the end of the reporting period during which the transfer takes place.

The Group's assets and liabilities measured at fair value are measured on a recurring basis. The Group does not have assets nor liabilities measured at fair value on a non-recurring basis.

60. Risk management *(continued)*

(g) Fair value information *(continued)*

(ii) Assets and liabilities held at the end of reporting period that are measured at fair value on a recurring basis

The following tables present the fair value information and the fair value hierarchy, at the end of the reporting period, of the Group's assets and liabilities which are measured at fair value on a recurring basis at each reporting date:

	2023			
	Level 1	Level 2	Level 3	Total
Assets				
Financial investments measured at FVTPL	18,311	490,795	4,160	513,266
– Debt securities	14,923	246,526	359	261,808
– Long position in precious metal contracts	1,604	–	–	1,604
– Equity investments	1,752	341	2,392	4,485
– Fund investments	32	241,091	1,181	242,304
– Wealth management products	–	2,729	–	2,729
– Other	–	108	228	336
Financial investments designated at FVTPL	756	12,123	–	12,879
– Debt securities	756	12,123	–	12,879
Derivative financial assets	–	18,733	–	18,733
Loans and advances to customers at FVTPL	–	66,701	3,729	70,430
Debt investments at FVTOCI	140,869	758,233	–	899,102
Loans and advances to customers at FVTOCI	–	404,417	120,762	525,179
Equity investments designated at FVTOCI	10,006	2,305	7,338	19,649
Total	169,942	1,753,307	135,989	2,059,238
Liabilities				
Financial liabilities held for trading	15,748	380	–	16,128
– Financial liabilities related to precious metal	15,748	–	–	15,748
– Short position on bonds	–	380	–	380
Financial liabilities designated at FVTPL	5,179	20,826	1,825	27,830
– Certificates of deposit issued	–	212	–	212
– Debt securities issued	5,179	–	–	5,179
– Other	–	20,614	1,825	22,439
Derivative financial liabilities	–	17,443	–	17,443
Total	20,927	38,649	1,825	61,401

60. Risk management *(continued)*

(g) Fair value information *(continued)*

(ii) Assets and liabilities held at the end of reporting period that are measured at fair value on a recurring basis *(continued)*

The following tables present the fair value information and the fair value hierarchy, at the end of the reporting period, of the Group's assets and liabilities which are measured at fair value on a recurring basis at each reporting date: (continued)

	2022			
	Level 1	Level 2	Level 3	Total
Assets				
Financial investments measured at FVTPL	16,175	390,702	4,714	411,591
– Debt securities	15,497	187,349	359	203,205
– Long position in precious metal contracts	108	–	–	108
– Equity investments	494	392	3,493	4,379
– Fund investments	76	199,665	798	200,539
– Wealth management products	–	2,543	–	2,543
– Other	–	753	64	817
Financial investments designated at FVTPL	948	10,928	–	11,876
– Debt securities	948	10,928	–	11,876
Derivative financial assets	–	18,671	–	18,671
Loans and advances to customers at FVTPL	–	3	4,991	4,994
Debt investments at FVTOCI	136,831	643,518	–	780,349
Loans and advances to customers at FVTOCI	–	514,051	100,430	614,481
Equity investments designated at FVTOCI	3,164	2,862	7,390	13,416
Total	157,118	1,580,735	117,525	1,855,378
Liabilities				
Financial liabilities held for trading	17,917	330	–	18,247
– Financial liabilities related to precious metal	17,634	–	–	17,634
– Short position on bonds	283	330	–	613
Financial liabilities designated at FVTPL	7,709	20,541	2,647	30,897
– Certificates of deposit issued	–	383	–	383
– Debt securities issued	7,709	–	–	7,709
– Other	–	20,158	2,647	22,805
Derivative financial liabilities	–	18,636	–	18,636
Total	25,626	39,507	2,647	67,780

During the years ended 31 December 2023 and 2022, there were no significant transfers of financial instruments between Level 1 and Level 2 of the fair value hierarchy.

60. Risk management *(continued)*

(g) Fair value information *(continued)*

(ii) Assets and liabilities held at the end of reporting period that are measured at fair value on a recurring basis *(continued)*

(1) Basis of determining the market prices for recurring fair value measurements categorised as Level 1

Bloomberg etc. are used for financial instruments with quoted prices in an active market.

(2) Valuation techniques used and the qualitative information of key parameters for recurring fair value measurement categorised as Level 2

Fair value of RMB denominated bonds whose value is available on China Bond website on the valuation date is measured using the latest available valuation results.

Fair value of foreign currency bonds without quoted prices in an active market is measured by using the comprehensive valuations provided by Bloomberg, etc.

Fair value of foreign exchange forwards contracts in derivative financial instruments is measured by discounting the differences between the contract prices and market future prices of the foreign exchange forwards contracts. The discount rates used are the applicable RMB denominated swap yield curve as at the end of the reporting period.

Fair value of option contracts such as foreign exchange options, commodity options and equity options are measured by using the Black-Scholes model, based on market data such as risk-free interest rate, underlying market prices and price volatility of foreign exchange, commodities, and equity contract. The above market data used are quoted price in an active market, provided by Bloomberg, Refinitiv, Wind and other market information providers.

Fair value of interest rate swaps, foreign exchange swaps, and non-option commodity contracts in derivative financial instruments is measured by discounting the expected receivable or payable amounts under the assumption that these swaps had been terminated at the end of the reporting period. The discount rates used are the related currency denominated swap yield curve as at the end of reporting period.

Observable quoted price in market is used as the basis of determining the value of equity investments measured at FVTPL, investment funds and wealth management products.

The fair value of discounted bills at FVTOCI and at FVTPL in the Chinese mainland is measured based on the rate of rediscounted bills announced by the Shanghai Commercial Paper Exchange Corporation Ltd. The Group uses 10-day average discount rate as the basis for calculating the value of discounted bills; or is measured by discounted cash flow approach. The discount rates used are determined by factors such as credit rating of the loan customer provided by S&P, Moody's or Fitch, customer industry, term to maturity of the loan, loan currency and the issuer credit spread.

The fair value of equity investments designated at FVTOCI is measured by using the comprehensive valuations on Bloomberg or discounted cash flow approach using the relevant yield curve of China Bond at the end of the reporting period.

The fair value of certificates of deposit issued is measured by using the comprehensive valuations on Bloomberg.

The fair value of "Other" under financial investments measured at FVTPL is measured based on the net asset values.

The fair value of other financial liabilities designated at FVTPL is measured based on the net asset values of the funds, determined with reference to observable (quoted) prices of underlying investment portfolio and adjustments of related expenses.

60. Risk management *(continued)*

(g) Fair value information *(continued)*

(ii) Assets and liabilities held at the end of reporting period that are measured at fair value on a recurring basis *(continued)*

(3) Valuation techniques used and the qualitative information of key parameters for recurring fair value measurements categorised as Level 3:

	Fair value as at 31 December 2023	Valuation techniques	Unobservable inputs
Equity investments designated at FVTOCI	2,742	Market approach	Liquidity discount
Equity investments designated at FVTOCI	71	Discounted cash flow approach	Risk-adjusted discount rate, cash flow
Equity investments designated at FVTOCI	4,525	Net asset value approach	Net assets, liquidity discount
Loans and advances to customers at FVTPL	3,729	Discounted cash flow approach	Risk-adjusted discount rate
Loans and advances to customers at FVTOCI	120,762	Discounted cash flow approach	Risk-adjusted discount rate
Financial investments measured at FVTPL			
– Equity investments	1,520	Market approach	Liquidity discount
– Equity investments	642	Discounted cash flow approach	Risk-adjusted discount rate, cash flow
– Equity investments	230	Net asset value approach	Net assets, liquidity discount
– Debt securities	359	Discounted cash flow approach	Risk-adjusted discount rate
– Fund investments	1,180	Net fund value approach	Net assets
– Fund investments	1	Market approach	Liquidity discount
– Other	184	Discounted cash flow approach	Risk-adjusted discount rate, cash flow
– Other	44	Net fund value approach	Net assets
Financial liabilities designated at FVTPL	1,825	Net fund value approach	Net assets, liquidity discount

60. Risk management *(continued)*

(g) Fair value information *(continued)*

(ii) Assets and liabilities held at the end of reporting period that are measured at fair value on a recurring basis *(continued)*

(3) Valuation techniques used and the qualitative information of key parameters for recurring fair value measurements categorised as Level 3: *(continued)*

	Fair value as at 31 December 2022	Valuation techniques	Unobservable inputs
Equity investments designated at FVTOCI	2,725	Market approach	Liquidity discount
Equity investments designated at FVTOCI	101	Discounted cash flow approach	Risk-adjusted discount rate, cash flow
Equity investments designated at FVTOCI	4,564	Net asset value approach	Net assets, liquidity discount
Loans and advances to customers at FVTPL	4,991	Discounted cash flow approach	Risk-adjusted discount rate
Loans and advances to customers at FVTOCI	100,430	Discounted cash flow approach	Risk-adjusted discount rate
Financial investments measured at FVTPL			
– Equity investments	2,950	Market approach	Liquidity discount
– Equity investments	528	Discounted cash flow approach	Risk-adjusted discount rate, cash flow
– Equity investments	15	Net asset value approach	Net assets, liquidity discount
– Debt securities	359	Discounted cash flow approach	Risk-adjusted discount rate
– Fund investments	797	Net fund value approach	Net assets
– Fund investments	1	Market approach	Liquidity discount
– Other	64	Net fund value approach	Net assets
Financial liabilities designated at FVTPL	2,647	Net fund value approach	Net assets, liquidity discount

60. Risk management *(continued)*

(g) Fair value information *(continued)*

(ii) Assets and liabilities held at the end of reporting period that are measured at fair value on a recurring basis *(continued)*

(3) Valuation techniques used and the qualitative information of key parameters for recurring fair value measurements categorised as Level 3: (continued)

Valuation of financial instruments with significant unobservable inputs

The following tables show the movements from the beginning balances to the ending balances for Level 3 financial instruments:

Assets	Financial investments at FVTPL	Loans and advances to customers at FVTPL	Loans and advances to customers at FVTOCI	Equity investments designated at FVTOCI	Total
At 1 January 2023	4,714	4,991	100,430	7,390	117,525
Profit or loss					
– In profit or loss	(14)	117	(103)	–	–
– In other comprehensive income	–	–	(145)	(131)	(276)
Addition for the year	553	70	325,509	77	326,209
Disposals or settlement on maturity	(596)	(1,451)	(304,929)	(1)	(306,977)
Transfer out of level 3	(560)	–	–	–	(560)
Exchange difference	63	2	–	3	68
At 31 December 2023	4,160	3,729	120,762	7,338	135,989
Total unrealised gains and losses included in the consolidated statement of profit or loss for assets held at the end of the reporting period	(98)	14	–	–	(84)

Assets	Financial investments at FVTPL	Loans and advances to customers at FVTPL	Loans and advances to customers at FVTOCI	Equity investments designated at FVTOCI	Total
At 1 January 2022	4,879	7,281	56,713	4,726	73,599
Profit or loss					
– In profit or loss	(14)	(366)	744	–	364
– In other comprehensive income	–	–	(107)	51	(56)
Addition for the year	1,041	85	196,298	2,527	199,951
Disposals or settlement on maturity	(1,147)	(2,036)	(153,218)	(129)	(156,530)
Transfer out of level 3	(145)	–	–	–	(145)
Exchange difference	100	27	–	215	342
At 31 December 2022	4,714	4,991	100,430	7,390	117,525
Total unrealised gains and losses included in the consolidated statement of profit or loss for assets held at the end of the reporting period	(49)	(191)	–	–	(240)

60. Risk management *(continued)*

(g) Fair value information *(continued)*

(ii) Assets and liabilities held at the end of reporting period that are measured at fair value on a recurring basis *(continued)*

(3) Valuation techniques used and the qualitative information of key parameters for recurring fair value measurements categorised as Level 3: (continued)

Valuation of financial instruments with significant unobservable inputs (continued)

Financial liabilities at fair value through profit or loss	2023	2022
Balance as at 1 January	**2,647**	8,147
In loss	**(122)**	(142)
Addition for the year	**–**	96
Disposals and settlement on maturity	**(739)**	(5,695)
Exchange difference	**39**	241
Balance as at 31 December	**1,825**	2,647
Total unrealised gains and losses included in the consolidated statement of profit or loss for liabilities held at the end of the reporting period	**(122)**	148

During the years ended 31 December 2023 and 2022, there were no significant transfers among different levels for financial instruments which are measured at fair value on a recurring basis.

During the years ended 31 December 2023 and 2022, the Group did not change the valuation techniques for the financial assets and liabilities disclosed above which are measured at fair value on a recurring basis.

60. Risk management *(continued)*

(g) Fair value information *(continued)*

(iii) Financial assets and financial liabilities that are not measured at fair value

(1) Financial Assets

The Group's financial assets that are not measured at fair value mainly include balances with central banks, balances and placements with banks and other financial institutions, amounts held under resale agreements, loans and advances to customers at amortised cost and investments at amortised cost.

Except for loans and advances measured at amortised cost and debt instrument investments measured at amortised cost, most of the financial assets not measured at fair value mature within 1 year, and their carrying values approximate their fair values.

Loans and advances are stated at amortised costs less allowances for impairment loss (Note 22). Loans and advances at amortised cost are mostly priced at floating rates with reference to Loan Prime Rates (LPRs) and repriced at least annually, and impairment allowances are made to reduce the carrying amounts of impaired loans to estimated recoverable amounts. Accordingly, the carrying value of loans and advances is close to their fair value.

Debt investments measured at amortised cost are carried at amortised cost less allowances for impairment losses. The fair value of the listed bonds is disclosed in Note 23(b).

The carrying value, fair value and fair value hierarchy of debt investments at amortised cost not measured at fair value are listed as below:

The Level 1 fair value measurement is based on unadjusted quoted prices in active markets using Bloomberg etc. For Level 2, the latest valuation results released by China Bond website are used to measure fair value of bonds denominated in RMB. The Level 2 category also includes foreign currency bonds without active quoted price, which are measured using the published comprehensive valuation by Bloomberg. The Level 3 fair value is measured using discounted cash flow valuation technique.

	2023					2022				
	Carrying amount	Fair value	Level 1	Level 2	Level 3	Carrying amount	Fair value	Level 1	Level 2	Level 3
Debt investments at amortised cost	**1,728,620**	**1,791,963**	**61,918**	**1,659,705**	**70,340**	1,536,397	1,569,775	41,700	1,434,070	94,005

Note: The above financial assets do not include interest receivable.

(2) Financial Liabilities

Financial liabilities that are not measured at fair value mainly include deposits from customers, amounts due to banks and other financial institutions, amounts sold under repurchase agreements, and debts securities issued by the Group. The carrying value of financial liabilities approximate their fair value at the end of the reporting period, except for the financial liabilities set out below:

	2023					2022				
	Carrying amount	Fair value	Level 1	Level 2	Level 3	Carrying amount	Fair value	Level 1	Level 2	Level 3
Subordinated bonds issued	**–**	**–**	**–**	**–**	**–**	19,994	20,292	–	20,292	–
Debt securities issued	**119,193**	**118,924**	**–**	**118,924**	**–**	120,971	118,416	–	118,416	–
Total	**119,193**	**118,924**	**–**	**118,924**	**–**	140,965	138,708	–	138,708	–

Note: The above financial liabilities do not include interest payable.

61. Material related party transactions

(a) Material connected person information

Details of the Bank's major shareholders and their parent companies are as follows:

Company name	Registered location	Issued and fully paid capital	No.of shares of the Bank held by the Company	Proportion of the Bank held by the Company	Proportion of the Company held by the Bank	Business	Relationship with the Bank	Legal form	Legal representative
China Merchants Group (CMG)	Beijing	RMB16,900 million	7,559,427,375	29.97% (note (i)(vii))	–	Transportation, shipping agency, warehousing and storage, leasing, manufacturing building and facility, repair and contracting, sales operating management service, etc.	The largest shareholder's parent company	Limited liability	Miao Jianmin
– China Merchants Steam Navigation Co., Ltd. (CMSN)	Beijing	RMB17,000 million	3,289,470,337	13.04% (note (ii))	–	Transportation, building and repair, procurement, supply chain management and distribution, shipping agency services, etc.	The largest shareholder	Limited liability	Miao Jianmin
– Shenzhen Yan Qing Investment and Development Co., Ltd.	Shenzhen	RMB600 million	1,258,542,349	4.99%	–	Invest and set up industries, domestic commerce, materials supply and marketing business, etc.	Shareholder	Limited liability	Sun Xian
– Shenzhen Chu Yuan Investment and Development Co., Ltd.	Shenzhen	RMB600 million	944,013,171	3.74%	–	Invest and set up industries, domestic commerce, materials supply and marketing business, etc.	Shareholder	Limited liability	Sun Xian
– China Merchants Financial Holdings Co., Ltd.	Shenzhen	RMB7,778 million	1,147,377,415	4.55%	–	Invest and set up industries, domestic commerce, materials supply and marketing business, etc.	Shareholder	Limited liability	Miao Jianmin
– Best Winner Investment Ltd.	British Virgin Islands	USD 1	386,924,063	1.53%	–	–	Shareholder	Joint stock limited company	–
– China Merchants Union (BVI) Limited	British Virgin Islands	USD0.06 million	477,903,500	1.89%	–	–	Shareholder	Limited liability	–
– China Merchants Industry Development (Shenzhen) Ltd.	Shenzhen	USD10 million	55,196,540	0.22%	–	Invest and set up industries, enterprise management consulting and investment consulting, etc.	Shareholder	Limited liability	Wang Xiaoding

61. Material related party transactions *(continued)*

(a) Material connected person information *(continued)*

Details of the Bank's major shareholders and their parent companies are as follows: *(continued)*

Company name	Registered location	Issued and fully paid capital	No.of shares of the Bank held by the Company	Proportion of the Bank held by the Company	Proportion of the Company held by the Bank	Business	Relationship with the Bank	Legal form	Legal representative
China COSCO Shipping Corporation Limited.	Shanghai	RMB11,000 million	2,515,193,034	9.97% (note(iii))	–	International shipping business, supporting services to international shipping, imports and exports of goods and technology, international freight forwarding agent, etc.	Shareholder's parent company	Limited liability	Wan Min
– China Ocean Shipping Co., Ltd.	Beijing	RMB16,191 million	1,574,729,111	6.24%	–	Transportation business, leasing business, ship purchasing and marketing business, warehousing business, etc.	Shareholder	Limited liability	Wan Min
– COSCO Shipping (Guangzhou) Co., Ltd.	Guangzhou	RMB3,191 million	696,450,214	2.76%	–	Shipping business	Shareholder	Limited liability	Shou Jian
– Guangzhou Haining Maritime Technology Consulting Co., Ltd.	Guangzhou	RMB52 million	103,552,616	0.41%	–	Business services	Shareholder	Limited liability	Chen Jianyao
– COSCO Shipping (Shanghai) Co., Ltd.	Shanghai	RMB1,399 million	75,617,340	0.30%	–	Shipping business, leasing business, ship repairing and building etc.	Shareholder	Limited liability	Zhao Bangtao
– COSCO Shipping Investment Holdings Co., Ltd.	Hong Kong	HKD500 million	54,721,930	0.22%	–	Leasing business, financing business, insurance business etc.	Shareholder	Limited liability	Liu Chong
– Guangzhou Tri-Dynas Oil & Shipping Co., Ltd.	Guangzhou	RMB299 million	10,121,823	0.04%	–	Ship purchasing and marketing business, shipping agency, leasing business, shipping business etc.	Shareholder	Limited liability	Lin Rui
China Insurance Security Fund Co., Ltd	Beijing	RMB100 million	776,574,735	3.08% (note(iv))	–	Investing and establishing insurance companies, supervising and managing various domestic and international businesses of holding investment enterprises, and investment business permitted by national laws and regulations, etc.	Shareholder's parent company	Limited liability	Ji Yuhua
– Dajia Life Insurance Co., Ltd	Beijing	RMB30,790 million	776,574,735	3.08% (note(iv))	–	Life insurance, health insurance, accident insurance, and other personal insurance services, etc.	Shareholder	Joint stock limited company	He Xiaofeng

61. Material related party transactions *(continued)*

(a) Material connected person information *(continued)*

Details of the Bank's major shareholders and their parent companies are as follows: *(continued)*

Company name	Registered location	Issued and fully paid capital	No.of shares of the Bank held by the Company	Proportion of the Bank held by the Company	Proportion of the Company held by the Bank	Business	Relationship with the Bank	Legal form	Legal representative
China Communications Construction Group Limited	Beijing	RMB7,274 million	422,770,418	1.68% (note(v))	–	General contractor for construction	Shareholder's parent company	Limited liability	Wang Tongzhou
– China Communications Construction Company Limited	Beijing	RMB16,166 million	201,089,738	0.80%	–	General contractor for construction, leasing and repair, technical consulting service, imports and exports, investment and management business	Shareholder	Joint stock limited company	Wang Tongzhou
Shanghai Automotive Industry Corporation (Group)	Shanghai	RMB21,749 million	310,125,822	1.23% (note(vi))	–	Production and sale of vehicles, asset management business, domestic trade business, consulting service	Shareholder's parent company	Limited liability	Chen Hong
– SAIC Motor Corporation Limited	Shanghai	RMB11,683 million	310,125,822	1.23%	–	Production and sale of vehicles, consulting service, imports and exports	Shareholder	Joint stock limited company	Chen Hong
CMB International Capital Holdings Corporation Limited (CMBIC)	Hong Kong	HKD4,129 million	–	–	100%	Investment bank and investment managements	Subsidiary	Limited liability	Wang Liang
CMB Financial Leasing Company Limited (CMBFL)	Shanghai	RMB12,000 million	–	–	100%	Finance lease	Subsidiary	Limited liability	Zhong Desheng
CMB Wing Lung Bank Limited (CMB WLB)	Hong Kong	HKD1,161 million	–	–	100%	Banking	Subsidiary	Limited liability	Wang Liang
China Merchants Fund Management Co., Ltd. (CMFM)	Shenzhen	RMB1,310 million	–	–	55%	Fund Management	Subsidiary	Limited liability	Wang Xiaoqing
CMB Wealth Management Co., Ltd	Shenzhen	RMB5,556 million	–	–	90%	Asset management	Subsidiary	Limited liability	Chen Yisong
China Merchants Europe S.A. (CMB Europe S.A.)	Luxembourg	EUR100 million	–	–	100%	Banking	Subsidiary	Limited liability	Xue Fei
Cigna & CMB Asset Management Company Limited (CIGNA & CMAM)	Beijing	RMB500 million	–	–	Note 24 (vii)	Asset management	Subsidiary	Limited liability	Wang Xiaoqing

Notes:

(i) CMG held 29.97% of the Bank indirectly (31 December 2022: 29.97%) through its subsidiaries as at 31 December 2023.

(ii) As the largest direct shareholder, CMSN, a subsidiary of CMG, holds 13.04% of the Bank as at 31 December 2023 (2022: 13.04%).

(iii) China COSCO Shipping Corporation Ltd. holds 9.97% of the Bank (2022: 9.97%) through its subsidiaries.

(iv) China Insurance Security Fund Co., Ltd ("China Insurance Security Fund") holds 3.08% of the Bank (2022: 3.19%) through its 98.23% holding in Dajia Insurance Group Co., Ltd.

(v) China Communications Construction Group Limited ("China Communications Construction Group") holds 1.68% of the Bank through its subsidiaries (2022: 1.68%).

(vi) Shanghai Automotive Industry Corporation (Group) ("Shanghai Automotive Industry Group") holds 1.23% of the Bank through its subsidiaries (SAIC Motor Corporation Limited) (2022: 1.23%).

(vii) The sum of the direct holding percentage of CMG's shareholdings in the Bank and the sum of the above-mentioned relevant percentages may differ slightly due to rounding.

61. Material related party transactions *(continued)*

(a) Material connected person information *(continued)*

The registered capital of the Group's related parties as at 31 December 2023 and 2022 are as follows:

Name of related party		2023		2022
CMG	RMB	16,900,000,000	RMB	16,900,000,000
CMSN	RMB	17,000,000,000	RMB	17,000,000,000
Shenzhen Yan Qing Investment and Development Co., Ltd.	RMB	600,000,000	RMB	600,000,000
Shenzhen Chu Yuan Investment and Development Co., Ltd.	RMB	600,000,000	RMB	600,000,000
China Merchants Financial Holdings Co., Ltd.	RMB	7,778,000,000	RMB	7,778,000,000
Best Winner Investment Ltd.	USD	1	USD	1
China Merchants Union (BVI) Limited	USD	60,000	USD	60,000
China Merchants Industry Development (Shenzhen) Ltd.	USD	10,000,000	USD	10,000,000
China Insurance Security Fund	RMB	100,000,000	RMB	100,000,000
Dajia Life Insurance Co., Ltd	RMB	30,790,000,000	RMB	30,790,000,000
China COSCO Shipping Corporation Limited	RMB	11,000,000,000	RMB	11,000,000,000
China Ocean Shipping Co., Ltd.	RMB	16,191,351,300	RMB	16,191,351,300
COSCO Shipping (Guangzhou) Co., Ltd.	RMB	3,191,200,000	RMB	3,191,200,000
Guangzhou Haining Maritime Technology Consulting Co., Ltd.	RMB	52,000,000	RMB	52,000,000
COSCO Shipping (Shanghai) Co., Ltd.	RMB	1,398,941,000	RMB	1,398,941,000
COSCO Shipping Investment Holdings Co., Ltd.	HKD	500,000,000	HKD	500,000,000
Guangzhou Tri-Dynas Oil & Shipping Co., Ltd.	RMB	299,020,000	RMB	299,020,000
China Communications Construction Group Limited	RMB	7,274,023,830	RMB	7,274,023,830
China Communications Construction Company Limited	RMB	16,165,711,425	RMB	16,165,711,425
Shanghai Automotive Industry Corporation (Group)	RMB	21,749,175,737	RMB	21,749,175,737
SAIC Motor Corporation Limited	RMB	11,683,461,365	RMB	11,683,461,365
CMBIC	HKD	4,129,000,000	HKD	4,129,000,000
CMBFL	RMB	12,000,000,000	RMB	12,000,000,000
CMB WLB	HKD	1,160,950,575	HKD	1,160,950,575
CMFM	RMB	1,310,000,000	RMB	1,310,000,000
CMBWM	RMB	5,555,555,555	RMB	5,555,555,555
CMB Europe S.A.	EUR	100,000,000	EUR	50,000,000
CIGNA & CMAM	RMB	500,000,000	RMB	500,000,000

The proportion of the Bank held by the largest shareholder and the portion of the subsidiaries held by the Bank

	The Bank held by the largest shareholder		The subsidiaries held by the Bank														
	CMSN		CMBIC		CMBFL		CMB WLB		CMFM		CMBWM		CMB Europe S.A.		CIGNA & CMAM	
	No. of shares	%	HKD	%	RMB	%	HKD	%	RMB	%	RMB	%	EUR	%	RMB	%
At 1 January 2023	3,289,470,337	13.04	4,129,000,000	100.00	12,000,000,000	100.00	1,160,950,575	100.00	1,310,000,000	55.00	5,555,555,555	90.00	50,000,000	100.00	500,000,000	note
At 31 December 2023	3,289,470,337	13.04	4,129,000,000	100.00	12,000,000,000	100.00	1,160,950,575	100.00	1,310,000,000	55.00	5,555,555,555	90.00	100,000,000	100.00	500,000,000	note

	The Bank held by the largest shareholder		The subsidiaries held by the Bank													
	CMSN		CMBIC		CMBFL		CMB WLB		CMFM		CMBWM		CMB Europe S.A.		CIGNA & CMAM	
	No. of shares	%	HKD	%	RMB	%	HKD	%	RMB	%	RMB	%	EUR	%	RMB	%
At 1 January 2022	3,289,470,337	13.04	4,129,000,000	100.00	12,000,000,000	100.00	1,160,950,575	100.00	1,310,000,000	55.00	5,000,000,000	100.00	50,000,000	100.00	500,000,000	note
At 31 December 2022	3,289,470,337	13.04	4,129,000,000	100.00	12,000,000,000	100.00	1,160,950,575	100.00	1,310,000,000	55.00	5,555,555,555	90.00	50,000,000	100.00	500,000,000	note

Note: This information is detailed in note 24.

As of 31 December 2023, other than those disclosed above, there were 92 companies that shared common directors, supervisors and senior management including their close family members with the Bank and they can control or exercise significant influence over these companies (31 December 2022: 142).

61. Material related party transactions *(continued)*

(b) Terms and conditions for related-party transactions

The Group enters into transactions with related parties in the ordinary course of its banking business including lending, investing, deposit taking, securities trading, providing agency and trust services, and off-balance sheet transactions. In the opinion of the directors, the Group enters into such material related-party transactions under normal commercial terms. Interest rates on loans and deposits are strictly set in accordance with the deposit and loan interest rate management regulations published by the PBOC, and such banking transactions are priced based on the market prices at the time of transactions:

	2023	2022
Short-term loans	**3.55% to 3.65%**	3.65% to 3.80%
Medium to long-term loans	**3.55% to 4.30%**	3.65% to 4.65%
Demand deposits	**0.35%**	0.35%
Time deposits	**1.10% to 2.75%**	1.10% to 2.75%

There were no loans and advances granted to related parties that were credit impaired during the year (2022: None).

(c) Shareholders and their related companies

The Bank's largest shareholder CMG and its related companies held 29.97% (2022: 29.97%) of the Bank's shares as at 31 December 2023 (among them 13.04 % of the shares were directly held by CMSN (2022: 13.04%)).

The Group's transactions and balances with CMSN and its related companies are disclosed as follows:

	2023	2022
On-balance sheet:		
– Placements with banks and other financial institutions	**–**	2,000
– Amounts held under resale agreements	**2,942**	2,589
– Loans and advances to customers	**46,466**	40,772
– Financial investments	**12,159**	7,626
– Deposits from banks and other financial institutions	**26,119**	29,726
– Deposits from customers	**59,227**	45,342
– Lease liabilities	**170**	210
Off-balance sheet:		
– Irrevocable guarantees	**3,510**	5,087
– Irrevocable letters of credit	**971**	318
– Bills of acceptances	**289**	285
Interest income	**2,364**	1,848
Interest expense	**(1,475)**	(1,376)
Net fee and commission income	**1,282**	1,027
Operating expenses	**(211)**	(177)
Other net expenses	**–**	(10)

61. Material related party transactions *(continued)*

(d) Companies that share common directors, supervisors or senior management with the Bank (other than those disclosed in Note 61(c)) and they can control or exercise significant influence over the companies

	2023	2022
On-balance sheet:		
– Placements with banks and other financial institutions	–	2,277
– Amounts held under resale agreements	–	3,770
– Loans and advances to customers	**9,360**	28,103
– Financial investments	**2,116**	770
– Deposits from banks and other financial institutions	**1,683**	4,346
– Placements from banks and other financial institutions	**300**	6,047
– Deposits from customers	**12,304**	13,447
– Lease liabilities	–	65
Off-balance sheet:		
– Irrevocable guarantees	**310**	580
– Irrevocable letters of credit	–	6
Interest income	**601**	1,035
Interest expense	**(460)**	(475)
Net fee and commission income	**9**	133
Operating expenses	**(283)**	(274)
Other net expenses	–	(129)

(e) Associates and joint ventures other than those disclosed in Note 61(c)

	2023	2022
On-balance sheet:		
– Placements with banks and other financial institutions	**17,500**	14,675
– Loans and advances to customers	**5,771**	6,848
– Deposits from banks and other financial institutions	**894**	896
– Deposits from customers	**731**	331
Interest income	**432**	306
Interest expense	**(26)**	(19)
Net fee and commission income	**2,307**	2,498
Operating expenses	**(1)**	(8)

61. Material related party transactions *(continued)*

(f) Other major shareholders holding more than 5% shares of the Bank and exercising significant influence over the Bank

	2023	2022
On-balance sheet:		
– Placements with banks and other financial institutions	**600**	–
– Loans and advances to customers	**38,949**	27,070
– Financial investments	**995**	4,302
– Deposits from banks and other financial institutions	**3,908**	2,929
– Deposits from customers	**20,537**	14,872
– Lease liabilities	**27**	40
Off-balance sheet:		
– Irrevocable guarantees	**12,146**	8,511
– Irrevocable letters of credit	**3,530**	1,835
– Bills of acceptances	**6,325**	5,125
Interest income	**1,616**	913
Interest expense	**(510)**	(633)
Net fee and commission income	**114**	2,242
Operating expenses	**(291)**	(138)
Other net expense	**–**	(1)

(g) Subsidiaries

	2023	2022
On-balance sheet		
– Balances with banks and other financial institutions	**2,204**	958
– Placements with banks and other financial institutions	**26,404**	32,438
– Loans and advances to customers	**12,442**	1,396
– Financial investments	**3,711**	3,415
– Deposits from banks and other financial institutions	**3,578**	4,630
– Deposits from customers	**6,056**	5,206
Off-balance sheet		
– Irrevocable guarantees	**–**	38
– Irrevocable letters of credit	**1,289**	4,599
– Bills of acceptances	**1,009**	222
Interest income	**1,360**	943
Interest expense	**(115)**	(129)
Net fee and commission income/(expenses)	**254**	(93)
Operating expenses	**(1,455)**	(1,797)
Other net income	**232**	150

All significant balances and transactions between the Bank and its subsidiaries have been eliminated in the consolidated financial statements.

61. Material related party transactions *(continued)*

(h) Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including directors, supervisors and executive officers.

	2023 RMB'000	2022 RMB'000
Salaries and other emoluments	37,228	38,249
Discretionary bonuses	–	18,583
Share-based payment	(18,121)	(41,066)
Contributions to defined contribution retirement schemes	–	2,100
Total	19,107	17,866

The above share-based payments represent the estimated fair value of the share appreciation rights granted (Note 39(a)(iii)) to senior management under the Bank's H share Appreciation Rights Scheme. The fair value is measured by using the Black-Scholes model and according to the accounting policy set out in Note 4(16); and the amounts are charged to the consolidated statement of profit or loss and other comprehensive income. As the share options may expire without being exercised, the directors consider the amounts disclosed are not representative of actual cash flows received or to be received by senior management.

(i) Annuity scheme

Apart from the obligation for defined contributions to the annuity scheme and normal banking transactions, no other transactions were conducted between the Group and the annuity scheme for the years ended 31 December 2023 and 2022.

62. Non-controlling interests

Non-controlling interests represent the interests that the Group does not hold in the subsidiaries, the Group does not have any subsidiary with significant non-controlling interests during the reporting period.

(a) Perpetual debt capital

CMB WLB, the Group's subsidiary, issued perpetual debt of US$400 million on 24 January 2019. Movements of these perpetual debt capital are as follows:

	Principal	Distributions/Paid	Total
At 1 January 2023	2,787	–	2,787
Distributions in 2023	–	182	182
Paid in 2023	–	(182)	(182)
Exchange difference	51	–	51
At 31 December 2023	2,838	–	2,838

	Principal	Distributions/Paid	Total
At 1 January 2022	3,636	–	3,636
Redemption in 2022	(1,104)	–	(1,104)
Distributions in 2022	–	202	202
Paid in 2022	–	(202)	(202)
Exchange difference	255	–	255
At 31 December 2022	2,787	–	2,787

There is no maturity for the instruments and the payments of distribution can be cancelled at the discretion of the issuer. Cancelled interest is non-cumulative. There is no contractual obligation to deliver cash to other parties. During the years ended 31 December 2023 and 2022, CMB WLB did not cancel the payment of distribution and the corresponding amounts were paid to the perpetual debt holders accordingly.

63. Transfers of financial assets

The Group enters into transactions in the normal course of business by which it transfers recognised financial assets to third parties or to special purpose vehicles. In some cases, such transfers may give rise to full or partial derecognition of the financial assets concerned, and in other cases the transfers may not qualify for derecognition as the Group retains substantially all the risks and rewards of these transferred assets. As a result, the Group continues to recognise these transferred assets.

Securitisation of credit assets

The Group enters into securitisation transactions in the normal course of business by which it transfers credit assets to special purpose trusts which in turn issue asset-backed securities to investors. The Group may acquire certain investments at the subordinated tranche level and accordingly, may retain parts of the risks and rewards of the transferred credit assets. The Group would determine whether or not to derecognise the associated credit assets by evaluating the extent to which it retains the risks and rewards of the assets.

With respect to the credit assets that are securitised and qualified for derecognition, based on the criteria set out in Note 4(5), the Group derecognises the transferred credit assets in their entirety. During the year of 2023, the Group transferred loans amounting to RMB22,589 million (2022: RMB17,362 million) in securitisation arrangements, as well as substantially all the risks and rewards associated with the loans. The full amount of such securitised loans were then derecognised.

In the cases that the Group has neither transferred nor retained substantially all the risks and rewards of the transferred credit assets, and for which the Group retains control, the Group recognises an asset in the consolidated statement of financial position to the extent of the Group's continuing involvement in the transferred assets, the remaining portion is derecognised. The extent of the Group's continuing involvement is the extent of the risks and rewards exposed by the Group to the value changes of the transferred assets. For the year ended 31 December 2023, there were no new securitised credit assets in which the Group retained the continuing involvement (2022: None). The carrying amount of the continuing involvement asset and the corresponding continuing involvement liability, are recognised in other assets and other liabilities in the consolidated statement of financial position, amounting to RMB5,274 million as at 31 December 2023 (31 December 2022: RMB5,274 million).

Transfers of credit assets to third parties

During the year of 2023, in addition to securitisation transactions, the Group transferred credit assets amounting to RMB1,107 million (2022: RMB995 million) to independent third parties directly. The Group determined that these transferred assets qualified for full derecognition, based on the criteria set out in Note 4(5), since the Group has transferred substantially all the risks and rewards of the transferred assets to the counterparties.

Repurchase transactions and securities lending transactions

Transferred financial assets that do not qualify for derecognition mainly include debt securities, discounted bills held by counterparties as collateral under repurchase agreements and securities lent to counterparties under securities lending agreements. The counterparties are allowed to sell or repledge those securities sold under agreements to repurchase in the absence of default by the Group, but has an obligation to return the securities at the maturity of the contract. The Group determines that it retains substantially all the risks and rewards of these securities and therefore does not derecognise them. Instead, it recognises a financial liability for cash received as collateral.

64. Interests in unconsolidated structured entities

The scope of the Group's consolidated financial statements is determined on a control basis. Control means that the investor has the power over the investee, enjoys variable returns by participating in the relevant activities of the investee, and has the ability to use the power to affect the amount of its return.

The Group has the power over structured entities, and the other investors have no substantive rights. In the meantime, the Group is entitled to variable returns, and will consolidate entities, in which the Group has the right to affect the amount of its return.

In addition to the above-mentioned structured entities that have been included in the Group's consolidated financial statements, the Group's interests in structured entities which is not covered by the consolidated financial statements is as follows:

(a) Interests in the structured entities sponsored by third parties institutions

The Group holds interests in some structured entities sponsored by third parties through investments in the units issued by these structured entities. Such interests include investments in wealth management products, asset management schemes, trust beneficiary rights, assets-backed securities and fund investments, and the Group does not consolidate these structured entities. The purpose of the Group holding these structured entities is to obtain investment income, capital appreciation or both.

The following tables set out an analysis of the balance of interests held by the Group in the structured entities sponsored by third parties and an analysis of the line items in the consolidated statement of financial positions as at 31 December 2023 and 31 December 2022:

	2023				
	Balance				
	Financial investments at FVTPL	Debt investments at amortised cost	Debt investments at FVTOCI	Total	Maximum exposure
Asset management schemes	–	35,275	–	35,275	35,275
Trust beneficiary rights	184	25,020	–	25,204	25,204
Asset-backed securities	320	1,073	17,983	19,376	19,376
Fund investments	227,477	–	–	227,477	227,477
Wealth management products	580	–	–	580	580
Total	228,561	61,368	17,983	307,912	307,912

	2022				
	Balance				
	Financial investments at FVTPL	Debt investments at amortised cost	Debt investments at FVTOCI	Total	Maximum exposure
Asset management schemes	–	48,362	–	48,362	48,362
Trust beneficiary rights	–	37,954	–	37,954	37,954
Asset-backed securities	835	1,031	170	2,036	2,036
Fund investments	186,311	–	–	186,311	186,311
Wealth management products	110	–	–	110	110
Total	187,256	87,347	170	274,773	274,773

The maximum exposures of investments in funds, trust beneficiary rights, asset management schemes, wealth management products and asset-backed securities are the balance of these assets.

64. Interests in unconsolidated structured entities *(Continued)*

(b) Interests in the unconsolidated structured entities sponsored by the Group

The unconsolidated structured entities sponsored by the Group include non-principal-guaranteed wealth management products, funds and assets management schemes. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. These structured entities are financed through the issuance of investment products to investors. Interest of the Group in these unconsolidated structured entities is limited to fees and commissions charged for management services provided.

As at 31 December 2023, the amount of unconsolidated non-principal-guaranteed wealth management products sponsored by the Group was RMB2,548,929 million (31 December 2022: RMB2,667,663 million).

As at 31 December 2023, the amount of unconsolidated funds sponsored by the Group was RMB1,237,828 million (31 December 2022: RMB1,147,030 million).

As at 31 December 2023, the amount of unconsolidated asset management schemes sponsored by the Group was RMB289,215 million (31 December 2022: RMB262,095 million).

As at 31 December 2023, amounts held under resale agreements transacted between the Group and the non-principal-guaranteed wealth management products sponsored by the Group were RMB25,701 million (31 December 2022: RMB17,252 million). The above transactions were conducted in accordance with normal business terms and conditions.

As at 31 December 2023, the amount of unconsolidated non-principal-guaranteed wealth management products held by the Group was RMB2,149 million (31 December 2022: RMB2,433 million).

As at 31 December 2023, the amount of unconsolidated funds held by the Group was RMB14,827 million (31 December 2022: RMB14,228 million).

During the year ended 31 December 2023, the amount of unconsolidated non-principal-guaranteed wealth management products sponsored by the Group transferred to investments measured at amortised cost of the Group was Nil (2022: RMB11,143 million).

During the year ended 31 December 2023, the amount of fee and commission income the Group received from such non-principal-guaranteed wealth management products was RMB10,394 million (2022: RMB17,037 million).

During the year ended 31 December 2023, the amount of fee and commission income the Group received from such unconsolidated funds was RMB5,041 million (2022: RMB5,470 million).

During the year ended 31 December 2023, the amount of fee and commission income the Group received from such unconsolidated asset management schemes was RMB653 million (2022: RMB683 million).

The total amount of non-principal-guaranteed wealth management products sponsored by the Group after 1 January 2023 with a maturity date before 31 December 2023 was RMB502,145 million (2022: RMB620,318 million).

65. Comparative figures

Certain comparative figures in the notes have been re-presented to conform to presentation in current year.

Unaudited Supplementary Financial Information

(Expressed in millions of Renminbi unless otherwise stated)

(A) Capital adequacy ratio

The Group's capital adequacy ratio was prepared solely in accordance with the former CBIRC's Administrative Measures on the Capital of Commercial Banks (Provisional) issued in 2012 and effective on 1 January 2013. The bases used herein may differ from those adopted in Hong Kong or other countries and regions.

In accordance with the Advanced Measurement Approach approved by the former CBIRC in April 2014, the Group calculates core tier-1 capital adequacy ratio, tier-1 capital adequacy ratio and capital adequacy ratio as follows:

	2023	2022
Core tier-1 capital adequacy ratio	**13.73%**	13.68%
Tier-1 capital adequacy ratio	**16.01%**	15.75%
Capital adequacy ratio	**17.88%**	17.77%
Components of capital base		
Core tier-1 capital:		
Qualifying portion of share capital	**25,220**	25,220
Qualifying portion of capital reserve	**65,547**	65,397
Surplus reserve	**108,700**	94,948
General reserve	**141,184**	132,451
Retained earnings	**563,114**	488,970
Qualifying portion of non-controlling interests	**–**	–
Other (note (i))	**16,994**	14,480
Total core tier-1 capital	**920,759**	821,466
Regulatory deductions from core tier-1 capital	**13,451**	22,114
Net core tier-1 capital	**907,308**	799,352
Additional tier-1 capital (note (ii))	**150,446**	120,446
Net tier-1 capital	**1,057,754**	919,798
Tier-2 capital:		
Qualifying portion of tier-2 capital instruments and their premium	**–**	20,000
Surplus provision for loans impairment	**122,175**	96,579
Qualifying portion of non-controlling interests	**1,558**	1,565
Total tier-2 capital	**123,733**	118,144
Regulatory deductions from core tier-2 capital	**–**	–
Net tier-2 capital	**123,733**	118,144
Net capital	**1,181,487**	1,037,942
Total risk-weighted assets (taking into consideration the floor requirements during the parallel run period)	**6,608,021**	5,841,685

Notes:

(i) : Under former CBIRC's Administrative Measures on the Capital of Commercial Banks (Provisional), other includes investment revaluation reserve, exchange reserve, hedging reserve in the consolidated financial statements, etc.

(ii) : The Group's additional tier-1 capital includes preference shares, perpetual bonds, etc.

In 2023, in accordance with the Advanced Measurement Approach approved by former CBIRC in April 2014, the Bank's core tier-1 capital adequacy ratio is 13.32%, tier-1 capital adequacy ratio is 15.70%, capital adequacy ratio is 17.62%, net capital is RMB1,059,697 million and total risk-weighted assets is RMB6,015,774 million.

In 2023, by the method of calculating credit risk using the weighted approach, market risk using the standardised approach and operational risk using the basic indicator approach, the Group's core tier-1 capital adequacy ratio is 11.86%, tier-1 capital adequacy ratio is 13.82%, capital adequacy ratio is 14.96%, net capital is RMB1,144,901 million and total risk-weighted assets is RMB7,652,723 million.

In 2023, by the method of calculating credit risk using the weighted approach, market risk using the standardised approach and operational risk using the basic indicator approach, the Bank's core tier-1 capital adequacy ratio is 11.38%, tier-1 capital adequacy ratio is 13.40%, capital adequacy ratio is 14.52%, net capital is RMB1,023,111 million and total risk-weighted assets is RMB7,046,274 million.

(B) Leverage ratio

In accordance with the former CBIRC's Administrative Measures on Leverage Ratio of Commercial Banks (Revision) issued in 2015 and effective on 1 April 2015, the Group's leverage ratio is as follows. The basis used herein may differ from those adopted in Hong Kong or other countries and regions.

The difference between regulatory items and accounting items:

	2023	2022
Total consolidated assets as per published financial statements	**11,028,483**	10,138,912
Adjustments for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	**(55,771)**	(47,666)
Adjustments for fiduciary assets	**–**	–
Adjustments for derivative financial instruments	**(1,913)**	(7,911)
Adjustment for securities financing transactions	**106,847**	12,444
Adjustment for off-balance sheet items	**1,742,065**	1,496,177
Other adjustments	**(13,451)**	(22,114)
Balance of adjusted on-balance sheet and off-balance sheet assets	**12,806,260**	11,569,842

Leverage ratio, net tier-1 capital, adjusted on-balance sheet and off-balance sheet exposures and other information:

		31 December 2023	31 December 2022
1.	**Net tier-1 capital**	**1,057,754**	919,798
2.	**Balance of adjusted on-balance sheet assets (excluding derivatives and SFTs)**	**10,769,181**	9,773,998
	On-balance sheet items (excluding derivatives and securities financing transactions (SFT))	**10,782,632**	9,796,112
	Less: Asset amounts deducted in determining Basel III Tier 1 capital	**(13,451)**	(22,114)
3.	**Total derivative exposures**	**16,819**	10,726
	Replacement cost associated with all derivatives transactions (net of eligible cash variation margin)	**4,639**	5,551
	Add-on amounts for potential future exposure associated with all derivatives transactions	**12,180**	5,175
	Gross-up for derivatives collateral provided where deducted from the balance sheet assets	**–**	–
	Less: Deductions of receivables assets for cash variation margin provided in derivatives transactions	**–**	–
	Less: Exempted central counterparty leg of client-cleared trade exposures	**–**	–
	Effective notional amount of written credit derivatives	**–**	–
	Less: Adjusted effective notional deductions for written credit derivatives	**–**	–
4.	**Total securities financing transaction exposures**	**278,195**	288,941
	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	**171,348**	276,497
	Less: Netted amounts of cash payables and cash receivables of gross SFT assets	**–**	–
	Counterparty credit risk exposure for SFT assets	**106,847**	12,444
	Agent transaction exposures	**–**	–
5.	**Balance of adjusted off-balance sheet assets**	**1,742,065**	1,496,177
	Off-balance sheet exposure at gross notional amount	**3,524,325**	3,093,836
	Less: Adjustments for conversion to credit equivalent amounts	**(1,782,260)**	(1,597,659)
6.	**Balance of adjusted on-balance sheet and off-balance sheet assets**	**12,806,260**	11,569,842
7.	**Leverage ratio**	**8.26%**	7.95%

(C) Liquidity coverage ratio

The Group prepared and disclosed information on liquidity coverage ratio in accordance with the "Measures for the Disclosure of Information on Liquidity Coverage Ratio by Commercial Banks". The basis used herein may differ from those adopted in Hong Kong or other countries and regions. The average of liquidity coverage ratio of the Group was 159.82% in the fourth quarter of 2023, an increase of 0.17 percentage points from the previous quarter, which was maintained basically stable. The liquidity coverage ratio of the Group at the end of the fourth quarter of 2023 was 173.36%, which met the regulatory requirements in 2023. The breakdown of the Group's average value of each item of liquidity coverage ratio in the fourth quarter of 2023 is set out below:

(Expressed in millions of Renminbi except percentage)

Serial No.		Unweighted amount (average value)	Weighted amount (average value)
Stock of high quality liquid assets			
1	**Total stock of high quality liquid assets**		**2,017,296**
Cash outflows			
2	Retail and small business customers deposits, of which:	3,698,130	328,336
3	Stable deposits	829,526	41,476
4	Less stable deposits	2,868,604	286,860
5	Unsecured wholesale funding, of which:	4,379,860	1,458,116
6	Operational deposits (excluding correspondent banks)	2,650,733	655,476
7	Non-operational deposits (including all counterparties)	1,703,035	776,548
8	Unsecured debt issuance	26,092	26,092
9	Secured funding		13,664
10	Additional requirements, of which:	1,973,700	385,580
11	Cash outflows arising from derivative contract and other transactions arising from related collateral requirements	276,651	276,651
12	Cash outflows arising from secured debt instruments funding	–	–
13	Undrawn committed credit and liquidity facilities	1,697,049	108,929
14	Other contractual obligations to extend funds	103,364	103,364
15	Other contingent funding obligations	3,643,112	109,469
16	**Total cash outflows**		**2,398,529**
Cash inflows			
17	Secured lending (including reverse repo and securities borrowing)	180,353	179,816
18	Contractual inflows from fully performing loans	1,072,229	682,265
19	Other cash inflows	274,843	274,223
20	**Total cash inflows**	**1,527,425**	**1,136,304**

		Adjusted value
21	**Total stock of high quality liquid assets**	**2,017,296**
22	**Net cash outflows**	**1,262,225**
23	**Liquidity coverage ratio (%)**	**159.82%**

Notes:

(i) The domestic data in the above table is a simple arithmetic average of the 92-day value for the latest quarter and the month-end average for the data of subsidiaries.

(ii) The high quality liquid assets in the above table are prepared based on cash and the central bank reserve available under pressure conditions, as well as the bond in line with definition of Tier 1 and Tier 2 assets set by former CBIRC on the "Measures for the Liquidity Risk Management of Commercial Banks".

(D) Net stable funding ratio

The Group prepared and disclosed information on Net Stable Funding Ratio in accordance with the "Measures for the Disclosure of Information on Net Stable Funding Ratio by Commercial Banks". The Group's Net Stable Funding Ratio at the end of the fourth quarter of 2023 was 130.72%, representing an increase of 0.58 percentage points as compared with the previous quarter, which was maintained basically stable. The breakdown of the Group's Net Stable Fund Ratio in the last two quarters is set out below:

31 December 2023

(Expressed in millions of Renminbi except percentage)

		Unweighted amount				Weighted amount
Serial No.		No maturity	< 6 months	6 months to 12 months	≥ 12 months	
Available stable funding (ASF) item						
1	Capital	1,071,254	–	–	–	1,071,254
2	Regulatory capital	1,071,254	–	–	–	1,071,254
3	Other capital instruments	–	–	–	–	–
4	Retail deposits and deposits from Small business customer	2,282,575	1,617,013	57,445	5,038	3,610,469
5	Stable deposits	875,774	5,726	525	1,121	839,045
6	Less stable deposits	1,406,801	1,611,287	56,920	3,917	2,771,424
7	Wholesale funding	2,644,103	2,423,633	251,230	289,042	2,601,237
8	Operational deposits	2,602,120	–	–	–	1,301,060
9	Other wholesale funding	41,983	2,423,633	251,230	289,042	1,300,177
10	Liabilities with matching interdependent assets	–	–	–	–	–
11	Other liabilities	2,657	169,456	64,195	118,015	126,648
12	NSFR derivative liabilities				23,464	
13	All other liabilities and equity not included in the above categories	2,657	169,456	64,195	94,551	126,648
14	Total ASF					7,409,608
Required stable funding (RSF) item						
15	Total NSFR high-quality liquid assets (HQLA)					399,307
16	Deposits held at other financial institutions for operational purposes	44,614	7,289	–	–	26,166
17	Performing loans and securities	122,075	2,398,056	1,197,720	3,851,064	4,820,184
18	Performing loans to financial institutions secured by Level 1 HQLA	–	148,674	–	–	22,301
19	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	–	659,621	91,109	29,240	173,769
20	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	–	1,383,699	1,026,194	2,303,658	3,130,694
21	With a risk weight of less than or equal to 35% under the Basel II standardized approach for credit risk	–	189,595	124,083	161,811	262,016
22	Performing residential mortgages, of which:	–	25,840	26,102	1,328,961	1,154,132
23	With a risk weight of less than or equal to 35% under the Basel II standardized approach for credit risk	–	–	–	–	–
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	122,075	180,222	54,315	189,205	339,288
25	Assets with matching interdependent liabilities	–	–	–	–	–

(D) Net stable funding ratio *(continued)*

31 December 2023 *(continued)*

Serial No.		Unweighted amount No maturity	Unweighted amount < 6 months	Unweighted amount 6 months to 12 months	Unweighted amount ≥ 12 months	Weighted amount
Required stable funding (RSF) item *(continued)*						
26	Other assets	10,761	73,396	34,039	101,462	200,668
27	Physical traded commodities, including gold	2,321				1,973
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs				333	283
29	NSFR derivative assets				25,650	2,186
30	NSFR derivative liabilities before deduction of variation margin posted				4,889	4,889
31	All other assets not included in the above categories	8,440	73,396	34,039	75,479	191,337
32	Off-balance sheet items				5,947,508	221,955
33	Total RSF					5,668,280
34	Net Stable Funding Ratio (%)					130.72%

30 September 2023

(Expressed in millions of Renminbi except percentage)

Serial No.		Unweighted amount No maturity	Unweighted amount < 6 months	Unweighted amount 6 months to 12 months	Unweighted amount ≥ 12 months	Weighted amount
Available stable funding (ASF) item						
1	Capital	1,026,779	–	–	–	1,026,779
2	Regulatory capital	1,026,779	–	–	–	1,026,779
3	Other capital instruments	–	–	–	–	–
4	Retail deposits and deposits from Small business customer	2,222,423	1,472,506	86,263	6,152	3,451,677
5	Stable deposits	842,850	5,750	464	1,198	807,808
6	Less stable deposits	1,379,573	1,466,756	85,799	4,954	2,643,869
7	Wholesale funding	2,603,626	2,377,268	170,233	294,570	2,554,246
8	Operational deposits	2,581,665	–	–	–	1,290,833
9	Other wholesale funding	21,961	2,377,268	170,233	294,570	1,263,413
10	Liabilities with matching interdependent assets	–	–	–	–	–
11	Other liabilities	7,430	151,468	76,397	134,792	140,838
12	NSFR derivative liabilities				32,152	
13	All other liabilities and equity not included in the above categories	7,430	151,468	76,397	102,640	140,838
14	Total ASF					7,173,540
Required stable funding (RSF) item						
15	Total NSFR high-quality liquid assets (HQLA)					344,456
16	Deposits held at other financial institutions for operational purposes	44,005	7,691	–	4,699	30,547
17	Performing loans and securities	101,255	2,352,104	1,092,143	3,838,101	4,708,965
18	Performing loans to financial institutions secured by Level 1 HQLA	–	58,340	–	–	8,751
19	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	–	750,105	71,249	27,211	175,363
20	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	–	1,340,029	940,280	2,295,491	3,045,537
21	With a risk weight of less than or equal to 35% under the Basel II standardized approach for credit risk	–	225,553	135,598	228,926	329,378

(D) Net stable funding ratio *(continued)*

30 September 2023 *(continued)*

Serial No.		Unweighted amount				Weighted amount
		No maturity	< 6 months	6 months to 12 months	≥ 12 months	
Required stable funding (RSF) item *(continued)*						
22	Performing residential mortgages, of which:	–	25,454	25,505	1,313,046	1,140,044
23	With a risk weight of less than or equal to 35% under the Basel II standardized approach for credit risk	–	–	–	–	–
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	101,255	178,176	55,109	202,353	339,270
25	Assets with matching interdependent liabilities	–	–	–	–	–
26	Other assets	6,936	80,370	38,577	108,846	208,457
27	Physical traded commodities, including gold	2,792				2,373
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs				277	235
29	NSFR derivative assets				33,071	919
30	NSFR derivative liabilities before deduction of variation margin posted				6,692	6,692
31	All other assets not included in the above categories	4,144	80,370	38,577	75,498	198,238
32	Off-balance sheet items				5,803,725	219,747
33	Total RSF					5,512,172
34	Net Stable Funding Ratio (%)					130.14%

Notes:

(i) The Group calculates Net Stable Funding Ratio in accordance with the "Measures for the Liquidity Risk Management of Commercial Banks" and relevant statistical regulations.

(ii) Items to be reported in the "no maturity" time include, but are not limited to, items such as capital with perpetual maturity, non-maturity deposits, short positions, open maturity positions, non-HQLA equities and physical traded commodities.

(iii) The item 26 "Other assets" unweighted amount in the above table does not include the item 30 "NSFR derivative liabilities before deduction of variation margin posted".

(E) Currency concentrations other than RMB

	2023			
	USD	HKD (in millions of RMB)	Other	Total
Non-structural position				
Spot assets	**601,745**	**31,474**	**47,462**	**680,681**
Spot liabilities	**553,972**	**18,032**	**90,942**	**662,946**
Forward purchased	**417,752**	**6,195**	**76,916**	**500,863**
Forward written	**476,337**	**7,311**	**38,999**	**522,647**
Net option position	**12,236**	**(79)**	**3,562**	**15,719**
Net long position	**1,424**	**12,247**	**(2,001)**	**11,670**
Net structural position	**8,481**	**41,314**	**1,552**	**51,347**

	2022			
	USD	HKD (in millions of RMB)	Other	Total
Non-structural position				
Spot assets	547,489	41,714	53,176	642,379
Spot liabilities	530,903	16,460	91,232	638,595
Forward purchased	276,555	2,258	56,399	335,212
Forward written	305,169	17,447	18,938	341,554
Net option position	15,700	(1,122)	(695)	13,883
Net long position	3,672	8,943	(1,290)	11,325
Net structural position	9,974	40,691	1,136	51,801

The net option position is calculated using the delta equivalent approach required by the Hong Kong Monetary Authority (the "HKMA"). The net structural position of the Group includes the structural positions of the Bank's branches substantially involved in foreign exchange. Structural assets and liabilities include:

– Investment properties, property and equipment, net of depreciation charges;

– Capital and statutory reserves of overseas branches; and

– Investments in overseas subsidiaries.

(F) International claims

The Group is principally engaged in business operations within the Chinese mainland, and regards all claims on third parties outside the Chinese mainland and claims in foreign currencies on third parties within the Chinese mainland as international claims.

International claims include loans and advances, balances and placements with banks and other financial institutions, holdings of trade bills, certificates of deposit and securities investment.

International claims have been disclosed by different countries or geographical areas. A country or geographical area is reported where it constitutes 10% or more of the aggregate amount of international claims, after taking into account any risk transfers. Risk is transferred only when the claims are guaranteed by a party in country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose head office is located in another country.

	2023			
	Banks and other financial institutions	**Public sector entities**	**Other**	**Total**
Foreign currencies transactions in the Chinese mainland	**105,171**	**2,079**	**132,845**	**240,095**
Asia Pacific excluding the Chinese mainland	**49,161**	**19,653**	**199,166**	**267,980**
– of which attributed to Hong Kong	**24,986**	**17,202**	**181,581**	**223,769**
Europe	**19,866**	**1,598**	**21,029**	**42,493**
North and South America	**68,925**	**119,692**	**17,584**	**206,201**
Total	**243,123**	**143,022**	**370,624**	**756,769**

	2022			
	Banks and other financial institutions	Public sector entities	Other	Total
Foreign currencies transactions in the Chinese mainland	89,883	4,419	156,029	250,331
Asia Pacific excluding the Chinese mainland	62,407	22,043	162,273	246,723
– of which attributed to Hong Kong	39,726	19,891	146,107	205,724
Europe	12,472	1,732	20,479	34,683
North and South America	44,948	81,981	19,809	146,738
Total	209,710	110,175	358,590	678,475

(G) Further analysis on loans and advances to customers analysed by industry sector

Operation in the Chinese mainland

	2023		2022	
	Amount	% of gross loans and advances covered by collateral or other security	Amount	% of gross loans and advances covered by collateral or other security
Manufacturing	557,691	28	445,218	32
Transportation, storage and postal services	477,016	40	461,434	37
Property development	303,707	52	349,682	48
Production and supply of electric power, heating power, gas and water	259,864	32	203,870	38
Wholesale and retail	187,737	35	171,786	32
Leasing and commercial services	186,463	17	158,320	14
Construction	110,577	22	103,998	24
Telecommunications, software and IT services	95,394	49	78,950	48
Finance	88,296	17	75,593	23
Water, environment and public utilities management	42,813	45	64,886	30
Mining	42,326	34	34,421	33
Others	76,400	31	67,677	30
Corporate loans and advances subtotal	2,428,284	34	2,215,835	35
Discounted bills	471,127	100	514,054	100
Residential mortgage	1,376,815	100	1,379,825	100
Credit cards	935,777	–	884,395	–
Micro-finance loans	750,019	78	629,857	79
Consumer loans	301,538	2	202,225	3
Others	7,806	90	11,374	93
Retail loans and advances subtotal	3,371,955	59	3,107,676	61
Gross amount of loans and advances to customers	6,271,366	52	5,837,565	54

(G) Further analysis on loans and advances to customers analysed by industry sector *(continued)*

Operation outside the Chinese mainland

	2023		2022	
	Amount	% of gross loans and advances covered by collateral or other security	Amount	% of gross loans and advances covered by collateral or other security
Finance	45,368	37	36,521	23
Transportation, storage and postal services	36,248	21	30,814	19
Property development	22,960	44	26,298	37
Manufacturing	19,335	56	20,494	39
Production and supply of electric power, heating power, gas and water	12,359	8	9,023	33
Wholesale and retail	10,002	29	8,923	28
Telecommunications, software and IT services	8,323	29	10,908	30
Leasing and commercial services	6,207	36	3,430	30
Mining	4,945	63	6,074	46
Construction	623	80	1,772	99
Water, environment and public utilities management	419	100	110	40
Others	4,782	75	5,414	72
Corporate loans and advances subtotal	171,571	36	159,781	32
Residential mortgage	8,671	100	9,383	100
Credit cards	133	–	124	–
Micro-finance loans	1,278	100	1,181	100
Others	55,846	95	43,425	93
Retail loans and advances subtotal	65,928	96	54,113	94
Gross amount of loans and advances to customers	237,499	53	213,894	47

(G) Further analysis on loans and advances to customers analysed by industry sector *(continued)*

When the amount of loans and advances to customers for an industry/category accounts for 10% or above of the total amount of loans and advances to customers, the amount of overdue loans, impaired loans and credit impairment allowances in each expected credit loss stage are disclosed as follows:

	2023				
	Overdue loans and advances	**Impaired loans and advances**	**– Stage 1 (12-month ECL)**	**– Stage 2 (Lifetime ECL – not credit-impaired)**	**– Stage 3 (Lifetime ECL – credit impaired)**
Residential mortgage	**8,165**	**5,122**	**7,021**	**2,739**	**4,388**
Credit card	**29,910**	**16,383**	**26,666**	**19,179**	**15,562**
Micro-business loan	**5,269**	**4,592**	**9,130**	**1,649**	**3,793**

	2022				
	Overdue loans and advances	Impaired loans and advances	– Stage 1 (12-month ECL)	– Stage 2 (Lifetime ECL – not credit-impaired)	– Stage 3 (Lifetime ECL – credit impaired)
Residential mortgage	7,342	4,904	8,604	2,441	3,821
Credit card	31,413	15,650	26,255	19,383	14,665
Micro-business loan	4,582	4,031	11,180	1,839	3,640

As at 31 December 2023, for corporate loans and advances measured at amortised cost, the fair value of collateral held against impaired loans and advances is RMB3,810 million (31 December 2022: RMB3,206 million).

(H) Loans and advances to customers overdue for more than 90 days

(i) By geographical segments

	2023	2022
Headquarters	**13,308**	11,980
Yangtze River Delta region	**7,613**	7,716
Bohai Rim region	**4,863**	4,051
Pearl River Delta and West Coast region	**5,342**	4,619
Northeast region	**1,433**	967
Central region	**5,307**	5,239
Western region	**4,538**	3,653
Outside the Chinese mainland	**638**	395
Subsidiaries	**2,780**	2,458
Total	**45,822**	41,078

(ii) By overdue period

	2023	2022
Gross amount of loans and advances to customers which have been overdue with respect to either principal or interest for periods of:		
– between 3 and 6 months (inclusive)	**11,476**	15,379
– between 6 and 12 months (inclusive)	**11,598**	11,290
– over 12 months	**22,748**	14,409
Total	**45,822**	41,078
As a percentage of total gross amount of loans and advances to customers:		
– between 3 and 6 months (inclusive)	**0.17%**	0.25%
– between 6 and 12 months (inclusive)	**0.18%**	0.19%
– over 12 months	**0.35%**	0.24%
Total	**0.70%**	0.68%

(H) Loans and advances to customers overdue for more than 90 days

(continued)

(iii) Collateral information

	2023	2022
Secured portion of overdue loans and advances	**17,141**	16,404
Unsecured portion of overdue loans and advances	**28,681**	24,674
Fair value of collateral held against overdue loans and advances	**47,613**	42,302

The amount of the Group's overdue loans and advances to financial institutions for more than 90 days as at 31 December 2023 was RMB1 million (31 December 2022: RMB1 million).

Note: The above analysis represents loans and advances overdue for more than 90 days as required and defined by the HKMA.

Loans and advances with a specific repayment date are classified as overdue when the principal or interest is overdue.

For loans and advances repayable by regular installments, if part of the installments is overdue, the whole amount of these loans would be classified as overdue.

Loans and advances repayable on demand are classified as overdue when a demand for repayment has been served on the borrower but repayment has not been made in accordance with the instructions. If the loans and advances repayable on demand are outside the approved limit that was advised to the borrower, they were also considered as overdue.

The collateral of the Group included cash deposit, shares, land use right, property, motor vehicles and other equipment, etc. The fair value of collateral was estimated by management based on the latest available external valuations adjusted by taking into account the current realisation experience as well as market situation. Where collateral values are greater than gross advances, only the amount of collateral up to the gross advance had been included in the "secured portion of overdue loans and advances" as set out in the above tables.

(I) Renegotiated loans and advances to customers

	2023		2022	
	Amount	% of total loans and advances	Amount	% of total loans and advances
Renegotiated loans and advances to customers (Note)	**13,007**	**0.20%**	12,076	0.20%
Less:				
– Renegotiated loans and advances to customers overdue more than 90 days	**6,673**	**0.10%**	5,207	0.09%
– Renegotiated loans and advances to customers overdue less than 90 days	**6,334**	**0.10%**	6,869	0.11%

Note: Represents the restructured non-performing loans.

The amount of the Group's renegotiated loans and advances to financial institutions as at 31 December 2023 was nil (31 December 2022: nil).

(J) Non-bank the Chinese mainland exposures

The Bank is a commercial bank incorporated in the Chinese mainland with its banking business primarily conducted in the Chinese mainland. As of 31 December 2023 and 31 December 2022, most of the Bank's exposures arose from businesses with the Chinese mainland non-bank institutions or individuals. Analyses of various types of exposure by counterparty have been disclosed in the notes to the financial report.